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School Facilities. Local Majority Vote. Bonds, Taxes.

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School Facilities. Local Majority Vote. Bonds, Taxes. Initiative Constitutional Amendment and Statute.

Official Title and Summary Prepared by the Attorney General

SCHOOL FACILITIES. LOCAL MAJORITY VOTE. BONDS, TAXES. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

- Authorizes school, community college districts, and county education offices that evaluate safety, class size, information technology needs to issue bonds for construction, reconstruction, rehabilitation or replacement of school facilities if approved by majority of applicable jurisdiction's voters.
- New accountability requirements include annual performance, financial audits.
- Prohibits use of bonds for salaries or other school operating expenses.
- Requires that facilities be available to public charter schools.
- Authorizes property taxes higher than existing 1% limit by majority vote, rather than two-thirds currently required, as necessary to pay the bonds.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Increased local school district debt costs—potentially in the hundreds of millions of dollars statewide each year within a decade. These costs would depend on voter action on future local school bond issues and would vary by individual district.
- Unknown impact on state costs. Potential longer-term state savings to the extent local school districts assume greater responsibility for funding school facilities.

Analysis by the Legislative Analyst

BACKGROUND

Property Taxes

The California Constitution limits property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

School Facilities

Kindergarten Through Twelfth Grade (K-12). California public school facilities are the responsibility of over 1,000 school districts and county offices of education. Over the years, the state has provided a significant portion of the funding for these facilities through the state schools facilities program. Most recently, this program was funded with \$6.7 billion in state general obligation bonds approved by the voters in November 1998.

Under this program, the state generally pays:

- 50 percent of the cost of new school facilities.
- 80 percent of the cost of modernizing existing facilities.
- 100 percent of the cost of either new facilities or modernization in "hardship cases."

In addition to state bonds, funding for school facilities has been provided from a variety of other sources, including:

- School district general obligation bonds.
- Special local bonds (known as "Mello-Roos" bonds).
- Fees that school districts charge builders on new residential, commercial, and industrial construction.

Community Colleges. Community colleges are part of the state's higher education system and include 107 campuses operated by 72 local districts. Their facilities are funded differently than K-12 schools. In recent years, most facilities for community colleges have been funded 100 percent by the state generally using state bonds. The state funds are available only if appropriated by the Legislature for the specific facility. There is no requirement that local community college districts provide a portion of the funding in order to obtain state funds. Community college districts also may fund construction of facilities with local general obligation bonds or other nonstate funds if they so choose.

Charter Schools

Charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. They are exempt from most state laws and regulations affecting public schools.

As of October 1999, there were 252 charter schools in California, serving about 88,000 students (less than 2 percent of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

PROPOSAL

This proposition (1) changes the State Constitution to lower the voting requirement for passage of local school bonds and (2) changes existing statutory law regarding charter schools facilities. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, and county boards of education.

Voting Requirement for Passage of Local School Bonds

This proposition allows (1) school facilities bond measures to be approved by a *majority* (rather than *two-thirds*) of the voters in local elections and (2) property taxes to exceed the current 1 percent limit in order to repay the bonds.

This majority vote requirement would apply only if the local bond measure presented to the voters includes:

- A requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities.
- A specific list of school projects to be funded and the school board certifies it has evaluated safety, class size reduction, and information technology needs in developing the list.
- A requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure.

Charter Schools Facilities

This proposition requires each local K-12 school district to provide charter schools facilities sufficient to accommodate the charter school's students. The district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. The district, however, could choose to use these or other revenues—including state and local bonds.

The proposition also provides that:

- The facilities must be reasonably equivalent to the district schools that these students would otherwise attend.
- The district may charge the charter school for its facilities.
- A district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students.

FISCAL EFFECT

Local School Impact

This proposition would make it easier for school bonds to be approved by local voters. For example between 1986 and June 1999:

- **K-12 Schools.** K-12 bond measures totaling over \$17 billion received the necessary two-thirds voter approval.

During the same period, however, almost \$11 billion of bonds received over 50 percent—but less than two-thirds—voter approval and therefore were defeated.

- **Community Colleges.** Local community college bond measures totaling almost \$330 million received the necessary two-thirds voter approval. During the same period, though, almost \$390 million of bonds received over 50 percent—but less than two-thirds—voter approval and therefore were defeated.

