

K-14 Voter Approved General Obligation Bonds: Authorized, But Unissued – 2020 Update

Since 2014, the California Debt and Investment Advisory Commission (CDIAC) has provided an annual report on the amount of general obligation (GO) bond authority approved by voters for California school and community college districts as well as the amount of remaining unissued authorization. In the first report published in January 2014, CDIAC found over \$90 billion of GO bond authority had been approved by voters between November 2002 and November 2013; however, \$37.5 billion of that authority had not been issued.¹

In 2019, there were no new elections approved by voters for general obligation bond authority. Therefore, this update only tracks the issuance data that occurred during 2019 against bond authority approved in previous elections.² Since 2001, voters have authorized over \$162 billion of local GO bond authority throughout the state and of the amount \$52.4 billion (32.4%) has not been issued (Figure 1).

This report relies on general obligation bond issuance information reported to CDIAC under Government Code 8855(j) from March 2001 through December 31, 2019, cross-referenced to match with school and community college district GO bond elec-

FIGURE 1

CALIFORNIA SCHOOL AND COMMUNITY COLLEGE DISTRICT
VOTER APPROVED GO AUTHORITY VS. ISSUANCE PER ELECTION YEAR
(REPORTED TO CDIAC AS OF 02/05/2020)

ELECTION YEAR ^(A)	NUMBER OF APPROVED ELECTIONS	VOTER APPROVED G.O. AUTHORITY (MILLIONS)	G.O. AUTHORITY ISSUED (MILLIONS)	UNISSUED G.O. AUTHORITY ^(B) (MILLIONS)	PERCENT UNISSUED
2001	50	\$4,413	\$4,387	\$26	0.6%
2002	151	15,567	15,480	87	0.6
2003	11	1,553	1,538	15	1.0
2004	112	11,561	11,325	236	2.0
2005	35	6,294	5,846	448	7.1
2006	93	10,301	8,917	1,384	13.4
2007	11	1,253	562	691	55.2
2008	142	28,001	17,102	10,899	38.9
2009	2	69	69	0	0.0
2010	62	5,015	4,572	443	8.8
2011	7	981	943	38	3.9
2012	116	15,287	11,962	3,325	21.7
2013	8	330	327	3	0.8
2014	127	12,598	9,062	3,535	28.1
2015	9	1,143	796	347	30.3
2016	219	29,641	12,153	17,488	59.0
2017	2	155	30	125	80.6
2018	128	17,865	4,537	13,328	74.6
2019	-	0	0	0	-
TOTAL	1,285	162,026	109,607	52,418	32.4%

(A) Calendar year: even years include both Primary and General election results; odd years include locally held elections during the year.

(B) Amounts may not add due to rounding.

¹ K-14 Voter Approved General Obligation Bonds: Authorized, But Unissued- CDIAC No. 14-01, www.treasurer.ca.gov/cdiac/publications/k14.pdf.

² The updated data includes one election approved in June 2018 and two elections approved in November 2018 that were not included in last year's 2019 update.

tions approved from 2001 through 2018.³ Every bond issue in the dataset was reviewed by CDIAC and either coded to an approved election authority from the election dataset or determined to not reduce election authority and thus not assigned to an election. CDIAC staff utilize official statements from the State Treasurer’s DebtWatch database and the Electronic Municipal Market Access (EMMA) system operated by the Municipal Securities Rulemaking Board (MSRB) to confirm proper coding of bond issues when issuance data alone does not lead to a conclusive determination.

This report’s election dataset includes elections approved by 687 K-12 school districts and 68 community college districts.⁴ Based on the number of active districts currently listed by the California Department of Education and the California Community Colleges Chancellor’s Office, 277 K-12 school districts (29.3%) and four community college districts (5.5%) have not received voter approval to issue GO bonds within the reporting period.⁵

California school and community college districts may construct or modernize school facilities using general obligation bonds repaid from local property tax collections. K-14 districts can ask voters within their jurisdiction for the authority to issue GO bonds under Proposition 46 (1986) or Proposition 39 (2000).⁶ If approved by voters, property taxes are collected in an amount without limitation needed to pay the principal and interest due on the GO bonds each year.

Proposition 39, the “Smaller Classes, Safer Schools and Financial Accountability Act,” was approved in November 2000 amending portions of the California Constitution

to provide school districts with an alternate legal path for obtaining GO bond authority with just 55 percent voter approval. Prior to its approval, school districts were required to obtain at least two-thirds voter approval for GO bond authority. But as a tradeoff, bonds issued under Proposition 39 must adhere to specific tax rate limits that influence the size and timing of the bonds issued (Figure 2).

Because of the lower threshold for voter approval, the vast majority of California school and community college districts ask for GO bond authority through elections held under Proposition 39 (Figure 3). Following its passage in November 2000, K-14 districts began presenting ballot measures seeking 55 percent voter approval for GO bond authority by March 2001. Under Proposition 39, bond elections may be held on the same day as statewide general, primary, or special elections, or at regularly scheduled local elections; therefore, most school bond elections are held in even num-

bered years. This trend is evident in Figure 3 which shows the number of GO bond authorizations approved during even year elections totals 1,150 (89%). Since 2001, 95% of GO bond elections have been approved under Proposition 39.

The more recent GO bond authorizations have the greatest percentage of unissued bond authority because districts issue their bonds over a number of years following the election. Factors that affect the timing of the issuance of school district GO bonds include the facility construction schedule, bond market factors, and availability of matching funds under the State Facility Program, among others.⁷ One factor, however, that is apparent in the data is the effect actual assessed value (AV) growth rates have on the ability of districts to issue under existing authorizations.

