

K-14 Voter Approved General Obligation Bonds: Authorized, But Unissued – 2021 Update

In January 2014, the California Debt and Investment Advisory Commission (CDIAC) began reporting on the amount of general obligation (GO) bond authority approved by voters for California school and community college (K-14) districts and the amount of remaining unissued authorization. In the first report, CDIAC identified over \$90 billion of GO bond authority that had been approved by voters between November 2002 and November 2013; however, \$37.5 billion of that authority had not been issued.² Since the initial report, CDIAC has continued to annually report on the amount of GO bond authorization approved by voters, resultant GO bond issuance activity, and the amount of GO authorization that remains unissued.

In 2020, voters authorized \$18.7 billion in GO bond authority for K-12 school and community college districts, bringing the statewide total to over \$180 billion since March 2001.³ Of that total, over \$60 billion – one-third of the total GO authorization – has not been issued (Figure 1). This amount includes \$17.6 billion in unissued GO bond authority added by the 92 new bond measures approved in 2020.

FIGURE 1

CALIFORNIA SCHOOL AND COMMUNITY COLLEGE DISTRICT VOTER APPROVED GO AUTHORITY VS. ISSUANCE PER ELECTION YEAR (REPORTED TO CDIAC AS OF 01/31/2021)

ELECTION YEAR ^(a)	NUMBER OF APPROVED ELECTIONS	VOTER APPROVED G.O. AUTHORITY (MILLIONS)	G.O. AUTHORITY ISSUED (MILLIONS)	UNISSUED G.O. AUTHORITY ^(b) (MILLIONS)	% UNISSUED
2001 ¹	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	11,361	200	1.7
2005	35	6,294	6,029	264	4.2
2006	93	10,301	9,179	1,122	10.9
2007	11	1,253	573	681	54.3
2008	142	28,001	19,091	8,910	31.8
2009	2	69	69	0	0.0
2010	62	5,015	4,656	359	7.2
2011	7	981	981	0	0.0
2012	116	15,287	12,528	2,758	18.0
2013	8	330	327	3	0.8
2014	127	12,598	9,794	2,804	22.3
2015	9	1,143	797	346	30.3
2016	219	29,641	16,065	13,576	45.8
2017	2	155	60	95	61.3
2018	128	17,865	6,499	11,367	63.6
2019	-	0	0	0	-
2020	92	18,750	1,090	17,660	94.2
TOTAL	1,377	\$180,776	\$120,502	\$60,273	33.3%

(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.

Source: Original CDIAC analysis, last updated February 2021

¹ Calendar year 2001 includes data from March 1 through December 31 of that year in order to correspond with the first elections where bond measures were approved through Proposition 39.

² “K-14 Voter Approved General Obligation Bonds: Authorized, But Unissued,” *California Debt and Investment Advisory Commission*, 1, Published January 2014, Accessed February 11, 2021, www.treasurer.ca.gov/cdiac/publications/k14.pdf.

³ It is important to note that in the 2019 annual report, CDIAC expanded the authorized but unissued data set to include K-14 GO bond authority approved by voters in 2001 and elections held in 2002 prior to November, www.treasurer.ca.gov/cdiac/publications/k14update-2019.pdf.

This report relies on issuance information for GO bonds reported to CDIAC under Government Code Section 8855(j) from March 2001 through December 31, 2020, cross-referenced to match with school and community college district GO bond elections approved from 2001 through 2020.⁴ 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 reviewed 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 supplement the data collected by CDIAC.

This report’s election dataset includes elections approved by 681 K-12 school districts and 68 community college districts in California. Of the active school and community college districts in California, 261 K-12 school districts (27.7%)⁵ and five community college districts (6.8%)⁶ have not attained voter approval to issue GO bonds since 2001.⁷

California school and community college districts may construct or modernize school facilities using GO bonds repaid with 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).⁸ If approved by voters, property taxes can be collected to pay the principal and interest due on the GO bonds each year.

Proposition 39, enacted as the “Smaller Classes, Safer Schools and Financial Accountability Act,” was approved in Novem-

ber 2000. Proposition 39 amended 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 of the votes cast. Prior to its approval, an increase in GO bond authority for a school district required at least a two-thirds voter approval. Bonds issued under Proposition 39 must adhere to specific tax rate limits as well as additional requirements. (See 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 rather than Proposition 46. Since 2001, 95% of GO bond elections have been approved under Proposition 39 (Figure 3). Following its passage in November 2000, K-14 districts began presenting to local voters ballot measures seeking 55% voter approval of the votes cast by March 2001. Un-

der Proposition 39, bond elections may only be held on the same day as statewide general, primary or special elections, or at regularly scheduled local elections. This causes most school bond elections to be held in even numbered years. Of the 1,377 school bond measures approved by voters since 2001, 1,242 (90%) passed in elections in even-numbered years (Figure 3).

