

# BALLOT MEASURES NOVEMBER 1988

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Facing the longest ballot since 1922, voters will decide whether or not to support Proposition 98, a constitutional amendment to guarantee revenues for schools and to require school-by-school progress reports, and Proposition 79, an \$800 million bond measure to pay for constructing or renovating schools.

## PROPOSITION 98

### Provisions

Should a minimum level of revenues be guaranteed in the Constitution as a stable funding base for public schools and community colleges? Voters will answer this question in November when they mark Proposition 98 on their ballot.

The text of the "Classroom Instructional Improvement and Accountability Act" ranges from great detail about report cards on school effectiveness to vagueness about the amount of required state budget reserve. The four sections of the initiative are summarized in Figure 1. In more detail, these are:

**1) Minimum School Funding Level.** Beginning in this 1988-89 school year, public schools and community colleges would be guaranteed the *greater of either* the same percentage of the state's General Fund they received in 1986-87 *or* the same amount of revenue from state taxes and local property taxes as the previous year, adjusted for increase in enrollment and inflation. Inflation would be the same as for the Gann spending limit: the *lesser of* the change in the U.S. Consumer Price Index or in California per capita personal income.

The amount would be automatic instead of being hammered out during the annual legislative budget discussion.

The Legislature could, however, decide to suspend the provision for one year by a two-thirds vote.

Although the Constitution states that "money shall first be set aside for the support of the public school system," no particular state tax source is earmarked for education. The Education Code does refer to a cost of living adjustment for school districts' general purpose (revenue limit) revenues and for some special purpose programs, but in reality the final appropriations are determined through discussion and debate among

the Governor and both parties in the Legislature. Since 1978 they have also decided how much of local property taxes will be spent for schools.

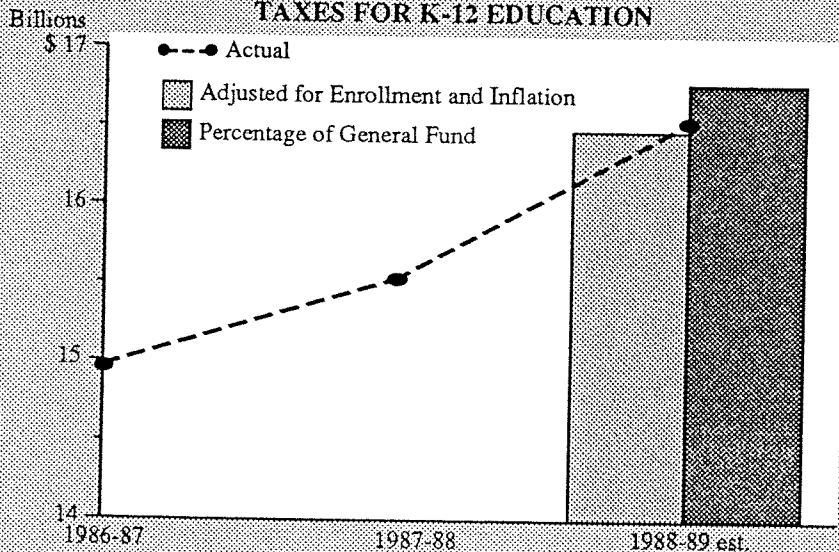
The state's budget decisions are rarely made before June 15, sometimes not until after July 1, the beginning of the new fiscal year. In addition, education is as vulnerable to cuts as any other publicly supported agency in times of budget constraints. Therefore, the education community has long been interested in a way to remove schools from the cycle of uncertainty.

### FIGURE 1. PROPOSITION 98 CLASSROOM INSTRUCTIONAL IMPROVEMENT AND ACCOUNTABILITY ACT

- **Minimum School Funding Level**  
The *greater of*
  - the percentage of General Fund in 1986-87, *or*
  - the prior year's revenue adjusted for inflation & enrollment
- **Revenues above the Gann Limit**  
Up to 4% of prior year's minimum funding level  
Expenditure restricted to:
  - class size reduction
  - instructional materials
  - direct student services
  - staff development
  - teacher compensation
- **Accountability**  
Annual report cards for each school  
At least 13 components
- **"Prudent" state budget reserve**

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**FIGURE 2. EFFECTS OF PROPOSITION 98 ON STATE AND LOCAL TAXES FOR K-12 EDUCATION**



Proposition 98 defines the "minimum school funding level" as the greater of the percentage of General Fund with base year 1986-87 or the previous year's funding adjusted for enrollment and inflation.

