**Filling the Gap: The Role of Voluntary Contributions and Parcel Taxes in Supplementing K-12 Spending in California**

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**Abstract**

California allocates a significantly smaller portion of state and local government revenue to K-12 education than most other states. State revenue limits establish spending levels that are, in many school districts, substantially lower than a large majority of residents would prefer. In order to increase public school expenditures, citizens of California have 1) established local education foundations, booster clubs, parent-teacher associations, and other groups to raise money by soliciting voluntary contributions, and 2) sought to enact parcel taxes, which Proposition 13 authorizes. A parcel tax requires the approval of two-thirds of the voters in a jurisdiction, and requires that all individual parcels of property pay the same tax regardless of their value.

In this paper we report and analyze data on voluntary contributions to local school districts in California, and on parcel taxes. Our analyses, consistent with previous findings, indicate that wealthy districts, as well as those with relatively smaller student enrollments, raise disproportionately higher levels of voluntary contributions and are much more likely to approve parcel tax measures. While the excess property tax revenue collected by basic aid districts discourages them from seeking additional parcel tax revenue, it does not appear to discourage voluntary contributions. Parcel taxes and voluntary contributions, in contrast, are complements, in that districts that have parcel taxes also tend to have higher levels of voluntary contributions, and vice versa.

**Introduction**

According to Census Bureau figures, in the 2009-10 school year California public schools ranked 35th among the states in per-pupil spending--$1,240 below the national average. When state differences in income and cost-of-living are taken into account California’s rank in per-pupil spending drops to 49th (Education Week 2013). Average educational outcomes for the state are also unimpressive, as California students consistently rank below the national average on National Assessment of Educational Progress (NAEP) reading and math scores.

Policy analysts almost always attribute California’s relatively poor ratings on educational inputs and outputs to the negative synergy produced by two major political developments. First, in 1971, the California Supreme Court, in its landmark *Serrano v. Priest* decision, ruled that the system of public school finance then in place in California was in violation of the Equal Protection Clause of the Fourteenth Amendment and the California Constitution. Because public school funding was largely based on local property taxes, property-rich districts could generate much more revenue per pupil at a given tax rate than property-poor districts. The Court found it unacceptable that the quality of education that students received was tied to the wealth of the school districts in which they resided. Subsequent rulings in the case mandated that differences in per pupil spending across school districts must be kept within a margin of $100 (an amount that has subsequently been adjusted for inflation).

The California state legislature responded to these rulings by dramatically altering, and centralizing, the state’s education finance system. Every school district is subject to a revenue limit that is set annually by the state. For the vast majority of districts, the state supplements whatever revenue has been raised through the local property tax to bring the district up to that revenue limit.1 This system has dramatically equalized per-pupil expenditures across school districts in California. Within a wide range of plausible parameters, however, a centralized state system that severs the connection between local tax revenue and local district expenditures is predicted to produce lower expenditure levels Fernández and Rogerson, 1999, 2003).

A second major upheaval in California public school finance was triggered by the approval of Proposition 13 in 1978. Following close upon the *Serrano* decisions, and, to some degree, a consequence of *Serrano* (see Fischel 1989), Proposition 13 significantly lowered property tax rates and produced an immediate drop in local government revenue. The state stepped in to supply additional revenue for schools and other local governments, further centralizing the state’s education finance system. According to most observers, the combination of the *Serrano* decisions and Proposition 13 transformed California’s school finance system from one of the least equitable to one of the most equitable, but did so by leveling down: “…during the period of reform, spending per pupil in California declined about 20% relative to the rest of the country” (Brunner and Sonstelie, 1997, p. 8). 2

Some scholars have challenged one or more aspects this account. Gerber *et al*. (2001) show that California devoted a smaller percentage of total state and local revenue to public education, compared to most other states, even before Proposition 13. In their view per-pupil spending has subsequently declined, relative to other states, because California has become relatively less wealthy compared to other states. More generally, McCubbins and McCubbins (2014)’s comprehensive analysis of state-level tax and expenditure limitations indicates that such strictures have been ineffective in limiting taxes and expenditures. As for court-mandated equalization reforms, Hill and Kiewiet (2015)’s analysis of educational finance data indicates that “equity-based” rulings such as *Serrano* did lead to lower levels of inequality in cross-district expenditures in the states that were subject to them. Overall spending levels, however, were not systematically affected.

