

A Two-Tier School System: Addressing the Inequity of Basic Aid Districts

May, 2025



www.FairFundingCA.org

“To many Californians, basic aid districts appear inherently unfair. The Serrano case was sparked by the link between property wealth and per pupil funding.”

[Margaret Weston, PPIC, 2013](#)

“If you are of means, you will move to a district where the schools are good and the houses are expensive, like Palo Alto. So who is stuck in failing schools? Poor kids.”

[Condoleezza Rice, 2024](#)

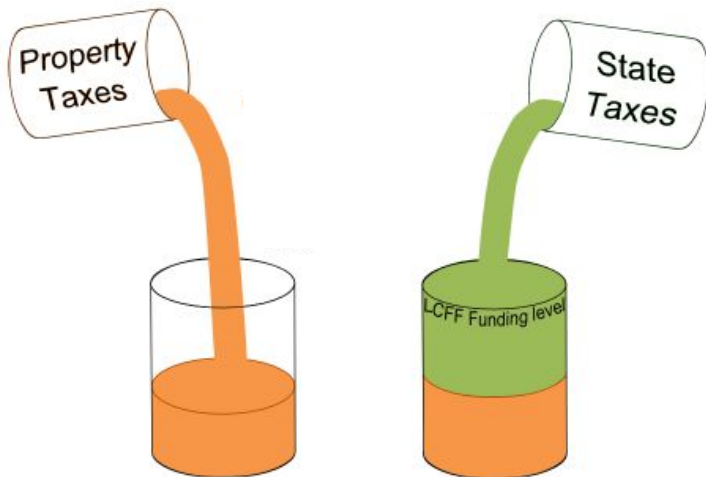
Summary

- **The funding gap between Basic Aid (also known as “Excess Tax”) and state-funded districts creates a two-tier school system**
 - Since *Serrano*, California has sought to address inequitable school funding, most recently through LCFF - but the status of Basic Aid districts has never been effectively addressed
 - Declining enrollment has driven dramatic growth in Basic Aid per pupil funding. Many Basic Aid districts now have over \$30K per pupil, and over \$10K per pupil more than nearby LCFF districts
 - With continued declining enrollment, the gap will continue to grow
- **There are several ways to address, not mutually exclusive**
 - Add funding for state-funded districts
 - Cap or redistribute all or a portion of excess Basic Aid funding
 - Require Basic Aid districts open up their schools to accept low-income transfers

What are Basic Aid Districts?

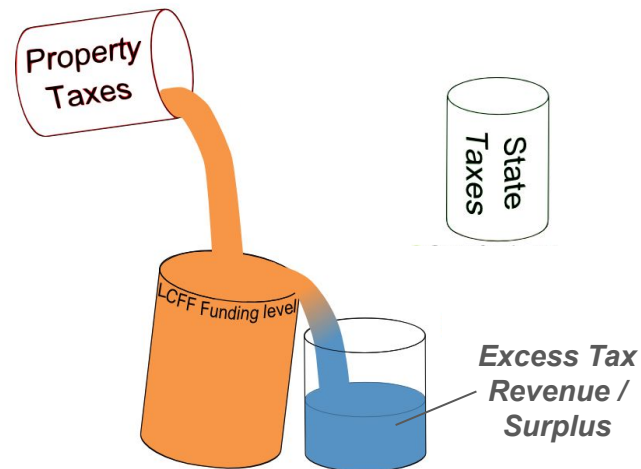
Funding under LCFF (most districts)

- LCFF target calculated based on enrollment and percent of high-need students
- Local property taxes don't reach the target
- State provides additional funding to reach the LCFF level



Funding under Basic Aid (~120 districts)

- Local property taxes exceed the LCFF level
- **Local district keeps the surplus - there is no limit** (the “loophole”)
- No state funding needed



Note: Ed100's blog post, [“What are Basic Aid districts?”](#) provides an excellent overview with additional data from 2022-23.

Who are Basic Aid Districts?

