Proposition 47
Bonds to construct and modernize public education facilities

If a majority of California voters approve, a measure on the November 2002 ballot would provide $11.4 billion in general obligation bonds, issued and repaid by the state of California, for the construction and modernization of elementary, secondary, and higher education facilities. The amount includes $11.4 billion for kindergarten through 12th grade and $1.65 billion for higher education. State leaders also approved a second measure, slated to go before voters in 2004, which would provide an additional $10 billion for K-12 and $2.3 billion for higher education.

For a bond measure to qualify for the ballot, the Legislature must approve it by a two-thirds vote and the governor must sign it. The last statewide bond measure for education was passed four years ago in November 1998. After considerable and at times acrimonious debate, the bipartisan Assembly Bill 16 passed both houses of the Legislature and was signed by Gov. Gray Davis on April 26, 2002. The unusual two-stage bond measure was approved in November 1998 for $6.7 billion, was allocated to school districts by the end of August 2002.

Funding school facilities requires a local effort

If the state bond is passed, the allocation of funds to local communities depends on two critical factors: a district’s demonstrated need and its ability to provide a 50% match for new construction or a 40% match for modernization.

That match mostly comes from local general obligation (G.O.) bonds approved by local voters. G.O. bonds require either a 55% or two-thirds approval, depending on the circumstances. Some districts can also generate funds for the local match by levying fees on new commercial or residential development or through special “Mello-Roos” elections for new development within a district. State regulations provide that the local match requirement can be waived in “hardship” cases, usually when a district has tried and failed to pass a local bond election and has no other means for coming up with matching funds.

The state bond money would be divided four ways

If approved, the $11.4 billion of Proposition 47 funds for K-12 education would be divided four ways:

✔ $3.45 billion for new construction of projects submitted after Feb. 1, 2002 (including up to $100 million for charter schools) and $2.9 billion for “backlog” new construction projects approved before Feb. 1, 2002. The 50% district match applies in both cases. Hardship cases, as defined by the OPSC, are exempt from some or all of the match requirement.
$1.4 billion for modernization or reconstruction and $1.9 billion for modernization backlog projects, with a 40% match for both. Applications submitted prior to March 15, 2002 need only a 20% match.

$1.7 billion for districts with schools that are “critically overcrowded” (50% match). The current definition is more than 115 elementary students per acre or more than 90 high school students per acre.

$50 million for projects that involve a joint use between a school district and another public agency, such as a library, multipurpose room, gym, or child care facility. The partner must pay a 50% match.

Updates in these allocations would have to be approved by the Legislature and governor.

The second measure, in March 2004, would provide $10 billion for K–12 education. The split in that case would be about 50% for new construction, about 25% for modernization, and 25% for critically overcrowded schools.

The bond money for higher education includes $408 million for the University of California, $496 million for California State University, and $746 million for community colleges. For more details, see the LAO analysis at www.lao.ca.gov and ballot pamphlets at www.ss.ca.gov.

**State funds are used to repay bonds**

Voter-approved general obligation bonds—and their interest—are repaid from state general funds, primarily income and sales taxes. Unlike local obligation bonds, they do not require a tax increase, but they do use state revenues that could be spent for other purposes.

California has about $25 billion in long-term debt, plus about $14 billion in bonds already authorized by voters but not yet allocated (none of them for education). According to the Office of the State Treasurer, the ratio of annual payments to the state's general fund is lower than in many other large states. Gov. Davis asserted that the state has "more than adequate bond capacity.”

**Opponents stress California's existing bond debts**

The opponents to Proposition 47—State Senator William "Pete" Knight and the presidents of the Howard Jarvis Taxpayers Association and the National Tax Limitation Committee—disagree. Their ballot argument asserts that California has been assigned a 3, the lowest credit rating, and therefore should be "extremely careful whenever we consider taking on more debt." They argue that California already has "too much debt on the books" and does not know how much money school districts spend in bond interest.

Opponents agree that “the school facilities shortage . . . is a serious problem that needs to be addressed,” but they are concerned that districts could reserve some bond money and not begin construction for many years.

The opponents argue that the primary beneficiary, by far, of these bond measures would be the Los Angeles Unified School District (LAUSD). Citing OPSC figures that LAUSD has 12% of the state's public school enrollment but would be eligible for 24% of the new construction funds, they ask voters to "Say 'No' to LAUSD's greed."

**Proponents say decent classrooms lead to student success**

Supporters of Proposition 47 include the California Chamber of Commerce, the League of Women Voters of California, the California Taxpayers Association, the California State PTA, the California Teachers Association, the American Association of University Women–California, and the California Business Roundtable. The latter association particularly supports the money for colleges and universities.

The argument in favor of the proposition is that "students can't learn and teachers can't teach in overcrowded and rundown classrooms . . . Proposition 47 will help fix our schools so they disagree with opponents' concerns about LAUSD, stating that no critically overcrowded districts—or any district anywhere—would get "more than its fair share." Further, they assert that the Office of the State Treasurer and "respected bond rating services" report California's credit is "healthy and strong."

**The LAO estimates future costs**

Depending on interest rates and the time period for replacement, the LAO estimates that the payment for the principal and interest on the $13.05 billion in G.O. bonds would be an average of $873 million a year from the state's General Fund. This money is not related to the Proposition 98 funding guarantee for K–14 education.

California voters approved 15 of the 16 statewide school bond measures in the last 20 years. If they reject Proposition 47, a serious need will be left unaddressed. If they reject the second measure on the March 2004 ballot, Assembly Bill 16 calls for it to be resubmitted on the November 2004 ballot.

**To Learn More**

The Office of the Legislative Analyst's review is at www.lao.ca.gov, and the Office of the Secretary of State has the text of the proposition and ballot arguments at www.ss.ca.gov.

You can also download the EdSource explanation of the change in the voter threshold for local general obligation bonds (two-thirds versus 55%) from: www.edsource.org/pub_prop39.cfm