

December 29, 2005

Hon. Bill Lockyer  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Tricia Knight  
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative (File No. SA2005RF0127) entitled "The Classroom Learning and Accountability Act," version 2.

### **Background**

A parcel tax is a type of property levy that taxes an individual unit of land. Typically, the tax is levied at a flat rate per parcel. California currently has no statewide parcel tax, but the State Constitution has no prohibition against such a tax. Local governments are authorized to impose parcel taxes. In recent years, parcel taxes have been approved by several school districts and used to support class size reduction, school libraries, education technology initiatives, and other education programs.

### **Proposal**

*Creates a Statewide \$50 Parcel Tax.* This measure adds a new section to the Constitution establishing a \$50 tax on each real property parcel. For purposes of the measure, a "parcel" is defined as any unit of real property in the state that receives a separate tax bill for ad valorem taxes. This means most individuals and businesses currently paying property taxes would be subject to the new parcel tax.

*Uses Tax Proceeds to Fund Designated K-12 Education Programs.* A relatively small portion of the revenue generated by the statewide parcel tax would be allocated to: (1) the state General Fund to offset the reduction in income tax revenues as a result of increased deductions related to the parcel tax and (2) counties to offset added administrative costs. The remaining revenues would be transferred to a new, constitutionally established Classroom Learning and Accountability Fund. Of the monies deposited in this fund, the measure annually allocates:

- \$225 million for class size reduction in kindergarten through twelfth grade.
- \$100 million for instructional materials.
- \$100 million for school safety programs.
- \$90 million for facility grants for certain academically successful school districts and charter schools that have not received funding from a state general obligation bond for construction or modernization.
- \$20 million for an integrated longitudinal teacher and student achievement data system.

To the extent that revenues in the fund are more or less than the funding level allocated by the measure, the amounts provided for each activity would be adjusted proportionately.

*Allocates Some Monies Using Weighted Per Pupil Formula.* The measure directs the Legislature to create a “weighted per pupil formula” for allocating class size reduction, instructional material, and school safety funding to local education agencies. A weighted-pupil formula provides differential funding amounts per student based on various student-level cost differences. The measure requires per pupil weights to reflect cost differences associated with student disabilities, English language skills, or socioeconomic status.

*Allocates Facility Monies Using Flat Per Pupil Amount.* Eligible recipients would receive \$500 per student for each student enrolled in a school that is an academically successful school (defined as a school ranked in deciles 6-10 when compared with similar schools on the Academic Performance Index). School districts are not eligible if they have received facility funding from state general obligation bonds, nor are county offices of education eligible for these funds. Because most medium to large districts have received state bond funds in recent years, most of the measure’s facility funding likely would support higher performing schools that are either charter schools or from small school districts. To the extent funds are insufficient to fund all students at this rate, the rate is to be prorated downward.

*Requires Annual Independent Audit.* The measure requires school districts to conduct an annual independent audit showing how they spent their Classroom Learning and Accountability Fund monies. These audits are to be reviewed by the applicable county superintendent as well as the state superintendent and posted on all the applicable district, county, and state Web sites.

### **Fiscal Effects**

We estimate that this measure would have the following fiscal impacts:

*Parcel Tax Revenue.* We estimate that the statewide parcel tax would raise over \$500 million annually. Approximately \$30 million to \$40 million of this amount would be transferred to the state to compensate for a projected loss of state income tax revenues. In addition, the measure sets aside no more than 0.2 percent (or approximately \$1 million) for county administration. (Based on current county collection practices, we think this amount could be sufficient to cover administrative costs.) The remainder would be transferred to the Classroom Learning and Accountability Fund.

*Revenue Likely Sufficient to Fund Programs at the Designated Levels.* The parcel tax revenue transferred to the Classroom Learning and Accountability Fund likely would be sufficient to fund the various K-12 programs at the measure's designated levels. If a discrepancy were to materialize, it likely would result in only minor proration (either upward or downward) across the various programs.

### **Summary of Fiscal Effects**

This measure would have the following major fiscal impacts:

- Annual revenue of over \$500 million from a new, statewide parcel tax with the revenue dedicated to specific K-12 education programs (such as class size reduction, instructional materials, school safety, and for facility grants).

Sincerely,

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Elizabeth G. Hill  
Legislative Analyst

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Michael C. Genest  
Director of Finance