California Local Education Foundations: And the Rich Get Richer

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Abstract

Since the 1970s California has had two major changes to its system of education finance, and the current result is that California spends well below the national average on public education. In response to this decline in education spending, many schools and districts have formed Local Education Foundations (LEFs) in order to raise money to support their local schools. We create the most up-to-date database of the revenue that California LEFs raise based on their annual filings with the IRS. Analysis of the data shows that the amount of money LEFs are able to raise is inversely related to the size of the student group they represent and directly related to the wealth of the area they serve. Thus LEFs are adding inequality into an education finance system whose 1970s reforms were designed to promote equality and break the connection between wealth and education outcomes.

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Introduction

K-12 public education in the state of California has seen better days. In January 2013, the Editorial Projects in Education Research Center reported that of the 50 states California had dropped to 48th in per-pupil spending, ahead of only Utah and Nevada (Education Week). The report indicated that when adjusted for regional differences California spent 28 percent, or $3,342, less per student than the average state. Not adjusting for regional differences, the Census Bureau reported slightly more hopeful statistics for 2009-10, ranking California 35th in per-pupil spending, $1,240 below the national average. Although its public schools dodged a very large budget cut with passage of Proposition 30 in fall 2012, spending on public education in the state of California is expected to remain well below the national average. Educational outcomes for the state are also discouraging as the scores that 8th graders receive on the reading and math National Assessment of Educational Progress (NAEP) are consistently below the national average (National Center for Education Statistics).

There are two culprits normally given "credit" for California's low spending and poor educational outcomes. The first is the 1971 California Supreme Court ruling *Serrano v. Priest*. In this case the court found that the system of education finance then in place in California was in violation of the Equal Protection Clause of the Fourteenth Amendment. Because the system was largely based on local property taxes and property-rich districts could generate much more funding per pupil than property-poor districts, the quality of education that students received was directly related to the wealth of their school districts, and often their own families. A second *Serrano* ruling in 1976 mandated that differences in per pupil spending across school districts must be kept within a margin of $100 (which would later be adjusted for inflation). The state legislature responded to these rulings by changing the state's education finance system. While the current system is quite complex, the general purpose money each district receives is subject to a revenue limit that has been set 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 its revenue limit.[1] Thus if property taxes within a district increase, there is not a corresponding increase in school district expenditures because the state will reduce its share of funding to match the increase (EdSource, 2013). Some believe that this highly centralized finance system discourages investment in the state's education system because any increase in property taxes is not felt locally and does not benefit local public schools (Fernández and Rogerson, 1999, 2003; Silva and Sonstelie, 1995).

The second suspect in California's education finance problem is the passage of Proposition 13 in 1978. Proposition 13 dramatically cut property taxes, resulting in an immediate drop in local government revenue, particularly for school districts. The state stepped in to fill the gap for schools and local governments, further centralizing the state's education finance system. Many believe that because this system is now dependent on state funding, the state has not kept up with the normal increases in education funding that were seen in California before *Serrano* and Proposition 13.

Wealthy communities lost the most in terms of funding post-*Serrano* and Proposition 13 (Brunner and Imazeki, 2005); Sattem (2007) finds the same result in Oregon after their Ballot Measure 5 which similarly limited property taxes. "Due to these reforms, California transformed its school finance system from one of the least equitable in the early 1970s to one of the most equitable in the late 1980s" (Brunner and Sonstelie, 1997, 7). The increase in equality of

[1] Of the approximately 1000 districts in California, about 60 are able to raise funds beyond their revenue limits. These are called basic aid districts and they are allowed to keep this additional revenue.

funding was “accompanied by a relative decline in the average level of support. … Thus, during the period of reform, spending per pupil in California declined about 20% relative to the rest of the country” (Brunner and Sonstelie, 1997, 8). Therefore the data show that *Serrano* and Proposition 13 did result in a much more equitable financing system, but also one in which education expenditures dropped dramatically.

