

Comparison of Two Initiatives on November 2012 Ballot

Board Workshop

Monday, August 20, 2012

Proposition

30

and

Proposition

38



Proposition 30

“The Schools and Local Safety Protection Act of 2012”

- Supported by Governor Brown
- Designed to provide additional revenues to the state general fund to avoid further cuts to public education.
 - The revenues would be part of the state’s general fund budget and administered according to state law.
 - New income taxes heavily weighted toward highest earners.
 - Sales tax increase would affect all taxpayers
 - This funding would be part of the state’s normal funding to schools, not additional.
 - The additional revenue could prevent deeper cuts to public education.
- This initiative helps the state to meet its commitments, but in the near term does not provide additional funding for public education.



Proposition 38

“Our Children, Our Future: Local Schools and Early Education Investment and Bond Reduction Act”

- Supported by Molly Munger and California PTA.
- This measure is designed to provide a significant amount of funding directly to school sites and early childhood education.
 - With a minimum of administrative cost and influence.
 - New taxes are broad-based, but high earners pay more.
 - Separate and above any other state or local funding.
 - It provides funding for retirement of state-level debt during the first 4 years.
- This initiative is clearly intended to provide supplemental funding for public education to improve California’s comparative standing with other states.

Comparison - Description of Tax Proposals

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- ¼ cent sales tax increase; up to 3% increase in personal income tax for high-income earners (>\$250,000).
- Generates \$6 billion in 2012-13 through 2016-17; with smaller amounts in 2011-12, 2017-18, and 2018-19.
- DURATION: Sales tax for 4 years; Income tax for 7 years.
- Increase in personal income tax for all but low-income earners, from 0.4% for lowest income individuals to 2.2% for individuals earning >\$2,500,000.
- Generates \$5 billion in 2012-13; \$10 billion thereafter.
- DURATION: Income tax for 12 years.

Comparison – Increase in Personal Income Tax Rates

Single Filer's Taxable Income	Joint Filer's Taxable Income	Proposition 30	Proposition 38
\$0 - \$7,316	\$0 - \$14,632	0%	0%
\$7,316 - \$17,346	\$14,632 - \$34,692	0%	0.4%
\$17,346 - \$27,377	\$34,692 - \$54,754	0%	0.7%
\$27,377 - \$38,004	\$54,754 - \$76,008	0%	1.1%
\$38,004 - \$48,029	\$76,008 - \$96,058	0%	1.4%
\$48,029 - \$100,000	\$96,058 - \$200,000	0%	1.6%
\$100,000 - \$250,000	\$200,000 - \$500,000	0%	1.8%
\$250,000 - \$300,000	\$500,000 - \$600,000	1.0%	1.9%
\$300,000 - \$500,000	\$600,000 - \$1,000,000	2.0%	1.9%
\$500,000 - \$1,000,000	\$1,000,000 - \$2,000,000	3.0%	2.0%
\$1,000,000 - \$2,500,000	\$2,000,000 - \$5,000,000	3.0%	2.1%
Over \$2,500,000	Over \$5,000,000	3.0%	2.2%

Comparison – Distribution of Funds

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- Allocation of funds:
 - Proposition 98 share of increase will be determined by formula (approximately 40%)
 - Allocation of funds:
 - Years 1-4:
 - 30% State Bond Debt Relief
 - 60% K-12 Programs
 - 10% Early Childhood
 - Years 5-12:
 - 85% K-12 Programs
 - 15% Early Childhood

Comparison - Revenues Generated for Education

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- Limited – additional funds offset State General Fund obligation; \$2.9 billion increase in Proposition 98 in first year.
- First 4 years:
 - 60% K-12 schools
 - 10% Early Childhood Education
 - 30% State General Fund bond debt.
- Remaining years:
 - 85% K-12 schools
 - 15% Early Childhood Education.

Comparison - Effect on California State General Fund Budget

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- Revenues used to fund Proposition 98 guarantee, freeing up General Fund revenues for other priorities.
 - First 4 years:
 - General Fund relief due to state bond debt payments of about \$3 billion annually.
 - Remaining years:
 - Negligible, funds outside Proposition 98.

Comparison – Impact on Local School Districts

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- Indeterminate for first few years. Increase in Proposition 98 funding to be used to pay down inter-year deferrals, reduce deficits, fund COLAs.
 - Roughly \$1,000 per ADA.

Comparison - Allocation of Revenues to Local School Districts

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- Increased Proposition 98 funding will be allocated to State budget priorities; remainder offsets state aid.
 - Funding formula will be based on CBEDS enrollment counts, and must be spent at school that generates the funds.
 - Funds to be used to support local schools:
 - Educational Program Grants (70%)
 - Low-Income Student Grants (18%)
 - Training, Technology, and Teaching Materials Grants (12%)
 - Requirement to supplement, not supplant.

Comparison - Accountability

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- Requires open meeting of the governing board to make spending determinations.
- Prohibits revenues from initiative from being used for administrative costs.
- Public display of how tax revenues are spent.
- Inclusion of tax revenues expenditures in LEAs annual financial and compliance audit.