Any district where local property tax revenue exceeds LCFF target level becomes Basic Aid

- No choice involved, just based on math

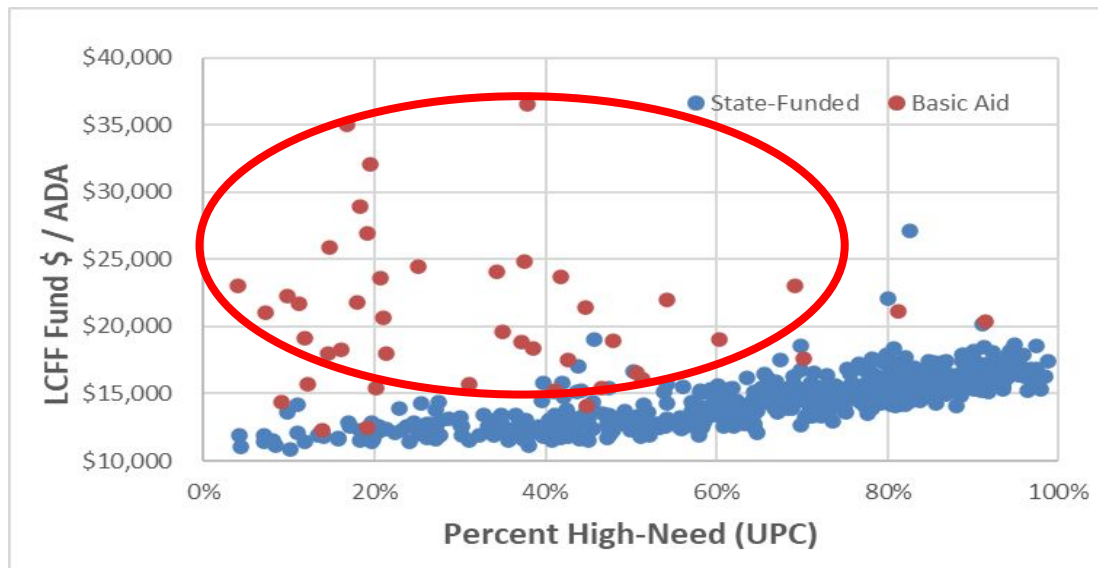
Almost all are one of two types

- **“Big Rurals”** - Rural districts with lots of land and few students (e.g., in the Sierras)
- **“Small Enclaves”** - Coastal suburban districts with high property values and mostly affluent residents
- Less than 4% of CA K-12 students attend these districts



Who are Basic Aid Districts?

- With LCFF, funding per pupil should rise as districts serve more high-need pupils. Most do.
- But Basic Aid districts stand out as having very high funding, despite serving many fewer high-need students (with some exceptions)

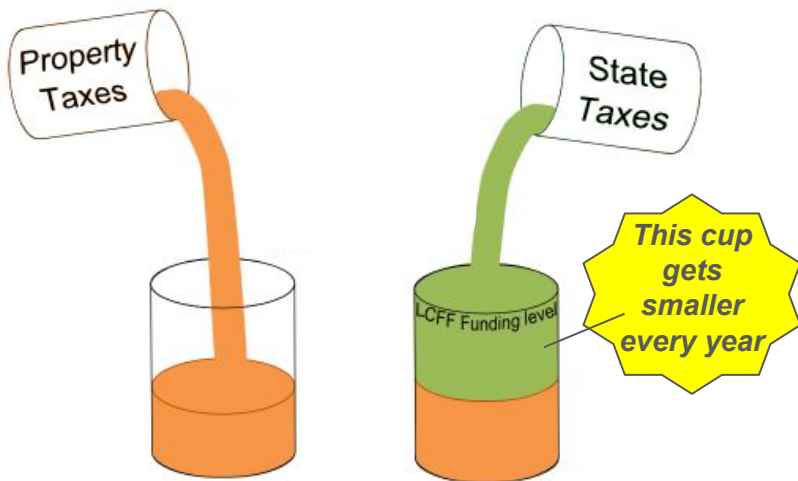


Basic Aid and Declining Enrollment

Under LCFF

- Funding based on # of students (ADA)
- Fewer students x constant \$\$/pupil = lower total funding

