



Government Finance and Operations Policy Committee  
CSAC Legislative Conference  
Thursday, May 31, 2012 — 9:30 a.m. – 11:00 a.m.  
CSAC Conference Center, 1020 11th Street, 2nd Floor  
Sacramento County, California

Supervisor Bruce Gibson, San Luis Obispo County, Chair  
Supervisor John Moorlach, Orange County, Vice Chair

- 9:30 a.m.    **I. Welcome and Introductions**  
*Supervisor Bruce Gibson, San Luis Obispo County, Chair*  
*Supervisor John Moorlach, Orange County, Vice Chair*
- 9:35        **II. Governor’s Initiative — ACTION ITEM**  
*Geoffrey Neill, CSAC Senior Legislative Analyst*
- 10:00       **III. AB 1831: Pro and Con — ACTION ITEM**  
*Assembly Member Roger Dickinson*  
*Eraina Ortega, CSAC Legislative Representative*
- 10:10       **IV. LAO on Budget**  
*Marianne O’Malley, Director of General Government, Legislative*  
*Analyst’s Office*
- 10:25       **V. California Forward on Budgeting**  
*Fred Silva, Chief Policy Advisor, California Forward*
- 10:35       **VI. S. 637 / H.R. 3125 — Earthquake Insurance Affordability Act**  
*Glenn Pomeroy, CEO, California Earthquake Authority*
- 10:45       **VII. Pension Reform Update**  
*Eraina Ortega, CSAC Legislative Representative*  
*Faith Conley, CSAC Senior Legislative Analyst*
- 10:55       **VIII. Redevelopment Legislation Update**  
*Geoffrey Neill, CSAC Senior Legislative Analyst*
- 11:05       **IX. Unlicensed Contractors**  
*Eraina Ortega, CSAC Legislative Representative*
- 11:10       **X. Closing Comments and Adjournment**  
*Supervisor Bruce Gibson, San Luis Obispo County, Chair*  
*Supervisor John Moorlach, Orange County, Vice Chair*



## ATTACHMENTS

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- Attachment One ..... Governor's Initiative  
*Attorney General's Title and Summary*  
*LAO's Letter on The Schools and Local Public*  
*Safety Protection Act of 2012 Version 3*  
*PPIC Statewide Survey*  
*Article on USC Dornsife/LA Times Poll*  
*LA Times Editorial Supporting the Brown/CFT*  
*Measure*
- Attachment Two ..... AB 1831: Pro and Con  
*AB 1831 – text*
- Attachment Three ..... California Forward on Budgeting  
*Initiative outline*  
*LAO preliminary analysis*
- Attachment Four ..... Pension Reform Update  
*CSAC Guiding Principles*
- Attachment Five ..... Redevelopment Legislation Update
- Attachment Six ..... Unlicensed Contractors



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Attachment One  
Governor's Initiative — ACTION ITEM



May 21, 2012



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To: CSAC Administration of Justice Policy Committee  
CSAC Government Finance and Operations Policy Committee  
CSAC Health and Human Services Policy Committee

From: Elizabeth Howard Espinosa, CSAC Senior Legislative Representative  
Eraina Ortega, CSAC Legislative Representative  
Kelly Brooks-Lindsey, CSAC Senior Legislative Representative

Re: **Constitutional Protections for Realignment – ACTION ITEM**

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**Recommendation: Adopt and forward a SUPPORT position for *The Schools and Local Public Safety Protection Act Version 3* to the CSAC Board of Directors.**

**Overview.** The CSAC Board of Directors has indicated that obtaining a constitutional guarantee of revenues to support the 2011 realigned programs, as well as protecting counties from costs associated with future changes to those programs, remains a top priority of the Association in 2012.

This memo is intended to provide the relevant information to the CSAC policy committees with jurisdiction over relevant policy areas to assist in considering a SUPPORT position for *The Schools and Local Public Safety Protection Act Version 3*, which contains the Constitutional protections sought by counties.

*The Schools and Local Public Safety Protection Act Version 3* is the Governor's hybrid measure that is jointly sponsored by the California Federation of Teachers. Governor Brown has directly pledged to the CSAC Executive Committee that if the hybrid measure fails in November of this year, he will not hesitate to bring back another ballot measure to provide the 2011 Realignment funding guarantees and protections sought by California counties.

The Governor has also committed to an ongoing dialogue with counties regarding implementation issues for realigned programs, as well as other issues of statewide concern. We continue to have an active and constructive dialogue with Administration officials on the implementation of 2011 Realignment.

**Process.** Once the Governor announced his new hybrid measure on March 15, the CSAC Officers indicated that they required a thorough review of the new measure. In accordance with the State Ballot Proposition Policy found in the CSAC Policy and Procedures Manual (page 12), the officers subsequently referred the measure to three policy committees: Administration of Justice, Government Finance and Operations, and Health and Human Services.

Each policy committee is scheduled to review the Governor's measure, Version 3, on May 31 during the CSAC Legislative Conference in Sacramento. The policy committees will then forward their recommendations to the CSAC Executive Committee for a recommendation to the full CSAC Board of Directors. The Board of Directors will then consider the policy committee position recommendations and adopt a position on *The Schools and Local Public Safety Protection Act Version 3* at their regularly scheduled meeting on September 6. The state's General Election will be held two months later, on November 6, 2012.

**Timeline.** At a special Board of Directors meeting on January 5, Board members voted to suspend all efforts by CSAC to qualify an independent ballot measure seeking 2011 Realignment funding protections, leaving the measure filed by Governor Brown in December 2011 (*The Schools and Local Public Safety Protection Act of 2012*) as the only available vehicle to achieve those constitutional protections.

On January 19, the CSAC Executive Committee considered the Governor's proposed ballot measure and voted to recommend to the Board of Directors that CSAC take a SUPPORT position on the measure.

On February 23, the CSAC Board of Directors voted to adopt a SUPPORT position on *The Schools and Local Public Safety Protection Act of 2012*. The California State Sheriffs Association (CSSA) and the Chief Probation Officers of California (CPOC) had also voted to take a SUPPORT position on *The Schools and Local Public Safety Protection Act of 2012* prior to the CSAC Board of Directors meeting.

On March 15, the Governor announced that he was joining with the California Federation of Teachers (CFT) – which was also gathering signatures for their own tax measure to raise revenue for schools – to support a new measure, titled "*The Schools and Local Public Safety Protection Act Version 3*," also referred to as the "Millionaire's Tax Measure." The coalition backing the new hybrid measure is called Californians Working Together. A copy of the Attorney General's Title and Summary is attached. At the time of the compromise on the hybrid measure, CFT abandoned its original school tax measure.

When he formed the compromise with CFT, Governor Brown indicated that he would continue to circulate his original petition to ensure that at least one of the measures would qualify. Subsequent to that announcement, though, the Governor determined that the compromise measure had sufficient support to qualify for the ballot and he suspended signature gathering on his original measure. This development left the compromise measure as the only vehicle available to counties to obtain constitutional protections for 2011 Realignment.



On May 4, the Governor and CFT submitted signatures to registrars in counties across California to qualify the new hybrid measure for the November 6 ballot.

**Comparing the Measures.** While the Governor’s new hybrid measure combines some language and policy from both his and the CFT’s original initiatives, the new measure includes the same structure as the Governor’s first initiative, including the following features:

1. Funds are dedicated to education.
2. Assists in balancing the state budget.
3. Offers critical 2011 Realignment protections for counties, including:
  - a. The identical Constitutional protections contained in the Governor’s original measure (and those negotiated in the original SCA 1X).
  - b. Guaranteed funding for the realigned programs.
  - c. Protections from state and/or federal encroachment.

The bulk of the changes to the Governor’s original measure are found in the tax rate structure<sup>1</sup>. The new measure makes changes to the Personal Income Tax (PIT) rate and changes the length of time that the new PIT rates will remain in effect. Additionally, the new measure proposes a sales tax rate lower than the Governor’s original ballot proposal. The following chart details the changes:

		<b>Governor’s Measure</b>	<b>March 15 Hybrid Measure</b>
<b>Personal Income Tax Provisions</b>	INCOME FOR SINGLE (JOINT) FILER		
	\$250,000 (\$500,000)	1%	1%
	\$300,000 (\$600,000)	1.5%	2%
	\$500,000 (\$1,000,000)	2%	3%
	LENGTH OF TAX	5 years	7 years
<b>Sales Tax Provisions</b>			
	RATE	½ cent	¼ cent
	LENGTH OF TAX	4 years	4 years

<sup>1</sup> Please note that none of the tax changes affect the revenues dedicated to 2011 Realignment.

A copy of the Legislative Analyst's Office letter regarding the blended measure is attached.

Since virtually all of the income earners impacted by the proposed temporary increase in personal income taxes itemize their deductions on state and federal tax returns, a significant portion of the increase in state taxes paid through this provision would be offset by a reduced federal tax liability.

The revenues raised by the temporary taxes are in addition to the funding guarantee for the realigned programs, which comes from existing sales and use tax and Vehicle License Fee (VLF) fund sources. The revenues generated from these temporary taxes in the Governor's hybrid measure are exclusively dedicated to school entities (K-12 education and community colleges) and are subject to the Proposition 98 calculation. The revenues raised by the measure are deposited directly into a newly created fund and allocated to schools, bypassing the Legislature. This feature essentially means that these revenues are first to fill the "bucket" of the state's annual Proposition 98 calculation, thus saving the state about half of that amount **which can then be used for other state General Fund purposes.**

In addition to the temporary increase in taxes for education, the measure provides a constitutional guarantee of the funding dedicated to the 2011 realignment (an amount equal to 1.0625% of the state sales tax and certain vehicle license fees) as well as the protections of those programs sought in early 2011 in legislative measure SCA 1X.

**Tax Increases and CSAC Policy.** It has long been CSAC policy to support a balanced approach to resolving the chronic state budget deficit and under that policy CSAC has supported increased revenues in the past. For instance, in 2009 the CSAC board supported an increase in the gas tax when the Legislature proposed to permanently divert the entire local share of the Highway User Tax Account (HUTA) to fund debt service and provide \$1 billion a year in General Fund relief. This tax increase generated an additional \$750 million per year.

Governor Brown inherited a combined \$26.2 billion budget deficit when he took office in 2011 and recent projections indicate a \$15.7 billion state budget deficit for the next 18 month period, despite significant cost cutting in the 2011-12 state budget. The Governor's proposed 2012-13 budget is balanced through a combination of budget cuts and the proposed tax increases. If the tax increases are not supported, triggers cuts — primarily in education — would automatically kick in. The temporary taxes contained in the Governor's ballot measure are about half of the taxes that would have been extended by SCA 1X. CSAC voted 45-4 to support SCA 1X due primarily to the fact that it contained the constitutional protections sought as part of realignment, as does the Governor's proposed measure.

Through his proposed budget, the Governor projects that these taxes would be temporary and that growth in the state’s economy would produce future tax revenues sufficient to offset the loss of the temporary taxes when they expire.

Beginning in 1991, the State of California has relied upon temporary tax increases to assist the state in recovering from severe recessions. In 1991, Governor Wilson proposed, and the Legislature enacted taxes by adding incremental tax rates of 10 and 11 percent on upper income levels. These rates expired after five years in 1996. In addition, a temporary ½ cent sales tax was imposed, set to expire in 1993. Even those increased tax revenues, though, did not prevent the state from diverting \$4.3 billion of local property taxes in 1992-93 and 1993-94 to a state Education Revenue Augmentation Fund (ERAF) to fund part of the state’s obligation to K-14 education as the recession lingered. Those diversions are permanent and have grown to more than \$7.3 billion annually.

Also in 1991, CSAC supported an increase in the sales tax (½ cent) and an adjustment to the depreciation schedule of the Vehicle License Fee which generated \$1.98 billion that was then designated to the 1991 realignment programs. Both of those tax sources remain in effect today and generate approximately \$4 billion for California counties to use on those programs.

In part to offset the impacts of those tax diversions, in 1993 the Legislature placed Proposition 172 on the ballot. This measure offered voters the opportunity to continue the ½ cent sales tax that was to expire at the end of 1993 and dedicated the funding from the ½ cent sales tax to public safety. CSAC supported Proposition 172; it passed by a strong margin and remains in effect today.

In 2009, under Governor Schwarzenegger, the Legislature adopted temporary income tax rates at the higher level, a temporary 1 cent increase in the sales tax, and a temporary Vehicle License Fee rate increase, a portion of which was dedicated to local public safety. These temporary taxes were in place for two years and expired at the end of June 2011. These were the taxes that would have been extended for five years under last year’s SCA 1X.

<b>SCA 1X of 2011</b>						
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
General Fund <i>(in billions)</i>	\$102.137	\$103.373	\$91.547	\$87.335	\$91.48	\$85.937

**State Budget Cuts.** There is no question that California and the rest of the nation have been wracked by one of the worst and most prolonged economic recessions since the Great Depression. The impact first hit California in 2008 and has been felt in every budget since.

In response, California has made significant cuts in state expenditures. It is difficult to make an apples-to-apples comparison of budget gaps and deficits as those figures change continuously. However, an analysis of the actual budget figures for the state's general fund in the last several fiscal years reveals that the State of California has made real reductions in spending, while demand for services has continued to climb.

The 2011-12 Budget cut General Fund spending as a share of the economy to its lowest level since 1972-73. State Supplementary Payment grants were reduced to the level in effect in 1983. CalWORKs grants were reduced to below the level in effect in 1987. State support for its universities and courts was cut by about 25 percent and 20 percent, respectively. The Adult Day Health Care program, redevelopment agencies, Williamson Act subventions, Home-to-School Transportation, and the refundable child care and dependent tax credit were all eliminated. The Department of Corrections and Rehabilitation's expenditures will be reduced by approximately 18 percent once realignment is fully implemented. K-14 education funding remains \$9 billion below the 2007-08 funding level.

The Governor has proposed further cuts to K-14 education should his measure fail in November. Furthermore, such a failure would exacerbate the structural deficit that has plagued the state since 2000.

**The Governor's Campaign.** The Governor and CFT were able to collect more than 1 million signatures in less than two months and submit them to county registrars of voters. Nearly 300,000 of the signatures gathered were through a grassroots volunteer process.

As of this writing, the Governor and the CFT have raised more than \$12 million in support of their new measure. We anticipate significant funding from business, labor and education groups in support of the Governor's efforts. The Governor has in fact indicated a broad range of supporters, from labor to business interests.

To date, the following groups, among others, have made financial contributions to the combined Governor/CFT campaign:

- The California Federation of Teachers
- American Federation of Teachers
- The California Teachers Association
- The California School Employees Association
- The California Medical Association
- Assembly Speaker John Perez's campaign committee
- Service Employees International Union Local 1000
- United Domestic Workers of America California Medical Association

**Competing Campaigns.** An important factor that will influence the Governor and CFT's success on the ballot will be the extent to which they can clear the field of other tax initiatives, most importantly the remaining measure to raise personal income tax rates.

Sponsored by the *Our Children, Our Future* coalition, the remaining tax measure campaign is funded almost entirely by Molly Munger, a civil rights attorney in Los Angeles and the daughter of Charles Munger, a partner of Warren Buffett's. Ms. Munger's proposal increases the PIT rates on all but the lowest income bracket, beginning in 2013 and ending in 2024. The additional marginal tax rates would be higher as taxable income increases. For income of PIT filers currently in the highest current tax bracket (9.3% marginal tax rate, excluding the mental health tax), additional marginal tax rates would rise as income increases. The current mental health tax (Proposition 63) would continue to be imposed.

In 2013-14 and 2014-15, all revenues raised by this measure (estimated to be between \$10 and \$11 billion per year) would be allocated for schools and Early Care and Education (ECE) programs (85 percent for schools, 15 percent for ECE). Beginning in 2015-16, total allocations to schools and ECE programs could not increase at a rate greater than the average growth in California personal income per capita in the previous five years. The measure also prohibits its revenue from replacing state, local, or federal funding that was in place prior to November 1, 2012. All revenue collected by the measure and allocations made to schools are excluded from the calculation of the Proposition 98 minimum guarantee. Ms. Munger has contributed \$8.7 million to this campaign as of this writing.

The *Our Children, Our Future* coalition began submitting signatures to the Registrars of Voters in counties on May 3.

Counties should note that Ms. Munger's measure does not contain the constitutional protections for counties for 2011 Realignment. Within the last week, Ms. Munger has indicated an interest joining with the Brown coalition to promote both measures under the shared goal of saving California's public schools.

**Polling on the Governor/CFT measure.** Recent polling (April 25) by the Public Policy Institute of California (PPIC) indicates that 54 percent of likely voters say they would vote for the Governor's new measure (39 percent would vote no) when they are read the new ballot title and a brief summary. A copy of the survey is attached.

However, the electorate appears divided on the method to raise revenue, with 65 percent of likely voters favor raising the top rate of state income tax paid by the wealthiest Californians, while only 46 percent support raising the state sales tax. Both tax increases are included in the new measure.

Please also note that a strong majority of likely voters (78 percent) oppose cuts to public schools, which Governor Brown has said would be the state's only choice should his initiative fail in November.

A USC Dornsife/Los Angeles Times poll on March 25 found that 64 percent of those surveyed said they supported the Governor's revised measure. An article about the survey is attached.

An earlier PPIC poll, held in January 2012 and measuring voter support for the Governor's original measure, found 72 percent of adults and 68 percent of likely voters favored the proposed temporary tax increases.

In December of 2011, CSAC conducted a poll of the Governor's original measure and found that 62 percent of those polled support a plain language description of the measure. The ongoing cuts to public education are the most persuasive arguments. In this same poll, a range of 65 percent to 71 percent of likely voters expressed concern about funding for K-14 education.

**Recommendation:** *The Schools and Local Public Safety Protection Act of 2012 Version 3* remains the only viable vehicle for California Counties to obtain the constitutional protections and guaranteed funding for realigned programs, which remains the top priority of the Association. While the measure polls well as of this writing, competing measures could weaken its chances of passage. Association support of the measure is important to garner the votes necessary to pass the measure. Furthermore, Association support is very important should the measure fail and it becomes necessary for the Governor to follow through on his commitment to take a realignment protections measure to the electorate in a future election. For these reasons, it is recommended that the CSAC policy committees with relevant jurisdiction adopt and forward to the CSAC Executive Committee a **SUPPORT position** on *The Schools and Local Public Safety Protection Act of 2012 Version 3*.

