

OFFICIAL TITLE AND SUMMARY ★ ★ ★

Prepared by the Attorney General

**EDUCATION FUNDING. REAL PROPERTY PARCEL TAX.
INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.**

- Provides additional public school funding for kindergarten through grade 12.
- Funded by \$50 tax on each real property parcel.
- Exempts certain elderly and disabled homeowners.
- Funds must be used for class size reduction, textbooks, school safety, Academic Success facility grants, and data system to evaluate educational program effectiveness.
- Provides for reimbursement to General Fund to offset anticipated decrease in income tax revenues due to increased deductions attributable to new parcel tax.
- Requires school district audits, penalties for fund misuse.
- Revenue excluded from minimum education funding (Proposition 98) calculations.

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

- State parcel tax revenue of roughly \$450 million annually, allocated to school districts for specified education programs.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

State and local governments in California impose several types of taxes and use the resulting revenue to support a variety of government activities. The most significant state taxes are on personal income, the sale of most types of goods (such as cars, appliances, and furniture), and corporate profits. At the local level, the most significant tax is on the assessed value of property (such as family-owned land and houses, retail stores, and industrial facilities). In California, the revenue generated from these various taxes is used to fund many types of government programs, including education, health, social, and environmental programs.

Local Property Taxes. Local governments in California impose a tax based on the assessed value of property. Under such a tax, the amount owed increases as the value of the property increases. Some local governments also impose a type of property tax known as a parcel tax. Under

this type of tax, the amount owed is typically the same for each parcel—or unit—of land. (Currently, state government does not impose either type of property-related tax.)

Use of Local Parcel Tax Revenue. Local parcel tax revenue may be used for virtually any designated purpose. In recent years, for example, parcel taxes have been approved by voters in several school districts and used to fund class size reduction (CSR), school libraries, education technology, and other education programs. In those school districts that have a parcel tax, this revenue can be a significant source of funding for kindergarten through grade 12 (K–12) education programs. Statewide, however, the parcel tax is a minor source of funding for school districts.

PROPOSAL

Proposition 88 creates a statewide parcel tax and uses the resulting revenue to fund specific K–12 education programs. It would take effect July 1, 2007.

★ ★ ★ ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

Creates a Statewide \$50 Parcel Tax

The measure adds a new section to the State Constitution that establishes an annual \$50 tax on most parcels of land in California. (This dollar amount would not change over time.) For purposes of the measure, a “parcel” is defined as any unit of real property in the state that currently receives a separate local property tax bill. This definition would result in the vast majority of individuals and businesses that currently pay property taxes being subject to the new parcel tax. The measure exempts from the new tax any parcel owner who: (1) resides on the parcel, (2) is eligible for the state’s existing homeowner’s property tax exemption, *and* (3) is either 65 years of age or older or a severely and permanently disabled person.

The measure also includes a provision that ensures funding for other government programs is not affected. Specifically, the measure authorizes a transfer of parcel tax revenue to the state General Fund to offset any loss in state income tax revenue. A loss would occur because of additional property-related deductions resulting from the state parcel tax.

Funds Specific K–12 Education Programs With Tax Proceeds

Most of the revenue generated by the statewide parcel tax would be transferred to a new state special fund. Of the monies initially deposited in this fund, the measure allocates \$470 million for various K–12 education programs and initiatives, as shown in Figure 1. The annual allocation of funding would be adjusted on a proportional basis—up or down—to reflect actual revenues received. These monies would have to supplement existing monies provided for these programs.

The measure allocates monies to school districts (and other local education agencies) in various ways. The bulk of funding (amounts for K–12 CSR, instructional materials, and school safety) would be

allocated to school districts, public charter schools, and county offices of education using a new per student formula to be created by the Legislature. The formula likely would provide higher per student funding rates for higher-cost students. (Specifically, the formula is to account for cost differences resulting from students’ disabilities, English language skills, or socioeconomic status.) Facility grants would be allocated to school districts and public charter schools using a flat funding rate (capped at \$500) for each student enrolled in certain schools performing above average. For the data system, the measure does not specify how or to whom funding would be allocated. (Future legislation likely would be needed clarifying such issues.) School districts receiving any Proposition 88 funds would be required to conduct an annual independent audit showing how they spent these monies and post the audit reports online.

FIGURE 1
Proposition 88: Allocation of Parcel Tax Revenues

Program	Annual Target Amount (In Millions) ^a
K–12 class size reduction	\$175 ^b
Instructional materials	100 ^b
School safety	100 ^b
Facility grants	85 ^c
Data system	10 ^d
Total	\$470

^a Amounts adjusted annually, on a proportional basis, to reflect actual revenues available.

