

PROPOSITION **2** **AUTHORIZES BONDS FOR PUBLIC SCHOOL AND COMMUNITY COLLEGE FACILITIES. LEGISLATIVE STATUTE.**

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on page 70 and the Secretary of State's website at voterguide.sos.ca.gov.

- Authorizes \$10 billion in state general obligation bonds for repair, upgrade, and construction of facilities at K–12 public schools (including charter schools) and community colleges.
- Provides funding for new facilities, to improve school health and safety conditions at existing facilities, and for classroom upgrades (e.g., science, engineering, transitional kindergarten, and vocational classrooms).
- Expands eligibility for financial hardship grants for small and disadvantaged school districts.
- Provides higher percentage of state matching funds to schools demonstrating greatest need.
- Requires public hearings and performance audits.
- Appropriates money from General Fund to repay bonds.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased state costs of about \$500 million annually for 35 years to repay the bond.

State Bond Cost Estimate

Amount borrowed	\$10 billion
Average repayment cost	\$500 million per year over 35 years
Source of repayment	General tax revenue

**FINAL VOTES CAST BY THE LEGISLATURE ON AB 247 (PROPOSITION 2)
(CHAPTER 81, STATUTES OF 2024)**

Senate:	Ayes 34	Noes 3
Assembly:	Ayes 72	Noes 1

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

California Has Many Public Schools and Community Colleges. Currently, there are about 10,000 public schools statewide (including about 1,300 charter schools). These schools serve elementary through high school students. Local school districts govern most of these public schools. California

also has 115 local community colleges that offer associate degrees and other programs for adults. Local community college districts govern these colleges. School and community college districts usually build new facilities when they are growing in enrollment and need additional space. They renovate existing facilities when those facilities are old or unsafe.

State and Districts Usually Split Education Facility Costs. For public school districts, the state usually pays 50 percent of the cost of new construction projects and 60 percent of the cost of renovation projects. School districts are expected to pay remaining project costs using local funds. The state also often shares the cost of new construction and renovation projects with community college districts. Though the share of costs varies among projects, the state commonly pays about half of the cost, with community college districts paying the rest using local funds.

State Mainly Uses Bonds to Pay Its Share of Costs. Bonds are a way that the state borrows money and then repays the money plus interest over time. For more information about bonds, see “Overview of State Bond Debt” later in this guide. Over the past 20 years, the bulk of state facility funding for schools and community colleges has come from voter-approved bonds (a total of \$31.8 billion). Recently, the state provided an additional \$4.6 billion in other funding for school and community college facilities. Almost all of this funding has already been awarded for specific projects.

Districts Usually Pay Their Share of Costs Using Local Bonds. School and community college districts tend to pay

their share of project costs using local bonds. Districts must get at least 55 percent of their voters to approve the sale of local bonds. State law limits the total amount of local bonds that school and community college districts may issue. These limits are based on the total assessed property value within the district. School districts that are unable to raise at least \$5 million under these limits may apply for additional state funding. Over the past 20 years, voters approved \$181 billion in local bonds for public school and community college facility projects.

PROPOSAL

New Bond for Public School and Community College Facilities. Proposition 2 allows the state to sell a \$10 billion bond for public school and community college facilities. As Figure 1 shows, the \$8.5 billion for public schools (or 85 percent of the total

Figure 1

Uses of Proposed Bond Funds

(In Billions)

Public School Facilities	\$8.5
Renovation of existing buildings	\$4.0
New construction (including buying land)	3.3
Facilities for career technical education programs	0.6
Charter schools	0.6
Community College Facilities	\$1.5
Total	\$10.0

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

bond amount) is split among four types of facility projects. For new construction and renovation projects, school districts would apply for and be awarded funding mainly on a first-come, first-served basis. The state would award the career technical education and charter school funds through a competitive application process. A small portion of new construction and renovation funds must be set aside for small school districts. Unlike for public schools, the \$1.5 billion for community colleges (or 15 percent of the total bond amount) is not split in a prescribed way among specific types of projects. Community college bond funds may be used for any mix of new buildings, renovations, land purchases, and equipment. Community colleges would prepare a plan listing their statewide project priorities. The Governor and the Legislature would select specific projects to fund. Proposition 2 requires districts to complete certain tasks to help ensure bond funds are spent as intended.

