

AT ISSUE

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PARCEL TAXES FOR EDUCATION IN CALIFORNIA

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The state legislature is contemplating a series of reforms to California's fiscal and governance system. Among the most potentially consequential would be a constitutional amendment that would lower the vote threshold for passing local school parcel taxes from two-thirds to 55 percent. Because parcel taxes are one of the only local sources of school district revenue outside the limits imposed by Proposition 13 (which passed in 1978), the proposed change is a major focus of attention.

Parcel taxes are highly concentrated in wealthy school districts, and particularly in the San Francisco Bay Area. While a lower threshold would probably allow far more parcel taxes to pass, its impact might not be widespread. California's experience with similar reforms does not suggest that parcel tax measures would be proposed in greater numbers or become prevalent outside of the Bay Area.

INTRODUCTION

The legislature this year is considering several changes to California’s tax law. Among the most potentially consequential is a pair of constitutional amendments (SCA 3 and SCA 11) that would lower the vote threshold for passing local school parcel taxes from two-thirds to 55 percent. In a May 2013 PPIC Statewide Survey, a bare majority of Californians expressed support for such a change. A lower threshold may become especially important to wealthier districts under the new school finance system, which will direct more state aid to districts serving disadvantaged students.¹

Until the late 1970s, school districts in California—like districts in other states—financed their operations through local property taxes. Two events changed California’s school finance system dramatically, shifting the burden of financing schools from districts to the state and limiting local districts’ revenue-raising authority: In 1971, the state Supreme Court ruled in *Serrano v. Priest* that differences in school funding due to differences in wealth violated the state constitution. This led to the creation of a unique “revenue limit” for each district—a per pupil entitlement financed by property tax revenue and state aid. Then, in 1978, voters passed Proposition 13, which capped property taxes and limited increases for each owner. This severely curtailed districts’ ability to raise revenue and resulted in huge cuts for local districts. Much of the lost revenue was replaced with funds from the state government, which now provides the majority (58%) of school district revenue.

School districts do have two revenue options: they can raise funds through parcel taxes and construction bonds.² Unlike a traditional property tax, which is based in part on estimated property values, a parcel tax is assessed on the land itself.³ For the most part, it is a regressive tax: everyone typically pays the same amount regardless of property value.⁴ The authority to raise parcel taxes stems from Proposition 13 itself and was clarified in the 1982 state Supreme Court decision in *City and County of San Francisco v. Farrell* (32 Cal. 3d 47).⁵ Parcel taxes, as a special district tax, must be approved by two-thirds of local voters and can generally be used by school districts for any purpose, including general operating expenses.

The second revenue option for school districts, construction bonds, can be used only for infrastructure and technology projects. The vote threshold for these bonds was lowered to 55 percent in November 2000, when voters approved Proposition 39. The lower vote threshold has led to a greater number of successful bond measures. If a 55 percent threshold has a similar impact on the approval of parcel tax measures, school districts might gain significant flexibility in covering day-to-day expenses.

This report provides context for the proposal to lower the parcel tax vote threshold. We begin by examining the characteristics of the districts with parcel tax revenue and those in which parcel taxes would have been approved if the vote threshold had been 55 percent. Then, using the recent changes to the school construction bond threshold as a case study, we assess the potential impact of a change to the parcel tax threshold.

SCHOOL DISTRICT PARCEL TAXES

Despite the fact that parcel taxes are one of the only local revenue options allowed by Proposition 13, they are not widespread. Parcel taxes comprise a very small share (less than 1%) of statewide K–12 revenue, totaling approximately \$317 million in 2010–11. They are primarily passed in school districts in the San Francisco Bay Area but are also prevalent along the southern coast, and there are a few parcel tax districts in inland counties—Davis Joint Unified, Mammoth Unified, and Tahoe-Truckee Joint Unified. On average, parcel taxes provide \$584 per pupil in districts that have passed them, though the amount ranges from about \$25 to \$4,500 per pupil (see Table 1).⁶