^b School districts, county offices of education, and public charter schools would be eligible to receive funding. Funding to be distributed using a weighted per student formula.

^c School districts and public charter schools meeting certain criteria would be eligible to receive funding. Funding to be based on an equal per student amount that is capped at \$500.

^d The measure does not specify how or to whom funds would be distributed.

ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

K–12 CSR. Currently, the state provides \$1.8 billion for the CSR program for kindergarten through grade 3 (K–3). This program funds school districts for reducing the size of their K–3 classrooms to no more than 20 students. The additional \$175 million provided by this measure could be used to further reduce class size in grades K–3 or for any other CSR initiative. For example, the funds would be sufficient to reduce the average class size of fourth grade by about four students (reducing it from a statewide average of about 29 students to 25 students).

Instructional Materials. Currently, the state provides over \$400 million annually for instructional material purchases. This equates to about \$66 per K–12 student. This is sufficient to purchase one new core textbook for most students in most grades each school year. The additional \$100 million provided by this measure could be used for purchasing any textbooks or other instructional materials that were approved by the State Board of Education. Funds likely would be sufficient to provide about 25 percent of K–12 students with one additional core textbook each year.

School Safety. Currently, the state provides \$548 million (or about \$90 per student) for after school programs, \$97 million (or about \$40 per grade 8–12 student) for general school safety programs, and \$17 million (or about \$3 per student) for competitive school safety grants. The additional \$100 million (or about \$16 per student) provided by this measure could be used for school community policing and violence prevention, gang-risk intervention, and afterschool and intersession programs.

Facility-Related Grants. Currently, the state provides funds for school facilities primarily using general obligation bonds. In addition, it has provided \$9 million annually for the last several years to help public charter schools in low-income areas cover some of their facility lease costs. The

\$85 million provided by this measure would be for school districts and charter schools that have not yet received any state general obligation bond monies for school facilities. In addition, charter schools are only eligible if they are governed by or operated by a nonprofit public benefit corporation. If those conditions are met, then school districts and charter schools would receive funding for each student enrolled in a school ranking in the top 50 percent based on the state’s standardized test scores. They could use the grants for any general purpose. Districts and schools receiving such grants would be prohibited from receiving future state general obligation bond monies unless the bond expressly allowed them to receive such funding. We estimate that about 40 noncharter schools (serving less than 1 percent of all noncharter enrollment) would be eligible for grants. For charter schools, we estimate about 100 schools (serving about 25 percent of all charter enrollment) would be eligible for grants.

Data System. Currently, the state provides virtually no state funding expressly for the ongoing collection and maintenance of student-level and teacher-level data. The additional \$10 million provided by this measure would be for an integrated longitudinal data system. Such a system would allow the state to measure student and teacher performance over time. The measure requires school districts to collect and report the data needed to create and maintain the system.

FISCAL EFFECTS

We estimate the statewide parcel tax would result in roughly \$450 million in new tax revenue each year. Given that the dollar amount of the tax would not increase, total parcel tax revenues would grow slowly over time as new parcels of land were created (such as by new subdivisions of property). Roughly \$30 million of the parcel tax revenue

★ ★ ★ ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

would be transferred annually to the state General Fund to offset a projected decline in state income tax revenues (due to increased property-related tax deductions). In addition, the measure sets aside no more than 0.2 percent (or approximately \$1 million annually) for county administration of the parcel tax. The remainder of new tax revenue

would be allocated to schools for the specified education programs. These revenues likely would be somewhat less than that needed to meet the measure's designated funding levels. If so, the program allocations would be adjusted downward proportionally.

ARGUMENT IN FAVOR OF PROPOSITION 88

PROPOSITION 88: A SMART INVESTMENT FOR OUR SCHOOLS, OUR STUDENTS, AND CALIFORNIA'S FUTURE

Consider:

- Students in one-third of California classrooms don't have a textbook to take home—and many don't even have a textbook to use in class.
- Teachers are paying for school materials out of their own pockets.
- Too many California classrooms are still overcrowded.
- Prop. 88 will help California graduate the skilled, educated workforce that is critical to a healthy business environment and our state's economic prosperity.

PROP. 88: LOCAL CONTROL OF DOLLARS FOR CLASSROOMS

The education needs of communities and schools are not all the same. Prop. 88 provides needed funding directly to local schools and school districts so that they, not the Legislature, decide where to spend the funds.

