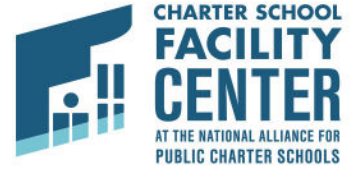


# LESSONS LEARNED FROM CALIFORNIA'S EXPERIENCE WITH SCHOOL DISTRICT BONDS

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## INTRODUCTION

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With more than 600,000 students attending more than 1,300 schools, California is a living laboratory for emerging and best practices in the public charter school sector. These emerging and best practices extend beyond the classroom and into more foundational challenges such as the funding and financing of school facilities. While most states have yet to issue a single general obligation bond to finance charter school construction, California has raised billions of dollars in capital through statewide bond elections and in partnership with local school districts.

School bonds are the principal financing mechanism used to build district public schools across America and, unfortunately, are unavailable to most public charter schools. Gaining equitable access to this funding source is critical for charter schools. The reasons vary by state, but issues around ballot access, vague statutory language, adversarial relationships with local school districts, and rules around the qualification of facilities can create insurmountable barriers to charter school access to school bond funding. This fundamental inequity between district public schools and charter schools prevents tax-paying parents from seeing their property tax payments supporting the charter public facilities that their children use every day.

While not every statute faced, regulatory hurdle required, or strategy employed by California charter schools in their fight to access funding made available through the ballot box will be applicable in every state, the lessons learned can guide policymakers and advocates across the country towards greater school bond success.

This set of case studies is the second publication in a three-part series on school facility bonds. The first report, [Charter Schools Accessing District Bonds](#), provided a landscape review of state regulations. This second report provides a primer on California's school bond fundamentals as well as best practices gleaned from California's highest profile charter bond initiatives through case studies on ballot initiatives in Los Angeles and San Diego. The third report will include a public policy playbook for working with states and school districts to include charter schools in bond offerings.



# CALIFORNIA SCHOOL BONDS 101

General obligation bonds are California's primary funding and finance mechanism for school construction and modernization. As with any highly regulated marketplace, thousands of rules govern the process of getting a bond on the ballot, and this is followed by strict requirements related to issuing, disbursing, and monitoring the funds. However, there are a few straightforward rules that guide the process related to election dates, limitations to the amount of capital that can be raised, and qualifications to meet a 55% voter approval threshold for passage.

While state-level bonds generally get more attention, the vast majority of funds come from district-level ballot initiatives. Since the Leroy Greene School Facilities Act of 1998 became law, five major statewide bonds have passed for K-12 education totaling \$42.3 billion. In comparison, local school districts authorized [over \\$113 billion in bonds from 1998 to 2016](#).

The most recent statewide bond measure to be approved by voters, Proposition 51, was approved in 2016 to provide \$9 billion for school construction statewide, \$500 million of which was set aside for charter school projects. That same year, local school districts sought and gained voter approval for the issuance of more than \$20 billion in bonds.

**Figure 1. California School Bond Basics**



### School Bond Election

School bond elections **may only be held on the day of statewide, general, primary or special election, or at a regularly scheduled local election**. As a result, the vast majority of school bond measures are placed on ballots in June and November of even-numbered years.



### Debt Limits

The total outstanding and new school bond debt to be issued **may not exceed 2.5% of the assessed value of taxable property within a unified school district and the limit for other school districts, is 1.25%**.

Moreover, the tax rate as the result of any single election must be projected to be **no more than \$60 for a unified school district and \$30 for other school districts**, per year per \$100,000 of taxable property.



### Passage Thresholds

In November 2000, the threshold to pass a school bond decreased from two-thirds majority to a 55% majority as long as the following criteria are met:

**Specific facilities are named and evaluated for safety, class size reduction and information technology needs.**

**Bond proceeds may only be used for construction, renovation, furnishings, or property acquisition for school facilities.**

**A series of audits and oversight committees must be put in place.**



The state of California has provided funding to charter schools through the state bond program since 2002. The first formal school district bond that provided funding to charter schools was in 2008 in Los Angeles.

Notably, there is no explicit legal requirement that school districts share the proceeds of local bond measures with charter schools in existence at that time. Proposition 39, a statewide voter initiative approved in 2000, partially addressed the issue by requiring school districts to share existing school facilities equitably with charter schools. However, a mandated share of bond proceeds remains a key goal for groups such as the California Charter Schools Association (CCSA) and their affiliate, CCSA Advocates.

While state legislation remains elusive, local efforts in Los Angeles and San Diego provided valuable lessons for advocates looking to level the playing field for charter school bonds. In the years following Measure Q in Los Angeles in 2008, CCSA and CCSA Advocates engaged with dozens of school districts around the state to secure binding commitments to fund charter schools in an equitable manner. In a state as large as California, with more than a thousand school districts, monitoring school district bond measure planning is challenging. Moreover, with more than 100, and sometimes as many 170 different school bond measures on the ballot in any given election, direct advocacy in all districts is not feasible. However, because the large urban areas of the state, such as San Diego, Los Angeles, the Bay Area, and Sacramento, have the largest numbers of charter schools, school bond advocacy has focused on school districts in these communities.

