PROPOSITION

38 SCHOOL VOUCHERS. STATE-FUNDED PRIVATE AND RELIGIOUS EDUCATION. PUBLIC SCHOOL FUNDING.

Initiative Constitutional Amendment.

Official Title and Summary Prepared by the Attorney General

SCHOOL VOUCHERS. STATE-FUNDED PRIVATE AND RELIGIOUS EDUCATION. PUBLIC SCHOOL FUNDING.

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- Authorizes annual state payments of at least $4000 per pupil for private and 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.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Short-term (first several years) state costs averaging between zero and $1.1 billion annually.
- Longer-term (within five years to ten years) net fiscal effect on state funding of K–12 schools is largely unknown. Annual impact likely to range from costs of about $2 billion to savings of over $3 billion, depending on the number of pupils who shift from public schools to private schools.
- Debt service savings to the state and school districts potentially in excess of $100 million annually after 10 years to 20 years, resulting from reduced need for construction of public schools.
- Potential loss of federal funds in the hundreds of millions of dollars annually.

PROPOSAL

This proposition, which amends the State's Constitution, makes major changes in public funding for K–12 education. These changes are described below.

Scholarships (Vouchers) for School-Age Children

Currently, about six million pupils attend kindergarten through 12th grade (K–12) in California public schools. In addition, about 650,000 pupils are enrolled in K–12 grades in various private schools that are not part of the public school system. The state and local school districts generally do not provide funding for pupils attending K–12 private schools. (The only exception is for a small number of children with physical, mental, or learning disabilities who are placed in certain private schools.)

This proposition requires the state to offer an annual scholarship (also known as a voucher) to every school-age child in California. The scholarships are grants of aid to parents on behalf of their children. Scholarship checks would be made out to parents, but sent to private schools selected by the parents. These checks could only be cashed to pay tuition and other educational fees at schools which have chosen to become "scholarship-redeeming" schools. The scholarships would not be considered income for state tax purposes.

In order to redeem scholarships, a private school cannot "advocate unlawful behavior" or discriminate on the basis of race, ethnicity, color, or national origin. The proposition does not prohibit a private school from restricting admission on other bases, including sex, religion, ability, and disability.

Each year the scholarship amount would be the *greater* of:

- $4,000 per pupil; or
- One-half of national average spending per pupil in public schools (as defined by the proposition); or
- One-half of California's spending per public school pupil (as defined by the proposition).

We estimate, using the proposition's definition of spending per pupil, that currently both California and national spending per pupil is somewhat less than $8,000. As a result, the scholarship level initially would be set at the $4,000 level. Our review indicates that the scholarship level would rise above $4,000 within the near future.

Starting with the first year the proposition would be in effect (the 2001–02 school year), all pupils who were previously in *public* schools and all children entering kindergarten would be eligible for scholarships. For students who were previously in *private* schools, the proposition phases in eligibility over a four-year period (see Figure 1).

Figure 1

Phase-In of Scholarships for Existing Private School Students

School Year	Private School Grades
2001–02	Kindergarten
2002–03	Kindergarten – 2nd Grade
2003–04	Kindergarten – 8th Grade
2004–05	Kindergarten – 12th Grade

If the tuition and fees at a private school are less than the amount of the scholarship, the state would put the difference in an account to be held in trust for the pupil's future tuition and fee expenses at any scholarship-redeeming school as well as any college or university. A student would be eligible to use the trust account until his or her 21st birthday (if not enrolled in school at that time) or else through completion of an undergraduate degree.

Regulations Affecting Private Schools

Under current law, private schools generally operate under laws and regulations that are significantly less restrictive than those applied to public schools. The Legislature and local governments may change these private school laws and regulations—in most cases by a majority vote of the state or local legislative body.

This proposition affects the regulation of private schools in two main ways. First, all *state* laws that applied to private schools as of January 1, 1999—and all *local* laws that are in effect as of the November 2000 general election—would remain in effect. Second, the proposition imposes significant new restrictions on the ability of government to adopt new laws and regulations affecting private schools. Any new state laws would require a three-fourths vote of the Legislature. Local governments could impose new health, safety, or land use regulations on private schools only upon a two-thirds vote by the local governing body *and* a majority vote in an election held in the affected area.