Prop. 88 will provide dedicated funding to:

- Reduce class size so students get more individualized instruction
- Provide textbooks and other learning materials, so teachers don't have to pay for these fundamental necessities out of their own pockets
- Make schools safer for students and teachers and help stop campus violence and gangs

PROP. 88: A PRUDENT AND FAIR INVESTMENT

Prop. 88 will put over \$500 million a year directly into our local schools through a nominal (about 14¢ per day/\$50 per year) property parcel assessment. Funds from Prop. 88 will be used to invest in our teachers and students, providing local schools with needed resources, like textbooks, computers, and other materials. **TEACHERS SHOULDN'T HAVE TO DIP INTO THEIR OWN POCKETS TO PAY FOR CLASSROOM MATERIALS.**

To protect those on fixed incomes, **PROP. 88 EXEMPTS**

SENIOR AND DISABLED HOMEOWNERS [Section 21.5(b)].

PROP. 88: STRICT ACCOUNTABILITY AND ANNUAL AUDITS

Funds from Prop. 88 are prohibited from being used for administrative overhead and the Legislature cannot redirect the money to other programs [Section 6.2].

To ensure that funds go to classrooms and student learning, Prop. 88 requires annual independent audits [Section 6.2.(5)c] and penalties for misuse.

With Prop. 88, we know exactly where the money goes and we can make sure it is spent wisely.

PROP. 88: THE NEXT STEP IN IMPROVING OUR K-12 EDUCATION SYSTEM

Taxpayers have invested in our school system by approving local and state bonds to build new classrooms and remodel out-of-date facilities. But bonds don't pay for teachers, textbooks, or other learning materials and supplies. Prop. 88 puts funds in our classrooms and allows local educators to use the funds where they are most needed.

PROP. 88: A VOTE FOR TEACHERS AND OUR KIDS

Teachers have one of the most important jobs. Yet their jobs are made difficult because of overcrowded classrooms and a lack of basic supplies. YES on Prop. 88 will help provide teachers the resources they need to teach our children and give children the attention they need and deserve.

READ PROP. 88 FOR YOURSELF. IT'S A SMALL INVESTMENT NOW THAT CAN MAKE A BIG DIFFERENCE FOR OUR FUTURE.

Vote YES on 88: More Textbooks and Learning Materials, Smaller Classes, and Safer Schools!

REED HASTINGS, Past President
California State Board of Education

JACK O'CONNELL, California State Superintendent of
Public Instruction

REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 88

88

The California Parents-Teachers Association (PTA) says "NO on Proposition 88."

Would the PTA say "No on 88" if it helped our kids' schools?

Proposition 88 is tricky and misleading. There is NOT ONE WORD in Proposition 88 about helping teachers who buy materials.

And, 88 gives the impression all funds will go to classrooms. Nonsense! Proposition 88 creates layers of costly new bureaucracies and expands old bureaucracies—for a program which forever bans Proposition 88's facilities grants to more than 95% of our kids' schools!

This whole new kind of parcel property tax would be collected from 10 million property owners by 58 county tax collectors—with new special exemptions.

Then your money goes to the State Legislature, which decides who gets your tax money. (Proposition 88—Section 6.2[d])

Then 1000+ school districts collect new data from 9300+ California schools.

Then Proposition 88 requires analysis from a new "integrated longitudinal teacher and student data system as defined by the Legislature." (Section 6.2 [b] [5])

County Treasurer Paul McDonnell says: "Proposition 88 is a costly administrative nightmare, creating new layers of expensive bureaucracy."

Proposition 88 creates a whole new kind of property tax, needing only a majority vote to pass, opening the floodgates to new parcel property tax propositions. A tax with no termination date—it lasts forever. All so fewer than 5% of our kids' schools can ask the State Legislature for a facilities grant?

Our kids, our schools, and our taxpayers deserve better. Much better.

Parents, Teachers, and Taxpayers agree . . . NO on 88!

CLIFFORD CORIGLIANO, SR., Teacher of the Year, 2003

ART PEDROZA, Member

California and American Federations of Teachers, AFL-CIO

LORIE McCANN, Parent-Teachers Association Local President

ARGUMENT AGAINST PROPOSITION 88

All Californians want better schools, but the promoters of Proposition 88 have taken the wrong approach. Concerned teachers and parents have joined with taxpayer groups and small business organizations to oppose Proposition 88. Here's why:

- Proposition 88 does nothing to assure that funds raised in your community are spent on your schools. Proposition 88 lets the State Legislature give your tax money to any school district in the state.
- Proposition 88 creates a whole new kind of statewide property tax. Currently, all property taxes are collected locally and are used for local services, such as improving your local schools, reducing traffic congestion, improving health care, and increasing firefighting, paramedic, and law enforcement capabilities. The Prop. 88 property parcel tax goes to the State first.
- Proposition 88 would impose the first statewide property tax since 1910 and would encourage other special interests to pass more and bigger property parcel taxes for their self interest causes.
- Opening the door to the new property parcel tax could lead to huge new property taxes, contrary to the clear intent of Proposition 13 to limit property taxes. We could see owners of small homes or mom-and-pop stores taxed out of their homes and shops.
- This new tax is never ending; we will pay it forever, whether it does anything to help schools or not!
- Proposition 88 gives Sacramento politicians increased power to decide where and how to spend your money.
- Proposition 88 uses a loophole to get around the two-thirds vote requirement in Proposition 13 to increase taxes. Proposition 13 requires a two-thirds voter approval to impose a local property parcel tax. Proposition 88 would impose a new statewide property parcel tax with only a simple majority vote. As a result, it is much easier

to impose new statewide parcel taxes than a local parcel tax. This is another good reason to stop statewide property parcel taxes now before we are flooded with property parcel tax propositions.

People concerned about our kids and schools say:

“As a public school teacher, nothing is more important to me than the quality of our schools. Proposition 88 is poorly drafted, it will result in tax money raised in our community being spent by the State Legislature anywhere in the state.”

—Lillian T. Perry, *Middle School Teacher*
Teacher of the Year 2002

“We are the parents of two children in public schools and are active in our PTA. We are very concerned about the impact of Proposition 88 on our local schools and are voting NO.”

—Paul and Susanna Fong
El Dorado Hills

“Most of the school teachers I know are voting No on Proposition 88. It's bad for our schools and bad for our kids.”

—Kate McGowan-Otto, *4th Grade Teacher*
Winner, Honorary Service Award, 2005

Proposition 88 doesn't solve problems; it creates new ones. That's why Parents and Teachers agree with Taxpayers and Small Business Owners. Vote NO on Proposition 88.

For more information visit: www.noprop88.com.

DR. TOM BOGETICH, Executive Director
 California State Board of Education (Ret.)

JON COUPAL, President
 Howard Jarvis Taxpayers Association

JOEL FOX, President
 Small Business Action Committee

REBUTTAL TO ARGUMENT AGAINST PROPOSITION 88

Please read Proposition 88 for yourself. It's a modest investment to help ensure students have updated textbooks, smaller classes, and safer campuses.

Two ultra conservative special interest groups are opposing this measure, just like they've opposed other efforts to improve public education in our state. They have never proposed a solution to fix our schools. Instead, they hide behind a smokescreen of distortions and will say anything to stop Prop. 88.

But don't just take our word for it. READ 88 FOR YOURSELF. Then please join teachers, parents, businesses, and taxpayers around the state in voting YES on 88.

Prop. 88 will:

- Ensure that teachers won't have to pay for classroom learning materials out of their own pocket.
- Protect students from gangs and violence on our school campuses.
- Reduce class sizes so students can get the attention they deserve.

- Keep the funds out of the hands of Sacramento politicians to ensure that EVERY DOLLAR goes to our local schools and that EVERY COMMUNITY BENEFITS.

- Provide taxpayers and businesses an even stake in improving our schools.

- Require the most strict accountability requirements and standards ever proposed to make sure the funds don't get wasted.

- Protect the most vulnerable by exempting seniors and disabled homeowners.

- Ensure that homeowners are still protected from higher taxes due to increased property values.

Yes on Prop. 88—It's a small investment with big returns—smaller classes, new textbooks, and more learning materials.

SHELBI WILSON, California Teacher of the Year, 2006

RUSSELL “RUSTY” HAMMER, Former Chamber of
 Commerce Executive

STEPHANIE PRIDMORE, Local PTA President

the producer and is a liability of the first purchaser and each subsequent purchaser. Failure of the producer to pay the assessment does not relieve the first purchaser or a subsequent purchaser from liability for the assessment. A purchaser of oil produced in this state shall satisfy himself or herself that the assessment on that oil has been or will be paid by the person liable for the assessment.

(c) The assessment imposed by this part shall not be passed on to consumers through higher prices for oil, gasoline, or diesel fuel. At the request of the authority, the board shall investigate whether a producer, first purchaser, or subsequent purchaser has attempted to gouge consumers by using the assessment as a pretext to materially raise the price of oil, gasoline, or diesel fuel.

