



Guided by Principles: Shaping the State of California’s Role in K-12 Public School Facility Funding

Presentation to the California Senate Education Committee

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Good morning committee members and chair. Thank you for inviting me. I am Jeff Vincent, Deputy Director and Researcher at UC Berkeley’s Center for Cities + Schools. I have spent over 10 years studying issues of K-12 school facilities policies, planning, and funding in CA and across the country – including multiple studies on K-12 facilities policy in CA and looking at how every other state in the country funds K-12 school facilities.

Much of my comments today are drawn from our January 2015 paper, [***Guided by Principles: Shaping the State of California’s Role in K-12 Public School Facility Funding***](#) - undertaken with you as the primary audience: those in Sacramento debating the state’s role going forward in K-12 school facilities funding.

As we’ve observed this debate unfold in recent months, we realized that shared principles were absent from the discussion – yet sorely needed to guide policy and funding decisions. Here we took a cue from Stanford Professor and current SBE chair, Michael Kirst, who outlined the principles that shaped what was to become the Local Control Funding Formula (LCFF). Today, I will briefly present to you the 5 principles, which we believe should be the roadmap for the discussion about the State of CA’s role in school facilities funding. These principles are drawn from our analysis of the data on California’s school districts and our research on best practices and approaches by other states. I will conclude with what I see as a few key “game-changer” recommendations that advance the principles.

We ask: What are fair, responsible options to advance the state’s interest in promoting quality education for children, keeping children safe, and wisely using limited public dollars?

Let me begin by making 3 important points that frame my comments today:

1. **The public *has* to spend money every year on school facilities. This is an ongoing responsibility.** We simply cannot ignore this need – doing so poses health and safety

risks. The absolute minimum standard best practice noted by researchers and building professionals is that 2-4% of a buildings current replacement value is required every year just to keep it in good working order (basic maintenance and repair). Of course, on top of this are occasional significant modernizations (especially to support 21st century learning) and new construction needs (especially when there is enrollment growth).

2. **To this point, our research suggests that across California, there is a long-standing, chronic annual *underinvestment* in existing K-12 school facilities in many school districts.** In allowing this to continue we are creating a wall of decay - we are jeopardizing student health and safety, not providing 21st century learning environments for all students, and increasing our facility costs for the long haul. *We simply have not committed to the cost of ownership of these public buildings.* Three key court decisions point out the state's responsibility for K-12 facilities: *Butt v California* (1992), *Williams v California* (2000), and *Serrano* (1976).
3. **Each state has a different funding model to address this complex issue – local revenue capacity, previous facility effort, and current facility conditions vary widely.** Our research finds that 39 states provide capital funding to local school districts (only 11 do not). In one of those – Oregon – the legislature is in the process of developing a state funding program. Twenty-three states factor local wealth into their facility funding formulas. *Of central concern is that leaving the responsibility for facilities capital spending at the local level will most likely perpetuate wide variation in the quality of school facilities provided for California students, because there is wide variation in local wealth and ability to pay for school facilities expenses.*

Now I want to turn to the Principles that should guide this debate in the state's funding role. In developing each principle, we analyzed available data indicators on California school facilities – using 2007-2014 data from CDE, federal NCES and other sources.

The 5 principles are:

1. Equity
2. Local District Effort and Accountability
3. Fiscal Stability and Predictability
4. Facilities Adequacy
5. Program Simplicity

Principle 1: Equity

The state's role should ensure equity in K-12 public school facility conditions and state facility funding allocations should be equitably distributed, guided by student, staff, and school needs. The state-local system of school facilities funding should enabling all students to meet state standards for academic achievement. Some schools will need more capital and/or maintenance resources than others to provide safe, healthy, and educationally adequate school facilities because their facility-related “burdens” are unique to the local context.

Why might this be necessary in California? Because the local ability to raise local school facility funds appears very uneven:

Assessed Value: Our analysis of school district Assessed Value finds that the average AV of the school districts serving the poorest students is only 42% of the average AV of the districts serving the highest wealth students. This has a direct impact on their ability to secure local bonds.

Maintenance Spending: We also find that school districts serving the greatest share of higher poverty students are spending about *\$100-\$200 per student more* each year on facilities maintenance, than districts serving wealthier students. Because maintenance and operations typically comes out of the district General Fund, this means \$100-\$200 less per student spent on teachers, books, and other educational resources in higher poverty schools.

While we know how much districts are spending on their facilities, this does not account for the disparities in the quality of facilities. There is currently no systematic data on the condition of our school buildings. *This gap in basic information about our schools is the huge obstacle to figuring out how to best spend state funds on school facilities.*

Principle 2: Local District Effort and Accountability

State K-12 facility allocations should incentivize responsible local planning and investment for K-12 facilities. All local communities should also be expected to make significant and good-faith efforts to adequately and responsibly plan for, invest in, maintain and operate their local school facilities in proportion to their local revenue-generating capacity. Following the LCFF/LCAP approach, local communities should decide what their local needs are through local district-wide facilities master plans that comprehensively evaluate existing conditions and future needs – state facility funds should go toward these locally prioritized projects. The state’s school facility funding system should not incentivize local communities or school districts to inadequately invest in their school facilities in the hopes that the state will then step in to remedy any facilities problems.

We see wide variation in **capital outlay** by school districts: the top 20% of districts in spending spent about \$1,600 (\$1,632) per student per year, while the bottom 20% spent a fraction of that amount—less than \$200 (\$192) per student year.

We see wide variation in **maintenance and operations spending** by school districts: The top 20% of districts in spending spent more than \$1,200 (\$1,217) per student per year while the lowest in spending spent about less than \$750 (\$748) per student per year.

