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MEDIA ADVISORY

Coalition for Adequate School Housing Leadership, Education Officials To Urge the State to Accelerate Pace of School Facility Bond Sales

Don Ulrich, Deputy Superintendent of the Clovis Unified School District and Chair of the Coalition for Adequate School Housing, will join education officials from the California School Boards Association, the Association of California School Administrators and other education-focused organizations to urge the Legislature and the Governor's administration to increase the speed and size of school construction bond sales.

In November last year, voters passed Proposition 51 authorizing the state to sell \$9 billion in school facility bonds to help address the accumulated multi-billion-dollar backlog in K-12 construction projects waiting on state funding and to help chip away at the projected K-14 future facilities needs. Nearly a year later, the state has only authorized approximately \$400 million in bond sales for 2017.

When:

Wednesday, August 23rd at 11am

Where:

West Steps of the State Capitol

Who:

Don Ulrich, Chair of CASH and Deputy Superintendent for Clovis Unified School District
Lisa Gonzales, President of the Association of California School Administrators and Asst. Superintendent, Educational Services at Dublin Unified School District
Nancy Chaires Espinoza, School Board Member, Elk Grove Unified School District and Legislative Advocate for the California School Boards Association
Joan Buchanan, former California State Assemblywoman and former State Allocation board member

Representatives from the following organizations will also be in attendance: California Association of School Business Officials; California School Employees Association; Small School Districts Association; Riverside County Superintendent of Schools; Sheet Metal, Air, Rail and Transportation workers; California Association of Sheet Metal and Air Conditioning Contractors.

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FOR IMMEDIATE RELEASE:
August 23, 2017

Contact: Erin Shaw, 916.930.0100

Coalition for Adequate School Housing Leadership, Education Officials Urge the State to
Increase Size, Accelerate Sale of School Facility Bonds

At a press conference at the California State Capitol today, Don Ulrich, Deputy Superintendent of the Clovis Unified School District and Chair of the Coalition for Adequate School Housing, joined education officials from the California School Boards Association and the Association of California School Administrators to urge the Legislature and the Department of Finance to speed the sale and increase the size of school construction bonds. In November last year, voters passed Proposition 51 authorizing the state to sell \$9 billion in school facility bonds to help address the accumulated backlog in K-12 construction projects waiting on state funding and to help chip away at the projected K-14 future facilities needs. Nearly a year later, the state has only authorized approximately \$400 million in bond sales for 2017.

“California voters approved \$9 billion in bond funds last year with the expectation that their communities would quickly receive the needed funding to build and repair schools. With so many districts waiting for years, we are disappointed by the fraction of the funds that are scheduled for this Fall. In the coming year, we want to see lawmakers and the administration work together to quickly sell bonds and deliver the funds that were promised to students, teachers, and communities,” said Mr. Ulrich.

Historically, when voters have approved statewide school bonds, matching state grant money has been available to school districts within 30 days of the voters approving the bond. It’s been 9 months since Proposition 51 was passed, at the state has only authorized approximately \$400 million in bond sales for the entire 2017 calendar year, and roughly \$300 million for 2018 – only 7.7% of what voters approved. At the current proposed rate of bond sales, it could take up to 10 years for voter-approved bond money to be distributed. In contrast, 87%-99% of past similarly sized statewide school facilities bond funds were committed within 4 years. If the state does not start authorizing more sales of bond funds for distribution in a timely manner, school districts will see construction costs and potentially interest rate increases. This, in turn, will diminish their purchasing value, forcing districts and taxpayers to pay more for less in return.

“Today’s students have a huge need for repaired and updated school buildings – approximately 70% of classrooms in the state are more than 25 years old, and 40% are between 50 and 70

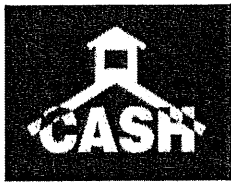
years old. The longer the state waits to sell bonds, the more money taxpayers pay and the more purchasing value districts lose to fix and build schools. The current timeframe for bond sales is not accurately reflecting the critical need for state funds,” said Nancy Chaires Espinoza, School Board Member, Elk Grove Unified School District and Legislative Advocate for the California School Boards Association

“The longer we wait for school funds, the more expensive it will be for the taxpayer in the long run because construction costs do increase annually. Our members want to quickly move forward with school construction projects to serve our families and be good stewards of public dollars. To do that, we need the state to continue our successful partnership and help ensure that future authorized bond sales are sizable enough to enable districts to move forward efficiently,” said Lisa Gonzales, Ed.D, President of the Association of California School Administrators and Assistant Superintendent, Educational Services at Dublin Unified School District.

Some school districts have been waiting for as long as 5 years for state matching grant funds and, should the state continue to delay the sale of school bonds, could be forced to wait for another 2-3 years before construction can get underway– depriving a whole generation of students better equipped school campuses. Examples of critical projects that are waiting on bond funding include building new, permanent and Career Technical Education classrooms, fixing leaky roofs, upgrading old wiring and electrical systems, and retrofitting buildings with seismic safety and accessibility upgrades.

