

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

General Waiver

# California State Board of EducationNovember 2023 AgendaItem #W-07

## Subject

Request by **Guadalupe Union Elementary School District** to waive California *Education Code* sections 15102 and 15268 to allow the district to exceed its bonded indebtedness limit. Total bonded indebtedness may not exceed 1.25 percent of the taxable assessed valuation of property for elementary school districts. Depending on the type of bond, a tax rate levy limit of $30 per $100,000 of assessed value for elementary school districts may also apply.

## Waiver Numbers

6-6-2023

## Type of Action

Action, Consent

## Summary of the Issues

The Guadalupe Union Elementary School District (Guadalupe Union) is requesting to waive portions of *Education Code* (*EC*) sections 15102 and 15268, which will allow the district to exceed its statutory bonding capacity limit at a rate of up to, but not in excess of, 3.87 percent.

## Authority for Waiver

California *EC* Section 33050

## Recommendation

* Approval: No
* Approval with conditions: Yes
* Denial: No

The California Department of Education (CDE) recommends that the bonded indebtedness limit be waived for Guadalupe Union with the following conditions:
(1) the period of request does not exceed the recommended period of August 1, 2023, to August 1, 2041; (2) the total bonded indebtedness does not exceed the recommended new maximum of 3.87 percent; (3) Guadalupe Union does not exceed the statutory tax rate; (4) the waiver is limited to the sale of bonds from Measures V2022 and W2022, approved by the voters in 2022, and Measure N2016 of 2016; and (5) Guadalupe Union complies with the statutory requirements of Assembly Bill 182 related to school bonds, which became effective on January 1, 2014.

## Summary of Key Issues

The California *EC* provides limits related to a district’s total bonded indebtedness. *EC* sections 15102 and 15268 limit an elementary school district’s total general obligation (G.O.) bond indebtedness to 1.25 percent.

To raise funds to build or renovate school facilities, with voter authorization, school districts may issue G.O. bonds. Under Proposition 46, school districts are allowed to increase the property tax rate above one percent for the period necessary to pay off new G.O. bonds if the following conditions are met:

* Two-thirds of those voting in a local election have approved the issuance of the bonds.
* The money raised through the sale of the bonds is exclusively used to purchase or improve land and buildings.

In November 2000, districts were given another option for authorizing and issuing bonds when California voters passed Proposition 39, which allows school bonds to be approved with a 55 percent majority vote if the district abides by several administrative requirements, such as establishing an independent Citizens’ Oversight Committee to oversee the use of the funds. Once G.O. bonds are authorized, school districts issue the bonds in increments as needed to fund their facility projects. When the voters authorize a local G.O. bond, they are simultaneously authorizing a property tax increase to pay the principal and interest on the bond. For Proposition 39 bonds, *EC* Section 15268 limits the tax rate levy authorized in each election to $30 per $100,000 of taxable property for elementary or high school districts and *EC* Section 15270(a) limits the tax rate levy authorized in each election to $60 per $100,000 of taxable property for unified school districts.

Without a waiver, school districts that are close to their bonding capacity must decide either to issue fewer bonds, delay the issuance of bonds until their assessed valuation increases, or obtain other more expensive non-bond financing to complete their projects, the costs of which could be paid from district general funds. Therefore, the CDE has historically recommended that the State Board of Education (SBE) approve related waiver requests with the condition that the statutory tax levies are not exceeded at the time the bonds are issued.

AB 182 (Chapter 477, Statutes of 2013) has established parameters for the issuance of local educational agency bonds that allow for the compounding of interest, including capital appreciation bonds (CABs). AB 182 requires a district governing board to do the following:

* Before the bond sale, adopt a resolution at a public meeting that includes specific criteria, including being publicly noticed on at least two consecutive meeting agendas.
* Be presented with an agenda item at a public board meeting that provides a financial analysis of the overall costs of the bonds, a comparison to current interest bonds, and reasons why the compounding interest bonds are being recommended.
* After the bond sale, present actual cost information at the next scheduled public meeting and submit the cost information of the sale to the California Debt and Investment Advisory Commission.

Guadalupe Union is requesting a waiver authorizing an increase in the district’s bonded indebtedness limit in order to allow it to access the general obligation bonds authorized by voters in March of 2022 pursuant to Measures V2022 and W2022. The district previously received a waiver authorizing an increase in indebtedness up to 1.65 percent for funds authorized by Measures M2016 and N2016. These new bonds comprise a total of $16.99 million in new debt, consisting of $8.50 million and $8.49 million respectively. The bond authorizations are intended to construct a new junior high with a community gymnasium, as well as upgrade and modernize classrooms, restrooms and school facilities. Additionally there is a total of $234,478 remaining from 2016’s Measure N2016. Neither the newly authorized funds nor the remaining Measure N2016 funds can be accessed without an increase in the district’s bonded indebtedness limit. Measure N2016 proceeds were directed to modernize, upgrade, and renovate outdated classrooms, restrooms and school facilities; construct new classrooms to reduce student overcrowding and replace temporary portable classrooms; and improve student access to computers and modern technology. In addition to Measures V2022 and W2022 being approved by nearly 70 percent of district voters in the November 2022 election, as well as Measure N2016 receiving almost 79 percent approval in 2016, the waiver request was approved without objection or public comment in opposition at both the advisory committee and the hearing by the school board, by a 4-0 vote (1 absent).

### Demographic Information

The Guadalupe Union Elementary School District is a small, suburban district with a student population of 1,206 and serves the city of Guadalupe in Santa Barbara County.