Testing

This proposition requires scholarship-redeeming schools to administer the same standardized tests required of public schools for measuring academic achievement relative to pupils nationally. Test results for each grade would be released to the public. Individual pupil results would be released only to a parent or guardian.

Changes in Minimum Funding Level for Public Schools

Currently, Proposition 98, approved by the voters in 1988, establishes a minimum funding level for public schools and community colleges (K–14 education). Proposition 98 permits the state to spend more, or under specified circumstances less, than this minimum level. The current minimum funding level for K–14 education is $42 billion. This minimum funding level increases each year generally with changes in public school attendance and growth in the state's economy. (K–14 education also receives additional funds from sources that are "outside" of Proposition 98, such as federal funds and lottery funds.)

This proposition creates an alternative minimum funding level for California's public K–12 schools that would be based on a national average of per-pupil funding of public schools. In the first fiscal year that per-pupil funding provided to California's public schools equals or exceeds the national average, this alternative

guarantee would permanently replace the Proposition 98 guarantee. These per-pupil numbers would be calculated each year by the state's Department of Finance, based on definitions of funding specified in this proposition.

This proposition's national average funding guarantee does not include funds for community colleges, adult education, or most child care programs, which currently are funded under the Proposition 98 guarantee. Thus, under the national average funding guarantee, these programs would have to compete for funding with state programs generally, rather than against K–12 education programs. It is not known how this would affect funding over time for community colleges, adult education, or child care programs.

FISCAL EFFECT

This proposition would have major fiscal impacts on the state and local school districts. The size of these fiscal impacts would depend on legal interpretations of the proposition and such factors as:

- *How people respond to the availability of scholarships.* For example, the fiscal effect would depend on how many parents choose to send their children to scholarship-redeeming schools, how much room existing private schools make for new scholarship pupils, and to what extent new scholarship-redeeming schools are established.
- *What actions the Legislature takes in response to the proposition.* For example, the fiscal effect would depend on the amount of funding provided to K–12 public schools (which, in turn, could affect the scholarship level under the terms of this proposition).
- *What actions local school districts take in response to the proposition.* For example, the fiscal effect would depend on actions school districts take to maintain public school enrollments, such as the formation of charter public schools as an alternative to private schools or other education reforms.

Below we discuss the significant fiscal impacts of the proposition.

State Impacts

The primary effects of the proposition on the state involve (1) *costs* for providing scholarships to pupils who would have attended private schools regardless of this proposition and (2) net *savings* related to pupils who move from public schools to scholarship-redeeming private schools.

- ***Costs for Existing Private School Pupils.*** We assume that the initial scholarship amount would be $4,000 and the vast majority of existing private schools would become scholarship-redeeming schools. Thus, once all existing private school pupils are eligible (beginning in the proposition's fourth year), the state would have costs of at least $4,000 per child for almost 650,000 children who would have attended private school anyway.
- ***Net Savings From Public School Departures.*** As children move from public schools to scholarship-redeeming schools, the state will save money that would have been spent on them in public schools. We estimate that the state initially would save almost $7,000 for each pupil leaving the system. (As noted below, there are other savings, namely capital outlay savings, that would not be on a per-pupil basis and, therefore, are not reflected in this estimate.) Thus, the net savings would be almost $3,000 for each departing pupil (nearly $7,000 in savings less $4,000 in scholarship costs). Each of these amounts would grow over time with inflation and economic growth.

The net effect of these costs and savings factors would be very different in the short term and the long term.

Short-Term Effects. There are likely to be net *costs* to the state for the first several years. This is because the state would have to pay for scholarships for almost 650,000 existing private school pupils. As described above, the proposition phases in scholarships for pupils already in private schools over a four-year period. At the same time, however, savings to the state would start at a relatively low level and increase as the number of pupils shifting from public to scholarship-redeeming schools increases. While we cannot predict what these net state costs would be, they are likely to average as high as $1.1 billion annually for the first several years (if few pupils leave the public schools) to essentially no costs (if many pupils leave).

Long-Term Effects. Within five to ten years, we believe most people and schools will have responded to this proposition. That is, existing private schools will have decided whether to become scholarship-redeeming schools and whether to serve additional pupils, people will have decided whether to start scholarship-redeeming schools, and parents will have decided on the placement of their children in schools.