Some Renovation Funding Available for Certain Types of School Projects.

Proposition 2 allows up to \$115 million in renovation funds to be used for reducing lead levels in water at public school sites. Proposition 2 also allows school districts to receive extra renovation funding to build a new classroom or renovate an existing classroom that would be used for transitional kindergarten. (Beginning with the 2025–26 school year, all four-year olds will be eligible for

a year of transitional kindergarten before entering kindergarten.) In certain cases, school districts also could receive extra renovation funding to expand or build a new gymnasium, multipurpose room, library, or school kitchen.

Increases State Share of Costs for Certain School Districts. For some school districts, Proposition 2 increases the state’s share of new construction project costs from 50 percent to as much as 55 percent. Proposition 2 also increases the state’s share of renovation project costs from 60 percent to as much as 65 percent for these school districts. In general, the state would pay a higher share of project costs for school districts that have lower assessed property values and have a higher share of their students who are low income, English learners, or foster youth.

Allows More School Districts to Apply for Additional State Funding. Proposition 2 allows school districts that are unable to raise at least \$15 million from local bonds (up from \$5 million) to apply for additional state funding. This amount would increase by inflation in future years.

FISCAL EFFECTS

Increased State Costs of About \$500 Million Each Year for 35 Years to Repay the Bond. The estimated cost to repay the bond would be **about \$500 million each year (annually) over a 35-year period.** Payments would be made from the state General Fund. (The General Fund is the account the state uses to pay for most public services, including

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

education, health care, and prisons.) This would be less than one-half of 1 percent of the state's total General Fund budget. Since the state has to pay interest on the money it borrows, the total cost of the bond would be about 10 percent more (after adjusting for inflation) than if the state paid up front with money it already has.

Unclear Effect on Local Costs Statewide.

The availability of state bond funds could affect some districts' local costs. For example, some districts could respond by seeking new local bonds to help them meet project matching requirements. These districts would see an increase in their local costs. In contrast, other

districts could respond by borrowing less because the state funds could pay costs districts otherwise would have covered. These districts would see a decrease in their local costs. Overall, the effect on local costs statewide is unclear.

Visit sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2024-ballot-measure-contribution-totals for a list of committees primarily formed to support or oppose this measure.

Visit fppc.ca.gov/transparency/top-contributors.html to access the committee's top 10 contributors.

★ ARGUMENT IN FAVOR OF PROPOSITION 2 ★

VOTE YES ON PROP. 2 TO HELP MORE CALIFORNIA STUDENTS LEARN IN SAFE, CLEAN, UPGRADED SCHOOLS!

Many public schools and community colleges throughout California are outdated and need repairs and upgrades to meet basic health and safety standards, prepare students for college and 21st Century careers, and retain and attract quality teachers. Prop. 2 will meet those needs and is guided by strict taxpayer accountability protections so funds are spent as promised with local control.

REPAIRING AND UPGRADING CALIFORNIA'S PUBLIC SCHOOLS

Many schools in California are old, deteriorating, unsafe and cannot support the basic needs of our children. Prop. 2 provides funding for urgent repairs to leaky roofs; deteriorating gas, electrical, and sewer lines; plumbing and restrooms; providing clean drinking water; removing hazardous mold, asbestos, and lead paint from our schools; and protecting students from extreme heat.

MAKING SCHOOLS SAFER

Too many of our local schools lack adequate safety and security protections. Prop. 2 will make students safer by funding door locks, emergency communications and security systems, fire alarms, smoke detectors, and more.

