CALIFORNIA BUDGET PROJECT

Budget Brief

August 2000

ARE VOUCHERS THE WAY TO IMPROVE CALIFORNIA'S SCHOOLS?

INTRODUCTION

Proposition 38, on the November 2000 ballot, would create a publicly funded program to provide parents with vouchers that could be redeemed for private school tuition. This measure represents the second attempt to institute a school voucher system through the ballot box within the last decade. In November 1993, nearly 70 percent of the voters defeated the first attempt, Proposition 174. Proposition 38 is sponsored by Silicon Valley venture capitalist Timothy Draper.

Proposition 38 would make fundamental changes to the constitutional provisions governing public education in California. In brief, the measure:

- Provides parents of K-12 students with a voucher worth at least $4,000 per child, per year to help pay tuition and fees for the private school of their choice.
- Replaces Proposition 98's school spending guarantee with a funding guarantee that is based on the average national per pupil spending, under certain circumstances.
- Circumvents the state constitution's prohibition on spending public funds for faith-based schools by specifying that vouchers are grants to parents rather than funding for private schools.

The use of public funds for private schools, particularly faith-based schools, raises a number of legal and constitutional issues that are beyond the scope of this analysis. The U.S. Supreme Court has not ruled on the constitutionality of school voucher programs. However, state and federal district courts have struck down programs in Vermont, Maine, Florida, and Ohio that allowed vouchers to be used at faith-based schools. The Wisconsin Supreme Court upheld, and the U.S. Supreme Cout refused to hear an appeal of the Milwaukee voucher program. Recent Supreme Court decisions, such as the June 2000 decision allowing states to use public funds to provide computers for religious schools, make predictions about the court's position difficult.

A school voucher program of this scale is unprecedented. Voucher programs in other states have been narrowly targeted to students with economically disadvantaged backgrounds or who attend low-performing schools. The Milwaukee school voucher program, for example, limits eligibility to Milwaukee Public School (MPS) students whose family income does not exceed 175 percent of the federal poverty level. In 1998-99, eight years after the program began, approximately six percent of MPS students used vouchers to attend private schools.[1]

The school voucher programs in Cleveland, OH and Florida, both of which have been struck down by state and federal district courts, are also very targeted programs. The Florida program makes vouchers available only to students who attend public schools that have failed to meet the state's performance standards for two consecutive years. The Cleveland program provides vouchers to students from families with incomes below 200 percent of the federal poverty line.[2]

HOW WOULD PROPOSITION 38'S VOUCHER SYSTEM WORK?

Administration. Proposition 38 would provide parents with a voucher worth $4,000 or one-half of public school per pupil spending, whichever is greater, that can be redeemed toward private school tuition and fees. Because of increases in K-12 public education spending, it is likely that the voucher amount would increase above the $4,000 level quickly. Proposition 38 defines private schools that accept vouchers as "voucher-redeeming schools".

Parents with children currently attending private schools would be eligible for vouchers, as well as those with children currently enrolled in public schools. In 2001-02, vouchers would become available to all students currently enrolled in public schools and all students entering kindergarten. Eligibility for students currently enrolled in private schools would be phased-in over a four-year period.

Table 1: Implementation of Voucher Eligibility for Students Currently Enrolled in Private Schools	
2001-02	Vouchers are available to students in Kindergarten.
2002-03	Vouchers are available to students in grades K-2.
2003-04	Vouchers are available to students in grades K-8.
2004-05	Vouchers are available to students in grades K-12.

If the entire amount of the voucher is not used in a given year, the remainder would be held in an account managed by the State Treasurer. Parents could use account balances toward a child's future K-12 or college tuition and fees. Once the student either turns 21 or completes an undergraduate degree, any remaining funds would be returned to the state's General Fund.

Finance. Under current law, the spending guarantee created by Proposition 98 of 1988 establishes a minimum funding level for public education.[3] Proposition 38 specifies that funding for the vouchers will not count toward Proposition 98's spending guarantee. Consequently, total spending for K-12 education would be the sum of public school spending plus the cost of vouchers for students attending private schools.[4] Proposition 38 also includes a new school spending guarantee that would replace Proposition 98 under certain circumstances (see below).

