REFORMING EDUCATION IN CALIFORNIA:

A GUIDE FOR CANDIDATES AND CITIZENS

PACE Policy Analysis for California Education

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Acknowledgments

This briefing book aims to sustain public focus on a long-term agenda for reform in California's education system that is grounded in research, analysis and policy thinking. We are grateful to The William and Flora Hewlett Foundation and The James Irvine Foundation for their generous support of PACE, which has made this publication possible.

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Policy Analysis for California Education (PACE) is an independent, non-partisan research center based at the Stanford University, University of California Berkeley, and the University of Southern California. PACE seeks to define and sustain a long-term strategy for comprehensive policy reform and continuous improvement in performance at all levels of California's education system, from early childhood to postsecondary education and training. To accomplish this goal, PACE bridges the gap between research and policy, working with scholars from California's leading universities and with state and local policymakers to increase the impact of academic research on educational policy in California.

Now in its 26th year, PACE:

- Publishes policy briefs, research reports, and working papers that address key policy issues in California's education system.
- Convenes seminars and briefings that make current research accessible to policy audiences throughout California.
- Provides expert testimony on educational issues to legislative committees and other policy audiences.
- Works with local school districts and professional associations on projects aimed at supporting policy innovation, data use, and rigorous evaluation.

Introduction

The education system in California today is unable to meet the needs of the state's economy or the expectations of its citizens. From school finance to ensuring the quality of teaching, from assessment and accountability to preparing students for college and careers, education policy today in California often works against the best interests of students, educators, parents, taxpayers and employers. If California is to meet its many social and economic challenges, it must begin with a comprehensive reform of its system of public education.

There is no one silver bullet to fix California's public education problems, but there are a series of good policies and practices that can be implemented to spur fundamental reform of the system and improved outcomes for California's schools and students. This briefing book provides a package of recommendations that, if implemented, will improve the quality of education in California. Beyond the specific recommendations proposed, three major themes are interwoven throughout the following chapters that should be considered each time the state revises its education policies.

- **Resources must be targeted to students who need them most.** California should concentrate its resources and target them to where they are most needed. The education system is rife with perverse incentives that target the largest share of resources, whether money or human capital, towards those areas and students that need them least. The state should target resources intelligently to reduce waste in the system and provide better learning opportunities for all its students.

- **Local schools and districts need more flexibility to allocate resources where needed.** California is an incredibly diverse state where counties, cities, and school districts face very different circumstances and challenges, but California's education system is one of the most state-centric in the nation. Schools and districts need the freedom to use resources to address the needs of their students. State-level regulations and categorical funding programs should be reduced to allow the state's diverse districts to respond to local circumstances and unique populations.

- **Policies should be designed to support continuous improvement.** California's education system should be committed to continuous improvement. New policies should be crafted so that they can be carefully evaluated, and systems for data collection and use should be greatly strengthened. New policies should be expanded when they are successful and reconsidered when they are not. Districts and schools should share information about successes and failures through networks and partnerships.

The following chapters and recommendations are drawn from PACE research and the work of other academics on education reform in California. Each chapter discusses a problem faced by California's education system, provides recommendations on how to solve that problem, and lists additional sources of information on that topic.

Of course, improving the education system is not enough by itself to ensure that California's children succeed and flourish. The state must also make

healthcare, safety, housing, transportation and supportive services a priority for all children and families.

Neither can the focus of reform be limited to K-12 education. The ultimate goal for California's education system should be the creation of a comprehensive system that supports children from pre-kindergarten through early childhood education, elementary school, secondary school and post-secondary education.

Some of these recommendations will require increased funding, others will not. Certainly a greater investment in educating our children is an investment that will serve California well, by ensuring that young people have the knowledge and skills that they need to lead productive adult lives and that California's high-tech industries can find the workers they need to sustain their leadership position in an increasingly competitive global economy. Only by providing California's children with an excellent education can we ensure the future prosperity of our state.

Ensuring Access to High Quality Teachers

One of the biggest problems in California's education system is the sheer scarcity of professional adults in our state's schools. In the 2006-07 school-year, for example, California's student teacher ratio was approximately 21:1, while the national student teacher ratio was less than 16:1. (See Table 1.) Compared to other states, California also ranks near or at the bottom in administrators, counselors and librarians per pupil. The scarcity of adults has troubling implications, especially when we consider that the ratio of students to adults is even higher in high-need schools across the state.

