

1978

State School Building Aid Bond Law of 1978

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State School Building Aid Bond Law of 1978

Official Title and Summary Prepared by the Attorney General

<p>FOR THE STATE SCHOOL BUILDING AID BOND LAW OF 1978.</p> <p>This act provides for a bond issue of three hundred fifty million dollars (\$350,000,000) to provide capital outlay for construction or improvement of public schools.</p>	
<p>AGAINST THE STATE SCHOOL BUILDING AID BOND LAW OF 1978.</p> <p>This act provides for a bond issue of three hundred fifty million dollars (\$350,000,000) to provide capital outlay for construction or improvement of public schools.</p>	

FINAL VOTE CAST BY LEGISLATURE ON AB 72 (PROPOSITION 1)

Assembly—Ayes, 74	Senate—Ayes, 28
Noes, 0	Noes, 4

Analysis by Legislative Analyst

Background:

School districts acquire new buildings because (a) enrollments increase or shift, (b) existing facilities do not meet the needs of the students, or (c) buildings would not be safe in the event of earthquakes. To obtain building funds, a school district may:

1. Sell local school bonds.

A school district can sell general obligation bonds up to a legal bonding limit if approved by a two-thirds vote at a district election. The district pays off the bonds by levying special taxes over a 5-30 year period. In the event that a district has sold local bonds up to its legal limit and still needs facilities, it may borrow funds from the state under the State School Building Aid Program. Under this program, the state sells bonds and then lends the funds to school districts for building construction. To obtain a state loan, a district must also receive approval by a two-thirds vote at a district election. It is estimated that funds for the state loan program will be gone by July 1, 1978.

2. Negotiate a lease-purchase loan agreement with a nonprofit corporation established by the district.

In this case, a nonprofit corporation established by the district sells special revenue bonds to raise funds. The corporation constructs and leases buildings to the district for a period up to 30 years. At the end of the lease, ownership of the building is transferred to the district. This agreement requires approval by a majority vote, rather than a two-thirds vote.

This approach is more expensive than the first alternative because revenue bonds usually carry a higher interest rate than local school general obligation bonds or state loans.

A third source of financing—the State School Building Lease-Purchase Act—has never been funded. This program was enacted in 1976 to allow a school district the option of negotiating a lease-purchase loan agreement with the state instead of with a nonprofit corporation. In this case, the state constructs the building and leases it to the district for a period up to 30 years. At the end of the lease, ownership of the building is transferred to the district. This agreement would require approval by a majority vote at a district election. Interest rates would be approximately the same as the rates on state loans.

The essential differences between these sources of local building funds are:

1. Usually districts prefer state loans or local bonds rather than lease-purchase agreements with a private corporation because state loans and local bonds usually carry a lower interest rate. In addition, the state loan may be partially forgiven after 30 years if certain conditions are met. However, both state loans and local bonds require approval by two-thirds vote, rather than a majority vote, at a district election.

2. If the State School Building Lease-Purchase Act of 1976 were funded, it would probably be the preferred approach for obtaining school construction funds. This is because the program would carry a lower interest rate than local bonds. In addition, this program would only require approval by a majority vote at a district election. However, unlike the State School Building Aid Program, the lease-purchase arrangement requires full repayment over the lease period without any possible forgiveness.

Proposal:

This proposition would authorize the state to sell up to \$350 million in state general obligation bonds, with the proceeds to be available as follows: (1) up to \$100 million to replenish the regular State School Building Aid Program, and (2) the remainder (\$250 million or more) to finance the State School Building Lease-Purchase Act of 1976. These funds would be distributed by the state to local school districts according to uniform cost standards and maximum square-footage allowances.

Fiscal Effect:

State costs over 20 years would include (1) interest charges of approximately \$175 million on the \$350 million in state bonds, and (2) administrative expenses of approximately \$1 million. These costs would be

totally recovered from the districts. In fact, the state would collect more funds than are necessary to pay the interest on state borrowing and cover the administrative costs of the program because the state usually pays off its bonds in 20 years, whereas districts would repay the state over a period of up to 30 years. This additional income to the state could amount to a maximum of \$43 million.

If this proposal is approved by the voters and districts choose the lease-purchase method of financing, this proposition could reduce local interest costs for those districts that are not eligible to borrow from the state under the State School Building Aid Program. This is because interest rates would probably be lower under the lease-purchase program than under alternative funding mechanisms.

