

K-14 Voter Approved General Obligation Bonds: Authorized, But Unissued – 2018 Update

In January 2014, the California Debt and Investment Advisory Commission (CDIAC) began to provide an annual update to its 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.¹ In the first report, CDIAC found over \$90 billion of GO bond authority had been approved by voters between November 2002 and November 2013 yet \$64 billion of that authority had not been issued. Since the first report voters have approved subsequent ballot measures adding more than \$43 billion to school and community college GO bond authority. This *2018 Update* provides the results of the 2017 bond elections and the bond issuance activity that has occurred associated with the GO bond authority tracked in this report.

In 2017, voters authorized \$155 million for two school districts, bringing the statewide total of GO bond authority since November 2002 to \$133.8 billion. As of the beginning of 2018, \$53.5 billion (40%) has not been issued (Figure 1).

General obligation bonds, the primary financing tool used by California school and community college districts to construct or modernize school facilities, are repaid from local property tax collections. In California,

FIGURE 1

CALIFORNIA SCHOOL AND COMMUNITY COLLEGE DISTRICT VOTER APPROVED GO AUTHORITY VS. ISSUANCE (REPORTED TO CDIAC AS OF 01/22/2018)

ELECTION YEAR	NUMBER OF APPROVED ELECTIONS	VOTER APPROVED G.O. AUTHORITY (MILLIONS)	G.O. AUTHORITY ISSUED (MILLIONS)	UNISSUED G.O. AUTHORITY (MILLIONS)(b)	PERCENT UNISSUED
2002(a)	83	\$9,451	\$9,380	\$71	0.8%
2003	11	1,553	1,538	15	1.0%
2004	112	11,561	11,252	309	2.7%
2005	35	6,294	5,716	578	9.2%
2006	93	10,301	8,837	1,464	14.2%
2007	11	1,253	372	881	70.3%
2008	142	28,001	15,132	12,869	46.0%
2009	2	69	69	0	0.0%
2010	62	5,015	4,223	792	15.8%
2011	7	981	905	76	7.7%
2012	116	15,286	10,012	5,274	34.5%
2013	8	330	299	31	9.3%
2014	128	12,771	5,967	6,804	53.3%
2015	9	1,143	225	918	80.3%
2016	219	29,641	6,388	23,253	78.4%
2017	2	155	0	155	100.0%
TOTAL	1,040	\$133,805	\$80,315	\$53,489	40.0%

(a) Includes November 2002 approved elections only. At the March 2002 election, 65 K-14 GO bond elections were approved for just over \$6 billion.

(b) Amounts may not add due to rounding.

Source: CDIAC 2018

voters authorize the collection of taxes above the Constitutional limit in an amount needed to pay principal and interest due on the GO bonds each year.

School and community college districts can ask voters for the authority to issue GO bonds under Proposition 46 (1986) or Proposition 39 (2000).² Because of the lower

threshold for approval, the vast majority of the California school and community college bond issuance authority is granted by voters through elections under Proposition 39 (Figure 2).³ But as a tradeoff, bonds issued under Proposition 39 must adhere to specific tax limits that influences the size and timing of the bonds issued.

¹ CDIAC No. 14-01, 16-01, and 17-04. Accessible at <http://www.treasurer.ca.gov/cdiac/publications.asp>

² 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.

³ Of the 1040 K-14 bond elections approved by voters between November 2002 and November 2017, 1010 (97 percent) were approved under Proposition 39.

FIGURE 2
SCHOOL GO AUTHORITY COMPARISON

PROPOSITION 46

- Two-thirds voter approval.

PROPOSITION 39

- Fifty-five (55) percent voter approval
- Limits the total of all bonds issued under any single bond measure to an amount that requires taxes of no more than \$30 per year per \$100,000 of district assessed valuation (AV) to pay the principal and interest on the bonds. For unified school districts, the limit is \$60, and for community college districts it is \$25. In addition to Proposition 46 AV limits.
- Requires project specificity in ballot initiative, annual audits, and citizen oversight.