TABLE 1. SCHOOL DISTRICT PARCEL TAXES BY COUNTY, 2010–11

	Number of parcel tax districts in the county	Percent of countywide student enrollment in parcel tax districts	Average parcel tax revenue (\$/student)
San Francisco Bay Area			
Alameda	9 of 18	52	809
Contra Costa	9 of 18	54	447
Marin	15 of 19	99	1,318
San Francisco	1 of 1	100	644
San Mateo	14 of 23	40	674
Santa Clara	19 of 31	55	395
Sonoma	15 of 40	27	242
Other coastal counties			
Los Angeles	7 of 80	4	578
Monterey	1 of 24	3	157
Santa Barbara	2 of 22	22	125
Santa Cruz	3 of 11	25	494
Ventura	1 of 20	3	231
Inland counties			
Mono	1 of 2	70	606
Placer	1 of 16	6	1,032
Inyo	1 of 5	30	785

SOURCE: PPIC School Finance Model (2013).

NOTE: Table includes only school districts that collected parcel tax revenue in 2010–11.

Almost all parcel tax measures (87%) involve a simple flat fee that applies to all parcels. A small share of measures propose variable rates that hinge on property size or use (e.g., single-family homes, businesses, or undeveloped land). However, a recent court decision has cast doubt on the legal status of these variable rates, at least as they apply to businesses.⁷

The parcel taxes proposed by school districts have tended to be more self-limiting than those proposed by other types of jurisdictions. Since 1987, the legislature has explicitly permitted school districts to exempt taxpayers age 65 or older, and later it added exemptions for disabled residents.⁸ Most school parcel tax measures have taken advantage of the senior exemption, and a small number of others have used the disability exemption as well.⁹ Nine in ten school parcel taxes have also included a time limit, usually between four and ten years, after which the tax must be renewed. Only 30 percent of non-school parcel tax proposals have included a similar time constraint.

As might be expected, support for parcel taxes is higher in wealthier districts, which have more disposable income to spend on schools.¹⁰ Median household income averages more than \$85,000 in districts with parcel taxes, compared with about \$60,000 in districts that have never proposed a parcel tax (Table 2).¹¹ Furthermore, 44 percent of districts with median household incomes in the top 10 percent have passed parcel taxes, compared with just 7 percent of districts with median household incomes in the bottom 90 percent. Districts with parcel taxes have fewer low-income students, English Learners, and students of color.¹² Districts that have passed parcel taxes are also more likely to be smaller and have fewer school-age children per household; these districts can propose lower parcel taxes and get the same benefit, since the revenue is distributed among fewer students.¹³

TABLE 2. CHANGING PASSAGE THRESHOLD TO 55 PERCENT MAY HAVE LITTLE IMPACT ON INEQUALITIES

	Passed a measure	No measure passed, but at least one cleared 55%	No measure cleared 55%	No measures proposed
Student demographics				
Free and reduced-price lunch (%)	36	40	70	57
English Learner (%)	20	21	31	23
White (%)	34	31	14	29
Income and per pupil funding				
Average median household income (\$)	85,115	76,926	53,188	60,375
Average other local revenue (\$/pupil)	666	353	277	198
Average total revenue (\$/pupil)	8,592	7,481	8,957	7,521

SOURCE: PPIC School Finance Model (2013); American Community Survey 5-Year Estimates of Income in the Past 12 Months; Enrollment in Public Schools by Ethnic Designation, 2010–11, California Department of Education.

NOTES: Averages are weighted by district average daily attendance. Districts with parcel taxes are statistically significantly different across all characteristics (0.01 level) from districts that have never proposed a parcel tax.

