

Date of Hearing: July 1, 2015

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
SB 111 (Fuller) – As Amended June 2, 2015

SENATE VOTE: 40-0

SUBJECT: School facilities: military installations.

SUMMARY: Expresses the intent of the Legislature that assistance be provided to school districts in the 2015–16 fiscal year to meet the matching share requirement of a school construction grant made by the Office of Economic Adjustment of the federal Department of Defense (DoD) to construct, renovate, repair, or expand elementary and secondary public schools located on military installations. Requires the Department of Finance (DOF) to explore options on how best to assist school districts in meeting the matching share requirement of the federal school construction grant. Requires the options to include, but not necessarily be limited to, making low-interest loans available to school districts through the California Infrastructure and Economic Development Bank (IBank).

EXISTING LAW:

- 1) Establishes the Leroy F. Greene School Facilities Act of 1998 (SB 50, Chapter 407, Statutes of 1998), also known as the School Facility Program (SFP), which governs the administration, allocation, and use of state school facilities bond funds.
- 2) Provides that a school district's ongoing eligibility for new construction funding is determined by making calculations related to certain factors, including, but not limited to, enrollment projections by utilizing a cohort survival enrollment projection system, the number of students that may be adequately housed in the existing school building capacity of the district, and increases or decreases in enrollment resulting from receipt of funding from the Year-Round School Grant Program.
- 3) Provides that a school district is eligible to receive an apportionment for the modernization of a permanent school building that is more than 25 years old or a portable classroom that is at least 20 years old. A school district is eligible to receive an additional apportionment for modernization of a permanent school building every 25 years after the date of the previous apportionment or a portable classroom every 20 years after the previous apportionment.
- 4) Requires a 50% local match for new construction projects and 40% local match for modernization projects.
- 5) Establishes the IBank within the Governor's Office of Business and Economic Development to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities.

- 6) Provides that the IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds.

FISCAL EFFECT: According to the Senate Appropriations Committee, unknown cost pressure to implement the option identified by the DOF. Costs for the DOF to explore options are minor and absorbable.

COMMENTS: *DoD Public Schools on Military Installations (PSMI) Grant Program.* Congress has allocated a total of \$945 million – \$250 million in 2011, \$250 million in 2012, \$270 million in 2013, and \$175 million in 2015 – for the construction, renovation, repair or expansion of public schools on military installations. In 2010, the DoD conducted an assessment of the almost 160 schools on military installations across the nation and established a priority list based on schools with the greatest need. California has 11 schools located in six school districts in the top 33 of the "Public Schools on Military Installations Priority" list, eligible for a total of \$242.2 million in federal funds.

The schools are required to provide a 20% match. The match can come from local funds or state funds. The amount of funds needed to meet the 20% match for the 11 schools is estimated at \$60.5 million. According to the author's office, the DoD has given the DoD Office of Economic Adjustment the authority to drop schools on the priority list if local educational agencies or the states the schools are located in are unable to provide the match. If the match is not produced, funds for all California schools are in jeopardy. Of all the projects, one project may have local matching funds from local bonds. Four projects have eligibility for state bond funds, but only one project has enough eligibility to cover most of its match. California's state bond program, however, has been out of New Construction and Modernization funds since 2012. Even if funds are available, the SFP does not authorize funding to provide a match.

Prior efforts. Since 2012, varying legislative efforts have been undertaken in an attempt to secure funds for the local match. The State Allocation Board (SAB), the body that oversees the allocation of state bond funds, formed a subcommittee in April 2012 to explore funding options to assist five school districts serving seven schools on military bases eligible for funding in the first two federal funding cycles. The subcommittee considered reserving bond authority, transferring bond authority, providing loans, waiving local matches, and facility hardship funding for districts with health and safety problems. Legal counsel advised the SAB that the SFP does not offer flexibility to accommodate the federal match under the options explored by the subcommittee. The subcommittee's recommendation was to recommend to the Legislature that future bond funds be made available specifically for DoD schools. There are two bond bills pending in the Legislature currently and neither contains set asides for this purpose, although it is unclear when a state bond initiative will be before voters and whether it will take place soon enough to meet the federal match timeline.

