

Fair School Finance

A Community Education Project



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FACT SHEET: THE IMPACT OF PROPOSITION 13 ON PUBLIC SCHOOLS IN CALIFORNIA

This information has been compiled by the Coalition for Fair School Finance for our sponsoring organizations, the League of Women Voters of California; the American Association of University Women, California State Division; and the California Congress of Parents and Teachers. The Coalition is a public information project on California school finance and the Serrano v. Priest decision, and takes no positions or action on any legislation.

Property tax dollars are the primary source of revenue for most California schools. The Serrano v. Priest decision of 1976 did not make the use of property tax dollars for schools illegal. Proposition 13 will affect this important source of funding for public schools in California.

Senate Bill 1 is not included in this fact sheet because its impact on school funding is expected to be minimal.

PROPOSITION 13 SUMMARY

The Jarvis-Gann initiative will appear on the June 6 ballot as Proposition 13. If passed by a simple majority of the voters, it will add Article XIII A to the California Constitution. The initiative would have the following effect on taxes in California:

1. It allows a maximum property tax rate on real property at one percent (1%) of full cash value. (Since real property is not defined in the text of the initiative, it can only be assumed that real property as used in the initiative refers to secured and unsecured tax rolls.)
2. It defines "full cash value" as the county assessor's 1975-76 valuation, which may be adjusted upward by not more than two percent (2%) annually, or "thereafter, the appraised value for property newly purchased, newly constructed, or change of ownership has occurred after the 1975 assessment." All real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation.
3. It requires a) a two-thirds vote of the elected legislators of each house to increase any state taxes, and b) a two-thirds vote of the "qualified electors" of any local government to establish any additional local taxes.
c) "No new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property" may be imposed.

If approved by a simple majority, Section 3 a and c will become law on June 7, 1978; the remainder of the initiative will become law on July 1, 1978.

SCHOOLS AND PROPERTY TAX DOLLARS

STATEWIDE:

All of California's 1,042 public school districts (grades Kindergarten through 12) depend heavily upon property tax dollars for schools. Just how heavily is underlined by the following chart. The chart shows the estimated 1978-79 total revenues for

school districts statewide, total estimated 1978-79 property tax revenues and the estimated tax reduction if Proposition 13 should pass. The figures used are 1976-77 actual which have been increased by ten percent (10%) per year to reflect an estimate for 1978-79.¹

Districts	Estimated Total Revenues 1978-79	Estimated Property Tax Revenues 1978-79	Estimated Tax Reduction Under Prop. 13
K - 12 (all expenditures)	\$9,860 billion	\$5,553 billion*	\$3,332 billion
County Superintendents	0.467 billion	0.227 billion	0.136 billion

Schools statewide could lose \$3,468 billion in revenue. No one knows whether and/or how these dollars would be replaced.

COUNTY:

The amount of property tax dollars available to school districts varies from county to county, as the following tabulation shows.²

CENTS PER PROPERTY TAX DOLLAR AVAILABLE FOR SCHOOLS IN EACH COUNTY

Alameda..... \$50	Imperial..... 59	Merced..... 57	San Bernardino... 50	Solano..... 51
Alpine..... 29	Inyo..... 61	Modoc..... 55	San Diego..... 59	Sonoma..... 58
Amador..... 61	Kern..... 54	Mono..... 44	San Francisco... 34	Stanislaus..... 63
Butte..... 64	Kings..... 55	Monterey..... 59	San Joaquin..... 48	
Calaveras..... 61	Lake..... 56	Napa..... 59	San Luis Obispo.. 58	Sutter..... 60
Colusa..... 59	Lassen..... 59	Nevada..... 57	San Mateo..... 64	Tehama..... 60
Contra Costa... 51	Los Angeles..... 47	Orange..... 64	Santa Barbara... 58	Trinity..... 58
Del Norte..... 58	Madera..... 67	Placer..... 58	Santa Clara..... 63	Tulare..... 57
El Dorado..... 52	Marin..... 58	Plumas..... 58	Santa Cruz..... 62	Tuolumne..... 60
Fresno..... 53	Mariposa..... 70	Riverside..... 53	Shasta..... 62	Ventura..... 52
Glenn..... 64	Mendocino..... 58	Sacramento..... 47	Sierra..... 42	Yolo..... 56
Humboldt..... 35		San Benito..... 68	Siskiyou..... 63	Yuba..... 52

The range extends from Alpine County, where 29¢ of each \$1.00 of local property tax goes to schools, to Mariposa County where the corresponding figure is 70¢ of every \$1.00.

