

# Stuart & Associates

## Governmental Consultants

TO: Dr. Joe Ovick

FROM: Susan Stuart

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RE: Summary of the State Bond

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### **Summary of the State Facilities Bond**

As the March 10<sup>th</sup> deadline looms for placing a bond on the June ballot, it is becoming apparent that we will not see a bond until November. The Conference Committee on Infrastructure has yet to meet on anything substantial, and we hear they may not have a hearing until next week.

Politically there is a huge gap that needs to be crossed before we see any bond on a ballot.

#### **School Facilities Bond**

Both the Assembly Education Committee and Senate Education Committee have been meeting to create reports for the larger Conference Committee on Infrastructure. Because there were differences in opinions on the committee, there will be two reports from each committee – a majority party report and a minority party report.

In general, it appears the School Facilities Program won't change drastically, rather some money will be re-directed and new programs will be created. A summary of the recommendations is as follows:

- **Grant Adequacy** – This is clearly the most important issue in committee for school districts. Both the Assembly and Senate (minority and majority reports as well) recommend an increase to the per-pupil grants. A working group recommended the following increases:
  - 8.8 percent for elementary
  - 20 percent for middle school
  - 14.5 percent for high schools

OPSC will offer a recommendation by March 10<sup>th</sup>, if they are unable to make this recommendation, the committees will use the recommendation of the working group, or they will recommend that bond language prescribe a process to adjust the current grants.

In addition, the Committees will recommend more frequent adjustments to the per pupil grants, and they will recommend funding for Minimum Essential Facilities (MEFs) – particularly for Financial Hardship Districts.

- **Overcrowded Schools** – \$1 billion is recommended for this purpose. The specific recommendations are as follows:
  - One version of the language defines overcrowded schools by using both high pupil density and the number of portable classrooms – decile 1 through 3 schools that have both of these conditions would be given a higher priority for funding
  - The Alternative Enrollment Projection Method established in AB 491 would be extended to future bonds
  - Weight would be given to multi-story buildings when determining funding
  
- **Multitrack Year Round Education (MTYRE)** – Currently there are 751 schools on MTYRE – approximately 800,000 pupils. There are two eligibility hits that districts receive under the current program.
  - Operational Grants - Districts receive operational grants and receive a corresponding eligibility hit. If the State funding is inadequate, the grants are reduced and the funding is prorated. The cost to the State to remove the eligibility hit is about \$200 million.
  - MTYRE Hit – Districts receive a six percent reduction in their eligibility if they don't have 30 percent of their K-6 students on MTYRE or 40 percent of their K-12 students on MTYRE. There are 270 districts who pay this penalty. Removing this hit comes at a cost of \$891 million to the State.

The Committees are recommending that the bond language phase-out both penalties and incentives in existing law that are designed to promote the implementation of MTYRE schedules.

- **Charter Schools** – Debate ensued regarding the amount of need for charter facilities, whether new construction funding should be expanded for charter

schools, should caps be placed on the funding, should charter school eligibility be based upon district eligibility, and should districts be consulted, rather than informed in this process.

The committees recommend that there be no separate funding source, that \$500 million be allocated, rather than \$1 billion – with \$200 million from new construction funding and \$300 million from modernization.

- **Career Technical Education (CTE)** – Current law – AB 16, Statutes of 2002 requires that to build a school a district must consult with a local CTE advisory committee for the need for CTE and how the proposed facility meets that need. Since November of 2005, districts have been required to submit documents that demonstrate compliance retroactively.

Both the Governor’s plan and the Speaker’s plan include a proposal for CTE. The amount allocated was reduced from \$1 billion to \$500 million. In addition, the committees recommended that ROC/Ps have access to these funds, stressed that the effective CTE programs include a sequence of courses, and they discussed the issue related to teacher supply.

- **Labor Compliance** – The committees recommend that the provisions mandating a labor compliance program be linked to future bonds.
- **Small High School Program** – AB 1465 (Chan) - Statutes of 2004 established a program whereby \$20 million was established for new construction and \$5 million for modernization to create small high schools. A small high school is defined as 500 pupils or less.

Although the committees supported the concept of small high schools, they had concerns regarding the cost to operate these schools once they were built. They recommended \$100 million in funding -- \$80 million from new construction and \$20 million from modernization.

- **Seismic Safety** – DSA created a report mandated in AB 300 that evaluated school districts for seismic safety. This study was based upon original plans, and none of the information was verified. The DSA report found that 7,537 schools require a seismic evaluation – which could cost between \$4 and \$7 billion. They then identified schools less than 2 km from a fault – the most vulnerable – which identified 1229 schools. To retrofit these schools would cost \$800 million. The committees authorized \$400 million for this purpose.

- **Energy Efficiency** – The committees recommended that no money be allocated for energy conservation, as \$12 million still remains for this purpose in Prop 55.
- **Green Schools** – The committees discussed whether to build schools to CHPS standards and encourage incentives for school districts to incorporate CHPS standards in modernization projects. Assembly Member Hancock has a bill in its final phase that would accomplish this. The issues will be whether it is an incentive program or a mandate, and to what extent it will be funded.
- **CEQA** – The discussions revolved around the issues of unification – whether a negative declaration was sufficient when districts unified.
- **Joint Use** – The committees recommend the continuation of the Joint-Use Program at a \$50 million level. We expect some proposed reforms in this program allowing more flexibility in the funding contribution of the district and Joint Use partner.
- **ADA** – It was acknowledged that the cost of ADA compliance issues, particularly in modernization projects is inadequately funded in the grants. The committees are considering an increase in funding for this purpose.

The information above is general, and I have not noted some of the minor differences between the Assembly and Senate versions. When the education facilities reports are presented to the Bond Infrastructure Committee by the chairs of the education committees, all issues will be on the table and will be up for discussion. We don't expect that the facilities bond will tamper with the details of the existing program, i.e., eligibility requirements, but I expect there will be a few surprises.

More to come.