California educates approximately one-third of the nation's English language learners, more than three-quarters of whom are Spanish-speaking. More than 40 percent of California's public school children speak a first language other than English. English language learners face significant challenges beyond those faced by native English speakers. The majority of these students are living in poverty with parents who have very little education. They require teachers with special skills, as they need to learn both a new language and the academic curriculum. California faces a severe shortage of teachers with these skills.

Targeting Resources: Incentives for Teaching in Hard to Staff Schools and Subject Areas

The shortage of teachers, administrators, counselors, and librarians in California's schools is worst in California's neediest schools and districts. High-need schools face greater challenges in both attracting and retaining high-quality teachers. Schools with a high percentage of students receiving free lunch have more first and second-year teachers than schools with fewer poor students. Additionally, in 2008-09 approximately 5 percent of teachers in schools in the lowest API quartile were either underprepared or novice, compared to only 1 percent of teachers in schools in the highest quartile.[1] (See Tables 2a and 2b.)

High-need schools also find it difficult to retain their most experienced teachers. In fact, teacher turnover has been estimated to be 50 percent higher in high-poverty than in low-poverty schools. High turnover has substantial impacts on student success, as many students in high-turnover schools face a nearly continuous stream of substitute teachers who are generally less qualified and experienced

PACE RECOMMENDATIONS:

- Target incentives to attract high quality teachers to high-need schools and subjects.
- Increase flexibility in teacher preparation and recruitment.
- Limit state-level regulation of the labor market and encourage districts to experiment with alternative forms of compensation.

[1] The Center for the Future of Teaching and Learning (2009). The Status of the Teaching Profession. Retrieved from http://www.cftl.org/documents/2009/TCFReport2009.pdf

TABLE 1: Student to Staff Ratios and Rankings* 2006-2007

	Student/ Teacher		Student/ Counselor		Student/ Librarian		Student/ Administrator	
State	Ratio	Rank	Ratio	Rank	Ratio	Rank	Ratio	Rank
California	20.9	49	985.7	50	5,105.0	51	447.2	48
Florida	16.4	39	442.1	29	954.8	38	345.6	38
Texas	14.8	27	436.6	27	922.5	34	239.8	10
United States	15.5	--	474.8	--	905.5	--	318.8	--

* Ranking is from lowest to highest and includes all 50 states and the District of Columbia.
SOURCE: U.S. Department of Education, National Center for Education Statistics, Common Core of Data.

than full-time teachers. Additionally, schools with high turnover rates never see the returns on their investments in teacher professional development or recruitment costs.

The two biggest factors in teacher retention are salaries and working conditions. Both factors are deficient in high-need schools compared to other schools in the state. While a competitive salary is a necessary condition for retaining talented teachers, it is not sufficient and may in fact be less important than working conditions. Teachers who feel as though they have good working conditions — control over decisions affecting their classrooms, high quality leadership, a collegial work environment and access to high-quality professional development — are more likely to continue teaching in their schools for a longer period of time.

PACE recommends that California target incentives to attract teachers to the highest-need schools and districts.

Resources must be targeted to ensure that high-need schools have the leadership and expertise they need to succeed with their students. The current system of incentives for teachers and administrators typically offers higher salaries and better working conditions to those who work in low-need schools with easier to serve populations. Without additional financial and policy support to attract highly-qualified teachers and leaders to high-need schools, achievement gaps will persist and disadvantaged students will be less likely to receive the high-quality teaching they need to succeed. We also need to create incentives for

