



Proposition 1D: Kindergarten–University Public Education Facilities Bond Act of 2006

If passed on Nov. 7, this bond measure would provide \$10.416 billion in facilities funds for public education. The bulk of the funding—\$7.329 billion—is earmarked for K–12 schools, with the remaining \$3.087 billion for higher education.

Like past California school bond measures, Proposition 1D has funds for new school construction and modernization, overcrowded schools, and joint-use projects. But Proposition 1D allocates a larger portion of the funds to modernization than in recent measures and is unique in several ways. Proposition 1D:

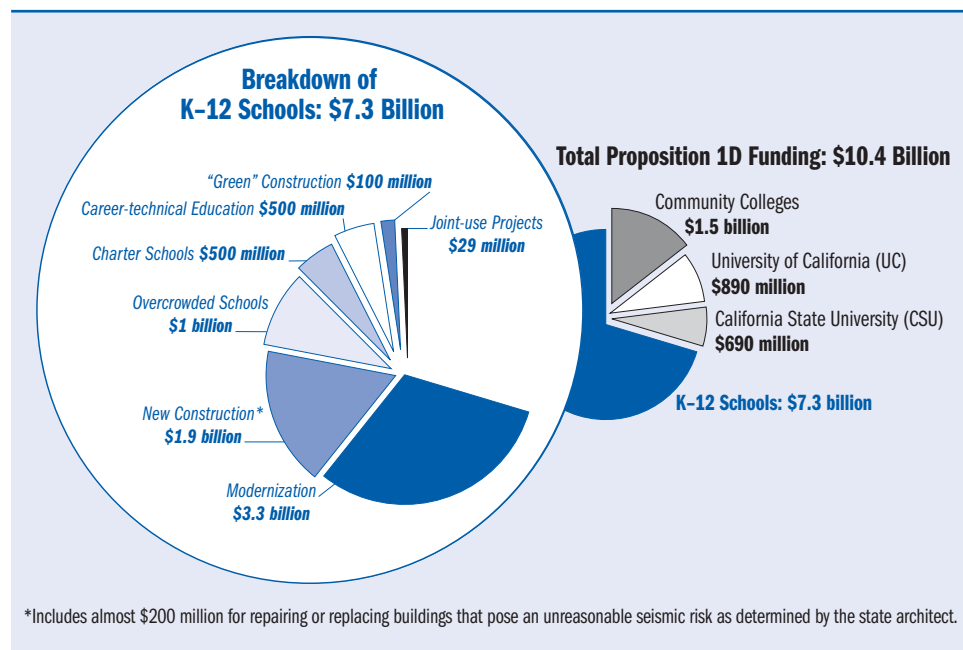
- Provides the largest sum ever for **charter schools**—\$500 million—and makes it easier for them to obtain funding for facilities.
- Allocates \$500 million for new or reconfigured **career-technical education** facilities and equipment.
- Allows up to \$200 million of the new construction and modernization funding to be used for **small high schools** or “schools within a school.”
- Allocates \$100 million for incentive grants for **environmentally friendly construction**.
- Requires that \$200 million of the \$890 million allocated to the University of California be used to support medical education programs, with an emphasis on **telemedicine** (long-distance medical care using computers and telecommunication devices).

Furthermore, Proposition 1D is part of a bipartisan package of ballot measures (IA through IE)—approved by two-thirds of the state Legislature and signed by the governor. The package includes \$37.3 billion in bonds to shore up the state’s infrastructure.

Bonds help provide needed classrooms

Most California school districts rely on state-issued general obligation bonds to help them fund school facilities. To qualify for state money, districts must supply matching funds. For new construction, the state and district each pay half the cost. For modernization projects, the state pays 60% and districts pay 40%. Hardship cases, as defined by the Office of Public School

figure 1 | How Proposition 1D funding would be distributed



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Construction (OPSC), are exempt from some or all the matching funds requirement.

Over the past decade, voters have approved a total of \$28.1 billion in state bonds for K–12 school facilities, according to the Legislative Analyst’s Office (LAO). About \$3.7 billion of these funds had not been spent as of June 2006, according to the OPSC.

However, the OPSC estimates that over the next five years (2006–07 through 2011–2012) California will need more than \$6 billion in state matching funds to build 18,000 new classrooms. Another \$5.3 billion will be needed to modernize more than 61,000 classrooms that are 25 years or older. Together the new and remodeled classrooms would serve almost 2.1 million K–12 students.

Crowded schools and joint-use projects

Under Proposition 1D, \$1 billion will be available to districts with severely overcrowded schools to replace portable classrooms with new permanent classrooms, unless the portables are being used to implement a class size reduction program. The districts would also have to remove portables from overcrowded

school sites and reduce the total number of portables within the district. The LAO estimates that 1,800 schools (or about 20% of all schools) are eligible for this funding, which requires a 50% local match except for hardship cases.