Many activists and parents are understandably quite concerned about the state of California’s education finance system. As a way to address the loss of funding and local control over public schools, districts, and in some cases individual schools, in California and elsewhere began forming 501(c)(3) education foundations to raise money for local school districts outside of the state’s tax system and control. The growth of these local education foundations (LEFs) can be traced directly back to school finance reform across the country (Brunner and Sonstelie 1997; Zimmer, Krop, Kaganof, Ross and Brewer 2001; Sattem 2007). In 1982, the California Consortium of Education Foundations (CCEF) was created as a 501(c)(3) organization to serve as a resource for the many education foundations being formed across the state. According to CCEF, more than 675 local education foundations were active in California in 2009, contributing over $230 million annually to address needs in their local schools. This paper analyzes LEFs in California and their contributions to public education. In particular we examine how much LEFs are able to raise in absolute dollars, how much LEFs raise per-pupil, and which districts benefit the most from these foundations. Existing literature on LEFs tends to come from the perspective of economists (Brunner and Stonstelie, 1997; 2003; Brunner and Imazeki, 2005), sociologists (Sattem, 2007), and nonprofit sector scholars (Dietrick, 2009). We examine the topic from the perspective of political science, particularly in the context of whether or not the function of LEFs matches the democratic ideal of education as a public good.

Public Education in a Democratic Nation

The idea that a representative democracy requires a well-educated citizenry is at least as old as the founding of the United States. Early advocates of a publicly funded school system included Thomas Jefferson and John Adams, and although Jefferson's 1779 bill to create a system of free elementary schools failed in the Virginia legislature, his "ideas about the connection between education and democracy proved influential" (Kober 2007, 4). These reformers advanced the idea of public education as a public good arguing that public funding "would ultimately benefit everyone," making schools accountable to the people and providing citizens the ability to "understand political and social issues, participate in civic life, vote wisely, protect their rights and freedoms, and keep the nation secure from inside and outside threats" (Kober 2007, 10).

Referred to as "common schools" and widely implemented across the U.S. by the late 1800s, public schools were free-of-charge, secular, fiscally independent, gender neutral, and open to all. While never open to all equally—segregation created black schools in the south and Mexican schools in the southwest, and school funding was typically lower for poor and immigrant children—the U.S. experiment in universal public education was more far-reaching than in any other nation. Mass public education was considered a key to advance both democracy and the nation's economy and was funded accordingly by a combination of state taxes and local property taxes (Goldin and Katz, 2003).

Nancy Kober (2007) argues that in addition to academics there are six *public* missions that the common school system is uniquely qualified to meet. These include 1) providing universal access to free education, 2) guaranteeing equal opportunities for all, 3) unifying a diverse population, 4) preparing people for democratic citizenship, 5) preparing citizens for economic self-sufficiency, and 6) improving social conditions. As Kober explains, “In a democracy, certain functions, including education, are intended to promote the public good as much as private interests” (Kober 2007, 15). Public provision transformed education from a private commodity that benefitted the elite to a universal system designed to help even-out social and economic conditions for the benefit of all. Thus there is a foundational belief in the development of the American public education system that this public good should be accessible to all on equal terms.

Today, public schools are subject to nearly constant criticism, accused of underperformance and being poor stewards of the public’s tax dollars. Teachers are derided as ineffectual, their unions as greedy, and administration as bloated and out-of-touch. There are many suggestions for reform being suggested by policy makers and education advocates. Some believe that government needs to make a much greater investment in education broadly, particularly in those states and areas where schools are low performing. Others promote changes that would dramatically change the current education system. One of the best known groups is StudentsFirst which supports teacher evaluation, merit pay, and school choice. StudentsFirst represents the trend of education reform advocates who are looking for solutions outside of the education system that currently exists.

Another “outside” possibility for reform is through the use of nonprofit organizations. When government is not meeting public demand for a particular service, nonprofits may be able to bridge the gap by providing services or even through direct funding. This is the theory behind much of the growth in LEFs in California, and we explore it further below.

Literature Review: The Nonprofit Sector

There are both supply-side and demand-side theories that explain the creation of nonprofit organizations (Weisbrod, 1977; Frumkin, 2002). Supply-side theories emphasize the expressive function of the nonprofit sector in which the interests of donors, volunteers and staff drive creation of organizations like LEFs. Demand-side theories emphasize government and market failures, indicating that nonprofit organizations step in when there is demand for goods or services that is not being met by the public or for-profit sector. Government failure, for example, can occur when citizens desire public service levels above those desired by the median voter; those citizens often use nonprofit organizations as a venue thorough which to meet their demand (Carroll and Calabrese, 2013). While some of the explanation for the creation and expansion of LEFs may be attributable to supply-side rationale, government failure to provide adequate levels of public education is an important demand-side explanation, particularly in California after *Serrano* and Prop-13. It is often the case that nonprofits serve both supply- and demand-side needs (Frumkin, 2002; Vaughan and Arsneault, 2014), as we see in the case of California LEFs.