Whether one is persuaded by the tidy *Serrano*+13 explanation or not, however, there is no disputing the fact that most residents of certain school districts—in particular the relatively wealthy ones—favor significantly higher levels of expenditures on their school or district than the default revenue limit dictates. It is the wealthy districts in the state that lost the most in terms of post-*Serrano* and Proposition 13 funding levels, (Brunner and Imazeki, 2005), and necessarily the same wealthy districts whose residents have a greater ability to pay for higher expenditures.

In seeking to address the gaps in educational services resulting from funding shortfalls, and perhaps also to acquire some degree of local control over public school policies, those desiring higher levels of expenditures in local schools have responded in two major ways: 1) to raise additional money for the school or district through voluntary contributions, and 2) to bring in additional tax revenue by obtaining voter approval for a special tax, known as a parcel tax, that is permitted under the terms of Proposition 13. The following two sections assess the effects of these two supplemental funding mechanisms, respectively. Among other things, we seek to determine how much money these mechanisms are able to raise, in both absolute dollar and per-pupil terms, and what factors make some schools and districts more successful in raising money to supplement the default level received from the state.

**Voluntary Contributions to Local Public Schools**

Several types of organizations raise money for particular school districts, for particular schools, and for particular activities within a school. Because they can register as 501(c)(3) nonprofit organizations, donations to such organizations are tax deductible. One of the most common of these organizations is the Parent Teacher Association. PTA’s have existed for many decades and, for the most part, are coordinated by the state-level parent organization in California as well as in most other states. Other groups adopt similar labels, e.g., parent-teacher organizations (PTO’s) or parent-teacher-student-associations (PTSA’s). All but a few of these are not affiliated with the statewide parent organization and, we presume, desire to differentiate themselves from the PTA. Another longstanding fundraising organization in public schools is the booster club. Boosters typically contribute to specific athletic teams, music and theatre groups, or to academic initiatives such as international baccalaureate programs or science and language instruction. Some direct their monies to a school or district in general.

A type of fundraising organization for public elementary and secondary schools that has emerged more recently is the local education foundation (LEF). Most such organizations refer to themselves explicitly as foundations, but in recent years it has become more common for them to adopt the moniker of “Friends” of a particular school or district. The California Consortium of Education Foundations (CCEF) reports that there are currently 675 local education foundations active in the state. This is a large number, but it should be kept in mind that there are nearly 1,000 school districts in California and nearly 14,000 individual schools.

Several scholars have traced the emergence and growth of LEF’s, in California as well as other states, to school finance reforms that have adversely affected school district revenue (Brunner and Sonstelie 1997; Zimmer et al. 2001; Brunner and Imazeki 2005). As Figures 1 and 2 show, virtually all LEF’s in California have been founded in the years following Proposition 13. LEF websites frequently indicate that their mission is to address shortfalls in state funding levels. The following examples are typical:

* "With ongoing budget cuts from the State of California, public education is facing more hurdles every year to providing a strong, vibrant education for our children need. Simply put, our children would not be educated adequately without private funding." – Alameda Education Foundation.
* “Tax dollars, alone, are not enough to best prepare our students for the world and workforce they will enter.” – Carlsbad Educational Foundation.
* “MBEF helps fill the gap between what the state provides the district and what it costs to provide a well-rounded, quality education for students.” – Manhattan Beach Education Foundation.
* “Kiddo! was founded in response to the passage of Proposition 13, which drastically reduced property taxes and, correspondingly, public school funding. The school funding situation is no better today – California now ranks 49th in the nation in terms of annual per pupil expenditures.” – Mill Valley Schools Community Foundation.

Figures 1 and 2 about here

Dietrick (2009) reports that money raised through contributions is used for a wide variety of purposes. Many supply revenue for programs and services that are typically the first to go on the chopping block—arts and music programs, libraries, and language instruction. Other common uses for the supplemental funds these organizations provide are classroom supplies, field trips, summer science camps, computers and other information technology. It appears, however, that in many school districts these “supplemental” funds are increasingly underwriting core curriculum instruction in English, math and the sciences: “As state funds for key programs continue to be cut, it may be expected that LEFs will move even further into the areas of direct programming and, in the process of doing this, support the payment of teacher salaries” (Deitrick 2009, p. 188).

