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## Sets Minimum Compensation for Some Public-School Teachers Equal to That of State Legislators. Sales Tax Increase. Initiative Statute.

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

**SETS MINIMUM COMPENSATION FOR SOME PUBLIC-SCHOOL TEACHERS  
EQUAL TO THAT OF STATE LEGISLATORS. SALES TAX INCREASE.**

**INITIATIVE STATUTE.** Requires that full-time, public-school teachers with a credential that would allow them to teach beyond five years (also known as a “clear credential”) be paid no less than regular members of the state Legislature. Funds the minimum compensation with an additional two percent sales tax over the current rate. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Increased state sales tax revenues of approximately \$14 billion annually, with proceeds spent on higher teacher salaries. Additional costs to schools of about \$3 billion per year to cover higher teacher pensions and certain other benefits costs resulting from—but not funded by—the measure. Schools and the state could take a variety of actions to bring required spending in line with available resources. Increased state costs of about \$1 billion per year to cover higher teacher pensions. Potential state actions—such as lowering spending on other programs—to keep state spending from exceeding the state’s constitutional limit.**

(17-0021.)

September 26, 2017

Ashley Johansson  
Initiative Coordinator  
Office of the Attorney General  
1300 I Street, 17th Floor  
Sacramento, CA 95814

**RECEIVED**

**SEP 26 2017**

**INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE**

Dear Ms. Johansson:

Pursuant to Elections Code Section 9002 (b)(1), this letter is to request that the Attorney General prepare a title and summary for the Teacher Fair Pay Act using the amended language that is enclosed.

Should you have any questions, please contact us at:

Great Teachers, Better Schools  
c/o California Trust for Public Schools  
12400 Ventura Blvd. #363  
Studio City, CA 91604-2406  
Phone: 213-973-2877  
Email: [info@fairpay2018.com](mailto:info@fairpay2018.com)

Thank you for your assistance.

Sincerely,



MARC LITCHMAN

Enclosed: Amended text of the Teacher Fair Pay Act

Great Teachers, Better Schools ID#1395304  
12400 Ventura Blvd. #363 Studio City, CA 91604  
213.973.2877 [info@fairpay.com](mailto:info@fairpay.com)  
[www.fairpay2018.com](http://www.fairpay2018.com)

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

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

(Here set forth the unique numeric identifier provided by the Attorney General and circulating title and summary prepared by the Attorney General. Both the Attorney General's unique numeric identifier and the circulating title and summary must also be printed across the top of each page of the petition whereon signatures are to appear.)

TO THE HONORABLE CALIFORNIA SECRETARY OF STATE

We the undersigned, registered, qualified voters of California, residents of \_\_\_\_\_ County, hereby propose amendments to the Education Code and the Revenue and Taxation Code, relating to teachers, and petition the Secretary of State to submit the same to the voters of California for their adoption or rejection at the next succeeding statewide general election or as otherwise provided by law. The proposed statutory amendments read as follows:

SECTION 1. The people of State of California find and declare all of the following:

- (a) An effective teacher is the single most important factor in the education of a child. It is therefore crucial that our schools recruit and retain high-quality teachers.
- (b) The future of California's economy, today the 6th largest in the world, is built on an educated and highly skilled workforce
- (c) Over the next ten years 100,000 California teachers are expected to retire.
- (d) Rigorous national standards and higher standards for student performance have raised the demand for talented teachers, yet new teachers leave the profession at a rate six times greater than other public employees, and fifty percent faster than police officers, firefighters, and other first responders.
- (e) Annual pink slips, layoffs, and teacher pay that lags seventeen percent behind similar professions have discouraged the best and brightest from pursuing a career in teaching.
- (f) The number of college graduates preparing to become teachers has plummeted by seventy-six percent over the last decade.
- (g) Students with effective teachers are more likely to earn higher salaries, attend college, and save more for retirement, and are less likely to drop out, use drugs, join gangs, engage in criminal activity, or become teenage parents.
- (h)(1) Therefore, it is the intent of the of this measure to establish the California Achievement Trust Fund, the purposes of which are all of the following:
  - (A) To recruit and retain the most qualified individuals possible to teach in our schools, especially in the areas of science, technology, engineering, mathematics, and special education.
  - (B) To supplement, not replace, existing state and local funding. It is not the intent of this measure that moneys from the California Achievement Trust Fund be used to fund school district or county office of education bureaucracy, or contribute to, or defray, the cost of existing, or future, administrative programs.
  - (C) To pay teachers salaries that are competitive with the private sector and similar public sector professions and that are commensurate with today 's teacher responsibilities and future educational demands.