Government and the nonprofit sector have long had a complicated relationship, in many cases acting as partners and in others as competitors, in provision of public services (Salamon, 2012). For example, there is some evidence of a "crowding out" effect of government funding for nonprofits in which private contributions are supplanted by government funds; similarly, 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). In their study of nonprofit service provision and state tax burden, Carroll and Calabrese found that "nonprofit provision of some services might be considered supplementary to government provision" indicating 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 (2013, 213). This phenomenon may be at work with LEFs; while their resources are nowhere near the level of supplanting public funding for education, they may have very real effects on the behavior of voters in communities with wealthy and active foundations. At the least, voters in these communities may be less inclined to advocate or vote for tax increases for education at the local or state level because they have already contributed to their children's education via their LEF.

Literature Review: LEFs

The first LEFs were created over thirty years ago, but research on them is fairly limited. Most focuses on California foundations as in an early study of schools in Los Angeles County by Zimmer and his colleagues. Their study looked at various forms of private giving—from PTAs and PTOs to LEFs to corporate and local business contributions (Zimmer, et. al 2001). Even in 2001, they found that LEFs were the second most important source of private resources, ahead of PTA/PTO organizations, school-site councils, advisory boards, and district superintendents for both school districts and individual schools; they also note that LEFs were more influential at the district than the school level.

An early line of inquiry on the impact of LEFs was undertaken by economists who tested the concerns that LEFs, able to raise far more in high-income communities, have exacerbated inequity in California's public schools. This research found that the average amount of money raised by LEFs is small and has not disrupted the state's equity finance reforms (Brunner and Stonstelie 1997; 2003; Brunner and Imazeki 2005). Using a public choice argument, Brunner and Sonstelie (2003) conclude that collective action explains why parents do not contribute more to LEFs. They suggest that because there are still "unmet demands for school services" beyond

LEF funding, it might be more expedient to return to a system in which residents control local taxes for education (Brunner and Sonstelie 2003, 2180).

Others have been more concerned with issues of social equity, arguing that average LEF funding obscures the extremes between very successful foundations and districts without a LEF (Reich 2005; Sattem 2007). Reich provides the example of the Woodside School Foundation in the San Francisco suburb of Woodside, California. This foundation, which has operated since 1983, serves a single elementary school with fewer than 500 students, yet between 1998 and 2003 it collected more than $10 million for Woodside Elementary (Reich 2005). This level of funding means that the school has several thousand more dollars to spend per student than the average school in California—over $7,000 more per student in 1998 (Reich, 2005). Foundation money has been used for music, art, and physical education programs, and new technology for the school.

Reich compares Woodside Elementary with the Ravenswood School District in a low-income community just 10 miles away. At the time of Reich's study, 2005, Ravenswood schools had no LEF and struggled to find resources for textbooks, classroom supplies, and desks; no school in the 4,500 student district had working bells, clocks or PA systems. In 2007, a group of education foundation leaders in wealthy communities near Ravenswood created the Ravenswood Education Foundation (REF) to help level the playing field (Deitrick, 2009). They will have their work cut out for them: In the first 18 months the REF raised $1 million for Ravenswood schools only to be informed that the district budget would be cut by an additional $3 million. As Deitrick explains "The needs of schools can be endless, yet there are often requests or proposals to provide items that should be covered by the state budget" (2009, 143). Schools like those in Ravenswood cannot rely on parents to donate standard school supplies such as paper, pens and glue as is typical of schools in wealthy communities. It is an open question whether or not education foundations are the appropriate bodies for closing these gaps in public funding.

In her 2007 study of LEFs in Oregon, Sattem suggests that there are diminishing marginal returns for additional education dollars in wealthy school districts. Based on research indicating that school funding is more impactful when directed at minority and disadvantaged students (Grissmer, Flanagan and Williamson, 1997), Sattem argues that "funds poured into wealthier schools, through public dollars or private donations, have a smaller impact on students in those schools than it would on students in lower income neighborhoods" (2007, 39). Further, Sattem documents the leverage that wealthy, non-minority parents often have over school districts because of their socio-economic status and cultural capital. She explains that in Oregon, wealthy parents were given a great deal of discretion over LEF funds by threatening to move their children to private schools. This discretion, coupled with the ability to raise large amounts of money, has afforded wealthy districts the ability to reduce class sizes and add new elements to the curriculum. Sattem suggests centering the conversation about LEFs on "the educational opportunities and resources available to students. It is not enough to look at low levels of per pupil revenue and write off the potential inequalities" (2007, 59).