Districts approving bond measures that otherwise would not have been approved would have increased debt costs to pay off the bonds. The magnitude of these local costs is unknown, but on a statewide basis could be in the hundreds of millions of dollars annually within a decade.

State Impact

The proposition's impact on state costs is less certain. In the near term, it could have varied effects on demand for state bond funds. For instance, if more local bonds are approved, fewer local jurisdictions would qualify for hardship funding by the state. In this case, state funding would be reduced from 100 percent to 50 percent of the cost for a new local school. On the other hand, there are over 500 school jurisdictions that do not currently participate in the state school facilities program. To the extent the reduced voter-approval requirement encourages some of these districts to participate in the state program, demand for state bond funds would increase.

In the longer run, the proposition could have a more significant impact on state costs. For instance, its approval could result in local districts assuming greater funding responsibility for school facilities. If this occurred, the state's debt service costs would decline over time.

The actual impact on state costs ultimately would depend on the level of state bonds placed on the ballot in future years by the Legislature and Governor, and voters' decisions on those bond measures.

Charter Schools

The requirement that K-12 school districts provide charter schools with comparable facilities could increase state and local costs. As discussed above, districts are currently required to provide facilities for charter schools only if unused district facilities are available. The proposition might lead many districts to increase the size of their bond issues somewhat to cover the cost of facilities for charter schools. This could also increase state costs to the extent districts apply for and receive state matching funds. The amount of this increase is unknown, as it would depend on the availability of existing facilities and the number and types of charter schools.

For text of Proposition 26 see page 143



School Facilities. Local Majority Vote. Bonds, Taxes. Initiative Constitutional Amendment and Statute.

Argument in Favor of Proposition 26

LET'S INVEST IN OUR KIDS AND HELP MAKE SCHOOL BOARDS ACCOUNTABLE

Remember when you were in school? The fun, the fears, the homework. Forty of your friends packed into one classroom.

That's right. Today, California classrooms are among the most crowded in the nation, many are in desperate need of repair and most still need to be wired for the Internet and the learning technologies of the 21st century.

PROP. 26 GUARANTEES THAT TAXPAYERS WILL KNOW EXACTLY HOW THEIR MONEY WILL BE SPENT BEFORE THEY VOTE ON LOCAL SCHOOL BONDS

We all want the best education for our kids. But we also want to make sure that our education dollars are spent wisely. Prop. 26 lets us have both. It makes it easier for local communities to invest in their schools and adds tough new accountability requirements that aren't in place now.

THAT'S WHY PROP. 26 IS BACKED BY SUCH RESPECTED GROUPS AS AARP, LEAGUE OF WOMEN VOTERS, CALIFORNIA STATE PTA, CALIFORNIA MANUFACTURERS ASSOCIATION, CALIFORNIA ORGANIZATION OF POLICE AND SHERIFFS, CALIFORNIA TEACHERS ASSOCIATION, CHAMBER OF COMMERCE, CALIFORNIA BUSINESS ROUNDTABLE AND CONGRESS OF CALIFORNIA SENIORS.

Californians are tired of tax dollars being wasted. That's why Prop. 26 requires local school districts to list in advance how the money from local school bonds will be spent. If Prop. 26 passes, all voters will receive the list before you vote on your next local school bond. And Prop. 26 prohibits bond money from being used for administration and salaries. That means money for our kids, not bureaucrats.

INDEPENDENT AUDITS WILL HELP ENSURE SCHOOL FUNDS ARE SPENT PROPERLY AND NOT WASTED ON BUREAUCRACY

This initiative requires independent audits twice a year to help make sure the money has been spent properly and as the school district promised. These financial and performance audits will help guarantee the project gets done right. We need these safeguards to ensure that bond money goes to classrooms, where it belongs.

PROP. 26 WILL HELP REDUCE CLASS SIZE FOR ALL OUR KIDS

Smaller class sizes in grades kindergarten through third is one school reform that has proven to work. Kids just cannot get the attention they need in packed classrooms. Prop. 26 makes it easier for local communities to build new schools or add new classrooms so we can reduce class size. For class size reduction to help our kids achieve more, we need to build more classrooms for our kids.

PROP. 26 WILL LET A MAJORITY IN YOUR COMMUNITY DECIDE HOW MUCH TO INVEST IN LOCAL SCHOOLS

Prop. 26 does not raise taxes. It allows a majority in each community to decide for itself how much to invest in their kids—like whether or not to build new classrooms or to repair crumbling school buildings.