42005. The assessment imposed by this part shall be in addition to any ad valorem taxes imposed by the state, or any of its political subdivisions, or any local business license taxes which may be incurred as a privilege of severing oil from the earth or doing business in that locality. No equipment, material, or property shall be exempt from payment of ad valorem tax by reason of the payment of the gross tax pursuant to this part.

42006. Two or more producers that are corporations and are commonly owned or controlled directly or indirectly, as defined in Section 25105, by the same interests, shall be considered as a single producer for purposes of application of the assessment prescribed by this part.

42007. The California Energy Independence Fund Assessment imposed pursuant to this part does not apply to:

(a) Oil owned or produced by any political subdivision of the state, including that political subdivision's proprietary share of oil produced under any unit, cooperative, or other pooling agreement.

(b) Oil produced by a stripper well in any month in which the average value of oil is less than \$50 per barrel. If in any month the average value of oil is \$50.01 or more per barrel, a stripper well shall be subject to a fee in the amount of 3 percent of the gross value of oil above \$50.01.

42008. The assessment imposed by this part shall be due and payable to the board on a monthly basis. The board has broad discretion in administering this part and may prescribe the manner in which all payments are made to the state under this part, and the board may prescribe the forms and reporting requirements as necessary to implement the assessment, including, but not limited to, information regarding the location of the well by county, the gross amount of oil produced, the price paid therefor, the prevailing market price of oil, and the amount of assessment due. The board may employ auditors, investigators, engineers, and other persons to engage in all activities necessary for the implementation of this part, including to verify reports and investigate the affairs of producers and purchasers to determine whether the assessment imposed by this part is properly reported and paid. In all proceedings under this part, the board may act on behalf of the people of the State of California.

42009. The board shall enforce the provisions of this part and may prescribe, adopt, and enforce rules and regulations, including, but not limited to, the payment of interest, the imposition of penalties, and any other action permitted by Sections 6451 to 7176, inclusive, or Sections 38401 to 38901, inclusive, whichever are most applicable as determined by the board, relating to the application, administration, and enforcement of this part.

42010. (a) All assessments, interest, penalties, and other amounts collected pursuant to this part shall be deposited in the California Energy Independence Fund, which is established by Article XXXVI of the California Constitution. Before allocating funds pursuant to subdivision (a) or (b) of Section 26049 of the Public Resources Code, the authority shall reimburse the board for expenses incurred in the administration and collection of the assessment imposed by this part. The board shall transfer moneys received from the aforementioned sources to the California Energy Independence Fund at least once per calendar month.

(b) This part shall become inoperative after the authority has expended four billion dollars (\$4,000,000,000) pursuant to subdivision (d) of Section 26045 of the Public Resources Code and after all indebtedness associated with the Clean Alternative Energy Act, including principal, interest, ancillary obligations, and other costs of any bonds issued pursuant to Division 16 (commencing with Section 26000) of the Public Resources Code, secured by a pledge of the assessment created by this part, has been paid or payment has been provided for, unless a later enacted statute, that becomes operative on or before the date this part becomes inoperative, deletes or extends the date on which it becomes inoperative. Notwithstanding the foregoing, so long as any bonds or other obligations

secured by the assessment created by this part remain outstanding, neither the Legislature nor the people may reduce or eliminate the assessment, and this pledge may be included in the proceedings of any such bonds as a covenant with the holders of such bonds.

SEC. 19. LEGAL CHALLENGE.

Any challenge to the validity of this Act must be filed within six months of the effective date of this Act.

SEC. 20. AMENDMENT.

The statutory provisions of this Act may be amended to carry out its purpose and intent by statutes approved by a two-thirds vote of each house of the Legislature and signed by the Governor.

SEC. 21. SEVERABILITY.

If any provision of this Act or the application thereof to any person or circumstances is held invalid, including subdivision (c) of Section 42004 of the Revenue and Taxation Code and subdivision (c) of Section 26054 of the Public Resources Code, that invalidity shall not affect other provisions or applications of this Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SEC. 22. CONFLICTING INITIATIVES.

In the event that this measure and another initiative measure or measures that impose an assessment, royalty, tax, or fee on the extraction of oil or that involve petroleum reduction shall appear on the same statewide election ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measure shall be null and void.

PROPOSITION 88

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure expressly amends the California Constitution by adding sections thereto; and amends a section of the Government Code, and adds sections to the Education Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title

This measure shall be known and may be cited as the Classroom Learning and Accountability Act.

SEC. 2. Findings and Declaration of Purpose

The People of the State of California find and declare that:

(a) California students are falling behind, ranking among the bottom six states in reading and math. In the nation's five biggest states, only California students score below average on every national assessment of educational progress.

