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June 3, 1999

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Connie Lemus
Initiative Coordinator

Dear Attorney General Lockyer:

This letter contains our review of the fiscal effect of proposed initiative file number SA1999RF0019, Amendment Number 1-NS, called the "After School Education and Gang Prevention Act," as required by Elections Code Section 9005.

PROPOSAL

This measure:

- Increases—beginning July 1, 2001—the sales tax by 0.1 percentage point and the use tax by 0.1 percentage point.
- Appropriates the funds from these tax increases for grants to public and non-profit agencies for after-school enrichment programs and for gang risk-prevention programs.

Tax Increases

The measure requires that all sales and use tax revenue collected pursuant to the measure be deposited in the newly created After School Education and Gang Prevention Fund, to be allocated solely for the particular programs and purposes specified in the measure. The appropriations made by the measure would be excluded from the computation of allocations to school districts for purposes of Proposition 98.

Grants to Public and Nonprofit Agencies for Educational Enhancement

The measure allocates 70 percent of the funds from the tax increases for three- to five-year grants for educational enhancement programs. These programs include tutoring, mentoring, homework assistance, group instruction, or practical or laboratory work intended to improve the performance of pupils who are performing below district or state standards in reading and language development, mathematics, and science, or who need further knowledge and skills development to enable them to improve their scores in required graduation or promotion examinations.

Grants to Public and Nonprofit Agencies for Gang Prevention Programs

The measure allocates 30 percent of the funds from the tax increases for three- to five-year grants for gang prevention programs. These programs include:

- Training, education, and activities related to gang awareness.
- Intervention in gang formation, diversion of youth from gangs, and conflict resolution skills.
- Community service.
- Supervised, healthy recreational alternatives to gang activities such as music, visual and performing arts, organized sports, physical fitness, environmental protection, and appreciation of nature.
- Drug and substance abuse awareness and prevention.
- Job skills training and career prevention.

Sunset Provision

The measure would become inoperative on July 1, 2009, unless the voters enacted a subsequent initiative measure.

FISCAL EFFECT

For 2001-02, the increase in the tax is expected to raise approximately \$430 million, with increasing annual amounts expected thereafter due to growth in the economy until 2009-10, when the measure sunsets.

The measure allocates specified percentages of program funding for state administrative costs. To the extent the costs for administering the grant programs are higher than allowed by the measure, this could result in some—probably minor—costs to the state.

The expenditure of funds on these grant programs could result in other state and local impacts. For example, to the extent the measure were successful in diverting young people from criminal activity, it could result in savings to the state and local governments.

SUMMARY

The measure would have the following major impact:

- For fiscal years 2001-02 through 2008-09, annual increase in state revenues of \$430 million, with the proceeds used for after-school education and gang prevention programs.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance