



# **California's K-12 Education Finances**

**Peter F. Zoll**

**Wilseyville, California**

## **The problem fairly stated:**

/1/ The State of California has over ten thousand schools in over two thousand school districts employing over 260 thousand teachers and a lesser number of aides and staff to provide an education for almost six million students over eight hundred thousand (14%) of which are disabled. To do accomplish this the state usually has revenues streams on the order of \$15 billion from the Federal government; \$40 billion from local governments (typically counties) and \$60 billion from the state. In addition, schools may claim an attendance subsidy of approximately \$55 per student per day or about \$9900 per student per year. On average, a student misses ten days per year so \$9350 per student year is probably a more accurate figure.

/2/ It will probably be the case that attendance subsidies will be predictable (so no re-emergence of a pandemic, for example) and that local revenues will also be predictable.

/3/ The State revenues are being negotiated as part of the larger annual budget for California. The latest proposal was a 0.6 % increase. This is unfortunately less that the current estimated inflation rate of 3.2%. If tariffs are implemented in any significant manner it would be reasonable to expect profound increases in inflation and unemployment as well as a decrease in income tax and sales tax revenues.

/4/ At present, the Federal funds provided by the United States Department of Education have been impounded. One process of particular interest in this regard is litigation by the State of California and others (see next page) concerning the ability of the Federal Executive branch to impound money allocated by the Federal Legislative branch especially when the impoundment is alleged to be in violation of Title VI (formally

Title VI, 42 U.S.C. § 2000d *et seq.*, which is part of the landmark Civil Rights Act of 1964. Title VI prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance). It appears likely that the case will eventually be heard by the United States Supreme Court.

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**UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

STATE OF NEW YORK, STATE OF ARIZONA,  
STATE OF CALIFORNIA, STATE OF  
DELAWARE, DISTRICT OF COLUMBIA, STATE  
OF HAWAII, STATE OF ILLINOIS, STATE OF  
MAINE, STATE OF MARYLAND,  
COMMONWEALTH OF MASSACHUSETTS,  
PEOPLE OF THE STATE OF MICHIGAN, STATE  
OF MINNESOTA, STATE OF NEVADA, STATE  
OF NEW JERSEY, STATE OF NEW MEXICO,  
STATE OF OREGON, and JOSH SHAPIRO, in his  
official capacity as Governor of the Commonwealth  
of Pennsylvania,

Plaintiffs,

v.

UNITED STATES DEPARTMENT OF  
EDUCATION; and LINDA McMAHON, in her  
official capacity as Secretary of Education,

Defendants.

Case No. 25-cv-2990

There are several major legal issues so predicting when what percentages of funds might be released is fraught with uncertainty. Our analysis suggests that over 400 districts and almost 3,000 schools could fail in 2025.

Having consumed an inordinate amount of computer processing cycles, we are able to say that current revenue levels, even if Federal funds are released in a timely manner, will not maintain present education employment levels and will not provide an acceptable education in most cases. However, the esteemed author Gordon Dickson offered a quote in his highly recommended **Tactics of Mistake**: “Trouble rather a tiger in his lair than a sage among his books ... “

State	IRS Collections	Federal Aid	Net
California	467,417,992,000	143,262,651,000	-324,155,341,000
New York	289,387,122,000	102,001,168,000	-187,385,954,000
Illinois	156,435,157,000	30,774,198,000	-125,660,959,000
Pennsylvania	140,452,053,000	50,966,892,000	-89,485,161,000
New Jersey	131,327,919,000	26,249,586,000	-104,380,720,000
Massachusetts	119,074,662,000	26,947,199,000	-92,825,076,000
Minnesota	99,580,005,000	17,658,038,000	-81,921,967,000
Maryland	79,672,230,000	21,700,447,000	-57,971,783,000
Michigan	77,707,767,000	32,452,807,000	-45,254,960,000
Arizona	49,306,653,000	27,448,006,000	-21,858,647,000
Oregon	35,257,459,000	15,457,416,000	-19,800,043,000
District of Columbia	31,278,730,000	6,648,640,000	-24,630,090,000
Nevada	23,388,683,000	7,748,955,000	-15,639,728,000
Delaware	20,587,021,000	5,327,825,000	-15,259,196,000
New Mexico	9,641,644,000	12,600,405,000	<b>2,958,761,000</b>
Hawaii	8,818,255,000	6,159,252,000	-2,659,003,000
Maine	8,097,747,000	4,877,966,000	-3,219,781,000
<b>TOTALS</b>	<b>1,747,431,099,000</b>	<b>538,281,451,000</b>	<b>-1,209,149,648,000</b>

