
SENATE COMMITTEE ON EDUCATION

Senator Connie Leyva, Chair
2019 - 2020 Regular

Bill No: AB 48 **Hearing Date:** June 19, 2019
Author: O'Donnell
Version: June 13, 2019
Urgency: No **Fiscal:** Yes
Consultant: Ian Johnson

Subject: Education finance: school facilities: Kindergarten-Community Colleges Public Education Facilities Bond Acts of 2020 and 2022.

NOTE: This bill has been referred to the Committees on Education and Governance and Finance. A "do pass" motion should include referral to the Committee on Governance and Finance.

SUMMARY

This bill makes changes to the existing School Facility Program and places the Kindergarten-Community Colleges Public Education Facilities Bond Acts on the March 3, 2020 primary and November 8, 2022 general elections, to be operative only if approved by voters at their respective statewide elections.

BACKGROUND

Existing law establishes the School Facility Program (SFP) under which the state provides general obligation bond funding for various school construction projects, including new construction, modernization, joint-use facilities, and programs to specifically address the construction needs of overcrowded schools, charter schools, career technical education facilities, and seismic mitigation.

The last statewide general obligation bond, Proposition 51, was approved by voters in November 2016. Proposition 51 authorized a total of \$9 billion in state general obligation bond funds—\$7 billion for K-12 education facilities and \$2 billion for community college facilities. Of the \$7 billion for K-12 education, \$3 billion is for new construction, \$3 billion is for modernization, and \$1 billion is for charter schools and vocational education facilities.

ANALYSIS

This bill authorizes \$13 billion for the construction and modernization of Kindergarten through 12th grade (K-12) and California Community Colleges facilities to be placed on the 2020 primary statewide election and an unspecified amount for the statewide general 2022 election. Specifically, this bill:

- 1) Establishes the 2020 and 2022 State School Facilities Funds within the state treasury.
- 2) Requires school district applicants for projects funded after January 1, 2020 to submit to the California Department of Education the following information:

- a) The year each building used for instructional purposes in the district was constructed.
 - b) The square footage of each building used for instructional purposes.
 - c) The year in which each building was last modernized.
 - d) The pupil capacity of each school.
 - e) The age and number of portable buildings at each school.
 - f) Whether the school has a cafeteria, library, or gymnasium.
- 3) Extends the eligibility protection period for school districts with enrollment of 2,500 or less that adjust their enrollment projections downward from three to five years.
 - 4) Establishes school district eligibility under the modernization program for a supplemental grant for either of the following:
 - a) Expanding an existing gymnasium, multipurpose room, library, or school kitchen, as prescribed.
 - b) Constructing a new gymnasium, multipurpose room, library, or school kitchen if the site does not have one.
 - 5) Specifies that a school district shall be eligible to receive modernization apportionment to demolish and build on an existing schoolsite if both of the following conditions are met:
 - a) The buildings to be replaced are at least 75 years old.
 - b) The school district provides a cost-benefit analysis that indicates the total cost to modernize the buildings are at least 50 percent of the current replacement cost, as defined by the State Allocation Board (SAB), of the buildings.
 - 6) Allows the SAB to provide assistance in procuring interim housing to school districts and county offices of education impacted by a natural disaster for which the Governor has declared a state of emergency, as prescribed.
 - 7) Allows the SAB to adopt regulations to allow operational and staffing contributions of a joint use partner to be considered local match funding.
 - 8) Requires the SAB to provide a grant to test for lead in water fountains and faucets used for drinking or preparing food on school sites serving kindergarten or any of grades 1 to 12, inclusive, that were constructed before January 1, 2010, and for the remediation of any water fountain or faucet with lead levels in excess of 15 parts per billion, as prescribed.

- 9) Establishes new construction and modernization eligibility requirements and funding specifically for small school districts, defined as those with enrollment of less than 2,501 pupils.
- 10) Establishes new construction and modernization eligibility requirements and funding specifically for local educational agencies operating a state or federal preschool program.
- 11) Establishes the Community College Construction Act of 2020, with the Board of Governors of the California Community Colleges preparing a capital outlay spending plan to provide recommendations for available funding in the annual Budget Act using specified guidelines for funding priorities.
- 12) Establishes the Kindergarten-Community College Public Education Facilities Bond Act of 2020, with \$13 billion in bond funds authorized to be issued for the following purposes:
 - a) An unspecified amount for the Kindergarten-Grade 12 School Facilities Program, with funds allocated by the State Allocation Board (SAB) in accordance with the existing State School Facilities Program, as amended.
 - b) An unspecified amount for the Community Colleges Capital Outlay Bond Fund program, administered by the Higher Education Facilities Finance Committee.
- 13) Establishes the Kindergarten-Community College Public Education Facilities Bond Act of 2022, with an unspecified amount in bond funds authorized to be issued for the following purposes:
 - a) An unspecified amount for the Kindergarten-Grade 12 School Facilities Program, with funds allocated by the SAB in accordance with the existing State School Facilities Program, as it reads by an unspecified date, 2022.
 - c) An unspecified amount for the Community Colleges Capital Outlay Bond Fund program, administered by the Higher Education Facilities Finance Committee.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, “The condition of a school sets the tone for the school day. Students will not take school seriously if their school is dilapidated, dirty, and in need of repair. The School Facility Program has been a strong private public partnership between the state, local school districts, and developers. This bill represents the state’s contribution and commitment to ensure that students are housed in safe environments conducive for learning. The state’s success depends on student success.”
- 2) ***Current status of the School Facilities Program (SFP).*** According to the Office of Public School Construction (OPSC), as of the May 2019 meeting of the