Regulations. Proposition 38 limits the ability of the state or local governments to impose new regulations on private schools, including schools that receive vouchers. Proposition 38 explicitly protects private schools from "unnecessary, burdensome or onerous regulation." Any state regulations beyond those in effect as of January 1, 1999, including those relating to health, safety, and land use, must be approved by three-fourths of both houses of the Legislature. New local regulations would require approval by two-thirds of the local governing body and a majority of voters in the jurisdiction. Currently, most regulations on private schools can be changed with a majority vote of the state Legislature or local governing body.

Admissions. Proposition 38 prohibits private schools that accept vouchers from discriminating on the basis of race, ethnicity, color, or national origin. However, the measure does not prohibit voucher-redeeming schools from adopting policies that discriminate on the basis of gender, physical disability, sexual orientation, religion, or academic performance.

Curriculum. Proposition 38 does not include standards or guidelines for curriculum in grades K-8 and establishes minimal standards in private high schools. Voucher-redeeming high schools must certify that they have obtained notice that the coursework offered in at least one academic subject area (i.e., history or math) fulfills the admission requirements for the University of California, California State University, or any accredited private college or university. Alternatively, a voucher-redeeming high school can obtain accreditation or provisional accreditation from an agency recognized by the state.

Voucher-redeeming schools must administer a standardized test that is given to public school students for national comparisons of academic performance. It is unclear whether the initiative requires voucher redeeming schools to administer the same test given to California public school students or any nationally-normed test. However, while public schools are subject to sanctions for poor performance, including state takeover of consistently low-performing schools, no such sanctions are imposed on voucher-redeeming private schools. Additionally, beginning with the class of 2004, students attending California's public schools must pass the state High School Exit Examination in order to graduate. However, no similar requirement will apply to voucher students attending private school.

Financial Oversight. Each private school that accepts vouchers must prepare an annual financial statement, which it must make available to parents of students in the school. However, schools are not required to undergo an independent audit or submit financial statements to the state for review.

What Will Proposition 38 Mean for School Spending?

Estimating Proposition 38's impact on the state budget, school spending, and public and private school enrollment is complicated by the lack of programs of similar scale and scope. Several factors will influence Proposition 38's impact on state and local school spending:

1. The cost of providing vouchers for students who are currently enrolled in private schools.
2. The cost of providing vouchers for students who shift from public to private schools.
3. The ability of public schools to reduce costs in response to the shift of students from public to private schools.
4. Whether and when the state's current school funding guarantee is replaced by Proposition 38's new guarantee.

This *Brief* examines each of these factors in order to develop an estimate of the impact of Proposition 38 on education spending and the state budget as a whole.

1. How Much Will it Cost to Provide Vouchers for Current Private School Students?

In 1999-00, 9.8 percent of California's students in grades K–12 attended private schools.[5] Eligibility for students currently attending private schools would be fully phased-in by 2004-05. At that point, an estimated 658,334 private school students would be eligible to receive vouchers costing an estimated $3.2 billion.[6] Since no public funds are currently spent for private schools, the cost of these vouchers represents a new cost to the state.

2. How Many Students Will Choose to Attend Private Schools?

There are no good estimates of how many students would leave the public school system if offered a voucher of the size authorized by Proposition 38. As noted above, voucher programs enacted in other states and localities have been much more limited than the program created by Proposition 38 and thus offer limited guidance as to what might happen if Proposition 38 is enacted.

At least initially, the amount of the voucher would be less than the cost of tuition at many private schools. It is unclear whether parents would be willing or able to make up the difference. The number of students who transfer will depend on both parents' desire to have their children attend a private school and the ability of private schools to expand capacity to meet increased demand. The capacity of private schools to accept additional students may limit the ability of parents who wish to send their children to private schools to do so. A shift of just five percent of current public school students to private schools would represent a substantial 46 percent increase in current private school enrollment. In contrast, education experts estimate private school vacancy rates to be between three and five percent of current enrollment.