Most recently, Dietrick (2009) provides an extensive look at LEFs in the state of California. Her work confirms that LEFs began, are most numerous, and raise the largest revenue in affluent communities (Deitrick, 2009; Brunner and Stonstelie, 1997, 2003: Brunner and Imazeki, 2005; Sattem, 2007). She describes LEFs as grassroots organizations whose core mission is to raise money for districts and schools. Fundraising is done in a variety of ways, but large LEFs tend to rely on direct mail campaigns, while smaller organizations make more use of special events; a recent source of revenue for LEFs is through direct provision of services including day-care and summer programming (Deitrick, 2009).

The money raised is also put to use in a variety of ways by California LEFs which have traditionally acted as grant-makers, supplying classroom supplies and equipment through grants to schools, districts or sometimes directly to teachers. Money has typically been used to provide access to programs that have been subject to public budget cuts, such as art and music, but Deitrick explains that recently LEF funds have been used for core curriculum including English, math and the sciences. Particularly successful LEFs have even been able to fund teacher salaries. As Deitrick explains, “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, 188). Others have found that teacher training and professional development are common uses of LEF funds (Sattem, 2007; Zimmer et al, 2001) and Deitrick suggests these uses will also continue to grow in California.

Another growth area for LEF activity in California is policy advocacy and lobbying as a result of the state’s recent penchant for cutting school funding. As LEFs are a more integral part of California public schools and responsible for day-to-day expenses, their stake in the process has grown. For example, LEFs were part of broad coalitions opposing mid-year budget cuts in 2009 (Deitrick 2009). Deitrick notes that LEFs, as recognized community leaders in education, are increasingly acting in concert with others in education policy to act as agents of policy change. This can lead to several complications. First, LEFs must be cognizant of the repercussions of their activity: If they fund a project one year, will they be expected to fund it in the future (Deitrick 2009)? Will the state and taxpayers become free-riders on LEF largess

(Deitrick 2009; Carroll and Calabrese, 2013)? Just how much should districts and schools rely on LEFs (Deitrick, 2009)?

It is also important to note the LEFs themselves often explain their existence in California as a result of the state underfunding education and there being a need for someone to step in and provide a quality education to the children of the school or district. Remarks from their websites are telling:

- "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
- "All money raised by PEF stays on the Peninsula and benefits the children in the Palos Verdes Peninsula Unified School District." – Palos Verdes Peninsula Education Foundation

Thus the foundations themselves are claiming the state of California does not provide a quality education for students and that their solution is to provide the needed funding for their own children.

From our perspective, the serious repercussions of LEF activity that schools, parents, and the state should beware of include: the social inequities that are reinforced when students of privilege are further advantaged by private funding; the power over education priorities and curricular matters that LEFs may wield in some communities; and the possibility that LEF funds are significant enough that the problem of inadequate school funding falls off the radar in middle- and upper-class school districts, effectively suppressing political activity (Lewis, 2003). As Deitrick explains, "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)."

Diane Ravitch, a vocal critic of what she sees as the privatization of public education puts it more bluntly:

> 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" (Ravitch, 2010, 200-201).

Given these concerns about the nature of education as a public good and the influence of nonprofits, particularly LEFs, we believe that it is important to investigate the characteristics of LEFs and the influence they are able to wield. We turn to this in the next section.

Data Collection

A well-known difficulty with nonprofits is that collecting reliable, consistent data on them is problematic. Nonprofits have only been subject to serious study for about 30 years. For example, it was not until the 1980s that a meaningful classification of nonprofits was even attempted. The National Center for Charitable Statistics (NCSS) was founded in 1982, and they in turn created the National Taxonomy of Exempt Entities (NTEE) which classifies nonprofits into basic categories and then subcategories. The IRS, the de facto regulator of the nonprofit sector, began using NTEE in codes in the 1990s. Thus reporting for nonprofits is fairly new, but is expected to improve and help standardize data availability. However, another difficulty with many nonprofits is that they are small organizations, often run by a staff of volunteers who may change from year to year. This is particularly true of nonprofits that are school-based with parents moving through the system each year. Even the best-intentioned 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 (Vaughan and Arsneault, 2014).

Fortunately, we are able to gather data on LEFs, although the above caveats still apply. GuideStar is itself a 501(c)(3) nonprofit organization that was founded in 1994 and is committed to transparency in nonprofits. They encourage charities to make their financial information publicly available in order to promote accountability and charitable giving. What is critical for this project is that they make all tax-exempt organizations' annual IRS filings available online (GuideStar, 2013). In general tax-exempt organizations are to file an annual report with the IRS from the 990 series of forms in order to provide basic information about the group. Since the 2010 tax year, public groups that have gross receipts of more than $50,000 must file a 990 form showing revenues, expenditures, and assets (prior to 2010 the standard was groups with gross receipts of more than $25,000). Organizations that fail to file a form for three years in a row are in danger of losing their tax-exempt status (IRS, 2013).

We make use of the GuideStar database of 990 filings in order to collect financial information on the LEFs in California. While this makes the data accessible, there are still many difficulties. While it would be ideal to be able to search based on NTEE codes, looking at the data quickly told us this approach would not work. LEFs are not consistent in their use of these codes, and so basing a search on them would miss many LEFs. Instead we searched for all groups in California using the search terms "education* foundation" and "school* foundation." These searches returned many results, and so we then looked at each individual foundation to ensure that it is indeed an LEF. That is, the group had to be focused on public schools (rather than private) in a specific area – one school, a few schools, a city, a district, or even a county. The group also had to have filed a form since the 2008 tax year; groups that have not filed since that time are most likely defunct.

Even in using this procedure it was clear that groups are often inconsistent in filing their IRS forms, often going years between filings. For each group that had filed, we took the total revenue, total expenses, and net assets information from the most recent tax year for which they had filed. This may exclude groups which have gross receipts below the threshold, although we found that many LEFs do file all of the information even when they are below the reporting threshold. In total this procedure gave us 472 active LEFs. However, four of these were so new that they had not yet filed any 990 forms; thus we have financial information for 468 California LEFs. As explained in the introduction, CCEF reports that there are over 675 LEFs in California. Thus the difference in these numbers is due to LEFs either not filing 990 forms or having gross receipts below the reporting threshold. Ultimately this data set provides the most up-to-date information on how much money California LEFs are raising and are in turn able to spend on public education.

Results

The data we collected are based on the most recent year of financial information the LEF has filed with the IRS. This gives a range of years from 2008 to 2012. We therefore begin the analysis by adjusting the financial data based on inflation using the Consumer Price Index (CPI) reported by the Bureau of Labor Statistics (2013). This means all financial data is reported in real 2011 dollars.

The 468 LEFs in our database are diverse in the areas they support. Many support school districts, others one or two specific schools, and some support schools in an entire county. Some school districts have multiple LEFs for multiple schools, and some schools even have multiple LEFs supporting different student activities such as athletics or the arts. The revenue that an LEF can raise gives an indication of the amount of support they are able to provide to schools; the reported range of revenue raised is $-38,791 to $7,499,090 with an average revenue of $345,067. The median revenue is $79,747. This large difference in the mean and median revenues indicates that a few LEFs are able to raise large amounts of funds while most are raising revenue at a much lower level. Table 1 shows the quintiles for the reported revenue, which also show the disparity in what LEFs are able to raise.

(Table 1 about here)

The real question, though, is how much the LEFs are raising per pupil, the standard measure for education support. In order to examine this topic, we look at the 45 LEFs which raised the most revenue in our dataset, representing the top 10% of LEFs in California. The range of revenue raised here is $1,032,040 to $7,499,090, with an average reported revenue of $2,227,289 and median of $1,737,576.

The California Department of Education reports school and district enrollment data every year (2013). Using this enrollment data, we can calculate the per pupil revenue that the top 45 LEFs are able to raise; this changes the picture dramatically. The revenue range is now $2 to $6,782 per pupil, with an average of $1,013 and median $455. According to the Census bureau, California spent $9,375 per pupil in the 2009-2010 school year, which would be $9,671 in real 2011 dollars. Thus on average these groups in the top 10% are able to increase per pupil spending by 10% above the state average, which means total per pupil spending would be just in the range of the national average. The LEF with the highest revenue per pupil is able to raise per pupil spending by 70%, while the LEF with the lowest revenue does not raise spending by even 1%. Table 2 shows the top five and bottom five LEFs based on their per pupil revenue.

