



County of Santa Cruz⁰²⁸⁷

BOARD OF SUPERVISORS

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WALTER J. SYMONS
SECOND DISTRICT

MARDI WORMHOUDT
THIRD DISTRICT

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FOURTH DISTRICT

JEFF ALMQUIST
FIFTH DISTRICT

AGENDA: 9/12/00

August 25, 2000

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

RE: RESOLUTION OPPOSING THE PASSAGE OF PROPOSITION 38

Dear Members of the Board:

Attached is a letter from Benigno Delgado, Field Organizer for Monterey and Santa Cruz Counties for the NO on Proposition 38 campaign, requesting that our Board take a position in opposition to Proposition 38 on the November 7, 2000, statewide ballot. Ms. Delgado's letter includes the text of the ballot measure and arguments against key components of the measure.

While the title of Proposition 38, "School Vouchers. State-Funded Private and Religious Education. Public School Funding. Initiative Constitutional Amendment," sounds as if it will be of benefit to students in public schools, I would disagree. Of significant concern is that portion of Proposition 38 which would allocate public funds to provide \$4,000 vouchers for students attending private and religious schools, thereby reducing the amount of money available for local public schools. Further, private and religious schools are not governed by Boards of Trustees voted on by affected area residents, which clearly would result in a significant reduction in accountability to the public on the use of funds made available through this proposed voucher program.

According to the estimate by the Legislative Analyst and Director of Finance of the fiscal impact on state and local governments, this measure would result in a major rearrangement of the state's system of school finance, with growing annual savings in public school expenditures and growing annual costs of a new system of grants for children transferring to, or already attending,

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August 25, 2000
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private schools. While the measure purports to result in savings in the long run, the initial fiscal impact is anticipated to range from annual costs of over \$150 million to over \$600 million. However, the measure does not provide for a funding mechanism to offset these costs.

While Proposition 38 would provide a \$4,000 voucher as "a grant in aid to the parents for the education of their children," voucher schools--not parents--will decide if a child can attend their school. While Proposition 38 does provide that a voucher school shall not discriminate on the basis of race, ethnicity, color or national origin, it does not provide any prohibitions against discrimination based on gender, religion, family ability to pay, English language proficiency, or academic or physical ability.

I am also concerned about Section 8.7(c) which indicates that "No regulation or ordinance may be enacted on or after the approval by the voters of this section that affects private schools...and that pertains to health, safety or land use and is imposed by any county...except by a two-thirds vote of the governmental body issuing or enacting the regulation or ordinance and a majority vote of qualified electors within the affected jurisdiction." I believe that reducing local government's ability to regulate land use associated with private schools is not in the best interests of the public or the health, safety and well-being of students attending private schools.

If Proposition 38 passes, I believe that it would have a number of negative impacts on our students and on local public schools. Accordingly, I recommend that the Board adopt the attached resolution opposing the passage of Proposition 38 on the November 7, 2000, ballot.

Sincerely,



MARDI WORMHOUDT, Supervisor
Third District

MW:ted
Attachments

cc: Benigno Delgado, NO on Proposition 38 Campaign
County Counsel

2184A6

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO.

On the motion of Supervisor
duly seconded by Supervisor
the following resolution is adopted

RESOLUTION OPPOSING THE PASSAGE OF PROPOSITION 38
ON THE NOVEMBER 7, 2000, BALLOT

WHEREAS, Proposition 38, entitled "School Vouchers. State-Funded Private and Religious Education. Public School Funding. Initiative Constitutional Amendment," will appear on the November 7, 2000, statewide ballot; and

WHEREAS, Proposition 38 would use public funds to provide \$4,000 vouchers for students attending private and religious schools; and

WHEREAS, Proposition 38 would allocate these \$4,000 vouchers for students already in private and religious schools, thereby reducing the amount of money available for local public schools; and

WHEREAS, Proposition 38 will hurt neighborhood public schools because every student who leaves a public school for a subsidized voucher school results in a direct loss of critical funds for that neighborhood public school, resulting in fewer textbooks, computers and supplies; and

WHEREAS, voucher schools will be essentially unregulated and voucher school operators are not required to have training, credentials or experience in educating children, and voucher school teachers are not required to have a teaching credential or a college degree; and

WHEREAS, while voucher schools will receive taxpayer money, they are not accountable to taxpayers and are not required to make decisions at meetings open to the public, nor are they required to have their finances audited; and

WHEREAS, voucher schools are exempt from the state's rigorous accountability system, and students are not required to meet educational standards to move to the next grade or to pass an exit exam to graduate from high school; and

WHEREAS, voucher schools--not parents--will decide if a child can attend their schools, and Proposition 38 does not prohibit discrimination based on gender, religion, family ability to pay, English language proficiency, or academic or physical ability; and

RESOLUTION OPPOSING THE PASSAGE OF PROPOSITION 38
ON THE NOVEMBER 7, 2000, BALLOT
Page 2

WHEREAS, providing \$4,000 vouchers for the 700,000 current private school students will require nearly \$3 billion, and Proposition 38 provides no funding for this purpose; and

WHEREAS, Proposition 38 will require increases in county and state bureaucracies to monitor separate voucher accounts for each voucher school student, potentially costing millions per year in addition to the voucher subsidies; and

WHEREAS, with no funding mechanism in place, Proposition 38 may result in higher taxes or cuts in vital services.

NOW, THEREFORE, BE IT RESOLVED that the Santa Cruz County Board of Supervisors hereby opposes the passage of Proposition 38 on the November 7, 2000, California State ballot.

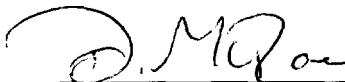
PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this _____ day of _____, 2000, by the following vote:

AYES: SUPERVISORS
NOES: SUPERVISORS
ABSENT: SUPERVISORS

MARDI WORMHOUDT, Chair
Board of Supervisors

ATTEST: _____
Clerk of said Board

Approved as to form:

 ACTING 8-28-00

County Counsel

DISTRIBUTION: NO on Proposition 38
County Counsel

2184A6

August 22, 2000

To: Santa Cruz County Board of Supervisors
From: **Benigno** Delgado

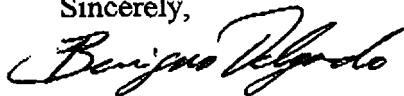
Re: Resolution on Proposition 3 8, "School Voucher Initiative"

Honorable County Board of Supervisors of Santa **Cruz** County:

I am seeking an endorsement against the School Voucher Initiative, proposition 38, that will appear in the California November ballot. The initiative, if passed, would create a publicly funded, unregulated private school system. Please join a strong coalition of educators, business people, laborers and city leaders to defeat proposition 38.

I have attached fact sheets, **an** endorsement form and a sample resolution against proposition 38. Please **contact** me if you need **further** information or visit our web page at [www. NoOnProposition38.com](http://www.NoOnProposition38.com). I can **make** myself accessible for presentations or informal meetings. Thank you in advance for your time and effort on the issue.

Sincerely,



Benigno Delgado
Field Organizer, Santa **Cruz** and Monterey County ;
(831) 425-1131
(83 1) 425-0821 (fx)

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WHY WE MUST DEFEAT PROP 38

THE "DRAPER VOUCHER INITIATIVE"

0292



Proposition 38 on the November 7 ballot asks voters if the state should give a \$4000 "voucher" to each student who attends a non-public school.

"A big detour in the wrong direction."

— California Governor Gray Davis

What's wrong with Prop 38?

☒ Abandons Neighborhood Schools

Not one penny of the billions spent on the Draper Voucher Initiative will be used to make our children's schools better.

☒ Provides No Accountability

Restricts state or local regulation of voucher schools, Allows fly-by-night operators to open voucher schools and hire teachers without any teaching credentials, training or experience educating children.

☒ Allows Discrimination

Voucher schools -- not parents -- decide whose children will be accepted. They will be able to reject students based on their gender, ability to pay, or academic and physical abilities.

☒ VOTE NO ON PROP 38... another expensive experiment our children can't afford .

No On 38 • 1510 J Street, Suite 110 Sacramento. CA 95814

Phone 916.442.4405 Fax 916.442.4512 www.NoOnProp38.com

Aug. 2000

Proposition 38

School Vouchers. State-Funded Private and Religious Education. Public School Funding. Initiative Constitutional Amendment.