(b) Independent research indicates that California's poor student achievement is caused, in part, by inadequate resources for public education, including low funding levels, high class sizes, inadequate facilities, and students with relatively greater needs. Education funding in California is chronically below the national average, even though California students are expected to meet some of the highest academic standards in the country.

(c) California's economic and social prosperity depend on a well-educated workforce capable of competing in a global economy.

(d) In order to improve student achievement, new investment is needed to reduce class sizes, provide textbooks and other instructional materials, improve campus safety, and provide facilities for high-quality public charter schools with greater parental and community involvement.

(e) A parcel assessment for public schools will raise needed funds for student achievement, while protecting property owners against runaway taxes—especially seniors with fixed incomes. Parcel assessments have been approved by voters in dozens of California communities, and they are consistent with Proposition 13 of 1978.

(f) New funding for public education must come with safeguards against waste and mismanagement. The entirety of the Classroom Learning and Accountability Fund will be subject to oversight and annual independent audits. Annual audits will ensure that every penny goes into classrooms and student learning, where it is needed most.

(g) The Legislature is expressly prohibited from using money from the Fund to supplant other funding or redirect money to other, less critical needs. This act specifies that the Fund shall not be used to pay administrative overhead. Misuse of funds will result in criminal penalties, loss of credentials, and/or fines.

(h) Money from the Fund will be used to collect information that will evaluate the effectiveness of specific educational programs and investments. Schools, researchers, and other agencies will be better able to analyze the link between specific investments and the impact on student achievement.

(i) Homeowners 65 years of age or older are fully exempted from the provisions of this act. Senior citizens will not be burdened by the creation of the Fund.

(j) This act pays for itself. The Fund will improve education without affecting any state services or programs currently supported by the state General Fund.

Therefore, the People of the State of California hereby adopt the Classroom Learning and Accountability Act.

SEC. 3. Section 6.2 is added to Article IX of the Constitution of the State of California, to read:

SEC. 6.2. (a) *The Classroom Learning and Accountability Fund is hereby created in the State Treasury to be held in trust for the purposes set forth below and is continuously appropriated for the support of kindergarten through 12th grade educational programs.*

(b) *Classroom Learning and Accountability Funds shall not be used to pay for administrative overhead and shall be used for the following educational purposes only:*

(1) *One hundred seventy-five million dollars (\$175,000,000) to reduce class sizes in kindergarten and grades 1 to 12, inclusive.*

(2) *One hundred million dollars (\$100,000,000) for textbooks and other instructional materials approved by the State Board of Education as consistent with the state curriculum frameworks and academically rigorous content standards.*

(3) *One hundred million dollars (\$100,000,000) to enhance the safety and security of pupils, teachers, and school staff through school community policing, gang-risk intervention, afterschool and intersession student support and development, and school community violence prevention.*

(4) *Eighty-five million dollars (\$85,000,000) for academic success facility grants to any qualifying school district which has not received funding from the proceeds of a state general obligation bond for school construction or modernization. A school district receiving an academic success facility grant shall not be eligible for funding from the proceeds of a state general obligation bond for school construction or modernization unless the law authorizing the bond and approved by a vote of the people expressly provides that eligibility.*

(5) *Ten million dollars (\$10,000,000) for an integrated longitudinal teacher and pupil achievement data system that provides a better means of evaluating the efficiency and effectiveness of educational programs and investments.*

(c) *The amounts deposited in the Classroom Learning and Accountability Fund shall be used exclusively for the purposes set forth in this section. All moneys in the Classroom Learning and Accountability Fund shall be used to supplement and not supplant federal, state, or local funds used for educational programs. The Legislature shall set penalties, including loss of credentials and/or fines, for school districts, county offices of education, public charter schools, and any administrator that misuses funds appropriated and allocated pursuant to this section.*

(d) *Funds appropriated pursuant to paragraphs (1) to (3), inclusive, of subdivision (b) shall be apportioned directly to school districts, county offices of education, and public charter schools on a per-pupil basis. Using variables and data that are objective, measurable, and auditable, the Legislature shall weight the per-pupil allocation to account for differential pupil-level costs associated with achieving state and federal achievement*

standards based on disabilities, English proficiency, or socioeconomic status.

