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AGENDA

Monday, July 1, 2024
1 p.m. -- 1021 O Street, Room 1200

MEASURES HEARD IN FILE ORDER

1. AB 247 Muratsuchi Education finance: school facilities: Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024.

SENATE COMMITTEE ON EDUCATION

Senator Josh Newman, Chair

2023 - 2024 Regular

Bill No: AB 247 **Hearing Date:** July 1, 2024
Author: Muratsuchi, et al.
Version: June 29, 2024
Urgency: Yes **Fiscal:** Yes
Consultant: Ian Johnson

Subject: Education finance: school facilities: Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024.

SUMMARY

This bill, an urgency measure, makes changes to the existing School Facility Program (SFP) and places the Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 in the amount of \$10 billion on the November 2024 statewide ballot.

BACKGROUND

Existing law establishes the SFP under which the state provides general obligation bond funding for various school construction projects, including new construction, modernization, joint-use facilities, and programs to specifically address the construction needs of overcrowded schools, charter schools, career technical education (CTE) facilities, and seismic mitigation.

The last statewide general obligation bond, Proposition 51, was approved by voters in November 2016. Proposition 51 authorized a total of \$9 billion in state general obligation bond funds—\$7 billion for K-12 education facilities and \$2 billion for community college facilities. Of the \$7 billion for K-12 education, \$3 billion is for new construction, \$3 billion is for modernization, and \$1 billion is for charter schools and vocational education facilities.

ANALYSIS

This bill:

- 1) Establishes the Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024. Authorizes bonds in the total amount of \$10 billion, to be issued and sold. Requires the bonds, when sold, issued, and delivered, to be and constitute a valid and binding obligation of the State of California, and pledges the full faith and credit of the State of California for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.
- 2) Requires the proceeds from the sale of bonds issued and sold to be allocated in accordance with the following schedule:

- a) The amount of \$3 billion for new construction of school facilities of applicant school districts. Of the amount allocated, requires up to 10 percent to be available to small school districts;
 - b) The amount of \$4 billion for the modernization of school facilities. Of the amount allocated, requires up to 10 percent to be available to small school districts and \$115 million for lead in water testing and remediation.
 - c) The amount of \$600 million for providing school facilities to charter schools;
 - d) The amount of \$600 million for facilities for career technical education programs; and
 - e) \$1.5 billion for community colleges.
- 3) Establishes a fund in the State Treasury, to be known as the 2024 State School Facilities Fund. Requires all money in the fund, including any money deposited in the fund from any source whatsoever, to be continuously appropriated without regard to fiscal years for expenditure.
 - 4) Requires school districts applying for either a new construction or modernization grant to have a five-year facilities master plan approved by the governing board of the school district and to update the plan as appropriate, and provide facility inventory information to the state.
 - 5) Increases state funding for certain districts on a sliding scale. Under the sliding scale system, lower wealth school districts will receive a higher state funding share for projects. The state grant amount for new construction would increase from 50 percent to 55 percent, and for modernization from 60 percent to 65 percent, based on the district's ability to generate local funds, the percentages of low-income, foster care, and English learner students, whether the district has fewer than 200 students, and whether the district's project has a project labor agreement.
 - 6) Requires, for a school district with an enrollment of 2,500 or less, an adjustment in enrollment projections to not result in a loss of ongoing eligibility to that school district for a period of five years from the date of the approval of eligibility by the State Allocation Board (SAB).
 - 7) Authorizes a grant for new construction or modernization to be used for the upgrading of electrical systems or the wiring or cabling of classrooms in order to accommodate educational technology, including schoolsite-based infrastructure necessary to provide access to broadband internet within the schoolsite. Authorizes a grant for new construction to be used for seismic mitigation purposes and for related design, study, and testing costs.
 - 8) Authorizes separate funding within the modernization program to be used to remediate any water outlet used for drinking or preparing food with lead levels in