Data: Office of the Legislative Analyst

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The immediate effect of Proposition 98 is depicted in Figure 2, based on data from the Office of the Legislative Analyst. The dotted line shows the actual allocation to K-12 education of state and local property taxes in 1986-87 and 1987-88 and the estimated amount for 1988-89. The two alternatives listed in Proposition 98 are also calculated; the greater for 1988-89 turns out to be the percentage of the General Fund spent on education. Therefore, if Proposition 98 passes, an estimated additional \$240 million would have to be appropriated for K-12 education in 1988-89, a year for which the budget has already been adopted.

These numbers are the subject of dispute among the various parties who are analyzing them. Proposition 98 specifies that the percentage of the General Fund in 1986-87 should be based on total General Fund revenues. That was the year in which the Legislature rebated excess tax revenues of \$1.1 billion to taxpayers. If that \$1.1 billion is considered to be part of the total General Fund, then the base-year percentage spent on K-12 education is reduced. Using a higher percentage would result in a larger amount of money directed to schools.

The future impact of this proposition on schools is hard to predict. Each year in which the Legislature did not vote to suspend the constitutional provision, education would be removed from the annual budget battle and would be able to predict its funding with considerable accuracy. No assurance can be given, however, that any extraordinary needs or even new programs would be funded in addition to the guaranteed dollars.

The effect on the state's budget could be minimal or drastic, depending on the flow of state revenues and on the demands and needs of other agencies and state-supported activities. In a period of revenue shortfall, the Legislature and Governor would have to decide among cutting other areas of the budget, suspending Proposition 98 for that year, or even raising taxes (up to the state's Gann spending limit) in order to fund other programs and agencies.

**2) Excess Revenues.** In a period of economic growth or an increase in tax revenues, the state's income could rise above its Gann spending limit. The excess could not be spent on state services, no matter what the need, because the Constitution's Gann limit requires a rebate to taxpayers. Proposi-

tion 98 provides that a portion of those "excess" revenues be distributed to schools and community colleges, with the state's limit automatically increased by that amount only. The specified portion is 4% of the "minimum school funding level." Revenues above that 4% would be returned to taxpayers.

This supplementary 4% increase in funding would have to be used directly for services of benefit to children, for example, for lower class size, instructional supplies and equipment, staff development, and compensation of teachers. School construction is excluded. The 4% would also become part of the "minimum school funding level" for the next year.

The extra distribution would be cancelled if California's expenditures per student reached the average of the ten highest spending states and if California's average class size was less than or equal to that of the ten lowest states' class size. Data from the National Education Association's *Ranking of the States 1987* shows that these ten-state averages for K-12 schools were \$5,738 spent per ADA in 1986-87 and 14.75 pupils enrolled per teacher (with California at \$3,887 and 22.76 pupils per class in that year).

In the nine years since the constitutional limit on spending was approved by voters, the state's revenues have exceeded the Gann limit only once. A ballot measure to allow for expansion of the state's limit was narrowly rejected in June 1988. This past spring revenues fell short not only of the limit but also of the projections used for the budget.

According to the Legislative Analyst, in 1988-89 this provision of Proposition 98 could result in an additional \$500 million for schools and community colleges — if the state receives that much money in excess of its Gann limit. In the longer run, the effect on education of this section would depend on the state's economy and on any changes made to the Constitution's spending limits.

### 3) School Accountability Report

**Card.** Proposition 98 requires each district to complete and publicize a School Accountability Report Card (SARC) annually for each school beginning in 1989-90. The purpose would be to ensure accountability – public and visible – for progress toward specific goals and for the expenditure of schools' and community colleges' guaranteed annual income. The Superintendent of Public Instruction would be responsible for appointing and overseeing a task force composed mainly of teachers and charged with creating a model report card as an example for districts to use.

The components that would have to be included in each SARC are listed in Figure 3. Districts could decide what other information to include. The Legislative Analyst estimates a cost of from \$2 to \$7 million each year for compliance with this section of the initiative.

Broad data of the type required by Proposition 98 is not currently available to the public in this complete a form, although some of it is on file in school districts. Superintendent Honig introduced a fairly elaborate system of "quality indicators" that involve much of the same information. Summary data from the California Assessment Program, now released by school and by district, is presented only in the context of a band that allows comparisons of districts with similar socioeconomic characteristics.

**4) Budget Reserve.** Proposition 98 directs the Legislature to establish a "prudent reserve." No elaboration is provided.