## Attachments

- I. Attorney General's Title and Summary (March 16, 2012)
- II. Legislative Analyst's Office Letter on *The Schools and Local Public Safety Protection Act of 2012 Version 3* (March 16, 2012)
- III. PPIC Statewide Survey (April 2012)
- IV. Article on USC Dornsife/Los Angeles Times Poll (March 25, 2012)
- V. LA Times Editorial Supporting the Brown/CFT Measure (May 3, 2012)

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

**TEMPORARY TAXES TO FUND EDUCATION. GUARANTEED LOCAL PUBLIC**

**SAFETY FUNDING. INITIATIVE CONSTITUTIONAL AMENDMENT.** Increases

personal income tax on annual earnings over \$250,000 for seven years. Increases sales and use

tax by  $\frac{1}{4}$  cent for four years. Allocates temporary tax revenues 89 percent to K-12 schools and

11 percent to community colleges. Bars use of funds for administrative costs, but provides local

school governing boards discretion to decide, in open meetings and subject to annual audit, how

funds are to be spent. Guarantees funding for public safety services realigned from state to local

governments. Summary of estimate by Legislative Analyst and Director of Finance of fiscal

impact on state and local government: **Increased state revenues over the next seven fiscal**

**years. Estimates of the revenue increases vary—from \$6.8 billion to \$9 billion for 2012-13**

**and from \$5.4 billion to \$7.6 billion, on average, in the following five fiscal years, with**

**lesser amounts in 2018-19. These revenues would be available to (1) pay for the state's**

**school and community college funding requirements, as increased by this measure, and**

**(2) address the state's budgetary problem by paying for other spending commitments.**

**Limitation on the state's ability to make changes to the programs and revenues shifted to**

**local governments in 2011, resulting in a more stable fiscal situation for local governments.**

(12-0009)



March 16, 2012

Hon. Kamala D. Harris  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Ashley Johansson  
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional amendment related to the funding of local governments and schools and temporary taxes (A.G. File No. 12-0009).

## **BACKGROUND**

### **State's Fiscal Situation**

*California's Recent Budget Problems.* The General Fund is the state's core account that supports a variety of programs, including public schools, higher education, health, social services, and prisons. The General Fund has experienced chronic shortfalls in recent years due to trends in state spending and revenues. State budgetary problems since 2008-09 have been caused by a number of factors, including a severe economic recession that caused state revenues to decline sharply. To deal with the state's budgetary shortfalls, policymakers have reduced program expenditures, temporarily raised taxes, and taken a variety of other measures including various forms of borrowing from special funds and local governments.

*Ongoing Budget Deficits Projected.* The state's budget shortfalls are expected to continue over the next five years under current tax and expenditure policies. In November 2011, the Legislative Analyst's Office (LAO) estimated annual budget deficits of greater than \$5 billion through 2016-17, including a budget shortfall of roughly \$13 billion in 2012-13. In January 2012, the Department of Finance (DOF) estimated a budget shortfall of \$9.2 billion in 2012-13 and annual budget deficits of less than \$5 billion thereafter. These estimates will be updated in May 2012—based on updated information about state revenues and expenditures—when the Governor releases the May Revision to his proposed 2012-13 state budget.

### **Taxes and Revenues**

The General Fund is supported primarily from income and sales taxes paid by individuals and businesses.



***Income Tax.*** The personal income tax (PIT) is a tax on income earned in the state and is the state's largest revenue source. Tax rates range from 1 percent to 9.3 percent depending on a taxpayer's income. Higher tax rates are charged as income increases, such that the 1 percent of tax filers with the most income now pay around 40 percent of state income taxes. An additional 1 percent rate is levied on taxable incomes in excess of \$1 million with the proceeds dedicated to mental health services rather than the General Fund.

***Sales Tax.*** California's sales and use tax (SUT) is levied on the final purchase price of tangible consumer goods, except for food and certain other items. The SUT rate consists of both a statewide rate and a local rate. The current statewide rate is 7.25 percent. Approximately half of the revenue derived from the statewide rate is deposited into the General Fund, while the remainder is allocated to local governments. Localities also have the option of imposing, with voter approval, add-on rates to raise revenues for cities, counties, or special districts. As a result, SUT rates in California differ by county and locality, with an average rate of about 8.1 percent.

## **State School Funding**

In 1988, voters approved Proposition 98. Including later amendments, Proposition 98 establishes a guaranteed minimum annual funding level—commonly called the minimum guarantee—for K-14 education (consisting of K-12 schools and community colleges). The minimum guarantee is funded through a combination of state General Fund appropriations and local property tax revenues. With a two-thirds vote in any given year, the Legislature can suspend the Proposition 98 guarantee for one year and provide any level of K-14 funding it chooses.

***Minimum Guarantee Often Affected by Changes in State Revenues.*** In many years, the calculation of the minimum guarantee is highly sensitive to changes in state General Fund revenues. In years when General Fund revenues grow by a large amount, the guarantee is likely to increase by a large amount. Conversely, in years when General Fund revenues decline by a large amount, the guarantee is likely to drop by a large amount. In these years, however, the state typically generates an associated “maintenance factor” obligation that requires the state to accelerate future growth in Proposition 98 funding when General Fund revenues revive. Another type of Proposition 98 obligation is known as “settle-up.” A settle-up obligation is created when the state ends a fiscal year having appropriated less than the finalized calculation of the minimum guarantee. Typically, the state pays off settle-up obligations in installments over several years.

## **2011 Realignment Legislation**

***Shift of State Program Responsibilities.*** The state and local governments in California operate and fund various programs. These programs are funded through a combination of state, federal, and local funds. The specific responsibilities and costs assigned to state and local governments vary by program. As part of the 2011-12 state budget plan, the Legislature enacted a major shift—or “realignment”—of state program responsibilities and revenues to local governments. The realignment legislation shifts responsibility from the state to local governments (primarily counties) for several programs including court security, adult offenders and parolees, public safety grants, mental health services, substance abuse treatment, child welfare programs, and adult protective services. Implementation of this transfer began in 2011.

***Dedication of Revenues to Cover Program Costs.*** To fund the realignment of these programs, the 2011-12 state budget dedicates a total of \$6.3 billion in revenues from three sources into a special fund for local governments. Specifically, the realignment plan directs 1.0625 cents of the statewide SUT rate to counties. Under prior law, equivalent revenues were deposited in the General Fund. In addition, the realignment plan redirects an estimated \$462 million from the 0.65 percent vehicle license fee (VLF) rate for local law enforcement programs. Under prior law, these VLF revenues were allocated to the Department of Motor Vehicles for administrative purposes and to cities and Orange County for general purposes. The budget also shifts \$763 million on a one-time basis in 2011-12 from the Mental Health Services Fund (established by Proposition 63 in November 2004) for support of the Early and Periodic Screening, Diagnosis, and Treatment Program and Mental Health Managed Care program.

***Exclusion of Revenues From Proposition 98 Calculation.*** A budget-related law, Chapter 43, Statutes of 2011 (AB 114, Committee on Budget), stated that the 1.0625 cent SUT realignment revenues were to be excluded from the Proposition 98 calculation. This provision of Chapter 43, however, was made operative for 2011-12 and subsequent fiscal years contingent on the approval of a ballot measure by November 2012 that both (1) authorizes the exclusion of the 1.0625 cent sales tax revenues from the Proposition 98 calculation and (2) provides funding for school districts and community colleges in an amount equal to the reduction in the minimum guarantee due to the exclusion. If these conditions are not met, Chapter 43 creates a settle-up obligation for the lower Proposition 98 spending in 2011-12 to be paid over the next five fiscal years.

### **State-Reimbursable Mandates**

***State Required to Reimburse Local Governments for Certain Costs.*** The California Constitution generally requires the state to reimburse local governments when it “mandates” a new local program or higher level of service. In some cases, however, the state may impose requirements on local governments that increase local costs without being required to provide state reimbursements.

***Open Meeting Act Mandate.*** The Ralph M. Brown Act (known as the Brown Act) requires all meetings of the legislative body of a local agency to be open and public. Certain provisions of the Brown Act—such as the requirement to prepare and post agendas for public meetings—are state-reimbursable mandates.

## **PROPOSAL**

The measure amends the Constitution to permanently dedicate revenues to local governments to pay for the programs realigned in 2011 and temporarily increases state taxes.

### **2011 Realignment Legislation**

***Guarantees Ongoing Revenues to Local Governments for Realigned Programs.*** The measure requires the state to continue allocating SUT and VLF revenues to local governments to pay for the programs realigned in 2011. If portions of the SUT or VLF dedicated to realignment are reduced or eliminated, the state is required to provide alternative funding that is at least equal to the amount that would have been generated by the SUT and VLF for so long as the local governments are required to operate the realigned programs.

***Constrains State's Ability to Impose Additional Requirements After 2012.*** Through September 2012, the measure allows the state to change the statutory or regulatory requirements related to the realigned programs. A local government would not be required to fulfill a statutory or regulatory requirement approved after September 2012 related to the realigned programs, however, unless the requirement (1) imposed no net additional costs to the local government or (2) the state provided additional funding sufficient to cover its costs.

***Limits Local Governments From Seeking Additional Reimbursements.*** This measure specifies that the legislation creating 2011 realignment (as adopted through September 2012) would not be considered a state-reimbursable mandate. Therefore, local governments would not be eligible to seek reimbursement from the state for any costs related to implementing the legislation. Similarly, the measure specifies that any state regulation, executive order, or administrative directive necessary to implement realignment would not be a state-reimbursable mandate.

***State and Local Governments Could Share Some Unanticipated Costs.*** The measure specifies that certain unanticipated costs related to realignment would be shared between the state and local governments. Specifically, the state would be required to fund at least half of any new local costs resulting from certain changes in federal statutes or regulations. The state also would be required to pay at least half of any new local costs resulting from federal court decisions or settlements related to realigned programs if (1) the state is a party in the proceeding, and (2) the state determines that the decision or settlement is not related to the failure of local agencies to perform their duties or obligations.

### **Open Meeting Act Mandate**

The measure specifies that the Brown Act would no longer be considered a state-reimbursable mandate. Localities would still be required to follow the open meeting rules in the Brown Act but would not be eligible to seek reimbursement from the state for any associated costs.

### **Tax Rates**

***Increases Income Tax Rates on Higher Incomes for Seven Years.*** Under current law, the maximum marginal PIT rate is 9.3 percent, and it applies to taxable income in excess of \$48,209 for individuals; \$65,376 for heads of household; and \$96,058 for joint filers. This measure temporarily increases PIT rates for higher incomes by creating three additional tax brackets with rates above 9.3 percent. Specifically, this measure imposes:

- A 10.3 percent tax rate on income between \$250,000 and \$300,000 for individuals; \$340,000 and \$408,000 for heads of household; and \$500,000 and \$600,000 for joint filers.
- An 11.3 percent tax rate on income between \$300,000 and \$500,000 for individuals; \$408,000 and \$680,000 for heads of household; and \$600,000 and \$1 million for joint filers.
- A 12.3 percent tax rate on income in excess of \$500,000 for individuals; \$680,000 for heads of household; and \$1 million for joint filers.

These tax rates would affect roughly 1 percent of California PIT filers due to the high income threshold. The tax rates would be in effect for seven years—starting in the 2012 tax year and ending at the conclusion of the 2018 tax year. (The additional 1 percent rate for mental health services would still apply to income in excess of \$1 million.)

***Increases SUT Rate for Four Years.*** This measure temporarily increases the state SUT rate by 0.25 percent. The higher tax rate would be in effect for four years—from January 1, 2013 through the end of 2016. Under the measure, the average SUT rate in the state would increase to around 8.4 percent.

### **State School Funding**

***Permanently Removes Realigned Sales Tax Revenues From Proposition 98 Calculation.*** The measure amends the Constitution to explicitly exclude the 1.0625 cent sales tax revenues directed to realignment programs from the Proposition 98 calculation.

***New Tax Revenues Deposited Into New Account for Schools and Community Colleges.*** The measure requires that the additional tax revenues generated by the temporary increases in PIT and SUT rates be deposited into a newly created Education Protection Account (EPA). Appropriations from the account could be used for any educational purpose and would count towards meeting the Proposition 98 minimum guarantee. Of the monies deposited into the account, 89 percent would be provided to schools and 11 percent would be provided to community colleges. The EPA funds for schools would be distributed the same way as existing general purpose per-pupil funding, except that no school district is to receive less than \$200 in EPA funds per pupil. Similarly, the EPA funds for community colleges would be distributed the same way as existing general purpose per-student funding, except that no community college district is to receive less than \$100 in EPA funds per full-time equivalent student.

## **FISCAL EFFECTS**

### **Realignment Programs**

***Provides More Certainty to Local Governments.*** This measure would change the state's authority over the 2011 realignment. After September 2012, the state could not impose new requirements to 2011 realignment resulting in increased costs without providing sufficient funding. Also, the state would share certain new costs related to federal law or court cases. Consequently, the measure reduces the financial uncertainty and risk for local governments under realignment. Any impact would depend on how the state would have acted in the future absent the measure, as well as what, if any, actions are taken by the federal government or courts.

***Limits State's Ability to Change 2011 Realignment.*** With regard to the state, the measure would have the related impact of restricting the state's ability to make changes resulting in new costs to local governments in the 2011 realignment without providing additional funding to local governments. The state could also bear additional costs associated with new federal laws or court cases beyond the funds provided by 2011 realignment.

## State Revenues

***Significant Volatility of PIT Revenues Possible.*** Most of the income reported by California's upper-income filers is related in some way to their capital investments, rather than wages and salary-type income. In 2008, for example, only about 37 percent of the income reported by PIT filers reporting over \$500,000 of income consisted of wages and salaries. The rest consisted of capital gains (generated from sales of assets, such as stocks and homes), income from these filers' interests in partnerships and "S" corporations, dividends, interest, rent, and other capital income. While upper-income filers' wage and salary income is volatile to some extent (due to the cyclical nature of bonuses, among other things), their capital income is *highly* volatile from one year to the next. For example, the current mental health tax on income over \$1 million generated about \$734 million in 2009-10 but has raised as much as \$1.6 billion in previous years. Given this volatility, estimates of the revenues to be raised by this initiative will change between now and the November 2012 election, as well as in subsequent years.

***Revenue Estimates.*** The volatility described above makes it difficult to forecast this measure's state revenue gains from high-income taxpayers. As a result, the estimates from our two offices of this measure's annual revenue increases vary. For the 2012-13 budget, the LAO currently forecasts this measure would generate \$6.8 billion of additional revenues, and DOF forecasts \$9 billion of additional revenues. (This essentially reflects six months of SUT receipts in 2013 and 18 months of PIT receipts from all of tax year 2012 and half of tax year 2013.) In the following five fiscal years, the LAO currently forecasts an average annual increase in state revenues of \$5.4 billion, and DOF currently forecasts an average annual increase in state revenues of \$7.6 billion. In 2018-19, the measure's PIT increase would be in effect for only six months of the fiscal year before expiring and generate lesser amounts of state revenue.

## Proposition 98

The measure affects the Proposition 98 calculations. In the near term, the effect of the temporary tax increases would more than offset the state savings generated by the exclusion of the realignment SUT revenues. The change in the minimum guarantee, however, would depend on a number of factors, including the amount of revenue raised by the measure, year-to-year growth in General Fund revenues, and the way in which Proposition 98 maintenance factor obligations are paid. By excluding the realignment SUT revenues from the Proposition 98 calculations beginning in 2011-12, the state would no longer have a 2011-12 settle-up obligation. As a result, the state would not need to pay hundreds of millions of dollars annually from 2012-13 through 2016-17.

## State Budget

***Deposits New Revenues in the EPA.*** The new PIT and SUT revenues would be deposited in the EPA. The measure dedicates EPA funds for spending on schools and community colleges and counts them towards the Proposition 98 minimum guarantee.

***New Revenues Available to Balance State Budget.*** As described above, the measure would increase the Proposition 98 minimum guarantee in the near term. At the same time, the measure would put new tax revenue into the EPA, which would be available for meeting the state's Proposition 98 obligation. The EPA funds would be sufficient to fund the increase in the

minimum guarantee as well as pay part of the minimum guarantee currently funded from the General Fund, thereby freeing up General Fund monies to help balance the state budget.

***Long-Term Budget Effect Uncertain.*** The measure's tax increases are temporary. Depending on future budget decisions and the state of the economy, the loss of these additional tax revenues could create additional budget pressure when the proposed tax increases expire.

### **Summary of Fiscal Effect**

This measure would have the following major fiscal effects:

- Increased state revenues over the next seven fiscal years. Estimates of the revenue increases vary—from \$6.8 billion to \$9 billion for 2012-13 and from \$5.4 billion to \$7.6 billion, on average, in the following five fiscal years, with lesser amounts in 2018-19.
- These revenues would be available to (1) pay for the state's school and community college funding requirements, as increased by this measure, and (2) address the state's budgetary problem by paying for other spending commitments.
- Limitation on the state's ability to make changes to the programs and revenues shifted to local governments in 2011, resulting in a more stable fiscal situation for local governments.

Sincerely,

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Mac Taylor  
Legislative Analyst

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Ana J. Matosantos  
Director of Finance

APRIL 2012

# Californians & education



Mark Baldassare

Dean Bonner

Sonja Petek

Jui Shrestha

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in collaboration with  
The Dirk and Charlene Kabcenell Foundation  
and the Stuart Foundation



**PPIC**

PUBLIC POLICY  
INSTITUTE OF CALIFORNIA

# ABOUT THE SURVEY

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The PPIC Statewide Survey provides policymakers, the media, and the public with objective, advocacy-free information on the perceptions, opinions, and public policy preferences of California residents. Inaugurated in April 1998, this is the 125th PPIC Statewide Survey in a series that has generated a database of responses from more than 264,000 Californians. This survey is conducted with funding from The Dirk and Charlene Kabcenell Foundation, the Stuart Foundation, and The Silver Giving Foundation. Its goal is to inform state policymakers, encourage discussion, and raise public awareness about K–12 public education issues. This is the eighth annual PPIC Statewide Survey since 2005 to focus on this topic.

California has the largest K–12 public education system in the nation. According to the California Department of Education and the Education Data Partnership (Ed-Data), the state served more than six million students in 1,050 school districts and about 9,900 public schools during the 2010–11 school year. California also has a highly diverse student population: More than half are economically disadvantaged (57%), a quarter are English learners (23%), and 10 percent have developmental, physical, emotional, or learning disabilities. Latinos (51%) make up the largest racial/ethnic group of students, followed by whites (27%), Asians (12%), and blacks (7%).

Governor Brown has placed K–12 public education at the center of his 2012–13 budget proposal. After several years of cutbacks, the governor would like to provide additional funding to the state's school districts by temporarily increasing the personal income tax on upper-income earners and by temporarily raising the state sales tax. He is seeking voter approval through a citizen's initiative on the November ballot. Should the initiative fail, the governor's budget proposal calls for automatic multibillion dollar cuts to K–12 education. Meanwhile, the governor has called for two key education reforms: increased flexibility at the local level on spending state funds and the targeting of resources to schools with the neediest students.