Text of Proposed Law

This law proposed by Assembly Bill 72 (Statutes of 1977, Chapter 340) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law repeals an existing Chapter of the Education Code and adds a new Chapter thereto; therefore, the provisions proposed to be repealed are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type*.

PROPOSED LAW

SECTION 1. Chapter 21 (commencing with Section 17600) of Part 10 of the Education Code is repealed.

CHAPTER 21. STATE SCHOOL BUILDING LEASE/PURCHASE BOND LAW OF 1976

17600. This act may be cited as the State School Building Lease/Purchase Bond Law of 1976.

17601. The State General Obligation Bond Law (Chapter 4 (commencing with Section 16700) of Part 3 of Division 1 of Title 2 of the Government Code) is adopted for the purpose of the issuance, sale and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this chapter, and the provisions of that law are included in this chapter as though set out in full in this chapter. All references in this chapter to "herein" shall be deemed to refer both to this chapter and such law.

17602. As used in this chapter, and for the purposes of this chapter as used in the State General Obligation Bond Law, the following words shall have the following meanings:

(a) "Committee" means the State School Building Finance Committee created by Section 15901.

(b) "Board" means the State Allocation Board.

(c) "Fund" means the State School Building Lease/Purchase Fund.

17603. For the purpose of creating a fund to provide aid to school districts of the state in accordance with the provisions of the State School Building Lease/Purchase Law of 1976, and of all acts amendatory thereof and supplementary thereto, and to provide funds to repay any money advanced or loaned to the State School Building Lease/Purchase Fund under any act of the Legislature, together with interest provided for in that act, and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code the committee shall be and is hereby authorized and empowered to create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of two hundred million dollars (\$200,000,000) in the manner provided herein, but not in excess thereof.

17604. All bonds herein authorized, which shall have been duly sold and delivered as herein provided, shall constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

There shall be collected annually in the same manner and at the same time as other state revenue is collected such a sum, in addition to the ordinary revenues of the state, as shall be required to pay the principal and interest on said bonds as herein provided, and it is hereby made the duty of all officers charged by law with any duty in regard to the collection of said revenue, to do and perform each and

every act which shall be necessary to collect such additional sum.

On the several dates of maturity of said principal and interest in each fiscal year, there shall be transferred to the General Fund in the State Treasury, all of the money in the fund, not in excess of the principal of and interest on the said bonds then due and payable, except as herein provided for the prior redemption of said bonds, and, in the event such money so returned on said dates of maturity is less than the said principal and interest then due and payable, then the balance remaining unpaid shall be returned into the General Fund in the State Treasury out of the fund as soon thereafter as it shall become available.

17605. All money deposited in the fund under Section 17736 of this code and pursuant to the provisions of Part 2 (commencing with Section 16300) of Division 1 of Title 2 of the Government Code, shall be available only for transfer to the General Fund, as provided in Section 17604. When transferred to the General Fund such money shall be applied as a reimbursement to the General Fund on account of principal and interest due and payable or paid from the General Fund on the earliest issue of school building bonds for which the General Fund has not been fully reimbursed by such transfer of funds.

17606. There is hereby appropriated from the General Fund in the State Treasury for the purpose of this chapter, such an amount as will equal the following:

(a) Such sum annually as will be necessary to pay the principal of and the interest on the bonds issued and sold pursuant to the provisions of this chapter, as said principal and interest become due and payable.

(b) Such sum as is necessary to carry out the provisions of Section 17607, which sum is appropriated without regard to fiscal years.

17607. For the purposes of carrying out the provisions of this chapter the Director of Finance may by executive order authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund to be allocated by the board in accordance with this chapter. Any moneys made available under this section to the board shall be returned by the board to the General Fund from moneys received from the sale of bonds sold for the purpose of carrying out this chapter.

17608. Upon request of the board, supported by a statement of the apportionments made and to be made under Sections 17700 to 17766, inclusive, the committee shall determine whether or not it is necessary or desirable to issue any bonds authorized under this chapter in order to make such apportionments, and, if so, the amount of bonds then to be issued and sold. Fifty million dollars (\$50,000,000) shall be available for apportionment on July 1, 1976, and seven million dollars (\$7,000,000) shall become available for apportionment on the fifth day of each month thereafter until a total of two hundred million dollars (\$200,000,000) has become available for apportionment. Successive issues of bonds may be authorized and sold to make such apportionments progressively, and it shall not be necessary that all of the bonds herein authorized to be issued shall be sold at any one time.