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- Prohibits use of funds for administrative costs, or for increasing compensation for current staff.
- Requires at least two meetings annually for each school site: one for input on use of funds, and one for response to board recommendations prior to action.
- Public display of school-level budget
- Annual report on the use of funds.

What if They Both Pass?

- If provisions of two or more measures that are approved at the same election are in conflict with each other, the provisions of the ballot measure receiving the most affirmative votes goes into effect (*Article II, Section 10(b) of the California Constitution*).
- Both initiatives contain language deeming them to be in conflict with the other

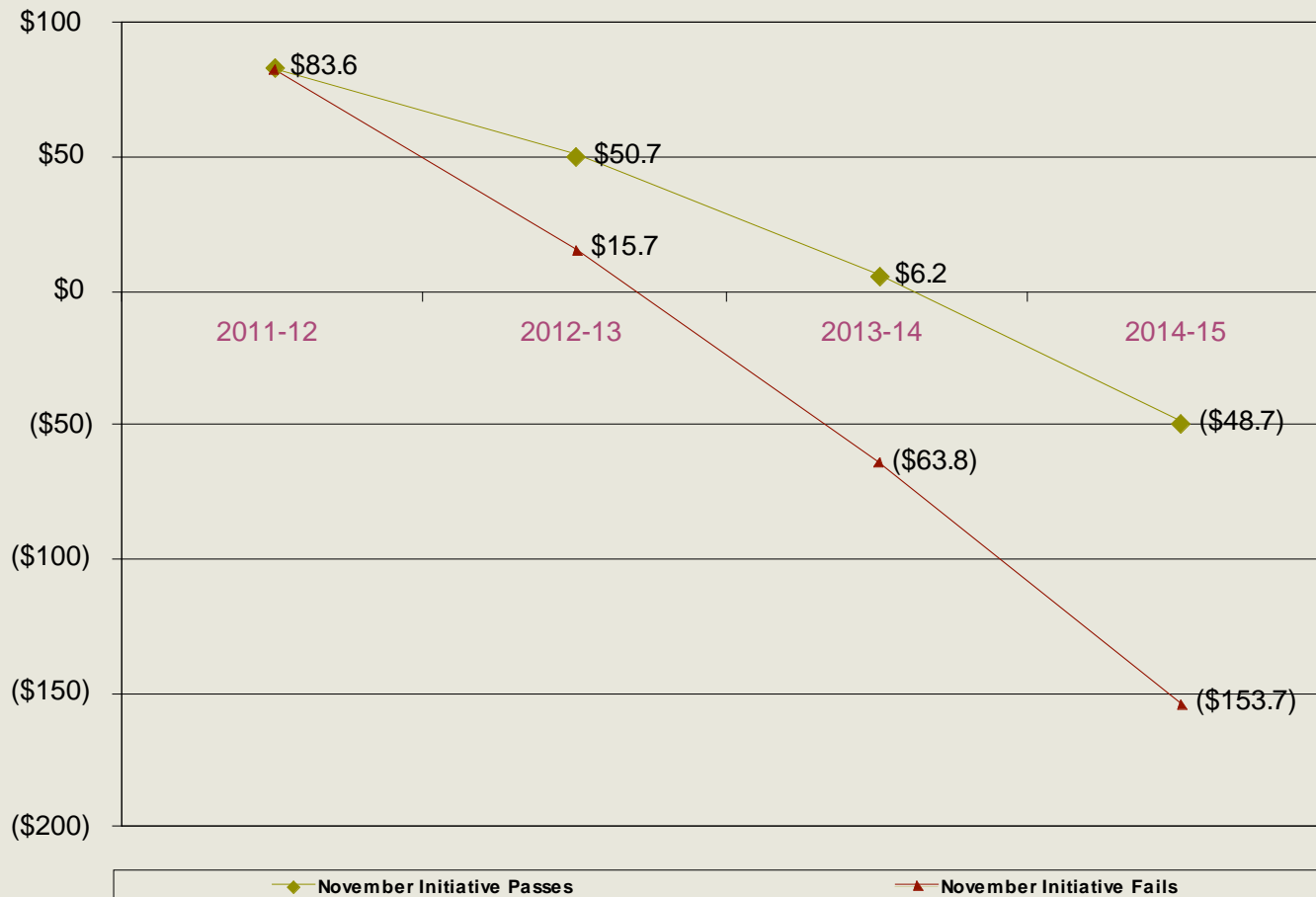


What if They Both Fail?

- Current estimate that is that school districts will lose approximately \$441/ADA.
 - Equates to approximately \$35 million in additional cuts to LBUSD
- Law allows school year to be reduced to 160 days.
- Cuts will need to be made immediately, as cuts will affect the 2012-13 budget.

What if They Both Fail?

Multi-Year Projection - LBUSD's Unrestricted General Fund Balance
(in millions)





Information versus Advocacy

- ❑ Cannot use district resources for advocacy of either initiative.
- ❑ Can provide fair and impartial information, including potential benefits and consequences.
 - Language must be simple, measured, and informative.
 - Language must not be designed to persuade.
- ❑ Board may pass a resolution in support of or opposition to either initiative



Questions?

