1992

1992 School Facilities Bond Act

155 1992 School Facilities Bond Act

Official Title and Summary Prepared by the Attorney General

1992 SCHOOL FACILITIES BOND ACT

- This act provides for a bond issue of nine hundred million dollars ($900,000,000) to provide capital outlay for construction or improvement of public schools.
- Appropriates money from state General Fund to pay off bonds.

Final Votes Cast by the Legislature on SB 34 (Proposition 155)

Assembly:	Ayes 69	Senate:	Ayes 28
	Noes 2		Noes 1

Analysis by the Legislative Analyst

Background

The State School Building Lease-Purchase Program provides much of the money used by public school districts to buy land and to construct, reconstruct, or modernize school buildings. In order to receive money under this program, school districts must meet certain eligibility requirements and contribute matching funds. School districts can provide 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) remove hazardous asbestos from school buildings, (2) purchase portable classrooms, and (3) 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. In these cases, the bonds are paid off by taxes that are levied on 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.

School Building Needs. The number of additional school buildings needed to meet current and projected enrollment in the state is not known. As of April 1992, however, applications submitted by school districts for state funding of land and new school buildings totaled approximately $5.2 billion. In addition, applications for state funding to reconstruct or modernize school buildings, purchase portable classrooms, remove hazardous asbestos from schools, and provide air conditioning for year-round schools totaled approximately $1.1 billion. With the passage of Proposition 152 in June 1992, voters made available $1.9 billion in bond monies for these requests.

Proposal

Bond Program. This measure authorizes the state to sell $900 million 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 the state personal and corporate income taxes, and the state sales and use taxes.

The money raised from the bond sales would be distributed to school districts by the State Allocation Board. This measure requires the board to use the bond proceeds as follows:

- At least $630 million to buy land and construct *new* school buildings. The measure limits the state's contribution to the cost of buying land for any one project to $2,250,000 per acre.
- Up to $270 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) removal of hazardous asbestos from 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 makes principal and interest payments from the state's General Fund typically 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 $1.6 billion to pay off both the principal ($900 million) and interest (about $700 million). The average payment for principal and interest would be about $80 million per year.

For text of Proposition 153 see page 65

---

155 1992 School Facilities Bond Act

Argument in Favor of Proposition 155

CALIFORNIA'S CHILDREN DESERVE A SAFE AND SOUND SCHOOL ENVIRONMENT

Every year for the next decade, 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.

One of every two schools in California is more than 30 years old. In view of the recent severe earthquake activity at both ends of the state, we must make certain these buildings are made earthquake safe, educationally sound and are rehabilitated.

Proposition 155 will provide $900 million to pay for new schools and to help repair our oldest facilities. All money which voters previously authorized for new schools has been committed but we are not yet caught up with the need for new classrooms.

PROPOSITION 155 WILL HELP OUR SCHOOLS WITHOUT RAISING TAXES

Proposition 155 conforms to both the letter and the spirit of the state's spending limit laws by providing much needed funding—WITHOUT RAISING TAXES.

PROPOSITION 155 WILL MEAN JOBS AND A BOOST TO THE ECONOMY

This $900 million in new construction will not only help ease overcrowding in our schools, but it will create thousands of jobs statewide and increase local spending on goods and services.

STATE LOTTERY MONEY CANNOT BE USED FOR SCHOOL CONSTRUCTION

State lottery money cannot be used to help build new schools or to repair old ones. With school funding being cut on the state and local levels, Proposition 155 is even more important. Without Proposition 155, new schools won't be built, and unsafe schools won't be fixed.

YOUR YES VOTE ON PROPOSITION 155 WILL

- Provide safe, earthquake resistant buildings;
- Create thousands of new construction jobs;
- Build new schools in areas of desperate need;
- Ensure that our K-12 school system can remain competitive with other states and countries; and
- Improve the quality of education.

PLEASE JOIN WITH US AND MAJOR EDUCATION, GOOD GOVERNMENT, SENIOR, AND BUSINESS GROUPS THROUGHOUT THE STATE IN VOTING YES ON EDUCATION—YES ON PROPOSITION 155.

- LET OUR SCHOOL CHILDREN KNOW YOU CARE
- HELP BOOST OUR ECONOMY
- VOTE YES ON PROPOSITION 155

GLORIA BLACKWELL
President, California State Parent Teachers Association (PTA)

HOWARD OWENS
President, Congress of California Seniors

KIRK WEST
President, California Chamber of Commerce

Rebuttal to Argument in Favor of Proposition 155

The proponents claim Proposition 155 won't raise taxes. Where do they think the money will come from to pay for $900 million in bonds, plus $700 million interest over 20 years? From the taxpayers, of course. *Bonds are NOT free money!*

The proponents claim Proposition 155 will create jobs. Government jobs are created at the expense of private sector jobs. If a business has to pay higher taxes, it has less money to hire more employees. *Proposition 155 will actually HURT the job market!*

There is already millions of square feet of vacant commercial real estate in California. Why can't school districts lease existing buildings instead of undertaking this massive public works boondoggle? *If Proposition 155 passes, peoples' homes will be condemned and torn down to make room for new schools.*

Half the state budget goes to education already. Unfortunately, 64% of the education budget never makes it past the bureaucracy into the classrooms. Public schools employ 127 non-teachers for every 100 teachers, while private schools only employ 16 non-teachers per 100 teachers. *Proposition 155 means more money to public school bureaucrats, not students.*

Instead, let's fire unnecessary bureaucrats and use their salaries and benefits for new schools, or to lease existing space.

Better yet, give parents and kids a choice: tax credits or vouchers so they can afford the more efficient private schools.

Proposition 155 costs too much! We need to change the system, not put taxpayers in debt for 20 years.