To help fix our schools and ensure education dollars are spent wisely, please join us in voting YES on Prop. 26—a good investment in our children, our state, and our future.

LAVONNE McBROOM
President, California PTA

ALLAN ZAREMBERG
President, California Chamber of Commerce

WAYNE JOHNSON
President, California Teachers Association

Rebuttal to Argument in Favor of Proposition 26

Vote NO on Proposition 26.

PROPOSITION 26 MEANS HIGHER PROPERTY TAXES!

If Proposition 26 passes, you will LOSE THE TWO-THIRDS VOTE CONSTITUTIONAL PROTECTION AGAINST EXCESSIVE TAXES ON YOUR HOME.

Proposition 26 will make it easy for property taxes to go up AGAIN and AGAIN because LOCAL BONDS INCREASE PROPERTY TAXES!

The wealthy special interests behind Proposition 26 *claim* it will allow more "investment." But the truth is: TAXPAYERS ARE ALREADY INVESTING AT A RECORD RATE. Since 1996, voters approved over \$11.8 BILLION in LOCAL school bonds with a TWO-THIRDS vote!

Proposition 26 backers *claim* it has accountability. WHAT ACCOUNTABILITY?

Under CURRENT LAW, school bonds CANNOT BE USED FOR TEACHER OR ADMINISTRATOR SALARIES. ANNUAL AUDITS of school district funds are ALREADY REQUIRED.

PROPOSITION 26 DOESN'T IMPOSE PENALTIES for politicians and bureaucrats who misspend taxpayer dollars on projects like the BELMONT SCHOOL FIASCO in Los Angeles!

DOESN'T REQUIRE environmental safeguards for school sites. We can't afford more disasters like BELMONT.

DOESN'T REQUIRE school facilities be adequately maintained.

DOESN'T REQUIRE that student scores get better. HOMEOWNERS WILL STILL PAY HIGHER TAXES even if student performance lags.

DOESN'T REQUIRE citizen oversight of bond spending. Do you trust politicians without citizen oversight?

Homeowners, seniors, taxpayer organizations, consumer advocates, small businesses and the CALIFORNIA FEDERATION OF TEACHERS OPPOSE PROPOSITION 26.

Don't saddle our CHILDREN and FUTURE GENERATIONS with LONG-TERM DEBT.

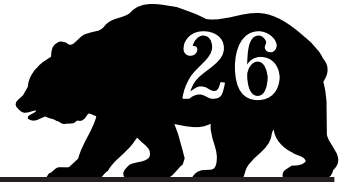
VOTE NO ON HIGHER PROPERTY TAXES!
VOTE NO ON PROPOSITION 26!

JON COUPAL
Chairman, Don't Double Your Property Taxes, Vote No on Proposition 26, a Project of the Howard Jarvis Taxpayers Association

JOAN C. LONGOBARDO
Governing Board Member, Covina-Valley Unified School District

GIL A. PEREZ
Retired School District Administrator

School Facilities. Local Majority Vote. Bonds, Taxes. Initiative Constitutional Amendment and Statute.



Argument Against Proposition 26

Vote NO on Proposition 26.

PROPOSITION 26 MEANS HIGHER PROPERTY TAXES!

Passing Proposition 26 will hurt homeowners because it makes it very easy to RAISE PROPERTY TAXES, over and over again.

IF PROPOSITION 26 PASSES, YOU WILL LOSE A 120-YEAR OLD CONSTITUTIONAL PROTECTION that requires a TWO-THIRDS vote to approve local bonds that are repaid only by PROPERTY OWNERS through HIGHER TAXES!

Proposition 26 means 50% of those voting can pass expensive new bonds that ONLY PROPERTY TAXPAYERS MUST PAY OFF.

PROPOSITION 26 WILL RESULT IN PASSAGE OF MORE THAN 9 OUT OF 10 BONDS! Supporters of Proposition 26 want 100% of local school bonds to pass—RAISING PROPERTY TAXES each time a bond passes.

Proposition 26 contains NO LIMIT ON HOW MANY BONDS OR HOW MUCH IN HIGHER TAXES CAN BE IMPOSED ON HOMEOWNERS! Districts that recently passed bonds can hit taxpayers with ADDITIONAL bonds. The result will be BILLIONS OF DOLLARS OF PROPERTY TAX INCREASES!