Authorizes annual state payments of at least \$4000 per pupil for private/religious schools phased in over four years. Restricts state and local authority to require private schools to meet standards, including state academic requirements. Limits future health, safety, zoning, building restrictions on private schools. Requires release of composite test scores of voucher pupils. Permits Legislature to replace current voter-enacted constitutional funding priority for public schools (Proposition 98) with minimum formula based on national per-pupil average, as defined by terms of this measure.

This initiative would amend the California Constitution.

This voucher proposal does nothing to improve public schools, while creating a host of new problems by encouraging unregulated voucher schools.

This is extremely misleading. Under this initiative, the choice belongs to the voucher schools, not parents. Voucher schools will be able to reject students based on gender, ability to pay, mental or physical ability.

This statement is meant to insulate the initiative from a Constitutional challenge based upon separation of church and state. In fact, payments are made directly to voucher schools.

The National Average School Funding Guarantee and Parental Right to Choose Quality Education Amendment

SECTION 1: TITLE

This measure shall be known and may be cited as "The National Average School Funding Guarantee and Parental Right to Choose Quality Education Amendment."

SECTION 2:

Section 8.1 is added to Article IX to read:

SEC 8.1.

The people of the State of California find and declare:

(a) The economic and social viability of California depends on a well educated citizenry.

(b) Test scores from students in government operated schools reveal that the public school system in this state has become an inefficient monopoly, with many parents forced to enroll their children in schools that are failing to prepare students with the foundation skills of reading, writing and mathematics.

(c) As California embarks on the 21st century, basic changes in California's education delivery structure must be made to ensure that our children receive the benefits of quality education services.

(d) Parents are best equipped to make decisions for their children and have the right to select the educational setting that will best serve the interests and educational needs of their child.

(e) Families have the right to have their children attend schools that successfully teach reading, writing and mathematics to all enrolled students.

(f) The scholarship provided pursuant to this measure is a grant in aid to the parents for the education of their children. The decision by a parent to

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accept a scholarship and how it is used is not the decision of the state but an exercise of independent parental judgement.

(9) The scholarships provided pursuant to this measure are consistent with existing programs operated by the state including Cal-Grants, special education services in non-public schools, and child care services, all of which government revenues to provide services at privately operated institutions chosen by eligible individuals.

(h) The scholarship program enacted by this Article is not intended to establish, support, promote, or in any way endorse any religion. The people of this State intend only to provide the parents of schoolchildren with the financial means to make their own school choices, not to promote or disadvantage any particular class of schools.

(i) In order for California's students to compete with the students of other states and countries in the global economy of the 21st century, the people of the State of California hereby declare the importance of restoring the focus on academic outcome, introducing competition into the delivery of education services, eliminating waste and inefficiency in government operated schools while providing necessary resources for a quality public education.

(j) This measure recognizes the importance of maintaining and enhancing the per-pupil funding base in government schools at or above the national average amount as part of the system wide reform of introducing competition and expanding the educational options for parents, which it would accomplish.

Aug. 22. 2000 3:25PM CFT/GSCFT/CCE

No. 3018 P. 6

The national average funding provision is a sham. The initiative does not increase funding to the national average. It neither requires the legislature to take action nor permits it to take action not already authorized by law.

Currently, enactment of the school funding portion of the state budget requires a 2/3 vote of the legislature.

There is no requirement that if this funding guarantee is suspended the amount that schools would have received will be paid when the suspension is lifted.

Collection of data to establish the national average is flawed. The Director of Finance must calculate this figure. Legal challenges to this calculation are highly likely.

SECTION 3: SECTION 8.3 is added to Article IX to read:

SEC. 8.3.

(a) The Legislature may fund public schools by an amount equal to or exceeding the national average on a dollar per pupil basis pursuant to this section by a statute passed by a majority vote of the members of each house concurring. The amount of funding provided for the support of public schools pursuant to this section each fiscal year thereafter shall be equal to the number of students enrolled in the public school system in kindergarten through grade 12, inclusive, multiplied by an amount equal to or greater than the national average dollar per pupil funding amount calculated pursuant to subdivision (c). This amount shall be known as the national average school funding guarantee.

(b) If the national average school funding guarantee is operative it may only be suspended for a period of one fiscal year by a statute passed in each house by roll call vote entered in the journal, three fourths of the membership concurring provided that the statute may not be made part of, or included within, any bill enacted pursuant to Section 12 of Article IV.

(c) Each fiscal year, the Director or the Department of Finance shall calculate the amount of funding provided for support of public schools in this state, the enrollment in public schools in this state, and the national average dollar per pupil funding amount for public schools. To the extent that the Director or Finance is unable to determine the current per amount dedicated in each of the states for the public schools, the most recent amount for each state shall be adjusted upward by the appropriate number of times using the latest positive dollar per pupil growth rate in that state.

(d) If in any fiscal year, the amount of funding provided for support of public schools is at least the national average school funding guarantee calculated pursuant to subdivision (a), the amount calculated pursuant to

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When funding reaches the new national average, the provisions and guarantees of Prop. 98 are eliminated. There is no provision for Prop. 98 to be reinstated.

- 1) The funding definition is not consistent with data collected by the California Dept. of Education, nor by any recognized state or national agency.
- 2) No national or state agency is currently collecting this data. A whole new state bureaucracy would be required to collect this data for California and 49 other states.
- 3) There is no provision for a weighted average as is currently used by both NEA and the National Center for Educational Statistics, the two national agencies most commonly used to determine the national average

subdivision (a) shall be used to calculate the amount of funds provided for the support of public schools in all subsequent fiscal years and this section shall supercede Section 8 of Article XVI.

(a) If the national average school funding guarantee becomes operative pursuant to this section, then this section shall supercede all the provisions of Section 8 of Article XVI with respect to funding for school districts and will define the amount of funds required to be appropriated for the support of public schools, thereby guaranteeing that students enrolled in California public schools are funded at or above the national average dollar per pupil amount.

(f) For purposes of this Article, the following terms have the following meanings:

(1) "amount of funding provided for the support of public schools" shall include all funds used to support services to students in public schools in grades kindergarten through 12, inclusive, including federal, state, and local sources, unrestricted funds, categorical funding, and funding dedicated to cover annual debt service on state and local bonds, certificates of participation, notes, and other forms of indebtedness, or any other funds, which are dedicated to finance local and state educational programs, administration or facilities for grades kindergarten through 12, inclusive, including disbursements, if any, pursuant to Section 8.5 of Article XVI.

(2) "national average dollar per pupil funding" shall be the average amount of funds provided in the United States for public school students in grades kindergarten through 12, inclusive, determined by calculating a statewide dollar per pupil average for each state which is the amount of funding provided for the support of public schools in that state, pursuant to paragraph (1), divided by the number of public school students enrolled in grades kindergarten through 12, inclusive. These dollar per pupil amounts shall then be averaged across all the states.

(3) "child," "pupil," or "student" is a person eligible to attend kindergarten or any grades 1 to 12, inclusive.

(4) "parent" is any person having legal or effective custody of a child.

(5) "gender" means either a male human being or a female human being.

(g) The Legislature may enact a statute pursuant to Section 12 of Article IV for the necessary support of the community colleges in each fiscal year this section is operative. The intent of the people is that any such statute fully fund the demand for programs offered by the community colleges.

SECTION 4:

Section 8.5 is added to Article IX of the Constitution, to read:

SEC. 8.5.

(a) The people of this state, in recognition of their right to promote the general welfare, to secure the blessings of liberty to themselves and their posterity, and to pursue happiness, find that parents and not the state have the right to choose the appropriate educational setting for their children, whether that setting is a public school or a private school. Therefore, parents who choose to send their children to schools operated or owned by an entity other than the state or any of its subdivisions or agencies are eligible to receive a scholarship which may be used for the education of their children, consistent with this section.

(b) Commencing with the fiscal year following the approval by the voters of this section, the parents of school age children whose children are starting kindergarten or were enrolled for the previous school year in any of the grades kindergarten through 11, inclusive, in a public school shall receive, upon request, a scholarship for purposes of providing the parent with additional choices in the type of educational setting in which to enroll their child.

Community colleges, state special schools, and pre-school childcare funding is currently guaranteed under Prop. 98. This initiative provides funding guarantees only for K-12. It provides no guarantee for community college funding.

Parents who send their children to any private school, including a religious school or home school, would be eligible to receive voucher payments.