**Parcel Taxes**

Proposition 13 eliminated the ability of local governments to set property tax rates by establishing a uniform statewide rate: one percent of market value, determined by the price at which the property last sold, with a two percent annual adjustment for inflation.3  Proposition 13 is likely the most famous (or infamous) exercises in direct democracy that this country has ever seen. Few people at the time, though, paid much attention to Section 4 of the proposition:

Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

A form of taxation that satisfies the strictures of Section 4 is what has become known as the “parcel tax.” A parcel tax sets a specific dollar amount of tax, e.g., $150, that owners of each parcel of property in the affected jurisdiction, regardless of its value, must pay annually. When parcel tax proposals first appeared on the scene, most specified a four-year time limit to coincide with the time frame for overriding Gann (Proposition 4 of 1979) spending limits.4 Although subsequent elections to extend existing parcel tax levies have enjoyed high rates of success, it is now more common for them to specify longer time frames, and some proposals now specify the tax to be imposed indefinitely.

A key feature of the parcel tax is obviously the two-thirds threshold for approval. McGhee and Weston (2013) estimate that if the threshold were reduced to the 55% requirement that obtains for local bond elections the current approval rate of 60% would increase dramatically to 89%.5  Parcel tax proponents have adopted a number of strategems to increase their odds of achieving two-thirds approval. In 1987 the state legislature enacted legislation to permit local jurisdictions to exclude aged (over 65) and disabled property owners from the tax, and the courts have upheld such exclusions. Others have sought to circumvent the uniformity requirement of Proposition 13 by tailoring the tax to characteristics of property that are correlated with its value, e.g., imposing taxes on a square-foot basis, or setting lower taxes for residential properties than for commercial properties. In *Borikas v. Alameda Unified School District* (2013), the First Circuit Court of Appeals invalidated a parcel tax that differentiated between properties in these ways. Unless this decision is overturned by a higher court or the legislature intervenes, future parcel tax proposals will likely not contain such provisos.

**Previous Research**

**S**everal studies have assessed the role that voluntary contributions and parcel taxes play in supplementing state-imposed default revenue limits in California school districts. Two common themes run through this research. First, the total amount of revenue raised by these mechanisms is quite limited, in each case less than one percent of total state funding form K-12 education (Brunner and Sonstelie 1997, 2003; Brunner and Imazeki 2005; Zimmer et al. 2001; Dietrick 2009; Brunner 2001; Meszaros 2011; McGhee and Weston 2013). The reason why only modest amounts are raised through voluntary contributions is self-evident; when it comes to contributing voluntarily to the provision of public goods, the dominant strategy of each individual in the jurisdiction is to free-ride (Olson 1965). Parcel tax revenue is limited because two-thirds approval is possible to obtain in only a small number (currently about 10 percent) of California school districts, and even in these cases only modest assessments levels will win approval.

The second general finding is ubiquitous (there are no exceptions): revenue raised through both voluntary contributions and parcel taxes is heavily concentrated in the upper tier of California’s wealthiest school districts. Researchers have expended little or no effort to explain why this is the case, and probably should not have. There are additional patterns that have emerged; most notably, school districts in the San Francisco Bay Area are far more likely than others to have approved parcel taxes, presumably because the liberal ideology that is so widely shared by residents of this area is more supportive of taxation to support public goods.

If previous findings are utterly sensible and widely accepted, and there is no controversy in the literature to address, why undertake another study? What is the potential value added? There are, we believe, three major ways that this study can contribute to our understanding of public school finance. First, our analyses are considerably more comprehensive than previous studies, in that we investigate the impact of several variables other than district wealth on the incidence of voluntary contributions and parcel taxes. We also distinguish between the various types of organizations that raise funds for particular schools and school districts. Secondly, we assess the joint impact of voluntary contributions and parcel taxes in supplementing the financial resources available to public schools. Finally, we explore the political and societal implications of voluntary contributions and parcel taxes in what is hopefully a more fair and balanced way than has previously been the case.

