

Proposition 1D: Kindergarten-University Public Education Facilities Bond Act of 2006 (Assembly Bill AB12 7 – Introduced by Assemblyman Nunez)

Staff Recommendation:	SUPPORT
Issues Committee Recommendation:	SUPPORT
Executive Committee Recommendation:	SUPPORT
Board Recommendation (8/18/06):	SUPPORT

Rationale:

This measure provides funding for projected needs over the next two years and meets SDCTA’s education bond support criteria.

SDCTA approved Prop. 42 in 2002, which was the first “phase” of the long-term plan to address the state’s education facility needs via a series of bond measures. SDCTA acknowledged, at that time, that future state bonds would be both forthcoming and required, and consequently also supported Prop 55 in 2004.

In terms of funding proportionality (as a percentage of total state population), San Diego County K-12 school districts have regularly received their “fair share”, demonstrated most recently by the \$347 million (or 15%) in modernization funding and \$142 million (or 7%) in new construction funding apportionments from Prop 55.

Background:

California public education consists of two systems: 1) about 1,000 local school districts that provide K-12 education to approximately 6.3 million students; and 2) 142 higher education campuses comprised of the California Community Colleges (CCC), the California State University (CSU), and the University of California (UC), that provide post-grade 12 education to approximately 2.1 million students.

Existing Law

The Leroy F. Green Facilities Act of 1998 requires the State Allocation Board (SAB) to allocate monies to applicant school districts for the purpose of funding the prescribed per-unhoused-pupil standards regarding construction and modernization of facilities, new site acquisition and development.

Existing law also states that school districts are eligible to receive an apportionment for the modernization of permanent buildings over 25 years old and/or portable classrooms that are more than 20 years old.

SDCTA Past Positions on State Education Bond Measures

The SDCTA has supported all of the predecessors to Proposition 1D over the last decade: the Kindergarten-University Public Education Facilities Bond Acts of 2004 (Proposition 55), 2002 (Proposition 47), 1998 (Proposition 1A), and 1996 (Proposition 203).

California Education Funding Sources

- **K-12:**
 - Majority of funding comes from state (\$28 billion over the last decade) and local (\$41 billion over the last decade) general obligation bonds
 - Developer fees¹
 - Special local bonds
- **Higher education:**
 - State general obligation bonds (\$6.5 billion over the last decade) and lease revenue bonds (\$1.6 billion over the last decade)
 - Local general obligation bonds (community college districts are authorized to sell these bonds; \$15 billion over the last decade)
 - Gifts and grants (over \$100 million annually)
 - UC research revenue (finances the construction of new research facilities via bonds, promising repayment through future research revenue; \$130 million annually)

Existing Needs

In its current five-year-plan, the Office of Public School Construction (OPSC) has projected an unmet need for K-12 of \$10.3 billion in new construction eligibility and \$3.3 billion in modernization eligibility, totaling \$13.6 billion.² As of April 26, 2006, there was only \$3.545 billion in new construction funds and \$20.6 million in modernization remaining to meet this projected need. The 2006 bond issue of \$10.416 billion in conjunction with all remaining funds from the previous bond issues is designed to provide two years of funding for this projected need.³ An additional bond issue should be expected in 2008.⁴

Seismic Safety Inventory of Public Schools

A 2002 report by the Department of General Services entitled: “Seismic Safety Inventory of California Public Schools”, estimated the cost of retrofitting schools most likely to fail in an earthquake at \$4.7 billion, with the most serious cases demanding \$800 million.⁵

¹ State law allows school districts to impose developer fees on new residential, commercial, and industrial developments. Although they contribute a moderate amount statewide compared to general obligation bond proceeds, developer fees vary significantly by community depending on the amount of local development. In fast-growing areas, they can make notable contributions to K-12 school construction.