PREPARING STUDENTS FOR 21st CENTURY CAREERS

Prop. 2 will upgrade local schools and community colleges including science, engineering, career technical, and vocational education classrooms; labs; and learning technology. It will help more students get job training, technical knowledge, and specialized skills to compete for good-paying jobs in the competitive economy.

INCREASING ACCESS TO AN AFFORDABLE COLLEGE EDUCATION

Prop. 2 will increase access to quality, affordable higher education for all Californians—allowing more students to start their college education, earn college credits, and transfer to a four-year university without crushing debt.

HELPING RETURNING VETERANS

Prop. 2 helps local community colleges upgrade facilities to expand veteran services, job training, and support for the tens of thousands of California's returning veterans who rely on their local community college for job training and to complete their education and enter the civilian workforce.

RESTORING SCHOOLS AFFECTED BY WILDFIRES, EARTHQUAKES, AND OTHER NATURAL DISASTERS

Prop. 2 provides immediate assistance to schools that are damaged or destroyed by wildfires, floods, earthquakes, and other natural disasters so they can quickly get up and running.

PROTECTING LOCAL CONTROL OVER EVERY PROJECT

Prop. 2 protects local control by requiring that its funding only be used for projects approved by local school and community college districts, with local community input. All of the money will be controlled and spent locally, where taxpayers have a voice in deciding how these funds are best used to improve their neighborhood schools, without increasing local property taxes.

FISCALLY RESPONSIBLE WITH TOUGH TAXPAYER ACCOUNTABILITY

Prop. 2 requires public disclosure of every dollar, tough independent financial audits, and strict limits on administrative and bureaucratic costs. These protections ensure that funding is spent directly on schools and used efficiently and as promised.

Our schools are in desperate need of upgrades and repairs to ensure our students are safe and ready to learn. Prop. 2 will help our students succeed.

PLEASE JOIN US IN VOTING YES ON PROP. 2.

David Goldberg, President
California Teachers Association

Sheri Coburn, Executive Director
California School Nurses Organization

Larry Galizio, Chief Executive Officer
Community College League of California

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 2 ★

PROPOSITION 2 WILL INCREASE DEBT AND RESULT IN HIGHER PROPERTY TAXES

California already owes big banks and billionaire investors more than \$78 billion. Prop. 2 adds another \$10 billion—\$18 billion when repaid with interest—for school and community college districts. This is on top of the approximately 40% of the total state budget guaranteed to go to public education from Proposition 98.

Under the funding formula used in Prop. 2, school districts must provide a “local match” of funds to receive money from the bonds. That will lead to districts issuing new local school bonds, which are paid for by adding new charges to property tax bills.

PROP. 2 IGNORES DECLINING ENROLLMENT IN SCHOOLS AND COMMUNITY COLLEGES

It's reckless to borrow billions more to pay for more school buildings when district enrollment is declining. According to

the state Department of Finance, “California experienced the 6th consecutive decrease in total Public K–12 Enrollment in the 2022–23 school year,” and over the next ten years, if current trends hold, a further decline of 661,500 by 2032–33.

Prop. 2 borrows \$1.5 billion for California Community College facilities, but enrollment in the state's community colleges has declined since 2019. The Public Policy Institute of California projects that community college enrollment “will not recover to pre-pandemic levels.”

While the promises made by proponents cannot be guaranteed, Prop. 2 does guarantee higher taxes for overburdened Californians.

VOTE NO ON PROP. 2.

Assemblyman Bill Essayli
Jon Coupal, President
Howard Jarvis Taxpayers Association

★ ARGUMENT AGAINST PROPOSITION 2 ★

NO ON PROPOSITION 2: Tell politicians to prioritize education funding over free healthcare for illegal immigrants in our state budget, rather than further burdening taxpayers to pay off Sacramento's ballooning bond debt.

Proposition 2 is yet another attempt to circumvent California's financial problems by asking taxpayers to approve a \$10 billion bond for education financing that should have been included in this year's \$288 billion budget package.

