

★ Argument in Favor of Proposition 2 ★

VOTE YES ON PROPOSITION 2 TO CREATE A RAINY DAY FUND THAT PROTECTS TAXPAYERS AND SCHOOLS.

Proposition 2 establishes a STRONG RAINY DAY FUND in the State Constitution that will force the Legislature and the Governor to save money when times are good, PAY DOWN DEBTS and PROTECT SCHOOLS from devastating cuts. Both Democrats and Republicans support Proposition 2.

By forcing the state to save money, Proposition 2 WILL REQUIRE POLITICIANS TO LIVE WITHIN THEIR MEANS AND PROTECT AGAINST UNNECESSARY TAX INCREASES. In good times, money will be placed in a constitutionally-protected reserve and used to pay down debt. In bad times, the Rainy Day Fund can be used to protect schools, public safety and other vital services.

California needs Proposition 2 because it prevents the state from spending more than it can afford. Only three years ago, California faced a \$26 billion budget deficit that required the Legislature to make painful cuts and voters to approve temporary tax increases. PROPOSITION 2 WILL MAKE SURE THAT WE DON'T REPEAT THIS CYCLE OF BOOM AND BUST BUDGETING.

VOTING YES ON PROPOSITION 2 WILL:

- Stabilize the state's budget by ensuring temporary revenues are set aside and not committed to ongoing spending we can't afford.

- Accelerate the state's debt payments.
- Create an education reserve to avoid future cuts to schools.

CREDIT RATING AGENCIES AND NEWSPAPERS SUPPORT A STRONG RAINY DAY FUND.

SAN FRANCISCO CHRONICLE: The Rainy Day Fund is the "prudent course."

STANDARD AND POOR'S: The Rainy Day Fund marks "another step in California's ongoing journey toward a more sustainable fiscal structure."

LOS ANGELES TIMES: The Rainy Day Fund "does more to promote a culture of savings in Sacramento."

MOODY'S: The Rainy Day Fund helps the state "cushion its finances from economic downturns."

FRESNO BEE: The Rainy Day Fund will "protect taxpayers against catastrophic budget deficits."

SACRAMENTO BEE: The Rainy Day Fund is "an important step toward fiscal discipline."

VOTE YES ON PROPOSITION 2 AND PROTECT CALIFORNIA'S BALANCED BUDGET!

www.CaliforniaRainyDayFund.com

John A. Pérez, Assembly Speaker Emeritus

Edmund G. Brown Jr., Governor

Allan Zaremberg, President

California Chamber of Commerce

★ Rebuttal to Argument in Favor of Proposition 2 ★

SAVE OUR SCHOOLS!

Vote NO on 2 to PROTECT SCHOOLS AND TAXPAYERS. Democrats and Republicans oppose Proposition 2. Parents, grandparents and students oppose Proposition 2.

Why? A DANGEROUS financial time bomb that hurts schools was inserted into last-minute budget negotiations. What does it do? After even a penny goes into Prop. 2's "school rainy day fund," local school districts will only be allowed to save for—at most—a few weeks of expenses.

Why does it matter if Sacramento determines what districts can save? For the last seven years, Sacramento has delayed billions in payments to schools until after the end of each school year—funds needed to pay teachers, staff, and suppliers. Without locally-controlled reserves, districts would have faced higher borrowing costs and deeper cuts. Depending on Sacramento is a losing proposition for schools.

Get the facts from parents, not politicians, at www.2BadForKids.org.

Standard and Poor's reacted with "neutral to negative credit implications" for California schools if this passes (7/7/2014). Everyone supports a genuine rainy day fund—but ask newspapers and credit agencies if they support the SHELL GAME that Proposition 2 has become.

Sacramento does not have a track record of prioritizing public education, despite the rhetoric.

California is ranked 50th in the U.S. in per pupil spending (*Education Week*, January 2014).

Local communities, NOT Sacramento, know what is best for our children. Be heard. A NO vote on 2 is a vote FOR kids, schools and common sense.