² School Facility Program. Statistical and Fiscal Data. 6/28/2006. http://www.documents.dgs.ca.gov/OPSC/Resources/Stats_Fiscal_Data.pdf

³ Avila, Marisol. AB 127 Assembly Bill—Bill Analysis. Page 7. 5/4/2006. http://www.leginfo.ca.gov/pub/bill/asm/ab_0101-0150/ab_127_cfa_20060505_110442_asm_floor.html

⁴ Conversation with Marisol Avila. 7/27/2006

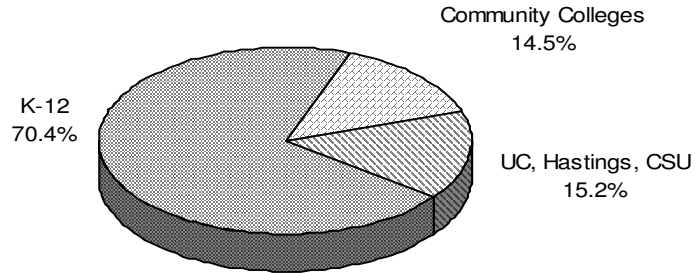
⁵ Avila, Marisol. AB 127 Assembly Bill—Bill Analysis. Page 8.

Proposal:

The measure allows the state to sell \$10.4 billion of general obligation bonds for K-12 school facilities (\$7.3 billion) and higher education facilities (\$3.1 billion)

CATEGORY	AMOUNT in Millions
Community College Facilities	\$ 1,507
Universities (page 4)	
1) UC and Hastings College of Law	\$ 890
2) CSU	\$ 690
<i>Total</i>	\$ 1,580
K-12 (page 5)	
1) New Construction	\$ 1,900
2) Charter School Facilities	\$ 500
3) Modernization	\$ 3,300
4) Career Technical Education Facilities Program ⁶	\$ 500
5) Joint-Use Projects	\$ 29
6) Relief Grants for Overcrowded Schools ⁷	\$ 1,000
7) Green Projects	\$ 100
<i>Total</i>	\$ 7,329
TOTAL BOND AMOUNT	\$ 10,416

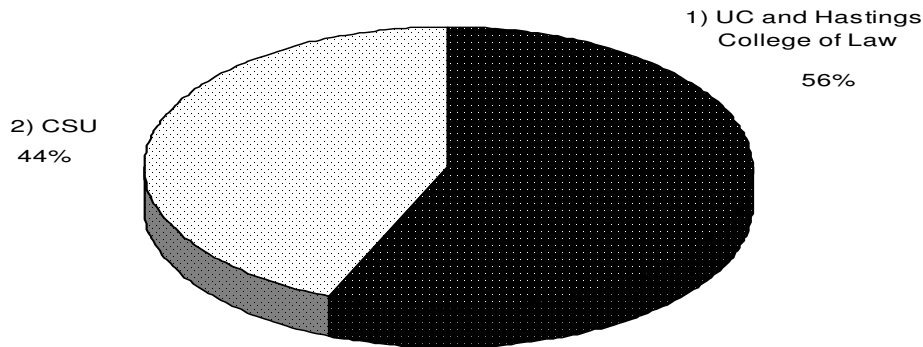
Division of Bond Proceeds



⁶ 17078.72 of Article 13 (added to the Education Code by AB 127). *The Career Technical Education Facilities Program is hereby established to provide funding to qualifying local educational agencies for the purpose of constructing new facilities or reconfiguring existing facilities, including, but not limited to, purchasing equipment with an average useful life expectancy of at least 10 years, to enhance educational opportunities for pupils in existing high schools in order to provide them with the skills and knowledge necessary for the high-demand technical careers of today and tomorrow.*

⁷ Grants for replacing portable classrooms with permanent facilities.

Universities



Higher Education Funding Allocation

The total funding for higher education under Proposition 1D (including community colleges) would be \$3.087 billion. Of that amount, approximately half would be divided between UC/Hastings College of Law and CSU, as shown above. The Governor and Legislature provide budgetary direction on the appropriation of these funds. Two specific stipulations in AB 127 for this funding are as follows:⁸

