

EDUCATION: ANALYST URGES NEW APPROACH FOR FUNDING SCHOOL FACILITIES, FOLLOWING \$120 BILLION OF BONDS AND FEES DURING PERIOD WITH FLAT ENROLLMENT

With the state's bond authority for school facility construction exhausted, and the education coalition heavily lobbying for another bond issue, the legislative analyst has stepped forward with major criticism of the existing state program for funding new schools. The analyst reports that approximately \$120 billion for facilities was raised by bonds and fees during a 15-year period when California Department of Education figures show that school enrollment was relatively flat (see table below).

The current program should be replaced with a new grant program, the analyst recommended. Unanswered is how much is needed for school construction in the relatively few fast-growing districts, and whether school districts should be responsible for maintenance of existing facilities.

"Rethinking How the State Funds School Facilities," released by the analyst February 17, gives the current school facility financing program a failing grade, noting that it:

- Fails to treat school facility costs as an ongoing expense, despite the reoccurring nature of facility needs;
- Allows disparities based on school district property wealth;
- Fails to target funding according to greatest need;
- Results in excessive administrative complexity; and
- Lacks adequate accountability mechanisms.

Since voter approval in 2000 of Proposition 39, which allows school bonds to pass with a 55 percent vote (rather than a two-thirds vote) under certain criteria, about 80 percent of local school bond measures have passed, compared with 60 percent prior to Proposition 39. In addition, school districts are authorized to impose school developer fees, which could reach 100 percent of the cost under certain conditions. In practice, such fees have covered no more than 50 percent of the cost of constructing school facilities.

Since 1998, school districts have been authorized to issue more than \$75 billion in local bonds, and levied \$9.4 billion in developer fees. State voters have approved \$35.4 billion in bonds for K-12 facilities since 1998. This amounts to a total of \$120 billion for school facilities over a 15-year period – a sum equal in size to the current state general fund budget.

School enrollment remained relatively flat during this period, with attendance growing from 1999-2000 to 2004-05, declining for five years thereafter, then slightly growing during the past four years. The table to the right raises the question of how these billions of dollars have been spent, considering that a relatively flat enrollment would not require school facility construction, except in fast-growing districts.

To design a new facilities funding program, the state would have to decide how much the state would kick in, determine whether that amount is included within Proposition 98, decide to allocate after adjusting for disparities in local revenue, determine how to adjust for current local bond revenue available, set parameters for local revenue raising, and decide what elements are included. (**CalTax:** This would be a tall order.

Several questions need to be answered: What is the amount that fast-growing districts need in addition to what can be raised locally with bond efforts similar to those that other districts have incurred? Should any money go to other districts for maintenance, or is this a local responsibility? Are districts using bond money for purposes other than facility construction? For declining enrollment districts, what efforts have been made to close under-enrolled schools?)

Governor Jerry Brown has been cool to the idea of a new statewide school bond, and has said he believes local school bonds are preferable.

Enrollment in Public Schools: 1999-2000 through 2013-14 (in millions)	
1999-00	5.951
2000-01	6.05
2001-02	6.147
2002-03	6.244
2003-04	6.298
2004-05	6.322
2005-06	6.312
2006-07	6.286
2007-08	6.275
2008-09	6.252
2009-10	6.19
2010-11	6.217
2011-12	6.22
2012-13	6.226
2013-14	6.236
Source: Department of Education, as Reported by Ed-Data	