A budget is a reflection of priorities, and our State Legislature chose to prioritize over \$5 billion for universal illegal immigrant healthcare rather than providing funds to support and repair our school infrastructure. Billions in new bond debt is not the answer.

Prop. 2 Saddles Future Generations with Debt that Our Kids Will Be Paying Off for Decades

The Howard Jarvis Taxpayers Association points out that bonds are borrowed money that must be paid back, plus interest, even if that means cutting vital programs to do it. Governor Newsom recently declared a budget emergency because California spends more than it takes in. Children in school today will be drowning in new debt for decades if Prop. 2 passes.

Politicians want to borrow \$10 billion from Wall Street and make Californians pay it back with interest, forcing taxpayers to pay up to \$10 billion for debt service payments.

California Is Out of Money, Californians Are Over-taxed, Prop. 2 Will Make Things Worse

California, with rampant inflation and the highest gas and graduated income taxes in the nation, already has over \$109 billion of outstanding and unissued bonds alongside almost \$200 billion of unfunded pension liabilities and retiree medical benefits—over a quarter trillion dollars.

Californians will have to shoulder a greater increase in their tax burden paying off our bonds and related

interest payments. Our bond debt alone is already \$2,460 per person.

Sacramento politicians overspend, issue bonds, and punish us with tax hikes on our cars, gasoline, and income. And those tax dollars rarely go where politicians say they will—our roads crumble while billions go to High-Speed Rail.

Prop. 2 Is the Latest in a Long List of Broken Promises

In 2012, California voters approved Proposition 30's "temporary" increases to income and sales taxes. Then, Proposition 55 in 2016 extended many of those "temporary" taxes to 2028. Both times, teachers' unions promised billions in funding for our schools.

Money pits in the vast education bureaucracy will suck up most Prop. 2 funds without one cent going toward direct instruction in school classrooms. Instead, this money will be spent on wasteful construction projects benefiting special interests.

California's schools are consistently ranked near the lowest in the country. Rather than throwing nearly \$20 billion into school construction projects, our state needs a well thought out, long-term solution to achieve a high standard of excellence in reading, writing, and math. Prop. 2 does nothing to improve classroom instruction or help our children succeed.

Voters rejected Proposition 13, a \$15 billion school bond, in 2020 for exactly these reasons.

VOTE NO ON PROP. 2.

Assemblyman Bill Essayli

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 2 ★

Prop. 2 ensures that California students have the opportunity to learn in safe, updated schools while protecting taxpayers.

PROP. 2 IS NOT A TAX INCREASE

Prop. 2 will fund local upgrades and repairs to schools and community colleges without raising state or local taxes, despite what critics say. Some of the voices against Prop. 2 are ignorant about state bond financing and are making untrue claims because they simply want the state to cut funding for public education.

WE CAN'T WAIT ANY LONGER

Too many California students attend schools with leaky roofs, unsafe drinking water, mold, asbestos, lead paint, and lead pipes. There is a massive backlog of local school repairs but no state funding available for them. Prop. 2 provides the funding so our schools get the upgrades they desperately need, ensuring students have safe, healthy schools to support learning.

TOUGH ACCOUNTABILITY AND TAXPAYER PROTECTIONS

Prop. 2 puts local voters in control of how school bond

monies are spent. It requires public disclosure of all state and local spending, annual audits, and tough accounting standards. Additionally, it protects taxpayers from higher local property taxes by providing state matching funds to local communities so they do not need to raise even more money to fund the full cost of school repairs and upgrades. Prop. 2 is a bipartisan measure that will help more students get a quality education, increase access to an affordable college education, and improve job training opportunities for veterans and students.

Vote YES on Prop. 2.

Susan Dixon, State President
California Retired Teachers Association

Diana Limon, Director
International Brotherhood of Electrical Workers Local Union 11

Sheri Coburn, Executive Director
California School Nurses Organization