Current private school students would be phased in as follows:

- 1) July 1, 2001 – parents of school-age children enrolled in kindergarten and those “enrolled for the previous year in public school”;
- 2) July 1, 2002 – parents of children in grades K-2;
- 3) July 1, 2003 – parents of children K-8; and
- 4) July 1, 2004 – all parents of school-age children.

Parents of private school students could establish immediate eligibility for voucher payments during the subsequent school year by enrolling their children in public schools for some period of time during the year.

The language makes no provision for parents providing proof of enrollment in a public school for the previous year to comply with the phase-in provisions. It also does not require confirmation of enrollment by school districts.

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State Treasurer must establish a bureaucracy to account for each student's unused voucher funds for use in K-12 or college education. This bureaucracy will be paid for from the interest on unused funds.

Vouchers must be paid for out of the non-education side of the state budget. This means a cut in vital services like police, fire and health, or a tax increase. Vouchers for the 700,000 private school students could cost \$3 billion.

(c) In the second fiscal year and each fiscal year thereafter until fully implemented, parents' phase in eligibility for scholarships shall be determined as follows.

Parents of children who were enrolled in any of the grades kindergarten through 1, inclusive, in a public school in the prior year and in, (1) year two: all other parents of children in grades kindergarten through 2, inclusive, (2) year three: all other parents of children in grades kindergarten through 8, inclusive, (3) year four and each subsequent year: all parents.

(d) (1) The amount of a scholarship, excluding any increases provided pursuant to paragraph (2) of this subdivision, shall be in grades kindergarten to twelve, inclusive, the greater of four thousand dollars (\$4,000), one-half of the national average dollar per pupil funding defined pursuant to Section 8.3 of Article IX, or one-half of the amount of funds provided for the support of public schools divided by the enrollment of students enrolled in public schools in grades kindergarten through 12, inclusive if provided pursuant to Section 8.3. (2) If a parent decides to apply for a scholarship to enroll their child in a scholarship-redempting school, any scholarship amount that exceeds the tuition and fees of the scholarship-redempting school for any year in which the pupil is in attendance shall be credited to an account on behalf of the parent for each eligible child to be managed by the State Treasurer. A parent may apply that surplus to supplement future tuition or fee costs that exceed the scholarship amount for that child in any of the grades one through twelve inclusive, and through the completion of an undergraduate degree. Any credit remaining on the date the pupil completes an undergraduate degree, or reaches 21 and is not enrolled in a scholarship-redempting school, shall be credited to the state general fund. (3) Costs to the State Treasurer pursuant to this subdivision shall be reimbursed from interest income earned on the management of these funds. The net interest earnings shall be deposited in the state general fund. (4) The legislature may enact statutes governing the management of the parent savings account.

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No. 3018 P. 10

The State of California cannot create federal tax exemptions; consequently, voucher payments would be subject to federal income taxes.

There is no provision for verification of enrollment by the county or any other government agency by audit or other means.

County school offices must compile enrollment and locations of voucher schools. They must submit enrollment within 30 days of receipt or quarterly to the State Controller.

The State Controller shall make quarterly payments directly to voucher redeeming schools. Unused voucher funds shall be credited to accounts established for parents.

Accounting for student transfers in and out of private schools will require new bureaucratic procedures at the local level.

(e) The amounts disbursed to parents for scholarships pursuant to this section shall not be calculated toward the amounts provided for the support of public schools pursuant to Section 8.3 of this Article or Section 8 of Article XVI.

(f) Scholarships provided under this section are grants of aid to parents on behalf of their children, to provide parents with greater choice in selecting the most appropriate educational setting for their child, and not to the schools in which parents add to enroll their children. These scholarships do not constitute taxable income to the parent or their child.

(g) After accepting a scholarship pursuant to this section, a parent may choose a non-public educational placement for the child and that selection is not, due to be deemed to be, a decision or act of the state or any of its subdivisions.

(h)(1) Any parent eligible pursuant to subdivision (a), having enrolled their child in a scholarship-redempting school, may request a scholarship by providing proof of enrollment, tuition and fee information, and the address of the scholarship redeeming school to the county office of education in the county in which the scholarship-redempting school is located. The county office of education shall compile this information for all scholarship-redempting parents within the county and shall submit the statement of current enrollment, tuition and fees, and addresses of scholarship-redempting schools, to the Controller within 30 days of proof of enrollment. (2) The Controller shall make four quarterly disbursements to the parent in the form of a check for the amount of the scholarship established pursuant to paragraph (1) or subdivision (d) adjusted for the amount transferred to or from the account established on behalf of the parent pursuant to paragraph (2) of subdivision (d). The Controller shall send the check to the address provided in paragraph (1). The parent shall restrictively endorse each quarterly check for application to the parent's account at the scholarship-redempting school. In any fiscal year, the sum of the quarterly checks to a parent on behalf of a child shall not exceed the tuition and fees for that child at the scholarship-redempting school. (3) If a pupil of a parent or guardian receiving a scholarship

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A school must "certify" that it meets the following requirements to become eligible to receive tax-funded voucher payments:

- (1) Does not discriminate on the basis of race, ethnicity, color or national origin.
- (2) Does not advocate unlawful behavior;
- (3) No person convicted of a felony or crime involving moral turpitude, lewd or lascivious conduct, or child abuse, shall own, contract or be employed by the school; and;
- (4) An accredited college or university has certified that at least ONE (1) academic course at the high school level will meet admission requirements or that the school has received accreditation from a recognized agency.

The initiative does not provide for loss of voucher redeeming status if a school fails to act consistent with its certification. There is no provision for enforcement of these regulations. The initiative permits voucher redeeming schools to discriminate on the bases of religion, sex, disability, sexual orientation, ability to pay, and primary language.

transfers from a scholarship redeeming school, the school shall provide written notification of the transfer and its effective date to the county office of education within 10 days of the transfer. The county office of education shall notify the Controller of the transfer and the Controller shall prorate the disbursement(s) to reflect only the period of time in which the child was actually enrolled. (4) At the end of each fiscal year, the Controller shall deposit the unused portion of each scholarship in the parent's account established pursuant to paragraph (2) of subdivision (d). (i)(1) A private school may become a scholarship-redeming school by filing with the Superintendent of Public Instruction a statement certifying that the school satisfies the legal requirements that applied to private schools on January 1, 1999, and each of the requirements set forth in paragraph (2).

(2) To become a scholarship-redeming school, a school shall certify that it meets each of the following requirements:

(A) The school does not discriminate on the basis of race, ethnicity, color or national origin, or advocate unlawful behavior of any kind. Nothing precludes the establishment of gender schools or classrooms.

(B) The school does not deliberately provide false or misleading information about the school.

(C) No person convicted of (i) any felony or crime involving moral turpitude, (ii) any offense involving lewd or lascivious conduct, or (iii) any offense involving molestation or other abuse of a child, shall own, contract with or be employed by the school.

(D) A high school shall certify either (i), that the school has obtained notice from the University of California, California State or an accreditation agency recognized by the state, that coursework completed by a pupil University, or any private college or university accredited by a regional accreditation

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Each scholarship redeeming school must:

- Provide a "statement of financial condition" to parents upon request.
- Administer a "nationally-normed test" annually, and report composite scores of voucher students only by grade level. Individual scores are released to the parents, not the public.
- Taxpayers who do not have students in a school will not be able to request financial statements. Meetings of voucher school boards can be closed to the public.

agency at the high school in one or more academic subjects designated by the institution issuing notice will fulfill the institution's admission requirements in the designated subject or subjects if a pupil's grades due the duration of study are acceptable; or (ii), that it has received either accreditation or provisional accreditation from a regional accreditation agency or an accrediting agency recognized by the state.

(3) Each scholarship-redempting school shall comply with each of the following requirements on an annual basis:

(A) Prepare a statement of financial condition that lists the revenues, and debts of the school. These documents shall be provided to parents upon request.

(B) Administer nationally normed reference tests, mandated to be taken by pupils enrolled in public schools and that provide individual student scores, to pupils whose parents have accepted scholarships, for the purpose of monitoring academic improvement of these pupils. The composite results of the test scores of the pupils of parents who accepted scholarships for each grade level (a) shall be released to the public. Individual results shall be released only to the child's parents and the school that the child attends.