Proposition 51 replenished the school facilities program fund, which provides partial matching state grant funds to school districts that have raised local funds to build new classrooms or repair and renovate old campuses. Before the 2016 election, it had been 10 years since California last passed a state bond, and the state fund had been effectively depleted. As a result, there currently exists a more than \$2 billion backlog of K-12 projects that have submitted applications under the current program’s existing rules and regulations, with billions more in identified need. Estimates also project future K-12 school construction funding needs of more than \$20 billion over the next decade.

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August 18, 2017

To: Interested Parties

From: Dave Walrath, California's Coalition for Adequate School Housing

Memo: Background on the importance of scheduling appropriately sized school facility bond sales

Voters Passed Proposition 51, Expecting Funds To Flow

On November 8, more than 55% of California voters approved Proposition 51 – statewide school facility bond – with the expectation that their communities would receive funds quickly to build and renovate their local schools. Previously, state matching funds were available within 30 days of a statewide school bond being passed. Because it had been nearly 10 years since the previous statewide school bond was passed (in 2006) – and state funds had been effectively depleted since 2012 – there is a backlog of more than \$2 billion in identified modernization and new construction project applications that are waiting for funding. It's now been nearly a year since Proposition 51 passed and the California State Budget has only authorized the sale of about \$400 million of the \$9 billion voters approved for 2017 and approximately \$300 million for 2018 – leaving hundreds of school districts waiting and wondering when more critical funds will become available.

School districts have a tremendous need for the funds voters approved: approximately 70% of classrooms in the state are more than 25 years old, about 30% of them are at least 50 years old, and about 10% are at least 70 years old. Conservative estimates project school facilities need at more than \$20 billion over the course of the next decade. If sold quickly in the next three years, \$9 billion in school bonds will have a significant impact on the teaching and learning environment for millions of students, building approximately 12,000 new classrooms, repairing or upgrading another 44,000 classrooms, and building up to 1,500 classrooms specifically for Career Technical Education programs.

Prop 51 School Bond Sales Slower Than Historical Averages

At the current proposed rate of bond sales, it could take up to 10 years for voter-approved bond money to be distributed. Historically, statewide school facility bonds of similar sizes have been nearly fully committed within an average timeframe of 4 years:

- Proposition 47: \$11.4 billion statewide school facilities passed in November 2002;

- 99% committed by 2006
- Proposition 55: \$10 billion statewide school facilities bond passed in March 2004
 - 94% committed by 2008
- Proposition 1D: \$7.3 billion statewide school facilities bond passed in November 2006;
 - 87% committed by 2010

Since 2006, school districts have already invested in School Facility Master Plans that map out facility improvement projects for their communities and have raised local funds through local school bond campaigns which would make them eligible to apply for matching state funds. In 2016 alone, 195 school districts passed local school bond measures – many of which have an expectation that they can unlock matching state funds.

Delaying Bond Fund Distribution Is Expensive, Inefficient

If the state does not start authorizing more sales of bond funds for distribution in a timely manner, school districts will see construction costs and interest rates escalate. This, in turn, will diminish their purchasing value, forcing districts and taxpayers to pay more for less return.

Currently, it is anticipated that the state will pay approximately 3.5% - 4% per every \$1 billion in bond sales annually. This translates into annual debt service of \$35-40 million per every \$1 billion of school facilities bonds sold out of a \$179.5 billion budget. However, if school bond sales continue at this rate and interest rates rise, costs will increase.

The table below demonstrates the escalating interest rate costs per \$1 billion in unsold bonds, if bonds are sold later with higher interest rates compared to today's rates:

Interest rate increases	Cost per \$1.0 Billion	Cost per \$2.0 Billion	Cost per \$6.0 Billion
+ 0.25 % interest rate	\$41 million	\$82 million	\$246 million
+ 0.5 % interest rate	\$82 million	\$162 million	\$492 million
+ 1.0% interest rate	\$162 million	\$324 million	\$972 million

Construction costs typically escalate at a rate of 6 percent annually, which could result in school districts losing at least \$60 million annually in purchasing value for every \$1 billion in bonds that remain unsold.

The table below demonstrates the cumulative loss of purchasing value per year for every \$1 billion in unsold bond sales:

Cumulative	\$1 billion in unsold bonds	\$2 billion in unsold bonds	\$6 billion in unsold bonds
First Year Loss	\$60 million	\$120 million	\$360 million
Second Year Loss	\$116.4 million	\$233.2 million	\$700.2 million

Third Year Loss	\$169.4 million	\$338.8 million	\$1,016.4 million
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Based upon the above projections, if construction costs increase by 6% annually and interest rates increase by a rate of 1% annually, California taxpayers will pay nearly \$1 billion more in interest costs for \$1 billion less value in new school construction and existing classroom renovation.