In this context, this survey report presents the responses of 2,005 California adult residents on:

- Fiscal attitudes and policy preferences, including priorities for state spending; preferences for the governor's tax initiative and automatic K–12 spending cuts, and for raising specific taxes to provide additional funding for schools; whether the state budget situation is a problem for schools; concerns about teacher layoffs and shortening the school year; preferences for raising revenues for local schools; and attitudes toward reforms—increasing local flexibility and targeting resources to schools with more low-income students and English learners.
- General perceptions, including approval ratings of the governor and legislature overall and of their handling of K–12 education; perceptions of California's ranking in per pupil spending and student test scores compared to other states; concerns about the teacher shortage in lower-income areas and about English learners' test scores; perceptions of their local public schools; and opinions of public school parents about their children's schools.
- Time trends, national comparisons, and the extent to which Californians may differ in their perceptions, attitudes, and preferences based on their political party affiliation, likelihood of voting, region of residence, race/ethnicity, whether they have children attending a California public school, and other demographics.

This report may be downloaded free of charge from our website ([www.ppic.org](http://www.ppic.org)). For more information about the survey, please contact [survey@ppic.org](mailto:survey@ppic.org). Try our PPIC Statewide Survey interactive tools online at <http://www.ppic.org/main/survAdvancedSearch.asp>.



## **NEWS RELEASE**

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EMBARGOED: Do not publish or broadcast until 9:00 p.m. PDT on Wednesday, April 25, 2012.

**Para ver este comunicado de prensa en español, por favor visite nuestra página de internet:**  
**<http://www.ppic.org/main/pressreleaseindex.asp>**

### **PPIC STATEWIDE SURVEY: CALIFORNIANS AND EDUCATION**

## **Worried About School Funding, Most Favor Tax Increase—For the Rich**

### **LIKELY VOTERS RELUCTANT TO RAISE OWN TAXES, BUT 54 PERCENT SUPPORT BROWN INITIATIVE**

SAN FRANCISCO, April 25, 2012—California’s likely voters favor raising the state income taxes of the wealthiest state residents to provide more money for public schools, but most oppose increasing the state sales tax for this purpose. These are among the key findings of a statewide survey on K–12 education released today by the Public Policy Institute of California (PPIC).

The survey finds that 65 percent of likely voters favor raising the top rate of state income tax paid by the wealthiest Californians (34% oppose). By contrast, 46 percent support raising the state sales tax (52% oppose). Temporary increases in both of these taxes are components of Governor Jerry Brown’s proposed November ballot initiative to deal with the state’s multibillion-dollar budget gap.

Asked specifically about Brown’s initiative, 54 percent of likely voters say they would vote for it (39% would vote no) when they are read the ballot title and a brief summary. Direct comparisons with earlier PPIC surveys on this question are not possible because the initiative has changed. However, likely voters’ support was about the same in March when they were read the identical ballot title and a similar summary (52% yes, 40% no). Today, Democrats and Republicans are sharply divided on the measure (75% Democrats yes, 65% Republicans no), with independents more likely to say they would vote yes (53%) than no (43%). Public school parents support the measure by a wide margin (60% yes, 36% no).

If voters reject his initiative, Brown says there will be automatic cuts to public schools. A strong majority of likely voters (78%) oppose these cuts—a view held across parties.

The survey also asked about another idea being proposed to provide more money for education: an overall increase in state personal income taxes. The majority of likely voters (57%) oppose this tax increase (40% favor).

“Most likely voters favor the governor’s tax initiative, although they express much stronger support for raising taxes on the wealthy than increasing their own taxes for public schools,” says Mark Baldassare, PPIC president and CEO.

There is a strong partisan split among likely voters on the specific tax increases to provide more money for public schools. Most Democrats favor increasing the state income tax on high earners (89%), the state sales tax (64%), and personal income taxes overall (56%). Most independents favor raising income taxes on the wealthy (63%), but not the state sales tax (43% favor) or personal income tax (42% favor). Support is low among Republicans for raising any of these taxes to fund schools (36% support higher taxes on the wealthy, 25% support state sales tax increase, 21% support personal income tax increase).

## **DESPITE CONCERNS ABOUT FUNDING, MOST BALK AT RAISING LOCAL TAXES**

An overwhelming majority of likely voters (72%) say the state budget situation is a big problem for public schools, and 67 percent say the quality of education is a big problem. When they are asked to choose among the four main areas of state spending, most (58%) say that K–12 education is the area they most want to protect from spending cuts (17% higher education, 15% health and human services, 7% prisons and corrections). And most (59%) say the current level of state funding for their local public schools is not adequate.

Likely voters are worried about steps that schools have taken to deal with decreased funding: 67 percent say they are very concerned about schools laying off teachers and 62 percent are very concerned about having fewer days of school instruction.

When public school parents are asked about the impact of budget cuts, a large majority (81%) report that their child’s public school has been affected a lot (36%) or somewhat (45%) by recent state budget cuts. Most (58%) say they are very concerned about teacher layoffs at their child’s school, with Latino parents (65%) much more likely than white parents (47%) to feel this way.

But just as most likely voters balk at raising their own state taxes to aid public schools, they are reluctant to increase their local taxes. Asked whether they would vote yes on a bond measure to pay for construction projects for their local school district, 53 percent say they would vote yes—but this is less than the 55 percent threshold needed to pass such a measure. If there were a local ballot measure that increased local parcel taxes to benefit schools, 51 percent would vote yes; this falls short of the two-thirds’ approval required for passage of a parcel tax.

## **FEW SAY THAT MONEY ALONE WILL SOLVE PROBLEMS**

How can school quality be improved? Just 6 percent of likely voters say increased funding alone will lead to significant improvement. Forty-eight percent say that using funds more wisely will significantly improve schools, and a similar share (46%) say both are needed.

“While many Californians believe that the state’s budget situation is a big problem for public schools, few think that money alone is the answer,” Baldassare says. “Most continue to say that significant improvements in the quality of education will take place when we spend money more wisely.”

## **MOST PREFER LOCAL CONTROL OVER STATE FUNDS FOR SCHOOLS**

The governor is proposing two other K–12 education reforms: giving school districts more flexibility in deciding how to spend state funds and giving districts with more low-income students or English learners more money than other schools.

Likely voters favor the idea of spending decisions made closer to home. Asked who should have the most control over spending decisions—local schools, local school districts, or state government—an overwhelming majority prefer local control (53% districts, 36% schools, 6% state). This majority holds across parties, regions, and demographic groups. But there are some differences: Los Angeles residents are less likely than others to choose local school districts (40% vs. about half in other regions) and more likely to choose state government (21% vs. about 10% in other regions). Among ethnic groups, Latinos (24%) are more likely than Asians (17%) or whites (7%) to favor state government control.

After being informed that some state funding provided to K–12 schools is earmarked for specific programs or goals, the vast majority of likely voters (81%) say they would favor giving local districts more flexibility over how that money is spent. How confident are they that school districts would spend the money wisely? Most (75%) are at least somewhat confident (18% very confident).

## **SUPPORT FOR DIRECTING MONEY TO NEEDIEST STUDENTS**

Brown's proposal to target resources to low-income students and English learners has drawn support from many experts and school leaders, and generated controversy over its impact on districts with fewer of these students.

As they have in past PPIC surveys, most likely voters (79%) say that school districts in lower-income areas of the state have fewer resources—including good teachers and classroom materials—than those in wealthier areas. Fifty-four percent of likely voters say that if new funding were to become available, more of it should go to the districts with more low-income students. They are much less likely (40%) to support the idea of giving more funding to districts with more English learners.

Responses are the same when likely voters are asked to consider the possibility that giving more money to schools with more needy students means that other districts would get less: 53 percent would give more money to districts with more low-income students and 40 percent would give more money to districts with more English learners.

## **BROWN'S JOB APPROVAL RATING HOLDS STEADY**

As the governor tries to build support for his tax initiative, 47 percent of likely voters approve of his job performance (40% disapprove, 12% don't know). This is similar to March (46% approve, 38% disapprove, 16% don't know) and April 2011 (46% approve, 32% disapprove, 21% don't know). Brown gets much lower marks for his handling of K–12 education: 23 percent approve, 54 percent disapprove, 23 percent don't know. The state legislature fares poorly on both measures: Just 15 percent of likely voters approve of the way the legislature is doing its job, and just 10 percent approve of its handling of K–12 education.

## **MORE KEY FINDINGS**

- **One in four know how California ranks on spending, test scores**—page 18

Twenty-seven percent of likely voters correctly state that California is below average in its spending per pupil and in student test scores compared to other states.

- **Concerns about teacher shortage, English learners**—page 19

Most likely voters are very concerned that schools in lower-income areas have a shortage of good teachers compared to schools in wealthier areas (62%) and that English learners score lower on standardized tests than other students (53%).

- **Local public schools get good grades**—page 20

Half of Californians (52%) give a grade of A (17%) or B (35%) to their local public schools, similar to adults nationwide in a 2011 Phi Delta Kappa/Gallup poll. Public school parents are slightly more positive, with 24 percent giving A's and 36 percent giving B's to their schools.

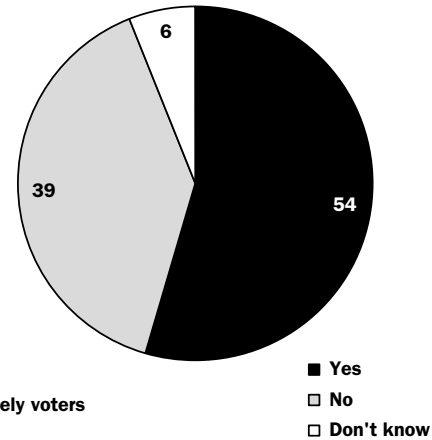
This PPIC survey is conducted with funding from The Dirk and Charlene Kabcenell Foundation, the Stuart Foundation, and The Silver Giving Foundation.

# FISCAL ATTITUDES AND POLICY PREFERENCES

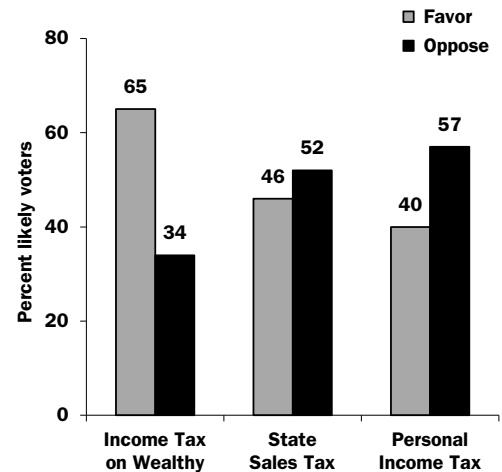
## KEY FINDINGS

- Of California's largest areas of spending, K-12 education is the one that likely voters most want to protect from cuts. *(page 7)*
- Fifty-four percent of likely voters favor Governor Brown's proposed tax initiative that would provide additional funding for K-12 public schools. Strong majorities oppose the automatic cuts to education that could result from the measure's defeat. *(page 8)*
- The governor's initiative would temporarily raise income taxes on top earners—65 percent of likely voters favor this idea in general to provide additional K-12 funding. The initiative would also temporarily increase the sales tax, but 52 percent of likely voters oppose this idea in general. Forty percent favor raising state personal income taxes for K-12 education. *(page 9)*
- Two thirds of likely voters believe the state budget situation is a big problem for K-12 schools, but many believe that money also needs to be spent more wisely. *(page 10)*
- State residents are seriously concerned about schools laying off teachers or shortening the school year to deal with lower funding levels. *(page 11)*
- Six in 10 adults—but only about half of likely voters—would support bond measures or parcel taxes to raise revenues for their local public schools. *(page 12)*
- When asked about proposed school reforms, likely voters strongly support giving local school districts more flexibility over spending decisions, and just over half favor targeting funds to districts with more low-income students. Four in 10 support the idea of targeting funds to districts with more English learners. *(pages 13-15)*

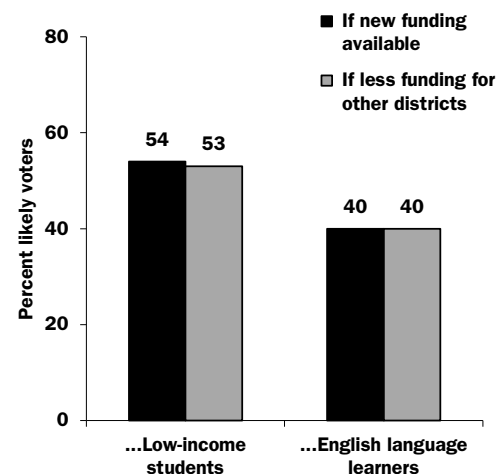
**Vote on Governor Brown's Proposed Tax Initiative, with Ballot Title and a Summary**



**Raising Taxes to Provide Funding for K-12 Public Education**



**Support for Targeting Money to School Districts That Have More...**



## STATE BUDGET

As local public schools face funding uncertainties again this year, nearly all likely voters (96%) and all public school parents likely to vote (100%) believe the state budget is at least somewhat of a problem. Eighty percent of likely voters consider the budget situation a big problem, similar to our survey findings in March (78%), January (78%), and last December (83%). Sixty-four percent of likely voters and 70 percent of public school parents likely to vote say that local government services, such as those provided by city and county government and public schools, have been affected a lot by recent state budget cuts. At least six in 10 likely voters in March (66%), January (60%), and last December (65%) said their local services had been affected a lot by recent state budget cuts. Today, majorities of likely voters across political party groups, demographic groups, and state regions share the view that local governments have been affected a lot by recent state budget cuts.

**“Would you say that your local government services—such as those provided by city and county governments and public schools—have or have not been affected by recent state budget cuts? (if they have: Have they been affected a lot or somewhat?)”**

<i>Likely voters only</i>	All Likely Voters	Party			Public School Parents
		Dem	Rep	Ind	
<b>Affected a lot</b>	64%	67%	61%	64%	70%
<b>Affected somewhat</b>	26	24	26	28	23
<b>Not affected</b>	6	5	8	6	6
<b>Don't know</b>	5	5	5	3	1

When read the four major areas of state spending—K–12 public education, health and human services, higher education, and prisons and corrections—58 percent of likely voters and 64 percent of public school parents say K–12 public education is the area they would most like to protect from spending cuts. Since this question was first asked in June 2003, a majority of likely voters have always said K–12 education is the area they would most like to protect. Most likely voters across regions and party, age, education, and income groups say K–12 education is the area they would most like to protect from cuts.

**“Some of the largest areas for state spending are K–12 public education, higher education, health and human services, and prisons and corrections. Thinking about these four areas of state spending, I'd like you to name the one you most want to protect from spending cuts.”**

<i>Likely voters only</i>	All Likely Voters	Party			Public School Parents
		Dem	Rep	Ind	
<b>K–12 public education</b>	58%	66%	51%	48%	64%
<b>Higher education</b>	17	13	18	26	15
<b>Health and human services</b>	15	16	13	15	11
<b>Prisons and corrections</b>	7	3	13	7	10
<b>Don't know</b>	4	2	5	4	–

How would Californians prefer to deal with the state’s multibillion dollar gap between spending and revenues? Majorities of likely voters (58%) and public school parents (57%) would include taxes in the solution, with most preferring a mix of spending cuts and tax increases. Fewer than four in 10 likely voters (36%) and public school parents (39%) prefer to deal with the state’s budget gap mostly through spending cuts. Most Democrats prefer a solution that includes tax increases (58% mix of cuts and taxes, 22% mostly tax increases), while most Republicans prefer mostly spending cuts (62%).

## GOVERNOR’S PROPOSED TAX INITIATIVE

Governor Brown and others have proposed a tax initiative to deal with the state’s multibillion dollar budget gap. The initiative calls for a temporary increase in both the state sales tax and the state personal income tax on wealthy Californians. When read the ballot title and a brief summary, 54 percent of likely voters say they would vote yes on the initiative, 39 percent say no, and 6 percent say they are undecided. While direct comparisons are not possible, likely voters’ support for an earlier version of the governor’s proposed tax initiative was about the same when read the identical ballot title and a similar ballot summary in March (52% yes, 40% no). Likely voter support was higher in questions that predated the ballot title in our December 2011 survey (60% in favor) and January 2012 survey (68% in favor). Today, while 75 percent of Democrats would vote yes, 65 percent of Republicans would vote no. Independents are more likely to say they would vote yes (53%) than no (43%). At least half of men (51%) and women (57%) support the proposed tax initiative. Support is similar across income groups but far higher among Latinos (70%) than whites (49%). Public school parents support the tax initiative by a wide margin (60% yes, 36% no).

**“Governor Brown and others have proposed a tax initiative for the November ballot titled the ‘Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.’  
...If the election were held today, would you vote yes or no on the proposed tax initiative?” \***

Likely voters only		Yes	No	Don't know
<b>All Likely Voters</b>		54%	39%	6%
<b>Public School Parents</b>		60	36	4
<b>Party</b>	<b>Democrats</b>	75	16	9
	<b>Republicans</b>	31	65	4
	<b>Independents</b>	53	43	4
<b>Gender</b>	<b>Men</b>	51	44	5
	<b>Women</b>	57	36	7
<b>Race/Ethnicity</b>	<b>Latinos**</b>	70	25	5
	<b>Whites</b>	49	43	8
<b>Household Income</b>	<b>Under \$40,000</b>	57	36	7
	<b>\$40,000 to under \$80,000</b>	56	38	6
	<b>\$80,000 or more</b>	54	41	5

\*For complete text of question, see page 26.

\*\*Small sample size for Latino likely voters.

Governor Brown’s budget proposes automatic spending cuts to K–12 public schools if the tax initiative is rejected. Seventy-eight percent of likely voters, 77 percent of public school parents, and strong majorities across parties are opposed to the automatic spending cuts. Among those who would vote yes on the proposed tax initiative, 84 percent oppose the automatic spending cuts.

**“If voters reject the proposed tax initiative on the November ballot, Governor Brown’s budget proposes that automatic spending cuts be made to K–12 public schools.  
Do you favor or oppose these automatic spending cuts to K–12 public schools?”**

Likely voters only	All Likely Voters	Party			Vote on Governor’s Proposed Tax Initiative	
		Dem	Rep	Ind	Yes	No
<b>Favor</b>	19%	12%	23%	29%	14%	28%
<b>Oppose</b>	78	85	75	69	84	70
<b>Don’t know</b>	3	3	2	3	2	2

## RAISING STATE TAXES TO SUPPORT K–12 EDUCATION

Support varies among California’s likely voters when it comes to the specific tax increases that some are proposing to provide additional funding for K–12 education: raising the top rate of the state income tax paid by the wealthiest Californians (65% favor, 34% oppose), raising the state sales tax (46% favor, 52% oppose), and raising personal income taxes (40% favor, 57% oppose).

