

Date of Hearing: March 22, 2017

ASSEMBLY COMMITTEE ON EDUCATION  
Patrick O'Donnell, Chair  
AB 1196 (Harper) – As Introduced February 17, 2017

**SUBJECT:** School bonds: term of bonds: furnishing and equipping classrooms

**SUMMARY:** Specifies that the term of a bond used for the purposes of furnishing and equipping of classroom, including, but not limited to, electronic equipment, shall not exceed 120% of the average reasonably expected economic life of the furnishings and equipment.

**EXISTING LAW:**

- 1) Authorizes, under California Constitution Article XVI, Section 18, a school district, community college district or county office of education to incur indebtedness in the form of General Obligation (GO) bonds for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities upon approval of 55% of the voters.
- 2) Specifies, under the Education Code, that the number of years the whole or any part of the bonds are to run shall not exceed 25 years, from the date of the bonds or the date of any series thereof.
- 3) Specifies, under the Government Code, that a school district or community college district may issue bonds that do not allow for the compounding of interest and that have a maturity greater than 30 years, but not greater than 40 years, if the school district or community college district does both of the following:
  - a) Complies with the requirements of Education Code Section 15146 (b) and (c).
  - b) Makes a finding that the useful life of the facility financed with the bonds that do not allow for the compounding of interest and that have a maturity greater than 30 years, but not greater than 40 years, equals or exceeds the maturity date of those bonds.

**FISCAL EFFECT:** None. This bill is keyed non-fiscal by the Legislative Counsel.

**COMMENTS:** *Proposition 39.* In November, 2000, voters passed Proposition 39, a Constitutional Amendment which, among others, give school districts and community college districts the opportunity to seek approval of a local GO bond based on a 55% vote rather than a two-thirds vote, provided that the local bond initiative meets specified accountability measures, including identifying the list of specific school facilities projects that will be funded by bond proceeds and the requirement to conduct an annual independent performance audit and an independent financial audit.

***Furnishing and equipping school facilities.*** Local educational agencies use bond funds to furnish and equip school facilities, including furniture, such as desks, and equipment, such as desktop computers. According to the Legislative Counsel, portable electronic equipment is a type of equipment that is allowable under Proposition 39. While portable electronic devices such

as the iPads were not in existence when Proposition 39 was passed, they are evolved from desktop computers and as such, a court would construe Proposition 39 to authorize portable electronic devices. However, the equipment must be a part of equipping classrooms and school facilities and be used in connection with instruction in the classroom.

**Technology.** Many school districts have embarked on new technology programs, partly in response to the new Common Core State Standards and the accompanying Smarter Balanced assessments. The new assessments are computer-based and began in the 2014-15 school year. In 2013, the Los Angeles Unified School District (LAUSD) launched the first phase of the Common Core Technology Project, which provided iPads to 31,000 students and 1,500 teachers at 47 schools. The iPads are installed with English and math curriculum and are assigned as personal devices to pupils, who are allowed to take the devices home. The district has since suspended the project.

San Diego Unified School District implemented a technology program several years ago through the passage of two local bonds. The district upgraded technology in the classrooms and purchased portable electronic devices. The devices are used in the classrooms, but the district also allows pupils to take the devices home and provides internet coverage to families that do not have access.

Other school districts have purchased other types of portable electronic devices, such as the Chromebooks or MacBook Air laptops. Most school districts are not assigning devices to each student, and instead are rolling them into classrooms on carts.

**Term of bonds.** Under the Education Code, the term of local bonds cannot exceed 25 years, while bonds issued under the Government Code is no more than 40 years. Proposition 39 authorizes the proceeds from the sale of GO bonds to be used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities. Existing law, however, does not differentiate between bonds for buildings versus bonds for furnishing and equipping of facilities, which may include electronic equipment. This bill specifies that the issuance of local bonds used to furnish and equip classrooms cannot exceed 120% of the life expectancy of the items being purchased, whether the bond is issued under the Education Code or the Government Code. This bill is consistent with federal tax rules on tax exempt bonds ensuring that taxpayers are not paying long term bonds for items that have shorter lifespan and will reduce costs for these purchases. A question can be raised as to whether this bill is necessary.

**Committee amendment.** Staff recommends an amendment to ensure that this bill does not cause conflict with federal regulations, which generally require that portions of an issue used to finance or refinance capital projects must have a “weighted average maturity” that does not exceed 120 percent of the average reasonably expected economic life of the financed capital projects.

The author states, “Local educational institutions have been using Prop 39 bond funds to purchase non-facility related items with a much shorter usable life. For example, Los Angeles Unified School District bought iPads in 2013, which is now an abandoned project that costed \$1.3 billion. iPads have a life expectancy of between four and five years. This cost is a burden on taxpayers that is paid back over time through property taxes. AB 1196 is needed to ensure that taxpayers are not paying long term bonds for items that have a shorter lifespan.”

***Prior legislation.*** This bill is substantially similar to AB 882 (Wilk) from 2015, which passed the Assembly on a 75-0 vote. The author struck the contents of the bill and used the vehicle for another purpose in the Senate.

AB 1754 (Hagman), introduced in 2014, specifies that portable electronic devices may not be purchased with bond proceeds unless the devices are closely connected to classroom instruction, are not assigned to individual pupils and are not allowed to leave the schoolsite for more than one schoolday. The bill failed on a 3-0 vote in this Committee.

**REGISTERED SUPPORT / OPPOSITION:****Support**

None on file

**Opposition**

None on file

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