The state's budget presently carries a reserve for economic uncertainties. In recent years Governor Deukmejian has made clear his strong preference for a reserve of around \$1 billion, about 3% of the budget, although he did agree to a smaller amount during the budget-cutting discussion for the 1988-89 fiscal year. If the guaranteed allocation to

### FIGURE 3, SCHOOL ACCOUNTABILITY REPORT CARD

- Student achievement in and progress toward meeting reading, writing, arithmetic and other academic goals
- Progress toward reducing drop-out rates
- Estimated expenditures per student, and types of services funded
- Progress toward reducing class sizes and teaching loads
- Any assignment of teachers outside their subject areas of competence
- Quality and currency of textbooks and other instructional materials
- The availability of qualified personnel to provide counseling and other student support services
- Availability of qualified substitute teachers
- Safety, cleanliness, and adequacy of school facilities
- Classroom discipline and climate for learning
- Teacher and staff training, and curriculum improvement programs
- Quality of school instruction and leadership

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education forced cuts in other governmental services, the interpretation of the word "prudent" could become quite important.

### Pros and Cons

Designed as a comprehensive package of financial guarantee and accountability, Proposition 98 was drafted and circulated for signature by the California Teachers Association. The CTA argues that financing education should be removed from politics. State PTA President Betty Lindsey, co-signer of the ballot argument, adds that the state's economy and its people will suffer if education is not re-established as a first priority. Superintendent of Public Instruction Honig points out that public education needs this guarantee because "today we spend just one real dollar more per student per day in our schools than ten years ago." Proposition 98 is, proponents claim, a "well thought out plan for California's schools to once again be among the very best in the nation."

Governor Deukmejian, George Christopher, Chairman of the Commission on Educational Quality, and Richard Simpson of Cal-Tax express their disagreement in the ballot arguments. Asserting that Proposition 98 "will do nothing to improve the quality of education," they believe it will place

other state services at risk of being reduced during a revenue shortfall and will eventually cause a tax increase. According to them, "education is already California's top budget priority."

In summary, Proposition 98 is intended to guarantee a stable funding base for education in the state's Constitution while formalizing accountability to the public. Many education supporters consider this move to be appropriate, while many other people decry locking the expenditure of billions of dollars into the Constitution. Other propositions on this ballot would also amend the Constitution to earmark tax money for specific purposes.

### PROPOSITION 79

#### Provisions

Voters are asked to approve an \$800 million package of general obligation bonds, typically issued by the state for 20 years. The total would support at least \$580 million for new school facilities and up to \$100 million for reconstruction and modernization of school buildings, \$100 million for asbestos removal, and \$20 million for air conditioning or insulation in schools with year-round calendars.

**ELECTION DATES  
NOVEMBER 1988**

<b>October 10</b>	Last day to register to vote
<b>November 1</b>	Deadline for application for absentee ballot
<b>November 8</b>	Election Day

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Proposition 79 is the second half of a measure overwhelmingly approved for the ballot by the Legislature last spring. The first part was Proposition 75, also for \$800 million; it passed in the June 1988 election.

According to the State Allocation Board (SAB), applications on file as of September 1988 totaled over \$3.5 billion for construction and reconstruction. The available funds, \$450 million, are expected to be spent by the end of 1988. Billions of dollars will still be needed just to cover the projects already planned.

Enrollments are continuing to grow by 140,000 students each year. This leap in

student population, combined with the fact that over half of the school buildings are at least 25 years old, puts severe pressure both on districts and on the limited sources of revenue for constructing or renovating schools. All of the state funds for facilities are channeled through the SAB. Districts meeting the requirements for eligibility must contribute matching funds, a source for which can be developer fees on new residential or commercial construction. The SAB reports an enormous backlog of requests, which means a long delay between filing for state aid and completing the project.

If Proposition 79 is turned down, then the required local match (keyed to developer fees) that school districts must make when construction funds are granted will be eliminated. This would make it even harder to build new schools because less money would be available across the state.

Fifty-two districts have asked voters to approve local general obligation bonds for construction. The necessary two-thirds vote (a majority if the existing school is declared unsafe for school use) has been achieved in 30 of them. The Mello-Roos Community Facilities Act of 1982 authorized the establishment, also by two-thirds vote, of a special district in which property taxes can be levied to repay bonds for construction; 18 of these Mello-Roos Districts have

been formed. Neither local general obligation bonds nor Mello-Roos districts have made a significant dent in the great need for new school facilities.

**Pros and Cons**

Governor Deukmejian and Superintendent Honig are cooperating in support of this bond measure. They state that overcrowding and continued enrollment growth create a severe problem for education. Issuing bonds is a "safe and financially sound California tradition...[that] will not raise taxes," they say. Recently the Legislative Analyst, Elizabeth Hill, asserted that California is able to afford the level of bonded indebtedness which her office currently foresees.

The statement against Proposition 79 on the ballot pamphlet is signed by Roger Maygar from Parents CARE. He argues that money can better be spent by helping parents to send their children to uncrowded private schools.

In summary, most legislators, the Governor, and the Superintendent of Public Instruction agree that selling bonds to acquire the revenues for badly needed school construction is a necessary activity for the state's government.

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