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# **K-12 School Facilities: Issues for Legislative Consideration**

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LEGISLATIVE ANALYST'S OFFICE

Presented To:  
Assembly Education Committee





## General Areas of Concern

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- ☒ Lack of data on facility needs and construction costs hinders decision making.
- ☒ Financial hardship program might not be helping neediest districts.
- ☒ Traditional bond financing of charter school facilities does not appear to be working.
- ☒ Overarching system of K-12 facility funding could be improved.



## Lack of Data Hinders Decision Making

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### **Problems:**

- The state does not collect any data on the age or capacity of existing school facilities. As a result, assessing statewide facility needs is virtually impossible.
- The state does not collect data on existing types of facilities. For example, it does not know how many career-technical facilities or charter facilities exist statewide. As a result, assessing the need for specific types of facilities is virtually impossible.
- The state does not routinely collect comprehensive data on the amount of funding required to construct a school. As a result, determining a reasonable per pupil grant amount is virtually impossible.



### **Recommendation:**

- Build a K-12 school facility database that routinely collects statewide data on capacity, need, and cost.



## State Financial Hardship Program Might Not Be Helping Neediest Districts

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### **Problems:**

- A recently published report by Macias Consulting found that:
  - Some districts were taking on short-term debt to appear financially needy.
  - Some districts were transferring funds out of their capital accounts to appear financially needy.
  - Some districts were receiving 100 percent state funding for facilities despite having significant reserves in their operating accounts.



### **Recommendation:**

- Explore new approach that would strengthen incentives for good facility management.
  - Rather than reviewing specific account balances, assume districts raise some local support. (For example, assume local support equal to a certain percent of assessed property value and maximum developer fees).
  - State would then cover facility costs in excess of the amount that could be reasonably expected to be achieved at the local level.



## Charter School Facility Financing Not Working

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### **Problems:**

- Charter schools cannot levy local taxes to meet local matching requirements
- Charter schools are unable to use eminent domain to acquire land, which makes finding potential sites, especially in urban areas, difficult.
- The charter renewal process makes charter schools higher risk, which, in turn, makes borrowing more costly.



### **Recommendations:**

- Explore new approach that would be better tailored to the unique conditions of charter schools.
  - Specifically, consider providing charter schools with annual per pupil grant to cover facility costs. If grant was insufficient to cover a specific new construction project, allow charter schools to receive state loan, to be paid back in full.



## Rethinking Overall Approach To Funding K-12 School Facilities

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### **Problems:**

- State funding is sporadic and unpredictable. Although all school districts incur facility costs each year (through depreciation), they cannot depend on receiving funding each year.
- Funding school facilities on a project-by-project basis in a state with more than 9,000 schools is exceedingly difficult.
- State and local lines of responsibilities are unclear. Some school districts argue the state is not providing sufficient funding per project for all projects needed. The state, in turn, has argued that school districts fail to submit applications in a timely manner, fail to raise sufficient local support, and poorly manage their facility monies.



### **Recommendation:**

- Explore new approaches to funding K-12 school facilities.
  - For example, the state might consider replacing traditional bond financing for individual projects with an annual per pupil grant that supports various facility needs.