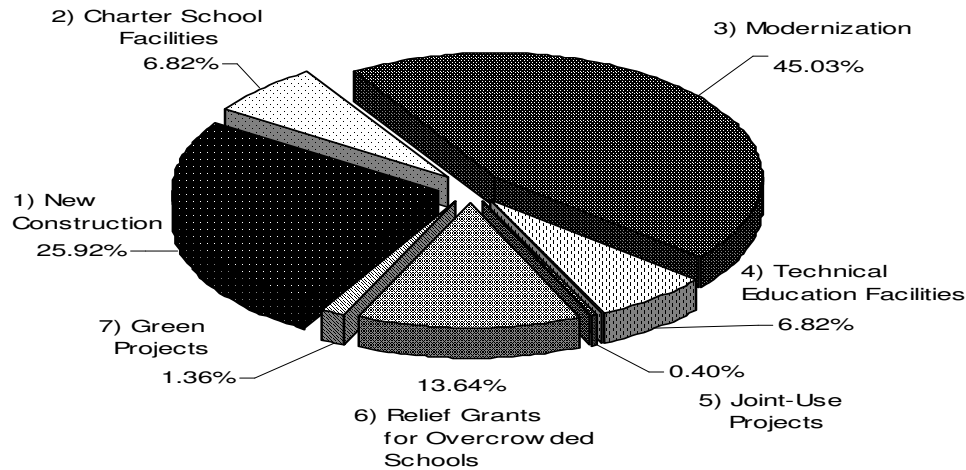
- \$200 million of category 1 (UC and Hastings College of Law) shall be used for capital improvements that expand and enhance medical education programs⁹ with an emphasis on telemedicine¹⁰ aimed at developing high-tech approaches to health care.
- The funds in both categories shall be used to fund construction on existing campuses (including: new buildings; purchase of new fixtures; construction of multi-use facilities; renovation and reconstruction; site acquisition; equipping of new, renovated, or reconstructed facilities with equipment having an average 10-year lifespan; and payment of preconstruction costs, including planning).

⁸ Text of AB 127. http://www.ss.ca.gov/elections/vig_06/general_06/public_display/proposition_1d/text_1d.pdf

⁹ A 10-year plan begun in 2005 to increase UC medical school enrollments by 10%, the University's "PRograms in Medical Education" (PRIME) will produce an additional 250-300 physician-leaders committed and trained to serve California's underserved communities, including inner-city areas, rural communities, the Inland Empire and the Central Valley.

¹⁰ At UC Davis, the PRIME-Rural effort includes a telemedicine program that reaches more than 65 sites across California, providing immediate access to specialty consultation which facilitates faster referrals when needed, but allows patients to stay in their hometown for care when it's safe to do so. It also features telepharmacy and teleeducation components as well as partnerships to test new home-based technologies.

K-12



K-12 Funding Allocation

The \$7.329 billion appropriated for K-12 school facilities would be for seven specific components. Funding for the first four components (modernization, new construction, charter school facilities, and joint-use projects) would be based on existing School Facility Program (SFP)¹¹ formulas, with the remaining three as new additions (Career Technical Education Facilities Program, relief grants for overcrowded schools, and green projects). Several specific stipulations in AB 127 for K-12 funding are as follows:¹²

- Up to \$200 million from categories 1 - 3 (new construction, charter school facilities and modernization) is earmarked to provide incentives for the creation of smaller learning communities and small high schools.
- \$200 million or 10.5% of new construction funding shall be used for seismic repair, reconstruction, or replacement.
- Modernization funding can only be used for: 1) purchase and installation of air-conditioning equipment, insulation materials, and related costs; 2) construction of or purchase of equipment designed to increase school security or playground safety; 3) identification, assessment, or abatement of hazardous asbestos; 4) funding for high-priority roof replacement projects; and 5) other modernization of facilities.
- Green Project funding would be provided as special incentive grants to promote certain types of environment-friendly facilities (designs and materials that promoted the efficient use of energy and water, the maximum use of natural lighting, the use of recycled materials, etc.).

¹¹ The School Facility Program (SFP) provides funding for K-12 districts to buy land, construct new buildings, and modernize. A school district's allocation is based on a formula that considers the number of students a district expects to enroll that *cannot* be served in existing facility space. The SFP requires the state and school districts share the cost of facilities. The cost for new construction projects is shared equally; modernization projects are funded 60% by the state and 40% by local districts. If a school district faces unusual circumstances, however, it may apply for "hardship" funding from the state to offset its local share of costs.

http://www.lao.ca.gov/ballot/2006/1D_11_2006.htm

¹² Text of AB 127. http://www.ss.ca.gov/elections/vig_06/general_06/public_display/proposition_1d/text_1d.pdf

Fiscal Effect:

According to the LAO, the costs of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. The state would likely make principal and interest payments from the state's General Fund over a period of about 30 years. If the bonds were sold at an average interest rate of 5 percent, the cost would be about \$20.3 billion to pay off both principal (\$10.4 billion) and interest (\$9.9 billion). The average payment would be about \$680 million per year.