A lower threshold might not do much to bridge these basic inequalities. As Table 2 shows, districts that have passed parcel taxes closely resemble those that proposed a tax that cleared 55 percent but not two-thirds.¹⁴ By contrast, districts that proposed a tax that received less than 55 percent of the vote are far more disadvantaged; the group includes several large urban districts, including Hesperia Unified, Long Beach Unified, Los Angeles Unified, San Diego City Unified, and Vacaville Unified. Other studies have found similar results when comparing districts that passed parcel taxes with those that have not.¹⁵

Districts with parcel taxes are not only better off than other districts but also benefit from other local revenues and have greater levels of per pupil funding.¹⁶ More than a third of all districts with parcel tax revenue are “basic aid” districts—their share of property tax revenue exceeds their revenue limit entitlements and they get to keep these excess revenues.¹⁷ By contrast, only 10 percent of districts that have never proposed or failed to pass a parcel tax measure are basic aid districts.¹⁸ These excess property taxes provide, on average, an additional \$322 per pupil to districts with parcel taxes compared to \$83 per pupil in other districts. These districts also raise more local revenue from other sources, including the sale or lease of unused buildings or lands, and student fees.

Although districts with parcel taxes have higher revenues than most other districts, they may also have higher costs. Districts with parcel taxes (as well as districts in which measures have garnered 55 percent of the vote) have higher minimum teacher salaries, which in part reflect the labor markets in which they compete for teachers.¹⁹ Another way to examine costs is to look at regional labor markets. For example, salaries are higher in areas with higher wages for college-educated non-teachers.²⁰ When total funding is adjusted using a regional wage index, differences in average funding between districts with parcel taxes and those that have never proposed them disappear.²¹ In other words, parcel tax districts largely operate in high-wage areas and need extra revenue to cover these higher salaries.

The San Francisco Bay Area has been at the center of the parcel tax movement since the passage of Proposition 13. Several key early court decisions concerned tax policy in San Francisco, and the Bay Area has been home to most of the parcel tax measures over time.²² Since 1995, the region has accounted for three of every four parcel tax measures offered by schools, and these measures have been much more likely to pass in the Bay Area than in other parts of California. Overall, the Bay Area was home to more than 80 percent of school districts with parcel tax revenue in 2010–11.

It is quite possible that the success of parcel taxes in the Bay Area in part reflects the far more liberal attitudes toward taxation and government spending in the region compared to any other part of the state.²³ It might also reflect mimicking, where a district views a parcel tax as more acceptable if neighboring districts have passed one.

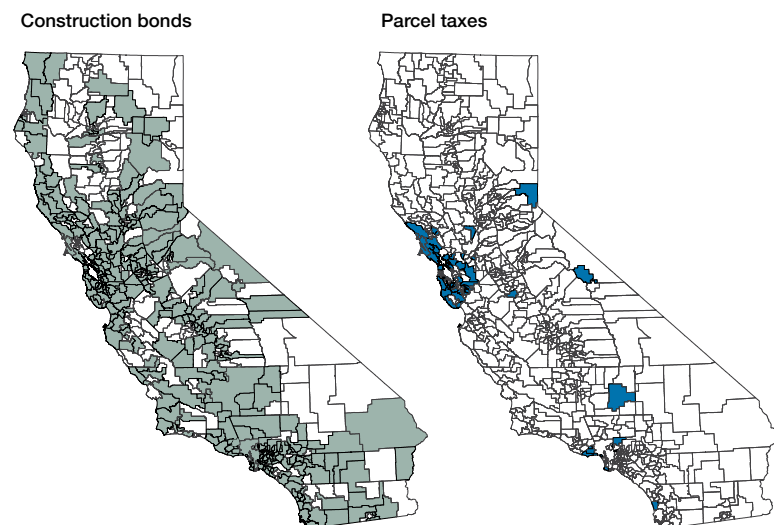
ASSESSING THE IMPACT OF A LOWER THRESHOLD

Since 1995, parcel taxes have accounted for 22 percent of all local revenue measures.²⁴ Almost half of parcel tax measures have been put on the ballot by school districts; about six in ten of these district measures have been approved.