Further delaying the sale of school bonds will leave school districts in an impossible situation – diverting funds away from educational programming to complete mission critical facility projects, or delaying or downsizing planned projects such as building new classrooms, fixing leaky roofs, upgrading old wiring and electrical systems, and/or retrofitting buildings with seismic safety and accessibility upgrades.

This will force schools to pay more for less – a burden that can be easily avoided by the Legislature and the Governor’s administration by authorizing more robust bond sales in 2018.

About CASH

The Coalition for Adequate School Housing (CASH) was formed in 1978 to promote, develop, and support state and local funding for K-12 construction. School District members represent 93 percent of the pupils in California and have the greatest need for funding of new classrooms and modernization of old schools. CASH Membership consist of over 1,500 school districts, county offices and private sector businesses.

The Sacramento Bee Soapbox: Why is state being so stingy on school bonds?
<http://www.sacbee.com/opinion/op-ed/soapbox/article168524852.html>

August 22, 2017

By: Don Ulrich and Lisa Gonzales

Major school construction projects require vision and patience to plan and appropriately budget, but pay off in student performance and teacher job satisfaction. Typically, school districts invest years in planning and in raising the funds to pay for them.

So the state's decision to sell a minimal amount this fall of school bonds – which provide a significant portion of funding for most school construction projects – is disappointing.

Our associations will be joining education officials and organizations at the state Capitol on Wednesday to urge the state to increase the size of school bond sales going forward to reflect current needs of school districts.

For more than two decades, school districts partnered with the state to pay for major school renovations or to build new campuses. After raising local funds, a district must comply with regulatory requirements to apply for state-matching grant funds. Voters periodically replenish the state grant fund by passing statewide school bonds.

In 2012, the fund was effectively depleted. Fortunately, 55 percent of voters passed Proposition 51 last November, authorizing the state to sell \$9 billion in school construction bonds. Proposition 51 doesn't cover the entire need, but does eliminate a \$2 billion-plus backlog of projects waiting for state funding.

However, the state has only authorized a bond sale for about \$400 million in 2017. That's just 4.5 percent of what voters authorized and is woefully inadequate. The last time voters passed a statewide school bond, state matching funds were available within 30 days. On average, more than 90 percent of bond funds were committed within four years of the passage of previous statewide school bonds.

Today's need is real: 70 percent of California classrooms are more than 25 years old, and 40 percent are more than 50 years old. Most campuses this old need massive repair work – electrical systems, security and infrastructure for personalized learning and technology, and career technical education. An estimated \$20 billion in school facilities are needed over the next decade.

Communities have done their part in raising funds through local bonds, and now need the Legislature and the governor to do their part. If the state doesn't accelerate bond sales, districts will end up paying more for less since construction costs typically rise by 6 percent annually. Local districts have been patient, but they have waited long enough. The next authorized bond sale is expected in the spring. An adequate amount of bonds must be sold so districts receive

the money promised in Proposition 51. Making districts wait longer will shortchange students and violate the will of voters.

Don Ulrich, deputy superintendent of the Clovis Unified School District, is chairman of the Coalition for Adequate School Housing and can be contacted at donulrich@cusd.com.

Lisa Gonzales, an assistant superintendent of the Dublin Unified School District, is president of the Association of California School Administrators and can be contacted at lgonzales@acsa.org.

Talking Points – Don Ulrich, Coalition for Adequate School Housing Chairman

Good morning, my name is Don Ulrich and I am the current Chair for the Coalition for Adequate School Housing and deputy superintendent of Clovis Unified School District.

As an administrator and an educator, it is my strongly held belief that every student and teacher deserves a clean, safe quality classroom.

Without such a learning environment, students are at a disadvantage and research shows they do not perform as well academically.

Research also shows that access to quality learning environments has a significant impact on teacher job satisfaction and retention.

To achieve this goal for districts across the state, Proposition 51 was approved by the voters last November to provide state matching funds for building and renovating classrooms.

Right now, there are more than \$2.4 billion in applications for state matching funds. The voters' will and the needs of California's students and teachers means the state should be selling Proposition 51 bonds at the pace required to meet this need.

At my district alone, Clovis Unified, we have applied for more than \$61 million in state matching Grant funds.

More than \$22 million of that amount will be dedicated to new school construction projects and more than \$38 million will be committed to renovating older campuses; some applications were submitted as far back as 2013.

Districts have invested in these projects and promised their communities that they would be good stewards of taxpayer dollars.

That's why it is important that districts both large and small can assure their communities that state funds are coming and will quickly be put to efficient use to serve their students.

Today we hope the administration and the Legislature can work together to prioritize funding school construction projects.

Next year's budget and spring bond sale are important opportunities to invest in quality learning environments in schools across the state.

I'd now like to introduce a long-time champion of the partnership between the state and local districts – former Assemblywoman Joan Buchanan.

She has vast experience as a former school board member, state lawmaker, and member of the State Allocation Board.