Majorities of Democrats are in favor of raising the state income tax on the wealthiest Californians (89%), increasing the state sales tax (64%), and raising state personal income taxes (56%) to provide additional funding for K–12 education. A majority of independent likely voters favor raising the state income tax on the wealthiest Californians (63%), but only about four in 10 are in favor of increasing the state sales tax (43%) or the state personal income tax (42%). In contrast, Republican likely voters express little support for raising income tax rates among the wealthy (36%), raising the state sales tax (25%), or raising state personal income taxes (21%).

Majorities of men and women, Latinos and whites, and likely voters in all income groups favor—although to varying degrees—raising taxes on the wealthiest Californians to provide funding for K–12 education. Responses are more variable when it comes to the other two tax proposals. Latinos are much more likely than whites to favor raising the state sales tax (59% to 42%) and state personal income taxes (51% to 34%). Across income groups, both proposals (sales tax, personal income tax) lack majority support—with one exception: 52 percent of middle-income families (between \$40,000 and \$80,000) support raising the state sales tax.

Strong majorities of likely voters who say they would vote yes on the governor’s tax initiative say they are in favor of raising taxes on the wealthiest Californians (88%), raising the state sales tax (69%), and raising state personal income taxes (65%) to provide additional funding for K–12 education. There is little support for any of these proposals among those who would vote no on the governor’s tax initiative.

<i>Likely voters only: Percent saying “favor”</i>		<b>Raising the top rate of the state income tax paid by the wealthiest Californians</b>	<b>Raising the state sales tax</b>	<b>Raising state personal income taxes</b>
<b>All Likely Voters</b>		65%	46%	40%
<b>Public School Parents</b>		64	53	37
<b>Party</b>	<b>Democrats</b>	89	64	56
	<b>Republicans</b>	36	25	21
	<b>Independents</b>	63	43	42
<b>Gender</b>	<b>Men</b>	56	43	41
	<b>Women</b>	72	48	39
<b>Race/Ethnicity</b>	<b>Latinos</b>	81	59	51
	<b>Whites</b>	59	42	34
<b>Household Income</b>	<b>Under \$40,000</b>	74	44	45
	<b>\$40,000 to under \$80,000</b>	64	52	40
	<b>\$80,000 or more</b>	61	43	39
<b>Vote on Governor’s Proposed Tax Initiative</b>	<b>Yes</b>	88	69	65
	<b>No</b>	32	13	9

## STATE FUNDING AND EDUCATIONAL QUALITY

Consistent with their concern about the state budget, 90 percent of Californians say that the state's fiscal situation is at least somewhat of a problem for California's K–12 public schools; and 65 percent of all adults and 72 percent of likely voters consider it a big problem. Strong majorities across political groups; majorities across age, education, income, and regional groups; and 62 percent of public school parents say that the budget situation is a big problem for California's K–12 public schools.

**“How much of a problem is the overall state budget situation for California’s K–12 public schools today? Is it a big problem, somewhat of a problem, or not much of a problem?”**

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
<b>Big problem</b>	65%	70%	65%	70%	72%
<b>Somewhat of a problem</b>	25	24	23	21	20
<b>Not a problem</b>	6	3	5	6	5
<b>Don't know</b>	4	3	7	2	4

Most Californians (87%) believe that the quality of education in California's K–12 public schools is at least somewhat of a problem, and over half (58%) consider it a big problem. Nor is this something new: For the last seven years (since April 2005), at least half of Californians have said the quality of K–12 education is a big problem. Likely voters (67%) are more likely than residents in general (58%) and public school parents (53%) to say that quality is a big problem. More than six in 10 across parties say that the quality of education is a big problem in California's K–12 public schools.

So how do Californians think funding should be altered to significantly improve the quality of education in public schools? About four in 10 adults (44%) say that existing funds need to be used more wisely, while the same percentage (44%) support a dual approach: using funds more wisely and increasing the funding for K–12 public schools. Only 9 percent believe that simply increasing state funding would significantly improve educational quality. Findings have been similar since April 2008. (For example, last April, 43 percent said use funds more wisely, 41 percent favored the dual approach, and 13 percent believed that simply increasing the funding would be sufficient.) The preferences of likely voters are similar to those of all adults: 48 percent say funds should be used more efficiently, 46 percent say increase the funding and use it more wisely, and 6 percent say that simply increasing the funding would be sufficient. A majority of Democrats (56%) believe a dual approach is needed, while a majority of Republicans (59%) think that using existing funds more wisely is sufficient. Independents are divided (49% do both, 46% use funds more wisely). As for public school parents, 45 percent say use funding more wisely, 11 percent say increase funding, and 39 percent say do both to improve quality.

**“To significantly improve the quality of California’s K–12 public schools, which of the following statements do you agree with the most? We need to use existing state funds more wisely, we need to increase the amount of state funding, or we need to use existing state funds more wisely and increase the amount of state funding.”**

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
<b>Use funding more wisely</b>	44%	34%	59%	46%	48%
<b>Increase funding</b>	9	8	5	4	6
<b>Do both</b>	44	56	35	49	46
<b>Don't know</b>	3	2	1	1	1



## SPECIFIC SPENDING CUTS IN SCHOOLS

California's public schools have taken numerous steps in recent years to cope with their declining funding, including laying off teachers and providing fewer school days. A majority of adults are very concerned about public schools laying off teachers and offering fewer days of classroom instruction (66% and 54%, respectively). Concern was similar last year—laying off teachers (68%), fewer days of instruction (56%). Concern about laying off teachers was somewhat higher in 2010 (73%).

**“There are a number of ways for the state’s K–12 public schools to cut spending to deal with decreased state and local funding. For each of the following, please tell me if you are very concerned, somewhat concerned, not too concerned, or not at all concerned. How about ...?”**

	Laying off teachers	Having fewer days of school instruction
<b>Very concerned</b>	66%	54%
<b>Somewhat concerned</b>	25	31
<b>Not too concerned</b>	5	9
<b>Not at all concerned</b>	3	5
<b>Don't know</b>	1	1

Across parties, demographic groups, and regions and among public school parents, there is more concern about teacher layoffs than fewer days of classroom instruction. Concern about laying off teachers is higher among Democrats (75%) than independents (66%) or Republicans (58%), and concern about fewer days of instruction is also higher among Democrats (63%) than independents (54%) or Republicans (53%). Women are more likely than men to be very concerned about both teacher layoffs (72% to 60%) and a shorter school year (59% to 50%). Whites (67%), Latinos (64%), and Asians (59%) are all very concerned about teacher layoffs; fewer are very concerned about shortening the school year—whites and Latinos (55% each), Asians (47%). At least half of residents across the state's major regions say they are very concerned about schools laying off teachers and having fewer days of classroom instruction.

Percent saying “very concerned”		Laying off teachers	Having fewer days of school instruction
<b>All Adults</b>		66%	54%
<b>Likely Voters</b>		67	62
<b>Public School Parents</b>		69	57
<b>Party</b>	<b>Democrats</b>	75	63
	<b>Republicans</b>	58	53
	<b>Independents</b>	66	54
<b>Gender</b>	<b>Men</b>	60	50
	<b>Women</b>	72	59
<b>Race/Ethnicity</b>	<b>Asians</b>	59	47
	<b>Latinos</b>	64	55
	<b>Whites</b>	67	55
<b>Region</b>	<b>Central Valley</b>	67	50
	<b>San Francisco Bay Area</b>	67	61
	<b>Los Angeles</b>	68	55
	<b>Other Southern California</b>	62	55

## RAISING LOCAL REVENUES FOR SCHOOLS

Given the state's recent budget cuts, some school districts may be looking for ways to raise revenue at the local level in this year's elections. Two of the ways districts can raise local revenue are through bond measures to pay for school construction projects and through local parcel taxes. School bond measures require approval by 55 percent of voters; parcel taxes require approval by two-thirds of the voters.

Six in 10 state residents (62%) and just over half of likely voters (53%) say they would vote yes if their local school district had a bond measure on the ballot. Potential "yes" votes were similar in 2011 (60% all adults, 53% likely voters), in 2010 (63% all adults, 54% likely voters), and in 2009 (60% all adults, 54% likely voters).

Two in three Democrats (67%) say they would vote yes, as would 51 percent of independents. Republicans are divided (45% yes, 48% no). Support is highest among Los Angeles residents (65%), followed by those in the Other Southern California region (61%), the Central Valley (59%), and the San Francisco Bay Area (57%). Support is the same among men and women (62% each), but much higher among Latinos (80%) than among Asians (59%) or whites (49%). Support declines as age, education, and income increase, and support for such a bond measure is higher among renters (69%) than homeowners (55%). Two in three public school parents (68%) say they would support a bond measure for school construction projects.

### "If your local school district had a bond measure on the ballot to pay for school construction projects, would you vote yes or no?"

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
<b>Yes</b>	62%	67%	45%	51%	53%
<b>No</b>	32	28	48	41	40
<b>Don't know</b>	6	5	8	7	6

Sixty percent of Californians and 51 percent of likely voters say they would support a measure on their local ballot that would increase parcel taxes to provide more funding for local public schools. Support was similar in 2011 (59% all adults, 54% likely voters) and in 2010 (57% all adults, 52% likely voters) but slightly lower in 2009 (54% all adults, 49% likely voters).

Support for local parcel taxes differs across parties: 69 percent of Democrats and 56 percent of independents say they would vote yes, 57 percent of Republicans say they would vote no. Support is similar across regions, with about six in 10 residents saying they would vote yes (63% San Francisco Bay Area, 61% Central Valley, 61% Los Angeles, 59% Other Southern California region). Latinos (72%) and Asians (65%) are much more likely than whites (51%) to support a local parcel tax. Support is higher among younger age groups, among those with a high school diploma or less, and among those with household incomes of less than \$40,000 compared to others, as well as among parents of public school children (65%). Renters (75%) are far more likely than homeowners (48%) to support such a parcel tax.

### "What if there was a measure on your local ballot to increase local parcel taxes to provide more funds for the local public schools? Would you vote yes or no?"

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
<b>Yes</b>	60%	69%	40%	56%	51%
<b>No</b>	34	24	57	38	44
<b>Don't know</b>	6	7	3	7	6

## LOCAL FLEXIBILITY

In accord with the goal of realigning certain responsibilities from the state to the local level, the governor has proposed eliminating most categorical funding programs, thus increasing the flexibility of local school districts in deciding how to use state funds.

Most Californians (82%) want control over school spending decisions to reside at the local level, either within school districts (48%) or within the schools themselves (34%). Since we first began asking this question in 2008, very few residents have said they believe that the state government should control school spending decisions (15% or less since 2008, 14% today). Among likely voters, preference for local control is even higher (53% districts, 36% schools, 6% state government). Three in four public school parents prefer local control (47% districts, 29% schools, 18% state government).

Overwhelming majorities across parties, regions, and demographic groups prefer that school districts or local schools have the most control in deciding how state funding is spent in local public schools. Still, there are some differences between groups. For example, although more than seven in 10 residents across regions want some form of local control, Los Angeles residents are less likely than others to prefer local school districts (40% vs. about 50% in other regions) and more likely to select state government (21% vs. about 10% in other regions). Similarly, despite a strong preference among racial/ethnic groups for local control, Latinos (24%) are more likely than Asians (17%) or whites (7%) to choose state government.

**“Who do you think should have the most control in deciding how the money from state government is spent in local public schools—the local schools, the local school districts, or the state government?”**

	All Adults	Region				Public School Parents
		Central Valley	San Francisco Bay Area	Los Angeles	Other Southern California	
Local schools	34%	33%	33%	33%	37%	29%
Local school districts	48	53	52	40	49	47
State government	14	12	12	21	10	18
Other/Don't know	4	3	3	5	5	6

After being informed that some of the funding the state provides to K–12 public school districts is earmarked for specific programs and goals, the vast majority of Californians (79%), likely voters (81%), and public school parents (83%) say that they would favor giving local school districts more flexibility in deciding how this funding is spent. Support for such flexibility is widespread across parties (80% Republicans, 77% both Democrats and independents) and widespread across regions and demographic groups as well, especially among white residents (83% whites, 74% Latinos, 72% Asians).

**“As you may know, some of the funding the state provides to K–12 public school districts is earmarked for specific programs and goals. Would you favor or oppose giving local school districts more flexibility over how state funding is spent?”**

	All Adults	Region				Public School Parents
		Central Valley	San Francisco Bay Area	Los Angeles	Other Southern California	
Favor	79%	80%	79%	79%	76%	83%
Oppose	15	16	14	17	16	13
Don't know	6	4	7	5	8	4

### LOCAL FLEXIBILITY (CONTINUED)

If the state were to give local school districts more flexibility over how state monies are spent, a majority of Californians (68%) are at least somewhat confident that the districts would spend this money wisely. However, about one-third of those polled are less confident (22% not too confident, 9% not at all confident). Solid majorities of likely voters, public school parents, and Californians across parties, regions, and demographic groups are at least somewhat confident that school districts would use the money wisely, although fewer than one in five in any group are very confident. Confidence is higher among residents in the Central Valley (75%) and the Other Southern California region (73%) than in the San Francisco Bay Area (66%) and Los Angeles (61%). Whites (72%) and Asians (78%) are more likely than Latinos (60%) to express at least some confidence. Confidence is higher among college graduates (78%) than among residents with less education (67% some college, 63% high school or less), and higher among upper-income residents (80%) than among those in the middle- (68%) and lower- (62%) income brackets. Among those who prefer that school districts have the most control over how state funding is spent in local schools, 73 percent are confident (13% very confident, 60% somewhat confident) that districts would spend the state money wisely.

**“If the state were to give local school districts more flexibility over how state funding is spent, how confident are you that local school districts would use this money wisely? Are you very confident, somewhat confident, not too confident, or not at all confident?”**

	All Adults	Region				Public School Parents
		Central Valley	San Francisco Bay Area	Los Angeles	Other Southern California	
<b>Very confident</b>	14%	17%	11%	10%	18%	14%
<b>Somewhat confident</b>	54	58	55	51	55	54
<b>Not too confident</b>	22	20	21	26	19	25
<b>Not at all confident</b>	9	4	11	11	7	7
<b>Don't know</b>	1	1	2	1	1	1

### RESOURCE EQUITY

The governor is also proposing that school districts with more low-income students or English language learners receive more funding than other schools. Although many researchers and school leaders support this idea, there is some controversy over the baseline amount of funding per student and how this reallocation of funding would affect districts with fewer low-income students or English learners.

Most Californians (82%) believe that school districts in lower-income areas of the state have fewer resources than school districts in wealthier areas. At least 75 percent of Californians have held this view since this question was first asked in April 2005. Eight in 10 likely voters (79%) and public school parents (80%) believe resource differences between districts exist. More than two in three Californians across parties, regions, and demographic groups express this view.

**“Do you think that school districts in lower-income areas of the state have the same amount of resources, including good teachers and classroom materials, as school districts in wealthier areas, or not?”**

	All Adults	Race/Ethnicity			Public School Parents
		Asians	Latinos	Whites	
<b>Yes</b>	13%	11%	11%	15%	14%
<b>No</b>	82	76	85	79	80
<b>Don't know</b>	6	13	4	5	6

**RESOURCE EQUITY (CONTINUED)**

Democrats and independents (87% each) are more likely than Republicans (68%)—and Latinos (85%) are slightly more likely than whites (79%) or Asians (76%)—to say that resources are not equal across districts. At least eight in 10 residents across all income and education groups say that resources are not equal between districts in lower-income areas and those in wealthier areas.

If the state were to have new money available for school districts, a strong majority of Californians (68%) say that districts with more low-income students should get more of the new funding. Fewer (52%) say that more funding should be given to districts with more English learners. Among likely voters, support is much lower for giving more money to districts with either type of student (low-income 54%, English learners 40%). More Democrats (72%) and independents (65%) than Republicans (42%) say that the additional funds should go to schools with more low-income students. Similarly, more Democrats (50%) and independents (49%) than Republicans (38%) say that the additional funding should go to schools with more English learners. Solid majorities of Latinos and Asians support targeting funds to both low-income students and English learners; among whites, a slim majority support the idea for low-income students, and a slim majority oppose it for English learners.

**“If new state funding becomes available, do you think school districts that have more ... should or should not get more of this new funding than other school districts?”**

		All Adults	Race/Ethnicity			Public School Parents
			Asians	Latinos	Whites	
<b>Low-income students</b>	<b>Should</b>	68%	75%	85%	53%	73%
	<b>Should not</b>	27	18	12	41	24
	<b>Don't know</b>	5	6	3	6	3
<b>English language learners</b>	<b>Should</b>	52	62	73	35	59
	<b>Should not</b>	41	35	24	54	36
	<b>Don't know</b>	7	3	4	11	5

Even if the redistribution of funding meant less funding for other school districts, support for needier districts is nearly identical to the support expressed if only new state funds were available, both among Californians (67% for low-income, 51% for English learners) and among likely voters (53% for low-income, 40% for English learners). Across parties and racial/ethnic groups, support for targeting funds, even in the case of less funding for other districts, is similar to support in the case of new funding, except that there is lower support among Asians for targeting funds to English learners.

