Message From The Chair

On September 8, 2011, President Obama proposed the American Jobs Act (AJA), which includes, “…a $25 billion investment in school infrastructure that will modernize at least 35,000 public schools...improving classrooms and upgrading our schools to meet 21st Century needs.” In this month’s Message from the Chair, I will examine the President’s school facilities program.

Summary of the School Facilities AJA Provisions

If enacted, the AJA will provide $3.6 billion for California K-12 schools for modernization, renovation and repair of elementary and secondary school buildings. It specifies that the funds can be used for; “…a range of emergency repair and renovation projects, greening and energy efficiency upgrades, asbestos abatement and removal…” AJA funds will be distributed, with a set-aside for the 100 school districts nationally with the greatest number of Title 1 children (similar to the allocation methodology for the Qualified School Construction Bonds). The remaining funds (approximately 60%) will be allocated proportional to the LEAs respective Title 1 Part A allocations. The proposal requires that the funds be obligated by September 30, 2012, and contains a $10,000 minimum grant for LEAs.

C.A.S.H.’s Position

C.A.S.H. and its federal affiliate, Californians for School Facilities (CSF), strongly support the President’s proposal. In light of funding reductions to the Deferred Maintenance Program (DMP) and the Emergency Repair Program (ERP) over the past three years, the AJA will help districts ensure that their facilities are safe, healthy and efficient. Although the funds cannot be used for ongoing maintenance AJA is designed primarily to address conditions resulting from years of inadequate maintenance practices, a result of insufficient state funds to properly maintain schools to protect children’s health and the State’s significant investment in school facilities.

Still Need a School Bond

C.A.S.H. members are well aware that remaining state funds from previous state school bonds are nearly exhausted, and C.A.S.H. has been engaged in a campaign to urge state leaders to sell existing voter approved bonds and to authorize a state school facilities bond for the November 2012 ballot. We want to move away from bond authority to create an unfunded list without regard to bond authority. In the context of advocating for a statewide school bond, C.A.S.H. believes it is critical for state leaders to understand that the AJA will not in any way replace or reduce the need for a statewide school bond to replenish the New Construction, Career Technical Education, Seismic Safety, Charter School and Modernization programs under the School Facility Program (SFP). Specifically, the proposal prohibits the funds from being used for

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September 23, 2011

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol, 1st Floor
Sacramento, CA 95814

Dear Governor Brown:

Selling voter approved state school bonds will create California jobs and net new state general fund revenue. Both jobs and revenues are vitally needed now. This letter is intended to clarify the effects of selling authorized state school bonds on the state’s General Fund revenue, and to highlight the positive effect the sale would have on California job creation and state General Fund revenues.

During a year that a state school bond is sold, and for the year thereafter, state General Fund revenue caused by the sale is greater than the interest costs owed on the bond. This occurs because the Priorities in Funding (PIF) program established by the State Allocation Board (SAB) requires that school districts sign contracts within 90 days after apportionment. The money does not sit idle – it is put to work creating needed jobs.

To demonstrate how this occurs, using very broad numbers and assuming bonds are not redeemed in the first two years, the following is an outline of how state General Fund revenues increase after school bond sales:

- Assuming a $1 billion state school bond sale, interest in the first year would be approximately $40 million at 4%.
- If 30% ($300 million) is used to purchase building materials, then $300 million times the 7.5% sales tax means $23 million in sales tax, of which about $15 million would be for the state General Fund.
- If the remaining $700 million is divided 70% salary and 30% benefits, then $490 million is salary.
- At 5% California income tax, the state General Fund revenue should be about $25 million.
- If people use 20% of their salary to buy sales tax-eligible products, then the sales tax revenue is about $36 million ($490 million x .075) of which about $25 million is state General Fund revenue.
- The combined material sales tax, income tax and personal expenditures sales tax is about $65 million, while interest costs for the $1 billion bond sale should be about $40 million.
- Because the bond has an equal local match requirement, the $65 becomes $130 million from the local match expenditure.
- The second year has secondary economic effects which will be less than the $130 million state General Fund, but still more than the second year interest costs.
C.A.S.H. believes this analysis justifies the maximum possible sale of state school bonds to create jobs and generate state General Fund revenue.

Thank you for your consideration.

Sincerely,

Cathy Allen, Chair
Coalition for Adequate School Housing (C.A.S.H.)

cc: Ana Matasantsos, Department of Finance
    David Lanier, Governor’s Office
    State Allocation Board Members
    Building Industry Association
    Education Management Group

Message From The Chair

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new construction, and the allowed fund uses are limited to purposes that generally are not included in the SFP Modernization program. For this reason, California’s public schools will need a new state school facilities bond even if the President’s school facility repair and renovation proposal is adopted. On behalf of C.A.S.H., I have sent letters to state fiscal leaders to ensure that they comprehend this critical distinction. For a copy of these letters, see page 3 and 5 of this issue.
September 23, 2011

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol, 1st Floor
Sacramento, CA 95814

Dear Governor Brown:

California’s public schools will need a new state school bond even if the President’s school facility repair and renovation proposal is adopted. On September 8, 2011, President Obama proposed the American Jobs Act. The Act’s school facility provision specifically prohibits the funds from being used for new construction, and the allowed fund uses are limited to purposes that generally are not included in the School Facility Program (SFP) Modernization program. The proposal would provide $3.6 billion for California K-12 schools to be used for modernization, renovation and repair of elementary and secondary school buildings, and can be used for, “…a range of emergency repair and renovation projects, greening and energy efficiency upgrades, asbestos abatement and removal…”

The remaining state funds from previous school bond sales are nearly exhausted. It is critical to understand that the federal proposal does not in any way replace or reduce the need for a statewide school bond to replenish the New Construction, Career Technical Education, Seismic Safety, Charter School and Modernization programs under the SFP.

C.A.S.H. and its federal affiliate, Californians for School Facilities (CSF), support the President’s proposal. In light of funding reductions to the Deferred Maintenance Program (DMP) and the Emergency Repair Program (ERP) over the past three years, the program would help districts ensure that their facilities are safe, healthy and efficient. Although the funds cannot be used for ongoing maintenance of schools, the proposal is designed primarily to address conditions resulting from years of inadequate maintenance practices, a result of insufficient state funds to properly maintain schools to protect children’s health and the State’s significant investment in school facilities.

In summary, C.A.S.H. supports the President’s proposal, but that proposal does not replace the need for a new state school facilities bond.

Thank you for your consideration.

Sincerely,

Cathy Allen, Chair
Coalition for Adequate School Housing (C.A.S.H.)

cc: Ana Matasantos, Department of Finance
    David Larier, Governor’s Office
    State Allocation Board Members
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