Table 2: Even a Modest Number of Transfers Translates into a Significant Increase in Private School Enrollment

Percentage of public school students who transfer	Translates into this number of public school students who transfer	Transfers as a percentage of 1999-00 private school enrollment	Number of additional private school slots needed to accommodate potential transfers
5	295,184	46%	263,144
10	578,899	90%	546,859
15	854,730	133%	822,690
20	1,125,802	176%	1,093,762

Voucher proponents argue that the private market will expand to take advantage of the subsidies created by Proposition 38. While the availability of voucher funds may encourage entrepreneurs to open new private schools, it is uncertain whether the initial $4,000 per student voucher will provide a sufficient incentive to do so. Faith-based schools represented nearly 80 percent of private school enrollment in 1999-00.[7] Many faith-based schools charge tuition that is less than their operating costs in order to avoid excluding low-income students. The church sponsoring the school subsidizes the difference between the tuition and the actual cost of operating the school. The ability for churches to open new schools will depend, in part, on their ability to operate within the limits of the voucher amount, their willingness to charge tuition above the voucher amount, and their ability to subsidize expanded enrollment.

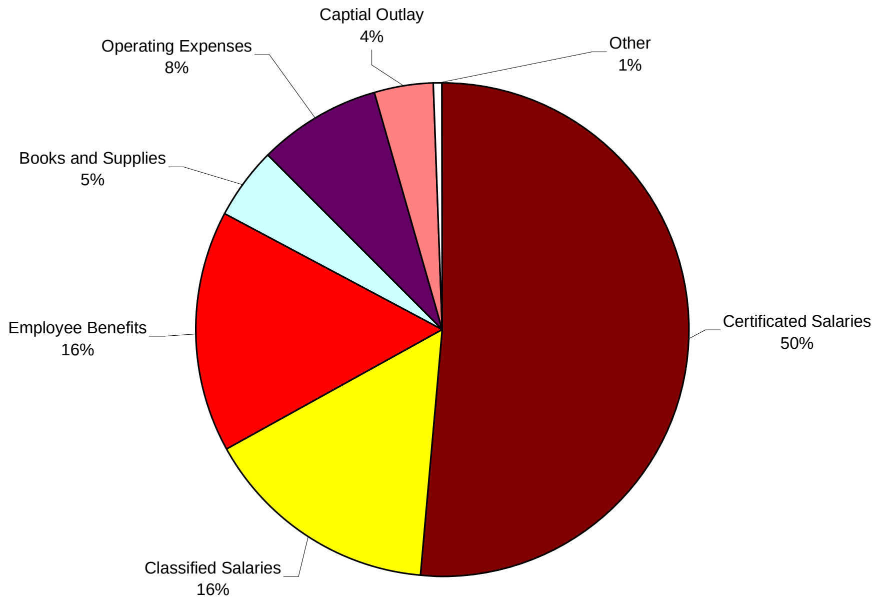
For-profit corporations could set up schools to take advantage of Proposition 38's vouchers. However, the amount of the voucher is less than the tuition currently charged by the major for-profit school corporations. For-profit school corporations charge, on average, $5,500 per student per year.[8] An informal phone survey of the leading for-profit private school provider in the nation, Nobel Learning Communities, Inc., found that their schools operating in California had per pupil tuition between $5,500 and $6,428 per year.[9]

Private schools that wish to expand may have difficulty recruiting and retaining additional teachers. The strong economy has reduced the pool of new teacher candidates as college graduates opt for higher paying jobs generated by the tight labor market. Moreover, recent state policy initiatives increasing beginning teacher salaries and reducing public school class size may make it difficult for private schools, where teachers generally earn substantially lower salaries than their public school counterparts, to hire qualified teachers.[10]

3. What Will Proposition 38 Mean for the Operating Costs of Public Schools?

Proposition 38 would allow the state to reduce public school spending by an amount equal to the number of students transferring to private schools multiplied by public school per pupil spending. In reality, public schools will not be able to reduce their total costs proportionately to reductions in enrollment without significantly increasing class sizes or otherwise reducing spending on day-to-day pupil education. This is due to the fact that many of the costs incurred by schools are relatively fixed, such as classified personnel, capital outlay, and administrative expenses.[11] In other areas, schools will be unable to achieve savings unless a substantial number of students leave the public school system.

Figure 1
California School District Expenditures, 1996-97



Source: California State Controller, *School Districts Annual Report Fiscal Year 1996-97*

Some of a district's costs are easily classified as either fixed or variable. There are also costs that fall somewhere in-between, including costs for teachers. The average class size in California's public schools was 21.7 students per teacher in 1997-98, the most recent year for which data is available.[12] In order to maintain the average class size, 21.7 students would need to transfer from the same grade within a school or, in the case of schools that combine different grades into one class, adjacent grades before a school could reduce the number of teachers it employs. Public schools may also experience a delay in realizing savings attributable to declining enrollment. In the initial years after the passage of Proposition 38, districts would likely have difficulty forecasting enrollment, complicating efforts to predict the number of teachers needed at any given school site.