TABLE 2a: Percentage of Underprepared or Novice Teachers by API Quartile

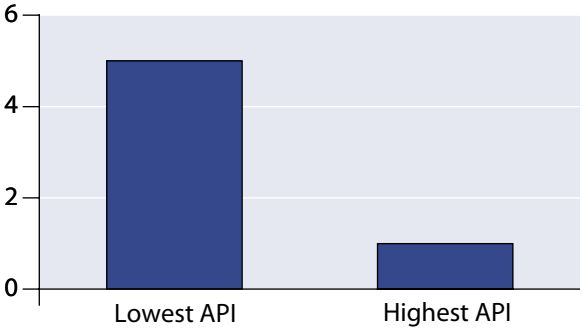
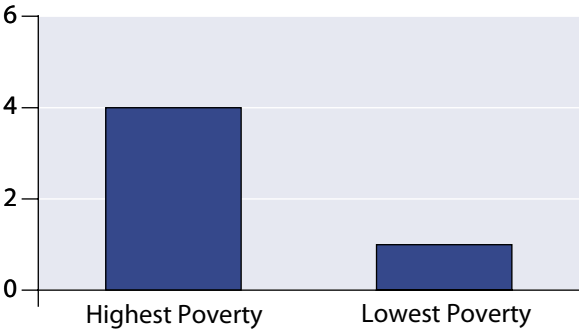


TABLE 2b: Percentage of Underprepared or Novice Teachers by Students in Poverty Quartile



SOURCE: The Center for the Future of Teaching and Learning (2009). *The Status of the Teaching Profession.*

teachers with the knowledge and skills required to succeed with high-need populations, including bilingual teachers.

Deregulation, Decentralization, and Local Flexibility

Teacher compensation is mainly determined at the district level through Collective Bargaining Agreements (CBAs) between teacher unions and school boards. In theory, local bargaining allows districts to design incentives for teachers in hard to staff schools and hard to staff subjects, to increase the number and quality of evaluations, to tailor transfer and vacancy policies to better serve educational goals, and to respond more adequately to class-size requirements. Locally determined and flexible CBAs can allow districts and teachers to determine how best to meet the needs of their students.

In practice, however, school districts do not have complete freedom in negotiating policies through the CBAs. Both state regulations and previously negotiated agreements with their focus on seniority and graduate credits limit local flexibility. Unfortunately, many of the districts that might benefit most from increased flexibility in compensation policies are the least likely to introduce innovative policies through their CBAs.

Increased flexibility would also allow districts to establish career pathways for teachers. These pathways can help districts recruit new individuals into the teaching profession, including those with hard-to-find skills in mathematics, science, special education, and second language education. It would also allow experienced teachers to advance in their careers without leaving teaching for administration or other professions. By creating new opportunities for experienced teachers to mentor novices, perform peer reviews and influence decisions, and by providing additional resources to reward teachers for assuming these duties, local districts can create a career ladder within the teaching profession, which may help schools to retain their best and most experienced teachers.

PACE recommends that California continue to encourage flexibility in teacher hiring, particularly through alternative pathways.

To fill positions in fields such as mathematics, science and special education, and to recruit more persons of color and bilingual individuals into teaching, districts must be given the freedom to recruit teachers from other professions and expand alternative pathways into teaching. This will allow districts to reduce the costs of entering the teaching profession for individuals, particularly those who can help to address the districts' greatest needs. This may also allow districts to identify which pathways produce the most qualified and best teachers for their students.

PACE also recommends that California limit state-level regulation of teacher labor markets and encourage districts to experiment with alternative forms of compensation.

Excessive state regulation of the teacher labor market lessens the ability of districts to tailor hiring, compensation and promotion policies to their own unique needs. It also substantially decreases the likelihood that teacher compensation will be competitive in the local labor market, particularly in urban areas. Increased flexibility to experiment with alternative forms of compensation will also allow districts to compensate teachers based on criteria that really matter, including differentiated responsibilities, professional development keyed to district priorities, and performance in the classroom. California has over 1,000 districts, ranging from small rural districts with only one small school to large unified districts with hundreds of schools; the state should not expect a "one-size fits all" regulatory approach to work for all districts. Instead, state policy should encourage

districts to experiment with alternative compensation structures and should support efforts to track and evaluate results.

Conclusion

Teachers are the single most important influence on the education of students. Compensation also represents the largest share of the state's education budget. Leveraging these dollars more effectively by eliminating perverse incentives, increasing local flexibility and innovation, and encouraging experimentation with alternative approaches to recruitment, retention, and compensation would better equip California's schools to find and retain teachers who can ensure success for all of their students, especially those facing the biggest challenges.

Further Reading:

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Alignment, Assessment, and Accountability

California currently assesses educational progress in a variety of ways. The California High School Exit Exam (CAHSEE) and California Standards Test (CST) assess students' individual skills, while measures of the Academic Performance Index (API) and Adequate Yearly Progress (AYP) report progress at the school level.