VOTE NO on PROPOSITION 155.

TED BROWN
Chairman, Libertarian Party of Los Angeles County

RICHARD B. BODDIE
Adjunct Professor of Business and Law

JUNE R. GENIS
Computer Programmer

 Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

Argument Against Proposition 155

Voters have already approved a total of $6 BILLION since 1986 for school construction bonds. Now politicians want almost $1 BILLION more. They forget that the economy is a mess. Californians are fighting just to pay their bills. The last thing we need is Proposition 155, which will raise taxes and government spending.

The state treasurer hasn't even sold all the bonds voters passed in previous elections. If more bonds are put on the market, the interest on them must go up to make them attractive to buyers. This costs California taxpayers even more. Bonds are not free money, like the politicians want you to think.

Proposition 155 calls for spending $900 million, which would have to be paid back, along with about $700 million in interest, over 20 years—RIGHT OUT OF THE POCKETS OF CALIFORNIA TAXPAYERS. The state budget has an $11 billion deficit! TAXPAYERS JUST CAN'T AFFORD TO PAY FOR THESE BONDS!

Of course we all want good schools. But over half of California's bloated $56 BILLION state budget goes to schools right now. The law requires that the first 40% of California's budget be used for education. The Legislature and governor usually give the education bureaucrats anything they ask for—right out of your pocket!

Taxpayers already fork over income taxes, sales taxes and property taxes to finance schools. California spends an average of $5,200 per student each year. That's $156,000 for a classroom of 30 kids. If the teacher earns $40,000, where does the other $116,000 go? Who's getting rich off your taxes? The school establishment pleads poverty—but the truth is that it wastes huge amounts of money on administrators and other bureaucrats. Rest assured, if legislators stood up to special interests, they could easily find $900 million in the budget to build schools.

The government has a monopoly on public education. It takes our taxes and offers us a school system that doesn't face hard competition. Overworked teachers who must deal with too many administrators and too much paperwork cannot educate students well. Parents who can afford to do so flee the chaos of California's public schools to get a quality education for their kids in the private schools. In Chicago, even 46% of public school teachers send their own kids to private schools!

There are alternatives to throwing our tax dollars away. Either tuition tax credits or vouchers would give parents and kids the choice they deserve. When detractors say public schools would shrivel up and die if parents use vouchers for private schools, they're just admitting the present system is a failure.

More students going to private schools would eliminate the need to build more government schools. Under this scenario, there would be no need for Proposition 155.

California voters, it's time to say, ENOUGH IS ENOUGH!

PARENTS AND KIDS NEED A CHOICE IN EDUCATION! TAXPAYERS NEED RELIEF FROM MASSIVE GOVERNMENT SPENDING AND OUT-OF-CONTROL BOND DEBT! Send a message to the Sacramento politicians and the education bureaucrats—VOTE NO on PROPOSITION 155.

TED BROWN
Chairman, Libertarian Party of Los Angeles County

RICHARD B. BODDIE
Adjunct Professor of Business and Law

JUNE R. GENIS
Computer Programmer

Rebuttal to Argument Against Proposition 155

SCHOOLS ARE AN INVESTMENT IN OUR FUTURE

Without adequate safe schools, our youngsters won't be able to compete in tomorrow's world. Earthquakes have proven our schools to be safe havens for our people in times of catastrophe.

WE NEED MORE SCHOOLS NOW

Over 2 million new students will enter California's public schools in the next 10 years. We need new schools to house these students, and we need to replace or repair our oldest classrooms.

PROPOSITION 155 BONDS BUILD SCHOOLS WITHOUT RAISING TAXES!

Proposition 155 conforms to the letter and spirit of the state's spending limit while still providing money needed to build schools—without raising taxes. With interest rates at an all time low, construction dollars go farther than even a few years ago.

PROPOSITION 155 MEANS NEW JOBS *AND* NEW SCHOOLS

Proposition 155 will create thousands of jobs and is a solid investment in California's future. Without Proposition 155, we will not be able to house our increasing student population.

JOIN WITH THE:
- CALIFORNIA STATE PTA
- CALIFORNIA CHAMBER OF COMMERCE
- CONGRESS OF CALIFORNIA SENIORS, and us

IN VOTING YES FOR OUR SCHOOL CHILDREN
YES FOR JOBS
VOTE YES ON PROPOSITION 155

GOVERNOR PETE WILSON

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

STATE SENATOR LEROY GREENE

This law proposed by Senate Bill 34 (Statutes of 1992, Chapter 117) 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

SEC. 1.7. Chapter 21.25 (commencing with Section 17645) is added to Part 10 of the Education Code, to read:

CHAPTER 21.25. 1992 SCHOOL FACILITIES BOND ACT

Article 1. General Provisions

17645. This chapter shall be known and may be cited as the 1992 School Facilities Bond Act.

17645.10. 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

17645.15. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the fund.

17645.20. (a) 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 17645.30, 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.

(b) As to any project that is funded, in whole or in part, from the proceeds of bonds to be expended under this chapter for the purposes of Chapter 22 (commencing with Section 17700), the state's portion of land costs paid from the proceeds of bonds authorized under this chapter shall not exceed two million two hundred fifty thousand dollars ($2,250,000) per acre, per project.

17645.30. Of the proceeds from the sale of bonds pursuant to this chapter, not more than two hundred seventy million dollars ($270,000,000) 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

17645.40. Bonds in the total amount of nine hundred million dollars ($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.

17645.44. 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.

17645.45. (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."

17645.50. 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 17645.20, 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.

17645.55. 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.

17645.60. 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 17645.70, appropriated without regard to fiscal years.

17645.63. 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.

17645.65. 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.

17645.70. 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.

17645.75. 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.

17645.80. 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.

17645.85. 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.