

Date of Hearing: April 10, 2024

ASSEMBLY COMMITTEE ON EDUCATION
Al Muratsuchi, Chair
AB 2571 (Papan) – As Amended March 21, 2024

[Note: This bill is double referred to the Assembly Higher Education Committee and will be heard by that Committee as it relates to issues under its jurisdiction.]

SUBJECT: School district and community college district bonds: school facilities

SUMMARY: Establishes a definition of the term “school facilities” as it relates to local school facilities bond elections in school districts and community college districts and enumerates the purposes for which school bonds may be issued. Specifically, **this bill:**

- 1) Authorizes the governing board of a school district or community college district to, when in its judgment it is advisable, and requires, upon a petition of the majority of the qualified electors residing in the school district or community college district, order an election and submit to the electors of the school district or community college district, as applicable, the question whether the bonds of the school district or community college district are required to be issued and sold for the purpose of raising money for the following purposes:
 - a) The acquisition or lease of real property for school facilities, including, but not limited to, the purchasing of school lots;
 - b) The construction or acquisition of school facilities, including, but not limited to, the building or purchasing of school buildings;
 - c) The reconstruction, rehabilitation, or replacement of school facilities, including, but not limited to, the making of alterations or additions to school buildings, other than as may be necessary for current maintenance, operation, or repairs;
 - d) The repairing, restoring, or rebuilding of school facilities, including, but not limited to, a school building, damaged, injured, or destroyed by fire or other public calamity; and
 - e) The supplying of school facilities, including, but not limited to, school buildings and grounds, with furniture, equipment, or apparatus necessary or useful for the operation of the school facilities.
- 2) Defines “school facilities” to mean buildings, facilities, structures, or real property improvements used or operated in conjunction with one or more public schools or community colleges, including, but not limited to, all of the following:
 - a) Classrooms;
 - b) Academic buildings;
 - c) Auditoriums;

- d) Libraries;
 - e) Laboratories;
 - f) Research or training facilities;
 - g) Administrative offices or buildings;
 - h) Health offices or facilities;
 - i) Dormitories;
 - j) Dining halls;
 - k) Student centers or unions;
 - l) Housing for students, faculty, or school or district employees;
 - m) Sports facilities;
 - n) Maintenance, storage, or utility facilities;
 - o) Other related buildings, facilities, structures, or real property improvements used for student instruction, conducting research, or training, or for operating a school facility; and
 - p) All necessary, usual, or useful attendant and related buildings, facilities, structures, or real property improvements, including, but not limited to, streets, parking, and supportive services facilities or structures, required or useful for the operation of a school facility.
- 3) Requires the provisions of this act to be liberally construed to effectuate its purposes.
- 4) States that the provisions of this act are severable. Requires, if any provision of this act or its application is held invalid, that invalidity not affect other provisions or applications that can be given effect without the invalid provision or application.

EXISTING LAW:

- 1) Authorizes the governing board of any school district or community college district to, when in its judgment it is advisable, and requires, upon a petition of the majority of the qualified electors residing in the school district or community college district, order an election and submit to the electors of the school district or community college district, as applicable, the question whether the bonds of the school district or community college district shall be issued and sold for the purpose of raising money for the following purposes:
- a) The purchasing of school lots;
 - b) The building or purchasing of school buildings;

- c) The making of alterations or additions to the school building or buildings other than as may be necessary for current maintenance, operation, or repairs;
 - d) The repairing, restoring, or rebuilding of any school building damaged, injured, or destroyed by fire or other public calamity;
 - e) The supplying of school buildings and grounds with furniture, equipment, or necessary apparatus of a permanent nature;
 - f) The permanent improvement of the school grounds;
 - g) The refunding of any outstanding valid indebtedness of the school district or community college district, evidenced by bonds, or of state school building aid loans;
 - h) The carrying out of the projects or purposes of sewage and drainage, as specified;
 - i) The purchase of schoolbuses the useful life of which is at least 20 years; and
 - j) The demolition or razing of any school building with the intent to replace it with another school building, whether in the same location or in any other location. (Education Code (EC) 15100)
- 2) Requires, to pass a school bond measure, at least two-thirds of the votes cast on the proposition of issuing bonds be in favor of issuing the bond. (EC 15124)
- 3) Requires the total amount of bonds issued to not exceed 1.25% of the taxable property of the school district or community college district, or the school facilities improvement district, if applicable, as shown by the last equalized assessment of the county or counties in which the district is located. (EC 15102)
- 4) Authorizes a unified school district or community college district to issue bonds that, as specified, cannot exceed 2.5% of the taxable property of the school district or community college district, or the school facilities improvement district, if applicable, as shown by the last equalized assessment of the county or counties in which the district is located. (EC 15106)
- 5) Requires no county, city, town, township, board of education, or school district, to incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose, except that with respect to any such public entity which is authorized to incur indebtedness for public school purposes, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purpose of repairing, reconstructing or replacing public school buildings determined, in the manner prescribed by law, to be structurally unsafe for school use, shall be adopted upon the approval of a majority of the voters of the public entity voting on the proposition at such election; nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and to provide for a sinking fund for the payment of the principal thereof, on or