K-12 Fund Allocation to San Diego County:

Funding decisions for both new construction and modernization are made on a case-by-case basis. Appropriations for new construction are based on a district's projected enrollment and its ability to meet pupil housing needs. Modernization appropriations are based on whether or not an applicant school's project meets the State Allocation Board guidelines for funding.¹³

**Apportionments for San Diego from
Propositions 55 (2004), 47(2002), and 1A (1998)¹⁴**

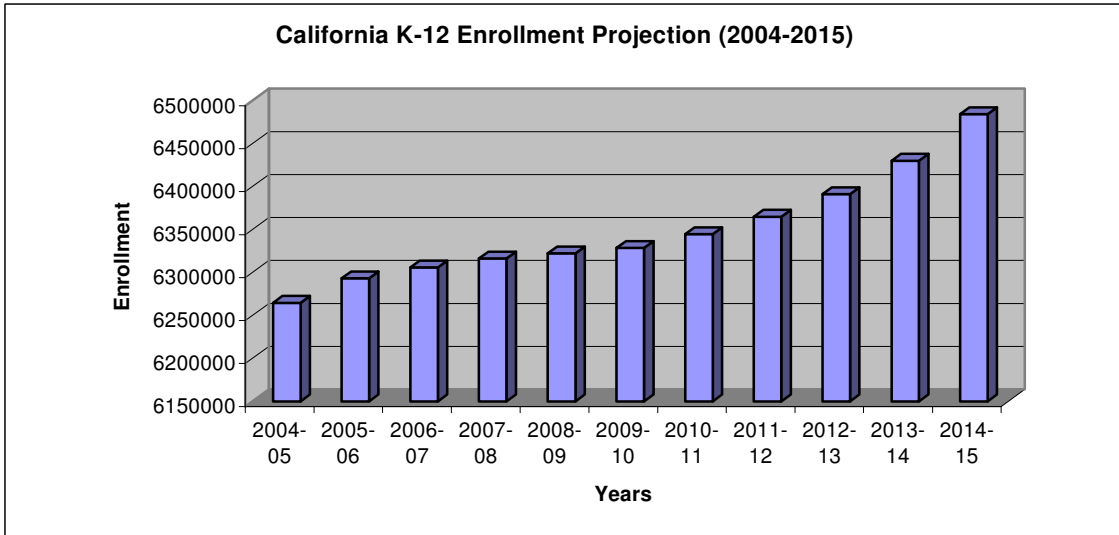
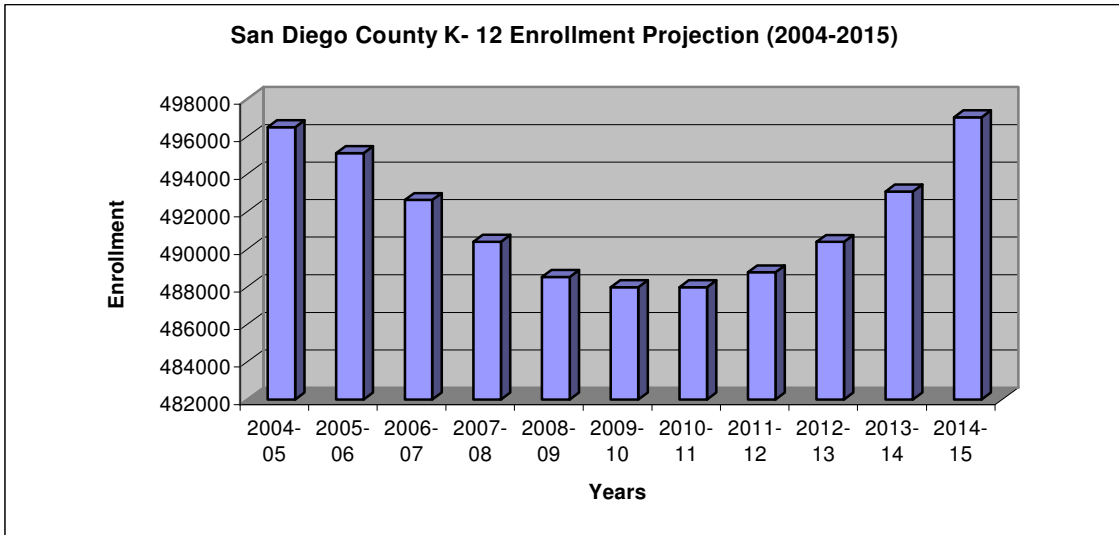
Prop 55 New Construction	San Diego County	TOTAL	\$ 142,613,868
	State	TOTAL	\$ 1,979,273,899
	SD Percentage of 55 Apportionment		7.21%
Prop 55 Modernization	San Diego County	TOTAL	\$ 347,104,507
	State	TOTAL	\$ 2,251,921,184
	SD Percentage of 55 Apportionment		15.41%
Prop 47 New Construction	San Diego County	TOTAL	\$ 458,956,828
	State	TOTAL	\$ 6,267,629,973
	SD Percentage of 47 Apportionment		7.32%
Prop 47 Modernization	San Diego County	TOTAL	\$ 286,903,078
	State	TOTAL	\$ 3,385,155,506
	SD Percentage of 47 Apportionment		8.48%
Prop 1A Combination	San Diego County	TOTAL	\$ 386,582,552
	State	TOTAL	\$ 6,268,187,454
	SD Percentage of 1A Apportionment		6.17%