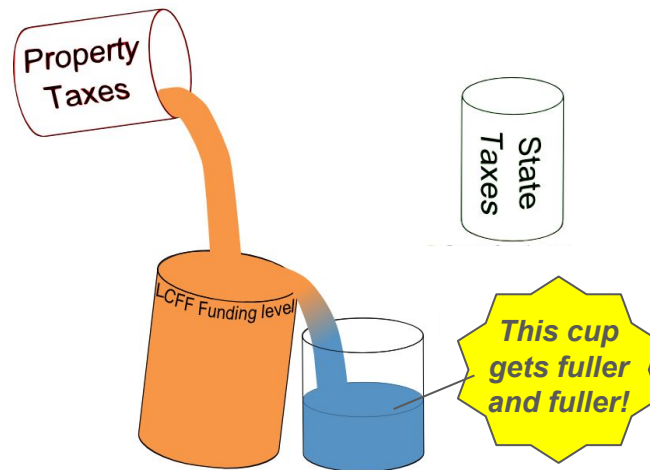
Declining Enrollment = Financially Bad



Under Basic Aid

- Funding based on local property taxes, regardless of enrollment / ADA
- Constant total funding ÷ fewer students = higher \$\$/pupil

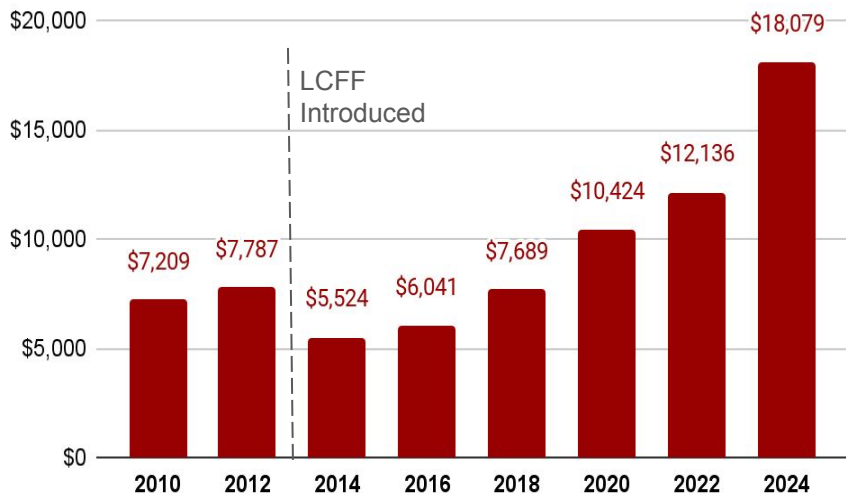
Declining Enrollment = Financially Good



Examples: the Growing Gap Between Neighboring State-Funded and Basic Aid Districts

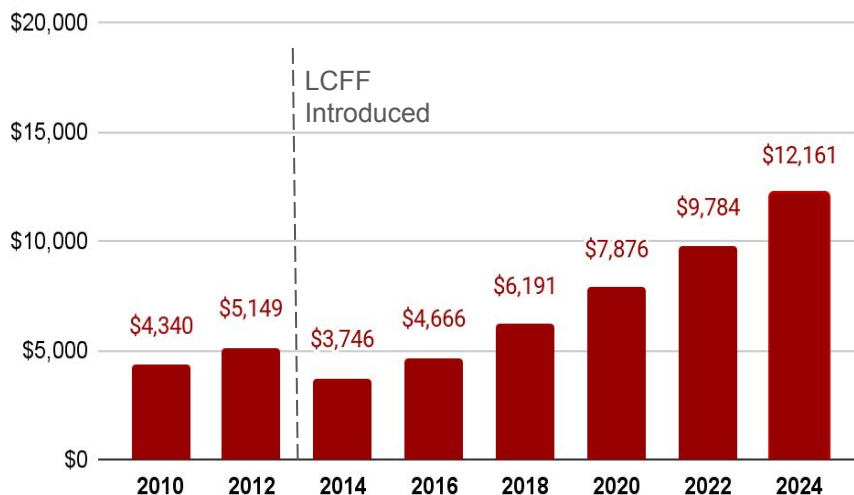
The introduction of LCFF in 2014 reduced the funding gap, but since then it has grown dramatically