(Table 2 about here)

But which LEFs are able to raise the most per pupil? What factors are at play in determining revenues? Table 2 shows two potential explanations. First, the third column shows the student enrollment that the LEF represents (either in the school or district). The top five LEFs have noticeably smaller enrollments than the bottom five, largely because the top five are representing one school or a small school district. These numbers suggest that there is some collective action issue at play; that is, smaller LEFs are better able to cooperate to raise more support. Second, the last column shows the median income for the zip code in which the LEF is located (Census Bureau, 2013). The median income for the entire state of California is $61,632. Table 2 suggests those LEFs in an area with relatively higher income are able to raise more funds as the four of the top five groups are well above the state's median income, while the bottom five LEFs are in areas close to the median income or below it.

In order to look further into these two explanations, we can compare per pupil revenue against the enrollment the LEF represents. The correlation between per pupil revenue and enrollment for the top 45 LEFs is -0.16, supporting an inverse relationship between the two variables. The correlation between per pupil revenue and median household income is 0.28, supporting a direct relationship. Figure 1 is a scatterplot showing per pupil revenue against enrollment for the top 45 LEFs, while Figure 2 is a scatterplot showing per pupil revenue against median household income. These two figures again provide support for an inverse relationship and a direct relationship, respectively.

(Figures 1 and 2 about here)

Conclusion

This analysis has shown that California's LEFs vary tremendously in the amount of money they are able to raise, not just in absolute dollars, but particularly in per pupil revenue. Per pupil revenue is the figure by which education inputs are normally measured, and so it gives the true picture of what foundations are actually adding to schools. Here we saw enormous differences; in a state that already spends well below the national average per pupil, foundations are adding between \$2 to \$6,782 per pupil. These numbers indicate great disparity in what LEFs are able to purchase for schools – is it a few pencils or several teachers? These differences are important to acknowledge. On the one hand, it is very difficult to be critical of parents and communities supporting their local schools. Of course parents are to be lauded for involvement that we know benefits children. On the other hand, the disparities that are created by LEFs cannot be ignored.

Two variables are found to be important in determining how much revenue an LEF can raise. The first is the size of the student population the LEF is serving. There appear to some issues of collective action in raising money for large school districts as their per-pupil revenues drop off quickly. This is not the entire story, though. It is also clear that the wealth of the area the LEF serves is a key component in what they are able to raise. Put simply, wealthier areas are able to raise more money for their schools. Thus even parents who wish to provide more funding for their local schools may not be able to do so because of wealth limitations. This was exactly the problem that the initial *Serrano* ruling attempted to address in 1971.

But does money truly matter? There is a great deal of debate in the education literature about whether increased funding for schools affects outcomes. This is a complex issue, but for several reasons we believe the answer is yes. A recent study by Hill and Kiewiet (2013) shows that California schools with more qualified teachers (measured as teacher education and years of experience) have significantly higher test scores than other schools. Hiring these more qualified teachers costs money, and foundations can of course help with this expenditure. Second, basic economic principles tell us that parents and community members would not be going to the great effort of raising literally millions of dollars a year unless they believed it made a difference in the quality of education that their children receive. Thus we believe that additional money raised by LEFs is making a difference in California's education system.

There are many avenues for future research here. First, we would like to expand the data set to include information for all of the California LEFs, including enrollment, median household income, year founded, and type of LEF (one school, multiple schools, district, county, or other).

We believe that the analysis presented in this paper could be expanded to the entire population of California LEFs in order to provide a more complete study of how they are able to raise money and what their impact is. Additionally, some LEFs exclusively support charter schools, another method in which some parents are "opting out" of the standard public education system. What kind of support do charter school LEFs receive? The data could also be extended to include outcomes such as school and district Academic Performance Index (API) scores which are based on standardized test outcomes and used by California to measure the progress of its public schools. Moreover, it appears from our data that some school districts encourage the formation of LEFs as they have several, usually with multiple foundations representing individual schools in the district. Studying which districts have multiple foundations would then be important. Another question is which LEF structures are the most popular – single school, district, or some other structure? Examining these different types of districts and also how they may vary in their ability to raise revenue is also part of future research.

LEFs are adding to public education in California, providing programs, materials, and even additional teachers to many schools. But not all. Many LEF websites note that the state of California does not provide enough funding for a quality education, and therefore the needed money must be raised through private means. The question of what happens to children who do not benefit from an LEF goes unanswered. The fact is that some children receive 70% more funding support for their education than the majority of other public school children in the state of California. As the *Serrano* judges concluded in their ruling, "By our holding today we further the cherished idea of American education that in a democratic society free public schools shall make available to all children equally the abundant gifts of learning." If this is equality, then apparently some children are much more equal than others.