State Allocation Board (SAB), approximately \$4,871 billion remains in bond authority in the School Facilities Program (SFP). Of this amount, about \$2 billion is new construction, \$2.4 billion is modernization, and the remaining \$400 million is from a variety of smaller programs, including the Career Technical Education and Charter Schools program.

The Office of Public School Construction (OPSC) reported that as of February 2019, they have received just over \$5 billion worth of applications for the bond authority remaining. The OPSC will not process applications beyond available bond authority and they expect that some applications may be eligible for a reduced amount of funding.

- 3) **Related and prior budget activity.** Prior to the passage of Proposition 51 and amid concerns about the complexity and structure of the SFP, former Governor Brown called for the state to establish a new school facilities program. The 2016-17 Governor's Budget stated the following:

"The existing school facilities program is overly complex, creating costs for school districts to navigate a process that can involve as many as ten different state agencies. The program creates an incentive for districts to build new schools when they already have the capacity to absorb enrollment growth, and allocates funding on a first-come, first-served basis, giving districts with dedicated facilities personnel a substantial advantage. Finally, the existing program does not give districts enough flexibility to design school facility plans to reflect local needs. The inherent problems with the current program, along with billions of dollars in long-term liabilities created by the issuance of state debt, is no longer sustainable."

The 2019-20 Governor's budget includes \$1.5 billion in bond authority available for school facilities projects and an increase of 10 positions for OPSC. The Administration notes that this increase in staffing aligns with the increase in workload related to processing \$1.5 billion in applications annually. Finally, the Administration notes that an increase of \$1.5 billion in bond sales would result in annual debt service by approximately \$84 million for a total debt service in 2019-20 of approximately \$2.3 billion for K-12 facility debt service from Prop 51 and prior bonds.

- 4) **Fiscal impact.** According to the Assembly Appropriations Committee, this bill would have the following fiscal impact:
- a) Assuming a 2020 primary general obligation bond amount of \$4.5 billion, total principal and interest costs of \$8.2 billion (\$4.5 billion in principal and \$3.7 billion in interest). Annual General Fund debt service of \$293 million beginning in 2022, after all bonds are sold, assuming they are sold in two years. This assumes an interest rate of 4.5 percent and a 30-year maturity.
 - b) Assuming a 2022 primary general obligation bond amount of \$4.5 billion, total principal and interest costs of \$8.2 billion (\$4.5 billion in principal and

\$3.7 billion in interest). Annual General Fund debt service of \$293 million beginning in 2024, after all bonds are sold, assuming they are sold in two years. This assumes an interest rate of 4.5 percent and a 30-year maturity.

The bond amount assumption is based on splitting the 2016 K-14 bond measure amount, which provided \$9 billion (\$7 billion for K-12 schools and \$2 billion for community colleges) over the two bond measures.

- 5) ***Previous informational hearing.*** On February 18, 2015, this Committee held a joint informational hearing with the Budget Subcommittee on Education titled *K-12 School Facility Program: History, Current Status, and Future Options*. Among other things, the Committee heard testimony from several participants about the need to simplify the current program processes and regulations, the need for a “one-stop-shop” to assist in navigating the program, and the need for greater flexibility in design of school facilities as well as the use of funding to incentivize and support joint use projects and community schools. Additionally, while the state’s growing debt service is of concern, it was unclear whether local districts have the capacity to generate sufficient revenue at the local level to meet their ongoing facility needs for deferred maintenance, modernization and new construction.

- 6) ***Related legislation.***

AB 13 (Eggman) places the Higher Education Facilities Bond Act of 2020 on the November 3, 2020, statewide general election. The bill proposes \$2 billion for University of California (UC) facilities, \$2 billion for California State University (CSU) facilities and \$3 billion for new CSU campuses. The bill was held in the Assembly Higher Education Committee.

SB 14 (Glazer) places the Higher Education Facilities Bond Act of 2020 on the March 3, 2020 statewide primary election. The bill proposes \$4 billion each for UC and CSU facilities. The bill is pending in the Assembly.

- 7) ***Prior legislation.***

AB 1088 (O’Donnell) would have placed the Kindergarten-University Public Education Facilities Bond Act on an unspecified ballot. The author held the bill in the Assembly Appropriations Committee in 2015.