17609. In computing the net interest cost under Section 16754 of the Government Code, interest shall be computed from the date of the bonds or the last preceding interest payment date, whichever is latest, to the respective maturity dates of the bonds then offered for

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Argument in Favor of Proposition 1

Proposition 1 deserves your "yes" vote. It will assist school districts to finance needed facilities. The proposition will make available approximately \$250 million to fund the State School Building Lease Purchase Law of 1976 to assist school districts to modernize or replace dilapidated facilities more than 30 years old. Additionally, up to \$100 million will continue the long existing loan program which makes funds available to poorer districts which require additional facilities because of enrollment growth.

There are many unique elements to the Lease Purchase Law of 1976 which this proposition will finance.

First, there will be no cost to the State. No State tax dollars are involved. The law guarantees 100 percent repayment for the facilities constructed.

Second, the program will reduce substantially the cost of school construction. School districts will enter lease purchase agreements with the State rather than with local nonprofit corporations. The savings to local districts lie in the State's guarantee of State bonds as opposed to the district's guarantee of local bonds. A recent school district bond issue of \$35 million could have saved that district \$10 million had this proposal been available because of the lower State interest rate.

Third, districts are encouraged under this program to rehabilitate existing facilities rather than replace them. Districts are also encouraged to design a portion of their facilities as relocatable structures to be moved within the district as the school population demands. The law also encourages school districts to seek other than conventional, nonreplenishable energy sources for heating, cooling and lighting.

Before entering a lease purchase agreement with the

State, the district must obtain a simple majority vote from its electorate. This is currently the vote requirement for local nonprofit corporations. The law insures that facilities constructed or rehabilitated will be economical and efficient by requiring that all proposed projects not exceed cost standards and square footage allowances developed by the State Allocation Board. These limitations are not included in the current lease purchase law. This proposal guarantees minimum costs.

The second portion of the bond act, \$100 million for continuance of the State School Building Aid Law of 1952, is needed to assist districts experiencing enrollment growth. These funds will permit districts to construct facilities for both the regular instructional program and for handicapped children. Participating school districts will repay the State loans according to a long existing repayment schedule that considers their ability to repay.

Proposition 1 deserves your favorable vote. It will: (1) use the State's credit to reduce the local district's cost of modernizing and rehabilitating dilapidated school buildings at no cost to the State, (2) continue all existing safeguards regarding vote requirements, and State approval of local projects, and (3) assist school districts which continue to experience enrollment growth, construct needed facilities.

WILSON RILES

California State Superintendent of Public Instruction

THOMAS C. PATON

President, California Blue Shield

LEROY F. GREENE

Member of the Assembly, 6th District

Chairman, Assembly Education Committee

Rebuttal to Argument in Favor of Proposition 1

There are only three points that need to be made in response to the arguments of the proponents:

1. If the State's own figures show a dramatic reduction in school enrollments in California, new buildings are unnecessary.

2. Even if it is necessary to purchase new property and buildings, why is there no provision to sell off the old buildings and property?

3. Contrary to the proponents' arguments, STATE AND TAX DOLLARS ARE INVOLVED. These are general obligation bonds that, by law, are 100% backed by the faith and credit of the taxpayers of California.

Any statement to the contrary is absolutely false. Every nickel of that \$350 million (plus interest!) must be paid back by you, the taxpayer, through higher local taxes. And if localities default, your State tax dollars are pledged to make up the difference. So, either way, you are going to have to pay back every single penny of your share of \$350 million!

**VOTE NO TO HIGHER AND HIGHER TAXES.
VOTE NO ON PROPOSITION 1.**

H. L. "BILL" RICHARDSON

State Senator, 25th District

Argument Against Proposition 1

There are only three things that we need to remember about Proposition 1.

1. This is the identical bond issue that you overwhelmingly defeated in the last Primary Election, except that it asks you to go \$350 million in debt instead of just \$250 million in debt.

2. Proposition 1 is 100% financed by you, the taxpayer.
3. School enrollments are DOWN, so why do we need more buildings?
And that's the name of that tune!