About 10 percent of each type of district (elementary, high school, and unified) has passed parcel taxes.²⁵ Overall, voters in 105 districts have approved parcel tax measures, while 67 other districts have put at least one measure on the ballot. If the parcel tax vote threshold had been 55 percent rather than two-thirds, parcel taxes would have been approved in more than 60 percent of the 67 districts that put measures on the ballot that failed.

As we have seen, a handful of districts have repeatedly placed parcel tax measures on the ballot. Of the districts that proposed parcel tax measures from 2007 to 2011, only 13 percent had never put a parcel tax on the ballot since 1995.²⁶ There was no similar pattern among districts that did and did not put the other main source of revenue, construction bonds, on the ballot: 72 percent of the districts that proposed bond measures from 2007 to 2011 had proposed a bond measure since 1995, but so had 62 percent of districts that did not propose a bond measure during the same recent period. Figure 1 shows the consequences: the geographic scope of parcel taxes has been far more limited than that of construction bonds.

FIGURE 1. SCHOOL CONSTRUCTION BONDS HAVE HAD A MUCH WIDER GEOGRAPHIC RANGE THAN PARCEL TAXES



SOURCES: California Elections Data Archive, www.csus.edu/calst/cal_studies/CEDA.html; United States Census (school district shapefiles).

NOTE: The map on the left shows the territory covered by school districts that have passed at least one school construction bond since 1995; the map on the right shows the same for parcel taxes.

Of the 40 percent of parcel taxes that failed, three-quarters would have passed if the vote threshold had been 55 percent, which would have boosted the overall passage rate from 59 to 89 percent. However, the geographic scope of parcel taxes would not have been much different: roughly three-quarters of these would-be winners were proposed in the Bay Area, along with 83 percent of the ones that actually passed.

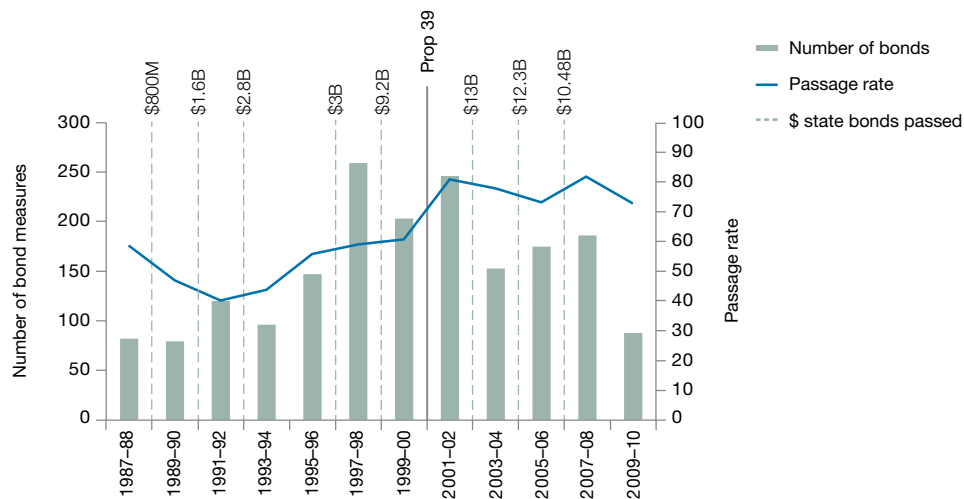
Since districts have little reason to put a measure on the ballot that is likely to lose, the passage rate is probably inflated—it cannot include measures that are not proposed. Under a lower threshold, more measures are likely to be proposed, perhaps in a wider range of geographic areas. However, if districts get ambitious and propose measures with lower likelihoods of success, the passage rate might actually fall.