(4) Any scholarship-redempting school may establish a code of conduct and discipline and enforce the code with sanctions, including dismissal. The school shall provide to the parent a copy of the written code of conduct and discipline upon the pupil's admission to the school. A pupil who is responsible for serious or habitual misconduct related to school activity or school attendance may be dismissed. A dismissed pupil may use the unused portion of a scholarship for the balance of the year in which the dismissal occurred at any other scholarship-redempting school that will grant admission, or may return to a public school and forego notifying the county office of education in writing within ten days of any such dismissal.

(5) Notwithstanding Section 8.7 of this Article, the Legislature may by majority vote enact civil and criminal penalties for schools and persons who engage in fraudulent conduct in connection with the solicitation of pupils or the redemption of scholarships under this section.

SECTION 5:

Section 8.7 is added to Article IX of the Constitution, to read:

SFC. 8.7.

(a) Private schools, including scholarship-redeeming schools, regardless of size, need maximum flexibility to educate pupils. Therefore, private schools shall be free from unnecessary, burdensome or onerous regulation. In any legal proceeding challenging a state statute or any regulation promulgated pursuant to a state statute as inconsistent with this section, the state shall bear the burden of establishing that the statute or regulation is necessary and that the statute or regulation does not impose any undue burden on private schools, including scholarship-redeeming schools.

(b) Except as provided in this section, private schools including scholarship-redeeming schools, are not subject to any state regulation beyond the state statutes, in effect and as enforced, that applied to private schools on January 1, 1989, including, but not limited to, Article 3 (commencing with Section 32000), Article 2 (commencing with Section 32020), and Article 5 (commencing with Section 33190) of Chapter 1 of Part 19 of, Article 5 (commencing with Section 32050) of Chapter 1 of Sections 44237, 48200, 48202, 48222, 49068, 49069, and 51202 of, the Education Code. No additional statutes shall be enacted by the legislature pertaining to private schools, including scholarship-redeeming schools, by a three-fourths vote of the membership of each house of the Legislature.

There is no accountability to taxpayers. The anti-regulation provisions make it nearly impossible for the legislature to provide monitoring and enforcement by state agencies.

Voucher redeeming schools may not be required to provide financial statements of any kind to the state as a condition of receiving state funding.

No teaching credentials or degrees
No minimum number of days or minutes
No state curriculum standards
No API ranking
No Public Schools Accountability Act
No ban on social promotion

Any laws pertaining to voucher schools must be enacted by a 75% vote of each house of the legislature. The requirement will be nearly impossible to meet, preventing the legislature from enacting laws to require accountability and stop fraud.

Any local health, land, or safety regulations pertaining to voucher schools must be enacted by a 2/3 vote of the governmental body and a 50% vote of every registered voter in the jurisdiction.

This section has been added in an attempt to protect non-religious schools in the event the courts rule that the State cannot contribute to private religious schools. This severability clause attempts to address the issue of separation of church and state.

(c) No regulation or ordinance may be enacted on or after the approval by the voters of this section that affects private schools, including scholarship-redempting schools and that pertains to health, safety or land use and is imposed by any county, city, and county, district or other subdivision of the state, except by a two-thirds vote of the governmental body issuing or enacting the regulation or ordinance and a majority vote of qualified electors within the affected jurisdiction. In any legal proceeding challenging a regulation or ordinance as inconsistent with this subdivision, the governmental body issuing or enacting the regulation or ordinance shall bear the burden of establishing that the regulation or ordinance meets each of the following criteria:

(1) It is essential to assure the health, safety or education of pupils, or, as to health regulation, that the governmental body has a compelling interest in issuing or enacting the regulation or ordinance.

(2) It does not unduly burden or impede private schools or the parents of students attending private schools.

(3) It does not harass, injure or suppress private schools.

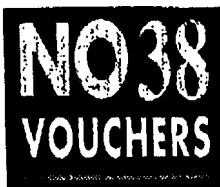
(4) It does not infringe on a parent or guardian's freedom to make decisions regarding the quality and content of their child's education, or whether the child attends a public or private school, including a scholarship-redempting school.

SECTION 6:

Section 8.8 is added to Article IX of the Constitution to read:

SEC. 8.8.

If any portion of Section 8.5 of Article IX is enjoined from being utilized by parents to expand their choice in educational settings for their children at any class of schools, it shall not prevent Section 8.5 of Article IX from being operative for any other school or class of schools not explicitly covered by the judicial order.



ENDORSEMENTS

0305

PARTIAL LIST

AUGUST 14, 2000

1510 J STREET, SUITE 110 SACRAMENTO, CA 95814 916.442.4406

STATE AND NATIONAL ORGANIZATIONS

- AARP
- AMERICAN ASSOCIATION OF UNIVERSITY WOMEN
- AMERICAN CIVIL LIBERTIES UNION OF SOUTHERN CALIFORNIA
- AMERICAN JEWISH CONGRESS
- AMERICAN JEWISH COMMITTEE, RIVINE
- AMERICANS FOR DEMOCRATIC ACTION- SO. CAL
- AMERICANS UNITED FOR SEPARATION OF CHURCH & STATE- NATIONAL CHAPTER
- AMERICANS UNITED FOR SEPARATION OF CHURCH & STATE- LOS ANGELES
- AMERICANS UNITED FOR SEPARATION OF CHURCH & STATE- SACRAMENTO
- AMERICANS UNITED FOR SEPARATION OF CHURCH & STATE - SAN DIEGO
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- ASSOCIATION OF CALIFORNIA URBAN SCHOOL DISTRICTS
- BLACK EMPLOYEES ASSOCIATION/ LOS ANGELES
- BROTHERHOOD CRUSADE- LOS ANGELES
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- CALIFORNIA COMMON CAUSE
- CALIFORNIA COUNCIL FOR ENVIRONMENTAL AND ECONOMIC BALANCE
- CALIFORNIA BUSINESS ROUNDTABLE
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- CALIFORNIA FACULTY ASSOCIATION
- CALIFORNIA FEDERATION OF TEACHERS
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- DELTA KAPPA GAMMA HONORARY TEACHING SOCIETY INTERNATIONAL
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- NATIONAL COUNCIL OF JEWISH WOMEN— CALIFORNIA
- NATIONAL PARENT TEACHER ASSOCIATION
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- OAKLAND EDUCATION ASSOCIATION
- PEACE OFFICERS RESEARCH ASSOCIATION OF CA
- PEOPLE FOR THE AMERICAN WAY
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- UNITARIAN UNIVERSALIST ASSOCIATION OF CONGREGATIONS

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- WORKMAN'S CIRCLE
- SERVICE EMPLOYEES INTERNATIONAL UNION
- UNITARIAN UNIVERSALIST ASSOCIATION OF CONGREGATIONS

- UNITED FARM WORKERS OF AMERICA AFL-CIO
- UNITED TEACHERS LOS ANGELES

0306

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- ASSEMBLYMEMBER TONY CARDENAS
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-> BOARD OF SUPERVISORS: Page 16

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0309

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**NO 38
VOUCHERS**

OFFICIAL ENDORSEMENT

NO ON PROP 38

You can use **our/my** name in support of the No on Vouchers 2000 campaign on the November 7 ballot.

Please check the appropriate box below:

- ☐ Please list **my name** as an **individual member** of the NO on Vouchers 2000 campaign. ☐ Please list **my organization** as a member of the NO on Vouchers 2000 campaign.

Name (print) _____ Title _____

Company or Organization Name / Employer _____

Mailing Address _____ Suite # _____

City _____ State _____ Zip _____

Phone, _____ Fax _____ e-mail _____

Signature _____ Date _____

No on Vouchers 2000 is a broad-based coalition working together to defeat the Draper Voucher Initiative.

I can help in the following ways.