Table 3: Student Transfers will be Too Dispersed to Allow for Significant Reductions in Costs for Teachers

Percent of public school students who transfer	Each elementary school (K-6) in the state would have this number of transfers in each grade	Each middle school (7-8) in the state would have this number of transfers in each grade	Each high school (9-12) in the state would have this number of transfers in each grade
5	5	19	18
10	10	37	36
15	15	54	53
20	20	72	70

Limits on public schools' ability to reduce costs in response to falling enrollment are largely related to the fact that student transfers will be dispersed across all of the state's school sites. If a relatively small percentage of students leave the public school system, as has been the case under other voucher programs, the number of students leaving any individual school will be small. If 10 percent of the state's public school students opt for vouchers, a figure that will be difficult to attain given current private school capacity, an average of 10 students per grade would leave each of the state's elementary schools.[13] At this level of transfers, administrators would be forced to shift students between schools or combine grades in order to save the cost of a teacher's salary. Moreover, as enrollment declined low seniority teachers with the lowest salaries would be the first to lose their jobs, increasing the average salary of those teachers who remained employed by the public school system.

In the long run, savings may result from reduced need for new school facilities if enough students transfer out of the public schools to lower the demand. The extent of these savings is uncertain and depends upon the number of students transferring to private schools, as well as the geographical distribution of transfers.

4. What Effect Will the New Public School Funding Guarantee Have on Spending for Schools and Other Programs?

Currently, Proposition 98 of 1988 constitutionally guarantees a minimum level of total funding for K-12 schools, child development programs, community colleges, and other smaller school-related programs. Proposition 38 replaces the current guarantee with a new National Average School Funding Guarantee (NASFG). Unlike the current guarantee, the NASFG does not require school funding to keep pace with inflation. Proposition 38 would also allow the Legislature to implement the new guarantee.

The NASFG is based on a measure that is very different from traditional estimates of per pupil spending. Under Proposition 38, once California's per pupil public school spending exceeds the national average, public schools would be guaranteed a minimum level of funding equal to enrollment times the national average per pupil spending, which is defined as all funds – state, local, federal, unrestricted funds, categorical funds, funds dedicated to cover state and local annual debt service and any other funds – used to finance local and state educational programs for grades K-12. Traditional measures, in contrast, are based on K-12 school operating costs and exclude expenditures for capital outlay and debt service, among others. Several organizations track per pupil spending by state, but none use a definition as comprehensive as that used in Proposition 38. Proposition 38 would require the state Department of Finance to collect the necessary data and calculate the new guarantee. This requirement would increase state administrative costs by an unknown amount.

Based on current school spending trends, the California Budget Project (CBP) estimates that California's per pupil spending will exceed the national average no later than 2002-03 and the NASFG would replace Proposition 98 beginning in 2003-04. The rate of growth of the NASFG depends on school funding trends in other states. In the short-run, CBP estimates that the NASFG would require a lower level of per pupil spending than under Proposition 98's current guarantee due to the interaction between recent increases in school spending and the ongoing strength of the economy.

Proposition 38 would also repeal a "hold harmless" provision found in current law that requires enrollment to decline for three consecutive years before the public school funding guarantee is reduced to reflect lower enrollment. Until the new NASFG takes effect, the "hold harmless" provision would continue to limit the state's ability to reduce public school spending. Once the NASFG becomes operative, it would allow an immediate reduction in public school funding if enrollment declines and thus could result in a lower level of per pupil spending than would be required under Proposition 98.

Finally, the NASFG repeals the constitutional guarantee established by Proposition 98 that protects an aggregate level of funding for community colleges, child care, and state special schools for the blind and deaf. If the NASFG becomes operative, funding for these programs would compete with health, public safety, higher education, and other General Fund spending priorities.

How Does Proposition 38 Affect State Funding for Education and the Budget as a Whole?

The unprecedented scale of the program created by Proposition 38 complicates any effort to assess the measure's fiscal impact. There are no good estimates of the number of students who would want to leave the public school system if a voucher were available or of the capacity of private schools to admit additional pupils. Faced with this lack of information, CBP used the best available data to estimate the fiscal impact of Proposition 38. CBP examined a range of scenarios with respect to the number of students who transfer out of the public school system and using two different assumptions with respect to the amount of savings public schools are able achieve as enrollment declines.

Proposition 38 Increases State Costs Under All Scenarios

CBP estimates that Proposition 38 could significantly increase state costs for K-12 education under all of the scenarios examined. Using CBP's best estimate of the savings that public schools potentially can achieve and proponents' estimate of the share of public school students that will transfer to private schools, Proposition 38 could increase education spending by $3.9 billion in 2004-05, the measure's first full year of implementation (Table 4).[14]

Table 4: Proposition 38 Could Increase the Cost of K-12 Education

Percent of public school students assumed to transfer to private schools	Additional cost of K-12 education in 2004-05 assuming Proposition 98 remains operative	Additional cost of K-12 education in 2004-05 assuming NASFG becomes operative in 2003-04
5	$2.3 billion	$3.5 billion
10	$2.9 billion	$3.9 billion
15	$3.5 billion	$4.3 billion
20	$4.2 billion	$4.9 billion

Assumes that public schools can reduce operating costs by 50 percent.

Using the same assumptions, Proposition 38 could increase costs by $416 million in 2001-02. The cost could rise to $4.1 billion in 2005-06, as additional students currently enrolled in private schools become eligible for vouchers and as the amount of the voucher increases when California shifts to the new NASFG (Table 5). If public schools are able to achieve additional cost reductions, the added cost falls to

Table 5: If 10 Percent of Public School Students Transfer to Private Schools, the State Could Face Significant Increases in K-12 Education Spending

Year	Estimated public school savings	Cost of vouchers	Net additional cost for K-12 education*
2001-02	$371 million	$787 million	$416 million
2002-03	$673 million	$2.3 billion	$1.7 billion
2003-04	$2.1 billion	$5.1 billion	$3.0 billion
2004-05	$2.2 billion	$6.1 billion	$3.9 billion
2005-06	$2.3 billion	$6.3 billion	$4.1 billion

*Totals may not sum due to rounding. Assumes that public schools can reduce operating costs by 50 percent.

$2.6 billion in 2004-05 (Table 6). Proposition 38 increased costs regardless of whether the current Proposition 98 or new NASFG school funding guarantee is in effect.

Table 6: Proposition 38 Could Result in Net Costs to the State for K-12 Education, Even if Public Schools Reduce Their Costs by a Greater Amount

Percent of public school students assumed to transfer to private schools	Estimated 2004-05 public school savings	Cost of vouchers	Net additional cost for K-12 education in 2004-05*
5	$1.7 billion	$4.5 billion	$2.8 billion
10	$3.3 billion	$6.0 billion	$2.6 billion
15	$4.9 billion	$7.4 billion	$2.5 billion
20	$6.4 billion	$8.8 billion	$2.4 billion

*Totals may not sum due to rounding. Assumes public schools can reduce operating costs by 75 percent.

While the new guarantee would allow lawmakers to reduce public school funding by an amount equal to the number of students who left the public school system multiplied by the NASFG, local school districts would be unable to absorb this loss without significant reduction in the quality of the public schools. In particular, achieving the maximum legally allowable savings would most likely result in a significant increase in average class size.

Lower Public School Enrollment Could Reduce the Amount of Federal Education Aid Received by California

To the extent Proposition 38 reduces public school enrollment, California will receive less federal education aid. Most federal education aid is for categorical programs such as those for economically disad-

Table 7: Summary Proposition 38's Fiscal Impacts

	2001-02	2004-05
Vouchers for current private school students	$0	$3.2 billion
Vouchers for public school transfers	$787 million	$2.9 billion
Total Cost for Vouchers	***$787 million***	***$6.1 billion***
Public school savings	$371 million	$2.2 billion
Net Costs for Vouchers	***$416 million***	***$3.9 billion***
Administration		
Calculation of NASFG	Unknown additional costs	Unknown additional costs
Treasurer's Office	Unknown additional costs	Unknown additional costs
County Offices of Education	Unknown additional costs	Unknown additional costs
Funding Impact		
Proposition 98 Programs excluded by NASFG: Community colleges, child care, adult education	Unknown	Unknown
Federal education programs	Unknown loss of funds, potentially in the hundreds of millions of dollars	Unknown loss of funds, potentially in the hundreds of millions of dollars

Estimates assume that 10 percent of public school students transfer to private schools and that public schools reduce operating costs by 50 percent. The cost of vouchers in 2004-05 is based on CBP projections of the amount of the voucher.

vantaged students. The loss of federal funds would be determined, in part, by the number of students eligible for these programs who transfer out of the public schools.

