

MARCH 28, 2019

School Facilities

PRESENTED TO: Senate Budget and Fiscal Review Committee
Subcommittee No. 1 on Education
Hon. Richard D. Roth, Chair



LEGISLATIVE ANALYST'S OFFICE

Overview of School Facility Program

▶ **Greene Act of 1998 Established Program**

- The act sets forth various rules for sharing the cost of school facilities between the state, school districts, and, in some cases, developers.

▶ **State Covers Its Share of School Facility Costs Using General Obligation Bonds**

- These bonds must be approved by a majority of the state's voters.
- The state repays general obligation bonds by making debt service payments using non-Proposition 98 General Fund.
- From 1998 through 2006, voters approved \$35 billion in state general obligation bonds. State funding from these bonds was effectively exhausted in 2012.

▶ **School Districts Cover Their Share of Costs Using Local General Obligation Bonds**

- Since Proposition 39 (2000), these local bonds may be approved by 55 percent of local voters. (Previously, the vote threshold for these local bonds was set at two-thirds.)
- These bonds are repaid using local property tax surcharges.
- From 2001 through 2018, voters approved \$115 billion in local general obligation bonds for K-12 school facilities. As of early 2019, \$43 billion in local bond authority remains unsold.



Overview of Proposition 51

▶ Voters Approved New State School Facility Bond in November 2016

- Proposition 51 authorizes the state to sell \$7 billion in general obligation bonds for school facility projects.
- Of this funding, \$3 billion is for new construction projects, \$3 billion is for renovation projects, \$500 million is for career technical education (CTE) facilities, and \$500 million is for charter school projects.
- State sold \$565 million in Proposition 51 bonds in 2017-18 and intends to sell \$594 million in 2018-19. At this pace, the state would take 12 years to exhaust Proposition 51 funds.

▶ State Currently Has \$5.8 Billion in School Facility Applications

- As of the end of February 2019, a total of \$741 million in already-approved projects are awaiting state bond funding.
- A total of \$5.1 billion in projects have been submitted to the state but have not yet completed the approval process.



Bond Sales—Proposal, Assessment, and Recommendation

- ▶ **Governor Proposes to Sell \$1.5 Billion in School Bonds in 2019-20**
 - Funding would be allocated mostly to new construction and renovation projects, with \$125 million likely reserved for CTE projects.

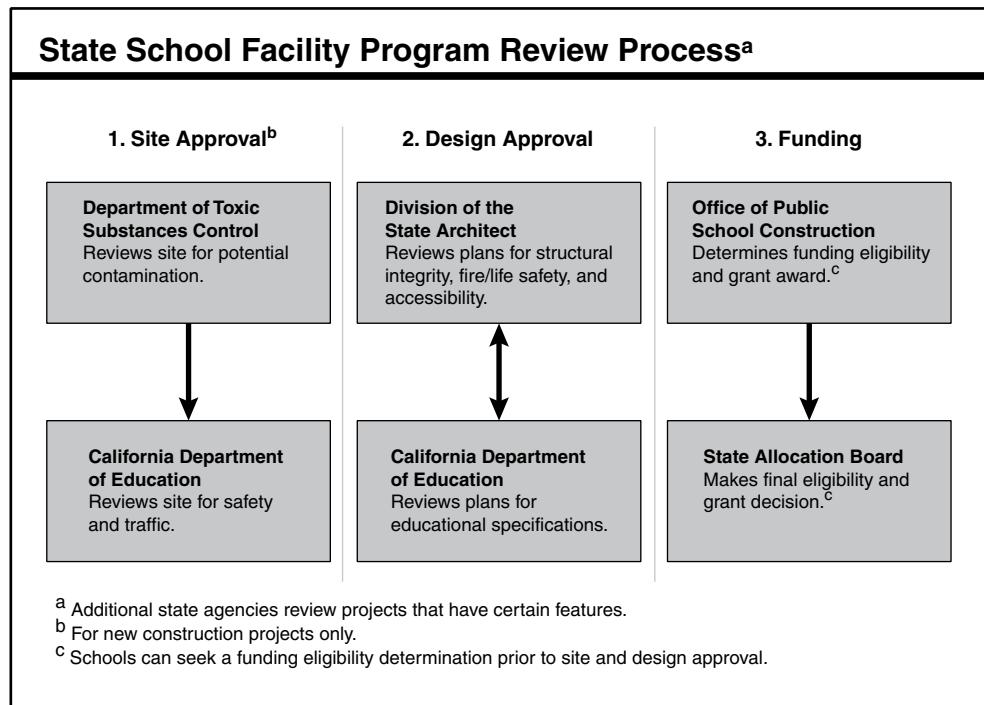
- ▶ **Proposal to Accelerate School Bond Sales Is Reasonable**
 - Schools already have submitted many applications that are awaiting state review and funding.
 - At the proposed quicker pace of bond sales, state would exhaust Proposition 51 funding within a more reasonable amount of time (by 2022-23).

- ▶ **Recommend Adopting Proposal**
 - Releasing Proposition 51 funding faster would allow state to clear more of the backlog and fund projects sooner.



Overview of Office of Public School Construction (OPSC)

► OPSC Is One of Several State Agencies Involved in Project Approval Process



► OPSC Currently Has 52 Authorized Positions

- Of these positions, about half are assigned to OPSC's audit division and half are assigned to its program services division.
- The program services division reviews funding applications. The division also is responsible for appeals, program policies, and administrative services.

► State Shifted Audit Responsibility to Local Auditors in 2017-18

- OPSC previously was responsible for auditing School Facility Program expenditures. Two years ago, state devolved audit responsibilities from OPSC to local independent auditors contracted by districts.
- OPSC remains responsible for auditing projects funded prior to April 2017.



OPSC Staffing—Proposal, Assessment, and Recommendation

- ▶ **Governor Proposes to Provide \$1.2 Million for OPSC to Hire Additional Staff**
 - This ongoing augmentation (Proposition 51 funds) would allow OPSC to hire ten additional staff for application processing (eight analysts and two managers).
 - Currently, OPSC dedicates ten full-time equivalent (FTE) analysts to processing applications.

- ▶ **OPSC Dedicates Small Share of Staff to Application Processing**
 - The ten FTE analysts currently dedicated to processing applications account for less than 20 percent of OPSC’s authorized positions, even though processing applications is one of its core functions.

- ▶ **Proposed Staffing Augmentation Is High**
 - Using the same assumptions OPSC used in its staffing budget proposal, we estimate that the proposed application workload could be managed by 12 FTE analysts. This represents an increase of two positions relative to the positions currently dedicated to this work.

- ▶ **Staffing Proposal Assumes No Workload Reduction From Shifting Audit Responsibilities**
 - OPSC currently has 24 positions (46 percent of all positions) associated with its audit division.
 - Despite lower audit workload from shifting core responsibilities to local auditors two years ago, administration does not propose any reduction in staffing for the audit division.

- ▶ **Recommend Rejecting Staffing Proposal**
 - We believe OPSC can manage additional application workload using existing resources. The reduction in audit responsibilities should free up additional staff time for application processing.