CDIAC updated its data set of all approved school and community college GO bond authorizations covering elections from November 2002 through November 2017 identifying 1,040 approved ballot measures.⁴ This election data was cross referenced with all school and community college district GO debt issuance that was reported to CDIAC under Government Code 8855(j) from January 2003 to December 31, 2017 and stored in CDIAC’s California Debt Issuance Data-

base – approximately \$146 billion in 4,600 issues.⁵ Every debt issue in the data set was reviewed by a CDIAC researcher and either coded to an approved election authority from the election dataset or determined to not reduce election authority and not assigned to an election. CDIAC staff utilized official statements from the State Treasurer’s Debt Watch database and the Electronic Municipal Market Access (EMMA) system operated by the Municipal Securities Rulemaking Board (MSRB) to verify the proper coding of the bond issue when the CDIAC data did not lead to a conclusive determination. Included in the data set are a total of 625 K-12 school and 65 community college districts. Based on the number of active school districts currently listed by the California Department of Education, 319 K-12 (34%) and 7 community college districts (10%) have not received any voter approval to issue GO bonds during the fifteen year reporting period.⁶

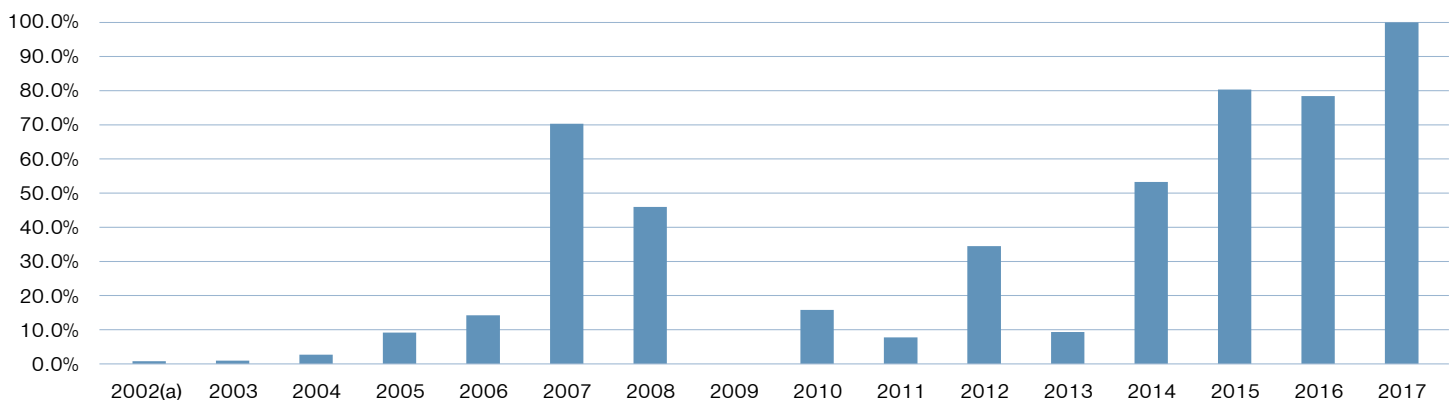
Under Proposition 39, bond elections may only be held on the same day as statewide general, primary, or special elections, or at regularly scheduled local elections; therefore, most school bond elections are held in even numbered years. This trend is evident

in Figure 1 where research indicates that 92 percent of GO authorization was approved during even year elections.

In addition to the availability of tax revenue to service the debt, other factors affect the timing of the issuance of school district GO bonds including the facility construction schedule, bond market factors, voter sentiment and availability of matching funds under the State Facilities Program, to name a few. Districts may issue their bonds for a number of years following the election depending on the complexity and combination of factors. The data still continues to show that the percentage of the unissued authority continues to grow since California began experiencing successive years of property value declines in 2007 (Figure 3).

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 article 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.

FIGURE 3
CALIFORNIA SCHOOL AND COMMUNITY COLLEGE DISTRICT G.O. BOND AUTHORITY, PERCENTAGE UNISSUED BY ELECTION YEAR



(a) Includes November 2002 approved elections only.

Source: CDIAC 2018

⁴ The election data is obtained through direct contact with county clerk/voter registrar offices or internet search. Among the internet sources used by CDIAC are the websites of the League of Women Voters, the County Clerk/Voter Registrar Offices, the Secretary of State, Ballotpedia, and local newspapers.

⁵ This amount also includes duplicate records created to separate mixed series into individual elections. The GO bond dataset includes refundings and bond anticipation notes (BANs). Refundings were counted against the district’s election authority if they refunded a non-GO debt (e.g. certificates of participation, lease obligations), otherwise not. BANs were counted against the election authority only if the GO bond planned to repay the BAN had not yet been issued. BANs counted in the previous data were reviewed for subsequent redemption by a GO bond issuance and updated as appropriate. Using the BAN principal at issue may understate the amount of authority used when the BAN is taken out by the GO bond because it does not include accreted interest, a common BAN feature.

⁶ The California Department of Education’s school district directory lists 944 active elementary, high school and unified school districts. The California Community Colleges Chancellor’s Office lists 72 community college districts.