1992

School Facilities Bond Act of 1992

152 School Facilities Bond Act of 1992

Official Title and Summary Prepared by the Attorney General

SCHOOL FACILITIES BOND ACT OF 1992

- This act provides for a bond issue of one billion nine hundred million dollars ($1,900,000,000) to provide capital outlay for construction or improvement of public schools.

Final Votes Cast by the Legislature on AB 880 (Proposition 152)

Assembly:	Ayes 70	Senate:	Ayes 33
	Noes 1		Noes 0

Background

The State School Building Lease-Purchase Program provides much of the money used by local public school districts to buy land and construct, reconstruct, or modernize school buildings. In order to receive money under this program, school districts must (1) meet certain eligibility requirements and (2) contribute matching funds. School districts can provide their matching funds from any revenue source available to them. The amount of the required match, however, is based on the maximum amount of fees that school districts can collect from developers (as discussed below).

Under other related programs, the state also provides money to (1) abate hazardous asbestos in school buildings, (2) purchase portable classrooms, (3) repair and renovate child care facilities that provide care for school-aged children before and after school hours and during summer vacation, and (4) purchase and install air conditioning equipment and insulation materials in eligible year-round schools.

In addition to obtaining money from the state, school districts raise funds for school buildings in two other ways. These are:

- ***Local General Obligation Bonds.*** School districts are generally authorized to sell bonds to finance school construction projects, with the approval of two-thirds of the voters in the district. However, if the bonds will be used to repair or replace public school buildings that are structurally unsafe for school use, districts need the approval of only a majority of the voters in the district. School districts also are authorized to form "special districts" within their boundaries and sell school construction bonds, subject to the approval of two-thirds of the voters within the special district. In all of these cases, the bonds are paid off by a tax levied upon the real property located within the school district or the special district.
- ***Developer Fees.*** School districts are authorized to impose developer fees on new construction. Currently, the maximum allowable fee under state law is $1.65 per square foot on residential buildings, and 27 cents per square foot on commercial or industrial buildings. These fees, which are applied against the lease-purchase program's local matching requirement, may be used only for construction and reconstruction of school buildings. Existing law provides that, if a state general obligation bond measure for school facilities construction is not approved by the voters, the above limits on developer fees are removed. The legislation that placed this measure on the ballot provides, however, that the fee limits will remain in effect even if this measure is rejected.

School Building Needs. The total number of additional school buildings needed to meet current and projected enrollment in the state is not known. As of December 1991, however, applications submitted by school districts for state funding of land and new school buildings totaled approximately $5.6 billion. In addition, applications for state funding to reconstruct or modernize school buildings totaled approximately $1.2 billion. There are currently no state funds available to fulfill these requests.

Proposal

Bond Program. This measure authorizes the state to sell $1.9 billion in general obligation bonds to pay for (1) the construction, reconstruction, or modernization of elementary and secondary school buildings under the State School Building Lease-Purchase Program, and (2) other school facility projects. General obligation bonds are backed by the state, meaning that the state is obligated to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from state income taxes, sales taxes, and corporate profits taxes.

The money raised from the bond sales would be distributed to school districts by the State Allocation Board. The board is a seven-member body composed of four members of the Legislature, two directors of state departments, and the Superintendent of Public Instruction.

This measure would require the board to use the bond proceeds as follows:

- At least $1.33 billion must be used to buy land and construct *new* school buildings.
- No more than $570 million could be used for (1) school construction projects in small school districts that may not otherwise receive funding under the state building program because of their small size, (2) abatement of hazardous asbestos in school facilities, (3) purchase of portable classrooms, (4) reconstruction or modernization of *existing* school buildings, or (5) purchase and installation of air conditioning equipment and insulation materials for eligible school districts with year-round school programs.

Fiscal Effect

Direct Costs of Paying Off the Bonds. For these types of bonds, the state typically would make principal and interest payments from the state's General Fund over a period of about 20 years. If all of the bonds authorized by this measure are sold at an interest rate of 7 percent, the cost would be about $3.3 billion to pay off both the principal ($1.9 billion) and interest (about $1.4 billion). The average payment for principal and interest would be about $165 million per year.

