

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 17, 2007
POSITION: Oppose

BILL NUMBER: SB 35
AUTHOR: T. Torlakson

BILL SUMMARY: School Facilities: Joint Use Facilities

This bill would amend current law to authorize joint-use projects to be constructed adjacent to K-12 school sites on property owned by a local governmental agency, provided that the land is leased to the school district for a time that reflects the useful life of the facility constructed. Additionally, this bill would authorize a school district to include the value of land or real property as part of the local contribution if the land or property is district owned property that was not purchased through the School Facilities Program, or is real property that would be gifted to the district. This bill also authorizes the joint-use partner contribution to include equipment with an average useful life expectancy of at least 10 years. Current law does not allow equipment or the value of land or property as a local contribution.

This bill would also: (1) expand the type of allowable projects available to be built pursuant to the joint-use agreements to include a career technical building or shop, a science and technology laboratory, a science center or historical or cultural education center with exhibits or educational programs that meet current state content standards, a performing arts center, a physical education and outdoor recreation site development, and a parking lot; (2) authorize joint-use projects to include any combination of the partners listed for joint-use projects; (3) allow local partners to contribute less than 25 percent under the joint-use agreement depending upon the needs and resources of various partners; and (4) require that the joint-use agreement ensures the school district maintains priority for use of any facilities constructed.

FISCAL SUMMARY

This bill would increase funding pressures for limited joint-use funds through an expansion of eligibility criteria and by broadening allowable local contributions. Specifically, authorizing a district or joint-use partner to include equipment or the value of land or real property as part of the local contribution could create significant funding pressure on existing bond funds and potentially displace future eligible classroom or modernization projects under the School Facilities Program. Equipment or the value of the land could encompass the entire local match, requiring the state to fully fund the construction of a project. The totality of these changes could result in cost pressures that exceed tens of millions which could limit the number of joint-use projects to be funded from existing bonds and increase pressures for future bonds. Finance notes that there would be minor, absorbable state operations costs to the Office of Public School Construction associated with administering proposed changes to the joint-use program.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the May 15 version are minor and do not alter our position. The current version of the bill adds parking lots as an allowable project under the joint-use program.

COMMENTS

Finance opposes this bill for the following reasons:

- By expanding the eligibility criteria for joint-use funds, this bill would create new funding pressures on education bonds. These criteria were not included in determining the amounts in Proposition 1D

Analyst/Principal Date Program Budget Manager Date
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Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

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which provides \$50 million for joint-use purposes—an amount that appears to be over-subscribed. Any expansion of joint-use eligibility or reduction of joint-use partner match requirements should be negotiated as part of a future bond.

- Although a local government agency would be required to lease land to the district for a time period reflecting the useful life of the facility, after the lease expires the district may no longer have access to the facility constructed. Finance staff believes this is not the wisest use of limited state bond funds for school facilities.
- By lowering the joint-use partner match threshold and allowing less educationally essential projects to be funded, it is possible that the joint-use partner could contribute nothing with the state providing up to 100 percent of facility project costs. This would fundamentally change the nature of the program from assisting schools to supplanting costs for other functions that were likely not contemplated by the voters when approving education bond funds.

The School Facilities Joint-Use Program was created by Chapter 33, Statutes of 2002 (AB 16) and amended by Chapter 587, Statutes of 2003 (SB 15). \$50 million was made available from Proposition 47, \$50 million from Proposition 55, and \$50 million from Proposition 1D (\$29 million new bond funds, \$21 million from inactive programs). In addition, on February 28, 2007 the State Allocation Board authorized the transfer of \$15.5 million from the State School Building Aid fund for Joint-Use purposes. The Joint-Use Program allows a school district to utilize funds from a joint-use partner to build a joint-use project the district would not otherwise be able to build due to lack of financial resources. The program provides funding for the new construction or the reconfiguration of existing school facilities beyond what is necessary for school purposes and may include funding for multipurpose rooms, gymnasiums, libraries, child care facilities, or teacher education facilities to be located on K-12 school sites. It is also noted that Proposition 1D already provides \$500 million for career technical education facilities.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	
6350/Facil Aid	LA	No			See Fiscal Summary				6057
1760/Dept Gen Svc	SO	No			No/Minor Fiscal Impact				6057
<u>Fund Code</u>	<u>Title</u>								
6057	School Facilities Fund, 2006 State								