But we also see that long-term debt held by CA school districts is on the rise. In 2001, districts had \$2,400 in long term debt per student; by 2011 they had

\$8,700. This amount is considerably above the national average of \$6,551. [30% higher than national average]

Principle 3: Fiscal Stability and Predictability

State K-12 facility allocations should be stable in nature to promote sound local planning and investment that prioritizes health, safety, and educational suitability of learning environments. As the World Bank noted in a 1999 study of K-12 capital programs: stable funding is a hallmark best practice. Predictable state facility funds leverage many benefits for school construction: they enable accurate planning and budgeting by local school districts, lead to more confident local borrowing strategies, and will also likely bolster the confidence of local voters to support local bond measures. Predictable state funds decrease uncertainty and lower costs.

Principle 4: Facilities Adequacy

State policies and funding allocation on K-12 facilities should strive to achieve adequate levels of combined state and local investment that best promote health, safety, and educational suitability. By not addressing the issue of adequate investment (whether they be state or local revenues) for K-12 facilities, the State of California takes on great risks: jeopardizing the health of occupants, accelerating depreciation of assets, deferring modernizations needed to support teachers and students in meeting high academic standards, and others. The persistence of inadequate school facility conditions in the absence of mechanisms to address systemic inequities means that some children will likely be disproportionately burdened, harming their health and/or educational achievement. Inadequate regular facilities investment (especially on maintenance) also increases facilities costs over time. Things that were maintenance needs turn into more expensive capital problems.

What is the minimum investment needed statewide in our K-12 school facilities?

Taking direction from the court cases noted previously, the minimum prevailing state standard is the “good repair standard” in the *Education Code* (17002(d)). As I mentioned, industry best practice suggests spending 2-4% of building replacement value **each year** to achieve a steady state of repair. For California’s nearly 10,000 schools, we estimate that about \$7 billion needs to be invested each year to meet this minimum maintenance benchmark. And this is before addressing *new construction*, *comprehensive modernization*, and catching up on *deferred maintenance backlogs*.

I want to be clear: This is not the state’s tab – this would be a combination of local and state funds. Traditionally, local school districts have been putting in about 70% of facilities expenses. But this will be a significant burden for districts if they have to go it alone, particularly for the most disadvantaged schools.

Principle 5: Program Simplicity

State K-12 facility allocations should involve transparent and easily understood formulas and processes within the context of the complexity of school facility needs.

To foster public confidence and accountability, all stakeholders should be able to [readily understand the essential elements and underlying principles of school facilities funding decisions, and can] see how and why each school district gets the funding it gets – and how those funds are spent at the local level to meet the facilities needs in each unique community.

Three “Game-Changer” Recommendations for California

1. ***State grants should be adjusted for local wealth (so-called ability-to-pay adjustment).*** As I noted earlier, 20 states do this. Examples are Colorado, Maryland, Massachusetts, New York and Washington. In Colorado, the local share percentage determined by local capacity and past effort, using 7 criteria: assessed value per pupil relative the state average; median household income relative to the state average; bond redemption fund mill levy and debt capacity relative to the state average; percentage of pupils enrolled in the school district who are eligible for free and/or reduced-cost lunch; unreserved general fund balance; bond capacity remaining and bond election effort and success over the past 10 years. In Massachusetts, a funding reimbursement percentage rate is calculated each year for each local school district, adjusted for relative wealth (using indicators of community income, local property values, and free/reduced lunch enrollment). Reimbursement percentages range from 31 percent to 80 percent, with additional incentive reimbursement points available based on project characteristics.
2. ***Strengthen local control and accountability through improved facility planning.*** A big focus in a lot of the state programs I have studied. State wants to ensure wise use of funds. In Washington State, to qualify for state school facilities funding, Washington school districts must complete a capital facilities plan, called a Study and Survey report, to the Office of the Superintendent of Public Instruction (OSPI). The findings in the Study and Survey are the cornerstone of Washington’s K-12 facilities funding approach. The Study and Survey report shall include: inventory and area analysis, long range facilities plan, demographic data, capital plan, emergency plan, assessment of racial balance, type and extent of new and/or additions needed, cost/benefit for modernization vs. replacement, estimated deferred maintenance, project timeline, inventory of under-utilized spaces in neighboring districts, and need for adjustments to school attendance areas. Every six years, schools districts qualify for a state grant to complete the Study and Survey report. This is where California can begin building a statewide inventory. And require green building criteria in planning and design.
3. ***Focus state program on asset preservation and enhancement.*** The near term future for California is not strong enrollment growth – this lull gives us the opportunity to focus our efforts on improving existing schools. We know there are long deferred maintenance lists across the state. We also know that many schools need 21st century learning upgrades. The state program should adjust to current needs. After a massive infusion of state capital to renovate nearly all the schools in Wyoming, the legislature is looking at options for the state role to shift to asset preservation. In Colorado and Massachusetts, both have legislatively defined where funding priorities exist whereby project applications are reviewed and prioritized to receive funding based on urgency.

Overall, it's pretty clear that California has a long-standing state-local partnership for funding new school construction and modernization. It also seems clear that the State has a responsibility for *maintaining* school facility conditions. One fundamental question, though, remains unclear: in the absence of state facility funds, will **all** districts be able to raise minimum necessary facility funds on their own?

Just as was done with the LCFF, basic principles of addressing needs and promoting equity should be front and center (equity, accountability, predictability, adequacy, and simplicity). The principles [and indicators] we have outlined, should serve as guideposts. My colleagues and I will continue to analyze spending trends on CA school facilities to inform this legislative discussion. We would be happy to provide more detailed information on any and all of our findings

Thank you.