SEC. 2. Section 45028.5 is added to the Education Code, to read:

45028.5. (a)(1) In no case shall a full-time teacher, who has been issued a clear credential by the California Commission on Teacher Credentialing, be paid less than a non-leadership member of the California State Legislature. For purposes of this subdivision, the salary paid to the teacher shall not include a calculation that involves any per diem payments that may be made to a member of the California State Legislature.

(b) All revenues received pursuant to Sections 6051.9 and 6201.9 of the Revenue and Taxation Code shall be deposited into the California Achievement Trust Fund, which is hereby created in the State Treasury. The moneys in the fund shall only be available, upon appropriation by the Legislature, to the State Department of Education for allocation to school districts and county offices of education for purposes of paying any enhanced teacher salaries required pursuant to this section.

SEC. 3. Section 6051.9 is added to the Revenue and Taxation Code, to read:

6051.9. (a) In addition to the taxes imposed by Section 6051 and any other provision of this part, for the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers at the rate of two percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state on and after January 1, 2020.

(b) All revenues, less refunds, received pursuant to this section shall be deposited in the State Treasury to the credit of the California Achievement Trust Fund, as established pursuant to subdivision (b) of Section 45028.5 of the Education Code.

SEC. 4. This act may be amended to further its purposes by statute, passed in each house of the Legislature by roll call vote entered in the journal, two-thirds of the membership concurring and signed by the Governor.

SEC. 5. This act shall become operative on January 1, 2020.

SEC. 6. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.



**ALEX PADILLA**  
California Secretary of State

AP17:089

**FOR IMMEDIATE RELEASE**

**October 26, 2017**

**CONTACT:**

**SOS Press Office**

**(916) 653-6575**

## **Proposed Initiative Enters Circulation**

***SETS MINIMUM COMPENSATION FOR SOME PUBLIC-SCHOOL TEACHERS EQUAL TO THAT OF STATE LEGISLATORS. SALES TAX INCREASE. INITIATIVE STATUTE.***

**SACRAMENTO** – Secretary of State Alex Padilla announced the proponent of a new initiative was cleared to begin collecting petition signatures today.

The Attorney General prepares the legal title and summary that is required to appear on initiative petitions. When the official language is complete, the Attorney General forwards it to the proponent and to the Secretary of State, and the initiative may be circulated for signatures. The Secretary of State then provides calendar deadlines to the proponent and to county elections officials. The Attorney General's official title and summary for the measure is as follows:

**SETS MINIMUM COMPENSATION FOR SOME PUBLIC-SCHOOL TEACHERS EQUAL TO THAT OF STATE LEGISLATORS. SALES TAX INCREASE. INITIATIVE STATUTE.** Requires that full-time, public-school teachers with a credential that would allow them to teach beyond five years (also known as a “clear credential”) be paid no less than regular members of the state Legislature. Funds the minimum compensation with an additional two percent sales tax over the current rate. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Increased state sales tax revenues of approximately \$14 billion annually, with proceeds spent on higher teacher salaries. Additional costs to schools of about \$3 billion per year to cover higher teacher pensions and certain other benefits costs resulting from—but not funded by—the measure. Schools and the state could take a variety of actions to bring required spending in line with available resources. Increased state costs of about \$1 billion per year to cover higher teacher pensions. Potential state actions—such as lowering spending on other programs—to keep state spending from exceeding the state’s constitutional limit. (17-0021.)**

The Secretary of State's tracking number for this measure is 1817, and the Attorney General's tracking number is 17-0021.

The proponent of the measure, Marc Litchman, must collect the signatures of 365,880 registered voters (five percent of the total votes cast for Governor in the November 2014 general election) in order to qualify it for the ballot. The proponent has 180 days to circulate petitions for the measure, meaning the signatures must be submitted to county elections officials no later than April 24, 2018. The proponent can be reached at (213) 973-2877 and [info@fairpay2018.com](mailto:info@fairpay2018.com).