For text of Proposition 152 see page 17

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Argument in Favor of Proposition 152

CALIFORNIA'S CHILDREN DESERVE AN ADEQUATE LEARNING ENVIRONMENT

Every year for the next decade, more than 200,000 new students will enter California's public school system. Many more new schools must be built if we are to keep pace with this increasing enrollment.

Every penny voters have previously authorized for new schools has already gone into the building program but we are not caught up and must do more if we are to finally address this important need.

UNLESS WE PASS PROPOSITION 152, SEVERE OVERCROWDING IS CERTAIN

One of every two schools in California is more than 30 years old. Many of those should be rehabilitated immediately to provide the best available learning environment for children.

SCHOOL BONDS ARE A SAFE, PROVEN METHOD TO PROVIDE QUALITY EDUCATION

Proposition 152 conforms to the letter and spirit of the state's current spending limit laws and will provide much needed funds—without raising taxes.

PROPOSITION 152 MEANS IMMEDIATE JOBS AND A BOOST FOR THE STATE'S ECONOMY

The $1.9 billion in new construction could not come at a better time. It will create thousands of jobs statewide as well as increased local spending on goods and services.

SCHOOL DISTRICTS ARE PROHIBITED FROM USING LOTTERY FUNDS FOR SCHOOL CONSTRUCTION

Through passage of Proposition 152, the big winners will be the children. Although they don't yet know it, our children and grandchildren will grow up to confront a much more competitive world. Unless we are willing to prepare them, they won't stand a chance. It's that serious.

Your YES vote on Proposition 152 will:

- Create thousands of new construction jobs immediately;
- Provide new schools in areas of desperate need:
- Ensure that our K-12 school system can remain competitive with those of other states and countries:
- Improve the quality of education:
- Ensure safe, earthquake resistant buildings; and
- Prevent further overcrowding by modernizing many old existing facilities.

Please join us in voting YES on Education. Vote YES on Proposition 152.

GLORIA BLACKWELL
President, California State PTA

DELAINE EASTIN
Chairwoman, Assembly Education Committee

KIRK WEST
President, California Chamber of Commerce

Rebuttal to Argument in Favor of Proposition 152

We are tired of hearing the same old phony solution for solving education problems: spend more taxpayer money.

We offer an alternative:

SPEND LESS MONEY ON BUREAUCRATS
SPEND MORE MONEY ON TEACHERS, BOOKS, CONSTRUCTION, AND MAINTENANCE

California private schools employ just 16 non-teaching personnel for each 100 teachers. Our public school system employs 127 non-teachers per 100 teachers! Imagine taking all the money we currently waste in our school districts and using those funds to refurbish our public schools.

Our opponents have not revealed their plan for where they intend to build all the new schools to absorb the 40% student population increase.

WHERE WILL ALL THESE SCHOOLS BE BUILT? WHOSE NEIGHBORHOODS WILL BE DESTROYED TO MAKE ROOM?

Where will all the senior citizens go whose homes are condemned? Will these bonds pay for the billions in relocation costs and eminent domain legal battles? Don't bet on it. Our opponents will come back to you asking for more handouts if you approve this initiative.

With millions of square feet of vacant commercial real estate available in California, why put up new buildings? Let's use untapped private sector resources to educate new students.

During this recession, California cannot afford to go further into debt. Real solutions will never come as long as we let bureaucrats pretend that more waste is the answer. Let's adopt an intelligent education policy. Let's force the Public Education Empire builders to change the priorities reflected in their spending.

VOTE NO ON PROPOSITION 152.

DAVID BARULICH
Treasurer, ExCEL

RUSS HOWARD
Director of Research, ExCEL

Argument Against Proposition 152

During a severe recession, taxpayers are urged to sign for a 1.9 billion dollar charge. Is there no limit on our government credit card? How long can we imitate the carefree-spending check bouncers in Washington?