The California State University system uses the Early Assessment Program (EAP) to determine college readiness, while the University of California and California's 109 community college campuses determine their own placement standards. Assessments at the secondary level in particular offer few benefits for students. High school requirements and assessments are only weakly aligned with expectations for post-secondary education or workplace readiness, and the CAHSEE appears to have more negative than positive consequences for students.

The State of California has devoted significant resources to increase access to colleges and community colleges. Access has increased over time, but little has been done to help students thrive once they are enrolled in the UC, CSU, or community college systems. Consequently, many students are accepted and enrolled at a post-secondary institution only to find themselves in remedial classes; most of these students leave the post-secondary system without attaining a degree or credential. Table 3 shows the 2008 percentages of UC, CSU, and community college students unprepared for college level work in English, writing, and mathematics who enrolled in remedial courses. Students of color, English language learners, and female students are particularly vulnerable.

PACE RECOMMENDATIONS:

- Strengthen accountability by establishing a consistent set of achievement indicators tied to students, schools, and districts.
- Ensure that subject matter assessments are appropriate for English language learners via adaptation or accommodation.
- Align secondary assessments and requirements to post-secondary and workplace readiness.
- Reconsider the CAHSEE as a requirement for graduation.

Target Resources to Streamline and Align Assessments

One of the biggest challenges to the post-secondary success of California's students is their lack of information about what it takes to gain admission to and survive in higher education. Many high school students, particularly students in high-need schools, are unaware of the course or testing requirements necessary for college admission. They also have little understanding of the skills college courses will require. As a consequence, they often arrive at college significantly unprepared for college-level work.

TABLE 3: Percent of Incoming Students in Need of Remediation (2008)*

	Mathematics	English/ Writing
University of California**	--	27%
California State University	37%	47%
California Community Colleges	83%	72%

**Statistics based on regular admits and do not include conditional admits.*
*** University of California does not report remediation rates in mathematics.*
SOURCE: Legislative Analyst's Office (2010).

The problem is not that the state's college systems lack standards for student readiness. Both the UC and CSU systems require students to have taken courses that fulfill the a-g requirements in order to be admitted as freshman. (The a-g requirements spell out how many year-long courses students must complete in seven subject areas — a: history/social science through g: college preparatory electives — hence a-g.) Additionally, each of California's 109 community college campuses determines which placement tests it will use to determine college-readiness, and what scores it will use as benchmarks. However, the multiple requirements and assessments now in use create a confusing system for students, making it hard for them to know what courses they need to pass or scores they need to achieve to be successful in college and careers.

PACE recommends that the State of California recognize the augmented California Standards Test (CST) used in the Early Assessment Program (EAP) as the common standard of readiness for non-remedial, credit-bearing baccalaureate-level coursework in the state's colleges and universities.

In order to bridge the gap between secondary and post-secondary education in the state, the CSU system, the California Department of Education and the State Board of Education developed the EAP. The EAP had three goals: to inform students, parents, teachers, and administrators about a student's college readiness; to identify students who need additional preparation for college-level work before the 12th grade; and to motivate students to take necessary coursework during their senior year. The program provides both students and schools with resources and information to help increase college readiness.

Participation in the EAP is voluntary at all stages. To participate in the program, students need only answer additional, optional questions on the California Standards Test (CST) administered to students in the 11th grade and sit for an additional 45-minute essay test. Those who score high enough do not need to take CSU's placement exam and are automatically exempted from remedial work. Those who score below the benchmark receive advice about further courses to take and what other preparations they will need during their senior year to be college-ready.

The EAP has proven to be successful in preparing incoming students for college and reducing the number of students in the CSU system who place into remedial courses in math and English. Participation in the EAP has been estimated to reduce the average student's probability of needing remediation by 6.2 percentage points in English and 4.3 percentage points in math.[2] In addition, the EAP provides a much better indicator of skills to students, teachers, parents, administrators and employers than the CAHSEE, because it is aligned with both K-12 and post-secondary standards and expectations.

PACE recommends that California ensure that subject matter assessments are appropriate for English language learners via adaptation or accommodation.

