



Board of Education Report

File #: Rep-029-24/25, **Version:** 1

Adoption of Resolution Ordering an Election on November 5, 2024, to Authorize the Issuance of School Bonds (Public Hearing) - Requires 2/3 Approval

August 7, 2024

Office of the Superintendent

Action Proposed:

Staff proposes that the Board of Education (Board) adopt the attached Resolution (Attachment A) ordering an election to authorize the issuance of school bonds in the amount of \$9 billion. This includes establishing the specifications of the Election Order, authorizing necessary actions in connection therewith, and requesting consolidation with other elections on November 5, 2024. Attachment A includes the Resolution Ordering an Election, the proposed text of the bond measure, and the tax rate statement for the proposed measure. Pursuant to Section 15266 of the Education Code, the action requires an affirmative vote of two-thirds of all Board Members (five out of seven members). The purpose of placing a bond measure on the November 5, 2024, ballot is to provide funds to upgrade, modernize, and replace aging and deteriorating school facilities, including school technology infrastructure and equipment, to provide safe, up-to-date facilities for 21st century student learning and college and career preparedness; enhance accessibility; support the health and well-being of students by enhancing and expanding outdoor spaces and food services for students; and promote energy efficiency.

It is further proposed that the Board, as a matter of policy, approve the “Proposed 2024 Bond Priorities, Funding Targets and Implementation Strategies” (Attachment B). The foregoing amounts and priorities are subject to future adjustments by Board action should such adjustments prove necessary to accomplish the objectives of the proposed measure, and all projects to be funded by proceeds from this bond measure must be contained in the Bond Project List. It is ultimately the Bond Project List, if approved by the voters, that will control the expenditure of the bond funds. If the school bond measure is approved by voters, the priorities and funding targets will be integrated into the School Upgrade Program to support the continuation of Los Angeles Unified’s successful capital school facilities program, funding flexibility and efficiency, and the effective operation of the bond program.

Background:

Los Angeles Unified’s singular goal is to ensure all its students graduate ready for the world - to thrive in college, career, and life. Modernizing school and technological infrastructure to maximize student learning, prioritized by areas of need, is critical to achieving this goal. Moreover, today’s economy requires new skills, knowledge, and experience; requiring updated facilities so students can get hands-on learning to prepare them for college and careers.

Thanks to support from local voters, the District has made meaningful impacts on its students’ schools and learning environments, from reducing overcrowding and ending mandatory busing to completing over 24,100 school upgrade, modernization, and/or replacement projects. These improvements have benefited students, teachers, and staff, as well as the local economy and workforce with the generation of thousands of jobs, including local union construction jobs, and put hundreds of millions of dollars back into the local economy.

Notwithstanding the considerable investments, the needs of Los Angeles Unified schools are great -- more than 60 percent of school buildings are over 50 years old and desperately in need of upgrades, which means most of Los Angeles Unified students are attending school in deteriorating and aging facilities that do not meet today's standards for learning and safety.

Despite the upgrades that have already been completed or are underway, current estimates show that collectively Los Angeles Unified schools have over \$80 billion of unfunded school facility and technology needs, and those needs grow every year. Further exacerbating the amount of unfunded need is the unprecedented construction cost escalation throughout California. Since 2008, when the District shifted its focus from building new schools to updating its older existing schools, construction cost escalation has increased by approximately 80 percent, and over just the last four years, construction costs have increased by 36 percent. There is still more work to be done, and a new bond measure would provide much-needed funding to upgrade aging local public schools, so they are safe, secure, and welcoming environments that students need to graduate ready for the world-to thrive in college, career, and life.

Based on current estimates, the \$9 billion proposal is estimated to levy approximately 2.504 cents per \$100 of assessed valuation and generate approximately \$456,000,000 annually.