Public schools don't need more money. We spend more per pupil than almost every other industrialized country; nearly twice as much as Japan or Germany. California public school teachers average over $40,000 a year: up almost 50% after inflation since 1960; 50% more than the average California worker. Total annual spending per student is over $5,200, a 136% real increase since 1960.

The more money we throw at the current system, the worse it gets. Our dropout rate is 30%. Even our better public schools have fallen behind other industrialized (and many 3rd world) countries. Tests rank our kids far behind the foreign kids they compete with for jobs in the world economy. L.A. teachers are twice as likely to send their kids to private schools as the average Californian.

The problem isn't lack of money, it's waste and lack of accountability. United Teachers found that only 36% of school funding trickles down past the bureaucracy to L.A. classrooms.

There is a better, less expensive way to rescue kids from overcrowded, bad schools:

Empower parents to take a child's fair share of education money and direct it to those schools that best and most efficiently educate their children.

We pay an enormous cost for maintaining the public school monopoly. A 1988 Gallup Poll reported that 27% of public school parents said that with $600 in aid they would remove their children from public school and send them to private school. Our proposal is to offer parents a $2,600 scholarship to spend for tuition at the school of their choice.

If one in four pupils accepted $2,600 to stop using a service that costs twice that amount, taxpayers could save up to $3 billion every year!! And that's just the beginning:

(a) We would no longer have crowded public schools: so, we save billions more in construction costs. (b) A portion of the billions saved can be used to enrich public school programs or increase opportunities for low-income students. (c) The rest can be used for road construction, increasing water supplies, or lowering taxes.

Most importantly, empowering parents with the financial ability to choose will make public schools compete and offer a better product.

Sound far-fetched? Only if you listen to the public education empire. Children trapped in crowded classrooms give bureaucrats an excuse to demand more money from taxpayers. The system is bad for children, but works well for tenured educrats. Students provide enough tax-funded ransom each year to maintain almost half a million school employees.

A vote against this bond issue means fiscal restraint, local control of education, and greater opportunity for students now held in the grip of an insulated school bureaucracy. It's time to approach education more intelligently and less expensively. Please vote NO.

RUSS HOWARD
Director of Research, ExCEL (Excellence through Choice in Education League)

DAVID BARULICH
Treasurer, ExCEL (Excellence through Choice in Education League)

Rebuttal to Argument Against Proposition 152

VIRTUALLY EVERY IMPORTANT EDUCATION, GOOD GOVERNMENT, SENIOR, LAW ENFORCEMENT AND BUSINESS GROUP IN THE STATE SUPPORTS PASSAGE OF PROPOSITION 152

They know that schools are an investment in California's future. Building new schools is tangible proof of our state's commitment to providing a quality education for our children.

OVER 2 MILLION NEW STUDENTS WILL ENTER CALIFORNIA SCHOOLS BY THE END OF THE DECADE

That means that California schools grow by *over 200,000* new children each year. And with one out of every two schools in California over 30 years old, Proposition 152 would also provide desperately needed funds to replace and improve our older classrooms.

DON'T BE MISLED

Contrary to what some would have you believe, passage of Proposition 152 conforms to both the letter and spirit of the state's spending limit laws and provides much needed revenue—without raising taxes.

KIDS CAN'T AFFORD TO WAIT AND THE TIME HAS NEVER BEEN BETTER

By putting these bond dollars to work now constructing schools when interest rates are at an all-time low, we can not only create thousands of jobs building schools, we can guarantee that major school construction is financed at the lowest possible cost—saving us all money.

Without Proposition 152, the crisis in schools can only get worse. Investing in education is investing in California's future.

JOIN WITH THE STATE PTA,
CALIFORNIA CHAMBER OF COMMERCE,
CALIFORNIA ORGANIZATION OF POLICE AND SHERIFFS
AND OTHERS IN VOTING . . .

YES FOR KIDS.
YES FOR SCHOOLS.
YES ON PROPOSITION 152.