[2] Howell, J.S., Kurlaender, M., & Grodsky, E. (2009). *Postsecondary Preparation and Remediation: Examining the Effect of the Early Assessment Program at California State University.* Unpublished manuscript, University of California at Davis, Davis, CA.

Once an English language learner has been enrolled in a district for more than 12 months, he or she is not allowed any accommodations on standardized tests, despite the fact that acquiring English proficiency takes between four and seven years. Current tests thus underestimate the actual academic skills of English language learners. Improvements in test scores attributed to greater subject mastery actually may be due to improvements in language acquisition. To remedy the lack of validity in assessments of English language learners, the state can either adapt the tests to make them language neutral or provide accommodations to English language learners. Such actions could include using a parallel test in the student's native language, translating directions, using dictionaries, and allowing for more time on tests. Valid assessments of all students in California schools, including English language learners, will provide California's schools and districts with more accurate assessments of their performance, which in turn can provide better information about which programs are successful and which are not. Additionally, revised assessments will ensure that students receive the instruction they need to succeed academically. These revisions represent a targeted use of state resources that will allow other targeted resources — special education programs and funding — to be used more effectively.

PACE also recommends that California monitor more effectively the placement of English language learners into special education.

Placing English language learners who are academically proficient into special education due to invalid test scores places them at a significant disadvantage in comparison to their peers. These students may have mastered a curriculum in their native language but are nevertheless placed in remedial or special education because of their inability to express that knowledge in English. In addition to the slower curriculum, the lack of academic role models proves a disservice to these students, making them more likely to fall behind their similarly proficient peers. The state must ensure that English language learners who are placed in special education or remedial classes are in need of these services, and are not being placed into these classes solely because of language barriers.

Create State-wide School Accountability Systems

California's overall accountability system is erratic. There is very little consistency in how California assesses and holds schools accountable, making it difficult to compare scores, and therefore performance, from year to year or across schools and districts. There are many different assessments used by districts, schools, and policymakers to assess students and the schools they attend. These assessments test different skills in different ways. For example, schools may score very differently on the API than on the AYP. It is equally likely that a student may pass the CAHSEE but score below proficient on the CST. This system is confusing for all stakeholders. It makes it difficult to gauge the performance of districts, schools and students, and poses serious obstacles for students and parents trying to understand what students need to do to be ready for college and careers.

PACE recommends that California strengthen accountability by establishing a consistent set of achievement indicators tied to students, schools and districts.

By creating a streamlined and better aligned system of accountability that is consistent across years and acknowledges the roles of students, teachers, schools, and districts in student achievement, California's accountability system can allow meaningful comparisons across years and across schools and districts. To achieve the goal of strengthened accountability, California should consider separating the state's testing office from the Department of Education and publishing National Assessment of Educational Progress scores along with state test scores. Additionally, California should aggregate and rank scores not just by school but also by district, to

increase accountability at the district level and illustrate the role played by districts in raising student achievement.

Exit Exams

California established the California High School Exit Exam (CAHSEE) in 2001, and passing the test has been a graduation requirement for all students since 2006. The intent of the requirement was to increase the skills of high school students and provide a clear indicator of basic skill attainment to employers. These goals have not been met by the CAHSEE, and the test may even have some negative effects on students, such as decreasing persistence in school and increasing the drop-out rate. Additionally, the CAHSEE has been shown to have stronger negative effects for females and students of color.

PACE recommends that California reconsider the role of the CAHSEE in the state's system of assessment.

The CAHSEE has not had the effect on students that the Board of Education intended when it was originally designed. The CAHSEE does not improve the academic achievement of California's high school students, nor does it provide employers with a good indicator of basic skills achievement. California could remedy some of the negative impacts of the CAHSEE by aligning the state's exit examination with grade-level standards and expectations, and by providing early warnings and support for students to ensure that they are informed about what it means and what it takes to be ready for college and careers.

Conclusion

A valid and worthwhile system of assessment and accountability is aligned with both K-12 standards and curriculum and with post-secondary requirements and expectations. The accountability component of the system should ensure that students acquire knowledge and skills that prepare them for college or the workforce, and the assessment components should test those skills. California's assessment system does not meet these requirements, and the diverse array of assessment tools in use today is confusing and inconsistent. California can do better. Building an assessment system that provides accurate and useful information to students, parents, teachers, and policy-makers should be an urgent priority for the state.