The bond measure, if approved by voters, will provide funding to:

- **Enhance school safety:** Prioritize improvements to school facilities for safety and earthquakes to ensure a safe and secure learning environment for students and staff.
- **Modernize school facilities:** Update, replace and right-size aging and deteriorating school facilities to support 21st century student learning and prepare students for college and careers.
- **Upgrade school sites:** Complete essential upgrades to school buildings and grounds to provide safe and functional places for teaching and learning.
- **Enhance accessibility:** Improve access for individuals with disabilities, ensuring that all Los Angeles Unified programs and activities are inclusive and accessible.
- **Address facility inequities:** Reduce disparities in school facilities between newer and older schools to provide equitable learning environments across the District.
- **Update technology:** Upgrade educational technology to ensure students have access to reliable internet and digital tools, enhancing their learning experiences and equipping them with the necessary skills for success in a digital world.
- **Support the health and well-being of students:**
 - **Enhance and expand outdoor spaces:** Improve outdoor areas to support student health, wellness, and safety, focusing on reducing surface temperatures, increasing shade and green schoolyards, and improving paved areas and the overall quality of outdoor environments.
 - **Enhance food services for students:** Upgrade facilities to support the transition to a new food service model to enable the preparation of fresh healthy student meals to support schools.

- Promote energy efficiency: Improve energy efficiency in school buildings and support the transition to electrified infrastructure, including school buses, to foster sustainability and reduce environmental impacts.

Pursuant to a two-thirds vote of the Board and subject to Section 15100 of the Education Code, paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, and subdivision (b) of Section 18 of Article XVI of the California Constitution, and Section 15266 of the Education Code, the Board is specifically authorized to seek approval of bonds and levy an ad valorem tax to repay those bonds upon 55% approval of those voting on a measure for the purposes hereinafter specified, provided certain accountability requirements are included in the measure, including:

- (a) That the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3) of the California Constitution, and not for teacher and administrator salaries, school operating expenses, or any other purpose;
- (b) That a list of the specific school facilities projects to be funded be included, and certification that the Board has evaluated safety, class size reduction, and information technology needs in developing that list;
- (c) That the Board conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed; and
- (d) That the Board conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

Expected Outcomes:

It is anticipated that the Board will adopt the Resolution Ordering an Election on November 5, 2024, to authorize the issuance of school bonds in the amount of \$9 billion for the purpose of upgrading, modernizing, and replacing aging and deteriorating school facilities, including school and learning technology, to improve safety, support 21st century student learning and prepare students for college and careers, enhance accessibility, support the health and well-being of students by enhancing and expanding outdoor spaces and food services for students, and promote energy efficiency.

It is further anticipated that the Board will approve, as a matter of policy, the proposed funding targets from the November 2024 Local Bond measure, as reflected in the attached “Proposed 2024 Bond Priorities, Funding Targets and Implementation Strategies.” It is ultimately the Bond Project List, if approved by the voters, that will control the expenditure of the bond funds. Approval of the proposed priorities and funding targets will allow staff to begin to develop proposals for future improvements to District school facilities. All bond-funded proposals will be submitted to the Superintendent and Office of General Counsel for review and approval and are subject to review by the Bond Citizens’ Oversight Committee (BOC) and approval by the Board in a public meeting. If the school bond measure is approved by voters, the priorities and funding targets will be integrated into the School Upgrade Program operational framework to support the continuation of Los Angeles Unified’s successful capital school facilities program, funding flexibility and efficiency, and the effective operation of the bond program.

Board Options and Consequences:

The Board may adopt the proposal to order an election on November 5, 2024, to authorize the issuance of school bonds in the amount of \$9 billion. With the Board’s adoption, staff will file a certified signed copy of the Resolution Ordering an Election (including the associated attachments: full text of the measure, ballot question,

and signed tax rate statement) with the Los Angeles County Registrar-Recorder/County Clerk's Office no later than August 9, 2024, as required. If approved, the bond measure will provide funding to continue to address the more than \$80 billion of unfunded facilities needs that exist throughout the District and continue to grow each year.

The Board may elect not to adopt the proposal to order an election, which means additional funding will not be available to improve the District's aging, deteriorating, and outdated school facilities. Important upgrades that are already underway will continue; however, all existing funds are dedicated for specific uses and not available for new or emerging needs and priorities.

As such, the significant and inequitable unmet school facilities needs that exist throughout the District will persist.