(e) *The allocation of funds under subdivision (b) shall be adjusted annually on a proportional basis to reflect actual revenues received and interest earned.*

(f) *None of the provisions of this section shall alter or affect any right to equal protection provided by this Constitution.*

SEC. 4. Section 21.5 is added to Article XIII A of the Constitution of the State of California, to read:

SEC. 21.5. (a) *An assessment of fifty dollars (\$50) shall be levied on each real property parcel that is not otherwise exempt from property taxation pursuant to this Article. The assessment shall be collected annually at the same time and in the same manner as the ad valorem property tax.*

(b) *A parcel shall be exempt from the assessment described in this section if the owner of the parcel (1) resides on the parcel, (2) is eligible for the homeowner's exemption under subdivision (k) of Section 3 of Article XIII, and (3) is either a person 65 years of age or older, or is a severely and permanently disabled person as that term is defined by the Revenue and Taxation Code.*

(c) *For purposes of this section, "parcel" means any unit of real property in the State that receives a separate tax bill for ad valorem property taxes. Any property that is otherwise exempt from, or on which is levied, no ad valorem property taxes in any year shall also be exempt from the parcel tax levied by this section in that year.*

(d) *Each fiscal year, the revenue generated by the assessment described in this section shall be calculated and transferred as follows:*

(1) *No more than two tenths of one percent (.002) shall be appropriated to counties for the purpose of defraying the costs incurred in implementing this section.*

(2) *The amount necessary to offset any decrease in state personal and corporate income tax revenues caused by increased deductions taken as a result of the assessments described by this section shall be transferred to the state General Fund.*

(3) *After the transfer of the amounts calculated in paragraphs (1) and (2), the remainder, including any interest earned thereon, shall be transferred to the Classroom Learning and Accountability Fund established by Section 6.2 of Article IX.*

SEC. 5. Section 14 is added to Article XIII B of the Constitution of the State of California, to read:

SEC. 14. (a) *"Appropriations subject to limitation" of each entity of government shall not include appropriations of revenue from the Classroom Learning and Accountability Fund established by Section 6.2 of Article IX. No adjustment in the appropriations limit of any entity of government shall be required pursuant to Section 3 as a result of revenue being deposited in or appropriated from the Classroom Learning and Accountability Fund.*

(b) *For purposes of this article, "proceeds of taxes" shall not include the revenues derived from the taxes imposed pursuant to Section 21.5 of Article XIII A, but shall include those revenues described in paragraph (2) of subdivision (d) of Section 21.5 of Article XIII A.*

SEC. 6. Section 8.3 is added to Article XVI of the Constitution of the State of California, to read:

SEC. 8.3. (a) *With the exception of the revenue described in paragraph (2) of subdivision (d) of Section 21.5 of Article XIII A, revenues derived from the taxes imposed by Section 21.5 of Article XIII A shall not be deemed to be "General Fund revenues which may be appropriated pursuant to Article XIII B" as that phrase is used in paragraph (1) of subdivision (b) of Section 8 nor shall they be considered in the determination of "per capita General Fund revenues" as that term is used in paragraph (3) of subdivision (b) and in subdivision (e) of Section 8.*

(b) *Funds appropriated pursuant to Section 6.2 of Article IX shall not be deemed to be part of "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as that phrase is used in paragraphs (2) and (3) of subdivision (b) of Section 8.*

SEC. 7. Section 14003 is added to the Education Code, to read:

14003. *No moneys distributed from the Classroom Learning and Accountability Fund shall be included in calculating and apportioning funds as provided in Section 2558, 42238, or 56836.08. Nor shall moneys*

distributed from the Classroom Learning and Accountability Fund be included in a school district's expenditures pursuant to Section 33128. With the exception of funds for academic success facility grants described in Section 52057.1, the Controller shall distribute the revenues in the Classroom Learning and Accountability Fund at least twice during the fiscal year.

SEC. 8. Section 41020.4 is added to the Education Code, to read:

41020.4. Each fiscal year, every school district shall provide for an annual independent audit of the moneys received from the Classroom Learning and Accountability Fund. The audit may be prepared as part of any annual audit already required, but it shall show how moneys received from the Classroom Learning and Accountability Fund were spent by category and program. The audit shall be reviewed by the applicable county superintendent of schools and the Superintendent of Public Instruction who shall, along with the school district, post the audit reports on their web sites.

SEC. 9. Section 52057.1 is added to the Education Code, to read:

52057.1. (a) It is the intent of this section that facility grants for school districts be directed towards all eligible schools, including charter schools. Therefore, funds for academic success facility grants appropriated pursuant to paragraph (4) of subdivision (b) of Section 6.2 of Article IX of the California Constitution shall be apportioned directly to qualifying school districts as defined by this section.