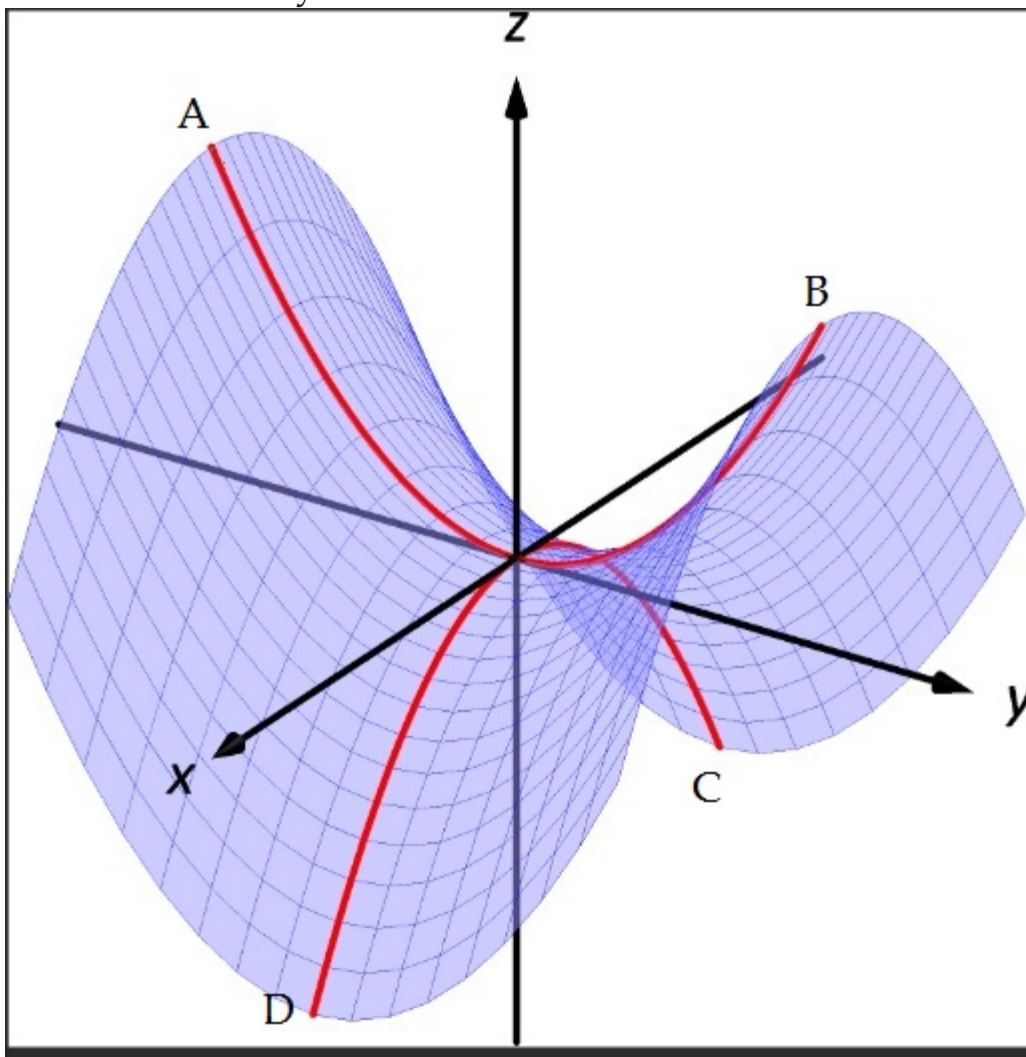
All the figures in the table are the latest estimates by the US Census Bureau. Negative figures in the Net column indicate that a state collects more for the IRS than it receives in Federal aid. The national total of IRS collections is \$3,493,067,956,000 so the states involved in the case account for 50.03% of IRS collections. If the states involved diverted even six months of collections (more than 800 BILLION dollars) it would have profound effects on the Federal budget and pending legislation:

/1/ Were the IRS collection funds diverted the states involved in the case would not have to be especially concerned with what Federal funding they would receive – nor when they would receive it. Note that some years ago an extensive study across multiple counties was done for then Congressman George Miller (representing what is today the California 7<sup>th</sup> Congressional District including most of Contra Costa County). The outcome was that 'A' schools (achieving above average test scores) took a year or two to recover from teacher layoffs; 'B' schools (achieving average test scores) took three or four years to recover from teacher layoffs; and 'C' schools (achieving below average test scores) NEVER recovered.

/2/ The late William S. Knapp pioneered the economic notion that money has velocity and that there are financial consequences when the velocity is changed. A concern is that while modest changes to velocity are locally linear the underlying curves are hyperbolas so that when major changes to velocity are made the effects become very powerful. This was discussed as the famed 'mite walking on a Pringles [potato chip]' example.



The stackable Pringles shape is a hyperbolic paraboloid invented or at least recognized to be useful by Proctor and Gamble in the 1960s.



The geodesics or shortest paths the mythical mite must follow from A to B or from C to D appear to be straight lines if the mite is not going very far. The shortest path from, for example, A to D becomes complex to compute even when using a small farm of graphics processing units.

/3/ It is unlikely that the “Big Beautiful Bill” could still be eligible for the considerations it receives now. Of course, a state such as California could allocate some of the diverted money to directly fund threatened programs such as Medicare, SNAP and Social Security.

/4/ it is likely the credit rating of the United states would decline further. This would cause changes in debt instruments such as Treasury bills.

/5/ It is difficult to determine how the credit rating of the states in the case would be impacted – they might not have much need to issue bonds and get loans. They might also be able to pay off debt.

/6/ Even if Federal printing presses ran day and night it is not possible to print enough money to overcome funds sequestered by the states. The many very negative effects of excessive currency production, especially at a time when the US dollar is both weak and under attack, are well known.

/7/ The credit ratings of states NOT in the case would probably decline as the stability of their finances would be reduced. This could be a problem if some or all of those states were obliged to try and borrow money. A lender would have to be concerned how the funds would be repaid, especially if there is an economic downturn.

/8/ An amateur reading of the relevant laws and practices does not appear to specify exactly how and when a state like California must arrange to pay the IRS collections. There are substantial collateral effects for both the

sending and receiving entities when depositing a trillion dollars in a major overseas financial institution such as the Bank of China. However unsavory their products and methods might be, it should be obvious that the large-scale financial arrangements made by the Cali and Medellin cartels, among other examples, are well thought out and of considerable benefit to their home country.

/9/ One hardly needs access to an artificial intelligence plantation to realize that some prudence has to be involved when making allocation decisions about the world's fourth largest economy. In a similar manner, while alleviating California's current [2025] financial woes is necessary, some thought needs to be given to the looming fire season, the potential for a major earthquake and a possible pandemic. For example, California has about 40,800 doctors which means about 969 patients per doctor. First world country standard is about 300 patients per doctor. Of those 40,800, more than 25,000 (60%) are single person practices, which probably limits availability during a crisis. Doctors are slow and expensive to produce. It would be foolish to expect that the State of California's budgetary challenges will not extend to 2026. A well-known but often ignored consideration is that students only pass through an educational system once.

/10/ Anticipatory reconciliation or whatever flashy market-friendly slogan one might care to use also would lessen the chances of California's hard-working people being punished for economic growth by yet another tax, perhaps on caffeine, in addition to existing personal and corporate worth reducers such as taxes on alcohol, tobacco, firearms, and general sales.