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Preparing Students for Success in Careers and College

Nearly one in five California high school students will drop out of high school, with dropout rates varying dramatically by region and student background. In the 2007-2008 school year, for example, the dropout rate in large urban districts ranged from 21 percent in San Francisco to 37 percent in Oakland. African Americans and Latinos are far more likely to drop out of school than their white or Asian counterparts, while male students are far more likely to drop out than females.[3]

There are many factors that influence whether or not a student will drop out of high school. Some of these factors, including family background and household income, are things that cannot be altered by the education system. Other factors such as teacher quality and appropriate assessments have been addressed at length in other chapters. Another major reform likely to lead to fewer dropouts and more motivated students is to adopt linked learning strategies that align secondary school classroom learning with career aspirations and provide the intellectual rigor necessary to succeed in higher education. By linking high school courses more closely to a student's ultimate career goals, California's secondary schools can decrease dropout rates and increase students' passion for learning.

The Linked Learning Approach

When implemented correctly, the linked learning approach has proven to be successful in increasing attendance, motivating students, reducing dropout rates and increasing academic achievement, particularly for the most at-risk students. Additionally, the linked learning approach leads to longer term higher earnings for graduates, again with the biggest effects accruing to those most at-risk. Unlike the tracked vocational and career education programs of the past, however, the linked learning approach not only prepares all students to succeed in careers after high school, but also provides all students with the knowledge and skills that they need to pursue a college education.

PACE RECOMMENDATIONS:

- Develop high school curricula adapted to specific occupational pathways that satisfy the a-g requirements.
- Develop standards and instruments to more fully assess college and career readiness.
- Encourage districts to experiment with innovative linked learning programs.

PACE recommends that California develop high school curricula adapted to specific occupational pathways that satisfy the -a-g requirements.

[3] California Department of Education data.

The strength of the linked learning approach lies in its ability to serve many different students with various needs and aspirations without "tracking" students into either a career or college curriculum. In order to retain this strength, any academic and occupational pathways developed in California high schools must also satisfy the a-g requirements for entry into the University of California and California State University system. The state should work with districts and the university systems to ensure that courses offered in linked learning curricula equip students with the knowledge and skills they will need to succeed in college and, when they do, that they are recognized by the postsecondary system as adequately fulfilling the a-g requirements.

Many schools have adapted existing curricula in an attempt to meet the a-g standards and provide workplace applicable training. Integrating career training in an ad hoc fashion while also meeting national, state and postsecondary requirements requires much ingenuity on the parts of teachers and administrators, and much work by university faculty and administrators to evaluate and approve the courses. Supporting the development of standardized a-g curricula tied to particular occupational pathways would be more efficient than leaving curriculum and course development to thousands of schools, particularly high-needs schools that may lack the time and talent to do this on their own. By providing models for schools that are already approved by California's postsecondary system, the state can ensure that more students are well-served by the linked learning approach.

PACE also recommends that California develop standards and instruments to assess college and career readiness.

California students who participate in linked learning programs already score higher than the statewide average on standardized tests,[4] but it is likely that many of the benefits students gain from their participation in career specific pathways are not assessed by California's current forms of standardized testing. The state of California should work toward the creation of appropriate and effective tools to assess college and career readiness for all students, including authentic assessments of student performance on curriculum-based tasks. Additionally, the State should specifically track which students are enrolled in linked learning programs, to evaluate their performance on assessments and their subsequent success in college and the workforce.

Finally, PACE recommends that California encourage districts to experiment with linked learning programs and provide the flexibility and support for them to do so.

The linked learning approach has the potential to provide students with the skills they need to succeed in college and careers, and to draw in at-risk students with curricula more likely to spur their interest and assist them in pursuing their career aspirations. By encouraging experimentation and innovation, and investing in evaluation, the state can determine which programs are most successful and which aspects of each program are driving student success. Local flexibility also allows schools and districts to partner with local business, a key stakeholder in any linked learning program, to develop rigorous career and college focused programs that respond to the needs of the local economy.

