

School Funding

While the City of Cupertino is a separate and distinct entity from the public school districts serving the city, our actions, and the actions of the other cities served by the public school districts, have a direct result on school funding, especially when it comes to the type and quantity of new housing we approve.

Cupertino is served by two school districts, Cupertino Union (CUSD) for elementary and middle schools, and Fremont Union (FUHSD) for high schools. Both districts serve most of Cupertino (other than one small section), as well as parts of San Jose, Saratoga, Santa Clara, Sunnyvale, Los Altos, and some unincorporated areas.

School funding is a very big issue, especially for CUSD which is very poorly funded. California calculates a base funding level for each school district based on attendance numbers. There are two funding models, Basic Aid and State Aid.

Basic Aid: Local property taxes generate most of the district's revenue. This occurs in areas where the property tax revenue is high enough, and the number of students low enough, that the school revenue from property taxes exceeds the minimum per-pupil funding level set by the state. The District keeps all the property tax revenue that they receive, which exceeds, often greatly, the state minimum funding level. About 8% of California's school districts are Basic Aid. FUHSD is a Basic Aid district. FUHSD doesn't get more money from the state for each additional student that enrolls. This is why FUHSD is so strict about verifying residency.

State Aid: Local property tax revenue is not high enough to generate enough revenue to meet the minimum per-pupil per pupil funding level set by the state. The state fills in the gap, but only to the minimum level required. About 92% of California's school districts are State Aid. CUSD is a State-Aid district. Since CUSD gets additional state funding for each additional student, they are less strict about verifying residency, though residency is still required, with certain exceptions.

An oft-asked question is this: How is it possible that FUHSD is Basic Aid, and well-funded, while CUSD is State Aid, and struggling? Aren't the property values in this area high enough for CUSD to also be Basic Aid?

It's complicated, but the root cause is because of the increase in high-density rental housing which not only generates lower property tax revenue per housing unit, but also has a disproportionately high number of children of elementary and middle school age living in that housing. For CUSD, the limited amount of property tax revenue is spread across a much larger number of students and does not meet the minimum state funding level.

An owner of a apartment building with 100 rental apartments pays much lower property taxes than the total property taxes paid by the owners of 100 single family homes (whether the homes are detached houses, townhomes, or condominiums).

Additionally, the owner of an 100 unit apartment building pays only one set of parcel taxes, while the 100 owners of 100 single family homes are paying one-hundred sets of parcel taxes even though they are generating fewer students per housing unit. State-Aid districts like CUSD depend on parcel

taxes to fill the gap between the funding per pupil provided by the State, and the spending per pupil by the district.

Exacerbating the problem is that while single family homes are eventually sold, and reassessed at market value, apartment complexes are not often sold and reassessed, so the revenue gap is continuously getting worse.

Exacerbating the problem even more is the average number of students per housing unit. Owners of for-sale housing typically don't sell their homes as soon as their children are done with the public schools because Proposition 13 makes it advantageous to remain in their homes. As a result, the average number of public school students goes down the longer a single family home is not resold. Tenants of rental housing turn over frequently because once the children of the tenants in rental housing are done with the public schools they tend to move to an area with lower-cost housing because school quality is no longer a concern; they are replaced by new tenants with school-age children. This is why schools in areas without much rental housing are experiencing an under-enrollment problem while schools in areas with a lot of new rental housing are over-enrolled. One workaround is simply to assign students to schools outside the normal school boundaries, and this is already occurring to some extent. There is no guarantee that a student will get to attend their neighborhood school. It was rather sad to read a post on Nextdoor from a mother looking for friends for her elementary school aged daughter that was forced to attend a school far from her home; the daughter's classmates all lived far away.

It is true, that due to Proposition 13, older homeowners are paying much lower property taxes than newer homeowners, but it's also true that the level of services they require are lower because they aren't using the public schools anymore. The 2% annual increase in property taxes is low, but not unfair. However if they rent out their homes, or let their adult children with their own school age children live in their home, that creates a big burden on the schools without generating the necessary funding. I have seen this in my own neighborhood. A couple, with an annual income of \$400,000, moves into the childhood home of one of the couple's parents. The home is worth \$2 million but is assessed at \$200,000. The property taxes are extremely low. The couple sends their two children to public schools. But their \$2500 in annual property taxes doesn't nearly pay for the the schools' per-student costs. No one is doing anything illegal or unethical, they are just taking advantage of Proposition 13. It's why I believe Prop 13 should be modified to apply solely to owner-occupied for-sale housing.

The parcel tax issue is especially vexing. Some districts, like Berkeley, have passed school taxes based on square feet rather than on a per parcel basis. Owners of rental housing complexes, and commercial office property, don't like this, but it is much fairer. The most recent vote on school taxes for Berkeley passed 81%-19% (see [https://ballotpedia.org/Berkeley_Unified_School_District,_California,_Measure_E,_Parcel_Tax_\(March_2020\)](https://ballotpedia.org/Berkeley_Unified_School_District,_California,_Measure_E,_Parcel_Tax_(March_2020))). I have advocated for this system to both CUSD and FUHSD. Both districts insist that replacing the current parcel taxes with a per-square-foot tax, would never pass. They may be right, but they've never tried. In Santa Clara County, in March 2020, every school parcel tax, including the CUSD parcel tax, failed (some bond measures passed).

One reason that I advocate for new housing to be for-sale, rather than rental, is because of the financial advantages to the schools. There are other advantages as well, that accrue to the owners who are building equity and wealth rather than contributing to the wealth of the rental property owner.

Another issue with school funding is the level of impact fees that are assessed on new housing. These fees are capped by the state, and are extremely low, far too low to construct new permanent buildings or new schools. This is the reason that school districts resort to portable classrooms to increase school capacity when new housing generates additional students; it's not that they believe portables are a good idea, it's because portables are much cheaper than constructing new permanent buildings. One parent whose children attended the same schools as my children, made up a riddle: "What did one new portable say to another new portable at the portable factory? See you on the playground."

Fixing the inequities in school funding are not something that individual cities can accomplish. It requires action by the State Legislature. Unfortunately, many State Legislators are heavily funded by entities that would be required to pay more in taxes if the school funding model were fairer.

Cities are forbidden from considering school impact when approving or not approving new housing that is compliant with the General Plan and existing zoning. However the City does decide whether or not to grant General Plan Amendments and rezoning land for different uses, as well as for increased height and density. School impacts need to be considered when deciding on these General Plan Amendments and rezoning.

There are efforts in the State Legislature, funded by Wall Street real-estate investors, to take zoning authority away from cities. Most cities are opposed to this legislation, but there are Astroturf groups, funded by developers, corporations, and real-estate investors that have been formed with the express intent of destroying suburban cities that have high-quality schools. These Astroturf groups go by various names, including various YIMBY groups (YIMBY stands for "Yes In My Back Yard," but is more accurately called WIMBY "Wall Street In My Back Yard), as well as groups with "Forward" or "For All" in their names. Often people join these groups with the best of intentions, not understanding the big picture.

Fortunately, there are also groups working to stop the State Legislature from passing bills designed to benefit real estate investors and corporations from destroying suburban cities and their schools. These include Livable California, California Alliance of Local Electeds (CALE), and Better Cupertino. These groups are well-intentioned, but lack the money necessary to have much influence on legislators.

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