VOTE NO ON 2!

Cushon Bell, Secretary

Educate Our State

Cinnamon O'Neill, Chapter Director

Educate Our State

Kilty Belt-Vahle, Parent Volunteer

Educate Our State

★ Argument Against Proposition 2 ★

Why does a so-called Rainy Day Fund get to soak California schoolchildren?

Parents and taxpayers often ask why California is one of the bottom ten states in school funding year after year—yet our tax rates are among the highest in the nation. Proposition 2 is a perfect example of how we keep “protecting” schoolchildren by putting them last.

Californians enacted Proposition 98 twenty-five years ago as a MINIMUM school-funding guarantee. This “guarantee” was an excuse in 2004 for state politicians to begin grabbing \$5+ billion a year of stable, reliable, local school-allocated property taxes to fund their own deficits and poor financial decisions. The State took the funds, promising that Proposition 98 would pay them back.

Unsurprisingly, this constitutional guarantee to California schoolchildren has not been steadfastly met. In recent bad years, California schools have had to suffer up to \$10 billion in deferred payments of their basic funding—forcing them to borrow, dip into their own local reserves, and cut programs.

And now, under Proposition 2, California schools are supposed to wait in good years as well? What does the “Local Control Funding Formula” mean if we don’t trust local school boards with even their minimum constitutionally guaranteed revenues?

Meanwhile, the small print allows the State Controller to utilize these withheld educational funds to help manage General Fund daily cash flow needs and allows the Legislature, by declaring a budget emergency, to move this money into the General Fund.

But wait, there’s more!

In the waning hours of this year’s budget negotiations, a requirement was added to force school districts to reduce their local reserves whenever *anything* is paid into Proposition 2’s “Public School System Stabilization Account.” In the following year, school districts are allowed only twice the bare minimum of reserves. For most districts, this means forcing them to hold just 6% of annual operating expenses in reserve—just three weeks spending!

For districts across California, local reserves have been all that’s protected children from State-inflicted borrowing costs or program cuts. (The State hasn’t paid schools on time in the past *seven* years! Up to 20% of the money it owed schools was paid after the end of the school year in June 2012.) Built up over decades, these reserves would have to be dumped just because one good capital-gains year moved educational funds away from funding schools and into the State-controlled stabilization account.

Please join us—a bipartisan statewide grassroots volunteer non-profit parent-led organization uniting tens of thousands of Californians committed to improving public education—and say NO to politicians who keep pushing kids to the back of the bus. Visit www.2BadForKids.org and vote NO on 2!

Katherine Welch, Director
Educate Our State

Hope Salzer, Chapter Director
Educate Our State

Jennifer Bestor, Research Director
Educate Our State

★ Rebuttal to Argument Against Proposition 2 ★

Proposition 2 opponents have it wrong; it’s precisely that kind of thinking that led to a \$26 billion budget deficit and devastating cuts to our schools.

The current state budget is the best in years for schools—providing more than \$10 billion in new funding. Proposition 2 PROTECTS SCHOOLS by stabilizing the state budget and preventing future cuts to our classrooms. Without a strong Rainy Day Fund and continued fiscal restraint, the state will face future deficits and could be forced to cut funding for schools, public safety and other critical services. That is why every Democrat and Republican in the Legislature voted to support Proposition 2.

Proposition 2 makes no changes to the funding level required by Proposition 98. In fact, this year’s budget funds

schools under Proposition 98 at the highest level ever, \$60.9 billion. That is \$1,954 more for each student than just three years ago when California faced huge budget deficits. By putting some money away during good times, California can STOP FUTURE CUTS TO SCHOOL FUNDING AND STOP UNNECESSARY TAX INCREASES.

VOTE YES ON PROPOSITION 2 AND PROTECT SCHOOLS AND CALIFORNIA’S BALANCED BUDGET!

Dr. Michael Kirst, President
California State Board of Education