Conclusion

By aligning secondary school curricula with both workplace training and academic rigor, the state can reinvigorate students' engagement in high school and simultaneously prepare them to succeed in college and careers. Unlike the vocational education of the past, the linked learning approach has led to improved academic and career outcomes for California's

[4] Howard, D., & Wu, P. (2009). *Assessing California's Multiple Pathways Field: Preparing Youth for Success in College and Career.* The Bridgespan Group, prepared for the James Irvine Foundation. Retrieved from http://www.irvine.org/images/stories/pdf/pubs/assessingmultiplepathways.pdf

students, particularly those who are most at-risk of dropping out. By encouraging local innovation, designing curricula that are aligned with postsecondary standards, and properly assessing students for their readiness for both career and college, the state of California can improve outcomes for individual students and meet the needs of the state's economy.

Further Reading

- Howard, D., & Wu, P. (2009). *Assessing California's Multiple Pathways Field: Preparing Youth for Success in College and Career*. The Bridgespan Group, prepared for the James Irvine Foundation. Retrieved from http://www.irvine.org/images/stories/pdf/pubs/assessingmultiplepathways.pdf
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Financing the Education System

California's education system is more reliant on state funding than almost any other state. Additionally, the state's system of finance is so complex that only a handful of experts understand how California's schools are financed. This complexity imposes costs without providing benefits to the education system. California would gain from policies that increase transparency and flexibility in funding. Increased flexibility would enable districts and schools to direct funds to meet local needs, and to avoid the costs of compliance with today's complex funding rules.

As in all states, California's system of education finance relies on local, state, and federal funds. Unlike other states, however, most local property taxes in California are in effect sent to the state to be re-distributed along with supplemental state funds to local school districts. In addition to these "revenue limit" funds, the state also distributes lottery funds and categorical funds to local school districts. Local school districts have few options when it comes to raising additional funds, and the options that do exist are more feasible in high-income districts.

Addressing Inequality

California, like the rest of the nation, has a system of education finance that produces wide inequalities in the resources available to different schools and school districts. Multiple attempts to decrease inequalities in the past four decades have proven ineffective. The state must distribute revenue limit funds equitably, but the proliferation of poorly targeted categorical funding programs and unequal access to local funds perpetuate or even increase inequality. Thus, California's system of school finance remains not only confusing and incoherent, but also unequal.

PACE RECOMMENDATIONS:

- Reform the school finance system by implementing a weighted-student funding formula.
- Limit and streamline the categorical funding provided to schools relative to unrestricted funds.
- Consider options for enhanced local funding of schools.

Perhaps the most difficult consideration in designing an education finance system is how to create a system for distributing resources that responds to the challenges of hard-to-serve schools and students without incorporating perverse incentives that reward poor performance and punish success. An effective system must acknowledge the increased need for resources in schools serving low-income and English language learners and provide positive incentives for local educators to improve the performance of their schools and students. California's current system of finance does in fact provide additional resources to low-performing schools. Under current rules, however, schools risk losing the resources necessary to achieve good outcomes if they are successful in serving their students and improving scores.

PACE recommends that California implement a weighted-student funding formula.

A weighted-student funding formula is the best available system for addressing the increased need for resources in schools serving disadvantaged groups, without creating perverse incentives that end up rewarding low performance. A finance system based on weighted-student funding attaches funds to students as opposed to staff. Schools receive a base amount of funding for each child enrolled in a school and additional funds if demographic or other characteristics of those children make them hard-to-serve.

Both the Governor's Committee on Education Excellence and Bersin, Kirst, and Liu[5] have recommended plans to implement weighted-student funding systems in California. Their proposals differ in some significant ways, but they both recommend a finance system with two types of block grants. The first would be an unrestricted grant based on a measure of student enrollment, while the second would include targeted grants to serve low-income students, English language learners, and students in need of special education. These funds would be used to serve the designated population and would be based on the school's enrollment of high needs students. Both proposals would decrease inequality and streamline California's system of education funding.

Increasing Local Control

One of the major consequences of California's education finance system is that local districts have far too little control over the resources available to them or how those resources are used. Since the 1970s, the relative importance of categorical funding has increased greatly, and local jurisdictions have faced increased restrictions on how they can raise funds for their schools. Additionally, administrators at both the school and district levels must commit time to complying with the requirements imposed by categorical funds, rather than focusing on more important questions of leadership and serving students.