LOCAL:

Within each county, school districts receive differing amounts of property tax dollars to support their schools, meaning that school district property tax dependence varies greatly not only from county to county but from district to district within each county. For example, in San Mateo County, the Bayshore school district currently receives 68% of its total revenue from local dollars while the Belmont district receives 81% of its revenue from the local source. Individual school districts within each county receive different amounts of local property tax dollars for schools depending upon their property tax rate for schools and their assessed valuation.

Generally speaking, the more heavily dependent a school district is upon locally raised dollars to fund its budget, the more revenue it will lose if Proposition 13 should pass.

¹ Facts about Proposition 13, Assembly Revenue & Taxation Committee, 2/21/1978
² Source: 1976-77 Annual Report, State Board of Equalization

* Includes bonded indebtedness.

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REQUIREMENTS OF THE CALIFORNIA CONSTITUTION

Education as a fundamental right is guaranteed by the California State Constitution, Article IX, Section 1, which declares that education is essential to the preservation of the rights and liberties of the people. The state of California, under provisions of Article IX, is responsible for maintaining a system of free, public, elementary and secondary schools for all children of the state.

Article XVI, Section 8, of the California State Constitution reads, "From all state revenues, there shall first be set apart the monies to be applied by the state for support of the public school system....." It might seem that funding of public schools is insured under any circumstances by this constitutional provision. It is not. The article is written in general language and does not spell out how much money the state must apply in support of the public school system. It could, for example, be as little as \$120 per child, the current state-paid Basic Aid payment for each child in school. Should Proposition 13 pass, the court will undoubtedly be asked to interpret this article of the constitution.

CALIFORNIA EDUCATION CODE REQUIREMENTS

The Education Code of the state of California requires that school districts conduct their activities according to the rules and regulations contained therein.

ATTENDANCE AND OPERATION:

- Children 6-18 must attend school (California Education Code, Section 48200).
(Children 15½ years old and in at least the second half of the 10th grade, who have passed the state proficiency test, may leave school with parental consent.)
- A kindergarten class must be offered if any age-qualified children reside in the district (E.C. 37040).
- School must be in session at least 175 days a year.
- School must run for 180 minutes a day for kindergarten; 230 minutes a day for grades 1-3; 240 minutes a day for grades 4-12 (E.C. 46112, 46113, 46117).

BUDGET AND PERSONNEL:

School districts must:

- have a balanced budget by August 10 of each year (E.C. 42127).
- pay teachers and aides a fixed proportion of the district's budget (E.C. 43172).
- sign a legally binding contract with each teacher (Gov. Code, Title 1, Ch. 10.7, div. 4a).
- give binding notice to teachers not being rehired for the next school year on the preceding May 15 (E.C. 44955).
- follow the law in laying off or firing teachers (E.C. 22200). Reduction in funds is not valid ground for reducing staff.
- assume liability for all debts including salaries for teachers (E.C. 35200).
- pay into State Teachers' Retirement Fund (E.C. 2202).
- pay social security for secretaries, maintenance workers and other non-teaching personnel working for the district.
- give notice by March 1 to any administrator whose position will be changed the next school year (E.C. 44951).
- give notice of termination to superintendent six months before end of contract unless termination is by mutual agreement.
- pay workers' compensation according to the local school district plan.