H. L. "BILL" RICHARDSON
State Senator, 25th District

Rebuttal to Argument Against Proposition 1

The opponents say, "you overwhelmingly defeated" this measure in the last primary election. It lost by 2.7% of the vote cast.

The opponents say Proposition 1 is 100% financed by you, the taxpayer. PROPOSITION 1 IS FINANCED SOLELY BY TAXPAYERS OF THE INDIVIDUAL SCHOOL DISTRICTS WHICH VOTE TO OBLIGATE THEMSELVES FOR NEEDED FACILITIES. If voters in a school district vote to borrow money and pay it back, they and only they finance the lease purchase agreement. You, the general state taxpayer, are not investing one penny. YOU ARE SIMPLY ALLOWING DISTRICTS TO VOTE TO BORROW AND PAY BACK WHAT THEY BORROW PLUS INTEREST AT NO COST TO THE REST OF US AND AT LOWEST COST TO THEM.

We still have growth districts and this is the least expensive money that can be made available to those

taxpayers who vote to borrow and build. WHY SHOULD WE FORCE LOCAL TAXPAYERS TO BORROW MORE EXPENSIVELY? This proposal makes it possible to restore or replace such buildings at the least cost following a local district vote to do so.

Without passage of this proposal, local districts will still have to vote to build and pay for needed facilities. With passage of this proposal, local districts will still have to vote to build and pay for needed facilities, but AT A MUCH LOWER COST TO THE LOCAL TAXPAYER.

WILSON RILES
California State Superintendent of Public Instruction

THOMAS C. PATON
President, California Blue Shield

LEROY F. GREENE
*Member of the Assembly, 6th District
Chairman, Assembly Education Committee*

Apply for Your Absentee Ballot Early

ANALYSIS OF PROPOSITION 13—

Continued from page 57

ability of these local governments, even with local voter approval, to replace property tax losses resulting from the adoption of this initiative.

Fiscal Effect:

This measure would have the following direct impact on the state and local governments:

1. Local governments would lose about \$7 billion in property tax revenues during the 1978-79 fiscal year. This is because the measure would reduce local property tax revenues (estimated at \$12.4 billion under current law) by 57 percent, statewide. Some counties would lose more, and others would lose less.

2. The ability of local governments to sell general obligation bonds in the future would be severely restricted. These bonds are used to finance the construction of new schools, local government buildings, and a variety of other facilities such as parks and sewage treatment plants.

3. The reduction in local property taxes would reduce state costs for property tax relief payments by about \$600 million in 1978-79.

The full fiscal impact of this initiative would depend on whether or not the \$7 billion in local property tax revenue losses were replaced. Replacement revenues could come from two sources:

1. The initiative permits local governments to raise additional revenues by levying other unspecified taxes. Under existing law, most local governments would have to receive specific approval from the Legislature before levying new taxes. If the initiative is approved, new taxes would also have to be approved by two-thirds of the local voters. Thus the initiative would restrict the ability of local governments to impose new taxes in order to replace the property tax revenue losses.

2. Although there is nothing in the initiative or in current law that would require the state to replace any part of the property tax revenue losses, the state could agree to do so.

If these property tax revenue losses were *substantially replaced*, local governments could maintain the existing level of government services and employment.

Part of these revenue losses could be covered *temporarily* by using the state surplus. Additional revenues to pay for these services would have to come from higher state or local taxes such as those imposed on personal income, sales and corporations. Depending upon which tax sources were used to replace local property tax losses, there could be a shift in who initially bears the tax burden. This is because most sales and personal income taxes are paid by nonbusiness taxpayers, whereas about 65 percent of property taxes are initially paid by business firms.

If the \$7 billion in local property tax revenue losses were *not substantially replaced*, there would be major reductions in services now provided by local governments and in local government employment. We cannot predict which particular local services (such as schools, law enforcement, fire protection, health and welfare) would be affected because we do not know how the remaining property tax revenues would be distributed. Because state law requires local governments to pay for certain local programs at specified levels (for example, unemployment compensation benefits and most local welfare costs), the cuts could not be made in these areas without further action by the Legislature.

The 2 percent limit on assessment increases would not allow property tax revenues to rise as rapidly as prices are expected to increase. This limit would tend to require additional cutbacks in local government services and employment in future years unless additional replacement revenues were available. By requiring that property be reassessed when sold, this initiative would, over time, cause homeowners to pay an increasing proportion of local property taxes because homes are sold more often than other types of property such as commercial and industrial.