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October 11, 2017

RECEIVED

OCT 11 2017

Hon. Xavier Becerra  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

Attention: Ms. Ashley Johansson  
Initiative Coordinator

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative pertaining to the state sales tax and teacher compensation (A.G. File No. 17-0021, Amendment No. 2).

### Background

***Sales Tax Levied for Local and State Purposes.*** California's local governments and the state levy a tax on retail sales of tangible goods. This tax—called the sales and use tax—is a significant source of local and state revenue. The rate varies across the state, ranging from 7.25 percent to 10.25 percent, but averages 8.5 percent statewide.

***State Guarantees a Minimum Level of Funding for Schools.*** Proposition 98 (1988) amended the State Constitution to provide K-12 schools and community colleges a minimum level of funding each year. Commonly referred to as the minimum guarantee, this funding level generally grows each year with the economy and the number of K-12 students. The guaranteed funding is provided through a combination local property tax revenues and the state General Fund (consisting primarily of personal income tax, state sales and use tax, and corporation tax revenue). Over the past few decades, the Proposition 98 guarantee has grown at an average rate of about 5 percent per year, though annual growth can vary considerably from year to year. Each year, the Legislature determines how to split Proposition 98 funds between schools and community colleges. (Historically, schools have received about 90 percent of total Proposition 98 funds.) The Legislature also determines how to allocate non-Proposition 98 General Fund monies among other state-funded entities (such as health and human services).

***Traditional Route to Teaching Has Two Phases—Preliminary and Clear Credential.*** K-12 teachers typically enter the profession after completing a bachelor's degree and teacher preparation program, at which time they receive a preliminary teaching credential. Next, teachers must complete a state-approved mentorship program within their first five years of teaching. Teachers receive a "clear" teaching credential upon completion of their mentorship program, which authorizes them to teach for the duration of their career.

Legislative Analyst's Office  
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***Teacher Salaries Are Determined Locally.*** State law requires schools to collectively bargain teacher salary levels with local unions. Salary levels are typically based on teachers' educational attainment and length of employment at a district, with higher educated and more experienced teachers earning more than other teachers. Teacher salaries in California tend to range from about \$45,000 to \$90,000 per year, with the average teacher earning \$77,179 in the 2015-16 school year. Generally, teachers work on ten-month contracts.

***Teacher Salaries Affect Retirement and Certain Other Benefit Costs for Schools and the State.*** As part of their compensation packages, teachers are entitled to a pension benefit upon retirement. The amount of a teacher's pension benefit is determined by a formula based on years of service and salary at retirement. School districts, the state, and teachers all have a role in funding teacher pension benefits. School districts and the state must currently pay 14.4 percent and 9.1 percent, respectively, of teachers' salaries toward their future retirement benefits. By 2020, this obligation will grow to 18.1 percent for schools and 10.1 percent for the state. Districts also must cover other salary-driven benefit costs (such as workers compensation and unemployment insurance), though these costs are much lower than pension costs.

***Commission Sets Compensation Levels for State Legislators.*** Proposition 112 (1990) amended the State Constitution to create the California Citizens Compensation Commission. The commission establishes the annual salary for legislators (among other high-ranking state officials). Since 1990, legislative pay has increased on average by 2.5 percent per year. Effective December 4, 2017, non-leadership members of the Legislature will earn \$107,242 per year.

***California Constitution Limits Government Spending.*** Proposition 4 (1979) amended the Constitution to impose spending limits on local governments and the state. Proposition 4 limits spending from tax revenue (such as the sales tax) but not fee revenue (such as driver license fees). A few categories of spending are exempt from the limits, such as spending on buildings and other infrastructure. Governments may not spend beyond their limits. Current estimates indicate that the state has \$6 billion of "room" under its spending limit.

## Proposal

This measure changes state law in the following ways:

- ***Requires Teachers to Earn No Less Than State Legislators.*** Beginning in 2020, the measure requires teachers working full-time at schools to be paid no less than non-leadership members of the California Legislature. This provision only applies to teachers with a clear teaching credential.
- ***Increases State Sales Tax Rate by 2 Percent.*** Beginning in 2020, the measure increases by 2 percent the state sales tax on all retail goods sold in California. The proceeds from the tax would be deposited into a "California Achievement Trust Fund," which only would be available to schools to pay enhanced teacher salaries.