- excess of 15 parts per billion (ppb), and the control, management, or abatement of lead.
- 9) States that a school district that has a school facility located on a military installation that is the recipient of a federal grant for facilities modernization that requires a local matching share is eligible to receive an apportionment for the modernization of a permanent or portable building that is at least 10 years old, or is at least 10 years old after the date of the previous modernization apportionment under this chapter.
 - 10) Authorizes a school district to apply for a supplemental modernization grant for a school kitchen, gymnasium, multipurpose room, or library, if either an existing facility is insufficient or the school does not have one of those facilities.
 - 11) Authorizes a school district to apply for a supplemental modernization grant for transitional kindergarten facilities if either an existing facility is insufficient or the school does not have existing facilities.
 - 12) Authorizes a school district to be eligible to receive a modernization apportionment to demolish and construct a building on an existing schoolsite if the building or buildings to be replaced are at least 75 years old, and the school district provides a cost-benefit analysis that indicates the total cost to modernize the building or buildings is at least 50 percent of the current replacement cost.
 - 13) Requires, for health and safety projects for school facilities that are determined by the California Department of Education (CDE) to pose an unacceptable risk of injury to occupants in the event of a seismic event, a school district to demonstrate to the satisfaction of the SBE that, due to unusual circumstances that are beyond the control of the school district, excessive costs needed to be incurred in the construction of school facilities, and that the facilities are needed to ensure the health and safety of pupils if the health and safety of pupils is at risk.
 - 14) Requires the SAB, when adopting regulations to specify a method for determining required levels of local efforts to obtain matching funds for financial hardship applications, to include whether the total bonding capacity, as defined, is \$15 million or less, in which case, the school district shall be deemed eligible for financial hardship.
 - 15) Authorizes the SAB to provide assistance for purposes of procuring interim housing, including, but not limited to, the leasing or acquisition of portable classrooms and any work associated with placing them on a site, to school districts and county offices of education (COE) impacted by a natural disaster for which the Governor has declared a state of emergency.
 - 16) Requires the SAB to accept a preliminary application from, and make a preliminary apportionment to, a small school district for new construction or modernization grants, as specified. Authorizes, if requested, the SAB to provide a preliminary apportionment of a project and construction management grant equal to 5 percent of the state share of the preliminary apportionment. Defines a

“small school district” to mean a school district with an enrollment of fewer than 2,501 pupils.

- 17) Provides \$5 million to CDE for a State Augmentation of the Federal Supporting America’s School Infrastructure Grant Program (SASI) for priority school districts in need of facilities maintenance and capital outlay assistance. This includes direct technical assistance, state and county collaboration to create regional resource centers, and development of centralized online resources. The program aims to enhance support through training, regional networks, and accessible online tools, with regulations to ensure effective use and accountability of funds.
- 18) Authorizes school districts applying for either a new construction or modernization grant to also receive a supplemental grant of up to 5 percent of project costs for projects to advance state energy goals and adapt to higher average temperatures that pose a threat to the health and safety of students and staff.
- 19) Authorizes school districts applying for a modernization grant to also receive a supplemental grant of up to 5 percent of project costs that enable school facilities to provide students with the skills and knowledge necessary for high-demand technical careers.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, “As a former school board member, and a parent of a child in public schools, I appreciate how integral a school’s physical environment is to a student’s achievement and motivation. AB 247 will provide much needed funds to repair and upgrade our schools. The School Facility Program is a partnership between the state, school districts and developers. Voters have historically supported bonds as the state’s commitment for our children’s schools. I believe that they will again with this proposal.”
- 2) ***History of the School Facilities Program.*** The construction and rehabilitation of public K-12 facilities are funded by a combination of state and local general obligation (GO) bonds, developer’s fees and local assessments such as Mello-Roos community facilities districts.

State bond funds are allocated pursuant to the SFP and administered by the Office of Public School Construction (OPSC) under the direction of the SAB, a ten member body comprised of the Department of Finance, the Director of the Department of General Services (DGS), the Superintendent of Public Instruction (SPI), three Senators, three Assemblymembers, and a Governor’s appointee. Under the SFP, the New Construction program requires a 50 percent match from local educational agencies (LEAs), unless the LEA qualifies for financial hardship, which pays up to 100 percent of project costs. Modernization funds are awarded at 60 percent with a 40 percent match. Since the inception of the SFP in 1998, voters have approved \$54 billion in state GO bonds for K-12 schools.

The last bond passed by voters, Proposition 51 on the November 2016 statewide ballot, provided \$9 billion for K-12 and CCC facilities through the following allocations:

- a) \$7 billion for K-12 facilities allocated as follows:
 - b) \$3 billion for new construction projects;
 - c) \$3 billion for modernization projects;
 - d) \$500 million for CTE facilities; and
 - e) \$500 million for charter school facilities.
 - f) \$2 billion for California Community Colleges (CCC) facilities.
- 3) ***Previous informational hearing.*** On February 18, 2015, this Committee held a joint informational hearing with the Budget Subcommittee on Education titled *K-12 School Facility Program: History, Current Status, and Future Options*. Among other things, the Committee heard testimony from several participants about the need to simplify the current program processes and regulations, the need for a “one-stop-shop” to assist in navigating the program, and the need for greater flexibility in design of school facilities as well as the use of funding to incentivize and support joint use projects and community schools. Additionally, while the state’s growing debt service is of concern, it was unclear whether local districts have the capacity to generate sufficient revenue at the local level to meet their ongoing facility needs for deferred maintenance, modernization and new construction.
- 4) ***Related SFP budget activity and status of funds remaining.*** Prior to the passage of Proposition 51 and amid concerns about the complexity and structure of the SFP, former Governor Brown called for the state to establish a new school facilities program. The 2016-17 Governor’s Budget stated the following:

“The existing school facilities program is overly complex, creating costs for school districts to navigate a process that can involve as many as ten different state agencies. The program creates an incentive for districts to build new schools when they already have the capacity to absorb enrollment growth, and allocates funding on a first-come, first-served basis, giving districts with dedicated facilities personnel a substantial advantage. Finally, the existing program does not give districts enough flexibility to design school facility plans to reflect local needs. The inherent problems with the current program, along with billions of dollars in long-term liabilities created by the issuance of state debt, is no longer sustainable.”

Further, the 2022-23 State Budget allocates all remaining state bond authority remaining in the SFP and appropriates about \$4.3 billion one-time General Fund to support new construction and modernization programs.

According to the OPSC, as of the June 2024 meeting of the SAB, the SFP is oversubscribed with a project acknowledged list of about \$1.2 billion for New Construction and about \$2.3 billion for Modernization.

- 5) ***The voters rejected the most recent school bond.*** In 2020, Proposition 13, the \$15 billion school construction bond that went before voters on the March 3 ballot, failed passage with only 47 percent voter support.

Supporters of Proposition 13 claim that the specific circumstances surrounding the bond—potential confusion with Proposition 13 of 1978, tax fatigue, and the COVID-19 pandemic—are to blame for its failure. Supporters do not believe that the measure’s result is an indication of changing voter sentiment regarding school bonds, interest in investing in education generally, or a fundamental flaw with the SFP.

Opponents of Proposition 13, such as the Howard Jarvis Taxpayers Association, appear to interpret the measure’s defeat differently. Because the measure would have raised the cap on how much school districts can raise through property taxes, the opponents were able to argue that the measure itself would have raised property taxes. However, the measure would not have raised property taxes upon being approved. Only after school districts subsequently passed their own local construction bonds and received matching funds from the state would property taxes be increased at the local level.

Staff notes that this bill does not change the existing cap on how much school districts can raise through property taxes.

- 6) ***Does this bill enhance equity in school facility funding?*** Some stakeholders have raised equity concerns regarding the current school facility funding program. They argue that the 60 percent universal state match within the modernization program disproportionately benefits wealthier districts, leaving lower-wealth districts inadequately supported. Additionally, they have shared concerns with the inadequacy of the existing financial hardship designation, the program’s first-come, first-served model, the absence of a statewide system for assessing facility conditions, and the restrictive use of modernization funds that do not address the broader infrastructure needs of community schools. Moreover, districts with limited administrative capacity require more substantial technical assistance.

This bill addresses these concerns through several key provisions. It implements a sliding scale for state grant amounts, ensuring lower-wealth districts receive a higher proportion of state funding. The bill further enhances state funding via supplemental grants for specific needs such as school kitchens, gymnasiums, and transitional kindergarten facilities, and establishes a program for replacing outdated buildings at least 75 years old. The bill also establishes a process for assisting small and priority school districts by leveraging a federal grant to provide in-person and ongoing regional support to priority school districts, particularly those new to the SFP, and setting aside 10 percent of funds specifically for small districts. This approach promotes equitable access to

resources and includes requirements for school districts to maintain and update a five-year facilities master plan.

Furthermore, this bill broadens the use of modernization funds to include facilities for kitchens, preschools, health services, seismic retrofits, and broadband, supporting the holistic infrastructure needs of community schools. Finally, this bill simplifies financial hardship provisions, increasing the number of districts eligible to receive up to 100 percent of state grants due to financial challenges. These measures collectively aim to create a more equitable school facility funding system that benefits all districts, particularly those with the greatest need.

SUPPORT

State Superintendent of Public Instruction Tony Thurmond
A Voice for Choice Advocacy
Alameda County Office of Education
American Institute of Architects California
Antelope Valley Community College District
Aromas-San Juan Unified School District
Associated Builders and Contractors of California
Association of California Construction Managers
Association of California School Administrators
Beaumont Unified School District
Bonny Doon Union Elementary School District
California Association of School Business Officials
California Association of Suburban School Districts
California Builders Alliance
California Building Industry Association
California Chamber of Commerce
California Coalition for Adequate School Housing
California Community Colleges Chancellor's Office
California County Superintendents
California Federation of Teachers
California IT in Education
California Retired Teachers Association
California School Boards Association
California School Employees Association
California Solar & Storage Association
California State Association of Electrical Workers
California State Pipe Trades Council
Capistrano Unified School District
Cardiff School District
Castro Valley Unified School District
Central Valley Education Coalition
Chabot Las Positas Community College District
Chico Unified School District
Citrus College
Citrus Community College District
CleanEarth4Kids.org
Clovis Unified School District