**Data Analysis**

Our first task is to assess the financial impact of voluntary contributions and parcel taxes, both overall and at the level of individual schools and school districts. The financial data we collected on voluntary contributions are drawn from the Form 990 reports that nonprofits file with the IRS, and which are made available online Guidestar. These organizations do not necessarily file every year, so if 2012 data were not available the figures we analyze are from the most recent year going back to 2008. We converted all financial data to constant (2011) dollars by adjusting for Consumer Price Index (CPI) reported by the Bureau of Labor Statistics. Please refer to the Data Appendix for additional details.

As indicated in Table 1, the 1926 organizations for which we have so far collected data include 509 LEF’s, 363 large PTA’s, as well as 1054 booster clubs and other types of organizations.6 The entries here report the medians, quartile breakdowns, maxima, and overall averages of revenue raised annually. All three categories of educational fund-raising organizations vary greatly in the amount of money they raise. That LEF’s tend to raise much more on average than PTA’s, and that PTA’s raise much more money than booster clubs and other organizations, which is exactly what should be expected. About a fourth of the LEF’s seek to raise money for entire school districts, and districtwide LEF’s tend to raise the largest sums of money.7 PTA’s, on the other hand, almost always support specific schools, and booster clubs overwhelmingly support specific programs within particular schools. Another feature of Table 1 that is readily apparent is that in all cases the average revenue figure is larger than the median--The large differences in the mean and median revenues, especially for LEF’s, indicate that a few nonprofits are able to raise large amounts of funds, while most raise much lower levels.

Tables 1 and 2 about here

The entries in Table 2 report the same financial data but on a per-pupil basis. The major effect of viewing the data this way is to show that PTA’s reach parity with LEF’s in fund-raising ability. Remarkably, one LEF, the Truckee Charter School Foundation, raised $8780 for each of students. As is usually the case, extreme outliers are the product of special circumstances. It turns out that this foundation had received a $575,000 federal public charter school grant. These funds are to be used primarily to construct new facilities for a very new (2010 start date) and very small school. Another foundation, the Yosemite-Wawona Educational Foundation raised $54,225, which works out to $6778 for each of the 8 students enrolled in the school. The vast bulk of organizations raising money through voluntary contributions, however, achieve much more modest results. In the 2009-10 school year California spent $9,375 per pupil. The $100-$200 per pupil they raise thus amounts to 1-2% of average spending levels, and we are considering here only those districts that receive voluntary contributions. Many districts receive none.

Table 3 reports the corresponding total and per-pupil revenue figures for parcel taxes. As with voluntary contributions, average figures are considerably larger than medians. This means that there are a relatively small number of districts that raise considerably more revenue from parcel taxes, while most raise much more modest amounts. In general, districts that have parcel taxes raise much more revenue through this mechanism than through voluntary contributions. On the other hand, there are only 93 school districts in California that collect parcel tax revenues, while about 450 receive at least some money in the form of voluntary contributions. As we have seen, furthermore, some organizations raise amounts of money that are far greater than average, and some schools and school districts have several organizations raising money.

In order to gain a clearer appreciation of the impact of voluntary contributions vis-à-vis parcel taxes we aggregate the individual organizational voluntary contribution data to the school district level. We then seek to determine, through regression analysis, the major factors that account for why some districts benefit from much higher amounts of voluntary contributions than others. We also conduct a parallel regression analyses to determine the factors that account for the highly differential impact of parcel taxes, as well as for the total amount of money garnered from the combination of voluntary contributions and parcel taxes.

Previous research, combined with an appreciation of the basic principles of social science, points to a number of factors that should help us predict how much money people voluntarily contribute to their local school, as well as how likely residents of a school district are to vote additional taxes upon themselves for this cause. First, and paramount, is the ability to pay. More affluent citizens can be expected to contribute more, and to be more willing to pay a given amount of taxes to support local schools (remember that a parcel tax imposes the same dollar amount of taxes regardless of the value of the parcel of property). Secondly, Olson (1965) was the first but far from the last to observe that the extent of free-riding in financing public goods increases with the size of the group involved. Per pupil levels of voluntary contributions should thus fall as the size of the school district increases. Olson’s theory of public goods similarly holds that the amount of money raised can greatly benefit from contributions made by a small number of proponents with a high ability, and willingness, to contribute—what he calls “fat cat” provision. Olson and other public choice theorists give no guidance as to whether or not support for parcel taxes should increase or decrease as a function of district enrollment numbers, or with the likelihood of fat cat provision. But these of course are matter than can be empirically estimated.

