



ASSEMBLY COMMITTEE ON EDUCATION

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**Informational Hearing on School Facilities
February 11, 2015
BACKGROUND**

School Facility Program

The School Facility Program (SFP) was established in 1998 through SB 50 (Greene), Chapter 407, Statutes of 1998. This historic program, funded by state bond funds, established a program that is based on a partnership between the state (through state bond funds), districts (through local bonds), and developers (through developer fees). The state provides a per-pupil grant and requires a local match of 50% for New Construction projects and 40% for Modernization projects. Since 1998, voters have approved \$35.4 billion in state funds that, together with local bonds and developer fees, have allowed school districts to accommodate student growth, relieve overcrowding, enable students to attend neighborhood schools, replace portable buildings with permanent buildings, establish career and technical education (CTE) facilities, and modernize older facilities. The following chart shows the school bond measures passed by voters since the inception of the SFP.

Ballot	Measure	Amount	K-12 Programs Funded	% voter approval
November 1998	Proposition 1A	\$9.2 billion (\$6.7 billion K-12 + \$2.5 billion Higher Ed)	\$2.9 billion New Construction \$2.1 billion Modernization \$1 billion Hardship \$700 million Class Size Reduction	62.5
November 2002	Proposition 47	\$13.05 billion (\$11.4 billion K-12 + \$1.65 billion Higher Ed)	\$6.25 billion New Construction (includes \$2.9 billion for unfunded applications) \$3.3 billion Modernization (includes \$1.9 billion for unfunded applications) \$1.7 billion Critically Overcrowded Schools \$100 million Charter Schools \$50 million Joint Use	59.1
March 2004	Proposition 55	\$12.3 billion (\$10 billion K-12 + \$2.3 billion Higher Ed)	\$4.96 billion New Construction (includes \$900 million for unfunded applications) \$2.25 billion Modernization (includes \$35 million for unfunded applications) \$2.44 billion Critically Overcrowded Schools \$300 million Charter Schools \$50 million Joint Use \$25 million School Fee Relief	50.9

November 2006	Proposition 1D	\$10.416 billion (\$7.329 K-12 + \$3.087 billion Higher Ed)	\$1.9 billion New Construction (up to 10.5% for seismic projects) \$3.3 billion Modernization \$500 million CTE \$100 million High Performance Schools \$1 billion Overcrowding Relief Program \$500 million Charter Schools \$29 million Joint Use	56.9
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Status of Bond Funds

The last bond, Proposition 1D, was passed in 2006. The bulk of Proposition 1D funds are exhausted, with the exception of \$142 million set aside for seismic projects. Modernization funds have been exhausted since May, 2012 while New Construction funds have been exhausted since July, 2012. The State Allocation Board, the body that oversees state bond funds, has continued to accept applications, despite lack of funds. As of October 31, 2014, applications totaling \$1.1 billion have been submitted. Whether or not these applications will receive funding in the future depends on future funding of the program.

Future of the Program

The Legislature has made a number of attempts to put a bond on the ballot since 2006. The most recent bill was introduced last year by the prior Chair of the Assembly Education Committee, Assemblymember Joan Buchanan (D-Alamo), along with Assemblymember Curt Hagman (R-Chino Hills). AB 2235 would have placed a \$9 billion K-12 and higher education facilities bond on the November, 2014 ballot. The bill received widespread support and passed through the Assembly and Senate policy and fiscal committees with no "No" votes. The bill was ultimately held on the Senate Floor by the authors due to opposition by the Governor.

The Governor has indicated unwillingness to continue the use of bonds to fund school facilities and questions whether the State should have any role in student housing. The Governor has also highlighted problems he sees with the SFP, including the processes for plan approvals and funding. The 2015-16 budget suggests increasing local contribution while minimizing state participation. Specifically, the Governor proposes to provide limited state support for districts that may not be able to generate local bond dollars due to low assessed valuations. The proposal does not specify the threshold for eligibility, level of funding or source of funding (presumably General Fund). The Governor also proposes to lift Proposition 39 rate caps to increase funds generated through local bonds (assuming voter approval), adjusting developer fees, and authorizing districts to use funds set aside for maintenance of facilities for construction and modernization.

The Legislature may wish to consider the following policy questions:

Policy Questions

- 1) Is there a role for the State in ensuring that students have adequate educational environments?
- 2) Should the State move away from a statewide program to a limited program whereby some districts will receive state assistance while others will not?
- 3) Should the State maintain a statewide program but modify the percentages of state/local contributions?
- 4) Should the State move away from the use of bonds for school infrastructure?
- 5) Should the State use General Fund revenue for school facilities? If so, how much should be allocated and what percentage of need will that address?
- 6) Should the Proposition 39 of 2000 limits on bonded indebtedness and tax rates be adjusted?
- 7) Should developers be required to increase their contribution?
- 8) Should districts be allowed to use funds set aside for maintenance of schools for the construction and modernization of schools?
- 9) Should the SFP be eliminated? If not, how should the program be restructured to streamline the plan approval and funding processes? Should there be programmatic changes?

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