Coalition for Adequate School Housing
College of the Redwoods
Community College Facility Coalition
Community College League of California
Contra Costa Community College District
Corona-Norco Unified School District
County School Facilities Consortium
Del Mar Union School District
Delta Kappa Gamma International - Chi State
Dixon Smartschoolhouse
Downey Unified School District
Dreiling Terrones Architecture
Dublin Unified School District
El Camino Community College District
Elk Grove Unified School District
Faculty Association of California Community Colleges
Fallbrook Union High School District
Fontana Unified School District
Foothill-De Anza Community College District
Fresno County Office of Education
Fullerton Joint Union High School District
Golden Valley Unified School District
Hanford Joint Union High School District
Hayward Unified School District
Hillsborough City School District
Horicon Elementary School District
Huntington Beach City School District
International Interior Design Association
Irvine Unified School District
Jurupa Unified School District
Kenwood School District
Kern Community College District
Kern County Superintendent of Schools Office
King Consulting
KYA Services
Laguna Beach Unified School District
Lake Tahoe Community College
Lawrence Engineering Group
Lodi Unified School District
Long Beach Unified School District
Los Angeles Community College District
Los Angeles County Superintendent of Schools, Dr. Debra Duardo
Los Angeles Unified School District
Los Rios Community College District
Mendocino Unified School District
Menlo Park City School District
Merced Community College District
Montecito Union School District
Monterey Peninsula College
Monterey Peninsula Unified School District

Moreno Valley Unified School District
Mt. San Antonio College
Mt. San Jacinto Community College District
Natomas Charter School
New Haven Unified School District
North Orange Community College District
Northern Humboldt Union High School District
Nuestro Elementary School
Oakland Unified School District
Office of the Riverside County Superintendent of Schools
Pacific Elementary School District
Palm Springs Unified School District
Palomar Community College District
Pasadena Area Community College District
Pasadena City College
Patterson Joint Unified School District
Peralta Community College District
Placer Union High School District
Progressive Surface Solutions
Project Support Services
Rio Hondo College
Riverside Community College District
Riverside County Public K-12 School District Superintendents
Riverside Unified School District
Sacramento County Office of Education
Sacramento Regional Builders Exchange
San Benito High School District
San Bernardino Community College District
San Bernardino County District Advocates for Better Schools
San Diego Community College District
San Diego Unified School District
San Francisco Unified School District
San Jose-Evergreen Community College District
Santa Ana Unified School District
Santa Clara Unified School District
Santa Clarita Community College District - College of The Canyons
Santa Cruz City Schools
Santa Monica College
Saugus Union School District
School Employers Association of California
School Energy Coalition
Schools For Sound Finance
Sierra Community College District
Sierra Sands Unified School District
Silver Creek Modular
SitelogIQ
Small School Districts Association
Snowline Joint Unified School District
South Orange County Community College District
Southwestern Community College District

State Building and Construction Trades Council of California
State Center Community College District
Sunnyvale School District
T.H.E. Health and Wellness Centers
Temecula Valley Unified School District
TLCD Architecture
TLS Choice
Trane Technologies
Trinity County Office of Education
Trust for Public Land
Tulare Joint Union High School District
Vallecito Union School District
Valley Industry and Commerce Association
Van Pelt Construction Services
West Hills Community College District
Western States Council Sheet Metal, Air, Rail and Transportation
Wheatland Union High School District
Windsor Unified School District
Winters Joint Unified School District
Wiseburn Unified School District
Yolo County Office of Education
Yuba Community College District

OPPOSITION

Bellflower Unified School District
Building Healthy Communities Monterey
Brawley Elementary School District
Californians for Justice
Cutler-Orosi Joint Unified School District
Dos Palos-Oro Loma Joint Unified School District
Ed Trust-West
Gary Hardie, Lynwood Unified School Board Member
Gente Organizada
Greenfield Unified School District
Hacienda La Puente Unified School District
Imperial Unified School District
Inland Congregations United for Change
Keppel Union School District
La Mesa-Spring Valley School District
Lennox School District
Loyola Marymount University Center for Equity for English Learners
Lompoc Unified School District
Lynwood Unified School District
Morongo Unified School District
Mountain View School District
Ontario-Montclair School District
PICO Education for Liberation
Pittsburg Unified School District
Public Advocates

Rialto Unified School District
Riverbank Unified School District
Romoland School District
Santa Rita Union School District
Soledad Unified School District
South Fork Union Elementary School District
South Whittier School District
True North
The California Partnership for the Future of Learning

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