SCHOOL PROGRAM AND GROUNDS:

- Each school district shall provide programs including but not limited to reading, mathematics, social studies, science, a foreign language, applied arts, fine arts, and physical education at various grade levels (E.C. 51200-51262).
- Special education program placements must be provided for physically handicapped, mentally retarded, emotionally disturbed, educationally handicapped, and children with learning disabilities (E.C. 56500-56700).
- Child Nutrition Facilities Act of 1975 requires a free or reduced price lunch or breakfast for children who qualify (E.C. 49550 et. seq.).
- elementary school children cannot be required to pay for textbooks or equipment (E.C. 51701).
- district must have comprehensive insurance coverage (E.C. 35208 and others).

This list is not exhaustive. It does indicate that school districts are obliged to operate within many legal requirements. If Proposition 13 should pass, school districts will receive less operating revenue. How to cut back within these legal requirements will probably be deliberated by many school boards.

TECHNICAL FINANCE QUESTIONS

PERMISSIVE TAX LEVIES:

Permissive tax levies supported by property tax revenues such as the Community Services tax (E.C. 42200) and Meals for Needy Pupils (E.C. 49502) most probably would be funded at a lower level as a result of Proposition 13. The Assembly Revenue and Taxation Committee predicts that "if activity funding by school districts is prorated across the board, a 60% curtailment would result." More likely, they feel, districts "would opt to fund the regular school program as a top priority and require sharp reductions or total curtailment of lower priority activities." Programs supported by user fees such as Child Development programs would suffer less drastic reductions, they believe.

BONDED INDEBTEDNESS AND OTHER CAPITAL OUTLAY:

Proposition 13 permits continuation of taxing to repay school district indebtedness previously approved by the voters. The proposition does not permit school districts to take on any new indebtedness and pay it off through ad valorem taxes. New capital outlay would have to be paid for on a current funding basis or by grants from the state.

CATEGORICAL AID PROGRAMS:

Many state and federal categorical aid programs such as Public Law 81-874 (impact aid) require "maintenance of effort," a constant level of funding by the school district to which the state or federal share is added on. Some programs have provision for waiver of the "maintenance of effort" clause; others do not. Funding will most probably be cut in those categorical aid programs where "maintenance of effort" by the local school district is not possible. Since this includes most state categorical aid programs and probably most districts, actions to sustain them would be required of the state legislature.

STATE TEACHERS' RETIREMENT FUND:

The state helps local school districts pay their share of this mandatory teacher retirement program through allocation of state aid based on two different formulae. If Proposition 13 should become law, it is estimated that the state allocation under these formulae would have to cost the state between \$15 and \$20 million.

Another serious impact will be on the ability of the districts to make their required payments to the state. "It is estimated that under Proposition 13 there simply will not be enough funds available for districts to meet their payrolls and pay their retirement contributions also."¹

SERRANO v. PRIEST (1976) AND ASSEMBLY BILL 65 (1977)

The landmark California Supreme Court decision, Serrano v. Priest, requires changes in existing school financing in order to insure

- equity for taxpayers
- equal financial ability to educate children to all school districts
- equal educational opportunity for all children in California

The Court gave the California legislature until September 1980 to make the changes in the finance system and retained jurisdiction in the case for itself. One change required by the Court is that "differences in spending due to local wealth" be reduced to less than \$100 per child, district to district, throughout the state.

The Court did not rule that the use of property tax dollars to finance schools is illegal.

To meet the challenge of the Serrano v. Priest ruling, the California legislature passed Assembly Bill 65 in September 1977. The bill contains provisions intending to bring about taxpayer equity and equal opportunity for children by giving both dollar aid and taxpayer relief to "low wealth" school districts while limiting spending in "high wealth" school districts and requiring the same or high taxpayer effort in those districts. "High wealth" districts must share locally raised tax dollars with "low wealth" districts.

Proposition 13, by cutting property tax dollars available to schools, will adversely impact AB 65. Funds will not be generated in "high wealth" districts and will therefore not be available for redistribution to "low wealth" districts. Taxpayer relief intended for "low wealth" districts will most probably be restricted. If compliance with Serrano v. Priest is not achieved by 1980, the Court will not have been satisfied.

¹Facts about Proposition 13, Assembly Revenue & Taxation Committee, 2/21/78

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