

## Key Issues for the Next Statewide School Facility Bond

Throughout 2019 and into the early part of 2020, discussions about the next statewide school facility bond will ensue and intensify. In November 2016, California voters passed Proposition 51, that authorized the state to sell \$9 billion in bonds to fund K-12 and community college construction projects. As of September 2018, the \$3 billion in New Construction authority for K-12 was fully encumbered by applications the state received, and the state anticipates that Modernization bond authority will be exhausted by September 2019.

Except for Proposition 51, every statewide school bond was placed on a state ballot through a bill passed by the Legislature and signed by Governor Jerry Brown. While there may be appetite to run a voter initiative again, key legislators and their staff are engaged in early conversations about the next statewide bond. Below are the major issues that will be debated.

### State Grant Amount/Contribution

Currently, the state provides a contribution of 50% or 60% of a project<sup>1</sup> for New Construction and Modernization projects, respectively, through uniform per-pupil grants based on grade span. The following are the 2018 per-pupil grant amounts:

	New Construction	Modernization
<b>Elementary School</b>	\$11,567	\$4,404
<b>Middle School</b>	\$12,234	\$4,658
<b>High School</b>	\$15,567	\$6,099
<b>SDC* - Severe</b>	\$32,503	\$14,037
<b>SDC - Non-Severe</b>	\$21,737	\$9,391
*Special day class		

State contributions must be matched by local funds, largely comprised of local bond funds and, to a lesser but still significant extent, developer fees. For New Construction, districts are required to match the state contribution on a dollar-for-dollar basis, and for Modernization, districts are required to provide 40 cents for every 60 cents the state provides. The uniform system of state contributions is drawing attention to what some perceive as inequities in districts' abilities to access state support, with some arguing that it elicits *Serrano*-related issues where the California Supreme Court opined that education funding based on local wealth violated the constitution's Equal Protection clause. A recent study issued as part of the Getting Down to Facts II release found that districts with higher per-pupil assessed valuation (AV) received more state Modernization aid compared with districts with lower per-pupil AV, but found state support for New Construction more equitably distributed and based on need.<sup>2</sup>

The state contribution system has been scrutinized for some time. One alternative under discussion is replacing the uniform per-pupil grants with a sliding scale based on a district's ability to pay.

<sup>1</sup>It should be noted that studies have determined that the state contribution to a project is roughly 35%-45% of actual project costs. The percentages noted here reflect the statutory contributions.

<sup>2</sup>Brunner, E. & Vincent, J. (2018). *Financing School Facilities in California*, Policy Analysis for California Education, PACE.

Ability to pay is directly related to a district's per-pupil AV, which determines its bonding capacity, and the local effort a district has exercised to access its capacity via local bond elections.

*The Oakland Unified School District (OUSD) Board should consider its position on maintaining the uniform per-pupil grants or replacing it with an alternative state contribution system that could be based on local revenue generating capacity. It should be noted that OUSD's per-pupil AV is above the statewide average.*

## **Modernization Grant Amount**

Unlike the New Construction per-pupil grants, which were increased in 2006 to better reflect real project costs, the Modernization per-pupil grants have increased yearly by the facilities-equivalent to cost of living adjustment: the Construction Cost Index. At the inception of the School Facility Program, the Modernization grants were intended to be a ratio of the New Construction grants; specifically, they were just over 43% of the New Construction grants. Currently, the Modernizations grants are 38% of the New Construction grants, or 5% less than they were prior to 2006, with the exception of the grants for SDCs.

It is not clear if there will be a push to increase the Modernization grant amounts although many districts that have participated in the Modernization Program have shared anecdotally that the grants only cover the cost of systems and accessibility upgrades, leaving little if anything to make improvements for 21<sup>st</sup> century teaching and learning.

*The OUSD Board should consider advocating for an increase in the Modernization grant, particularly in light of the fact that much of the district's capital outlay need is modernizing its existing facilities.*

## **Distribution Method**

Currently, the state apportions bond funds on a first-in, first-out basis after districts successfully obtain all necessary state approvals to submit their funding applications. This process has been criticized as particularly disadvantageous for districts that cannot afford either to hire district employees who specialize in facilities or third-party consultants who can assist them in navigating the process from project design to funding. This distribution method has been negatively correlated with both the size and location of a district (i.e., small and/or rural) and district wealth.

There have been many efforts to ameliorate the system including streamlining individual state agency approval processes and assistance for small school districts. In fact, the Office of Public School Construction announced in October 2018 that it is no longer requiring the submission of Division of State Architect-approved plans with a project application along with other streamlining improvements, such as accepting electronic signatures. However, the effects of such efforts to date have not fully addressed the equity concerns over the first-in, first-out method.

Consequently, there is interest in developing an alternative distribution method. One alternative is to establish a project ranking system based on a set of criteria. Each year, the Community College Chancellor's Office approves funding for community college projects based on health and safety,

accommodating growth, modernizing existing facilities, and providing instructional and student support. It ranks projects accordingly and then submits its recommendations to the Department of Finance for final approval and apportionment. Developing a similar process for K-12 projects is under consideration.

*The OUSD Board should determine its position on a funding distribution method that may include retaining the current first-in, first-out method or proposing a method of its own.*