- ☐ Distribute campaign information through house meetings, small groups
- ☐ Be part of our Speakers Bureau — we will provide training
- ☐ Sign a letter-to-the-editor — we will help with the writing
- ☐ Recruit volunteers for phone banks and precinct walks
- ☐ Send letters, e-mails or call employees/members/others — we will work with your organization to provide written materials for you to use
- ☐ Place a newsletter article in your publication -we will work with your editor
- ☐ Place lawn signs, distribute campaign signs

☐ Please fax me updates

☐ Please e-mail me updates

Organization Information:

Do you have an activist/volunteer list? Number of members statewide: _____

When does your group/organization meet next? _____ Can we send in a campaign representative: _____

Contact name for endorsements: _____ Contact phone number: _____

Contact name for political/grassroots activities: _____ Contact phone number: _____

Does your group have a newsletter? YES ____ NO ____ When is it issued? _____

Can we link/put up info on your website? YES NO ____ Contact name/phone _____

Please fax this form to Dana Kawaoka (415) 621-2531 or mail to:
Phone: 415-621-4438

NO on 38!
c/o United Educators of San Francisco
655-14th Street
San Francisco, CA 94114

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RESOLUTION IN OPPOSITION TO PROPOSITION 38 THE SCHOOL VOUCHER INITIATIVE

WHEREAS, Prop. 38 will appear on the November 7, 2000 general election ballot;

WHEREAS, Prop. 38 would use public funds to provide \$4000 vouchers for private and religious schools;

WHEREAS, Prop. 38 gives \$4000 vouchers for students already in private and religious schools, reducing the amount of money available for local public schools;

WHEREAS, Prop. 38 will hurt neighborhood public schools because every student who leaves a public school for a subsidized voucher school means a loss of critical funds for that neighborhood public school – that means fewer textbooks, computers and supplies;

WHEREAS, voucher schools will be essentially unregulated – voucher school operators are not required to have training, credentials or experience in educating children, and voucher schoolteachers are not required to have a teaching credential or a college degree;

WHEREAS, voucher schools are not accountable to taxpayers – although they would receive taxpayer money, voucher schools are not required to make decisions at meetings open to the public and are not required to have their finances audited;

WHEREAS, voucher schools are exempt from the state's rigorous accountability system, and students are not required to meet educational standards to move to the next grade or to pass an exit exam to graduate from high school;

WHEREAS, voucher schools, not parents, will decide if a child can attend their schools, and Prop. 38 does not prohibit discrimination based on gender, religion, family ability to pay, English-language proficiency, or academic or physical ability;

WHEREAS, providing \$4000 vouchers for the 700,000 current private school students will require nearly \$3 billion, and Prop. 38 provides no funding for this purpose;

WHEREAS, Prop. 38 will require increases in county and state bureaucracies to monitor a separate voucher account for each voucher school student, potentially costing millions per year in addition to the voucher subsidies;

WHEREAS, paying for Prop. 38 will result in higher taxes or cuts in vital services;

THEREFORE, BE IT RESOLVED that the _____
OPPOSES Proposition 38, the school voucher initiative.

ADOPTED THIS _____ Day of _____, 2000.

July 13, 2000

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ARE VOUCHERS THE WAY TO IMPROVE CALIFORNIA'S SCHOOLS?

INTRODUCTION

Proposition 38, on the November 2000 ballot, would create a publicly funded program to provide parents with vouchers that could be redeemed for private school tuition. This measure represents the second attempt to institute a school voucher system through the ballot box within the last decade. In November 1993, nearly 70 percent of the voters defeated the first attempt, Proposition 174. Proposition 38 is sponsored by Silicon Valley venture capitalist Timothy Draper.

Proposition 38 would make fundamental changes to the constitutional provisions governing public education in California. In brief, the measure:

- Provides parents of K-12 students with a voucher worth at least \$4,000 per child, per year to help pay tuition and fees for the private school of their choice.
- Replaces Proposition 98's school spending guarantee with a funding guarantee that is based on the average national per pupil spending, under certain circumstances.
- Circumvents the state constitution's prohibition on spending public funds for faith-based schools by specifying that vouchers are grants to parents rather than funding for private schools.

The use of public funds for private schools, particularly faith-based schools, raises a number of legal and constitutional issues that are beyond the scope of this analysis. The U.S. Supreme Court has not ruled on the constitutionality of school voucher programs. However, state and federal district courts have struck down programs in Vermont, Maine, Florida, and Ohio that allowed vouchers to be used at faith-based schools. The Wisconsin Supreme Court upheld, and the U.S. Supreme Court refused to hear an appeal of the Milwaukee voucher program. Recent Supreme Court decisions, such as the June 2000 decision allowing states to use public funds to provide computers for religious schools, make predictions about the court's position difficult.

A school voucher program of this scale is unprecedented. Voucher programs in other states have been narrowly targeted to students with economically disadvantaged backgrounds or who attend low-performing schools. The Milwaukee school voucher program, for example, limits eligibility to Milwaukee Public School (MPS) students whose family income does not exceed 175 percent of the federal poverty level. In 1998-99, eight years after the program began, approximately six percent of MI'S students used vouchers to attend private schools.'

The school voucher programs in Cleveland, OH and Florida, both of which have been struck down by state and federal district courts, are also very targeted programs. The Florida program makes vouchers available only to students who attend public schools that have failed to meet the state's performance standards for two consecutive years. The Cleveland program provides vouchers to students from families with incomes below 200 percent of the federal poverty line.*

Administration. Proposition 38 would Provide parents with a voucher worth \$4,000 or one-half of public school per pupil spending, whichever is greater, that can be redeemed toward private school tuition and fees. Because of increases in K-12 public education spending, it is likely that the voucher amount would increase above the \$4,000 level quickly. Proposition 38 defines private schools that accept vouchers as “voucher-redeeming schools”.

Parents with children currently attending private schools would be eligible for vouchers, as well as those with children currently enrolled in public schools. In 2001-02, vouchers would become available to all students currently enrolled in public schools and all students entering kindergarten. Eligibility for students currently enrolled in private schools would be phased-in over a four-year period.

Table 1: Implementation of Voucher Eligibility for Students Currently Enrolled in Private Schools	
2001-02	Vouchers are available to students in Kindergarten.
2002-03	Vouchers are available to students in grades K-2.
2003-04	Vouchers are available to students in grades K-8.
2004-05	Vouchers are available to students in grades K-12.

If the entire amount of the voucher is not used in a given year, the remainder would be held in an account managed by the State Treasurer. Parents could use account balances toward a child's future K-12 or college tuition and fees. Once the student either turns 21 or completes an undergraduate degree, any remaining funds would be returned to the state's General Fund.

Finance. Under current law, the spending guarantee created by Proposition 98 of 1988 establishes a minimum funding level for public education.³ Proposition 38 specifies that funding for the vouchers will not count toward Proposition 98's spending guarantee. Consequently, total spending for K-12 education would be the sum of public school spending plus the cost of vouchers for students attending private schools.⁴ Proposition 38 also includes a new school spending guarantee that would replace Proposition 98 under certain circumstances (see below).

Regulations. Proposition 38 limits the ability of the state or local governments to impose new regulations on private schools, including schools that receive vouchers. Proposition 38 explicitly protects private schools from “unnecessary, burdensome or onerous regulation.” Any state regulations beyond those in effect as of January 1, 1999, including those relating to health, safety, and land use, must be approved by three-fourths of both houses of the Legislature. New local regulations would require approval by two-thirds of the local governing body and a majority of voters in the jurisdiction. Currently, most regulations on private schools can be changed with a majority vote of the state Legislature or local governing body.

Admissions. Proposition 38 prohibits private schools that accept vouchers from discriminating on the basis of race, ethnicity, color, or national origin. However, the measure does not prohibit voucher-redeeming schools from adopting policies that discriminate on the basis of gender, physical disability, sexual orientation, religion, or academic performance.

Curriculum. Proposition 38 does not include standards or guidelines for curriculum in grades K-8 and establishes minimal standards in private high schools. Voucher-redeeming high schools must certify that they have obtained notice that the coursework offered in at least one academic subject area (i.e.,

history or math) fulfills the admission requirements for the University of California, California State University, or any accredited private college or university. Alternatively, a voucher-redeeming high school can obtain accreditation or provisional accreditation from an agency recognized by the state.

Voucher-redeeming schools must administer a standardized test that is given to public school students for national comparisons of academic performance. It is unclear whether the initiative requires voucher-redeeming schools to administer the same test given to California public school students or any nationally-normed test. However, while public schools are subject to sanctions for poor performance, including state takeover of consistently low-performing schools, no such sanctions are imposed on voucher-redeeming private schools. Additionally, beginning with the class of 2004, students attending California's public schools must pass the state High School Exit Examination in order to graduate. However, no similar requirement will apply to voucher students attending private school.

Financial Oversight. Each private school that accepts vouchers must prepare an annual financial statement, which it must make available to parents of students in the school. However, schools are not required to undergo an independent audit or submit financial statements to the state for review.

WHAT **WILL** PROPOSITION **38** MEAN FOR SCHOOL SPENDING?

