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SAN DIEGO CITY SCHOOLS
District Finance Department

WATSON INITIATIVE AS IT RELATES TO EDUCATION
March 7, 1972

The second Watson Initiative constitutional amendment (named for the assessor of Los Angeles County) has qualified for the November Statewide ballot. It will be remembered that the first Watson Initiative was placed on the ballot in 1968 and that it was rejected by the voters by a margin of almost two to one.

It is the intent of this initiative that:

(a) The property tax be limited to 1.75% of market value for all purposes other than for the payment of debts.

(b) All public welfare costs and most education costs be funded from sources other than the property tax.

The initiative provides specific limits to the use of property tax such as:

County	$2.00
City	$2.00
Schools	$2.00
Inter-county special districts	$ .50
Intra-county special districts	$ .50
Total	$7.00

To replace the funds that would no longer be available from the property tax, the measure proposes changes in other taxes such as: an increase in State's sales tax of one cent on the dollar, the doubling of cigarette taxes, and an increase in liquor taxes. The initiative also proposes an across-the-board net income tax of 11% on all corporations, insurance companies, and banks, and a 7% mineral severance tax. In addition, certain other changes would be made.

There is currently a Statewide debate as to whether the changes in other taxes proposed in the initiative would totally replace the funds lost by the decrease in property taxes. Alan Post's preliminary analysis of the initiative indicated that the program is under-funded by approximately $700 million and that an increase in State taxes beyond that provided in the amendment will be required. Supporters of the initiative state that this analysis is incorrect.

This initiative, if passed, will have a tremendous effect upon the financing of education and it is with this that we are primarily concerned. The initiative provides the following method of funding education:

(a) The total financing of community colleges would be shifted to the State.

(b) Each county would levy a $2.00 county-wide property tax for K-12 schools.

(c) The State, from the General Fund, would allocate and apportion to each county in each fiscal year, a total base amount of $825 per a.d.a. in all of the schools within the county less the sum derived from the $2.00 county-wide property tax. This base amount might be changed from time to time by the Legislature. However, the base amount would have to be adjusted annually to reflect changes in the cost of living index in a manner to be established by the Legislature.

(d) After the total amount is distributed to each county, the initiative provides that unless the Legislature provides otherwise, the total amount for each county will be apportioned among the school districts within the county by the Board of Supervisors of the county.

(e) School districts may levy property taxes for the payment of debts authorized or outstanding as of July 1, 1972 and subsequent debts incurred, provided the proposition for incurring the debt has been approved by a two-thirds majority of votes cast on such a proposition.

It is not possible to assess the total potential impact of this measure upon the San Diego City Schools at this time since there are many important questions left unanswered.

The most important question is how will the total funds available for K-12 schools within San Diego County be allocated to the individual school districts within the county. An even more fundamental question is who will make the allocation. As stated in (d) above, unless the Legislature provides otherwise, this allocation will be determined by the County Board of Supervisors. Regardless of the answers to the question of who and how, it is apparent that the present authority of individual boards of education will be greatly reduced.

It must be understood that the $825 per a.d.a. mentioned in the initiative is not a fixed or guaranteed amount for each district. It is merely a method for determining a total fund for all K-12 districts within a county. Since there is no provision otherwise, it must be assumed that the County Department of Education will be financed from this fund thereby reducing the amount available for distribution.

The initiative is silent on the matter of Federal funding in both the area of Federal-sponsored compensatory education and in the area of Federal impact aid. The decision as to how these areas will figure in the allocation is very important

to San Diego City Schools. For instance, we receive over $6 million in Federal impact aid. If this is to be deducted from what would otherwise be a $825 per a.d.a. allocation, then the total funds available to San Diego would be considerably less than if the allocation were made without regard to the Federal impact aid.

In summary--it is apparent that the passage of the Watson Initiative would have a tremendous effect upon the funding and consequently the operation of public schools. Just what the final outcome would be is impossible to determine at this time.

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