It is also important to take into account the basic demographic profile of school districts. Some have relatively large numbers of children, which we expect to encourage both voluntary contributions and support for parcel taxes. In districts with relatively large numbers of older citizens, public schools may be assigned a lower priority. As observed earlier, proposals for parcel taxes tend to exclude property owners who are over 65, reflecting a presumption that such individuals would otherwise tend to oppose parcel tax levies.

Some additional variables that need to be considered derive from the fact that supplemental revenue that school districts derive from one source necessarily affects the amount of supplemental revenue derived from other sources. In the large majority of school districts in California, local property tax revenue is insufficient to reach the statutory revenue limit, and so their budgets are topped off with money received from the state. There are, however, currently 125 school districts in California that generate more local property tax revenue than is needed to reach the revenue limit, and they are allowed to retain this “excess” revenue. For many the excess is not excessive—less than a thousand dollars per pupil. For a small number of small, elementary school districts, excess revenue exceeds the revenue limit by more than 400% (Weston 2013). We would expect, though, that the greater the amount of excess revenue generated by the property tax in basic aid districts, the less revenue they will generate, holding all else constant, from voluntary contributions or parcel taxes.

As for the interplay between voluntary contributions and parcel taxes, there are competing hypotheses to be entertained. There is plenty of reason to expect them to be substitutes. In districts that have succeeded in putting a parcel tax in place, residents may be less receptive to appeals for voluntary contributions. But they might well be complementary. Journalistic accounts of successful parcel tax campaigns frequently credit the PTA or local education foundation as a crucial source of campaign contributions and volunteer labor.

In order to estimate the impact of these various factors on voluntary contribution levels, revenue raised through parcel taxes, and, finally, by the combination of both these mechanisms, we estimate three simple regression equations of the following form:

Y*i* = α + βX*i* + γZ*i*+ ε*i*

where:

*Yi*  = the amount of per-pupil revenue produced in each school district by voluntary contributions, the amount of per-pupil revenue derived from parcel taxes, and the combination of contributions and parcel taxes in the first, second, and third equation, respectively.

*Xi*  = a set of variables predicting per-pupil amounts of supplementary revenue. These variables include:

* Median family income in the school district (measured in 2011 dollars). Higher income levels are hypothesized to generate more revenue from voluntary contributions and from parcel taxes.
* The log of district enrollment. Districts with relatively small numbers of students are expected to garner more voluntary contributions per pupil. No relationship with parcel taxes is hypothesized.
* The Gini Index, which is an indicator of income inequality. A higher index number is indicative of the presence of more high income individuals who are potential “fat cat” providers of voluntary contributions. No relationship with parcel taxes is hypothesized.
* The percent of the population in the district that is ages 5 to 17, which should be conducive to more voluntary contributions and parcel tax revenue.
* The percent of the population in the district that is over 65, which should discourage the collection of both voluntary contributions and parcel taxes.

*Zi*  = variables that register the effect of the different sources of supplementary revenue upon each other. These include:

* “Excess” property tax revenue collected in basic aid districts. This revenue is hypothesized to discourage both voluntary contributions and parcel tax collections.
* Per-pupil revenue generated by parcel taxes, specified in the first regression equation pertaining to voluntary contributions, and per-pupil revenue generated by voluntary contributions, specified in the second regression equation pertaining to parcel taxes. Positive signs on the estimated coefficients indicate that these sources of supplementary revenue are complements, while negative signs would indicate that they are substitutes.

As pointed out above, there are a number of very small school districts in California (almost entirely elementary districts) that are characterized by having extremely high levels of voluntary contributions, parcel taxes, excess property tax revenue, or some combination of all of these things. In order to insure that our results were not unduly influenced by these outliers we confined our regression analyses to the 785 districts which had more than 200 students enrolled in the 2011-12 school year. In the results reported in Table 4 the top number in each entry is the estimated coefficient, and the bottom number in parentheses is the standard error. Coefficients that are twice as large as the corresponding standard errors can be considered to attain conventional levels of statistical significance.