The measure also sets aside \$29 million to build or reconfigure existing joint-use facilities, which are used by K–12 schools and other public entities, such as libraries or colleges. And the state can use up to \$21 million from previous bond measures for such purposes. In addition, community colleges, CSU, and UC must annually consider building or remodeling facilities that could be jointly used by more than one higher education institution.

Charter schools

Proposition 1D supports the growing charter school movement and relieves pressure on school districts, which are required to provide charter schools of a certain size with facilities that are equal to other district facilities. Besides allocating \$500 million, Proposition 1D has rules governing the distribution of funds, including some that change existing law:

- Charter schools that meet certain requirements can apply directly to the state for funding to modernize school facilities.
- The measure gives preference to charters that use existing district facilities. In addition, funds are to be distributed fairly across the state and among grade levels, with preference given to charters that are located in overcrowded districts or low-income areas and to those that are run by nonprofits.
- Under current law, if the state provides facility funds for a charter school, the school district's eligibility for future facility funds for its noncharter schools is reduced accordingly. Proposition ID appears to require this reduction in eligibility only when the charter school provides seats for the district's "unhoused" pupils. (If the number of pupils in a district exceeds seating capacity standards, the district has "unhoused" pupils.) However, the language in the proposition is somewhat open to interpretation. If the measure passes, regulations will clarify this provision.
- A per-pupil funding cap is repealed in favor of a cap based on the maximum costs allowable for new construction.

To qualify, charter school operators must show that they have a track record for operating fiscally sound schools. A 50% local match is also required but can be borrowed from state bond funds and paid back over time.

Career-tech education

Proposition ID reflects the growing interest in revitalizing career-tech or vocational education to help students—particularly those who may not be college bound—prepare for the more sophisticated requirements of today's job market. Advocates also say that hands-on career-tech programs encourage students to stay in high school.

To be eligible for the \$500 million in facilities funding, school districts, county offices of education, and direct-funded charter schools must match state funds (50%) with their own funds or money from private industry groups or a joint powers authority (such as a regional occupational center). The local contribution can be borrowed from state bond funds and paid back over time. In addition, those seeking funding must develop a comprehensive career-tech plan and have an active career-tech advisory committee.

Only high schools can get new construction funds—up to \$3 million per project. However, both high schools and joint powers authorities can receive modernization funding—up to \$1.5 million per project.

Small high schools

In another effort to keep students in high school, reformers have supported a more personalized environment through smaller learning communities. Under Proposition ID, up to \$200 million can be used to support a state pilot project that encourages the creation of small high schools (500 students or fewer) or "schools within a school." Districts must provide a 40% local match.

"Green" construction

When school districts apply for funding under Proposition ID, they must consider designs and materials that promote environmentally sound construction such as making efficient use of energy and water, or relying on recycled and less toxic materials.

In addition, districts can apply for incentive grants to implement green construction. The proposition allocates \$100 million for this purpose. Districts have to provide matching funds: 50% (new) or 40% (modernization).

Costs of bonds are spread over time

Using general obligation (G.O.) bonds to finance public facilities is like a family taking out a mortgage to purchase a house. Long-term borrowing allows the state to spread the cost of facilities over time. Although state bonds do not require a tax increase, they do use revenues that could be spent for other purposes.

The cost of bonds depends on the interest rates in effect when they are sold and the time period over which they are repaid—typically 30 years for G.O. bonds. If Proposition ID bonds were sold at an average interest rate of 5%, the LAO estimates the cost would be about \$20.3 billion to pay off both principal (\$10.4 billion) and interest (\$9.9 billion). Thus, for every \$1 borrowed, the cost of paying it back is almost \$2. However, after adjusting for inflation, the LAO estimates the cost at considerably less: about \$1.30 for each \$1 borrowed.

As of July 1, 2006, the state had about \$45 billion of infrastructure-related General Fund bond debt, according to the LAO. The measures on November's ballot—propositions 1B through 1E and Proposition 84—add up to \$42.7 billion in bonds, almost doubling the current debt. If the proposed bond measures were all approved by voters and sold over a 10-year period, the cost would average roughly \$2 billion annually, the LAO says. For Proposition ID only, the average payment would be about \$680 million per year. (To put these numbers in context, total General Fund expenditures are expected to be about \$101 billion in 2006–07.)

Pros and cons of Proposition 1D

Proponents of the measure include Gov. Arnold Schwarzenegger, state Treasurer Phil Angelides, and a wide range of education and other groups, such as the California State PTA, the Association of California School Administrators (ACSA), the League of Women Voters of California, and the California Chamber of Commerce. They say there is a documented and continuing need for funds to modernize facilities, relieve overcrowded conditions, and ensure that schools are earthquake safe.

Opponents of the measure—such as the Libertarian Party, state Senator Tom McClintock, and the California Taxpayer Protection Committee—say the state has too much debt, schools have received enough bond money, and the measure funds untested programs. They also say Proposition ID is unfair because all state taxpayers will have to pay off the bonds for several decades even though not all school districts will receive bond money. ■■

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