Estimating Proposition 38's impact on the state budget, school spending, and public and private school enrollment is complicated by the lack of programs of similar scale and scope. Several factors will influence Proposition 38's impact on state and local school spending:

1. The cost of providing vouchers for students who are currently enrolled in private schools.
2. The cost of providing vouchers for students who shift from public to private schools.
3. The ability of public schools to reduce costs in response to the shift of students from public to private schools.
4. Whether and when the state's current school funding guarantee is replaced by Proposition 38's new guarantee.

This Brief examines each of these factors in order to develop an estimate of the impact of Proposition 38 on education spending and the state budget as a whole.

1. How Much Will it Cost to Provide Vouchers for Current Private School Students?

In 1999-00, 9.8 percent of California's students in grades K-12 attended private schools.⁵ Eligibility for students currently attending private schools would be fully phased-in by 2004-05. At that point, an estimated 658,334 private school students would be eligible to receive vouchers costing an estimated \$3.2 billion.⁶ Since no public funds are currently spent for private schools, the cost of these vouchers represents a new cost to the state.

2. How Many Students Will Choose to Attend Private Schools?

There are no good estimates of how many students would leave the public school system if offered a voucher of the size authorized by Proposition 38. As noted above, voucher programs enacted in other states and localities have been much more limited than the program created by Proposition 38 and thus offer limited guidance as to what might happen if Proposition 38 is enacted.

At least initially, the amount of the voucher would be less than the cost of tuition at many private schools. It is unclear whether parents would be willing or able to make up the difference. The number of students who transfer will depend on both parents' desire to have their children attend a private

school and the ability of private schools to expand capacity to meet increased demand. The capacity of private schools to accept additional students may limit the ability of parents who wish to send their children to private schools to do so. A shift of just five percent of current public school students to private schools would represent a substantial 46 percent increase in current private school enrollment. In contrast, education experts estimate private school vacancy rates to be between three and five percent of current enrollment.

Table 2: Even a Modest Number of Transfers Translates into a Significant Increase in Private School Enrollment

Percentage of public school students who transfer	Translates into this number of public school students who transfer	Transfers as a percentage of 1999-00 private school enrollment	Number of additional private school slots needed to accommodate potential transfers
5	295,184	46%	263,144
10	578,899	90%	546,859
15	854,730	133%	822,690
20	1,125,802	176%	1,093,762

Voucher proponents argue that the private market will expand to take advantage of the subsidies created by Proposition 38. While the availability of voucher funds may encourage entrepreneurs to open new private schools, it is uncertain whether the initial \$4,000 per student voucher will provide a sufficient incentive to do so. Faith-based schools represented nearly 80 percent of private school enrollment in 1999-00.⁷ Many faith-based schools charge tuition that is less than their operating costs in order to avoid excluding low-income students. The church sponsoring the school subsidizes the difference between the tuition and the actual cost of operating the school. The ability for churches to open new schools will depend, in part, on their ability to operate within the limits of the voucher amount, their willingness to charge tuition above the voucher amount, and their ability to subsidize expanded enrollment.

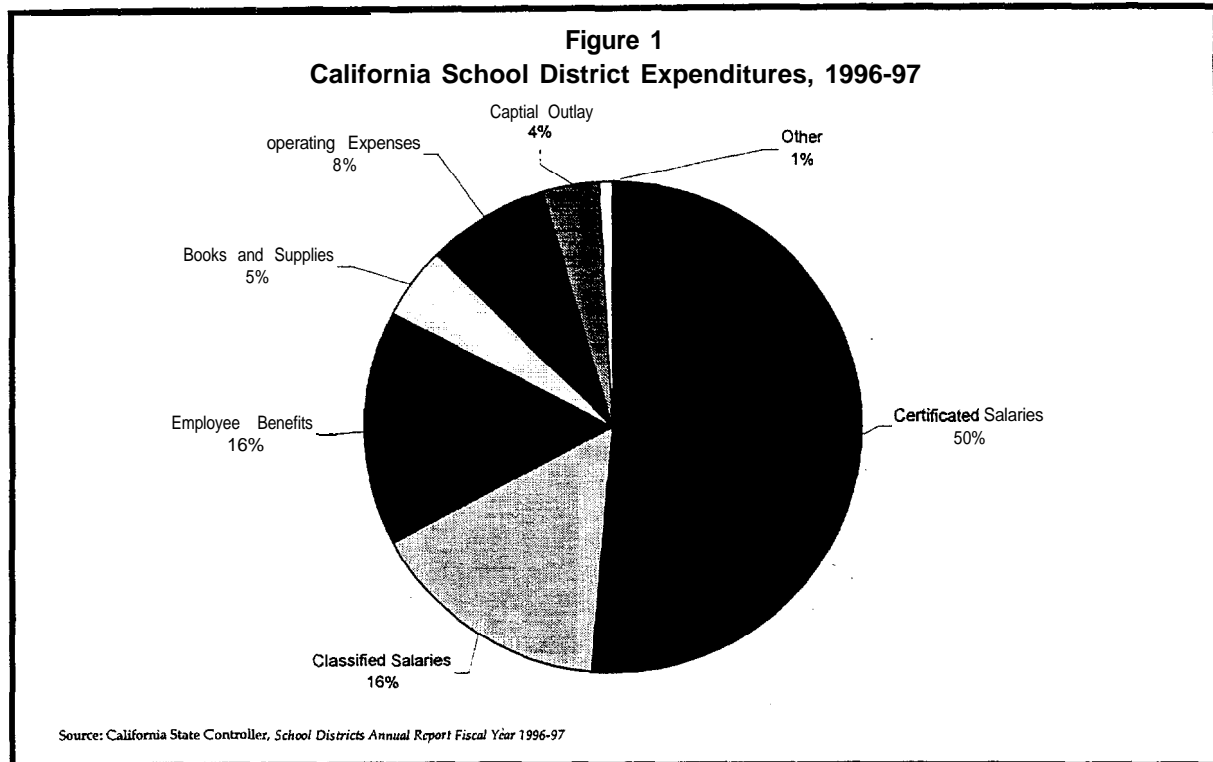
For-profit corporations could set up schools to take advantage of Proposition 38's vouchers. However, the amount of the voucher is less than the tuition currently charged by the major for-profit school corporations. For-profit school corporations charge, on average, \$5,500 per student per year.⁸ An informal phone survey of the leading for-profit private school provider in the nation, Nobel Learning Communities, Inc., found that their schools operating in California had per pupil tuition between \$5,500 and \$6,428 per year.⁹

Private schools that wish to expand may have difficulty recruiting and retaining additional teachers. The strong economy has reduced the pool of new teacher candidates as college graduates opt for higher paying jobs generated by the tight labor market. Moreover, recent state policy initiatives increasing beginning teacher salaries and reducing public school class size may make it difficult for private schools, where teachers generally earn substantially lower salaries than their public school counterparts, to hire qualified teachers.*"

3. What Will Proposition 38 Mean for the Operating Costs of Public Schools?

Proposition 38 would allow the state to reduce public school spending by an amount equal to the number of students transferring to private schools multiplied by public school per pupil spending. In reality, public schools will not be able to reduce their total costs proportionately to reductions in enrollment without significantly increasing class sizes or otherwise reducing spending on day-to-day pupil education. This is due to the fact that many of the costs incurred by schools are relatively fixed, such as

classified personnel, capital outlay, and administrative expenses.¹¹ In other areas, schools will be unable to achieve savings unless a substantial number of students leave the public school system.



Some of a district's costs are easily classified as either fixed or variable. There are also costs that fall somewhere in-between, including costs for teachers. The average class size in California's public schools was 21.7 students per teacher in 1997-98, the most recent year for which data is available.¹² In order to maintain the average class size, 21.7 students would need to transfer from the same grade within a school or, in the case of schools that combine different grades into one class, adjacent grades before a school could reduce the number of teachers it employs. Public schools may also experience a delay in realizing savings attributable to declining enrollment. In the initial years after the passage of Proposition 38, districts would likely have difficulty forecasting enrollment, complicating efforts to predict the number of teachers needed at any given school site.