If the state surplus is used to cover part of local revenue losses in 1978-79, it would not be available to maintain the level of government services in subsequent years.

In the long run, a major *net* reduction in property tax revenues and local spending could have significant economic effects on the level of personal income and employment in California. Such changes, in turn, eventually would produce unknown additional state and local fiscal effects.

TEXT OF PROPOSITION 1— Continued from page 9

sale at the coupon rate or rates specified in the bid; such computation to be made on a 360/day year basis.

17610. The committee may authorize the State Treasurer to sell all or any part of the bonds herein authorized at such time or times as may be fixed by the State Treasurer.

17611. All proceeds from the sale of the bonds herein authorized deposited in the fund, as provided in Section 16757 of the Government Code, except those derived from premium and accrued interest, shall be available for the purpose herein provided, but shall not be available for transfer to the General Fund pursuant to Section 19305 to pay principal and interest on bonds.

17612. With respect to the proceeds of bonds authorized by this chapter, all the provisions of Sections 17700 to 17766, inclusive, shall apply.

17613. Out of the first money realized from the sale of bonds under this act, there shall be repaid any moneys advanced or loaned

to the State School Building Lease/Purchase Fund under any act of the Legislature, together with interest provided for in that act.

SEC. 2. Chapter 21 (commencing with Section 17600) is added to Part 10 of the Education Code, to read:

CHAPTER 21. STATE SCHOOL BUILDING AID BOND LAW OF 1978

17600. This act may be cited as the State School Building Aid Bond Law of 1978.

17601. The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code) is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this chapter, and the provisions of that law are included in this chapter as though set out in full in this

chapter. All references in this chapter to "herein" shall be deemed to refer both to this chapter and such law.

17602. As used in this chapter, and for the purposes of this chapter as used in the State General Obligation Bond Law, the following words shall have the following meanings:

(a) "Committee" means the State School Building Finance Committee created by Section 15909.

(b) "Board" means the State Allocation Board.

(c) "Fund" means either the State School Building Aid Fund or the State School Building Lease-Purchase Fund as specified by the board for the purposes of Section 17614 and as otherwise determined by law.

17603. For the purpose of creating a fund to provide aid to school districts of the state in accordance with the provisions of the State School Building Aid Law of 1952 and the State School Building Lease-Purchase Law of 1976, and of all acts amendatory thereof and supplementary thereto, and to provide funds to repay any money advanced or loaned to the State School Building Aid Fund or the State School Building Lease-Purchase Fund under any act of the Legislature, together with interest provided for in that act, and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code, the committee shall be and is hereby authorized and empowered to create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of three hundred fifty million dollars (\$350,000,000) in the manner provided herein, but not in excess thereof.

17604. All bonds herein authorized, which shall have been duly sold and delivered as herein provided, shall constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

There shall be collected annually in the same manner and at the same time as other state revenue is collected such a sum, in addition to the ordinary revenues of the state as shall be required to pay the principal and interest on said bonds as herein provided, and it is hereby made the duty of all officers charged by law with any duty in regard to the collection of said revenue, to do and perform each and every act which shall be necessary to collect such additional sum.

On the several dates of maturity of said principal and interest in each fiscal year, there shall be transferred to the General Fund in the State Treasury, all of the money in the fund, not in excess of the principal of and interest on the said bonds then due and payable, except as herein provided for the prior redemption of said bonds, and, in the event such money so returned on said dates of maturity is less than the said principal and interest then due and payable, then the balance remaining unpaid shall be returned into the General Fund in the State Treasury out of the fund as soon thereafter as it shall become available.

17605. All money deposited in the fund (1) as annual repayments pursuant to Section 16080, or (2) as lease payments pursuant to Section 17726, or (3) pursuant to the provisions of Part 2 (commencing with Section 16300) of Division 4 of Title 2 of the Government Code, shall be available only for transfer to the General Fund, as provided in Section 17604. When transferred to the General Fund such money shall be applied as a reimbursement to the General Fund on account of principal and interest due and payable or paid from the General Fund on the earliest issue of school building bonds for which the General Fund has not been fully reimbursed by such transfer of funds.