**“If it means less funding for other school districts, do you think school districts that have more ... should or should not get more funding from the state?”**

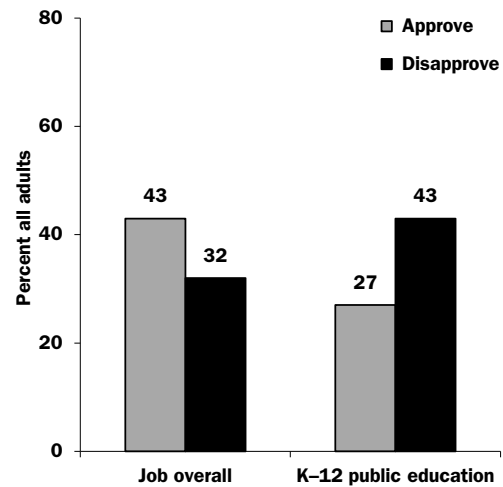
		All Adults	Race/Ethnicity			Public School Parents
			Asians	Latinos	Whites	
<b>Low-income students</b>	<b>Should</b>	67%	74%	82%	53%	66%
	<b>Should not</b>	28	24	14	40	29
	<b>Don't know</b>	5	2	4	7	4
<b>English language learners</b>	<b>Should</b>	51	52	74	35	57
	<b>Should not</b>	42	40	22	56	36
	<b>Don't know</b>	7	8	4	9	7

# GENERAL PERCEPTIONS

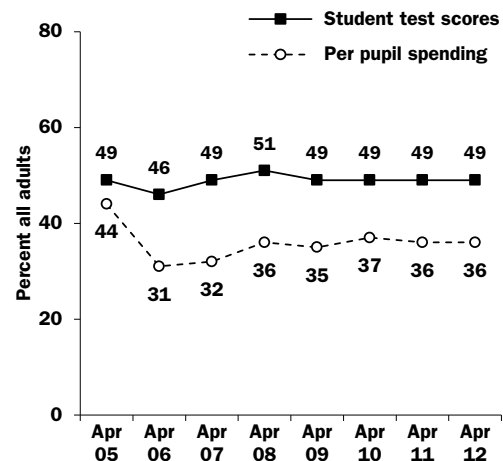
## KEY FINDINGS

- Just over four in 10 Californians continue to express approval of Governor Brown's overall job performance; positive ratings drop considerably for his handling of the K-12 public education system. Majorities disapprove of the legislature overall and on education. *(page 17)*
- Many Californians are unaware that California is below average in per pupil spending compared to other states. Half say that California's student test scores are lower than those in other states, and indeed California ranks near the bottom. *(page 18)*
- Majorities of Californians across regions and demographic groups are very concerned about the shortage of good teachers in lower-income areas. To a lesser degree, Californians are also very concerned about the state's English learners scoring lower than others on standardized tests. *(page 19)*
- Similar to past years, half of Californians give positive grades of "A" or "B" to the quality of their local public schools. Still, only 17 percent say "A" and 63 percent say state funding for their local public schools is not enough. *(page 20)*
- Eight in 10 public school parents say their child's public school has been affected by state budget cuts (36% a lot, 45% somewhat). But levels of concern about teacher layoffs at their child's school vary considerably across income levels and between Latino and white parents. *(page 21)*

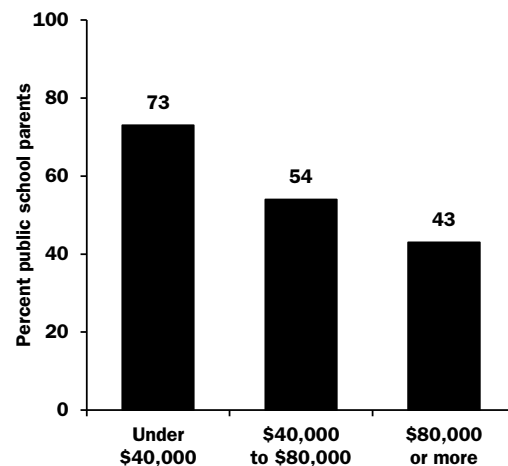
Approval Ratings of Governor Brown



Percentages Saying California Ranks Below Average Compared to Other States



Percent Very Concerned about Teacher Layoffs at Child's Public School, by Income Level



## APPROVAL RATINGS OF STATE ELECTED OFFICIALS

As Governor Brown attempts to collect signatures and build support for a tax initiative on the November ballot, 43 percent of adults and 47 percent of likely voters approve of his overall job performance. Approval among both groups is similar to last month (40% adults, 46% likely voters) and to last April (40% adults, 46% likely voters). Two in three Democrats (65%) approve, while nearly six in 10 Republicans (58%) disapprove. Independents are more likely to approve (45%) than disapprove (32%). Approval is highest in the San Francisco Bay Area (55%) and lowest in the Other Southern California region (33%).

When it comes to Governor Brown’s handling of K–12 education, 27 percent of adults and 23 percent of likely voters approve of his job performance. His approval on this issue was similar last year (24% adults, 25% likely voters). Approval is low across parties (36% Democrats, 10% Republicans, and 21% independents). Fewer than one in three across regions and across age, education, and income groups approve of his handling of K–12 education. Latinos (36%) are more approving than Asians (27%) or whites (21%), and three in 10 public school parents (31%) approve of the governor’s handling of K–12 education.

### “Overall, do you approve or disapprove of the way that Jerry Brown is handling...?”

		All Adults	Party			Likely Voters
			Dem	Rep	Ind	
<i>His job as governor of California</i>	Approve	43%	65%	24%	45%	47%
	Disapprove	32	20	58	32	40
	Don't know	25	15	18	23	12
<i>The state's kindergarten through 12th grade public education system</i>	Approve	27	36	10	21	23
	Disapprove	43	38	61	47	54
	Don't know	30	26	29	32	23

Twenty-five percent of adults and 15 percent of likely voters approve of the way that the California Legislature is handling its job. Approval among adults is similar to March (25%) and to last April (21%).

On the issue of the state’s K–12 education system, 22 percent of adults and 10 percent of likely voters approve of the California Legislature. Approval of the legislature’s handling of K–12 education was similar last April (18% adults, 9% likely voters). At most, one in four across parties and regions approve. Latinos (43%) are far more likely than Asians (16%) or whites (9%) to approve of the legislature on K–12 education.

### “Overall, do you approve or disapprove of the way that the California Legislature is handling...?”

		All Adults	Party			Likely Voters
			Dem	Rep	Ind	
<i>Its job</i>	Approve	25%	26%	11%	21%	15%
	Disapprove	58	56	80	66	73
	Don't know	16	18	10	12	12
<i>The state's kindergarten through 12th grade public education system</i>	Approve	22	17	8	14	10
	Disapprove	56	59	69	64	69
	Don't know	22	24	23	21	21

## PERCEPTIONS OF CALIFORNIA’S RELATIVE EDUCATION RANKINGS

Thirty-six percent of Californians think that the state’s per pupil spending for K–12 public education is below average compared to other states, while one in four say the state’s spending is average and 27 percent say it is near the top or above average. According to the National Education Association’s *Rankings and Estimates* report (December 2011), California ranked below average—37th among the 50 states and the District of Columbia—in per pupil spending in the 2010–11 school year. Californians’ views on per pupil spending have been similar since 2008; more Californians said it was below average in April 1998 (47%) and February 2000 (51%). Democrats (42%) are more likely than independents (35%) and Republicans (31%) to say spending is below average. Across racial/ethnic groups, the belief that per pupil spending is below average is most widely held among whites (38%), followed by Latinos (33%) and Asians (27%). Fewer than four in 10 adults across regions think per pupil spending is below average (38% Los Angeles, 38% San Francisco Bay Area, 36% Central Valley, and 31% Other Southern California region). Among public school parents, 43 percent say state spending is below average, as do 41 percent of those who consider the state budget situation to be a big problem for K–12 education.

**“Where do you think California currently ranks in per pupil spending for K–12 public schools? Compared to other states, is California’s spending near the top, above average, average, below average, or near the bottom?”**

	All Adults	Race/Ethnicity			Public School Parents
		Asians	Latinos	Whites	
<b>Near the top/Above average</b>	27%	26%	23%	29%	20%
<b>Average</b>	25	31	32	20	27
<b>Below average/Near the bottom</b>	36	27	33	38	43
<b>Don’t know</b>	12	17	12	12	10

More Californians know how the state actually ranks in student test scores. Half of Californians (49%) say scores are below average compared to other states, while 31 percent say they are average and 12 percent say they are near the top or above average. According to 2011 test scores compiled by the U.S. Department of Education’s National Center for Education Statistics, California ranked near the bottom in both math and reading scores for fourth- and eighth-graders. Californians’ perceptions of student test scores have been fairly similar since we first asked this question in 1998. Across parties, at least half of voters think test scores are below average (51% Democrats, 55% independents, 59% Republicans). Across regions, about half of residents think test scores are below average. Whites (59%) are much more likely than Latinos (40%) and Asians (35%) to say scores are below average.

One in four Californians (24%), likely voters (27%), and public school parents (24%) correctly state that both per pupil spending and test scores in California are below average compared to other states.

**“Where do you think California currently ranks in student test scores for K–12 public schools? Compared to other states, are California’s student test scores near the top, above average, average, below average, or near the bottom?”**

	All Adults	Race/Ethnicity			Public School Parents
		Asians	Latinos	Whites	
<b>Near the top/Above average</b>	12%	17%	13%	10%	10%
<b>Average</b>	31	39	41	24	39
<b>Below average/Near the bottom</b>	49	35	40	59	42
<b>Don’t know</b>	8	8	6	8	8



## TEACHER SHORTAGE AND ENGLISH LANGUAGE LEARNERS

Most Californians (87%) are concerned (64% very, 23% somewhat) that schools in lower-income areas have a shortage of good teachers compared to schools in wealthier areas. Only 12 percent say they are not concerned (8% not too, 4% not at all). Six in 10 public school parents (60%) and likely voters (62%) say they are very concerned. The percentage saying very concerned was similar in April 2011 (65%) and April 2010 (60%), and lower in earlier years (54% in 2008 and 2007, 57% in 2006).

About seven in 10 Democrats (71%) and independents (67%) say they are very concerned about this issue, while less than half of Republicans (48%) say so. Majorities across income groups are very concerned; those earning under \$40,000 (67%) and \$40,000 to under \$80,000 (68%) are more likely to be very concerned than those with incomes of \$80,000 or more (58%). Among racial/ethnic groups, Latinos (73%) are most likely to say they are very concerned, compared to 61 percent of Asians and 56 percent of whites. Renters (71%) are more likely than homeowners (59%) to express concern. At least six in 10 across regions, age groups, and education levels say they are very concerned that schools in lower-income areas have a shortage of good teachers compared to schools in wealthier areas.

**“How concerned are you that schools in lower-income areas have a shortage of good teachers compared to schools in wealthier areas?”**

	All Adults	Household Income			Public School Parents
		Under \$40,000	\$40,000 to under \$80,000	\$80,000 or more	
<b>Very concerned</b>	64%	67%	68%	58%	60%
<b>Somewhat concerned</b>	23	22	20	28	28
<b>Not too concerned</b>	8	7	8	8	7
<b>Not at all concerned</b>	4	3	4	5	3
<b>Don't know</b>	1	1	1	1	1

When asked about English language learners scoring lower on standardized tests compared to other students, 56 percent of Californians say they are very concerned and 27 percent say they are somewhat concerned. Only 16 percent are not concerned about this issue. Concern among public school parents (56% very, 27% somewhat) and likely voters (53% very, 25% somewhat) is similar to that among all adults. Latinos (64%) are more likely than Asians (55%) and whites (50%) to be very concerned. About six in 10 of those earning less than \$80,000 say they are very concerned, compared to 48 percent of those earning \$80,000 or more. The percentage saying they are very concerned is similar across parties. But 25 percent of Republicans say they are not too or not at all concerned, compared to 19 percent of independents and 12 percent of Democrats. The share saying they are very concerned today was the same last year (56%) but much lower in earlier years (42% in 2008, 44% in 2007, 43% in 2006).

**“How concerned are you that English language learners in California’s schools today score lower on standardized tests than other students?”**

	All Adults	Race/Ethnicity			Public School Parents
		Asians	Latinos	Whites	
<b>Very concerned</b>	56%	55%	64%	50%	56%
<b>Somewhat concerned</b>	27	34	28	26	27
<b>Not too concerned</b>	9	4	4	13	6
<b>Not at all concerned</b>	7	5	3	9	8
<b>Don't know</b>	2	2	1	2	2

## RATING LOCAL PUBLIC SCHOOLS

Most Californians continue to give positive ratings to their local public schools. Half of Californians (52%) give their local public schools a grade of A (17%) or B (35%). Twenty-seven percent give a grade of C, 12 percent a D, and 4 percent an F. Similar shares of adults nationwide gave A's (14%) or B's (37%) to their local public schools in a June 2011 Phi Delta Kappa/Gallup poll. At least half of Californians have given an A or B grade for the quality of their local public schools each year since April 2005.

Public school parents are slightly more positive, with 24 percent giving a grade of A compared to 17 percent of all adults. Across regions, at least 49 percent give high grades to local public schools, with residents in the Other Southern California region (59%) giving more positive ratings than others. Among racial/ethnic groups, Asians (63%) are more likely than Latinos (53%) and whites (51%) to give a grade of A or B to their local public schools. Among those saying the quality of K–12 education in California's public schools is a big problem, 42 percent give their local public schools a grade of A or B.

**“Overall, how would you rate the quality of public schools in your neighborhood today?  
If you had to give your local public schools a grade, would it be A, B, C, D, or F?”**

	All Adults	Region				Public School Parents
		Central Valley	San Francisco Bay Area	Los Angeles	Other Southern California	
<b>A</b>	17%	15%	21%	16%	17%	24%
<b>B</b>	35	35	29	33	42	36
<b>C</b>	27	31	29	28	23	23
<b>D</b>	12	9	11	15	10	10
<b>F</b>	4	5	4	3	2	4
<b>Don't know</b>	5	3	6	4	6	3

Solid majorities of Californians (63%) and California's public school parents (66%) think that the current level of state funding for their local public schools is not enough. One in four adults say state funding is just enough (26%) and only 7 percent say it is more than enough. Fifty-nine percent of likely voters say that state funding is not enough. The share of adults saying state funding is inadequate is slightly higher today than it was last April (56%), and similar to April 2010 (62%). About half of Californians held this view from 2005 to 2009. Across regions, San Francisco Bay Area residents (67%) are the most likely, and those in the Other Southern California region (59%) the least likely, to say state funding for their local public schools is inadequate. At least six in 10 across racial/ethnic groups say funding is inadequate, with Latinos (67%) most likely to express this view. Across parties, seven in 10 Democrats (71%) say funding is not enough, compared to fewer independents (55%) and Republicans (48%). Renters (69%) are more likely than homeowners (59%) to say state funding is inadequate. Among those giving grades of A or B to their local public schools, 56 percent say funding is not enough.

**“Do you think the current level of state funding for your local public schools is more than enough, just enough, or not enough?”**

	All Adults	Region				Public School Parents
		Central Valley	San Francisco Bay Area	Los Angeles	Other Southern California	
<b>More than enough</b>	7%	6%	7%	6%	9%	5%
<b>Just enough</b>	26	24	22	30	29	26
<b>Not enough</b>	63	64	67	62	59	66
<b>Don't know</b>	4	5	4	2	4	4

## PARENTS' PERSPECTIVES

The vast majority of parents of public school students report that their child's public school has been affected a lot (36%) or somewhat (45%) by recent state budget cuts. Just 16 percent say their child's school has not been affected and 3 percent are unsure if there has been an effect. Public school parents likely to vote express similar views (39% a lot, 47% somewhat). The share saying their child's school has been affected a lot was similar last year (35%), slightly higher in 2010 (43%), and lowest in 2009 (28%).

Similar shares of Latino (37% a lot, 46% somewhat) and white public school parents (35% a lot, 47% somewhat) say their child's school has been affected by recent state budget cuts. (The sample size for Asian public school parents is not large enough for separate analysis.) More than one in three parents across income groups say their child's public school has been affected a lot by state budget cuts. Parents with a college degree (35%) and those without one (37%) are similarly likely to say their child's school has been affected a lot. Women (42%) are more likely than men (30%) to express this view.

### “Would you say your child's public school has or has not been affected by recent state budget cuts? (if it has: Has it been affected a lot or somewhat?)”

Public school parents only	All Public School Parents	Household Income			Race/Ethnicity	
		Under \$40,000	\$40,000 to under \$80,000	\$80,000 or more	Latinos	Whites
<b>A lot</b>	36%	37%	42%	34%	37%	35%
<b>Somewhat</b>	45	49	44	43	46	47
<b>Not affected</b>	16	10	13	20	14	16
<b>Don't know</b>	3	3	–	3	3	3

Teacher layoffs have been discussed as an effect of further cuts to state funding for K–12 education. When asked about concern over teacher layoffs in their child's public school, nearly all public school parents (87%) express concern. Fifty-eight percent say they are very concerned and 29 percent are somewhat concerned; only 13 percent say they are not too or not at all concerned.

Differences emerge between parents in various demographic groups. Sixty-two percent of public school parents who did not complete college say they are very concerned about teacher layoffs, compared to 44 percent of parents with a college degree. Among racial/ethnic groups, Latino public school parents (65%) are much more likely than white parents (47%) to say they are very concerned. Public school parents earning less than \$40,000 (73%) are much more likely than middle-income parents (54%)—and far more likely than upper-income parents (43%)—to say they are very concerned. Public school parents who are under 45 years old (62%) are more likely than older parents (50%) to say they are very concerned about teacher layoffs at their child's public school.

### “How concerned are you about teacher layoffs at your child's public school—very concerned, somewhat concerned, not too concerned, or not at all concerned?”

Public school parents only	All Public School Parents	Education		Race/Ethnicity	
		Not a College Graduate	College Graduate	Latinos	Whites
<b>Very concerned</b>	58%	62%	44%	65%	47%
<b>Somewhat concerned</b>	29	26	36	29	31
<b>Not too concerned</b>	8	8	10	4	13
<b>Not at all concerned</b>	5	4	10	2	9

# REGIONAL MAP

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# METHODOLOGY

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The PPIC Statewide Survey is directed by Mark Baldassare, president and CEO and survey director at the Public Policy Institute of California, with assistance from Sonja Petek, project manager for this survey, and survey research associates Dean Bonner and Jui Shrestha. This survey on *Californians and Education* is supported with funding from The Dirk and Charlene Kabcenell Foundation, the Stuart Foundation, and The Silver Giving Foundation. We benefit from discussions with PPIC staff, foundation staff, and other policy experts, but the methods, questions, and content of this report were determined solely by Mark Baldassare and the survey staff.

Findings in this report are based on a survey of 2,005 California adult residents, including 1,603 interviewed on landline telephones and 402 interviewed on cell phones. Interviews took an average of 18 minutes to complete. Interviewing took place on weekday nights and weekend days from April 3 to 10, 2012.

Landline interviews were conducted using a computer-generated random sample of telephone numbers that ensured that both listed and unlisted numbers were called. All landline telephone exchanges in California were eligible for selection, and the sample telephone numbers were called as many as six times to increase the likelihood of reaching eligible households. Once a household was reached, an adult respondent (age 18 or older) was randomly chosen for interviewing using the “last birthday method” to avoid biases in age and gender.

Cell phones were included in this survey to account for the growing number of Californians who use them. These interviews were conducted using a computer-generated random sample of cell phone numbers. All cell phone numbers with California area codes were eligible for selection, and the sample telephone numbers were called as many as eight times to increase the likelihood of reaching an eligible respondent. Once a cell phone user was reached, it was verified that this person was age 18 or older, a resident of California, and in a safe place to continue the survey (e.g., not driving).

Cell phone respondents were offered a small reimbursement to help defray the cost of the call. Cell phone interviews were conducted with adults who have cell phone service only and with those who have both cell phone and landline service in the household.

Live landline and cell phone interviews were conducted by Abt SRBI, Inc. in English and Spanish according to respondents’ preferences. Accent on Languages, Inc. translated the survey into Spanish, with assistance from Renatta DeFever.