PACE recommends that California limit and streamline the categorical funding provided to schools, and increase the allocation of unrestricted funds.

Since 1980, the number of categorical programs has increased more than six-fold, and the categorical share of state dollars has increased by 165%.[6] These categorical funds overlap, give too little attention to accountability, and are distributed inequitably. The state would be better served by creating a simpler, more streamlined system with a smaller relative percentage of categorical funding, clearer targeting, and greater oversight of those categorical funds that do exist.

PACE recommends that California consider options for enhanced local funding of schools.

Under California's current system of school finance, local districts mostly have their hands tied in terms of raising additional funds. Those options that are available are extremely difficult to enact, and often serve to increase rather than decrease educational inequalities. School districts can institute a parcel tax that requires a 2/3 vote to pass, or a local option sales tax that is also subject to the 2/3 requirement. They can also raise funds from foundations, library fines, and reimbursements; volunteer time is another valuable resource that local school districts can tap.

[5] Bersin, A., Kirst, M.W., Liu, G. (2007). *Getting Beyond the Facts: Reforming California School Finance.* The Chief Justice Earl Warren Institute on Race, Ethnicity, and Diversity. University of California, Berkeley, CA.

[6] Timar, T. (2007). *Financing K-12 Education in California: A System Overview.* Institute for Research on Education Policy and Practice, Stanford University, Stanford CA. Retrieved from http://www.stanford.edu/group/irepp/cgi-bin/joomla/a-research-project-examining-california-s-school-governance-and-finance-systems.html

Expanding options for raising funds locally will not only increase the ability of local administrators to use funds to accomplish local goals, but will also increase transparency. If the community is able to see more clearly how local funds benefit schools and children, local engagement with schools and local commitment to supporting schools are both likely to increase.

At present there is wide variation in the quantity of resources that school districts raise from local sources. There is too little transparency with regard to local funding, but it is clear that schools in high-income areas are generally the schools that obtain the most local resources. Policies that seek to make it easier to raise funds locally should be accompanied by policies that target additional state resources to schools and school districts that face difficulties in generating such resources.

Conclusion

California's education finance system is complex, inefficient, and inequitable. The state must take action to simplify the system of finance and to increase both transparency and equity. By instituting a weighted-student funding system, limiting categorical funding programs, and enhancing options for local funding the state can better serve California's students and strengthen the connections between citizens and their schools.

Further Reading

- Sonstelie, J. (2008). The Financing California's Public Schools. *Conditions of Education in California.* PACE, Stanford, CA.
- Timar, T. (2007). *Financing K-12 education in California: A System Overview*. Institute for Research on Education Policy and Practice, Stanford University, Stanford CA. Retrieved from http://www.stanford.edu/group/irepp/cgi-bin/joomla/a-research-project-examining-california-s-school-governance-and-finance-systems.html
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- Kirst, M.W. (2006). *Evolution of California State School Finance with Implications from Other States.* IREPP, Stanford University, Stanford, CA. Retrieved from http://irepp.stanford.edu/documents/GDF/SUMMARIES/Kirst.pdf

Conclusion

The performance of California's education system falls far short of what students need and citizens expect. Students need an excellent education system to prepare them for productive, engaged adult lives. Citizens expect their education system to support the economic growth and prosperity of our state.

It is clear that rebuilding the education system in California will ultimately require more—probably a lot more—money. In the present fiscal environment, it is imperative that we think carefully about new funding and fund reallocation. But many of the changes that are required can be made without much new money, and the current budget crisis offers no excuse for delaying reforms that can be adopted now.

In this briefing book we have focused on four critical areas: the quality of teaching, assessment and accountability, college and career readiness, and education financing. Our recommendations are unified by three basic principles: resources should be targeted towards the schools and students who need them the most, local educators should be given the flexibility they need to adapt policies to local circumstances and goals, and state policies should be designed to encourage innovation and promote continuous improvement in our education system. In our view, policies guided by these three principles can begin to move California's education system in the right direction.

This year's election can mark a turning point in the history of California's education system. The changes we recommend can ensure a more prosperous future for our children and our state. Working together, we can build better schools for our children. Failure to act leaves their future at risk.