<b>TABLE 1: GENERAL OBLIGATION BONDS AND CHARTERS (1998-2016)</b>		
	<b>State Bonds</b>	<b>District Bonds</b>
<b>TOTAL # OF BONDS</b>	<b>5</b>	<b>113</b>
<b>BOND MEASURES INCLUDING CHARTERS</b>	<b>4</b>	<b>20</b>
<b>AMOUNT FOR CHARTERS</b>	<b>\$1.4 Billion</b>	<b>\$700 Million</b>



## Lessons Learned #1

# PUT IT IN WRITING

### Los Angeles Unified – Measure Q

Charter schools in Los Angeles only received a fraction of the funds they were promised because their allocations were not formalized in a legally enforceable document. The Los Angeles Unified School District (LAUSD) was the first school district in California to commit to setting aside a large pool of bond measure funding specifically for charter school projects. Measure Q, approved by Los Angeles voters in 2008, authorized LAUSD to issue \$7 billion in general obligation bonds. Charter schools received a specific set aside (described in a separate report but not written into the ballot itself) promising that the LAUSD would make \$450 million available for the more than 100 charter schools operating at the time. The bond funds would eventually be administered through LAUSD's Charter Augmentation Grant Program (CAGP).

While the program was designed to create a clear process through which charter schools could fund their facilities, in practice many schools struggled to gain access to the program. For example, some charter schools were located on sites that were not owned by the school district; those schools were required to transfer the title to their property to LAUSD to be eligible for funding.

Moreover, projects funded through the CAGP were required to comply with all the rules applied to district-owned facilities. As a result, charter schools were required to follow a long list of requirements such as prevailing wage laws, adherence to project labor agreements, and other onerous oversight measures that are not typically applied to the charter sector.

Economic realities also affected the program. By 2008, the Great Recession was hitting Los Angeles. With real estate values falling, LAUSD chose to delay the issuance of new debt.

This delay created an opportunity for LAUSD to reallocate the bond money among the beneficiaries. Under this realignment, the charter school allocation dropped from \$450 million to \$402 million. Subsequent revisions around grant prioritization further eroded the value of the bonds to charter schools by placing certain projects related to the Americans with Disabilities Act at the front of the line.

At the end of the process, the total charter school allocation fell from the already reduced \$402 million allocation to \$220 million. Without language specifying that the bond be shared with charter schools written into the ballot and only a legally unenforceable agreement in place with LAUSD, Los Angeles charter school facilities were left with less than half the funds originally promised.



## Lessons Learned #2

# UNANIMITY OF SUPPORT WINS

### **San Diego Unified School District – Proposition Z**

In 2012, the San Diego Unified School District (SDUSD) Board passed a resolution to place a school bond measure on the November ballot that included charter schools. Charter schools were included because CCSA and its affiliate CCSA Advocates engaged early in the process to ensure that a specific allocation for the more than 50 San Diego charter schools was included in the text of the ballot.

After a series of negotiations between the district and charter school representatives, SDUSD wrote a \$350 million carveout for charter schools into the \$2.8 billion school bond measure ballot. This allocation for charter schools was based on the percentage of San Diego public school students attending public charter schools. The ballot language also authorized the charter school allocation to be overseen by a newly formed Charter School Facilities Committee (CSFC). Under this first-of-its-kind partnership between a school district and charter schools, the ballot measure was approved by a 61.8% majority—nearly 7% higher than needed to become law.

After the formation of the CSFC by San Diego Unified School District, the committee spent several months considering a series of questions about how the charter school program should be developed. For example, what should the application process entail, and how should applications be evaluated? Should certain projects be prioritized for funding based on specific criteria? What types of expenditures should be eligible to receive bond funding?

Without any particular blueprint or precedent to follow, SDUSD and the CSFC needed to think through many of these fundamental questions as SDUSD prepared to begin issuing Proposition Z bonds. After much deliberation and community input, the CSFC created a formalized grant application process and rubric that focused on the applicant's level of need for facilities funding, the readiness of the school leadership to move forward with a facilities project, and other questions designed to assess the operational and academic performance of the school. Three broad categories of grant funding were also established:

#### **Discretionary Grants**

To provide immediate assistance to schools, the CSFC recommend that SDUSD make available discretionary grants for items such as furniture, fixtures, and equipment, including computers. Each school would be eligible to receive \$300 per enrolled student in discretionary grant funding.

#### **Planning Grants**

To help schools develop their capacity to apply for project grants (see below), the CSFC created a separate program to assist with the costs of hiring an architect and



developing a facility plan. Applicants for planning grants would be assigned an architectural firm that had already been pre-approved by SDUSD and be eligible for up to \$50,000 in funds.

### **Project Grants**

Project Grants made up the majority of CSFC of funding. With no cap, these funds could be used to cover most typical expenses related to facilities development, including but not limited to land acquisition and construction costs. Unlike most grant programs, they could be used to fund up 100% of the project costs with no matching funds or debt.