Table 4 about here

The regression results are consistent with many of the hypotheses posed above. In all three regressions signs of the median income are very large and in the expected positive direction, indicating that voluntary contributions and parcel tax revenues both increase as people are better able to pay for them. Had these results been otherwise we would have called a press conference. We similarly see, as has been observed in all previous research that the larger a school district is in terms of enrollment, the less supplementary revenue they receive. This is consistent with standard results concerning collective action, as it indicates that smaller communities are better able to come together to raise support for their schools.

Olson’s “fat cat provision” effect is evident in the large positive sign of the Gini Index coefficient in the voluntary contributions equation, suggesting that a small number of high income individuals in these areas give significant support to the schools they perceive to be in need. Interestingly, the sign of this coefficient is also large and positive in the parcel tax equation, where we had no expectations one way or the other. Effects of the demographic measures do not present a clear pattern. The coefficient of the Percent 5 to 17 measure is in the predicted positive direction in the voluntary contribution equation and combination equation. However, it has a negative sign in the parcel tax equation, which runs counter to our hypothesis. Similarly, the coefficient of the Percent over 65 measure is negative in the parcel tax equation, indicating that provisions to exclude such citizens from paying parcel taxes are not based on mere suspicion. The sign is positive in the voluntary contributions equation, which is not what we had hypothesized.

Our results concerning the impact of excess property tax revenue collected in basic aid districts are also inconsistent. There is the hypothesized “crowding out” effect registered by the negative coefficient in the parcel tax equation, but the positive sign of this coefficient in the voluntary contributions equation indicates that the amount of contributions actually increases with the amount of excess property tax revenue collected—a sort of “piling on” effect. Finally, the results of the regression analysis indicate that voluntary contributions and parcel taxes are complementary, in that in both equations higher levels of one source of supplemental revenue are associated with higher levels of the other.

**Discussion**

PTA and LEF websites, as well as campaign materials produced by groups urging approval of a parcel tax, generally point to a gap—a large gap—between what sort of education they believe their children should receive and what the district is able to provide with the funds available at the statutory revenue limit. They describe their activities as efforts to secure the additional revenue that is needed to fill this gap. To be sure, there are a handful of small, basic aid school districts in California that are virtually swimming in revenue. What most fund-raising organizations and campaigns aspire to, however, is remarkably modest. The successful ones, by persuading local citizens to dip into their own pockets or to impose an odd and highly regressive tax upon themselves, are able to increase the financial resources in their district to a level that funds per-pupil expenditures at roughly the national average. The additional revenue they provide pays for such things as office supplies, audio-visual technology, field trips to local nature sites, and library aides. And there may be other benefits that flow from these fund-raising efforts. There is a good chance that their school’s PTA or one of its athletic team booster clubs is the only civic organization that many people ever join, thwarting to some extent, the inclination of people to go bowling alone (Putnam 2000).

One must respect these efforts, and there are few people who do not. The interface between the public sector (in this case local public schools and school districts) and the nonprofit sector (here private fund-raising organizations) can be complicated. In some cases they act as partners, in others as competitors, in the provision of public services (Salamon, 2012). In particular, low levels of government funding may have a “crowding in” effect, drawing contributions to nonprofits that serve public purposes due to government failure. Carroll and Calabrese (2013) observe that “government might act as a free rider and reduce its tax burden” on residents in relation to greater service and funding provision by the nonprofit sector (p. 213). If an LEF funds a project one year, will they be expected to fund it in the future (Deitrick 2009)?

It any case, the large majority of K-12 students in California do not benefit from either voluntary contributions or parcel taxes. For them there are no efforts to close the gap. Many observers of public education, then, are dismayed to see the resurgence of large disparities in per-pupil funding that the *Serrano* decision was supposed to eliminate so many years ago (Reich 2005). A related concern is that there arises a mismatch between where supplementary funds are directed and where they would do the most good. Sattem (2007) suggests that there are diminishing marginal returns associated with additional education dollars directed to school districts in affluent areas. Based on research indicating that school funding is more impactful when directed at minority and disadvantaged students (Grissmer, Flanagan and Williamson, 1997), she argues that additional funds provided to wealthier schools have less positive impact on students than if the same money had been spent on students attending schools in lower income neighborhoods (2007, p. 39). Finally, some education policy experts are concerned that

schools that rely heavily upon revenue raised by private organizations may yield too much influence to these organizations. As Deitrick puts it, “If and when LEF funds represent a significant portion of a school district’s annual budget, the influence of a private LEF board could become significant to the point of mitigating the decision-making of a publicly elected school board” (2009, 193). Ravitch (2000) expresses this same concern, but much more adamantly.8

It is probably inevitable that studies of public education provoke debate over the basic principles of democratic theory. What is the proper relationship between public sector institutions and the private institutions with which they interact? How much disparity in levels of public service provision is acceptable, and to what extent may such disparities be functions of wealth and income? We have broached here some of the issues that arise in this context. To give them adequate consideration, however, must be left for another time, another place, and another paper.