Table 1 – California LEF Revenue Quintiles
All LEFs

Quintile	Revenue (real 2011 dollars)
1st	$28,414
2nd	$56,312
3rd	$125,367
4th	$358,610

Table 2 – Top Five and Bottom Five by Per Pupil Revenue
Top 10% of LEFs

LEF	Total Revenue	Enrollment	Per Pupil Revenue	Zip Code Median Income
Top Five				
Bullis-Purissima Elementary School Foundation	$2,733,256	403	$6782	$156,526
Woodside School Foundation	$2,279,270	453	$5032	$121,658
Los Angeles County High School for the Arts Foundation	$1,684,375	410	$4108	$50,028
Ross School Foundation	$1,287,857	359	$3587	$127,417
Hillsborough Schools Foundation	$4,167,904	1512	$2757	$100,528
Bottom Five				
Redlands Education Partnership Foundation	$1,311,425	21,398	$61	$63,658
Oakland Small School Autonomous Schools Foundation	$2,664,019	46,584	$57	$51,144
Tustin Public School Foundation	$1,211,202	23,093	$52	$64,824
Torrance Education Foundation	$1,189,952	24,370	$49	$57,261
Los Angeles Unified School District Education Foundation	$1,285,493	662,140	$2	$50,028

Figure 1 – LEF Per Pupil Revenue against Enrollment

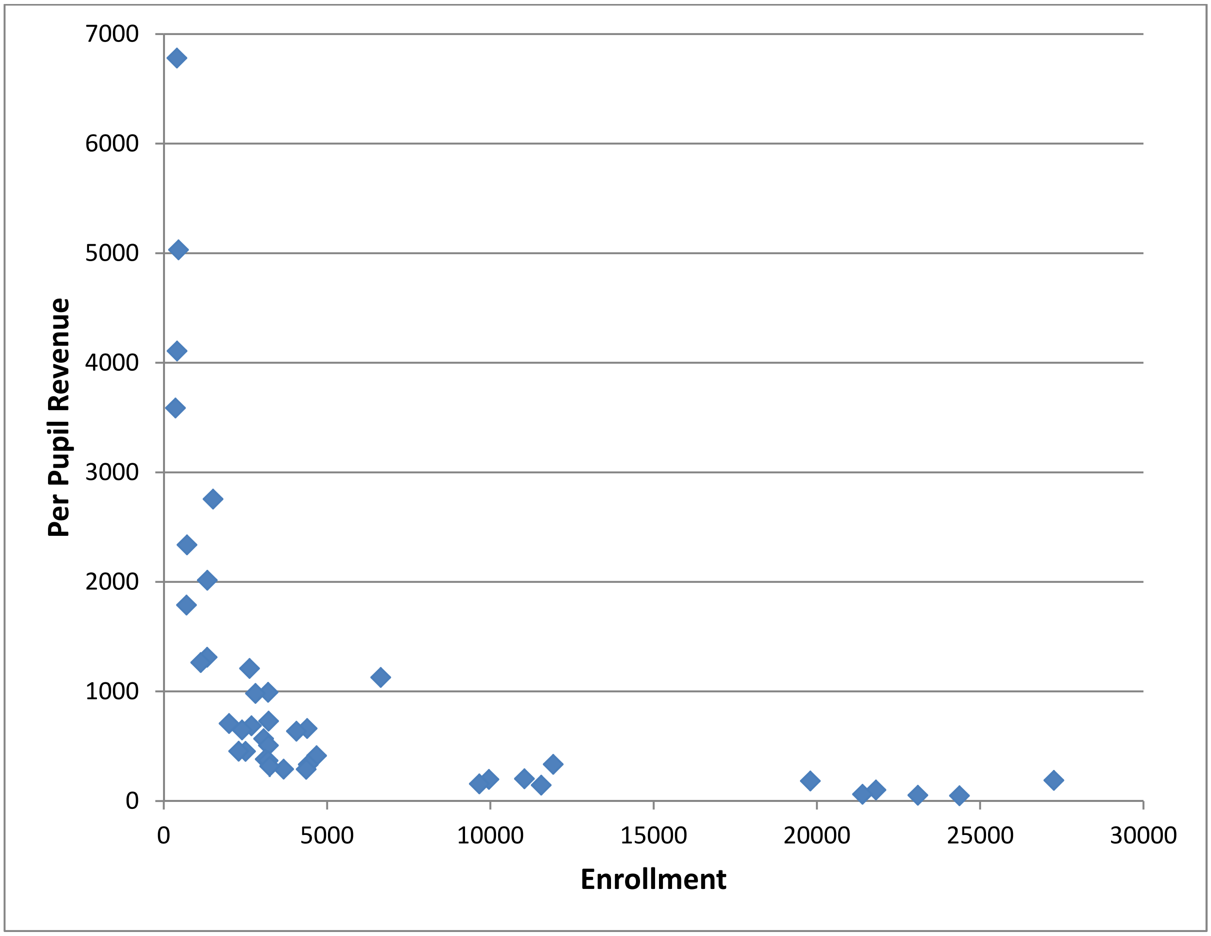
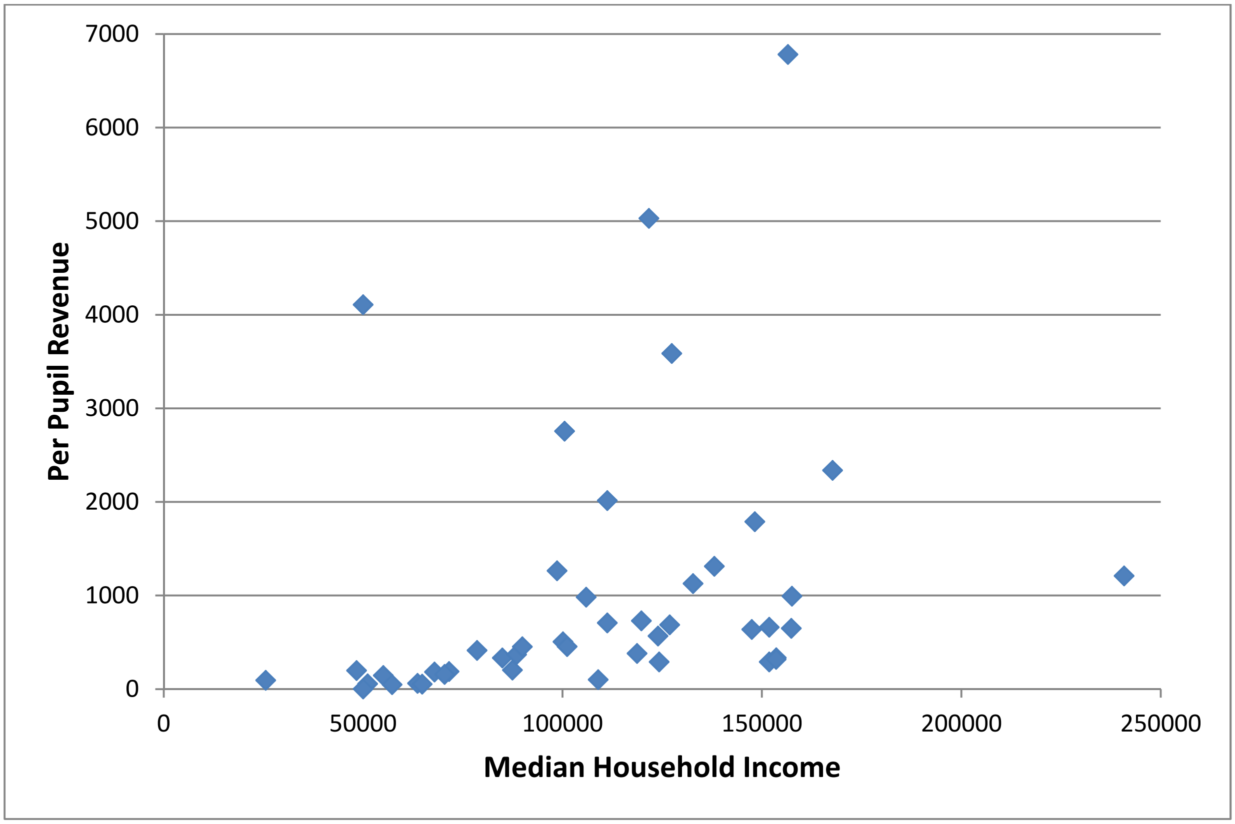


Figure 2 – LEF Per Pupil Revenue against Median Household Income



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