A comparison case: school construction bonds

To get a sense of potential outcomes, we can look at what happened after the passage of Proposition 39, which lowered the threshold for passing school construction bonds from two-thirds to 55 percent. Construction bonds are not a perfect comparison, but they are similar to parcel taxes in many important ways: they apply to school districts, they involve raising revenue, and their passage rate was altered in exactly the way proposed for parcel taxes.²⁷

Figure 2 shows the number of school bonds on the ballot and their passage rate for each two-year period between 1987 and 2010.²⁸ The number of measures placed on the ballot increased between 1997 and 2002, likely due to a confluence of factors: increased need for school facilities, new state bond money, a booming economy, and (after 2000) the changed threshold.²⁹ This number has fallen since 2002, probably due to both a decline in state funding (no statewide bond measure has passed since 2006) and a decrease in the school-age population. Moreover, because school construction typically lasts for 20 to 30 years, the need for new facilities may have been met by the high activity earlier in the decade.

FIGURE 2. A LOWER THRESHOLD INCREASED THE PASSAGE RATE BUT NOT THE NUMBER OF SCHOOL BOND MEASURES



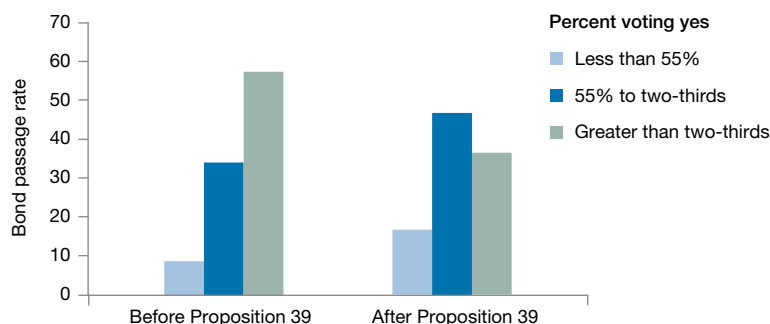
SOURCES: Kim Rueben, Tax Policy Center (1987–2000) (for a similar application of these data, see Kim Rueben and Pedro Cerdan, *Fiscal Effects of Voter Approval Requirements on Local Governments* [PPIC, 2003]); California Elections Data Archive, www.csus.edu/calst/cal_studies/CEDA.html (1995–2010).

NOTE: Numbers include school bonds of all kinds. We have no way to identify bonds proposed before Proposition 39 that would have qualified for the new threshold had the proposition been in effect.

Although districts have not proposed more measures, they appear to have asked for more money in each bond measure since the vote threshold was lowered: the median amount requested has increased by 38 percent in constant 2011 dollars (from \$29 million to \$40 million), while the median for other types of supermajority bond measures has actually declined (from \$32 million to \$27 million). The numbers are very similar when school bond amounts are calculated on a per pupil basis and for the measures that actually passed.³⁰

Districts seem to have been very strategic about the type of measures they have proposed, because failed measures under the new threshold have been rare. Figure 3 shows that the share of measures clearing the new 55 percent threshold but not the old one of two-thirds has increased since Proposition 39 (from 34% to 47%), while the share that would have won anyway has declined (from 57% to 36%). The share of complete losers—measures falling below the 55 percent threshold—has also increased, from 9 percent before to 17 percent after, but it remains low.

FIGURE 3. AFTER THE THRESHOLD WAS LOWERED, MORE BONDS PASSED



SOURCE: California Elections Data Archive, www.csus.edu/calst/cal_studies/CEDA.html (1995–2010).

Overall, Proposition 39 produced a radical increase in the number of successful bond measures: as Figure 2 shows, there was a sudden increase in the passage rate that has largely sustained itself. But this does not reflect a broader shift in public attitudes toward government taxation or spending, since (as Table 3 shows) the passage rates of other fiscal measures did not change over the same period of time. The average vote share for school construction bonds declined somewhat even as the passage rate jumped 19 points. Moreover, the average vote share was very similar for two other types of fiscal measures that are still subject to a two-thirds vote requirement: parcel taxes and bonds that are not covered by Proposition 39 and thus still require a two-thirds vote. The passage rates for these other types of measures has actually declined—quite steeply in the case of parcel taxes (12 percentage points). Because more parcel tax measures have been placed on the ballot recently, the total number of successful measures has actually increased even though the passage rate has declined. Indeed, the recent increase in parcel tax measures may be a reflection of the decline in state funding over the past few years.