**Endnotes**

1. Of the approximately 1000 districts in California, 125 currently collect amounts of revenue from local property that exceed the school district revenue limit. These are called basic aid districts, and they are allowed to retain this additional revenue.

2. Sattem (2007) reports similar results in Oregon following approval of Ballot Measure 5, which also limited property taxes.

3. When Proposition 13 was approved in 1978 valuation was initially set at assessed value specified on the 1975-76 tax bill. When property values fall during periods or recession, property owners may file a decline-in-value petition to have their property taxes adjusted downward. When property values subsequently recover assessed value is restored to its original value.

4. In contrast to the super-majority requirement for approval of parcel taxes, only a simple majority is required to override Gann spending limits. Such ballot measures are almost always approved.

5. A little more comparative statics needs to be done here. In all likelihood lowering the threshold for approval of parcel taxes to 55% would also encourage proposers to request higher levels of taxation, and so lower the approval rate.

6. We have not yet collected data on PTA’s with annual revenue below $75,000. We expect that there are well over a thousand such PTA’s.

**7.** It should be noted that some school districts are very small, comprising only one or perhaps two small elementary schools.

8. Ravitch (2010), a vocal critic of what she sees as the privatization of public education through nonprofit foundations, puts it this way:

There is something fundamentally antidemocratic about relinquishing control of

the public education policy agenda to private foundations run by society’s wealthiest people; when the wealthiest of these foundations are joined in common purpose, they represent an unusually powerful force that is beyond the reach of democratic institutions. These foundations, no matter how worthy and high-minded, are after all, not public agencies. They are not subject to public oversight or review, as a public agency would be. They have taken it upon themselves to reform public education, perhaps in ways that would never survive the scrutiny of voters in any district or state. If voters don’t like the foundations’ reform agenda, they can’t vote them out of office. The foundations demand that public schools and teachers be held accountable for performance, but they themselves are accountable to no one. If their plans fail, no sanctions are levied against them. They are bastions of unaccountable power” (pp. 200-201).

**Data Appendix**

PTA’s, Booster Clubs, and LEF’s are 501(c)(3) nonprofits, and collecting reliable, consistent data on nonprofits is beset by certain problems (Vaughan and Arsneault, 2014). First, nonprofits have been subject to serious study for only the past few decades. The National Center for Charitable Statistics (NCSS) was founded in 1982. They in turn created the National Taxonomy of Exempt Entities (NTEE), which classifies nonprofits into basic categories and subcategories. The IRS began using NTEE in codes in the 1990s. Another problem is that many nonprofits are small organizations, often run by a small staff of volunteers with a great deal of turnover from year to year. This is particularly true of nonprofits that are school-based, as large numbers of parents enter or leave the system each year. Volunteers may not be familiar with IRS reporting guidelines and inadvertently fail to file the appropriate forms in any given year. These characteristics of nonprofits make data collection difficult, even though there have been marked improvements in recent years.

There has been substantial progress in collecting and systematizing data on nonprofits since the founding of Guidestar in 1994. Our financial data on organizations collecting voluntary contributions for public schools and school districts are taken from the GuideStar database of Form 990 filings. Guidestar encourages nonprofit organizations to make financial information publicly available in order to promote accountability and so to encourage charitable giving. Guidestar reports all tax-exempt organizations’ annual IRS filings on their website. Since 2010, groups that have gross receipts of more than $50,000 must file a 990 form showing revenues, expenditures, and assets. Prior to 2010 the requirement to file was set at $25,000. Many organizations, however, file a 990 even when they are not subject to the reporting threshold. Some groups often go years between filings. If 2012 figures were not reported, we used data from the most recent year that was reported, going back to 2008. Organizations that fail to file a form for three years in a row may have their tax-exempt status revoked (IRS 2013). We assume that groups that have not filed a form since 2008 are most likely defunct.