Issues for Consideration

Choice. Proposition 38 provides financial assistance to parents who wish to send their children to private schools. Proponents maintain that competition from private schools will also encourage improvement in the public school system as schools attempt to maintain enrollment. However, some parents' access to private schools may be limited due to the following considerations:

- Proposition 38 does not require private schools to provide transportation for students, thus limiting access for families who lack the means to transport their child to school.
- Voucher-redeeming schools may establish testing or other academic performance criteria for admission that effectively discriminate against certain students. Voucher-redeeming schools may, for example, exclude students with learning disabilities or other special needs.
- To the extent that private school tuition exceeds the amount provided by the voucher, students whose families do not have the financial means to make up the difference will not be able to participate.
- Private schools may be less likely to locate in poor neighborhoods.
- Private schools may be unable to accommodate transfer students because of limited space and/or insufficient number of teachers.

Impact on Students Remaining in Public Schools. Proposition 38 may significantly impact California's public schools and their ability to serve the students that remain within the public school system. To the extent voucher-redeeming schools exclude students in need of special education and other high cost services, the average per student cost, but not necessarily funding, for public education will increase.

Impact of Limited Standards. Proposition 38's lack of standards and accountability raises questions about whether a voucher system will serve to advance or undermine the state's efforts to improve the quality of education that it funds. The research on the efficacy of school voucher programs in improving academic performance is inconclusive. In the case of the Milwaukee Parental Choice Program, it has been difficult to evaluate the effects of the program because participating private schools either do not administer the same standardized tests that the public schools administer or do not test their students at all.[15]

Evaluations of choice programs, including the Milwaukee Parental Choice Program, find either no difference between the scores of students in the public schools and those in the choice programs or slightly, but statistically significant, higher scores for participating pupils.[16]

Delaine McCullough prepared this Brief with the assistance of Jean Ross. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low and middle income Californians. Support for the CBP comes from foundation grants, publications and individual contributions. The CBP neither supports nor opposes Proposition 38.

Appendix A

Methodology

CBP made the following assumptions in developing the fiscal estimates discussed in this *Brief*.

Cost of Vouchers. The cost was assumed to equal the number of students who use vouchers multiplied by the greater of either $4,000; one-half of per pupil spending under current law; or one-half of the NASFG. The cost for vouchers includes both public school students who transfer to private schools and students currently enrolled in private schools.

School Funding Guarantee. As long as public school spending is determined by Proposition 98, the state's ability to fully reduce funding in response to declining enrollment is limited by a "hold harmless" provision of the current funding guarantee. In brief, the current guarantee includes an annual adjustment factor that reflects inflation and changes in enrollment. However, the enrollment factor is only adjusted downward (i.e., is only a negative number) after enrollment has fallen for three consecutive years. This provision could limit the state's ability to achieve savings in the initial years after the passage of Proposition 38 and prior to the enactment of the new NASFG.

Public School Savings. CBP estimates that a district could reduce its costs by an amount equal to 50 percent of current operating expenses. For the purpose of this analysis, operating costs are defined as the day-to-day costs for providing education in the public schools, including teacher and administrative staff salaries and benefits, books and supplies, and janitorial services. Operating costs do not include facility construction, heavy maintenance, or debt service. CBP used Proposition 98 per pupil spending, which excludes capital costs, as a proxy for operating costs. CBP also considered an alternative scenario that assumes that districts are able to reduce operating costs by 75 percent of current spending levels.