Policy Implications:

Pursuant to Education Code provisions, all expenditures of revenue generated by this measure shall be subject to review and oversight by an independent citizens' oversight committee. The District's established BOC will continue to be the single statutory oversight committee for this measure and all previous bond measures approved by the voters of the District and requiring such a committee.

The purpose of the BOC is to inform the public concerning the expenditure of bond proceeds in accordance with the provisions of Education Code Section 15282. The Committee shall actively review and report on the proper expenditure of taxpayers' money for projects on the Bond Project List. Each year the BOC shall receive and review copies of the annual independent performance and financial audits of bond fund expenditures.

Budget Impact:

If the Board adopts the proposal, the District will be required to pay its pro-rata share of the election costs. Election costs are estimated to be between \$11 million and \$13 million. If the measure is approved by voters, these costs can be funded with proceeds from the new bond measure. If the measure is not approved, the General Fund will need to fund these costs.

The District may also want to undertake an informational, non-advocacy, civic engagement effort to educate District stakeholders and the community at large about the importance of registering to vote and voting, and to provide non-biased information about the proposed bond measure. These costs are estimated at approximately \$500,000 to \$1,000,000 and are considered a General Fund expense.

If the proposed bond measure is approved by 55% of those voting on the measure, the District will be authorized to issue \$9 billion in general obligation bonds to fund critical upgrades, modernizations, and updates to school facilities, including school technology.

If the school bond measure is approved by voters, the "Proposed 2024 Bond Priorities, Funding Targets and Implementation Strategies" will be integrated into the School Upgrade Program operational framework. For the implementation categories of work managed by Facilities (asterisked in Attachment B), funding, in the amount of 20 percent, will set-aside for program reserve (10 percent) and indirect program costs (10 percent) to support the successful execution of the program. Indirect program costs may include a share of costs of the election and bond issuance, program planning and analysis, project scoping, bond program management, facilities contracts, finance, accounting, controls, technology services, legislative support, legal support, risk management, supplies and equipment, and other costs permitted by law that are necessary to manage and implement the bond program. The 10 percent set-aside for indirect costs is based on a number of considerations, including the

assumption that all new projects enabled by the new measure will be completed by Fiscal Year 2036.

Student Impact:

If the proposed bond measure is approved by the voters, more of the District’s aging school facilities will be upgraded and modernized, and students will be provided with a safe and updated learning environment.

Issues and Analysis:

As required by the State of California’s Education Code and Elections Code, before the governing board of a school district may order a general obligation bond (GO Bond) election, it shall obtain reasonable and informed projections of assessed property valuations that take into consideration the projections made by the County Assessor. On July 26, 2024, the County Assessor released additional detailed assessed valuation growth estimates. Based on the information, the District’s proposed 2024 school bond measure assumes an estimated assessed valuation growth of 4.59% for Fiscal Year 2024-25, and an average annual growth of 4% across the forecast horizon, which is lower than each of the past five, 10, 15-, 20-, 25- and 30-year average growth rates.

The proposed new \$9 billion GO Bond authorization will not affect the tax levy rate for fiscal year 2024-25. Rather, it is expected that the tax levy related to those bonds would begin to appear in the fiscal year 2025-26 tax roll. Based on current estimates, the resulting average tax rate needed to repay the proposed \$9 billion of GO Bonds is projected to be 2.504 cents per \$100 of assessed valuation of taxable real property.

The statutes that provide school districts with the authority to order an election for the purpose of authorizing the issuance of bonds do not authorize school districts to provide exemptions to property owners. Property owners, however, may qualify for certain exemptions provided by the Los Angeles County Assessor’s Office.

Attachments:

Attachment A: Resolution Ordering an Election to Authorize the Issuance of School Bonds, Establishing Specifications of the Election Order, Authorizing Necessary Actions in Connection Therewith, and Requesting Consolidation with Other Elections Occurring on November 5, 2024.

Attachment B: “Proposed 2024 Bond Priorities, Funding Targets and Implementation Strategies”

Informatives:

None.

Submitted:

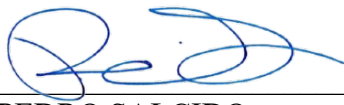
08/06/24

RESPECTFULLY SUBMITTED,

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