Figure 2 summarizes our estimates of the potential long-term state impacts of the proposition. In estimating these impacts, the single most important assumption is the proportion of public school pupils who shift to scholarship-redeeming schools. While it is impossible to predict this number, we believe a reasonable range in the long run would be between 5 percent and 25 percent. As the figure shows, the annual savings resulting from these shifts could range from $1.3 billion to $6.7 billion. The figure also shows that in all cases the state would have costs of about $3.3 billion each year to provide scholarships to existing private school pupils.

Figure 2 shows the *net* state impact under different assumptions about the shift of pupils from public to private schools. It indicates that:

- With a 5 percent shift, there are net state costs of about $2 billion annually.

- With a 15 percent shift, on the other hand, the state would realize net savings of almost $700 million annually.
- With a 25 percent shift, the state would realize net savings of over $3 billion annually.

Figure 2

Net Fiscal Impact on the State—Long Term Under Different Assumptions About Pupil Shifts From Public to Private Schools

Level of Shift From Public Schools	Percent of Shift	Number of Pupils Shifting	Savings From Shifts	Costs for Existing Private School Pupils	Net Impact
Low end of range	5%	300,000	$1.3 billion	$3.3 billion	$2 billion annual costs
Middle of range	15	900,000	4.0 billion	3.3 billion	$700 million annual savings
High end of range	25	1,500,000	6.7 billion	3.3 billion	$3.4 billion annual savings

Other State Fiscal Impacts. In addition to the primary costs and savings identified above, the proposition would have the following impacts:

- ***Impact of the New National Average Guarantee.*** Our review indicates that the national average minimum funding guarantee proposed by this proposition would soon replace the Proposition 98 minimum funding guarantee. Over time, the national average guarantee could require the state to spend either more or less per pupil than under Proposition 98, depending generally on how California's economy performs relative to the other states.
- ***Capital Outlay Savings.*** In addition to funding school operating costs, the state provides money to local school districts (through the issuance of state general obligation bonds) to build and renovate facilities. By shifting students from public schools, this proposition would reduce local demand for this state funding. As a result, the state would realize significant future savings in bond debt service costs. The amount of these savings is unknown, but could be in excess of $100 million annually in about 10 years to 20 years.
- ***Administrative Costs.*** The state would have annual costs of about $10 million to administer the scholarship program and the trust accounts (for scholarship amounts in excess of tuition). An unknown portion of these costs could be paid from interest earnings on the trust accounts.

Local Impacts

Local school districts would also be affected by the shift of public school students to scholarship-redeeming schools. The impact would depend primarily on the extent to which the loss of state funding resulting from fewer pupils is matched by offsetting cost reductions. We estimate that school districts would lose, on average, almost $7,000 in state funding for every pupil who transfers to a scholarship-redeeming school. (The actual amount per pupil would vary from district to district.)

Generally, district cost reductions would offset most or all of these funding reductions. However, the amounts by which districts could reduce costs as a result of having to teach fewer pupils would vary significantly from district to district. For example, the proportion of higher-cost pupils—those with certain disabilities or other special needs—probably will increase in some districts as a result of the transfer of large numbers of lower-cost pupils to scholarship-redeeming schools, resulting in higher average per-pupil costs. This would require those school districts either to reduce costs by finding new efficiencies, reduce programs, or find new sources of funding.

Capital Outlay Savings. As with the state, local school districts provide money (through the issuance of bonds and the use of various other funding sources) to build and renovate facilities. By shifting students from public schools, this proposition would reduce the demand for this funding. As a result, districts would realize significant future savings in bond debt service and other costs. The amount of these savings is unknown, but could be in excess of $100 million annually statewide in about 10 years to 20 years.

Loss of Federal Funds. Each year California receives almost $4 billion from the federal government to support a variety of public school programs. For many of these programs, the amount received by the state depends on the number of enrolled *public* school pupils. Thus, this proposition would cause the state and local school districts to lose federal funds, to the extent the proposition leads to fewer pupils in the public schools. This potential revenue loss is unknown but could be in the hundreds of millions of dollars annually.

County Administrative Costs. We estimate that county offices of education would have costs of several million dollars annually (statewide total) to administer reporting requirements under this proposition.

For text of Proposition 38 see page 70.