Districts that have experienced negative or flat AV growth must wait to issue new

FIGURE 2
SCHOOL GO AUTHORITY COMPARISON

PROPOSITION 46	<ul style="list-style-type: none"> • Two-thirds voter approval. • 2.5% Assessed Valuation (AV) Debt Limit for Unified School Districts, Community College Districts • 1.25% AV Debt Limit for Elementary School Districts, High School Districts
PROPOSITION 39	<ul style="list-style-type: none"> • Fifty-five (55) percent voter approval. • Proposition 46 AV Debt Limits (above). • \$30 Tax Rate per \$100,000 of district assessed valuation (AV) for Elementary School Districts, High School Districts. • \$60 Tax Rate per \$100,000 of AV for Unified School Districts. • \$25 Tax Rate per \$100,000 of AV for Community College Districts. • Project specificity in ballot initiative. • Annual performance and financial audits. • Citizen’s oversight committee.

³ The data set includes duplicate records created to separate mixed series into individual elections. Previously, the GO bond dataset included refundings and bond anticipation notes (BANs), however the current dataset only includes refunding transactions. A refunding is only counted against the district’s election authority if it refunded a non-GO debt (e.g. certificates of participation, lease obligations). BANs counted in the previous datasets were reviewed and only counted if redeemed by a GO bond issuance, otherwise there are no BANs included in the current dataset.

⁴ In prior reports one community college district was counted twice due to a name change that occurred during the reporting period.

⁵ The California Department of Education’s school district directory lists 943 active elementary, high school and unified school districts. The California Community Colleges Chancellor’s Office lists 72 community college districts. Included in the dataset are 21 elections for K-14 districts which have merged and/or closed since receiving GO bond approval.

⁶ In June 1986, Proposition 46 restored the authority to issue GO bonds to counties, cities, and school districts and included a limit on the amount of debt that could be issued.

⁷ A State funding program administered by the Office of Public School Construction. See also SB 50 (Greene), Chapter 407, Statutes of 1998.

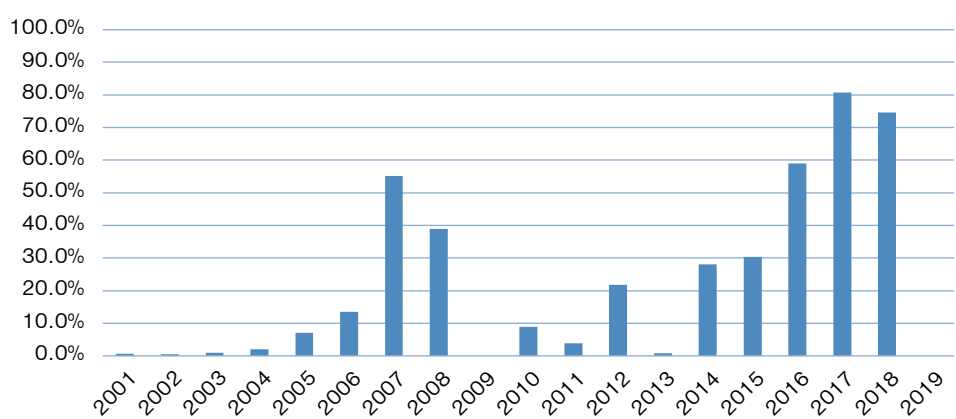
FIGURE 3

CALIFORNIA SCHOOL AND COMMUNITY COLLEGE DISTRICT GO BOND ELECTIONS USING PROP 46 VS. PROP 39

ELECTION YEAR	PROP 46 2/3	PROP 39 55%	PERCENTAGE OF PROP 39 ELECTIONS
2001	22	28	56%
2002	6	145	96
2003	1	10	91
2004	2	110	98
2005	4	31	89
2006	2	91	98
2007	4	7	64
2008	3	139	98
2009	-	2	100
2010	1	61	98
2011	-	7	100
2012	1	115	99
2013	1	7	88
2014	1	126	99
2015	2	7	78
2016	8	211	96
2017	-	2	100
2018	4	124	97
2019	-	-	-
Odd Year	34	101	75
Even year	28	1,122	98
TOTAL	62	1,223	95%
Odd Year Elections		135	11%
Even Year Elections		1,150	89%
TOTAL		1,285	

FIGURE 4

CALIFORNIA SCHOOL AND COMMUNITY COLLEGE DISTRICT G.O. BOND AUTHORITY PERCENTAGE UNISSUED BY ELECTION YEAR



Source: CDIAC 2020

bonds under existing authorizations until AVs rise to a level that will allow the district to project tax rates for the issuance that will stay within the Proposition 39 limitations and generate the necessary tax revenue to service the debt (Figure 2).⁸ The data shows a relatively high percentage of unissued authority for bond authorizations approved in 2007 and 2008 when California began experiencing successive years of low or negative AV growth during the Great Recession (Figure 4, next page). Many of the districts with unissued authority from 2008 are in communities where AV has not grown at the rate and

level projected when the districts put the bond measures on the ballot. This can be attributed to geographic unevenness of the recovery, overly optimistic AV growth projections, or both.

Due to the complexity of factors affecting districts' ability to issue GO bonds, a dollar of unissued authority does not equate to a dollar available to build or remodel schools in the near future. This report provides an update to the volume of authorized but unissued school and community college district GO bonds, but it is not an assessment of the current ability of districts to issue GO bonds.

⁸ See "Measuring K-14 Property Tax Rates Against Proposition 39 Limits," CDIAC No. 17.06 www.treasurer.ca.gov/cdiac/publications/issue-brief/2017/17-06.pdf