

## WHERE HAS ALL THE MONEY GONE? THE DISTRIBUTION OF PROPOSITION 1A SCHOOL FACILITIES NEW CONSTRUCTION FUNDS

The Legislature is currently considering several bills addressing California's school facilities needs, including SB 844 (Chesbro) and AB 16 (Hertzberg). Both bills would place a state general obligation bond for school facilities on the March 2002 ballot, but SB 844 would make changes in the way facility funds are allocated to districts, while AB 16 would maintain the current system.<sup>1</sup> Under the current system, the State Allocation Board (SAB) allocates funds on a "first come, first served basis" until either fund levels drop to a specified level or more districts apply for funding than there are funds available.<sup>2</sup>

In an effort to inform the debate on these bills, the California Budget Project (CBP) analyzed the allocation of K-12 new construction funds from the proceeds of the most recent state school facilities bond issue, Proposition 1A of 1998. On November 3, 1998, California voters authorized \$9.2 billion in state general obligation bonds to finance school facilities projects, of which \$6.7 billion was set aside for K-12 projects and \$2.5 billion for higher education. As of July 25, 2001, approximately \$1 billion in new construction funds remains from the total K-12 allocation.<sup>3</sup>

Table 1: Proposition 1A Bond Proceeds for K-12 Facilities Nearly Exhausted		
Purpose	Amount Dedicated for Purpose by Law	Balance Available (as of 7/25/01)
New Construction	Not less than \$2.9 billion	\$ 951.8 million
Modernization	Not less than \$2.1 billion	\$ 0.3 million
Class Size Reduction	Up to \$0.7 billion	\$ 0
Hardship	Up to \$1 billion	Financial hardship: \$ 0 Facility hardship: \$ 28.8 million

Source: Office of Public School Construction.

The following analysis examines the distribution of \$2.1 billion in Proposition 1A new construction funds by comparing school districts' eligibility and apportionment levels to district characteristics including student racial and ethnic identity, student socioeconomic background, district size, and 2000 Academic Performance Index (API) rankings for district schools. During the period covered by the analysis, 211 districts were apportioned new construction funds. These districts cover 3,172 schools (37.1 percent of all schools) and educate 2,744,750 pupils (46.2 percent of total state enrollment).<sup>4</sup>

### DISTRICTS ELIGIBLE FOR FUNDS (ELIGIBLE) VS. DISTRICTS NOT ELIGIBLE FOR FUNDS (NON-ELIGIBLE)

Under current law, districts seeking state new construction funds must first apply for eligibility, which is determined by a district's "unhoused" pupils. The number of "unhoused" pupils in a district is calculated by subtracting its current classroom capacity from its projected enrollment five years in the

future. While it is likely that many non-eligible districts have not applied for state funding eligibility because they do not have a projected need for new facilities, some may not have applied because they could not raise the required local funding match.<sup>5</sup> The CBP analysis finds the following differences between eligible and non-eligible districts:<sup>6</sup>

- Eligible districts were larger (131 schools) than non-eligible districts (16 schools).
- Eligible districts had a greater share of schools scoring in the bottom five deciles (47.6 percent) and the bottom two deciles (21.7 percent) on the 2000 API than non-eligible districts (30.9 percent and 7.6 percent, respectively).<sup>7,8</sup>
- Eligible districts had a larger percentage of non-white students (67.6 percent) than non-eligible districts (52.3 percent).
- Eligible districts had a larger share of students enrolled in free or reduced priced lunch programs (50.6 percent) than non-eligible districts (38.8 percent).

## **ELIGIBLE DISTRICTS WITH FUNDING (FUNDED) VS. ELIGIBLE DISTRICTS WITHOUT FUNDING (UNFUNDED)**

The current system for apportioning school facilities funds requires eligible districts to have site and plan approval for new construction projects prior to applying to the SAB for funds from the School Facilities Program.<sup>9</sup> Not all districts that are eligible to receive new construction funds have been apportioned funds. This could either be because not all districts eligible to apply for new construction funds have applied, or because districts have applied and received approval, but have not received an apportionment due to a lack of available funds. The CBP analysis of the differences between funded and unfunded districts finds:

- Funded districts were larger (199 schools) than unfunded districts (30 schools).
- Funded districts had a greater share of schools scoring in the bottom five deciles (49.3 percent) and in the bottom two deciles (25.1 percent) on the 2000 API than unfunded districts (45.2 percent and 16.6 percent, respectively). When the Los Angeles Unified School District (LAUSD) is excluded, funded districts' share decreased to 42.7 percent in the bottom five deciles, which is less than the unfunded district percentage. However, funded districts' share of schools in the bottom two deciles (18.6 percent) remains larger than that of unfunded districts.
- Funded districts had a larger percentage of non-white students (69.9 percent) than unfunded districts (64.3 percent).
- Funded districts had a larger share of students enrolled in free or reduced priced lunch programs (53.9 percent) than unfunded districts (45.8 percent).

## **DISTRICTS WITH GREATER FUNDING RELATIVE TO NEED (HIGH-FUNDED) VS. DISTRICTS WITH LOWER FUNDING RELATIVE TO NEED (LOW-FUNDED)**

Funded districts can be categorized into those with a share of total state apportionments that is greater than their share of total state "unhoused" pupils (high-funded), and those with a share of total state apportionments that is equal to or less than their share of total state "unhoused" pupils (low-funded).<sup>10</sup> This permits an examination of the differences between districts receiving either more or less funding relative to their need.

- High-funded districts were smaller (20 schools) than low-funded districts (163 schools).
- High-funded districts had a smaller share of schools scoring in the bottom five deciles (37.4 percent) and in the bottom two deciles (13.7 percent) on the 2000 API than low-funded districts (50.5 percent and 24.0 percent, respectively).
- High-funded districts had a smaller percentage of non-white students (59.3 percent) than low-funded districts (70.0 percent).
- High-funded districts had a smaller share of students enrolled in free or reduced priced lunch programs (38.6 percent) than low-funded districts (54.1 percent).

**Table 2: Districts With and Without Prop. 1A Funding Are Different**

Variable <sup>b</sup>	Eligible vs. Non-Eligible Districts			Funded vs. Unfunded Districts			Low-Funded vs. High-Funded Districts		
	Eligible	Non-Eligible	Eligible (excluding LAUSD) <sup>a</sup>	Funded	Unfunded	Funded (excluding LAUSD) <sup>a</sup>	Low-Funded	High-Funded	Low-Funded (excluding LAUSD) <sup>a</sup>
Schools in District	131	16	35	199	30	39	163	20	40
Share of Schools in Bottom Five Deciles of 2000 API	47.6%	30.9%	43.9%	49.3%	45.2%	42.7%	50.5%	37.4%	46.2%
Share of Schools in Bottom Two Deciles of 2000 API	21.7%	7.6%	17.6%	25.1%	16.6%	18.6%	24.0%	13.7%	19.0%
Share of Non-White Students	67.6%	52.3%	63.5%	69.9%	64.3%	62.8%	70.0%	59.3%	65.0%
Share of Students Enrolled in Free/Reduced Priced Lunch	50.6%	38.8%	46.3%	53.9%	45.8%	46.7%	54.1%	38.6%	49.1%

<sup>a</sup> Because LAUSD is an unusually large district, with nearly 700 schools and over 700,000 students, including it in the analysis can significantly affect the outcome.

<sup>b</sup> Variable data are weighted averages (by district enrollment) for the districts in each category.

## HIGH-PERFORMING DISTRICTS VS. LOW-PERFORMING DISTRICTS

The CBP also examined the distribution of state new school construction funds across districts that have a large share of schools that scored either in the top or bottom deciles of the 2000 API.

- Districts in which at least 50 percent of the schools scored in the top five deciles on the 2000 API, served 37.1 percent of the state’s students and received 41.7 percent of total new construction funds. In contrast, districts in which at least 50 percent of the schools scored in the bottom five deciles on the 2000 API, served 49 percent of the state’s students but received only 36.8 percent of total new construction apportionments.<sup>11</sup>
- Districts in which at least 50 percent of the schools scored in the top five 2000 API deciles also received more funds relative to their share of total state “unhoused” pupils, with a share of total state apportionments representing 119.6 percent of their share of total state “unhoused” pupils. This index measures funding relative to need, and indicates that these high-performing districts’ percentage share of total state funding is 19.6 percent greater than their percentage share of the state’s “unhoused” pupils. Districts in which at least 50 percent of the schools scored in the bottom five deciles had a share of total state apportionments representing only 71.5 percent of their share of total state “unhoused” pupils. In other words, low-performing districts’ percentage share of state funding is 28.5 percent lower than their percentage share of state “unhoused” pupils.