In some elections, voter turnout is only 10%. That means under Proposition 26 just 5% of registered voters can impose a 30-year increase in your property taxes! When a bond passes, a lien is placed on your home to guarantee repayment. IF YOU CAN'T PAY THESE HIGHER PROPERTY TAXES YOU CAN LOSE YOUR HOME!

THE TWO-THIRDS VOTE HELPS PREVENT HOMEOWNERS FROM BEING OUTVOTED IN BOND ELECTIONS, but if Proposition 26 passes it will be easy for RENTERS TO OUTVOTE PROPERTY OWNERS and approve bonds which are repaid entirely by property owners.

THE CURRENT SYSTEM WORKS FOR BOTH TAXPAYERS AND SCHOOLS.

California has required a two-thirds vote for local bonds since 1879. This two-thirds vote protection has not halted California's growth over the past century.

When a good case is made to local voters, bonds pass with a

two-thirds vote. Since 1996, 62% of all local school bonds passed. Recently, school districts as diverse as Los Angeles, San Diego, Santa Ana, San Jose, Sacramento, Fresno, San Bernardino, Long Beach, Ventura, San Francisco, and many others all passed bonds with a two-thirds vote.

Since 1996, voters approved more than \$11.8 BILLION in LOCAL school bonds with a TWO-THIRDS vote! That's BILLIONS in liens ALREADY being paid off by homeowners! Do you want virtually ALL bonds to pass and have MORE liens against your home?

PROPOSITION 26 MEANS YOU PAY WHILE DEVELOPERS PROFIT.

Developers want Proposition 26 passed so YOU end up paying MORE for school construction resulting from increased development. Proposition 26 is a tax shift from developers to homeowners. Developers get higher profits, while HOMEOWNERS GET HIGHER TAXES AND MORE DEVELOPMENT IN THEIR COMMUNITY!

Proposition 26 is not education reform. It's about making it MUCH EASIER TO INCREASE TAXES ON YOUR HOME. Don't make it much easier to raise your property taxes, especially when school construction is being so mishandled by politicians and bureaucrats like in Los Angeles with the BELMONT SCHOOL FIASCO!

VOTE NO ON NEW TAX LIENS ON YOUR HOME!

VOTE NO ON HIGHER PROPERTY TAXES!

VOTE NO ON PROPOSITION 26!

JON COUPAL

Chairman, Don't Double Your Property Taxes, Vote No on Proposition 26, a Project of the Howard Jarvis Taxpayers Association

FELICIA ELKINSON

Past President, Council of Sacramento Senior Organizations

RICHARD H. CLOSE

President, Sherman Oaks Homeowners Association

Rebuttal to Argument Against Proposition 26

Opponents of Prop. 26 don't seem to understand it.

PROP. 26 ALLOWS A MAJORITY IN LOCAL COMMUNITIES TO DECIDE FOR THEMSELVES HOW MUCH TO INVEST IN EDUCATION.

Prop. 26 isn't a property tax increase. Prop. 26 gives a majority in each community the power to decide whether to invest in reducing class size, repairing crumbling schools, wiring their schools for computers, or leaving things as they are.

PROP. 26 WILL MAKE IT EASIER TO REDUCE CLASS SIZE.

Reducing class size has proven to improve student performance. Yet, California classrooms are still the most crowded in the nation. We cannot further reduce class size without building more classrooms. Prop. 26 allows each community to decide.

PROP. 26 WILL MAKE SCHOOL BOARDS MORE ACCOUNTABLE FOR HOW THEY SPEND OUR MONEY.

We want to invest in education, but we're tired of seeing our money wasted. Prop. 26 will help prevent problems like Belmont High in the Los Angeles district from occurring in the

future. If Prop. 26 passes, voters will have to be told in advance how local bond money will be spent. Prop. 26 mandates that none of the money can be spent on bureaucracy or salaries.

Prop. 26 requires two annual independent audits to make certain bond money is spent correctly.

DIVERSE GROUPS LIKE THE CHAMBER OF COMMERCE, NATIONAL TAXPAYERS ALLIANCE, CALIFORNIA CONGRESS OF SENIORS, CALIFORNIA TEACHERS ASSOCIATION, AARP, AND CALIFORNIA ORGANIZATION OF POLICE AND SHERIFFS ALL URGE A YES VOTE ON PROP. 26.

JACKI ANTEE

President, AARP

BILL HAUCK

Chairman, California Business for Education Excellence

GAIL DRYDEN

President, League of Women Voters