TABLE 3. ONLY SCHOOL CONSTRUCTION BONDS PASSED AT A HIGHER RATE AFTER PROPOSITION 39

	Average pass rate			Average yes vote		
	Before Prop 39	After Prop 39	Change	Before Prop 39	After Prop 39	Change
School construction bonds	58%	77%	+19%	68%	63%	-5%
Other bonds	60	56	-4	65	66	+1
School parcel taxes	69	57	-12	70	67	-3

SOURCE: California Elections Data Archive, www.csus.edu/calst/cal_studies/CEDA.html.

NOTE: Of the three types of revenue measures, only school bonds were affected by the threshold change from two-thirds to 55 percent. About 14 percent of post-Proposition 39 school bonds did not qualify for the new threshold and continued to require a two-thirds vote to pass. We have no way to identify bonds proposed before Proposition 39 that would have qualified for the new threshold had the proposition been in effect. Thus, we included all supermajority bonds in both periods to make the comparison consistent. When these two-thirds school bonds are excluded from the post-Proposition 39 period, the vote share is the same but the passage rate increases to 83 percent.

CONCLUSION

Although parcel taxes have offered one of the only ways for school districts to increase their funding outside the strictures of Proposition 13, they account for less than 1 percent of statewide school revenue. About six in ten proposed parcel taxes have been approved, largely in small, wealthy school districts in the San Francisco Bay Area.

Lowering the threshold for passing parcel taxes from two-thirds to 55 percent might raise this approval rate. But would it encourage a broader range of districts to propose such taxes in the first place? A similar threshold change for school construction bonds greatly improved the passage rate without necessarily increasing the total number of measures. Moreover, the districts that would have benefited most from a lower threshold in the past have been very similar to those that actually passed a tax. So it is not clear that a 55 percent threshold would expand the reach of parcel taxes to new areas of the state or to more disadvantaged students. Arguments to the contrary depend heavily on questionable assumptions.³¹

Even if a lower threshold benefits only wealthy districts, it might serve to smooth the transition to a new school finance system, which has been overhauled to better target districts with needy students. A lower threshold could help make this system acceptable to these wealthier areas by giving them more control over their own finances.