Last year, the author of this bill introduced AB 1421, which would have prioritized state bond funds for applications submitted by the school districts eligible for federal DoD funds. The bill was held on the Assembly Appropriations Committee suspense file.

What does this bill do? Prior versions of this bill would have appropriated \$61 million from the General Fund to provide the match. The current version of the bill, amended in the Senate Appropriations Committee, requires the DOF to explore options on how best to assist these

schools, including, but not limited to, making low-interest loans available to school districts through the IBank. The Governor's May Revise indicates that the Administration is exploring funding options, including loans through the IBank. According to the DOF, DOF is working with the school districts to see if there is interest in participating in the Ibank's Infrastructure State Revolving Fund low-interest loan program to help fund the local match. The Ibank has provided local match funding for other federal programs and these types of school construction and renovation projects would be eligible. Although this bill is uncodified, the Committee may wish to consider whether this bill is necessary.

INSTALLATION	DISTRICT	NAME OF SCHOOL	TOTAL PROJECT COST	FEDERAL ELIGIBILITY	LOCAL MATCH
Naval Air Weapons Station China Lake	Sierra Sands Unified	Murray Middle	\$39.5 million	\$31.6 million	\$7.9 million
Edwards Air Force Base	Muroc Joint Unified	Branch Elementary	\$27.3 million	\$21.8 million	\$5.5 million
Naval Air Weapons Station China Lake	Sierra Sands Unified	Burroughs High	\$31.9 million	\$25.5 million	\$6.4 million
Camp Pendleton	Fallbrook Union	Mary Faye Pendleton	\$47 million	\$37.6 million	\$9.4 million
Camp Pendleton	Fallbrook Union	San Onofre	\$43 million	\$34.5 million	\$8.6 million
Naval Base San Diego	San Diego Unified	Miller Elementary	\$20 million	\$16 million	\$4 million
Travis Air Force Base	Travis Unified School District	Scandia Elementary	\$13.6 million	\$10.9 million	\$2.7 million
Naval Air Station Lemoore	Central Union	Akers	\$21 million	\$16.9 million	\$4.2 million
Naval Base San Diego	San Diego Unified	Hancock Elementary	\$24 million	\$19.2 million	\$4.8 million
Edwards Air Force Base	Muroc Joint Unified	Desert Junior - Senior High (2 schools)	\$35.2 million	\$28.2 million	\$7 million
Total			\$302.5 million	\$242.2 million	\$60.5 million

IBank. According to the IBank's Internet Web site, "The Infrastructure State Revolving Fund (ISRF) Program provides financing to public agencies and non-profit corporations for a wide variety of infrastructure and economic development projects. ISRF Program funding is available in amounts ranging from \$50,000 to \$25,000,000, with loan terms of up to 30 years. Eligible project categories include, but are not limited to, city streets, county highways, state highways,

drainage, water supply and flood control, educational facilities, environmental mitigation measures, parks and recreational facilities, port facilities, public transit, sewage collection and treatment, solid waste collection and disposal, water treatment and distribution, defense conversion, public safety facilities, and power and communications facilities."

The author states, "The majority of the PSMI eligible school districts in California cannot raise the required 20% match through bond elections due to the fact that property owners outside the base are not willing to tax themselves for base schools and in many areas there is low assessed valuation. All other school projects [in other states] have come up with required match funds from local/state sources. In every case, states have provided match funds when local funds were unavailable; in some cases state funding exceeded 20%. These schools serve our nation's military families and warriors, those sacrificing overseas for protection of our freedom."

REGISTERED SUPPORT / OPPOSITION:**Support**

Brigadier General Edward Banta, Commanding General of Marine
Corps Installations West-Marine Corps Base Camp Pendleton
California Teachers Association
Central Union School District
P.J. Lorge, Rear Admiral, U.S. Navy Commander
Solano County Board of Supervisors
Travis Unified School District
Several individuals

Opposition

None on file

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