38 SCHOOL VOUCHERS. STATE-FUNDED PRIVATE AND RELIGIOUS EDUCATION. PUBLIC SCHOOL FUNDING.
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Argument **in Favor** of Proposition 38

We can no longer stand by while bureaucrats prop up a crumbling education system that traps millions of California's children in failing schools.

Consider:

- California ranks at the bottom of the nation in reading and math.
- Over 30 percent of California's ninth graders never graduate from high school—forever being burdened with the label of "dropout."
- California's education system is riddled with waste and abuse like the $200 million Belmont High School in Los Angeles—never to be occupied because education bureaucrats allowed it to be built on toxic land.
- State colleges are forced to provide high school English and math classes to over half of the freshmen who are unable to complete basic assignments.

CONTROL OVER THE EDUCATION AND DESTINY OF CALIFORNIA'S CHILDREN MUST BE TAKEN FROM BUREAUCRATS AND GIVEN TO PARENTS. PARENTS MUST HAVE THE RIGHT AND FINANCIAL ABILITY TO REMOVE THEIR CHILDREN FROM FAILING SCHOOLS. THESE KIDS ARE CALIFORNIA'S FUTURE, AND IT'S ONLY FAIR THAT EVERY CHILD HAS THE OPPORTUNITY TO LEARN AT THE SCHOOL THAT IS BEST FOR HIM OR HER.

Prop. 38 holds schools accountable to parents and taxpayers. It helps public schools, increases per pupil spending, gives parents a choice, provides healthy competition, and offers every kid a fair chance.

Prop. 38 offers parents in California a $4,000 school voucher to give their child the best possible education. It also allows parents to save any difference between $4,000 and a lower tuition amount for future education expenses for their child, including college.

Prop. 38 supports California's public schools by guaranteeing they will always be funded at or ABOVE the national average in dollars per pupil once this level is reached.

Prop. 38 has been very carefully written to result in savings and provide a better education for all of California's children.

Prop. 38 will improve the learning environment and result in smaller, safer classes where teachers can give each student more attention.

Prop. 38 will force public schools to compete for students, thereby encouraging public schools to improve their performance.

Prop. 38 offers all children—regardless of race, gender or socioeconomic status—the opportunity to reach their academic potential and achieve success.

Prop. 38 holds schools accountable to parents and taxpayers by requiring schools to provide financial statements and measurements of students' academic performance.

Prop. 38 provides important protections for private schools from unnecessary and onerous government regulations.

Prop. 38 gives parents the freedom to choose how to educate their child.

Too many of California's children are trapped in a low-performing education system that wastes money and robs children of their chance for a bright future. Proposition 38 will offer them real choices and ensure a quality education for all of California's children.

Don't let another California child spend 13 years in failing schools.

Please vote yes on Prop. 38. A REAL CHOICE FOR EVERY FAMILY. A FAIR CHANCE FOR EVERY CHILD.

CARMELA GARNICA, *Teacher*
Escuela de la Raza Unida
TIM DRAPER
Parent
JOHN McCAIN
United States Senator

Rebuttal to Argument in Favor of Proposition 38

THE TRUTH ABOUT PROPOSITION 38

PROPOSITION 38 WILL HURT TAXPAYERS.

The Howard Jarvis Taxpayers Association has supported other voucher proposals but *opposes* Proposition 38.

Proposition 38 means that money for vouchers will come from cuts in police, fire, health care and similar programs, *or from new taxes*.

Proposition 38 could result in costs of billions of dollars to taxpayers.

Vote No on Proposition 38.

MARK DOLAN, *Chairman*
Howard Jarvis Taxpayers Association

PROPOSITION 38 WILL HURT PRIVATE SCHOOLS.

Private and parochial schools that value their independence do *not* want government funding.

Proposition 38 is deceptively written, promising taxpayer funding, but without the customary financial accountability that taxpayers have a right to expect. While we would be surprised that taxpayers would stand for such a system, our opposition to Proposition 38 is based on what we hold to be even more fundamental issues.

Many private schools include religious instruction throughout the school day. The initiative cannot guarantee that religious instruction will not be restricted if we accept public dollars.

And frankly, as Alan J. Reinach, Esq., Director of Public Affairs and Religious Liberty for the 15,000-student California Seventh Day Adventist schools says, "Taxpayers must not be forced to pay for religious instruction with which they may disagree."

Please vote "No" on Proposition 38.