AB 148 (Holden) would have placed the K–14 School Investment Bond Act of 2016 with unspecified dollar amounts on the November 8, 2016 statewide ballot. The bill was held in the Assembly Appropriations Committee suspense file in 2015.

AB 1433 (Gray) would have placed the Recommitment to Higher Education Bond Act of 2016 with unspecified amounts for higher education facilities on the November 8, 2016 statewide general election. The bill was held in the Assembly Appropriations Committee suspense file in 2015.

SB 114 (Liu) would have placed the Kindergarten Through Grade 12 Public Education Facilities Bond Act of 2016 with unspecified dollar amounts on the November 8, 2016 ballot. The bill failed passage on the Senate Floor in 2015.

AB 2235 (Buchanan) would have authorized the Kindergarten-University Public Education Facilities Bond Act of 2014 to provide for the issuance of \$4.3 billion in G.O. bonds for construction and modernization of school facilities, to become effective only if approved by voters at the November 4, 2014, statewide general election. The bill also made changes to the School Facilities Program (SFP). The bill was held on the Senate Floor by the author in 2014.

AB 41 (Buchanan), introduced in 2013, expresses the Legislature's intent to place a Kindergarten-University facilities bond on the 2014 ballot. The bill was held by the author in the Assembly Education Committee.

SB 45 (Corbett), introduced in 2013, expresses the Legislature's intent to place a Kindergarten-University facilities bond on the next statewide general election. The bill was held by the author in the Senate Rules Committee.

SB 301 (Liu), introduced in 2013, expresses the Legislature's intent to place a Kindergarten-University facilities bond on the 2014 ballot. The bill was held by the author in the Senate Rules Committee.

AB 331 (Brownley), introduced in 2011, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the 2012 ballot. The bill was held in the Assembly Appropriations Committee in 2012.

AB 822 (Block), introduced in 2011, would have placed a higher education facilities bond on the November 2012 ballot. The bill was held in the Assembly Appropriations Committee in 2012.

AB 220 (Brownley), introduced in 2009, would have placed a \$6.1 billion Kindergarten-University facilities bond on the November 2010 ballot. The bill was held in the Senate Appropriations Committee.

SB 271 (Ducheny), introduced in 2009, would have placed an \$8.6 billion higher education facilities bond on the November 2010 ballot. The bill was held in the Senate Appropriations Committee.

SUPPORT

Advancement Project
American Society of Civil Engineers
Arntz Builders
Association of California Construction Managers
Association of California School Administrators
Atascadero Unified School District
Beaumont Unified School District
Borrego Springs Unified School District
California Association of School Business Officials

California Association of Sheet Metal & Air Conditioning Contractors
California Association of Suburban School Districts
California Building Industry Association
California Educational Technology Professionals Association
California Federation of Teachers
California Head Start Association
California Manufacturers & Technology Association
California Retired Teachers Association
California School Boards Association
California Teachers Association
Cardiff School District
Central Valley Education Coalition
City College of San Francisco
Coact Designworks
Coalition for Adequate School Housing
Community College Facility Coalition
Community College League of California
Compton Unified School District
County School Facilities Consortium
Del Norte Unified School District
Del Norte County Office of Education
Dinuba Unified School District
DLR Group
East Whittier City School District
Etiwanda School District
Fallbrook Un High School District
Firebaugh-Las Deltas Unified School District
First 5 California
Flint Builders
Foothill-De Anza Community College District
Fresno County Office of Education
Fresno County Superintendent of Schools
Fullerton Joint Union High School District
Garden Grove Unified School District
Glendora Unified School District
GMH Builders
Golden Valley Unified School District
Hemet Unified School District
HMC Architects
Irvine Unified School District
Jurupa Unified School District
Kern Community College District
Kern Union High School District
Long Beach Unified School District
Los Angeles County Office of Education
Maple School District
McGrath Rentcorp
Morrissey Associates
Mountain View Los Altos High School District
Napa County Office of Education

Napa Valley Unified School District
Oceanside Unified School District
Orcutt Union School District
Palm Springs Unified School District
PBK Architects
Placeworks
Rancho Santa Fe School District
Recolte Energy
Riverside County Office of Education
Riverside Unified School District
Sacramento County Office of Education
Sacramento Regional Builders Exchange
San Bernardino County District Advocates for Better Schools
San Diego County Office of Education
San Francisco Unified School District
San Luis Coastal Unified School District
Santa Ana Unified School District
Santa Cruz City Schools
Santee School District
School Facility Manufacturers' Association
SGH Architects
Small School Districts Association
Solano County Office of Education
Sonoma County Superintendent of Schools
Temecula Valley Unified School District
TLCD Architecture
Vallecitos School District
Vista Environmental Consulting
Wright Contracting
Yolo County Office of Education
Yuba Community College District
ZFA Structural Engineers

OPPOSITION

None received

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