Finally, CBP estimated the total impact of Proposition 38 by subtracting the total cost of the vouchers from the total savings in public school funding.[17] CBP prepared estimates for the initiative's fiscal impacts both under the current Proposition 98 funding guarantee and under the new NASFG.[18]

ENDNOTES

[1] *Milwaukee Parental Choice Program,* Wisconsin Legislative Audit Bureau (February 2000), p. 36.
[2] Patrick Reilly, "No Choice for School Choice: Foundations Subsidize Opposition to Student Vouchers," *Foundation Watch* (November 1998). Downloaded from the Capital Research Center website at www.capitalresearch.org/fw/fw-1198.html.
[3] Proposition 98 established a constitutional school funding guarantee that provides for public schools and community colleges (K-14 education) to receive at least the same amount of funding as received in the prior year, adjusted for enrollment and inflation. In some circumstances, the Proposition 98 guarantee is equal to a fixed percentage of state General Fund spending. However, this provision is one of the measure's three "tests" and has only applied in one year since Proposition 98's enactment in 1988.
[4] A more detailed analysis of Proposition 38's impact on school finance is provided below.
[5] California Department of Education, *Private Enrollment as a Percent of Total Enrollment, 1994-95 though 1999-00* (no date).
[6]CBP's estimate may understate the cost of vouchers to current private school students because it was not possible to accurately determine the number of home-school students and the number of students that are in either private school or home-school, who attend public school part-time so that they can participate in extracurricular activities. These students would also be eligible to receive vouchers.
[7]*Enrollment in California Private Schools by Religious Classification and Grade Level, 1998-99,* California Department of Education website www.cde.ca.gov/privateschools/table2_9899.htm.
[8] Pamela Sherrid and Ben Wildavsky, *The ABCs of Learning and Making Money: Can the Edison Schools Pull in Profits*, U.S. News Online, (November 22, 1999). Downloaded from www.usnews.com/usnews/issue/991122/school.htm on June 8,2000. Mark Walsh, *One School at a Time, Pa. Company is Dominating the For-Profit Market*, Education Week on the Web, (May 20, 1999). Downloaded from www.edweek.org/ew/1998/36nobel.h17 on June 8, 2000.
[9] CBP conducted a phone survey of K-7, K-5 and 6-8 Nobel schools that are currently operating in California on June 8, 2000.
[10] The most recent data available shows that the national average salary for public school teachers in 1993-94 was $34,153 while the average salary for private school teachers was $21,968 for the same year. *Schools and Staffing Survey, 1993-94,* U.S. Department of Education, National Center for Education Statistics, (November 1997).
[11] Fixed costs are those that do not depend upon the number of students enrolled in the school.
[12] *Pupil-Teacher Ratio in Public School Districts,* California Department of Education website, www.ed-data.k12.ca.us/dev/State.asp. Downloaded on May 26, 2000.
[13] It is likely that most of the Proposition 38-initiated transfers would occur in grades K-5, given that 55 percent of current private school enrollment is in these grade levels. *Enrollment in California Private Schools by Religious Classification and Grade Level,* California Department of Education website, www.cde.ca.gov/privateschools/table2_9899.htm. Downloaded on June 20, 2000.
[14] This estimate assumes that schools can reduce per pupil operating expenditures by one-half and that 10 percent of public school students utilize vouchers. The estimate that 10 percent of current public school students would use vouchers is based on a June 7, 2000 telephone conversation with a representative of the proponent's campaign. Appendix A describes the methodology used to arrive at these estimates.
[15] Wisconsin Legislative Audit Bureau, *Milwaukee Parental Choice Program* (February 2000).
[16] Peter W. Cookson, Jr. and Sonali M. Shroff, *Recent Experience with Urban School Choice Plans*, Clearinghouse on Urban Education Digest, No. 127, October 1997; Jay P. Green, et al., *The Effectiveness of School Choice in Milwaukee: A Secondary Analysis of Data from the Program's Evaluation* (August 14, 1996). Choice plans researched include voucher programs, public school choice programs, magnet and charter school programs.
[17] CBP analyzed data from the National Center for Education Statistics, the California Department of Finance, and the California Department of Education. CBP assumed that transfers were spread evenly over a period of three to five years. CBP's estimates for Proposition 98 funding levels are based on annual inflation projections from the Legislative Analyst's office for years 2001-02 through 2004-5 and an annual inflation factor of four percent for years 2005-06 through 2008-09.
[18] Because the NASFG is a new education spending measure that is not clearly defined in the initiative and is not currently calculated by any state, it is likely that there will be delays in its implementation. Proposition 98 estimates are included to assess the fiscal impacts if such a delay occurs.