Table 3: Student Transfers will be Too Dispersed to Allow for Significant Reductions in Costs for Teachers

Percent of public school students who transfer	Each elementary school (K-6) in the state would have this number of transfers in each grade	Each middle school (7-8) in the state would have this number of transfers in each grade	Each high school (9-12) in the state would have this number of transfers in each grade
5	5	19	18
10	10	37	36
15	15	54	53
20	20	72	70

Limits on public schools' ability to reduce costs in response to falling enrollment are largely related to the fact that student transfers will be dispersed across all of the state's school sites. If a relatively small

percentage of students leave the public school system, as has been the case under other voucher programs, the number of students leaving any individual school will be small. If 10 percent of the state's public school students opt for vouchers, a figure that will be difficult to attain given current private school capacity, an average of 10 students per grade would leave each of the state's elementary schools.¹³ At this level of transfers, administrators would be forced to shift students between schools or combine grades in order to save the cost of a teacher's salary. Moreover, as enrollment declined low seniority teachers with the lowest salaries would be the first to lose their jobs, increasing the average salary of those teachers who remained employed by the public school system.

In the long run, savings may result from reduced need for new school facilities if enough students transfer out of the public schools to lower the demand. The extent of these savings is uncertain and depends upon the number of students transferring to private schools, as well as the geographical distribution of transfers.

4. What Effect Will the New Public School Funding Guarantee Have on Spending for Schools and Other Programs?

Currently, Proposition 98 of 1988 constitutionally guarantees a minimum level of total funding for K-12 schools, child development programs, community colleges, and other smaller school-related programs. Proposition 38 replaces the current guarantee with a new National Average School Funding Guarantee (NASFG). Unlike the current guarantee, the NASFG does not require school funding to keep pace with inflation. Proposition 38 would also allow the Legislature to implement the new guarantee.

The NASFG is based on a measure that is very different from traditional estimates of per pupil spending. Under Proposition 38, once California's per pupil public school spending exceeds the national average, public schools would be guaranteed a minimum level of funding equal to enrollment times the national average per pupil spending, which is defined as all funds – state, local, federal, unrestricted funds, categorical funds, funds dedicated to cover state and local annual debt service and any other funds – used to finance local and state educational programs for grades K-12. Traditional measures, in contrast, are based on K-12 school operating costs and exclude expenditures for capital outlay and debt service, among others. Several organizations track per pupil spending by state, but none use a definition as comprehensive as that used in Proposition 38. Proposition 38 would require the state Department of Finance to collect the necessary data and calculate the new guarantee. This requirement would increase state administrative costs by an unknown amount.

Based on current school spending trends, the California Budget Project (CBP) estimates that California's per pupil spending will exceed the national average no later than 2002-03 and the NASFG would replace Proposition 98 beginning in 2003-04. The rate of growth of the NASFG depends on school funding trends in other states. In the short-run, CBP estimates that the NASFG would require a lower level of per pupil spending than under Proposition 98's current guarantee due to the interaction between recent increases in school spending and the ongoing strength of the economy.

Proposition 38 would also repeal a "hold harmless" provision found in current law that requires enrollment to decline for three consecutive years before the public school funding guarantee is reduced to reflect lower enrollment. Until the new NASFG takes effect, the "hold harmless" provision would continue to limit the state's ability to reduce public school spending. Once the NASFG becomes operative, it would allow an immediate reduction in public school funding if enrollment declines and thus could result in a lower level of per pupil spending than would be required under Proposition 98.

Finally, the NASFG repeals the constitutional guarantee established by Proposition 98 that protects an aggregate level of funding for community colleges, child care, and state special schools for the blind and

deaf. If the NASFG becomes operative, funding for these programs would compete with health, public safety, higher education, and other General Fund spending priorities.

How DOES PROPOSITION 38 AFFECT STATE FUNDING FOR EDUCATION AND THE BUDGET AS A WHOLE?

The unprecedented scale of the program created by Proposition 38 complicates any effort to assess the measure's fiscal impact. There are no good estimates of the number of students who would want to leave the public school system if a voucher were available or of the capacity of private schools to admit additional pupils. Faced with this lack of information, CBP used the best available data to estimate the fiscal impact of Proposition 38. CBP examined a range of scenarios with respect to the number of students who transfer out of the public school system and using two different assumptions with respect to the amount of savings public schools are able to achieve as enrollment declines.

Proposition 38 Increases State Costs Under All Scenarios

CBP estimates that Proposition 38 could significantly increase state costs for K-12 education under all of the scenarios examined. Using CBP's best estimate of the savings that public schools potentially can achieve and proponents' estimate of the share of public school students that will transfer to private schools, Proposition 38 could increase education spending by \$3.9 billion in 2004-05, the measure's first full year of implementation (Table 4).¹⁴

Table 4: Proposition 38 Could Increase the Cost of K-12 Education		
Percent of public school students assumed to transfer to private schools	Additional cost of K-12 education in 2004-05 assuming Proposition 98 remains operative	Additional cost of K-12 education in 2004-05 assuming NASFG becomes operative in 2003-04
5	\$2.3 billion	\$3.5 billion
10	\$2.9 billion	\$3.9 billion
15	\$3.5 billion	\$4.3 billion
20	\$4.2 billion	\$4.9 billion

Assumes that public schools can reduce operating costs by 50 percent

Using the same assumptions, Proposition 38 could increase costs by \$416 million in 2001-02. The cost could rise to \$4.1 billion in 2005-06, as additional students currently enrolled in private schools become eligible for vouchers and as the amount of the voucher increases when California shifts to the new NASFG (Table 5). If public schools are able to achieve additional cost reductions, the added cost falls to

Table 5: If 10 Percent of Public School Students Transfer to Private Schools, the State Could Face Significant Increases in K-12 Education Spending			
Year	Estimated public school savings	Cost of vouchers	Net additional cost for K-12 education*
2001-02	\$371 million	\$787 million	\$416 million
2002-03	\$673 million	\$2.3 billion	\$1.7 billion
2003-04	\$2.1 billion	\$5.1 billion	\$3.0 billion
2004-05	\$2.2 billion	\$6.1 billion	\$3.9 billion
2005-06	\$2.3 billion	\$6.3 billion	\$4.1 billion

*Totals may not sum due to rounding. Assumes that public schools can reduce operating costs by 50 percent

\$2.6 billion in 2004-05 (Table 6). Proposition 38 increased costs regardless of whether the current Proposition 98 or new NASFG school funding guarantee is in effect.

Table 6: Proposition 38 Could Result in Net Costs to the State for K-12 Education, Even if Public Schools Reduce Their Costs by a Greater Amount

Percent of public school students assumed to transfer to private schools	Estimated 2004-05 public school savings	Cost of vouchers	Net additional cost for K-12 education in 2004-05*
5	\$1.7 billion	\$4.5 billion	\$2.8 billion
10	\$3.3 billion	\$6.0 billion	\$2.6 billion
15	\$4.9 billion	\$7.4 billion	\$2.5 billion
20	\$6.4 billion	\$8.8 billion	\$2.4 billion

Totals may not sum due to rounding. Assumes public schools can reduce operating costs by 75 percent.

While the new guarantee would allow lawmakers to reduce public school funding by an amount equal to the number of students who left the public school system multiplied by the NASFG, local school districts would be unable to absorb this loss without significant reduction in the quality of the public schools. In particular, achieving the maximum legally allowable savings would most likely result in a significant increase in average class size.

Lower Public School Enrollment Could Reduce the Amount of Federal Education Aid Received by California

To the extent Proposition 38 reduces public school enrollment, California will receive less federal education aid. Most federal education aid is for categorical programs such as those for economically disad-

Table 7: Summary Proposition 38's Fiscal Impacts

	2001-02	2004-05
Vouchers for current private school students	\$0	\$3.2 billion
Vouchers for public school transfers	\$787 million	\$2.9 billion
Total Cost for Vouchers	\$787 million	\$6.1 billion
Public school savings	\$371 million	\$2.2 billion
Net Costs for Vouchers	\$416 million	\$3.9 billion
Administration		
Calculation of NASFG	Unknown additional costs	Unknown additional costs
Treasurer's Office	Unknown additional costs	Unknown additional costs
County Offices of Education	Unknown additional costs	Unknown additional costs
Funding Impact		
Proposition 98 Programs excluded by NASFG: Community colleges, child care, adult education	Unknown	Unknown
Federal education programs	Unknown loss of funds, potentially in the hundreds of millions of dollars	Unknown loss of funds, potentially in the hundreds of millions of dollars

Estimates assume that 10 percent of public school students transfer to private schools and that public schools reduce operating costs by 50 percent. The cost of vouchers in 2004-05 is based on CBP projections of this amount of the voucher.

vantaged students. The loss of federal funds would be determined, in part, by the number of students eligible for these programs who transfer out of the public schools.