With assistance from Abt SRBI, we used recent data from the U.S. Census Bureau’s 2007–2009 American Community Survey (ACS) through the University of Minnesota’s Integrated Public Use Microdata Series for California to compare certain demographic characteristics of the survey sample—region, age, gender, race/ethnicity, and education—with the characteristics of California’s adult population. The survey sample was closely comparable to the ACS figures. Abt SRBI used data from the 2008 National Health Interview Survey and data from the 2007–2009 ACS for California both to estimate landline and cell phone service in California and to compare the data against landline and cell phone service reported in this survey. We also used voter registration data from the California Secretary of State to compare the party registration of registered voters in our sample to party registration statewide. The landline and cell phone samples were then integrated using a frame integration weight, while sample balancing adjusted for any differences across regional, age, gender, race/ethnicity, education, telephone service, and party registration groups.

The sampling error, taking design effects from weighting into consideration, is  $\pm 3.4$  percent at the 95 percent confidence level for the total sample of 2,005 adults. This means that 95 times out of 100, the results will be within 3.4 percentage points of what they would be if all adults in California were interviewed. The sampling error for subgroups is larger: For the 1,310 registered voters, it is  $\pm 3.7$  percent; for the 823 likely voters, it is  $\pm 4.3$  percent; for the 620 public school parents, it is  $\pm 6.2$  percent. Sampling error is only one type of error to which surveys are subject. Results may also be affected by factors such as question wording, question order, and survey timing.

We present results for four geographic regions, accounting for approximately 90 percent of the state population. “Central Valley” includes Butte, Colusa, El Dorado, Fresno, Glenn, Kern, Kings, Madera, Merced, Placer, Sacramento, San Joaquin, Shasta, Stanislaus, Sutter, Tehama, Tulare, Yolo, and Yuba Counties. “San Francisco Bay Area” includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties. “Los Angeles” refers to Los Angeles County, and “Other Southern California” includes Orange, Riverside, San Bernardino, and San Diego Counties. Residents from other geographic areas are included in the results reported for all adults, registered voters, and likely voters; but sample sizes for these less populated areas are not large enough to report separately.

We present specific results for non-Hispanic whites and for Latinos, who account for about a third of the state’s adult population, constitute one of the fastest-growing voter groups, and whose children comprise about half of California’s public school students. We also present results for non-Hispanic Asians, who make up about 14 percent of the state’s adult population. Results for other racial/ethnic groups—such as non-Hispanic blacks and Native Americans—are included in the results reported for all adults, registered voters, and likely voters; but sample sizes are not large enough for separate analysis. We compare the opinions of those who report they are registered Democrats, registered Republicans, and decline-to-state or independent voters; the results for those who say they are registered to vote in another party are not large enough for separate analysis. We also analyze the responses of likely voters—so designated by their responses to voter registration survey questions, previous election participation, intentions to vote in the June primary, and current interest in politics.

The percentages presented in the report tables and in the questionnaire may not add to 100 due to rounding.

We compare current PPIC Statewide Survey results to those in our earlier surveys and to those in a national survey by Phi Delta Kappa/Gallup. Additional details about our methodology can be found at <http://www.ppic.org/content/other/SurveyMethodology.pdf> and are available upon request through [surveys@ppic.org](mailto:surveys@ppic.org).

# QUESTIONNAIRE AND RESULTS

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## CALIFORNIANS AND EDUCATION

April 3–10, 2012

2,005 California Adult Residents:  
English, Spanish

MARGIN OF ERROR  $\pm 3.4\%$  AT 95% CONFIDENCE LEVEL FOR TOTAL SAMPLE  
PERCENTAGES MAY NOT ADD TO 100 DUE TO ROUNDING

1. First, overall, do you approve or disapprove of the way that Jerry Brown is handling his job as governor of California?  
43% approve  
32% disapprove  
25% don't know
2. Do you approve or disapprove of the way that Governor Brown is handling the state's kindergarten through 12th grade public education system?  
27% approve  
43% disapprove  
30% don't know
3. Overall, do you approve or disapprove of the way that the California Legislature is handling its job?  
25% approve  
58% disapprove  
16% don't know
4. Do you approve or disapprove of the way that the California Legislature is handling the state's kindergarten through 12th grade public education system?  
22% approve  
56% disapprove  
22% don't know
5. *[likely voters only]* Next, some of the largest areas for state spending are: *[rotate]* (1) K–12 public education, (2) higher education, (3) health and human services, *[and]* (4) prisons and corrections. Thinking about these four areas of state spending, I'd like you to name the one you most want to protect from spending cuts.  
58% K–12 public education  
17% higher education  
15% health and human services  
7% prisons and corrections  
4% don't know
6. *[likely voters only]* Do you think the state budget situation in California—that is, the balance between government spending and revenues—is a big problem, somewhat of a problem, or not a problem for the people of California today?  
80% big problem  
16% somewhat of a problem  
2% not a problem  
1% don't know
7. *[likely voters only]* Would you say that your local government services—such as those provided by city and county governments and public schools—have or have not been affected by recent state budget cuts? (*if they have*: Have they been affected a lot or somewhat?)  
64% affected a lot  
26% affected somewhat  
6% not affected  
5% don't know

8. **[likely voters only]** As you may know, the state government currently has an annual general fund budget of around \$85 billion and faces a multibillion dollar gap between spending and revenues. How would you prefer to deal with the state's budget gap—mostly through spending cuts, mostly through tax increases, through a mix of spending cuts and tax increases, or do you think that it is okay for the state to borrow money and run a budget deficit?

- 36% mostly through spending cuts
- 12 mostly through tax increases
- 46 through a mix of spending cuts and tax increases
- 2 okay to borrow money and run a budget deficit
- 2 other (*specify*)
- 2 don't know

9. **[likely voters only]** Governor Brown and others have proposed a tax initiative for the November ballot titled the “Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.” It increases the personal income tax on annual earnings over \$250,000 for seven years and increases the sales and use tax by a quarter cent for four years. It allocates temporary tax revenues, 89 percent to K–12 schools, and 11 percent to community colleges. It guarantees funding for public safety services realigned from state to local governments. Increased state revenues of about \$5.4 to \$9 billion annually would be available to pay for the state's school and community college funding requirements, as increased by this measure, and to address the state's budgetary problem by paying for other spending commitments. If the election were held today, would you vote yes or no on the proposed tax initiative?

- 54% yes
- 39 no
- 6 don't know

10. **[likely voters only]** If voters reject the proposed tax initiative on the November ballot, Governor Brown's budget proposes that automatic spending cuts be made to K–12 public schools. Do you favor or oppose these automatic spending cuts to K–12 public schools?

- 19% favor
- 78 oppose
- 3 don't know

Next,

**[rotate questions 11 and 12]**

11. How much of a problem is the quality of education in California's K–12 public schools today? Is it a big problem, somewhat of a problem, or not much of a problem?

- 58% big problem
- 29 somewhat of a problem
- 9 not much of a problem
- 4 don't know

12. How much of a problem is the overall state budget situation for California's K–12 public schools today? Is it a big problem, somewhat of a problem, or not much of a problem?

- 65% big problem
- 25 somewhat of a problem
- 6 not much of a problem
- 4 don't know

13. To significantly improve the quality of California's K–12 public schools, which of the following statements do you agree with the most? **[rotate responses 1 and 2]** (1) We need to use existing state funds more wisely, **[or]** (2) We need to increase the amount of state funding, **[or]** (3) We need to use existing state funds more wisely and increase the amount of state funding.

- 44% use funds more wisely
- 9 increase state funding
- 44 use funds more wisely and increase funding
- 3 don't know



There are a number of ways for the state's K–12 public schools to cut spending to deal with decreased state and local funding. For each of the following, please tell me if you are very concerned, somewhat concerned, not too concerned, or not at all concerned.

**[rotate questions 14 and 15]**

14. How about laying off teachers as a way to deal with decreased funding?

- 66% very concerned
- 25 somewhat concerned
- 5 not too concerned
- 3 not at all concerned
- 1 don't know

15. How about having fewer days of school instruction as a way to deal with decreased funding?

- 54% very concerned
- 31 somewhat concerned
- 9 not too concerned
- 5 not at all concerned
- 1 don't know

Changing topics,

**[rotate questions 16 and 17]**

16. How concerned are you that schools in lower-income areas have a shortage of good teachers compared to schools in wealthier areas? Are you very concerned, somewhat concerned, not too concerned, or not at all concerned about this issue?

- 64% very concerned
- 23 somewhat concerned
- 8 not too concerned
- 4 not at all concerned
- 1 don't know

17. How concerned are you that English language learners in California's schools today score lower on standardized tests than other students? Are you very concerned, somewhat concerned, not too concerned, or not at all concerned about this issue?

- 56% very concerned
- 27 somewhat concerned
- 9 not too concerned
- 7 not at all concerned
- 2 don't know

On another topic,

**[rotate questions 18 and 19]**

18. Where do you think California currently ranks in per pupil spending for K–12 public schools? Compared to other states, is California's spending near the top, above average, average, below average, or near the bottom?

- 13% near the top
- 14 above average
- 25 average
- 20 below average
- 16 near the bottom
- 12 don't know

19. Where do you think California currently ranks in student test scores for K–12 public schools? Compared to other states, are California's student test scores near the top, above average, average, below average, or near the bottom?

- 2% near the top
- 10 above average
- 31 average
- 30 below average
- 19 near the bottom
- 8 don't know

20. Next, overall, how would you rate the quality of public schools in your neighborhood today? If you had to give your local public schools a grade, would it be A, B, C, D, or F?

- 17% A
- 35 B
- 27 C
- 12 D
- 4 F
- 5 don't know

21. Do you think the current level of state funding for your local public schools is more than enough, just enough, or not enough?

- 7% more than enough
- 26 just enough
- 63 not enough
- 4 don't know

**[rotate questions 22 and 23]**

22. If your local school district had a bond measure on the ballot to pay for school construction projects, would you vote yes or no?

- 62% yes
- 32 no
- 6 don't know

23. What if there was a measure on your local ballot to increase local parcel taxes to provide more funds for the local public schools? Would you vote yes or no?

- 60% yes
- 34 no
- 6 don't know

24. Who do you think should have the most control in deciding how the money from state government is spent in local public schools—**[rotate order]** (1) the local schools, (2) the local school districts, **[or]** (3) the state government?

- 34% the local schools
- 48 the local school districts
- 14 the state government
- 2 other (specify)
- 2 don't know

25. As you may know, some of the funding the state provides to K–12 public school districts is earmarked for specific programs and goals. Would you favor or oppose giving local school districts more flexibility over how state funding is spent?

- 79% favor
- 15 oppose
- 6 don't know

26. If the state were to give local school districts more flexibility over how state funding is spent, how confident are you that local school districts would use this money wisely? Are you very confident, somewhat confident, not too confident, or not at all confident?

- 14% very confident
- 54 somewhat confident
- 22 not too confident
- 9 not at all confident
- 1 don't know

27. Changing topics, do you think that school districts in lower-income areas of the state have the same amount of resources—including good teachers and classroom materials—as school districts in wealthier areas, or not?

- 13% yes, same amount of resources
- 82 no, not same amount of resources
- 6 don't know

**[rotate blocks: questions 28, 29 and questions 30, 31]**

**[rotate questions 28 and 29]**

28. If new state funding becomes available, do you think school districts that have more low-income students should or should not get more of this new funding than other school districts?

- 68% should
- 27 should not
- 5 don't know

29. If new state funding becomes available, do you think school districts that have more English language learners should or should not get more of this new funding than other school districts?

- 52% should
- 41 should not
- 7 don't know

**[rotate questions 30 and 31]**

30. If it means less funding for other school districts, do you think school districts that have more low-income students should or should not get more funding from the state?

- 67% should
- 28 should not
- 5 don't know

31. If it means less funding for other school districts, do you think school districts that have more English language learners should or should not get more funding from the state?

- 51% should
- 42 should not
- 7 don't know

**[questions 32–34 reported for likely voters only]**

Next, here are some ideas that have been suggested to raise state revenues to provide additional funding for K–12 public education. For each of the following, please say if you favor or oppose the proposal.

**[rotate questions 32 to 34]**

32. How about raising state personal income taxes to provide additional funding for K–12 public education?

- 40% favor
- 57 oppose
- 3 don't know

33. How about raising the state sales tax to provide additional funding for K–12 public education?

- 46% favor
- 52 oppose
- 2 don't know

34. How about raising the top rate of the state income tax paid by the wealthiest Californians to provide additional funding for K–12 public education?

- 65% favor
- 34 oppose
- 1 don't know

35. Next, some people are registered to vote and others are not. Are you absolutely certain that you are registered to vote in California?

- 67% yes [ask q35a]
- 33 no [skip to q36b]

35a. Are you registered as a Democrat, a Republican, another party, or are you registered as a decline-to-state or independent voter?

- 45% Democrat [ask q36]
- 31 Republican [skip to q36a]
- 3 another party (specify) [skip to q37]
- 21 independent [skip to q36b]

36. Would you call yourself a strong Democrat or not a very strong Democrat?

- 54% strong
- 43 not very strong
- 3 don't know

**[skip to question 37]**

36a. Would you call yourself a strong Republican or not a very strong Republican?

- 51% strong
- 45 not very strong
- 3 don't know

**[skip to question 37]**

36b. Do you think of yourself as closer to the Republican Party or Democratic Party?

- 22% Republican Party
- 50 Democratic Party
- 20 neither (volunteered)
- 8 don't know

37. How closely are you following news about candidates for the 2012 presidential election—very closely, fairly closely, not too closely, or not at all closely?

- 26% very closely
- 37 fairly closely
- 24 not too closely
- 13 not at all closely
- don't know

38. Would you consider yourself to be politically:

**[read list, rotate order top to bottom]**

- 10% very liberal
- 20 somewhat liberal
- 32 middle-of-the-road
- 21 somewhat conservative
- 13 very conservative
- 3 don't know

39. Generally speaking, how much interest would you say you have in politics—a great deal, a fair amount, only a little, or none?

- 22% great deal
- 38 fair amount
- 31 only a little
- 8 none
- 1 don't know

**[D1–D4a: demographic questions]**

D4b. **[public school parents only]** Would you say your child's public school has or has not been affected by recent state budget cuts? **(if it has:** Has it been affected a lot or somewhat?)

- 36% affected a lot
- 45 affected somewhat
- 16 not affected
- 3 don't know

D4c. **[public school parents only]** How concerned are you about teacher layoffs at your child's public school—very concerned, somewhat concerned, not too concerned, or not at all concerned?

- 58% very concerned
- 29 somewhat concerned
- 8 not too concerned
- 5 not at all concerned
- don't know

**[D5–D17: demographic questions]**

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## Strong majority backs Jerry Brown's tax-hike initiative

**Sixty-four percent of those surveyed said they supported the measure that the governor hopes to place on the November ballot. It would hike the sales tax and levies on upper incomes to help raise money for schools and balance the state's budget.**

By Anthony York, Los Angeles Times

7:11 PM PDT, March 25, 2012

Reporting from Sacramento

California voters strongly support Gov. Jerry Brown's new proposal to increase the sales tax and raise levies on upper incomes to help raise money for schools and balance the state's budget, according to a new USC Dornsife/Los Angeles Times [poll](#).

Sixty-four percent of those surveyed said they supported the governor's measure, which he hopes to place on the November ballot. It would hike the state sales tax by a quarter-cent per dollar for the next four years and create a graduated surcharge on incomes of more than \$250,000 that would last seven years. A third of respondents opposed the measure.

Brown's new plan, rewritten recently amid pressure from liberal activist and union groups that had a competing proposal, relies on a larger share of revenue from upper-income earners than his original measure. Correspondingly, it leans less upon sales taxes, which are paid by all California consumers. The poll shows that taxing high earners is overwhelmingly popular.

"These poll results illustrate that Brown was very smart to put together this initiative the way he did," said Dan Schnur, director of the Jesse M. Unruh Institute of Politics at USC.

Shirley Karns, 74, an independent voter from the Northern California town of Lakeport who backs the governor's new plan, said the wealthy should pay more.

"Those who have an unbelievable amount more than those who do not should contribute more," she said. "And on the sales tax, the more you buy, the more you pay. It's pretty tough on low-income people who have to pay an extra nickel here and there,



but we've got to get the money from somewhere."

Brown reached a deal with a coalition led by the California Federation of Teachers to tweak his tax measure. In exchange, the group dropped its rival proposal — also aimed at the November ballot — which would have increased levies exclusively on incomes of more than \$1 million.

The poll found that the now-defunct plan remains more popular than the governor's tax mix. And the findings carry other warning signs for Brown's campaign. Less than half — 49% — of those surveyed said California's books should be balanced by a combination of cuts and tax hikes. Nearly as many — 45% — said the state's taxes are already too high and the estimated \$9-billion budget gap should be closed with cuts in government services.

"It shows this is a tough environment to pass tax increases," said Stan Greenberg of the Democratic polling firm Greenberg Quinlan Rosner, which conducted the survey in conjunction with the Republican company American Viewpoint.

Views of the governor's initiative are split along party lines. Eighty percent of Democrats approved of it, while just 38% of Republicans expressed support. The measure also has the firm backing of independents — voters who state no party preference, who are more than 20% of the California electorate and whose support Brown will likely need to pass his measure. Three-quarters of independents said they liked Brown's idea.

Voters are unenthusiastic about a separate revenue proposal that would hike income levies on most California taxpayers to raise money for schools and early childhood education programs and help pay down the state debt. The measure, backed by Pasadena attorney Molly Munger and the California State PTA, was supported by just 32% of those surveyed; 64% opposed it.

"Whenever people feel they may have to pay the taxes themselves, there's a clear move against it," said pollster Linda DiVall of American Viewpoint.

Jennifer Tran, a 25-year-old community college student and waitress from Chino Hills who is a registered Republican, says she has seen the impact of state budget cuts. Classes are harder to get into, and the price for courses has increased. But she is opposed to any new tax proposal because she doesn't trust Sacramento lawmakers to spend the money wisely.

"Are they going to do what they promise or just come up with different programs and laws we don't need and more unnecessary spending?" she said.

About half of respondents approve of the job Brown is doing as governor. He received positive reviews from 49%, while 35% said they disapproved of his performance and 15% had no opinion. Asked for a more general impression, 51% said they regarded Brown favorably and 35% did not.

The poll also measured support for two initiatives on the June ballot: a cigarette tax hike of \$1 per pack that would raise an estimated \$850 million annually for cancer research, and a proposal to change the state's term limits law.

Sixty-eight percent said they favored Proposition 29, the tobacco tax, compared to 29% who opposed it.

Support is more tenuous for an adjustment of the term limits that voters imposed on state legislators in 1990. Proposition 28 would reduce the overall amount of time a lawmaker can serve in Sacramento from 14 years to 12, but would allow all 12 years to be spent in one legislative house. Current law limits Assembly members to three two-year terms and state senators to two four-year terms.

A bare majority, 51% of those surveyed, said they would like such a change. Thirty-two percent opposed it. The proposal has stronger support from Republicans — 58% were in favor — while just 48% of Democrats liked the idea.

Voters narrowly rejected a similar proposal in 2004 that was backed by Democratic lawmakers and Gov. Arnold Schwarzenegger.

The USC Dornsife College of Letters, Arts and Sciences/Los Angeles Times poll surveyed 1,500 registered California voters from March 14 through 19. The sampling error is 2.9 percentage points.

[latimes.com/news/local/la-me-state-poll-20120326,0,7626225.story](http://latimes.com/news/local/la-me-state-poll-20120326,0,7626225.story)

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May 3, 2012

**latimes.com**

Editorial

## **California's dueling tax plans**

**If both Jerry Brown's and Molly Munger's tax hike proposals appear on the November ballot, it's likely neither will pass — meaning even deeper education and services cuts in the future.**

Gov. Jerry Brown has been arguing almost since the day he took office in 2011 that voters should approve a tax increase to help the state solve its long-running fiscal problems. But to Brown's dismay, the November ballot may ask voters to choose between two tax hikes — one that he has proposed, and one that wealthy civil-rights attorney Molly Munger and the California PTA are backing. Such a clash would make it less likely that voters would approve either one. That might delight anti-tax activists, but it's a worst-case scenario for public schools, universities, courts and the state's tattered safety net.

Both proposals have their pros and cons, but only one would significantly improve the state's fiscal situation for years to come. That's Brown's, which combines a four-year, quarter-cent-on-the-dollar increase in the state sales tax with a seven-year surtax of 1% to 3% on Californians with taxable incomes over \$250,000. Although the money from Brown's proposal would flow into a new fund for public schools and community colleges, it would free up more than \$3 billion a year to help close the persistent gap in the state's budget.

Munger's proposal, dubbed the "Our Children, Our Future" initiative, would raise income taxes on most Californians for 12 years, ranging from 0.4% at the low end of the income scale to 2.2% for single taxpayers with more than \$2.5 million in taxable income. For the first four years, 70% of the money would go to public schools and preschool programs, and 30% would be dedicated to paying down bond debt for schools, children's hospitals and other general obligations. After that, all of the money would be dedicated to schools and early childhood care and education programs.

Supporters of Munger's plan argue that it's the more honest of the two initiatives. In her proposal, all of the revenue sent to schools would be in addition to the amounts they're guaranteed from the general fund. Although Brown's proposal would significantly increase school and higher-education budgets, it would allow the state to put less money from the general fund into schools and more into other programs.

Brown has acknowledged as much, but the initiative itself isn't so clear. Its title is "The Schools and Public Safety Protection Act of 2012," and it states: "The new tax revenue is guaranteed in the Constitution to go directly to local school districts and community

colleges." But it also notes, "State money is freed up to help balance the budget and prevent even more devastating cuts to services for seniors, working families and small businesses."

The governor also emphasizes that his proposal is important to public safety, and it is — indirectly. At Brown's urging, the Legislature agreed last year to shift responsibility for certain types of felons from the state to county criminal justice systems. The initiative would amend the state Constitution to guarantee that local governments receive funding from state sales, use and vehicle taxes for those new duties, rather than leaving it up to the annual budget process. Without that kind of assurance, counties could find themselves with a diminishing amount of state aid to handle the felons left on their doorstep, increasing the risk of earlier releases from custody with less supervision.

Polls show that the voters are more likely to support a tax increase if the money goes to schools and public safety than to other state services, which explains why the governor's initiative is being sold the way it is. Yet as important as those priorities are, they are not the only obligations the state must meet. The belt-tightening in recent years has moved well past the stage of trimming the easy targets of "waste, fraud and abuse." Instead, lawmakers have been slashing medical care for the poor and the elderly, diminishing support for state colleges and universities, shutting parks and cutting early childhood programs and welfare benefits.

By offering temporary help on bond payments, the "Our Children, Our Future" plan would ease the budget problems for a few years, albeit to a lesser extent than Brown's would. After that, however, it would lock away the additional tax revenue for the sole purposes of public schools and preschool programs. As much as schools could use the money, that sort of ballot-box budgeting is one reason the state is in the fiscal mess it's in today.

Munger is poised at the point of no return. On Wednesday the "Our Children, Our Future" campaign filed its first set of petitions with election officials in Los Angeles County; it expects to have enough signatures gathered by next week to qualify for the November ballot. Already the group has been running advertisements that implicitly criticize Brown's proposal, and a spokesman said he expects the campaign to continue trying to convince voters that its plan is the better one for education.

It's conceivable that having two tax initiatives on the ballot will help persuade voters that Sacramento really does need more revenue after years of budget cuts, and a majority of them will rally behind one or the other. But it's far more likely that the dueling campaigns will split support for a tax increase, sending both to defeat and causing more deep cuts to the very schools Munger aims to protect. Brown's proposal is a better fit for the state's needs today. Munger should stand down.

latimes.com/news/opinion/editorials/la-ed-tax-ballot-measures-20120503,0,1751108.story

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Attachment Two  
AB 1831: Pro and Con — ACTION ITEM



May 8, 2012

To: Supervisor Bruce Gibson, San Luis Obispo County, Chair  
Supervisor John Moorlach, Orange County, Vice-Chair  
Members, Government Finance and Operations Policy Committee

From: Eraina Ortega, Legislative Representative  
Faith Conley, Senior Legislative Analyst

**Re: AB 1831 (Dickinson): Local government: hiring practices**

**Recommendation:** Neutral.

**Background.** AB 1831 would prohibit a city or county from inquiring about criminal history on an initial employment application. AB 1831 is sponsored by the National Employment Law Project and is part of a movement called “Ban the Box” in reference to the check-box that indicates whether an applicant has a history of criminal conviction. According to a Fact Sheet distributed by Assembly Member Dickinson, one in four adult Californians has an arrest or conviction record on file with the state, creating major, unnecessary employment barriers. Further the Fact Sheet states:

Realignment of California’s criminal justice system seeks to produce budgetary savings by reducing recidivism and promoting rehabilitation. Employment of eligible people with a conviction history is key to the success of realignment at the local level, as studies have shown that stable employment significantly lowers recidivism and promotes public safety.

**Policy Considerations.**

Local control is the chief principle underlying the California County Platform. The committee should consider whether some diminution of local control is acceptable in order to achieve a broader policy goal of potentially increasing the number of individuals who have a criminal conviction record to be considered for county employment. CSAC staff submitted a letter of concern regarding AB 1831 because it removes discretion to design a policy that works locally. However, since CSAC is aware of four California counties (Alameda, Los Angeles, Santa Clara, and the City and County of San Francisco) and several more cities that either do not make an inquiry into criminal history on the initial employment application or are modifying their application process to remove such an inquiry, staff recommends consideration of a neutral policy on the bill.

The California State Sheriffs’ Association and the Chief Probation Officers of California asked for and received exemption from the policy for law enforcement positions; however their opposition has not been formally removed. Additionally, the California District Attorneys Association is opposed to the bill because they do not believe the law enforcement exemptions go far enough. Finally, the Rural County Representatives of California (RCRC) remain opposed to the bill.

The League of California Cities has an “oppose unless amended” position and seeks amendments to apply the bill to State of California employment applications and to allow employers some discretion to exempt positions as they deem necessary.

**Action Requested.** Staff recommends the Government Finance and Operations Policy Committee recommend a neutral position on AB 1831 (Dickinson) to the Board of Directors.

**Staff Contact.** Please contact Eraina Ortega (eortega@counties.org or 916/650-8180) or Faith Conley (fconley@counties.org or 916/650-8117) for additional information.



AMENDED IN ASSEMBLY MAY 17, 2012

AMENDED IN ASSEMBLY APRIL 26, 2012

AMENDED IN ASSEMBLY APRIL 23, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1831**

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**Introduced by Assembly Member Dickinson**  
**(~~Coauthor: Coauthors: Assembly Member Members Ammiano and~~**  
**Swanson)**

February 22, 2012

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An act to add Section 50085.3 to the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1831, as amended, Dickinson. Local government: hiring practices.

Existing law requires the hiring practices and promotional practices of a local agency, as defined, to conform to the federal Civil Rights Act of 1964 and prohibits any local agency from, as a part of its hiring practices or promotional practices, employing any educational prerequisites or testing or evaluation methods ~~which~~ *that* are not job-related, unless there is no adverse effect.

This bill would prohibit a local agency from inquiring into or considering the criminal history of an applicant or including any inquiry about criminal history on any initial employment application. The bill would authorize a local agency to inquire into or consider an applicant's criminal history after the applicant's qualifications have been screened and the agency has determined the applicant meets the minimum employment requirements, as stated in any notice issued for the position. The bill would not apply to a position ~~for which~~ *that* a local agency is

otherwise required by law to conduct a criminal history background check or to any position within a criminal justice agency, as defined.

The bill would also express a legislative finding and declaration that reducing barriers to employment for people who have previously offended, and decreasing unemployment in communities with concentrated numbers of people who have previously offended, is a matter of statewide concern, and that ~~therefore~~, all cities and counties, including charter cities and counties, would be subject to the provisions of the bill.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares that reducing  
2 barriers to employment for people who have previously offended,  
3 and decreasing unemployment in communities with concentrated  
4 numbers of people who have previously offended, is a matter of  
5 statewide concern. Therefore, this act shall apply to all cities and  
6 counties, including charter cities and charter counties. The  
7 Legislature further finds and declares that, consistent with the  
8 Criminal Justice Realignment Act of 2011 (Chapter 39 of the  
9 Statutes of 2011), increasing employment opportunities for people  
10 who have previously offended will reduce recidivism and improve  
11 economic stability in our communities.

12 SEC. 2. Section 50085.3 is added to the Government Code, to  
13 read:

14 50085.3. (a) A local agency shall not inquire into or consider  
15 the criminal history of an applicant or include any inquiry about  
16 criminal history on any initial employment application. A local  
17 agency may inquire into or consider an applicant’s criminal history  
18 after the applicant’s qualifications have been screened and the  
19 agency has determined the applicant meets the minimum  
20 employment requirements, as stated in any notice issued for the  
21 position.

22 (b) This section shall not apply to a position ~~for which~~ *that* a  
23 local agency is otherwise required by law to conduct a criminal  
24 history background check or to any position within a criminal  
25 justice agency, as that term is defined in Section 13101 of the Penal  
26 Code.

1 (c) Nothing in this section shall be construed as ~~requiring that~~  
2 ~~preventing~~ a local agency ~~conduct~~ *from conducting* a criminal  
3 history background check *after compliance with all of the*  
4 *provisions of subdivision (a).*

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Attachment Three  
California Forward on Budgeting



# The Government Performance and Accountability Act

Californians need to know what they are getting for their tax dollars and what government is achieving. If approved by California voters through the ballot measure process, this proposal will position both state and local governments to effectively manage California's fiscal affairs to promote concrete results Californians want and value for their tax dollars.

## Specific Provisions

### 1. Performance-Based Budgeting

State and local governments should focus on improving results. The proposal would require state and local government budgets to establish clear goals for delivering results and accountability -- focusing spending decisions on priorities, desired results, and the changes needed to improve performance.

### 2. Legislative Transparency and Oversight

The state needs a stable budget-making process to help communities reach their goals. The proposal would make all bills available to the public three days before a vote to preclude "gut and amend" bills, ending the practice of bypassing public hearings for controversial legislation. The Department of Finance would also be required to update fiscal information three times per year.

### 3. Pay-As-You-Go

Lawmakers should be required to identify ways to pay for major policy choices, rather than putting all programs at risk of being cut in future years. The proposal requires major new programs and tax cuts costing \$25 million or more to have a clearly identified funding source before they are enacted.

### 4. Multi-Year Budgets With Greater Accountability

To reduce the perennial uncertainty of the state's current short-term budget-making practices, the proposal would require the state to enact two-year budgets. It would limit the period during which bills can be heard (with an exception for bills addressing emergencies), and require a portion of the legislative session to be dedicated to program performance reviews. All programs would be reviewed at least once every 5 years. The proposal also would require the state to prepare and make public five-year forecasts before approving the budget, to act quickly when the budget falls out of balance, and to make budget negotiations more transparent.

## 5. Community-Driven Problem Solving

To improve performance at the local level, communities will need more flexibility to tailor programs to meet local needs. Through "Community Strategic Action Plans," the proposal would give local governments the incentives and authority to design programs that work together to improve results. Cities, counties, school districts and special districts would identify common goals -- such as improving outcomes for youth -- and how they would coordinate actions to cost-effectively achieve them.

These plans also would identify state laws or regulations that prevent local governments from efficiently and effectively providing services, and include a local method for achieving the state objective. The proposal would also give local governments the ability to reallocate local sales and property taxes (other than those allocated to schools), and provide incentive funding from the state.

### *What this means for Californians...*

- Policy, program, and fiscal decisions by the state and local governments will be driven by performance data on what is working, what isn't, and an awareness of the long-term fiscal impact of alternative approaches.
- Community Strategic Action Plans will allow local governments to achieve local priorities in a collaborative, inclusive and cost-effective way while permitting significantly greater flexibility in how participating local jurisdictions allocate resources and meet statewide requirements.
- Californians will have more opportunities to inform decisions affecting their communities, they will have more information about the job performance of their elected representatives, and they will have the opportunity to see results where they live that are a direct consequence of their participation.



December 14, 2011

Hon. Kamala D. Harris  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Dawn McFarland  
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional amendment related to the state legislative and budgeting process and local finance (A.G. File No. 11-0068).

## **BACKGROUND**

***State Budget Process.*** Under the California Constitution, the Legislature has the power to appropriate state funds and make midyear adjustments to those appropriations. The annual state budget act is the Legislature's primary method of authorizing expenses for a particular fiscal year. The Constitution requires that (1) the Governor propose a balanced budget by January 10 for the next fiscal year (beginning July 1) and (2) the Legislature pass the annual budget act by June 15. The Governor may then either sign or veto the budget bill. The Governor also may reduce or eliminate specific appropriations items using his or her "line-item veto" power. The Legislature may override a veto with a two-thirds vote in each house. Once the budget has been approved by the Legislature and Governor, the Governor has limited authority to reduce spending during the year without legislative approval.

***State Fiscal Emergencies.*** The Governor has the power to declare a fiscal emergency if he or she determines after the budget has been enacted that the state is facing substantial revenue shortfalls or spending overruns. In such cases, the Governor must propose legislation to address the fiscal emergency and call the Legislature into special session. If the Legislature fails to pass and send to the Governor legislation to address the budget problem within 45 days, it is prohibited from (1) acting on any other bills or (2) adjourning until such legislation is passed.

***State Appropriations Process.*** The Legislature may enact laws that create or expand state programs or reduce state tax revenues. Any new law that has a state fiscal effect typically is referred to a committee in each house of the Legislature called the Appropriations

Committee. These committees assess the likely fiscal effect of the legislation and decide whether to recommend the passage of the legislation by each house.

## **PROPOSAL**

This measure amends the Constitution to:

- Constrain the Legislature’s authority to enact laws that increase state costs or decrease state revenues by more than \$25 million annually.
- Expand the Governor’s authority to implement midyear reductions to appropriations in the state budget.
- Shift state funds to local governments for the purpose of implementing new “Community Strategic Action Plans.”
- Modify state and local government budget practices.

### **Constrains the Legislature’s Authority to Increase State Costs or Decrease Revenues**

The measure contains provisions that constrain the Legislature’s authority to (1) create or expand state programs or (2) reduce state revenues if the fiscal effect of these actions on the state would exceed \$25 million annually. In order to enact legislation containing program expansions or revenue reductions valued at more than \$25 million, lawmakers generally would have to approve legislation containing revenue increases or cost reductions to offset the net change in state costs or revenues. The \$25 million threshold would be adjusted annually for inflation.

### **Authorizes the Governor to Reduce Spending in the Budget**

The measure provides that if the Legislature has not sent bills to the Governor addressing a fiscal emergency by the 45<sup>th</sup> day following the issuance of the fiscal emergency proclamation, the Governor may reduce or eliminate any appropriation contained in the budget act for that fiscal year that is not otherwise required by the Constitution or federal law. The total amount reduced cannot exceed the amount necessary to balance the budget. The Legislature may override all or part of the reductions by a two-thirds vote of each house of the Legislature.

### **Shifts State Funds to Local Governments to Implement New Plans**

Under the measure, every county and any local government (school district, community college district, city, and special district) within its borders could create a joint Community Strategic Action Plan (CSAP) for the purpose of providing services identified by the plan. Local governments that choose to participate in a CSAP would (1) receive additional funding from the state, (2) be authorized to reallocate local property taxes among participating local governments, and (3) be given limited authority to follow locally adopted procedures that are not fully consistent with state laws and regulations. Specifically:

- ***Shift of State Revenues.*** The measure creates the Performance and Accountability Trust Fund in the State Treasury to provide state resources for implementation of CSAPs. Beginning in 2013-14, the measure shifts 0.035 percent of the state sales tax rate to the Performance and Accountability Trust Fund and requires the state General Fund to backfill any reduced revenue to the fund if the state sales tax is reduced in the future. The revenue deposited in the Performance and Accountability Trust Fund would be allocated to local governments with approved CSAPs on a per capita basis.
- ***Reallocate Property Tax.*** The measure permits local governments participating in the CSAP to reallocate their property taxes among themselves if the reallocation is approved by a two-thirds vote of the governing bodies of each of the local governments affected by the reallocation.

***Increased Flexibility in Program Administration.*** The measure allows CSAPs to include certain provisions that otherwise would be contrary to existing state laws and regulations but that are “functionally equivalent” to the objectives of those laws or regulations. The local governments would be required to submit these provisions to the Legislature (in the case of state laws) or appropriate state agency (in the case of state regulations) for review. If the Legislature or agency does not act to reject the CSAP provisions, those provisions would be deemed to be in compliance with state laws and regulations. These local CSAP provisions would expire after four years unless renewed through the same process.

### **State and Local Government Budgeting Practices**

The measure makes various changes to state and local budgeting practices and other procedures, including:

- ***Two-Year State Budget Cycle.*** Under this measure, in each odd numbered calendar year the Governor would submit a budget proposal for the two subsequent fiscal years. For example, in January 2013 the Governor would submit a budget for the fiscal year beginning in July 2013 and for the fiscal year beginning in July 2014. In even numbered years, the Governor could submit an update for either of the two years covered by the previous submission.
- ***Performance Standards for State Programs.*** This measure contains several provisions amending the Constitution to establish a process to review the performance of state programs. Under the proposal, the Governor would be required to include certain information as part of the budget released every two years, including a statement of how the budget will achieve specified statewide goals, a statement of outcome measures by which to evaluate state agencies and programs, and a report on the state’s progress in meeting statewide goals.
- ***Legislative Oversight.*** The measure changes the legislative calendar and reserves part of each legislative biennium—beginning in July of the second year of the biennium—

for legislative oversight and review of state programs. The measure requires the Legislature to create an oversight process and use this process to review every state program, whether managed by the state or local governments, at least once every five years.