LARRY McCARTHY
President, California Taxpayers' Association

D. A. ("DEL") WEBER
President, California Teachers Association

HOWARD OWENS
President, Congress of California Seniors

This law proposed by Assembly Bill 880 (Statutes of 1992, Chapter 12) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Education Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 21.2 (commencing with Section 17640) is added to Part 10 of the Education Code, to read:

CHAPTER 21.2. SCHOOL FACILITIES BOND ACT OF 1992

Article 1. General Provisions

17640. This chapter shall be known and may be cited as the School Facilities Bond Act of 1992.

17640.10. As used in this chapter, the following terms have the following meanings:

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

(b) "Fund" means the State School Building Lease-Purchase Fund.

Article 2. Program Provisions

17640.15. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the fund.

17640.20. All moneys deposited in the fund shall be available to provide aid to school districts of the state in accordance with the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 22 (commencing with Section 17700)), and of all acts amendatory thereof and supplementary thereto, to provide aid to school districts of the state in accordance with Section 17640.30, 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 reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

17640.30. Of the proceeds from the sale of bonds pursuant to this chapter, not more than five hundred seventy million dollars ($570,000,000) may be used for one or more of the following purposes:

(a) Project funding for applicant districts under Chapter 22 (commencing with Section 17700) that are eligible for that funding, but that lack funding priority due to the size of pupil enrollment in the district.

(b) The identification, assessment, or abatement of hazardous asbestos in school facilities, pursuant to either Chapter 22 (commencing with Section 17700) or Section 39619.6.

(c) The acquisition of portable classrooms for use in accordance with Chapter 25 (commencing with Section 17785).

(d) The reconstruction or modernization of facilities pursuant to Chapter 22 (commencing with Section 17700). Notwithstanding Section 17721.3, the State Allocation Board may allocate funding pursuant to this subdivision for the reconstruction or modernization of an existing structure in an amount that exceeds 25 percent of the replacement cost of that structure in order to finance structural improvements needed to avert future earthquake damage.

(e) The purchase and installation of air-conditioning equipment and insulation materials, and related costs, pursuant to Section 42250.1 for schools operated on a year-round multitrack schedule in a manner that increases school capacity and reduces or eliminates the school district's need for the construction of additional classroom space.

Article 3. Fiscal Provisions

17640.40. Bonds in the total amount of one billion nine hundred million dollars ($1,900,000,000), exclusive of refunding bonds, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation 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 of, and interest on, the bonds as the principal and interest become due and payable.

17640.44. The State School Building Finance Committee, created by Section 15909 and composed of the Governor, Controller, Treasurer, Director of Finance, and the Director of Education, or their designated representatives, all of whom shall serve thereon without compensation, and a majority of whom shall constitute a quorum, is continued in existence for the purpose of this chapter. The Treasurer shall be designated to chair the committee. Two Members of the Senate appointed by the Senate Committee on Rules, and two Members of the Assembly appointed by the Speaker of the Assembly, shall meet and advise with the committee to the extent that the advisory participation is not incompatible with their respective positions as Members of the Legislature. For the purposes of this chapter, the Members of the Legislature shall constitute an interim investigating committee on the subject of this chapter and as that committee shall have the powers and duties imposed upon those committees by the Joint Rules of the Senate and the Assembly. The Director of Finance shall provide the assistance to the committee as it may require. The Attorney General of the state shall be the legal adviser of the committee.

17640.45. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in 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), and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) For purposes of the State General Obligation Bond Law, the State Allocation Board is designated the "board."

17640.50. Upon request of the board from time to time, supported by a statement of the apportionments made and to be made for the purposes described in

Section 17640.20, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to fund the apportionments and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to fund those apportionments progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

17640.55. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

17640.60. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

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

(b) The sum which is necessary to carry out the provisions of Section 17640.70, appropriated without regard to fiscal years.

17640.63. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

17640.65. Notwithstanding any other provision of this chapter, or of 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), if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes subject to designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds that is required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

17640.70. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

17640.75. All money deposited in the fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

17640.80. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the electors of the state for the issuance of the bonds described in this chapter shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

17640.85. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.