(b) For purposes of this section, the following definitions shall apply:

(1) A "qualifying school district" is an academically successful eligible charter school or a school district with one or more academically successful schools other than eligible charter schools. Neither a school district that is formed pursuant to Chapters 3 (commencing with Section 35500) or Chapter 4 (commencing with Section 35700) of Part 21, and whose former districts received funding from the proceeds of a state general obligation bond for school construction or modernization, nor a county office of education is a "qualifying school district."

(2) An "academically successful school" is a school ranked in deciles 6 to 10, inclusive, on the Academic Performance Index when compared to similar schools as reported for the prior academic year by the State Board of Education.

(3) An "eligible charter school" is a charter school operated and governed by or as a nonprofit public benefit corporation, formed and organized pursuant to the applicable nonprofit public benefit corporation law, where the majority of the certificated teachers at the school are employees of the nonprofit corporation.

(c) Academic success facility grants shall be distributed to qualifying school districts at the time of the second principal apportionment in the form of general purpose funding. Subject to subdivision (d), academic success facility grants shall be five hundred dollars (\$500) per pupil and shall be awarded on a per-pupil basis for each pupil enrolled in an academically successful school, provided, however, that pupils in academically successful eligible charter schools shall not be counted in calculating the amount of any academic success facility grant that is distributed to a school district.

(d) Notwithstanding subdivision (c), if at the time of the second principal apportionment there are insufficient moneys in that portion of the Classroom Learning and Accountability Fund described by paragraph (4) of subdivision (6) of Section 6.2 of Article IX of the California Constitution to provide for the per-pupil allocation specified in subdivision (c), the per-pupil allocation shall be adjusted on a proportional basis to ensure that all qualifying school districts receive an academic success facility grant in an equal amount per pupil.

(e) Any moneys remaining in that portion of the Classroom Learning and Accountability Fund described by paragraph (4) of subdivision (b) of Section 6.2 of Article IX of the California Constitution after apportionment of funds for academic success facility grants as required by this section shall remain in the Classroom Learning and Accountability Fund and shall be available for distribution to qualifying school districts in the following year.

SEC. 10. Section 60901 is added to the Education Code, to read:

60901. Each school district shall participate in the collection and reporting of data necessary for the creation and maintenance of the state's integrated longitudinal teacher and pupil data system as defined by the Legislature and described in paragraph (5) of subdivision (b) of Section

6.2 of Article IX of the California Constitution.

SEC. 11. Section 13340 of the Government Code is amended to read:

13340. (a) Except as provided in subdivision (b), on and after July 1, 2007, no moneys in any fund that, by any statute other than a Budget Act, are continuously appropriated without regard to fiscal years, may be encumbered unless the Legislature, by statute, specifies that the moneys in the fund are appropriated for encumbrance.

(b) Subdivision (a) does not apply to any of the following:

(1) The scheduled disbursement of any local sales and use tax proceeds to an entity of local government pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code.

(2) The scheduled disbursement of any transactions and use tax proceeds to an entity of local government pursuant to Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code.

(3) The scheduled disbursement of any funds by a state or local agency or department that issues bonds and administers related programs for which funds are continuously appropriated as of June 30, 2007.

(4) Moneys that are deposited in proprietary or fiduciary funds of the California State University and that are continuously appropriated without regard to fiscal years.

(5) The scheduled disbursement of any motor vehicle license fee revenues to an entity of local government pursuant to the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2 of the Revenue and Taxation Code).

(6) Moneys that are deposited in the Classroom Learning and Accountability Fund.

SEC. 12. Severability

The provisions of this measure are severable. If any provision of this measure or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 13. Amendment

This act shall be broadly construed to accomplish its purposes. Any of the statutory provisions of this act may be amended by a bill that complies with the single-subject rule expressed in Section 9 of Article IV of the California Constitution, and that is passed by a two-thirds vote of the Legislature and signed by the Governor, so long as the amendments are consistent with and further the intent of this act.

SEC. 14. Effective Date

This initiative shall go into effect on July 1, 2007.

PROPOSITION 89

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure amends, repeals, and adds sections to the Elections Code, the Government Code, and the Revenue and Taxation Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

CALIFORNIA NURSES CLEAN MONEY AND FAIR ELECTIONS ACT OF 2006

SECTION 1. Chapter 12 (commencing with Section 91015) is added to Title 9 of the Government Code, to read:

CHAPTER 12. CALIFORNIA CLEAN MONEY AND FAIR ELECTIONS ACT OF 2006

Article 1. General

91015. This chapter shall be known and may be cited as the California Clean Money and Fair Elections Act of 2006.