Resource Materials

A Short History of How We Finance School Construction in California

Prior to Proposition 13, June 1978

Schools were generally built by local general obligation bonds requiring a 2/3 vote.

The State School Building Aid Program provided assistance for “low wealth” school districts (districts with small amounts of assessed value) which were bonded to their debt capacity. These debt capacity limits still apply to today’s elections.

In order to qualify for state aid, a district had to show growth, and hold an election to accept a state loan and repay state loans by increasing local property tax. However, a cap on the total debt service kept debt service rates at a reasonable level. Loan was repaid from the state required tax rate over a 20-year period at which time any balance was forgiven.

Fewer than 30 percent of California’s school districts participated in this program.

Proposition 13 enacted in June 1978 placed limits on property taxes equal to 1 percent of value, plus an additional amount for pre-existing outstanding local debt.

Proposition 13 eliminated the ability of local agencies to issue bonds with 2/3 vote.

Subsequent to Proposition 13

The Legislature and various administrations responded to school capital outlay needs by:

Authorizing city and county governments to levy developer fees to provide interim housing (portable classrooms) for fast growing districts.

Authorized constitutional amendment to restore ability of local governments to pass local bonds by 2/3 vote (1984).

Established Mello-Roos community facility districts as an alternative method of financing local infrastructure, including schools. Could be implemented by either landowner vote or 2/3 vote of built-up community.

Legislature, administrations and electorate authorized and passed $17.5 billion in state bond issues between 1982 and 1998 to finance state’s share of K-12 school construction costs.

Established major program for school facilities in 1986 to provide funding for growth projects and modernization projects.
Authorized school district governing boards to levy developer fees for school construction $1.50 sq. ft. for residential property and $0.25 sq. ft. for commercial property. (Currently $3.48/sq. ft. and $0.56/sq. ft.) Various court cases (known as Mira/Hart/Murrieta) allowed districts to obtain mitigation above these amounts.

Required that school districts commit developer fee revenues as local match in order to receive state funding.

The Legislature subsequently took many steps to make limited state bond money go farther, including giving highest priority for funding first to districts maintaining year round schools to avoid construction costs and subsequently to districts also funding 50 percent of the cost of projects.

During the 90s, more and more districts attempted to pass local general obligation bonds, the most startling example of success was Los Angeles Unified which passed a $2.4 billion bond in 1997.

In 1998, the Legislature adopted a new State Program under SB 50 (Greene) with funding provided under Proposition 1A.

Major elements:

Computation of state aid for individual districts based on the same state amount per eligible student - adjusted by grade level and other factors.

Districts required to contribute 50 percent of growth projects and 20 percent of approved funding based on state grant amounts or total project costs - whichever is less.

In order to qualify for hardship funding because of limited financial resources districts must demonstrate a conscientious attempt to raise local funding by passing local bonds.

In return for simplified modified grant program, districts required to assume all liability for cost over-runs and problems discovered during construction process. State relieved of such liability.

Modified developer fee provisions by: (1) Suspending Mira/Hart/Murrieta; but (2) permitting districts to levy fees on residential developing above $1.93/sq. ft. These higher fees required a needs assessment; and (3) were limited to 50% of the cost of building to state standards, unless the state new construction program is determined by the State Allocation Board to be out of funds and not making new construction apportionments.