JOSEPH J. BARTOSCH, *Headmaster*
Sacramento Preparatory Academy
CRAIG GARBE, *Headmaster*
Cornerstone Christian Schools

Argument **Against** Proposition 38

LET'S FIX OUR PUBLIC SCHOOLS, NOT ABANDON THEM

California's children need the best teachers, in small classrooms, teaching to high standards, in schools that are accountable.

But Prop. 38 will not achieve any of these goals.

Some of what you are about to read about Prop. 38 may seem incredible. But through error or some other motivation, the authors of Prop. 38 have opened up extraordinary loopholes that create a system of unaccountable voucher schools, while hurting the vast majority of kids who go to public schools.

The California State PTA says, "Prop. 38 will do nothing to improve our public schools but will hurt neighborhood schools by cutting their budget."

Prop. 38 gives parents whose kids are already in private schools $4000 to go to voucher schools, *costing California taxpayers between $2–$3 billion per year.* And where do you think that money will come from? Taxpayers.

But not one penny of the billions spent on Prop. 38 will be used to make our children's schools better.

Not every child will have access to this new system of voucher schools. That is because voucher schools will be able to reject students who apply based on their gender, their ability to pay and their academic and physical abilities.

Governor Gray Davis calls Prop. 38 "a risky proposition that will take money away from public education and erode accountability. It's a major step backwards."

VOUCHER SCHOOLS ARE NOT ACCOUNTABLE TO TAXPAYERS

The California Business Roundtable says, "the full text of Prop. 38 virtually prohibits any real state or local regulation of voucher schools that make them accountable to taxpayers."

Voucher schools are not required to have their finances audited and can make decisions on how to spend our tax dollars in secret behind closed doors.

Prop. 38 gives taxpayers' money to voucher schools that are not accountable to the taxpayers.

California permits parents to home school their children, but under Prop. 38, this practice could now lead to fraud and abuse.

VOUCHER SCHOOLS ARE NOT REQUIRED TO MEET MEANINGFUL EDUCATIONAL STANDARDS

The California State Superintendent of Public Instruction Delaine Eastin says, "Prop. 38 allows fly-by-night operators to open voucher schools and hire teachers without teaching credentials, without training and without experience educating children."

Prop. 38 will prevent the state from requiring any meaningful educational standards for voucher schools.

PROPOSITION 38 HURTS PUBLIC AND PRIVATE SCHOOLS

Prop. 38 is opposed by public *and* private educators because it will cut funding for public schools while raising tuition for children that already attend private and parochial schools. A private school cannot stay private if it takes public money.

Prop. 38 will *not* provide better teachers, smaller classrooms, high standards for our schools or accountability to taxpayers.

Prop. 38 . . . an expensive experiment our children can't afford.

Vote No on Prop. 38.

LAVONNE McBROOM, *President*
California PTA
LOIS WELLINGTON, *President*
Congress of California Seniors
WAYNE JOHNSON, *President*
California Teachers Association

Rebuttal to Argument Against Proposition 38

There's one simple truth the opponents of school choice always avoid: vouchers work.

Democrat Mayor John Norquist of Milwaukee, a city that has had a voucher program for ten years, told California radio listeners, "All of the things that the critics pointed to as problems haven't happened. It has worked really well. And it's also helped the public schools focus more on higher quality that can attract positive attention from parents."

The education establishment talks about accountability to its bureaucracy, but voucher schools are accountable to the people that matter most: parents and students.

The education establishment says vouchers will damage public schools, when in reality, Prop. 38 has a stronger public school funding guarantee than current law and will lead to smaller, safer classrooms.

The education establishment says vouchers will leave vulnerable children behind. Mayor Norquist says those who benefit most from Milwaukee's voucher program are "kids with learning disabilities, kids that aren't doing well in public school."

School vouchers have a proven track record of success.

Why are the people in charge of the current failed education system afraid of families choosing the best schools for their children?

The education establishment doesn't mind pouring taxpayer money into bad schools, but in opposing Prop. 38 they refuse to allow parents to put money into good schools.

Prop. 38 invests in children.

Give parents a choice. Give kids a chance.

Vote yes on Prop. 38.

JOHN O. NORQUIST, *Mayor*
City of Milwaukee, Wisconsin
DR. ALEXANDRIA CORONADO, *Member*
Anaheim School Board
VIRGINIA HALL
Retired Public School Teacher