California’s K-12 schools are severely underfunded compared to many other states. Budget cuts in recent years have led to fewer instructional days, larger classes, fewer counselors and other reductions in core student services.

Two initiatives on the November 6, 2012 ballot attempt to address the state’s inability to close its budget deficits and stabilize funding for schools. Californians can vote for either or both measures. If they both pass, the one with the most votes will become law.

Proposition 30: The Schools and Local Public Safety Protection Act of 2012

- **Key Sponsor:** Gov. Jerry Brown
- **Major Backers Include:**
  - California Teachers Association
  - League of Women Voters
  - California Federation of Teachers
- **Opponents Include:**
  - Howard Jarvis Taxpayers Association
  - California Republican Party

Proposition 38: Our Children. Our Future. Local Schools and Early Education Investment and Bond Reduction Act

- **Key Sponsor:** Philanthropist Molly Munger and the Advancement Project, a Los Angeles-based civil rights organization
- **Major Backers Include:**
  - California State PTA
- **Opponents Include:**
  - California Chamber of Commerce
  - California Democratic Party
  - California State Sheriffs’ Association
Here are key features of the two initiatives:

**How will revenues be raised?**

**Proposition 30:**

Increases state personal income tax rates on **Californians filing as single taxpayers and earning $250,000.** However, the increased tax is calculated only on the income earned above $250,000.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Tax Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250k to $300k</td>
<td>1%</td>
</tr>
<tr>
<td>$300k to $500k</td>
<td>2%</td>
</tr>
<tr>
<td>$500k and above</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Proposition 38:**

Increases state personal income taxes on **Californians filing as single taxpayers and earning over $7,316.** On the lowest earners, the increase is 0.4 percentage points, and at the highest income levels (more than $2.5 million) the increase is 2.2 percentage points.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Tax Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest Earners</td>
<td>0.4%</td>
</tr>
<tr>
<td>Highest income levels</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

How will revenues be raised?

**Proposition 30:**

Increases state sales tax by ¼ cent.

**Proposition 38:**

*Single income after deductions. Comparable increases apply to joint filers and heads of households. (Top marginal income tax rate for highest earners is currently 10.3%)
Proposition 30:
About $6 billion in annual revenues*

About $2.9 billion would go to K-12 schools and community colleges in 2012-13, according to the Department of Finance.

Money will go to schools beginning in current school year. Amounts raised will depend on how well the economy is doing.

Proposition 38:
About $10 billion in annual revenues, 30% of which will go to pay down state bond debt for the first four years.**

Money will go to schools beginning in the 2013-14 school year. Amounts raised will depend on how well the economy is doing.

*Estimates from the Legislative Analyst’s Office (LAO). The Department of Finance estimates higher annual revenues of $7.1 billion. Revenues are expected to be higher in the first year (2012-13).

**Estimates from LAO. Revenues are expected to be higher in the first year (2013-14).
How long will the taxes last?

**Proposition 30:**

Personal income tax increases for 7 years retroactively starting Jan. 1, 2012.

Sales tax increases for 4 years starting Jan. 1, 2013.

**Proposition 38:**

State personal income tax increases for 12 years starting Jan. 1, 2013.

*Estimates from the Legislative Analyst’s Office (LAO). The Department of Finance estimates higher annual revenues of $7.1 billion. Revenues are expected to be higher in the first year (2012-13).

**Estimates from LAO. Revenues are expected to be higher in the first year (2013-14).*
Proposition 30: Where will the money go?

Revenues flow to an “Education Protection Account” within the state’s General Fund.

In general, **40% to 60%** of the new revenues will go to schools and community colleges under funding formulas required by Proposition 98, the voter approved constitutional amendment.

Of revenues spent on education:

- **89%** will go to K-12 schools.
- **11%** will go to community colleges.

Proposition 38: Where will the money go?

Revenues will be used to support K-12 schools, pre-school and other early childhood programs and, initially, to pay down state bond debt.

In the first 4 years:

- **60%** goes to K-12 education. Funds go directly to school sites.
- **10%** goes to early childhood programs.
- **30%** designated to paying state bond debt with intention of reducing state deficit.

In the remaining 8 years:

- Beyond 2017, **85%** of revenues will go to K-12 education.
- and **15%** to early childhood programs.
<table>
<thead>
<tr>
<th>Proposition 30:</th>
<th>Proposition 38:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues go into a new “Education Protection</td>
<td>Revenues go into a new “California Education</td>
</tr>
<tr>
<td>Account” within the state’s General Fund.</td>
<td>Trust Fund,” operating independently of the</td>
</tr>
<tr>
<td></td>
<td>state’s regular budget process.</td>
</tr>
<tr>
<td>Funds cannot be used for administrative costs.</td>
<td>Revenues cannot be used for administrative costs</td>
</tr>
<tr>
<td></td>
<td>or salary increases for current employees.</td>
</tr>
<tr>
<td>A district’s school board and community college</td>
<td>Each school district must have two annual meetings</td>
</tr>
<tr>
<td>college board must hold open meetings to determine</td>
<td>to get public input and explain how funds will be</td>
</tr>
<tr>
<td>use of funds.</td>
<td>used and their impact.</td>
</tr>
<tr>
<td>Use of revenues must be accounted for publicly.</td>
<td>Fund is overseen by Fiscal Oversight Board</td>
</tr>
<tr>
<td></td>
<td>made up of five key state officials.</td>
</tr>
<tr>
<td>Annual audits by school boards and state Controller.</td>
<td>Annual independent audit authorized by Fiscal</td>
</tr>
<tr>
<td></td>
<td>Oversight Board.</td>
</tr>
<tr>
<td></td>
<td>Schools must display their budgets publicly, and</td>
</tr>
<tr>
<td></td>
<td>report annually on use of funds.</td>
</tr>
</tbody>
</table>
What if Prop. 30 fails?

If voters reject Prop. 30, deep “trigger cuts” will automatically go into effect, reducing revenues to schools, colleges, and universities.

School and community college funding would be cut by billions of dollars:

- $5.4 billion

K-12 schools would be permitted to reduce the school year an additional 3 weeks.

The University of California and California State University would each lose a minimum of $250 million.

What if Prop. 38 fails?

Schools and early childhood programs would lose out on billions of dollars in revenues.

The state would not get help paying off its state bond debts.
Can Californians Vote for Both Initiatives? **YES.**

Some organizations, such as the California School Boards Association, are encouraging voters to vote "Yes" on both, because voting for both increases the likelihood that one of the initiatives will pass. **A divided vote will make it more difficult to achieve the simple majority (more than 50%) needed for passage of either initiative.**

What if both initiatives are approved by voters? **The initiative with the most votes becomes state law.**

Need more information to help you decide? Go to [http://www.edsource.org](http://www.edsource.org) to learn more about Prop. 30 and Prop. 38.

**Sources:**
Enacted Budget 2012, California Department of Finance.
Prop. 38 Website: [http://www.prop38forlocalschools.org/](http://www.prop38forlocalschools.org/)