



CALIFORNIA 2016  
BALLOT BACKGROUNDER

Proposition **51**

School Bonds

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**Purpose**

Proposition 51 would authorize \$9 billion in bonds to fund the construction and renovation of facilities at the state’s K-12 schools and community colleges.

**Background<sup>1</sup>**

The state often uses bond financing, a type of long-term borrowing, to finance public infrastructure projects, such as roads, educational facilities, and prisons. Most general obligation bonds are directly repaid from the state’s General Fund, which is largely supported by income and sales tax revenues.

After selling bonds, the state makes annual payments until the bonds are paid off. The payment cost depends on the interest rate and the time period over which the bonds have to be repaid. The state often makes bond payments over a 30-year period. As of July 2016, California was making payments on about \$85 billion in General Fund-supported infrastructure bonds. Moreover, voters have approved an additional \$31 billion in General Fund-supported bonds that have not yet been sold.<sup>2</sup>

The School Facilities Program (SFP) primarily funds new construction and modernization projects for K-12 school facilities, including career and technical education facilities and charter school facilities. Since the creation of SFP in 1998, voters have approved a total of \$35 billion in

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<sup>1</sup> [https://oag.ca.gov/system/files/initiatives/pdfs/fiscal-impact-estimate-report%2815-0005%29\\_0.pdf?](https://oag.ca.gov/system/files/initiatives/pdfs/fiscal-impact-estimate-report%2815-0005%29_0.pdf?;)  
[https://ballotpedia.org/California\\_Public\\_Education\\_Facilities\\_Bond\\_Initiative,\\_Proposition\\_51\\_\(2016\)](https://ballotpedia.org/California_Public_Education_Facilities_Bond_Initiative,_Proposition_51_(2016))

<sup>2</sup> <http://www.lao.ca.gov/ballot/2016/overview-state-bond-debt-110816.pdf>

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state general obligation bonds for K-12 school facilities. The state has about \$200 million left in K-12 bonds, mostly designated for seismic projects and charter school facilities. The state ran out of bond authority for new construction and modernization projects in 2012.

K-12 school facilities also are financed by local general obligation bonds. Since 1998, voters have approved a total of \$75.2 billion in local facility bonds. As of November 2013, an estimated \$30.5 billion remained in local bond authority for K-12 school districts.

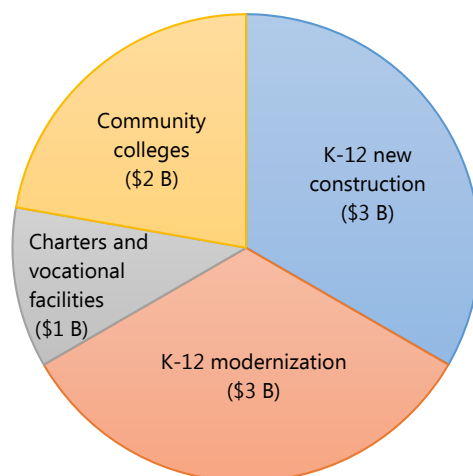
In addition, community college facilities are financed by state and local bonds. Voters have approved \$4 billion in state general obligation bonds for construction and modernization of community college facilities. Community college districts have received approval for \$29.2 billion in local facility bonds. As of November 2013, an estimated \$7 billion remained in local bond authority for community college districts.

Proposition 51 is the first education-related statewide bond measure on the ballot since 2006, and would be the first ever adopted through the initiative process. Since 1914, the Legislature has placed 42 education-related bond measures on the ballot, and voters have approved 83 percent of them. The Legislature considered placing on the ballot a bond measure similar to Prop. 51 two years ago. The Assembly approved the measure unanimously, but before it went to the State Senate, Governor Brown announced that he opposed it. The Legislature ended up not approving the measure and advocates of a school bond turned to the citizen initiative process to qualify Prop. 51.

### Proposal

Proposition 51 would authorize \$9 billion in general obligation bonds to fund construction and renovation of facilities at K-12 schools and community colleges.