ISSUES FOR CONSIDERATION

Choice. Proposition 38 provides financial assistance to parents who wish to send their children to private schools. Proponents maintain that competition from private schools will also encourage improvement in the public school system as schools attempt to maintain enrollment. However, some parents' access to private schools may be limited due to the following considerations:

- Proposition 38 does not require private schools to provide transportation for students, thus limiting access for families who lack the means to transport their child to school.
- Voucher-redeeming schools may establish testing or other academic performance criteria for admission that effectively discriminate against certain students. Voucher-redeeming schools may, for example, exclude students with learning disabilities or other special needs.
- To the extent that private school tuition exceeds the amount provided by the voucher, students whose families do not have the financial means to make up the difference will not be able to participate.
- Private schools may be less likely to locate in poor neighborhoods.
- Private schools may be unable to accommodate transfer students because of limited space and/or insufficient number of teachers.

Impact on Students Remaining in Public Schools. Proposition 38 may significantly impact California's public schools and their ability to serve the students that remain within the public school system. To the extent voucher-redeeming schools exclude students in need of special education and other high cost services, the average per student cost, but not necessarily funding, for public education will increase.

Impact of Limited Standards. Proposition 38's lack of standards and accountability raises questions about whether a voucher system will serve to advance or undermine the state's efforts to improve the quality of education that it funds. The research on the efficacy of school voucher programs in improving academic performance is inconclusive. In the case of the Milwaukee Parental Choice Program, it has been difficult to evaluate the effects of the program because participating private schools either do not administer the same standardized tests that the public schools administer or do not test their students at all.¹⁵

Evaluations of choice programs, including the Milwaukee Parental Choice Program, find either no difference between the scores of students in the public schools and those in the choice programs or slightly, but statistically significant, higher scores for participating pupils.¹⁶

Delaine McCullough prepared this Brief with the assistance of Jean Ross. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low and middle income Californians. Support for the CBP comes from foundation grants, publications and individual contributions. The CBP neither supports nor opposes Proposition 38.

Methodology

CBP made the following assumptions in developing the fiscal estimates discussed in this *Brief*.

Cost of Vouchers. The cost was assumed to equal the number of students who use vouchers multiplied by the greater of either \$4,000; one-half of per pupil spending under current law; or one-half of the NASFG. The cost for vouchers includes both public school students who transfer to private schools and students currently enrolled in private schools.

School Funding Guarantee. As long as public school spending is determined by Proposition 98, the state's ability to fully reduce funding in response to declining enrollment is limited by a "hold harmless" provision of the current funding guarantee. In brief, the current guarantee includes an annual adjustment factor that reflects inflation and changes in enrollment. However, the enrollment factor is only adjusted downward (i.e., is only a negative number) after enrollment has fallen for three consecutive years. This provision could limit the state's ability to achieve savings in the initial years after the passage of Proposition 38 and prior to the enactment of the new NASFG.

Public School Savings. CBP estimates that a district could reduce its costs by an amount equal to 50 percent of current operating expenses. For the purpose of this analysis, operating costs are defined as the day-to-day costs for providing education in the public schools, including teacher and administrative staff salaries and benefits, books and supplies, and janitorial services. Operating costs do not include facility construction, heavy maintenance, or debt service. CBP used Proposition 98 per pupil spending, which excludes capital costs, as a proxy for operating costs. CBP also considered an alternative scenario that assumes that districts are able to reduce operating costs by 75 percent of current spending levels.

Finally, CBP estimated the total impact of Proposition 38 by subtracting the total cost of the vouchers from the total savings in public school funding.¹⁷ CBP prepared estimates for the initiative's fiscal impacts both under the current Proposition 98 funding guarantee and under the new NASFG.¹⁸

- ¹ *Milwaukee Parental Choice Program*, Wisconsin Legislative Audit Bureau (February 2000), p. 36.
- ² Patrick Reilly, "No Choice for School Choice: Foundations Subsidize Opposition to Student Vouchers," *Foundation Watch* (November 1998). Downloaded from the Capital Research Center website at www.capitalresearch.org/fw/fw-1198.html.
- ³ Proposition 98 established a constitutional school funding guarantee that provides for public schools and community colleges (K-14 education) to receive at least the same amount of funding as received in the prior year, adjusted for enrollment and inflation. In some circumstances, the Proposition 98 guarantee is equal to a fixed percentage of state General Fund spending. However, this provision is one of the measure's three "tests" and has only applied in one year since Proposition 98's enactment in 1988.
- ⁴ A more detailed analysis of Proposition 38's impact on school finance is provided below.
- ⁵ California Department of Education, *Private Enrollment as a Percent of Total Enrollment, 1994-95 through 1999-00* (no date).
- ⁶ CBP's estimate may understate the cost of vouchers to current private school students because it was not possible to accurately determine the number of home-school students and the number of students that are in either private school or home-school, who attend public school part-time so that they can participate in extracurricular activities. These students would also be eligible to receive vouchers.
- ⁷ *Enrollment in California Private Schools by Religious Classification and Grade Level, 1998-99*, California Department of Education website www.cde.ca.gov/privateschools/table2_9899.htm.
- ⁸ Pamela Sherrid and Ben Wildavsky, *The ABCs of Learning and Making Money: Can the Edison Schools Pull in Profits*, U.S. News Online, (November 22, 1999). Downloaded from www.usnews.com/usnews/issue/991122/school.htm on June 8, 2000. Mark Walsh, *One School at a Time, Pa. Company is Dominating the For-Profit Market*, *Education Week on the Web*, (May 20, 1999). Downloaded from www.edweek.org/ew/1998/36nobel.h17 on June 8, 2000.
- ⁹ CBP conducted a phone survey of K-7, K-5 and 6-8 Nobel schools that are currently operating in California on June 8, 2000.
- ¹⁰ The most recent data available shows that the national average salary for public school teachers in 1993-94 was \$34,153 while the average salary for private school teachers was \$21,968 for the same year. *Schools and Staffing Survey, 1993-94*, U.S. Department of Education, National Center for Education Statistics, (November 1997).
- ¹¹ Fixed costs are those that do not depend upon the number of students enrolled in the school.
- ¹² *Pupil-Teacher Ratio in Public School Districts*, California Department of Education website, www.ed-data.k12.ca.us/dev/State.asp. Downloaded on May 26, 2000.
- ¹³ It is likely that most of the Proposition 38-initiated transfers would occur in grades K-5, given that 55 percent of current private school enrollment is in these grade levels. *Enrollment in California Private Schools by Religious Classification and Grade Level*, California Department of Education website, www.cde.ca.gov/privateschools/table2_9899.htm. Downloaded on June 20, 2000.
- ¹⁴ This estimate assumes that schools can reduce per pupil operating expenditures by one-half and that 10 percent of public school students utilize vouchers. The estimate that 10 percent of current public school students would use vouchers is based on a June 7, 2000 telephone conversation with a representative of the proponent's campaign. Appendix A describes the methodology used to arrive at these estimates.
- ¹⁵ Wisconsin Legislative Audit Bureau, *Milwaukee Parental Choice Program* (February 2000).
- ¹⁶ Peter W. Cookson, Jr. and Sonali M. Shroff, *Recent Experience with Urban School Choice Plans*, Clearinghouse on Urban Education Digest, No. 127, October 1997; Jay P. Green, et al., *The Effectiveness of School Choice in Milwaukee: A Secondary Analysis of Data from the Program's Evaluation* (August 14, 1996). Choice plans researched include voucher programs, public school choice programs, magnet and charter school programs.
- ¹⁷ CBP analyzed data from the National Center for Education Statistics, the California Department of Finance, and the California Department of Education. CBP assumed that transfers were spread evenly over a period of three to five years. CBP's estimates for Proposition 98 funding levels are based on annual inflation projections from the Legislative Analyst's office for years 2001-02 through 2004-5 and an annual inflation factor of four percent for years 2005-06 through 2008-09.
- ¹⁸ Because the NASFG is a new education spending measure that is not clearly defined in the initiative and is not currently calculated by any state, it is likely that there will be delays in its implementation. Proposition 98 estimates are included to assess the fiscal impacts if such a delay occurs.