- Very low-performing districts, those in which two-thirds or more of the schools scored in the bottom five deciles on the 2000 API, served 33.9 percent of the state’s students and received 23.6 percent of total new construction funds. These districts also received less funds relative to their share of total state “unhoused” pupils, with a share of total state apportionments representing 62.6 percent of their share of total state “unhoused” pupils. In other words, very low-performing districts’ percentage share of state funding is 37.4 percent lower than their percentage share of state “unhoused” pupils.

## CONCLUSION

This analysis examines the differences between districts with demonstrated facilities needs that have received state school facilities funds and those that have not. Identifying these differences does not explain why some districts apply for funding and some do not, or why some districts are able to secure land and construction plan approval faster, or at all, and others are not. It does, however, indicate that the current “first come, first served” system for distributing state school facilities funds may unintentionally favor one type of district over another, and so should be carefully considered when crafting the next state bond bill.

## ENDNOTES

<sup>1</sup> A general obligation bond is a bond that is repaid from the state’s general fund and backed by the full faith and credit of the state.

<sup>2</sup> As part of a settlement agreement in the case of Godinez, et al. versus Davis, et al., the Los Angeles Superior Court has ordered the state to base the allocation of remaining Proposition 1A funds on a priority point system that takes into account districts’ facilities need.

<sup>3</sup> Office of Public School Construction website, downloaded from [www.opsc.dgs.ca.gov/Programs/status\\_of\\_funds.asp](http://www.opsc.dgs.ca.gov/Programs/status_of_funds.asp) on August 3, 2001.

<sup>4</sup> Data for this analysis is from the California Basic Education Data System (CBEDS), the CDE 1999-2000 API Growth database, the CDE 2000 Governor’s Performance Awards database, and from the Office of Public School Construction (OPSC) Proposition 1A data.

<sup>5</sup> Districts receiving state facilities funds must provide matching funds; 50 percent for new construction projects and 20 percent for modernization projects. The state does set aside a small amount of financial hardship funds for districts that demonstrate that, after a good faith effort, they are not able to raise the local match.

<sup>6</sup> The data reported are weighted averages (by district enrollment) for the districts in each category.

<sup>7</sup> Deciles separate data into 10 groups of the same size. In the case of API percentile rankings, a school in decile five is one with a score in the bottom half of schools. Similarly, a school in decile two has a score in the lowest 20 percent of schools.

<sup>8</sup> 2000 API data was not available for 239 (22.9 percent) of the 1045 districts that are included in this analysis. This is, primarily, because the majority of the districts missing API data have few schools with enrollment levels below the threshold required for inclusion in the API rankings. It should be noted that even though most of these districts have low enrollment levels, the missing data could result in averages for districts’ schools API rankings that are either lower or higher than reported in this analysis.

<sup>9</sup> Leroy F. Greene School Facilities Act of 1998 (Chapter 407).

<sup>10</sup> State facilities funding is apportioned on a per pupil basis, with construction projects serving different grade levels currently receiving the following per pupil amounts: \$5,480 for elementary grades, \$5,796 for middle school, and \$7,587 for high school. Therefore, when examining district funding relative to need, it would have been more precise to compare districts’ share of total state funding to their share of total state funding eligibility in monetary terms rather than in terms of “unhoused” pupils. This is because districts serving different grade levels may have the same number of “unhoused” pupils, but could be eligible for different amounts of state funding if those pupils are in different grades. However, data on districts’ dollar eligibility is not generally calculated by the OPSC prior to a specific project funding application, and so the number of “unhoused” pupils is the best available measure of a district’s facilities need.

<sup>11</sup> Enrollment and funding percentages do not add to 100 percent because 2000 API data was not available for all districts.