17606. There is hereby appropriated from the General Fund in the State Treasury for the purpose of this chapter, such an amount as will equal the following:

(a) Such sum annually as will be necessary to pay the principal of

and the interest on the bonds issued and sold pursuant to the provisions of this chapter as said principal and interest become due and payable.

(b) Such sum as is necessary to carry out the provisions of Section 17607, which sum is appropriated without regard to fiscal years.

17607. For the purposes of carrying out the provisions of this chapter the Director of Finance may by executive order authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund to be allocated by the board in accordance with this chapter. Any moneys made available under this section to the board shall be returned by the board to the General Fund from moneys received from the sale of bonds sold for the purpose of carrying out this chapter.

17608. Upon request of the board, supported by a statement of the apportionments made and to be made pursuant to Sections 16000 to 16201, inclusive, and Chapter 22 (commencing with Section 17700) of Part 10 of Division 1 of Title 1, the committee shall determine whether or not it is necessary or desirable to issue any bonds authorized under this chapter in order to make such apportionments, and, if so, the amount of bonds then to be issued and sold. A sufficient number of bonds authorized under this chapter shall be issued and sold so that seventy-five million dollars (\$75,000,000) shall be available for apportionment on July 1, 1978, and ten million dollars (\$10,000,000) shall become available for apportionment on the fifth day of each month thereafter until a total of three hundred fifty million dollars (\$350,000,000) has become available for apportionment. Successive issues of bonds may be authorized and sold to make such apportionments progressively, and it shall not be necessary that all of the bonds herein authorized to be issued shall be sold at any one time.

17609. In computing the net interest cost under Section 16754 of the Government Code, interest shall be computed from the date of the bonds or the last preceding interest payment date, whichever is latest, to the respective maturity dates of the bonds then offered for sale at the coupon rate or rates specified in the bid, such computation to be made on a 360-day year basis.

17610. The committee may authorize the State Treasurer to sell all or any part of the bonds herein authorized at such time or times as may be fixed by the State Treasurer.

17611. All proceeds from the sale of the bonds herein authorized deposited in the fund, as provided in Section 16757 of the Government Code, except those derived from premium and accrued interest, shall be available for the purpose herein provided, but shall not be available for transfer to the General Fund pursuant to Section 17604 to pay principal and interest on bonds.

17612. With respect to the proceeds of bonds authorized by this chapter, all the applicable provisions of Sections 16000 to 16207, inclusive, and Sections 17700 to 17749, inclusive, shall apply.

17613. Out of the first money realized from the sale of bonds under this chapter, there shall be repaid any moneys advanced or loaned to the State School Building Aid Fund or to the State School Building Lease-Purchase Fund under any act of the Legislature, together with interest provided for in that act.

17614. Of the moneys made available by this chapter not to exceed the sum of one hundred million dollars (\$100,000,000), or such amount thereof that the board may determine necessary therefor, shall be available for the purposes of Sections 16000 to 16207, inclusive, of the State School Building Aid Law of 1952, and the balance of moneys made available by this chapter shall be available for the purposes of the State School Building Lease-Purchase Law of 1976.

TEXT OF PROPOSITION 2— Continued from page 13

Grants may be made pursuant to this section to reimburse municipalities for the state share of construction costs for eligible projects which received federal assistance but which did not receive an appropriate state grant due solely to depletion of the fund created pursuant to the Clean Water Bond Law of 1974; provided, however, that eligibility for reimbursement under this section is limited to the actual construction capital costs incurred.

Any contract pursuant to this section may include such provisions as may be agreed upon by the parties thereto, and any such contract concerning an eligible project shall include, in substance, the following provisions:

(1) An estimate of the reasonable cost of the eligible project;

(2) An agreement by the board to pay to the municipality, during

the progress of construction or following completion of construction as may be agreed upon by the parties, an amount which equals at least 12½ percent of the eligible project cost determined pursuant to federal and state laws and regulations;

(3) An agreement by the municipality, (i) to proceed expeditiously with, and complete, the eligible project, (ii) to commence operation of the treatment works on completion thereof, and to properly operate and maintain such works in accordance with applicable provisions of law, (iii) to apply for and make reasonable efforts to secure federal assistance for the eligible project, (iv) to secure the approval of the board before applying for federal assistance in order to maximize the amounts of such assistance received or to be received for all eligible projects in the state, and (v)