Measure Z proved so successful that in 2018 voters approved an additional \$3.5 billion safety and repair bond that earmarked \$588 million for charter schools. Christened Measure YY, it passed with 65% of the vote.

### **San Diego Unified School District – Measure YY**

By early 2018, most of the proceeds of Proposition Z had been pledged to approved district and charter school projects. As is typically the case, the amount of funding needed to meet all the ongoing facilities construction and modernization needs in larger school districts cannot be raised by a single bond measure. As a result, SDUSD began planning for another bond measure for the November 2018 election. SDUSD, CCSA and CCSA Advocates, and the San Diego charter community were all committed to supporting a subsequent bond measure to continue and improve upon the Proposition Z collaboration. SDUSD ultimately decided to pursue a \$3.5 billion safety and repair bond that was designated Measure YY for the ballot. The ballot language for Measure YY committed to the allocation of an equitable \$588 million for charter school projects. The voters approved Measure YY overwhelmingly, and SDUSD and the Charter School Facilities Committee are now considering project applications for this additional funding. The amount of funding available for discretionary spending has been increased to \$500 per student, but other than that change, the Measure YY program is moving forward under the same parameters used for Proposition Z projects.

With the support of both SDUSD and the charter school sector, these bond measures have provided real facilities solutions to dozens of San Diego charter schools.



## Lessons Learned #3

# POINT TO SUCCESS

### **Natomas and Chico Follow the San Diego Model**

San Diego provided a successful model of district–charter bond collaboration to use in discussions with additional districts. This led to CCSA and CCSA Advocates to engage with additional districts in the pursuit of equitable charter school funding. Because of what took place in San Diego, school districts saw the merits of this approach and entered into successful collaborations with public charter schools in their communities. The district–charter collaborations in subsequent communities followed the San Diego model with some small adjustments:

#### **Natomas Unified School District**

Natomas Unified School District (NUSD) has gained approval for two bond measures that provide equitable charter school funding. Measure J in 2014 was a \$129 million measure; Measure L in 2018 will provide \$172 million in funding. The Natomas school district is a much smaller than those in San Diego or Los Angeles, and the charter school community in Natomas included six charter schools. CCSA and the charter school community were both actively engaged with representatives from NUSD early in the planning process. As a smaller school district than SDUSD, NUSD took a different approach to the construction of their ballot measure. Instead of creating a general set-aside of bond funding for charter school applicants, NUSD identified specific charter schools that would benefit from school bond funding should the voters within the district approve the bond measure. The language of Measure J did just that and named specific charter school projects instead of setting aside a particular dollar amount for charter schools. This allowed voters to see where their money was going and prevented last-minute shifting of dollars.

#### **Chico Unified School District**

Chico Unified School District (CUSD) is another recent example of CCSA, CCSA advocates and a local charter school community working collectively to advocate for public charter school inclusion in a school district bond measure. This work culminated in a collaboration with CUSD to support Measure K, a \$152 million bond measure approved by local voters in 2016. Unlike the districts discussed above, CUSD opted to set aside a specific percentage of the total bond funds to be raised through bond issuances to fund charter school projects. The percentage of funds, approximately 15%, was representative of the percentage of public school students within the district that attended eight charter schools. Like SDUSD, CUSD formed an advisory committee of charter school leaders to plan for the allocation of the charter school funding.



## THE ROAD AHEAD

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The call for state and school district bond measures to fund school construction and modernization remains strong among California education policymakers. However, despite a generally supportive environment for bond measures among California voters, there are limits to what voters will approve. In March 2020, only four years following the passage of the last state bond measure (Proposition 51), the state legislature placed Proposition 13 on the ballot seeking approval for the issuance of an additional \$15 billion in school construction bonds, including a \$500 million allocation for charter school projects. This followed the Los Angeles teachers strike in 2019 and the associated contentious arguments between charter and district public schools. This measure was soundly rejected by voters.

In 2021, two different bills were introduced to place another statewide bond measure on the ballot in 2022. While both failed to advance out of committee, CCSA will continue to engage with the authors of those bills during the next legislative session and will continue to seek an equitable share of funding in future state bond measures.

The lessons learned from the previous charter advocacy efforts to gain equitable access to district bond offerings can help guide charter advocacy on future measures. The first lesson learned (Put It in Writing) might make negotiations with school districts more challenging, but it will guarantee that the intent of the bond measure will remain intact when the inevitable future changes are proposed. The second lesson learned (Unanimity of Support Wins) has likely already been proven in 2021. The public discord over K-12 education in the previous year showed voters that there was not unanimous support for education initiatives, including a statewide bond initiative. This led to the defeat of the last statewide bond measure. Similarly, the current bill died in committee. Voters respond to the amount of support or discord over bond measures. The third lesson learned (Point to Success) follows the second lesson. If politicians and district facilities staff can demonstrate success by pointing to other bond programs that delivered charter facilities solutions across a range of jurisdictions, stakeholders will have confidence that future approvals will have similar success. People like to bet on winners—and including all public schools, charter and district, in taxpayer-approved funding is a winner for kids, parents, and voters.