NOTES

- 1 For more on this new funding formula, see Heather Rose and Margaret Weston, *California School District Revenue and Student Poverty: Moving Toward a Weighted Pupil Funding Formula* (PPIC, February 2013).
- 2 School districts are able to raise other funds, including voluntary contributions from parent-teacher associations and education foundations, the sale or lease of unused buildings, sales or publications, interest on investments, and some student fees. In 2011–12, districts raised an average of \$3.1 billion in non-parcel tax local revenue.
- 3 The statewide 1 percent property tax is assessed on land when it is purchased and the tax is based on the purchase price. Proposition 13 limits the increase in a property's assessed value (the value on which it is taxed after purchase) to 2 percent per year. The difference in assessed value and market value may be large for land that has been held by one family or corporation for a long time.
- 4 There has been recent litigation on this point, discussed below. Also, some school districts have experimented with alternatives to the flat fee per parcel of land, including charging a flat fee per square footage or charging different fees based on the use of the land. For example, some districts have imposed different fees for vacant lots, multi-unit residential lots, and commercial lots.
- 5 Specifically, the decision held that parcel taxes are “special” taxes under Proposition 13. Proposition 13 permits local jurisdictions to raise special taxes by a two-thirds vote of the people. For more details see Eric J. Brunner, “The Parcel Tax,” in *School Finance and California's Master Plan for Education*, ed. Jon Sonstelie and Peter Richardson (PPIC, 2001), pp. 187–212.
- 6 Several school districts report parcel tax revenues of about \$1 per pupil that appear to be from measures that have expired.
- 7 The First District Court of Appeals ruled in *Borikas v. Alameda Unified School District* that school districts do not have the authority to propose variable rates and the state Supreme Court recently refused to hear an appeal. The legislature could overturn this decision: though some argue that variable rates are forbidden by Proposition 13, the issue has traditionally been handled as a statutory and not a constitutional matter. Thus, the law can be changed by the legislature with a simple majority and no follow-on vote by the general public. Legislation (AB 59) has been introduced in the Assembly to explicitly permit such taxes, but has not yet passed. The legislature has tinkered with permissible exemptions from time to time in this way. For example, in 1990 the legislature permitted park districts to tax unimproved land at a lower rate than improved land, which was later extended to all local districts except K–12 school districts through SB 158 (Chapter 70, Statutes of 1991). The most recent change was SB 874 (Chapter 791, Statutes of 2012), which allowed an exemption of persons of any age receiving SSDI benefits with income below 250 percent of the poverty line.
- 8 See AB 1140 (Chapter 100, Statutes of 1987) and AB 385 (Chapter 41, Statutes of 2006).
- 9 Although the senior exemption in particular seems intended to improve the odds of passage, the passage rate for measures that mention the exemption is about the same as for those that do not.
- 10 Bree Lang and Jon Sonstelie, “The Parcel Tax and the Price of Public School Quality,” unpublished manuscript, December 2012.
- 11 Differences in median income persist (though are smaller in magnitude) once income is adjusted for the differences in cost of living across districts.
- 12 Districts with parcel taxes have higher shares of students of Asian descent, including Filipinos and Pacific Islanders, and a higher proportion of students who identify with multiple races. However, they have lower shares of African American and Latino students and higher shares of white students.
- 13 Lang and Sonstelie (forthcoming) use the number of students per parcel to define district residents' tax price—the marginal increase a voter must pay for an additional unit of education. They find that this measure of tax price is a significant negative predictor of the likelihood of passing a parcel tax.
- 14 Because parcel tax revenue is reported by district and is not audited, there are some uncertainties. The table includes six districts (Knightsen Elementary, McSwain Union Elementary, Menlo Park City Elementary, Mojave Unified, San Dieguito Union High, and Three Rivers Union Elementary) that passed parcel taxes between 1996 and 2011 but do not report parcel tax revenue in 2010–11. In most instances, these parcel taxes have expired. It also includes six districts (Hayward Unified, Hillsborough City Elementary, Loma Prieta Joint Union Elementary, Pacifica, and Santa Barbara City Schools) that report parcel tax revenue but for whom we do not have a record of a parcel tax election between 1996 and 2011. Some of these districts have longstanding parcel taxes and hold periodic votes to override the Gann limit (a spending ceiling introduced in the 1970s) so that they can spend their parcel tax revenue. Finally, it excludes three districts (Fremont Unified, Los Gatos-Saratoga Joint Union High, and Sunnyvale) that passed parcel taxes in 2010 but did not receive revenues until after the 2010–11 school year.
- 15 See Brunner, “Parcel Tax”; Lisa Chavez and Louis Freedberg, “Raising Revenues Locally: Parcel Taxes in California School Districts 1983–2012” (EdSource, 2013).

