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# California State Senate

**SENATOR ROBERT M. HERTZBERG**

MAJORITY LEADER

REPRESENTING THE SAN FERNANDO VALLEY



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JOINT LEGISLATIVE  
AUDIT COMMITTEE

The Honorable Rudy Salas, Chair  
Joint Legislative Audit Committee  
1020 N Street, Room 107  
Sacramento, CA 95814

REVISED/RECEIVED  
06/07/2021

Dear Chairman Salas,

I am respectfully requesting that the Joint Legislative Audit Committee approve an audit of the state's School Facility Program (SFP) to determine whether there are structural inequities in the program and, if so, the magnitude of those inequities.

## Background

As one of the legislative architects of California's landmark 1998 school facility financing law, SB 50, I was proud to have been able to watch the state-local partnership we created provide the mechanism for California's schools districts to build out of the incredible overcrowding they faced in the 1990's and early 2000's.

Yet, as enrollment growth has dramatically slowed across the state in recent years -- and is even declining in many communities -- the emphasis in the SFP has shifted from construction of new facilities to the modernization and rehabilitation of existing school facilities. Furthermore, a 2020 study by PPIC found that: 38 percent of California students go to schools that do not meet the minimum facility standards and that school districts with lower capital spending and smaller tax bases had higher levels of deficiencies.<sup>1</sup>

SB 50 created a state-local partnership to finance school facilities needs. For new construction the state and local districts would each provide 50% of the costs. For modernization/rehabilitation the state would provide 60% and the local district 40%.

For new construction projects districts had two sources of funding: local property tax based general obligation bonds and developer fees imposed upon new residential or commercial development. However, because developer fees could not constitutionally be imposed for modernization/rehab projects, property tax financed GO bonds have been the only source of local

<sup>1</sup> <https://www.ppic.org/publication/improving-k-12-school-facilities-in-california/>

<sup>2</sup> [https://citiesandschools.berkeley.edu/uploads/Vincent\\_Jain\\_2015\\_Going\\_it\\_Alone\\_final.pdf](https://citiesandschools.berkeley.edu/uploads/Vincent_Jain_2015_Going_it_Alone_final.pdf)

funds to obtain state matching funds. It is this dependence on property tax financed bonds that has raised equity concerns regarding the modernization program.

### **Evidence of Structural Inequity**

Multiple recent analyses of SFP funding distribution have found patterns of inequity.

A 2015 study by UC Berkeley's Center for Cities + Schools found that compared to industry standards for building renewal and upkeep there is an ongoing, structural pattern of inadequate and inequitable facility investment in many California school districts. School districts underspending on their facilities have, on average, less than half the assessed property value per student compared to school districts that meet facility investment benchmarks.<sup>2</sup>

Further, a 2018 study out of Stanford University's Getting Down to Facts II project found that wide disparities in school facility funding exist across California school districts that are systematically related to the wealth of local communities. School districts with higher assessed property value per-pupil raise substantially more revenue through local general obligation bond issues and consequently, tend to have substantially higher total facility revenue per-pupil because these districts have an advantage in obtaining state matching funds.

If the studies are correct, appropriate legislative action may be warranted.

### **Audit Scope and Objectives**

1. Review the administration of new school construction and modernization funding by the Office of Public School Construction (OPSC) to determine whether the OPSC appropriately administers funding.
2. Evaluate the methods by which the State and local governments finance the construction and maintenance of school facilities and compare available financing and funding to the known and estimated need for construction and maintenance.
3. Assess the extent of equity gaps in the financing of school construction and maintenance. As part of that assessment, review the per pupil value of assessed property to determine the relationship between surrounding property values and the availability of school facility financing.
4. Review school accountability report cards and survey a selection of schools to assess facilities needs and present information related to school facility deferred maintenance.
5. Estimate the future need for modernization and new construction of school facilities and present viable options for stable revenue sources for modernization and construction.
6. To the extent that current or anticipated future funding and financing shortcomings exist, review options for addressing those shortcomings and propose solutions.

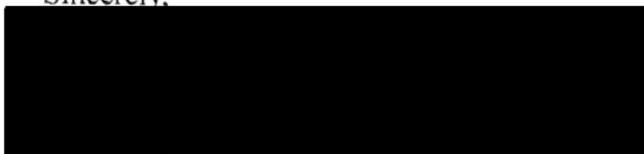
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7. To the extent possible, assess the effect of deferred construction and modernization on student well-being and educational outcomes.

Sincerely,



Robert M. Hertzberg  
Senator, 18<sup>th</sup> District

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