## Fiscal Effects

***Tax Increase Would Raise Roughly \$14 Billion Annually for Teacher Salaries.*** The sales tax levied by the measure would generate between \$13 billion and \$15 billion in annual revenue.

***Costs to Meet the Measure's Salary Requirement.*** We estimate that, statewide, it would cost schools about \$10 billion to pay all eligible teachers at the legislative salary rate. Schools could use the remaining funds to raise certain teachers' salaries (such as more experienced teachers) beyond the required minimum level.

***Teacher Salary Increases Would Result in Higher Benefit Costs to Schools and the State, Totalling at Least \$4 Billion Annually.*** As discussed above, salary levels drive certain employee benefit costs. Assuming increased salary costs to schools of about \$14 billion, we estimate that benefit costs to schools (pensions as well as certain other benefit costs) would increase by about \$3 billion annually. We estimate that the state's share of pension costs would increase by about \$1 billion annually.

***Schools Could Respond to Increases in Benefit Costs in a Variety of Ways.*** Because the measure does not provide funding for higher benefit costs triggered by increased teacher salaries, schools could respond in a variety of ways to keep unfunded costs resulting from the measure in line with available resources:

- ***Reduce Non-Teacher School Workforce.*** Some districts might reduce the size of their non-teacher workforce. Non-teacher staff include administrators, librarians, and school janitors.
- ***Reduce Teacher Workforce.*** Districts could reduce their expenditures by employing fewer teachers. To educate the same number of students with fewer teachers, districts could increase class sizes or require teachers to work year-round.
- ***Reduce or Eliminate Benefits for Teachers.*** School districts could reduce the amount they contribute toward certain teacher benefits (such as medical and dental insurance) and require teachers to pay a larger share of costs.

***State Could Respond by Providing Additional Funding to Schools.*** The state could respond in various ways as well. For example, the state could allocate new monies from any future growth in the Proposition 98 minimum guarantee to assist districts with higher benefit costs resulting from this measure. It also could increase funding for schools by reducing community colleges' share of Proposition 98 General Fund support.

***More Likely State Reaches Spending Limit.*** As indicated earlier, the state currently has about \$6 billion of room under its constitutional spending limit. The amount of room tends to fluctuate with the economy, and could be higher or lower than this amount upon the measure's effective date. Nevertheless, spending the approximately \$14 billion in tax revenues raised by the measure generally would count against the state's limit, decreasing room from what it otherwise would be. The measure therefore would make it more likely that the state would reach its spending limit at some point in the future. If the state reached the limit, it would have to make choices about how to keep spending under the limit. These choices include reducing other

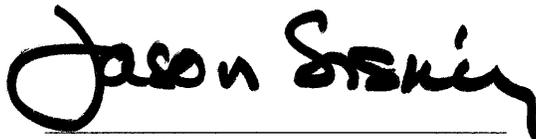
spending currently subject to limitation, reducing taxes, and shifting existing spending on programs to categories exempt from the limit.

**Summary of Fiscal Effects**

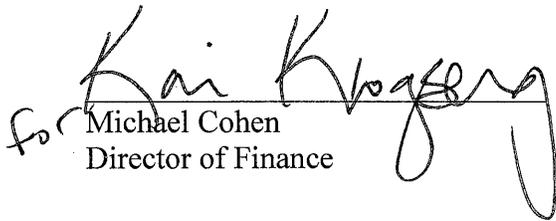
This measure would have the following major fiscal effects:

- Increased state sales tax revenues of approximately \$14 billion annually, with proceeds spent on higher teacher salaries.
- Additional costs to schools of about \$3 billion per year to cover higher teacher pensions and certain other benefits costs resulting from—but not funded by—the measure. Schools and the state could take a variety of actions to bring required spending in line with available resources.
- Increased state costs of about \$1 billion per year to cover higher teacher pensions.
- Potential state actions—such as lowering spending on other programs—to keep state spending from exceeding the state’s constitutional limit.

Sincerely,



to Mac Taylor  
Legislative Analyst



for Michael Cohen  
Director of Finance