The \$9 billion bond would be allocated as follows:



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- \$3 billion for new construction for K-12 public school facilities
- \$3 billion for modernization of K-12 public school facilities
- \$1 billion charter schools and vocational education/ career technical education facilities
- \$2 billion for California Community Colleges facilities

### Fiscal Impact<sup>3</sup>

The Legislative Analysts estimates that Prop. 51 would have the following fiscal consequences:

- Total State General Fund costs: \$17.6 billion to pay off principal (\$9 billion) and interest (\$8.6 billion) on bonds over 35 years
- Annual payments expected to average \$500 million, about 8 percent more than the state currently spends from the General Fund for debt service
- Annual payments relatively low in the initial and final few years and higher in intervening years

### Supporters

The Yes on 51 campaign is supported by a coalition that includes:

- California Democratic Party
- California Republican Party
- California Taxpayers Association
- California State Parent Teacher Association (PTA)
- California Association of School Business Officials
- California Chamber of Commerce
- State Building and Construction Trades Council of California
- The construction industry
- More than 100 school boards

The Yes on 51 campaign is funded by Californians for Quality Schools, which has raised almost \$9 million as of September 2016.<sup>4</sup> The two largest donors in support of the initiative are Coalition for Adequate School Housing Issues Committee, which contributed almost \$2 million, and California Building Industry Association Issues Committee, which contributed almost \$1.6 million. The total amount of reported contributions in support of Prop. 51 was \$9.4 million as of September 2016.<sup>5</sup>

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<sup>3</sup> <http://www.sos.ca.gov/administration/news-releases-and-advisories/2016-news-releases-and-advisories/proposition-numbers-november-ballot-measures/>

<sup>4</sup> <http://www.sos.ca.gov/index.php?cID=2870>

<sup>5</sup> <http://www.sos.ca.gov/index.php?cID=2870>

### Arguments of Supporters<sup>6</sup>

Supporters say Prop. 51 would:

- Help bring aging school facilities up to current seismic and health and safety standards.
- Build new facilities for technical education and other 21st century needs.
- Create jobs—an estimated 13,000 building and construction trades jobs for each \$1 billion of investment.

### Opponents

Prop. 51 is opposed by Governor Jerry Brown, who believes that the bond initiative is “a blunderbuss effort that promotes sprawl and squanders money that would be far better spent in low-income communities.”<sup>7</sup> Governor Brown has called the \$9 billion school bond the “handiwork of home developers” that would allow the continuation of a flawed school construction program.

Proposition 51 is also opposed by California Taxpayers and Educators Opposed to Sprawl and Developer Abuse, the only PAC that filed to oppose this initiative. No campaign contributions have been reported as of September 2016.<sup>8</sup>

### Arguments of Opponents

Opponents say Prop. 51 would:

- Create an application process that favors large districts like Los Angeles Unified.
- Squander money that would be better spent in low-income communities.
- Add too much to the state’s debt burden. California must stop supporting state funding of bonds for school construction considering the importance of lowering the state’s long-term debt.

They argue that school districts should fund school construction through local developers and property owners through increased fees and taxes.

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<sup>6</sup> <http://www.californiansforqualityschools.com/read-bond/>

<sup>7</sup> <https://edsources.org/2016/no-compromise-reached-governor-opposes-california-school-bond/94690>

<sup>8</sup> <http://www.sos.ca.gov/index.php?CID=2870>

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### Conclusion

Voting Yes on Prop. 51 would authorize the state to issue \$9 billion in general obligation bonds to fund the improvement of school facilities for K-12 schools, career and technical education programs, and community colleges.

Voting No on Prop. 51 would not authorize the state to issue \$9 billion in new debt to fund construction and modernization of school facilities.

**For more information on Proposition 51, visit:**

[www.roseinstitute.org](http://www.roseinstitute.org)

[www.californiansforqualityschools.com](http://www.californiansforqualityschools.com)

[www.facebook.com/votenoprop51](https://www.facebook.com/votenoprop51)