More recent GO bond authorizations tend to have higher percentages of unissued bond authority as districts often issue their bonds over a number of years following an election. For example, over 63% of GO debt authorized in the 2018 elections had not yet been issued by the end of 2020 (Figure 4). Factors that affect the timing of the issuance of school district GO bonds include the facility construction schedule, the current state of the bond market, and the availability of matching funds under the State Facility Program, among others.⁹

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.

⁴ Prior to 2020, 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.

⁵ The California Department of Education’s school district directory lists 942 active elementary, high school, and unified school districts. Source: “California School Directory,” *California Department of Education*, Accessed February 16, 2021, www.cde.ca.gov/schooldirectory.

⁶ The California Community Colleges Chancellor’s Office (CCCCO) reports 73 active community college districts operating in California. This was confirmed with a CCCC representative on March 2, 2021.

⁷ Included in the dataset are elections for 19 K-12 districts that have merged and/or closed since receiving GO bond approval.

⁸ 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.

⁹ The State Facility Program is a funding program through the State of California administered by the [Office of Public School Construction](http://www.sfp.ca.gov).

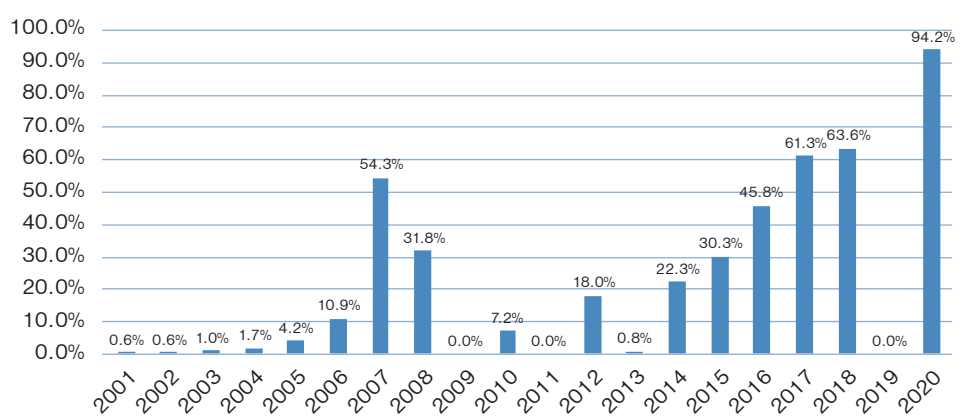
FIGURE 3

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	-	-	-
2020	1	91	99
Odd Year	34	101	75
Even Year	29	1,213	98
TOTAL	63	1,314	95%
Odd Year Elections		135	10%
Even Year Elections		1,242	90%
TOTAL		1,377	

FIGURE 4

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



Source: Original CDIAC analysis, last updated February 2021

One factor that appears to affect the issuance of authorized GO debt is the actual assessed value (AV) growth rates in the district. Districts that have experienced negative or flat AV growth must wait to issue new 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 Proposition 39 limitations and generate the necessary tax revenue to service the debt (Figure 2).¹⁰ The data shows a relatively high percentage of unissued authority for bond authorizations approved in 2007 and 2008 when many parts of California began experiencing successive years of low or negative AV growth during the Great Recession (Figure 4).¹¹ Many

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.¹² This can be attributed to geographic unevenness of the recovery, overly optimistic AV growth projections, or both.

Due to the complexity of factors affecting a district's ability to issue GO bonds, a dollar of unissued authority does not equate to a dollar available for purposes such as building or remodeling schools in the near future. This report provides an update to last year's volume of authorized but unissued school and community college district GO bonds; however, it is not an assessment of the current ability of districts to issue GO bonds.

¹⁰ Tara Dunn, "Measuring K-14 Property Tax Rates Against Proposition 39 Limits," *California Debt and Investment Advisory Commission*, 7-8, Published June 2017, Accessed February 11, 2021, www.treasurer.ca.gov/cdiac/publications/issue-brief/2017/17-06.pdf.

¹¹ Ibid.

¹² Ibid.