Ideally one could simply search for organizations of interest on the basis of assigned NTEE codes, but this is not the case. Education nonprofits are not consistent in their use of these codes, and so basing a search on them would miss many organizations. Thus we searched for all nonprofit groups in California giving educational support in the form of raising money to be used by specific schools or districts for curricular purposes. We employed a large number of search terms: “education\* foundation,” “school\* foundation,” “high school,” “middle school,” “elementary school,” and “friend\* school.” We then examined the data on each organization returned in these searches to ensure that it is indeed a supporter of public schools.

Data on parcel taxes for the 2011-2 school year are taken from the SACS (standardized account code structure) files available on the California Department of Education’s website. These files are described as “unaudited,” and so to ensure accuracy we first verified that the school districts reporting parcel tax revenue had had an election that approved these taxes. These election data are reported online at Ballotpedia and at Ed-Data. We then compared the data we collected with that reported in the PPIC School Finance Model for the 2010-11 school year, and found a high level of agreement with the data we collected for the 2011-12 school year. We verified that, in every district for which there was positive parcel tax revenue in our data but not in the PPIC School Finance Model, there had been an election in 2010 or 2011 to approve a parcel tax.

Data on the excess per pupil revenue raised by basic aid districts is from the PPIC School Finance Model, adjusted to 2011 dollars. Enrollment data are taken from the California Department of Education’s Dataquest website. The National Center for Education Statistics provides access to the 2007-2011 American Community Survey which provides demographic data at the school district level.

**Figure 1**



**Figure 2**



**Table 1 Total Revenue Raised by Educational Fund-Raising Organizations**

**(2011 Dollars)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Type** | **Number of Units** | **1st Quartile** | **Median** | **3rd Quartile** | **Maximum** | **Average** |
| Foundation | 509 | $34,021 | $82,644 | $268,363 | $6,745,589 | $335,387 |
| PTA | 363 | $83,429 | $120,453 | $183,428 | $838,675 | $145,747 |
| Other | 1054 | $27,281 | $51,038 | $100,026 | $1,402,501 | $88,333 |

**Table 2 Per Pupil Revenue Raised by Educational Fund-Raising Organizations**

**(2011 Dollars)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Type** | **Number of Units** | **1st Quartile** | **Median** | **3rd Quartile** | **Maximum** | **Average** |
| Foundation | 509 | $10 | $61 | $211 | $8780 | $252 |
| PTA | 363 | $109 | $192 | $307 | $2194 | $251 |
| Other | 1054 | $17 | $37 | $87 | $1904 | $80 |

**Table 3 Revenue Raised by District Parcel Taxes**

**(2011 Dollars)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Number of Districts** | **1st Quartile** | **Median** | **3rd Quartile** | **Maximum** | **Average** |
| **Total Parcel Tax Revenue** | 93 | $675,931 | $1,722,326 | $4,273,710 | $29,550,524 | $3,405,109 |
| **Per Pupil Parcel Tax Revenue** | 93 | $224 | $553 | $1164 | $4074 | $889 |

**Table 4 Supplementing K-12 Spending in California**

**School Districts (2011 Dollars per Pupil)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Voluntary**  **Contributions** | **Parcel Taxes** | **Combination** |
| Median Income | 5.4  (.33) | 4.7  (.48) | 12.35  (.53) |
| Log Enrollment | -23.8  (6.3) | -19.8  (8.4) | -53.3  (11.4) |
| Gini Index | 13.7  (2.0) | 12.2  (2.7) | 31.6  (3.6) |
| Percent 5-17 | 19.8  (2.4) | -8.5  (3.4) | 15.3  (4.5) |
| Percent over 65 | 6.6  (2.1) | -8.6  (2.8) | -1.7  (3.9) |
| Basic Aid  Excess Revenue | .014  (.006) | -.022  (.008) | -.009  (.011) |
| Parcel Taxes | .138  (.006) | ——  —— | ——  —— |
| Contributions | ——  —— | .231  (.047) | ——  —— |
| c | -1181  (119) | -361  (167) | -1918  (214) |
| n | 785 | 785 | 785 |
| R2 | .49 | .31 | .49 |

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