before maturity, which shall not exceed forty years from the time of contracting the indebtedness. (California Constitution Article XVI, Section 18(a))

- 6) Authorizes a school district, community college district, or county office of education (COE) 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. (California Constitution Article XVI, Section 18(b))
- 7) Authorizes bonded indebtedness incurred by a school district, community college district, or COE 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, if approved by 55% of the voters of the district or county, as appropriate, voting on the proposition. Requires the proposition approved by the voters and resulting in the bonded indebtedness to include all of the following accountability requirements:
 - a) A requirement that the proceeds from the sale of the bonds be used only for specified purposes, and not for any other purpose, including teacher and administrator salaries and other school operating expenses;
 - b) A list of the specific school facilities projects to be funded and certification that the school district board, community college board, or COE has evaluated safety, class size reduction, and information technology needs in developing that list;
 - c) A requirement that the school district board, community college board, or COE conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed; and
 - d) A requirement that the school district board, community college board, or COE conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects. (California Constitution Article XII A, Section 1)
- 8) Requires that the number of years the whole or any part of the bonds are to run to not exceed 25 years, from the date of the bonds or the date of any series thereof. (EC 15140)
- 9) 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) Requires, before the sale, the governing board of the school district or community college district to adopt a resolution, as an agenda item at a public meeting, that includes all of the following:
 - i) Express approval of the method of sale;
 - ii) Statement of the reasons for the method of sale selected;

- iii) Disclosure of the identity of the bond counsel, and the identities of the bond underwriter and the financial adviser if either or both are used for the sale, unless these individuals have not been selected at the time the resolution is adopted, in which case the governing board of the school district or community college district shall disclose their identities at the public meeting occurring after they have been selected;
 - iv) Estimates of the costs associated with the bond issuance; and
 - v) If the sale includes bonds that allow for the compounding of interest, including, but not limited to, capital appreciation bonds, disclosure of the financing term and time of maturity, repayment ratio, and the estimated change in the assessed value of taxable property within the school district or community college district over the term of the bonds.
- b) Requires, if the sale includes bonds that allow for the compounding of interest, including, but not limited to, capital appreciation bonds, the resolution to be publicly noticed on at least two consecutive meeting agendas, first as an information item and second as an action item. (EC 15146 (b) and (c)).
 - c) Makes a finding that the useful life of the facility financed with 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. (Government Code (GC) 53508.6)

FISCAL EFFECT: Unknown

COMMENTS:

Need for the bill. According to the author, “The crisis in California's housing market isn't just a matter of affordability; it's a threat to the very foundation of our K-12 education system. The alarming turnover rates among teachers and the severe staffing shortages directly stem from this housing crisis, undermining the quality of education our students receive. These challenges hit hardest in low-income communities, exacerbating existing achievement gaps and perpetuating inequality.

Ensuring that teachers can live close to where they work isn't just a matter of convenience; it's essential for maintaining a stable and qualified teaching workforce. Without sufficient teachers, we can't maintain small class sizes or guarantee the safety and education of our students.

Educational workforce housing has long been recognized as a solution to this problem, yet it remains largely unrealized. AB 2571 represents a crucial step towards bridging this gap, empowering school districts to better meet the educational and developmental needs of all students by providing teachers with the housing support they need. It's time to prioritize the future of our children by ensuring that our educators can afford to live in the communities they serve.”

Local school bonds. Local school bond elections are local ballot measure proposals that ask voters to decide on whether the school district or community college district that is sponsoring the measure should be allowed to issue bonds and incur the associated bond indebtedness. In

order to pass a local bond measure, current law requires at least two-thirds of the votes cast on the proposition of issuing bonds be in favor of issuing the bond, except as specified in Proposition 39.

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.