- 16 Districts that have never cleared 55 percent have the highest levels of funding largely because they have the most disadvantaged students, and state and federal programs overwhelmingly target disadvantaged students. Heather Rose and Margaret Weston, *California School District Revenue and Student Poverty: Moving Toward a Weighted Pupil Funding Formula* (PPIC, 2013).
- 17 If property taxes are insufficient to meet a district's entitlement, the state fills the gap; on average, property taxes comprise 35 percent of districts' revenue limits and the state provides the rest. But if a district's share of property taxes exceeds the revenue limit entitlement, it retains the excess revenue. For more on the revenue limit system, see Margaret Weston, *Funding California Schools: The Revenue Limit System* (PPIC, 2010). See Weston, *Basic Aid School Districts* (PPIC, 2013), for more information about basic aid school districts.
- 18 The exact percentages of basic aid by parcel tax status are 10 percent (79/790) that never proposed a tax, 8 percent (2/24) that proposed a tax but got less than 55 percent of the vote, 14 percent (6/24) of districts that proposed a tax and got more than 55 percent of vote, and 37 percent (39/105) of districts that passed a tax. Conversely, 30 percent (37/126) of basic aid districts have passed a parcel tax, 2 percent (2/126) have proposed a tax but failed to get 55 percent, 5 percent (6/126) have proposed and gotten more than 55 percent, and 63 percent (79/126) have never proposed a parcel tax.
- 19 Minimum salaries average \$43,000 in districts that have passed or cleared 55 percent compared to \$40,000 in districts that did not clear 55 percent and \$41,000 in districts that have never proposed a parcel tax.
- 20 Heather Rose and Ria Sengupta, *Teacher Compensation and Local Labor Market Conditions in California: Implications for School Funding* (PPIC, 2007).
- 21 In unadjusted terms as Table 2 displays, districts that have passed parcel taxes have average funding levels that are about \$1,000 per pupil greater than districts that have never proposed a parcel tax. Once adjusted, this difference decreases to about \$100 per pupil and is no longer statistically significant.
- 22 Brunner, "Parcel Tax"; Lang and Sonstelie, "The Parcel Tax and the Price of Public School Quality."
- 23 Eric McGhee and Daniel Krimm, "California's Political Geography" (PPIC, 2012).
- 24 While we have some data for some types of measures in elections as far back as 1987, most of our data on local elections come from the California Elections Data Archive, which currently has records for the years 1995 through 2011 only.
- 25 Of the 545 elementary districts, 62 have passed parcel taxes, as have 10 of 82 high school districts and 33 of 335 unified districts.
- 26 We chose the period of 2007 to 2011 because it offered a large enough range of time to give most districts an opportunity to place a measure on the ballot if they wanted, while also offering plenty of time since the beginning of the data set in 1995.
- 27 There are a number of differences between parcel taxes and construction bonds. Construction bonds supply long-term capital financing, while parcel taxes fund yearly operating expenses. Schools receive matching funds from the state for construction projects but not for parcel taxes, and a statewide bond measure to finance the match has passed almost every two years between 1986 and 2006. (There was no bond measure on the ballot in 2000, the year that Proposition 39 was passed. The only failed bond measure was Proposition 1B in 1994.) So school districts have had incentives to put bond measures on the ballot, as well as an argument for why they should be passed, regardless of the mood of the electorate in other respects.
- 28 Companion legislation to Proposition 39, passed by the legislature, required qualifying measures to be proposed at an otherwise regularly scheduled election. As a practical matter, virtually all of the measures since Proposition 39 have been proposed at regularly scheduled statewide primary or general elections in even-numbered years, though a handful have been proposed at regularly scheduled odd-year elections. We have combined pairs of years in order to make the numbers before and after the reform as comparable as possible.
- 29 For more on proposal and passage rates over time, see Kim Rueben and Pedro Cerdan, *Fiscal Effects of Voter Approval Requirements on Local Governments* (PPIC, 2003).
- 30 We only have data on school enrollment for 2010, so the per pupil calculation cannot incorporate differential growth rates of school districts over time. Likewise, we cannot calculate the per pupil value for 88 school districts that no longer existed in 2010 because they had been split or merged with other districts.
- 31 One recent study by Imre Meszaros concluded that as many as two-thirds of districts could have even odds of passing a parcel tax under a lower threshold. But this estimate is almost certainly far too high. Meszaros himself notes that the conclusion depends heavily on the assumption that a district's decision to propose a parcel tax is effectively random. If it is *not* random—if, as we have noted, districts are very strategic about putting such measures on the ballot and will not do so if the odds of passage are not good—then the projected passage rate offered by Meszaros will be exaggerated, and probably to a significant degree. See Imre Meszaros, "The Political Economy of School District Parcel Tax Elections" (Ph.D. dissertation, University of Southern California, 2010).

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