

LOS ANGELES UNIFIED SCHOOL DISTRICT

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

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RESOLUTION 2006- \_\_\_\_

**RESOLUTION SUPPORTING PASSAGE OF PROPOSITION 1D (KINDERGARTEN—  
UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 2006)**

WHEREAS, if passed by the voters, State Proposition 1D, the "Kindergarten—University Public Education Facilities Bond Act Of 2006," will allow the State of California to sell \$10.4 billion of general obligation bonds for K–12 school facilities (\$7.3 billion) and higher education facilities (\$3.1 billion).

WHEREAS, through the School Facility Program (SFP), K–12 school districts like LAUSD apply for funding to buy land, construct new buildings, and modernize (that is, renovate) existing buildings. A school district's allocation is based on a formula. The formula considers the number of students a district expects to enroll that cannot be served in existing facility space. The SFP requires the state and school districts to share the cost of facilities. For new construction projects, the cost is shared equally by the state and school districts. For modernization projects, the state pays 60 percent and school districts pay 40 percent of the cost. If a school district faces unusual circumstances, however, it may apply for "hardship" funding from the state to offset its local share of costs.

WHEREAS, the state has funded the SFP by issuing general obligation bonds. Over the past decade, voters have approved a total of \$28.1 billion in state bonds for K–12 school facilities. Approximately \$3 billion of these funds remain available for new construction projects.

WHEREAS, at the local level, in addition to other sources school districts typically meet most of their matching requirement and other construction needs by issuing local general obligation bonds. These local bonds can be authorized with the approval of 55 percent of the voters in the district. The bonds are repaid using local property tax revenue. Over the past ten years, school districts have received voter approval to issue more than \$41 billion in local facility bonds. The voters in LAUSD have passed Proposition BB, Measure K, Measure R and Measure Y which total \$13.6 billion in local general obligation bonds.

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WHEREAS, the \$7.3 billion for K–12 school facilities is designated for seven types of projects. The underlying requirements and funding formulas for four of these project types (modernization, new construction, charter school facilities, and joint-use projects) would be based on the existing SFP. The other three types of projects (overcrowded schools, career technical facilities, and environment-friendly projects) would be new components of the SFP. The funding formulas for these projects utilizing Proposition 1D bond proceeds would be as follows:

- **Modernization (\$3.3 Billion).** These monies would be for the modernization of existing school facilities. School districts would be required to pay 40 percent of project costs (unless they qualify for state hardship funding).
- **New Construction (\$1.9 Billion).** These monies would cover various costs associated with building new facilities, including site acquisition, project design, engineering, construction, and inspection. Up to \$200 million of the \$1.9 billion would be available to retrofit facilities likely to be unsafe during an earthquake. Districts would be required to pay 50 percent of new construction and earthquake-safety projects (unless they qualify for state hardship funding).
- **Relief Grants for Overcrowded Schools (\$1 Billion).** As a condition of receiving one of these grants, school districts would be required to replace portable classrooms with newly constructed permanent classrooms, remove portable classrooms from overcrowded school sites, and reduce the total number of portable classrooms within the district. As with other new construction projects, districts would be required to pay 50 percent of project costs. Under the program definition of overcrowded, roughly 1,800 schools (or 20 percent of all schools) would be eligible for funding.
- **Career Technical Education Facilities (\$500 Million).** The measure also funds a new facility program designed to enhance educational opportunities for students interested in technical careers. Grants would be provided to high schools and local agencies that have career technical programs. The grants would be allocated on a per square foot basis, with a maximum of \$3 million for each new construction project and \$1.5 million for each modernization project. For both types of grants, the required local contribution would be 50 percent of project costs. Given the program's requirements, approximately 500 school districts (or one-half of all districts) would be eligible for new construction and modernization grants. In addition, about 25 local agencies would be eligible for modernization grants.
- **Charter School Facilities (\$500 Million).** These monies would be for new construction and modernization of charter school facilities. (Charter schools are public schools that are exempt from certain state requirements in exchange for adhering to a local- or state-approved charter.) A 50 percent local contribution would be required.
- **Environment-Friendly Projects (\$100 Million).** These monies would be provided as special incentive grants to promote certain types of environment friendly facilities. For example, districts could receive grant funding if their facilities included designs and materials that promoted the efficient use of energy and water, the maximum use of natural lighting, the use of recycled materials, or the use of acoustics conducive to teaching and learning. The same

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local contributions would be required as for other new construction and modernization projects.

- **Joint-Use Projects (\$29 Million).** These monies would be available for both constructing new facilities and reconfiguring existing facilities for a joint-use purpose. Joint-use projects include gymnasiums, libraries, child care facilities, and teacher preparation facilities that are located at a school but used for joint school/community or K-12/higher education purposes. Under such arrangements, the school district and joint-use partner share the 50 percent local matching requirement.

WHEREAS, the costs of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. The state would likely make principal and interest payments from the state's General Fund over a period of about 30 years. If the bonds were sold at an average interest rate of 5 percent, the cost would be about \$20.3 billion to pay off both principal (\$10.4 billion) and interest (\$9.9 billion). The average payment would be about \$680 million per year.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The School Construction Bond Citizens' Oversight Committee finds that passage of Proposition 1D would assist the LAUSD Facilities program which is primarily funded through local general obligation bonds, and therefore, the Committee affirmatively supports the passage of Proposition 1D on the November 7, 2006 ballot and encourages other public agencies and organizations to adopt a similar resolution supporting this Proposition.
2. The resolution shall be transmitted to the Los Angeles Unified School District Board of Education and posted on the Bond Oversight Committee's website.

ADOPTED on October 18, 2006 by the following vote:

AYES:

ABSTAIN:

NAYS:

ABSENT:

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Constance Rice  
Chair

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Scott Folsom  
Vice Chair