¹³ Projects eligible under this program include such modifications as air conditioning, plumbing, lighting, and electrical systems.

¹⁴ Office of Public School Construction

K-12 Enrollment Projections 2004-2014¹⁵

Year	SAN DIEGO	LOS ANGELES	SACRAMENTO	CALIFORNIA
2004-05	496506	1696677	237932	6264661
2005-06	495125	1692975	240219	6293201
2006-07	492633	1680401	242743	6305935
2007-08	490406	1665949	245139	6316440
2008-09	488531	1647574	248265	6322075
2009-10	487976	1625814	251508	6328683
2010-11	487977	1606315	255089	6344508
2011-12	488771	1584610	259020	6364748
2012-13	490400	1563656	263794	6391290
2013-14	493080	1546637	268930	6430122
2014-15	497031	1534498	275244	6484243



¹⁵ Office of Public School Construction

California Enrollment Map 2004-2014¹⁶



¹⁶ Office of Public School Construction

Proponents Arguments:¹⁷

- We must invest in our children's future.
- Provides the necessary funding for making our schools earthquake-safe.
- Will provide for the construction of approximately 6,500 new K-12 classrooms and 3,000 community college classrooms to aid in reducing overcrowding.
- Provides for long-needed maintenance of 31,000 classrooms.
- Will provide funding for essential technology upgrades in our classrooms.
- Will provide funding for career and technical training facilities.
- Will provide funding for building new science and engineering labs and classrooms.
- Supported by both Governor Schwarzenegger and Democratic candidate for governor Phil Angelides.
- Will help to provide the necessary education infrastructure for California's economic future.

Groups in Favor:

California State PTA, California Taxpayers Association, California Business Roundtable, California Teachers Association, California Community College Board of Governors, Coalition for Adequate School Housing

Opponents Arguments:¹⁸

- Proposition 1D is too big: Instead of focusing on the essential needs of new construction and maintenance, 1D is laden with numerous untested programs such as Career and Technical Education facilities, Overcrowding Relief Grants, seismic safety upgrades, green projects, “small high schools”, and “telemedicine”.
- Shortsighted: Proposition 1D funds only the next two years; enrollment is declining today, but will likely return by the end of the decade with renewed economic growth.
- No more debt!: Why not expand to year-round school and better utilize our existing facilities instead of adding another \$20 billion to the already \$100 billion in debt California is carrying?
- Most schools got nothing from the last bond issue and will get nothing from this one; only the wealthy school districts can afford the necessary matching funds, but all of us will pay higher taxes in the future.

Groups in Opposition:

California Taxpayer Protection Committee, William Saracino (Editor, California Political Review)

ER/II

¹⁷ California Secretary of State – Elections & Voter Information. http://www.ss.ca.gov/elections/vig_06/general_06/public_display/proposition_1d/argument_in_favor_1d.pdf

¹⁸ California Secretary of State – Elections & Voter Information. http://www.ss.ca.gov/elections/vig_06/general_06/public_display/proposition_1d/argument_against_1d.pdf