- ***Legislative Process and Calendar.*** The proposal amends a provision of the Constitution related to when legislative bills must be in print. The Constitution currently requires that bills be in print and distributed to Members of the Legislature before they can be passed. This proposal amends the Constitution to require that bills generally be in print and be available to the public for three days before passage.
- ***Local Government Performance Information.*** The measure requires that each local government provide certain information as part of their adopted budgets. This information includes statements regarding how the budget will promote specified goals and priorities, description of outcome measures to assess progress in meeting these goals, and a report on the progress in achieving these goals. The measure further requires that each local government develop and implement an open and transparent process in the development of its proposed budget.

## FISCAL EFFECT

***State Sales Tax Revenue Transfer.*** The shift of a portion of the state sales tax to the Performance and Accountability Trust Fund for local government use would reduce state revenue—and increase local revenue—by about \$200 million annually, beginning in 2013-14. The measure specifies that any increased revenues allocated to schools as a result of this measure would not reduce their eligibility for state funds.

***Changes in Legislature's and Governor's Fiscal Authority.*** Constraining the Legislature's authority to expand programs or decrease revenues unless it adopts measures with offsetting fiscal effects could result in state program costs being lower—or state revenues being higher—than otherwise would be the case. In addition, expanding the Governor's authority to implement midyear reductions to the state budget could result in overall state spending being lower than it would have been otherwise. The net fiscal effect of these provisions is unknown, but could be significant over time.

***Changes in Budgeting Practices.*** State and local governments would have increased costs to modify their budgeting practices and provide more ongoing information regarding program outcomes. Specifically, state and local governments likely would experience increased information technology, printing, and data analysis costs. These costs would be higher initially—perhaps in the range of tens of millions of dollars annually—and then moderate over time. The compilation and analysis of this budget and performance information could lead to improved state and local government program efficiencies over time, potentially offsetting these costs.

## **SUMMARY OF FISCAL EFFECT**

This measure would have the following major fiscal effects:

- Decreased state revenues and commensurate increased local revenues, probably in the range of about \$200 million annually, beginning in 2013-14.
- Potential decreased state program costs or increased state revenues resulting from changes in the fiscal authority of the Legislature and Governor.
- Increased state and local costs of tens of millions of dollars annually to implement new budgeting practices. Over time, these costs would moderate and potentially be offset by savings from improved program efficiencies.

Sincerely,

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Mac Taylor  
Legislative Analyst

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Ana J. Matosantos  
Director of Finance



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Attachment Four  
Pension Reform Update







May 8, 2012

1100 K Street  
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California  
95814

Telephone  
916.327-7500

Facsimile  
916.441.5507

To: Supervisor Bruce Gibson, Chair, San Luis Obispo County  
Supervisor John Moorlach, Vice Chair, Orange County  
Members, Government Finance and Operations Policy Committee

From: Eraina Ortega, Legislative Representative, CSAC  
Faith Conley, Senior Legislative Analyst, CSAC

**Re: Pension Reform Update – INFORMATIONAL ITEM**

**Recommendation:** This is an informational item for the purpose of providing an update on the status of public pension reform in California.

**Governor Brown Releases Pension Reform Plan.** As members will recall, last October, Governor Brown issued a summary of his 12-Point Pension Reform Plan. The plan includes the following:

- **Equal Sharing of Pension Normal Costs.** All new and current employees must transition to a contribution level of at least 50 percent of the normal cost of their pension benefits.
- **Mandatory “Hybrid” Plan for New Employees.** Brown proposed a mandatory hybrid plan, a single retirement structure designed to achieve 75 percent wage replacement upon retirement. For those local agencies participating in Social Security, the make-up of the plan would be: a one-third defined benefit component, a one-third defined contribution (to be managed professionally) component and one-third Social Security. For those local agencies not participating in Social Security, the components of the hybrid plan would be: two-thirds defined benefit and one-third defined contribution.
- **Increase in Retirement Ages.** Retirement ages for new miscellaneous public employees would be set at the Social Security retirement age (67); the Administration has not settled on a set retirement age for safety employees yet, but maintains that it will be “commensurate with the ability of those employees to perform their jobs in a way that protects public safety.”
- **Definition of Final Compensation.** Final compensation for new employees would be defined as the highest average annual compensation over a three-year period and as the normal rate of base pay, excluding special bonuses, sick leave, unused vacation and unplanned overtime.
- **Employment of Retired Annuitants.** The Governor’s proposal would limit all public retirees to 960 hours or 120 days of work per year for a public employer and prohibits all retired employees who serve on public boards and commissions from earning retirement benefits for that service.
- **Forfeit of Pension Benefits in Felony Convictions.** Public officials and employees, if convicted of a felony related to abuse of their official duties, in seeking an elected office or in connection with obtaining salary or pension benefits, would forfeit pension and related benefits.
- **Ban Retroactive Pension Increases.** Applying pension benefit enhancements to work already performed by current employees and retirees would be prohibited.

- **Prohibit Pension Holidays.** Employers would be prohibited from suspending employer and/or employee contributions necessary to fund the annual pension costs of the pension fund.
- **Prohibit Purchase of Service Credit.** Employees would no longer be able to purchase additional retirement service credit (also known as “airtime”) for time not actually worked.
- **Restructure California Public Employees’ Retirement Board of Administration.** The Governor proposed adding two independent public members with financial expertise to the CalPERS’ Board and replacing the State Personnel Board representative with the Director of the California Department of Finance.

***Pension Reform Conference Committee (Committee).*** Following the Governor’s proposal and in lieu of passing legislation addressing individual pension issues, in the fall of 2011, the Legislature convened a conference committee for the purpose of crafting comprehensive pension reform legislation.

The Committee, made up of Assembly Members Michael Allen, Warren Furutani (Chair) and Beth Gaines and Senators Gloria Negrete-McLeod, Joseph Simitian and Mimi Walters, first met in October in an informational hearing to review the current condition of public employee benefits and reform efforts. The Committee met again in December to discuss in detail Governor Brown’s pension reform plan and in January to review Governor Brown’s proposal to create a mandatory hybrid pension plan for new employees. At its fourth meeting in March, the committee listened to testimony to gauge the possible impact of Governor Brown’s proposal to increase the normal retirement age for public employees. Finally, in April, the Committee conducted a hearing to hear issues specific to counties, whose pension plans are provided by systems authorized under the County Employees Retirement Act of 1937, including pension spiking, the Ventura Decision and various plan designs.

A draft report is expected from the Committee in August. Legislative staff indicates there after the draft is released, the Legislature will hold hearings to review the draft; the Committee will then vote on a final conference report which cannot be amended once approved and sent to each house of the Legislature for a final up or down vote.

***CAOAC Pension Reform Task Force.*** A Pension Reform Task Force (Task Force) was created at the business meeting of the CAOAC last November to, among other things, review various pension reform proposals and consider recommendations for new principles for pension reform. The Task Force and CSAC staff began meeting in December to review existing principles and policies and to draft revised CSAC Guiding Principles for Pension Reform. The revised principles were approved by the CSAC Board of Directors on February 23. The significant changes to the pension reform guidelines include:

- A focus on ensuring fiscal and service sustainability by highlighting the need for more equitable sharing of costs and risks between employee and employer, the need to remove barriers to negotiating cost sharing agreements, and the need for accountability across pension systems.
- Adding a section to bring attention to the challenges counties face in recruiting and retaining the best employees and the interaction with pension benefits as part of a total compensation package.

The Task Force has continued to meet since February to consider proposals for pension reform that would benefit counties and are not currently included in the Governor's proposal. The focus is on legislation that will provide counties with flexibility to negotiate cost sharing agreements that are currently restricted by statutory caps and other rules. In pursuit of these reforms a group of CAO's and CSAC staff met with the Conference Committee's staff in March. We will continue to advocate that these changes be included in the August Conference Committee report.

**Action Requested.** This item is for information only.

**Staff Contact.** Please contact Eraina Ortega (eortega@counties.org or 916/650-8180), or Faith Conley (fconley@counties.org or 916/650-8117) for additional information.

**Materials.**

CSAC's Guiding Principles for Pension Reform.



# CSAC Guiding Principles on Pension Reform

2012

## PREAMBLE

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*Public pension reform has garnered widespread interest and generated significant debate among policy leaders. Rising pension costs have called into question the long-term sustainability of pension benefits and pension abuses have left the public with little confidence in the fairness of the benefits. Much consideration will be given in the coming year to the appropriate remedy for restoring equity, trust, accountability, and financial sustainability to public pensions.*

*CSAC believes that there is a need for statewide reform to ensure that public retirement systems are sound and fiscally responsible. Local elected officials should adopt pension systems that meet the needs of their workforce, maintain principles of sound fiduciary management, and preserve their ability to recruit and retain quality employees. Proposed reforms should meet these broad goals, as well as CSAC's guiding principles.*

## GUIDING PRINCIPLES

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### Ensure Sustainability

Counties believe in providing career employees with fair and adequate retirement benefits. Market losses and increased benefits granted over time have increased the risk of unsustainability, with retirement funds dipping to their lowest historical funding ratios and growing pension fund contributions coming at the expense of other taxpayer funded services. While many counties have negotiated second tier benefits for new employees, more significant change may be necessary to ensure that pension promises made to existing employees can be kept with minimal reduction of services to communities. To ensure fiscal and service sustainability, pension reforms should:

- **Provide for More Equitable Sharing of Costs and Risks between Employee and Employer**  
A more equitable sharing of pension costs and risks promotes shared responsibility for the market vulnerability of pension systems and reduces the incentive for either employees or employers to advocate for changes that result in disproportionate costs to the other party, while diminishing the exclusive impact on employers for costs resulting from increases in unfunded liability.
- **Provide Flexibility to Reduce and Contain Costs**  
Local elected officials should be able to negotiate cost sharing agreements that are equitable and promote shared responsibility for the financial health of pension funds. Legal, statutory, regulatory, and administrative barriers for such agreements should be removed. Counties should be afforded all the tools necessary to reach responsible and fair local agreements. Likewise, the Legislature should not approve legislation that shifts the balance of local labor negotiations in favor of employee representatives. Pension reform should seek to maximize options and reduce inequities in counties' ability to negotiate benefits, regardless of the pension system each county belongs to. Counties must be able to control rising pension costs so that service cuts and employee layoffs are minimized.

➤ **Increase Pension Fund Accountability**

Public pension fund boards have a duty to ensure benefits are available to members and to minimize employer, and thereby, taxpayer costs. The constitution and state statutes should promote responsible financial management and public transparency and discourage conflicts of interest. Pension fund decisions should be based on sound principles and realistic fiscal and actuarial assumptions and not subject to political influence.

## **Improve Counties' Ability to Recruit and Retain the Best Talent**

Counties must be able to recruit the best individuals to deliver a wide variety of services to all Californians. While not all counties provide the same salary or pension benefits there may be areas where counties can benefit from the implementation of statewide reforms. For those counties that have adopted pension reforms locally or for those who have maintained more modest benefits, efforts to create a level playing field for pension benefits among 1937 Act independent and CalPERS systems can assist in the recruitment of new talent in the future. Recognition must be given to the diversity of existing benefit structures across counties; participation in social security, as well as total compensation tradeoffs that have been made locally over the course of many years must be acknowledged. Policy makers should avoid restricting public sector compensation in a manner that makes it difficult for counties to recruit for positions that can be a challenge to fill. Counties should pursue a uniform approach to total compensation in order to give a more accurate picture of salaries and benefits across agencies and to allow comparisons to be more precise.

## **Eliminate Abuse**

Public pension benefits provide an important public benefit by assisting public agencies to recruit and retain quality employees. Any fraud or abuse, both real and perceived, must be eliminated to ensure public trust and confidence in government to provide these benefits and to preserve the overall public value of these systems. Pension spiking and other attempts to manipulate pension benefits should be eliminated.

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Attachment Five  
Redevelopment Legislation Update





May 18, 2012

To: Supervisor Bruce Gibson, San Luis Obispo County, Chair  
Supervisor John Moorlach, Orange County, Vice-Chair  
Members, Government Finance and Operations Policy Committee

From: Geoffrey Neill, Senior Legislative Analyst

**Re: Redevelopment Legislation Update**

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**Recommendation:** This is an informational item.

**Background.** Last year, the Legislature passed and the Governor signed ABX1 26, which dissolved redevelopment agencies. The Supreme Court upheld that law, but struck down its companion measure, ABX1 27, which would have allowed them to reconstitute upon paying the state.

After the Supreme Court ruling, legislators introduced many bills that would change the dissolution process, affect the disposition of affordable housing funds, or establish a new construct for local economic development. As part of the May Revision, the Administration has also proposed changes to the dissolution process.

**Cleanup.** ABX1 26 was written quickly amidst budget discussions last year, and many in the Legislature did not expect its provisions to be used. The Supreme Court's ruling changed that, and as local agencies try to carry out the law, some ambiguity has been discovered. The legislative vehicle for cleanup is AB 1585, by Speaker John Pérez. This bill contains a wide variety of changes (including affordable housing, as discussed below), many sought by supporters and sponsors of redevelopment.

There is much both to like and be wary of in AB 1585, and counties have taken positions on both sides of the bill, in large part due to the greater importance they place on one or another of these provisions. Despite the many issues the bill deals with, there remain important issues that neither AB 1585 nor current law contemplate, such as what happens if a successor agency is unable to meet its obligations. AB 1585 has passed the Assembly and awaits a policy committee hearing in the Senate. It is an urgency measure that requires a 2/3 vote.

As part of the May Revision, the Administration proposed its own version of a cleanup bill, one that differs significantly from AB 1585. While the Speaker's bill would expand the definition of enforceable obligations and allowable administrative costs, the Governor's bill moves in the opposite direction, maximizing returns for other taxing entities and providing more enforcement mechanisms for improper transfers of funds.

**Affordable Housing.** Current law, as implemented by ABX1 26, disperses former redevelopment agencies' affordable housing assets to taxing entities. AB 1585 and SB 654, by Senate President Pro Tem Darrell Steinberg, would instead retain those assets and provide for continued affordable housing activities either by the sponsoring agency, another local agency, or the California Department of Housing and Community Development. This provision is widely supported by local government and of course

housing advocates, who are worried about much of their funding disappearing at once (redevelopment and Proposition 1C). The Administration's trailer bill referenced above would instead specify a timeline for the dispersal of all former redevelopment liquid assets, including the affordable housing funds.

AB 1585 and the Administration's trailer bill contain many other provisions besides, as discussed above, whereas SB 654 has only this and one other provision that is also widely supported. SB 654 had its urgency stripped because it was unable to achieve a 2/3 vote in the Senate. Also, the Pro Tem is also carrying bills that would reestablish redevelopment. For both of these reasons, it is more likely that the Speaker's bill will be the one on this issue that moves forward.

However, the state's difficult fiscal condition jeopardizes the likelihood of any of the bills retaining the affordable housing funds passing. Dispersing funds to the local taxing entities benefits the state by reducing the General Fund obligation to K-14 schools under Proposition 98.

**A New Construct.** Senate President Pro Tem Darrell Steinberg has introduced two bills that would reestablish redevelopment, SB 1151 and SB 1156. The bills in their current form would authorize the creation of JPAs between a city and a county to carry out redevelopment-like purposes within the territorial jurisdictions of former redevelopment agencies. Counties would be allowed to carry out these purposes on their own within former county-only RDAs. They would also require the creation of a long-range asset management plan to manage the disposition of former redevelopment agencies' property, subject to Department of Finance oversight.

The bill as currently drafted places an extraordinary emphasis on using the new program to fund a narrow set of activities related to SB 375 infill development, and could only be used within transit priority areas. CSAC has suggested that the purposes be broadened to allow a wide range projects, such as transitional housing for offender populations and those with mental health needs, health and safety related public infrastructure for rural and disadvantaged communities, and infrastructure investments to support countywide services such as child care facilities, health clinics, and day reporting centers. Other elements of the bills worth noting: the school share of property taxes will need to be mitigated in most cases, and the new construct explicitly does away with blight as a condition of redevelopment.

Counties have long argued that redevelopment should be a cooperative affair where the use of tax increment is involved. This arrangement will do away with the unilateral redistribution of county property taxes to cities.

Speaker John Pérez has also introduced a bill that would essentially reconstitute redevelopment. AB 2144 would revise the laws governing infrastructure financing districts to allow many redevelopment powers, including development of housing, commercial, and industrial areas, but not including tax increment without permission.

**Action Requested.** No action is recommended at this time.

**Staff Contact.** Please contact Geoffrey Neill (gneill@counties.org or 916/327-7500 x567) for additional information.

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Attachment Six  
Unlicensed Contractors



May 8, 2012

To: Supervisor Bruce Gibson, San Luis Obispo County, Chair  
Supervisor John Moorlach, Orange County, Vice-Chair  
Members, Government Finance and Operations Policy Committee

From: Eraina Ortega, Legislative Representative  
Faith Conley, Senior Legislative Analyst

**Re: Contractors State License Law**

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**Recommendation:** This is an informational item.

**Background.** The Contractors State License Board (CSLB) regulates California's construction industry. According to CSLB's website, there are about 300,000 licensed contractors in the state, in 43 different licensing classifications. In addition to its consumer protection role, CSLB administers examinations to test prospective licensees, issues licenses, investigates complaints against licensed and unlicensed contractors, issues citations, suspends or revokes licenses, and seeks administrative, criminal, and civil sanctions against violators.

CSLB has sponsored a bill to address shortcomings in the law related to contractors. AB 2237, by Assembly Member William Monning, would define the term "consultant" for purposes of the definition of a contractor to include a person who provides a bid or who arranges for and sets up work schedules and maintains oversight of a construction project. AB 2237 was amended on April 9 to apply only to "home improvement contracts".

Also of interest, the California State Council of Laborers has sponsored AB 1794, which would make it a misdemeanor and a cause for disciplinary action for a licensed contractor to fail to notify his or her workers' compensation insurance carrier within 20 days of hiring an employee. CSLB is in support of AB 1794.

At this time, CSAC does not have policy platform on licensed contractor issues and to date has not taken position on bills similar to those discussed in this memorandum.

**Action Requested.** No action is recommended at this time.

**Staff Contact.** Please contact Eraina Ortega (eortega@counties.org or 916/650-8180) or Faith Conley (fconley@counties.org or 916/650-8117) for additional information.