
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No:	AB 2301	Hearing Date:	June 6, 2018
Author:	Burke		
Version:	February 13, 2018		
Urgency:	No	Fiscal:	Yes
Consultant:	Ian Johnson		

Subject: School bonds: Wiseburn Unified School District: Centinela Valley Union High School District.

SUMMARY

This bill changes the way bonded indebtedness is allocated to the Wiseburn Unified School District and the Centinela Valley Union High School District, respectively, for bond issuances approved by voters after January 1, 2018.

BACKGROUND

In 2013, the Wiseburn School District reorganized from a kindergarten to grade 8 to a kindergarten to grade 12 district. Prior to the reorganization, the territory of Wiseburn was included within the Centinela Valley Union High School District, and Wiseburn students attended Centinela's high schools.

In determining how to allocate bonded indebtedness and bonding capacity between the two districts, an agreement was statutorily negotiated. Specifically, SB 477 (Wright, Chapter 730, Statutes of 2012) allowed Centinela and Wiseburn to share an area of property for bonding purposes. This arrangement is administered by a joint powers agreement (JPA).

In 2016, Centinela sought a bond that included the JPA property in its debt limit. Centinela did not include Wiseburn on the bond contract. However, Wiseburn's bonding ability has decreased because the JPA property that Centinela included in the bond is applied against Wiseburn's debt limit.

ANALYSIS

This bill specifies that, for bond issuances approved by voters after January 1, 2018, bonded indebtedness shall be allocated to the Wiseburn Unified School District and the Centinela Valley Union High School District, respectively, in appropriate amounts calculated based on the amount of proceeds of the bonds of such series expended for projects within each respective school district.

STAFF COMMENTS

- 1) **Need for the bill.** According to the author, in 2016, Centinela Valley Union High School District (Centinela) secured \$110 million in bond funds through the School Facilities Improvement District formed with Wiseburn Unified School District (Wiseburn). Even though Centinela was the only entity listed on the bond

measure, an unrealized flaw in statute came to light—bonded indebtedness is applied proportionately to both Centinela and Washburn even if only one of the districts receive funds from the bond. This bill fixes this unintentional disconnect by reallocating the bond indebtedness based upon the proportionate amounts of bond proceeds expended for projects within each respective school district.

- 2) ***How is bonding capacity and indebtedness calculated?*** Existing law limits non-unified school districts to a bonding capacity limit of 1.25 percent of the assessed property values in the district and unified school districts to a bonding capacity of 2.5 percent. The other key metric concerning school bond financing is the limitation of the tax rate paid by each property owner in the district for an approved school bond election. The projected tax is limited, based on the school district's assessed value projections, to no more than \$30 per \$100,000 of the property owner's assessed value for non-unified school districts and \$60 per \$100,000 for unified school districts.

To raise funds to build or renovate school facilities, with voter authorization, school districts may issue general obligation (G.O.) bonds. Prior to 2001, districts needed a two-thirds voter approval. In November 2000, the passage of Proposition 39 gave districts another option for authorizing and issuing bonds at a 55 percent majority vote, if the district abides by several administrative requirements. Once G.O. bonds are authorized, school districts issue the bonds in increments as needed to fund their facility projects. When the voters authorize a local G.O. bond, they are simultaneously authorizing a property tax increase to pay the principal and interest on the bond.

- 3) ***Why is bonded indebtedness prescribed in the statute for these districts?***

Existing law reflects an agreement between Washburn and Centinela that was reached when the Washburn School District, formerly a kindergarten to grade eight district, reorganized as a kindergarten to grade 12 district. Previously, the territory of Centinela included the following four elementary school districts: Washburn, Hawthorne, Lawndale, and Lennox. The agreement among all five districts was codified to ensure the following:

- a) *The tax rates of all five school districts for approved but unissued bonds by Centinela would be protected*—This was achieved by allowing the Washburn Unified taxpayers to continue to pay debt service on authorized but unissued bonds passed for Centinela. Absent this provision, tax rates in the remaining four districts would have gone up.
- b) *The Washburn unification would not cause tax rates for future bond authorizations for Centinela to be substantially higher, and Centinela would not experience an increased assessed valuation*—This was achieved by allowing Centinela and Washburn Unified to share a portion of Washburn's tax base (specifically, an area of non-residential property, for bonding purposes). As mentioned above, the debt limit for unified school districts is 2.5 percent of assessed valuation. However, existing law treats an area of non-residential property in Washburn Unified differently in that Centinela and Washburn Unified each apply 1.25 percent of assessed

valuation toward its own debt limit, administered through a joint powers agreement.

SUPPORT

Centinela Valley Union High School District (co-sponsor)
Wiseburn Unified School District (co-sponsor)
Del Aire Neighborhood Association
Wiseburn Faculty Association
Wiseburn Watch

OPPOSITION

None received

-- END --