Bond accountability. Under current law, a citizen residing in the school or community college district who is assessed an ad valorem tax may initiate an action to obtain an order restraining or preventing the expenditure of bond funds if the expenditure or purpose for the funds are not used in accordance with authorized uses of funds prescribed by Proposition 39 or if a school district has not appointed an oversight committee.

Term of bonds. Under current law, the term of local bonds cannot exceed 25 years, while bonds issued under the Government Code cannot exceed 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. This bill expands the purposes for which local school bonds may be issued (either by two-thirds or 55% approval), and expands the definition of the term “school facilities” as it relates to the types of facilities that local bond funds may support to include administrative offices or buildings; health offices or facilities; dormitories; dining halls; housing for students, faculty, or school or district employees, and maintenance, storage, or utility facilities.

California Transitional Kindergarten to grade 12 school facilities. Although many of California’s public schools are experiencing declining enrollment, parts of the state continue to grow. Public school facilities require continued investments to meet the needs of the current student population through maintenance and renovation, as well as support to build new schools in growing communities. According to a 2022 Public Policy Institute of California report, *Equitable State Funding for School Facilities*, “Estimates suggest California needs to spend \$3.1 to \$4.1 billion annually at both state and local levels to maintain school facilities—and more than \$100 billion in the coming decade after including modernization and new construction costs.” A 2022 California State Auditor report of the School Facilities Program estimates that the state will need to provide \$7.4 billion in funding to meet existing and anticipated needs over the next five years. The Local Control Funding Formula (LCFF) funds most operational spending for public school districts. Capital funding comes from other local sources, including local tax revenues, and local bond measures.

Related legislation. AB 247 (Muratsuchi) of the 2023-24 Session authorizes a bond measure of \$14 billion for the construction and modernization of Transitional Kindergarten through community colleges public education facilities on an unspecified 2024 statewide ballot.

SB 28 (Glazer) of the 2023-24 Session would place the Public Preschool, K-12, and College Health and Safety Bond Act on the ballot for the March 2024 statewide primary election.

AB 2295 (Bloom), Chapter 652, Statutes of 2022, authorizes a housing development project to be an allowable use on any real property owned by a local educational agency (LEA), as specified.

AB 3001 (Bauer-Kahan) of the 2019-20 Session would have revised and recast the specified purposes for which school bonds may be issued by broadening those purposes to include, among others, the acquisition or lease of real property for school facilities, the construction or acquisition of school facilities, the reconstruction, rehabilitation, or replacement of school facilities, the repairing, restoring, or rebuilding of school facilities, and the supplying of school facilities. The bill would have defined “school facility” to mean a building, facility, structure, or real property improvement used or operated in conjunction with one or more public schools or community colleges, including, but not limited to, classrooms, academic buildings, auditoriums, libraries, laboratories, research or training facilities, administrative offices or buildings, health offices or facilities, dormitories, dining halls, student centers or unions, housing for students, faculty, or school or district employees, sports facilities, maintenance, storage, or utility facilities, other related buildings, facilities, structures, or real property improvements used for student instruction, conducting research, or training, or for operating a school facility, and all necessary, usual, or useful attendant and related buildings, facilities, structures, or real property improvements, including, but not limited to, streets, parking, and supportive services facilities or structures, required or useful for the operation of another school facility. This bill was held in the Assembly Education Committee.

AB 1196 (Harper) of the 2017-18 Session would have specified that the term of a bond used for the purposes of furnishing and equipping of a classroom, including, but not limited to, electronic equipment, could not exceed 120% of the average reasonably expected economic life of the furnishings and equipment. This bill was subsequently amended out of the jurisdiction of this Committee.

AB 2116 (Gallagher), Chapter 129, Statutes of 2016, specifies that before the governing board of a school district or the governing board of a community college district orders an election to place a general obligation bond on the ballot, the district is required to obtain reasonable and informed projections of assessed property valuations that take into consideration projections of assessed property valuations made by the county assessor.

Arguments in support. The California School Boards Association writes, “Often, local educational agencies (LEAs), in anticipation of the placement of a statewide school facilities bond on the ballot, will seek to adopt their own local school bonds to both meet their local needs and leverage statewide bond matching funds to fund and construct critical educational facilities. These declarations are helpful to meet the intent and purpose of existing law, including Proposition 39 – the Smaller Classes, Safer Schools and Financial Accountability Act of 2000. AB 2571 would help continue the legacy and intent of the state’s public facilities programs and our collective goal for LEAs to recruit and retain a qualified educational workforce and provide students a 21st century learning environment.”

REGISTERED SUPPORT / OPPOSITION:

Support

California School Boards Association

Opposition

None on file

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