LCFF Funding Gap: Laguna Beach vs. LAUSD



Laguna Beach gets over \$18K per pupil more than LAUSD

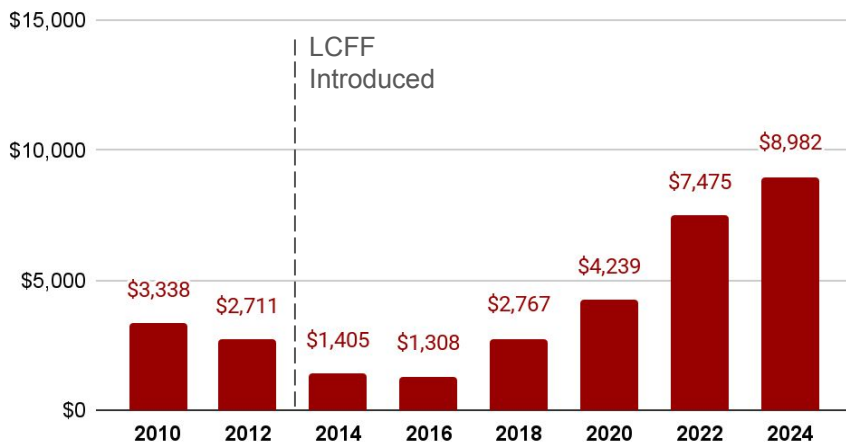
LCFF Funding Gap: Palo Alto vs. San Jose



Palo Alto gets over \$12K per pupil more than San Jose

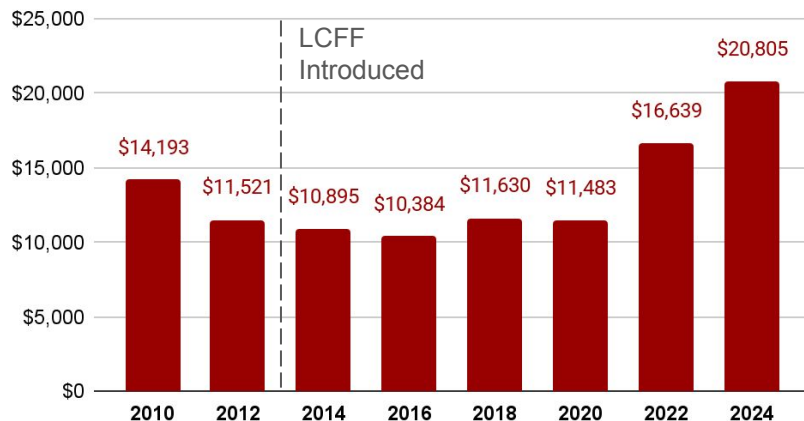
Examples: the Growing Gap Between Neighboring State-Funded and Basic Aid Districts

LCFF Funding Gap: San Rafael Elem vs. Reed Union



Marin County's Reed Union gets almost \$9K more per pupil than San Rafael

LCFF Funding Gap: Salinas vs. Carmel



Monterey County's Carmel gets over \$20K more per pupil than Salinas

Note: Local property tax and LCFF sources only (OCs 8010-8099); excludes other state, federal, and local funding sources

School Closings and Basic Aid

Another aspect of Basic Aid - since declining enrollment doesn't impact funding, there is rarely a pressing need to close schools

- Alum Rock and Palo Alto, 20 miles apart, both have lost 25-30% of K-5 students over the last 10 years
- Alum Rock is planning to close 6 of 19 schools
- Palo Alto is not considering closing any - in fact, they are spending \$80 million to rebuild one of their oldest elementary schools

SAN JOSE
spotlight
Your search for truth starts here.

Alum Rock (11/24)

EAST SAN JOSE EDUCATION

East San Jose school district to close six campuses next year

 **Palo Alto**
online

Palo Alto (3/23)

“In a lot of other districts, we would have closed several schools by now – but closing schools is devastating. You only want to do that if you have to do it,” DiBrienza said. “The only reason we haven’t had to do it is because we have a strong property tax base.”

School Board President
Jennifer DiBrienza

Examples: Basic Aid & LCFF District Funding & Enrollment Change

With 10 years of declining enrollment, Basic Aid per pupil funding has risen to to eye-popping levels, with many over \$30K vs state average of \$18K.

Since funding is high and stable, Basic Aid districts are unlikely to close schools despite falling enrollment - it's simply not worth the trouble.

<u>Basic Aid Funded</u>	LCFF/ Pupil	Other/ Pupil	Total \$/Pupil	10Y Enroll Change %
Woodside ESD	\$30,811	\$10,541	\$41,351	-16%
Laguna Beach USD	\$32,639	\$4,991	\$37,630	-25%
Carmel USD	\$33,156	\$3,244	\$36,400	-10%
Palo Alto USD	\$27,160	\$5,580	\$32,740	-20%
Beverly Hills USD	\$22,953	\$9,059	\$32,012	-26%
Santa Clara USD	\$25,126	\$2,652	\$27,778	-12%
Menlo Park City SD	\$18,228	\$8,715	\$26,943	-5%
<u>LCFF Funded</u>				
Oakland USD	\$14,283	\$9,039	\$23,322	-9%
Stockton USD	\$14,665	\$8,229	\$22,894	-8%
Fresno USD	\$13,882	\$6,582	\$20,464	2%
San Jose USD	\$15,975	\$2,914	\$18,889	-23%
Long Beach USD	\$13,285	\$5,337	\$18,622	-21%
Huntington Beach ESD	\$13,155	\$3,370	\$16,525	-33%
San Ramon Valley USD	\$11,553	\$3,845	\$15,399	-10%

The Impact of the Funding Gap

Basic Aid vs. State-Funded Districts

The main principle of LCFF is that more resource should go to districts with higher-need students. With Basic Aid, the opposite happens

Basic Aid districts have greater resources...

- Average teacher pay is \$13K higher
- Average teacher experience is 10% more
- Class sizes 10% lower (sometimes much more)
- More programs, support staff, specialists, etc.

But State-Funded districts serve many more high-need and historically underserved students

- 76% more low-income students
- 77% more English Learners
- 69% more Latino students

Addressing the Inequity

There are multiple ways to address the funding gap. They are not mutually exclusive, and likely more than one will be needed

- **Add funding to state-funded districts.** This is possible, and desirable, but it would be very expensive - adding \$10K per student would cost an additional \$50 billion a year, a 50% increase over current funding
- **Cap or redistribute Excess Taxes from Basic Aid districts.** This would close the loophole and make Basic Aid districts like everyone else (though they could still receive funding from local parcel taxes and educational foundations). Reallocated excess taxes would increase funding for state-funding districts
- **Require Basic Aid districts to accept transfers into their well-funded schools** - would require some compensation to support districts of residence

Conclusion

- **Basic Aid funding inequity is glaring and will get worse**
 - Since *Serrano*, California has sought to address inequitable school funding, most recently through LCFF - but the loophole allowing Basic Aid districts has never been addressed
 - The dramatic recent growth of Basic Aid per pupil funding has made the inequity much larger; with declining enrollment, it will continue to grow
- **Multiple ways to address, not mutually exclusive**
 - A combination of more funding, redistribution of excess taxes, as well as other changes, likely required



Doing nothing is the biggest problem