**Because these are general waivers****, if the SBE decides to deny the waivers, it must cite one of the seven reasons in *EC* Section 33051(a), available on the California Legislation Information Web page at** <https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=33051.>

## Summary of Previous State Board of Education Discussion and Action

The SBE has approved all bond limit waiver requests limited to the sale of already authorized bonds and at the tax rate levy stated on the bond measure. If approved, this request would fall within the range of previously approved bonding capacity waivers, in both capacity and term.

## Fiscal Analysis

Approval of the waiver would allow the district to accelerate their issuance of voter-approved bonds.

## Attachments

* **Attachment 1:** Summary Table (1 page)
* **Attachment 2:** Guadalupe Union Elementary School District General Waiver Request 6-6-2023 (3 pages). (Original waiver request is signed and on file in the Waiver Office.)

# Attachment 1: Summary Table

 California *Education Code* (*EC*) Section 15102 et seq.

| **Waiver Number** | **District** | **Period of Request** | **District’s Request** | **CDE Recommended** | **Bargaining Unit Representatives** | **Local Board, Public Hearing, and Advisory Committee Approval** |
| --- | --- | --- | --- | --- | --- | --- |
| 6-6-2023 | Guadalupe Union Elementary School District | **Requested:**August 1, 2023 to August 1, 2041**Recommended:** August 1, 2023 to August 1, 2041 | **Requested:**Debt Limit: 3.87%**Recommended:**Debt Limit: 3.87% | Debt Limit 3.87%Limited to sale of bonds applicable to Measures V2022 and W2022, authorized in the 2022 election, and N2016 authorized in the 2016 election.Tax Rate $30 per $100,000 (authorization approved under Proposition 39) | Guadalupe Teachers Association Rosa Flores Garcia President6/13/2023**Neutral**California School Employees Association, Chapter 546Marcos ArevaloPresident6/1/2023**Support** | Local Board Approval Date: 6/14/2023Public Hearing Date: 6/14/2023Public Hearing Advertised: District website, District office, Santa Maria TimesBond Oversight Committee6/14/2023**No Objections** |

Created by the California Department of Education

November 2023

# Attachment 2: Guadalupe Union Elementary School District General Waiver Request 6-6-2023

**California Department of Education**

**WAIVER SUBMISSION - General**

CD Code: 4269203

Waiver Number: 6-6-2023

Active Year: 2023

Date In: 6/20/2023 4:22:57 PM

Local Education Agency: Guadalupe Union Elementary

Address: 4465 Ninth St.

Guadalupe, CA 94526

Start: 8/1/2023

End: 8/1/2041

Waiver Renewal: Yes

Waiver Topic: School Construction Bonds

Ed Code Title: Bond Indebtedness Limit - Non-Unified

Ed Code Section: 15102

Ed Code Authority: 33050

*Education Code* or *CCR* to Waive: *EC* 15102: The total amount of bonds issued pursuant to this chapter and Chapter 1.5 (commencing with Section 15264) shall not exceed [1.25] percent of the taxable property of the school district or community college district, or the school facilities improvement district, if applicable, as shown by the last equalized assessment of the county or counties in which the district is located.

*EC* 15268. The total amount of bonds issued, including bonds issued pursuant to Chapter 1 (commencing with Section 15100), shall not exceed [1.25] percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located. The bonds may only be issued if the tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred by a school district pursuant to this chapter, at a single election, would not exceed thirty dollars ($30) per year per one hundred thousand dollars ($100,000) of taxable property when assessed valuation is projected by the district to increase in accordance with Article XIII A of the California Constitution.

Outcome Rationale: On November 8, 2022, Guadalupe Union School District voters approved Measure V2022 and Measure W2022, for a respective $8.50 million and $8.49 million ($16.99 million in total), bond authorizations to construct a new junior high with a community gymnasium, as well as upgrade and modernize classrooms, restrooms and school facilities.

To be able to access the 2022 Authorizations, the District is requesting to waive a portion of California *Education Code*s 15102 and 15268 to a bonded indebtedness limit of 3.87%. This limit includes $16.99 million from both 2022 Authorizations as well as $234,478 from remaining authorized, but unissued bonds from the District’s 2016 Measure N Authorization. The District expects the final issuance of Measure N and the Measure V2022 and Measure W2022 bonds to be repaid over 30 years using only current interest bonds. The District does not expect to issue bonds that would cause the tax rate to increase above the legal requirement of $30 per $100,000 of assessed valuation per authorization. The increase in bonding capacity to 3.87% and the issuances described would allow the District to move ahead with its voter-supported facility improvements without delay as well.

Student Population: 7507

City Type: Small

Public Hearing Date: 6/14/2023

Public Hearing Advertised: Public hearing notice posted on District and two school websites on 2/18/22. Published in the Santa Maria Times on 2/23 and 3/2.

Local Board Approval Date: 6/14/2023

Community Council Reviewed By: District Bond Oversight Committee, School Site Council

Community Council Reviewed Date: 6/14/2023

Community Council Objection: No

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Mr. Bryan Moore

Position: Municipal Advisor

E-mail: bryan@isomadvisors.com

Telephone: 925-478-7450

Bargaining Unit Date: 06/01/2023
Name: CSEA Chapter 546 Union
Representative: Marcos Arevalo
Title: President
Phone: 800-632-2128
Position: Support

Bargaining Unit Date: 06/13/2023
Name: Guadalupe Teachers Association
Representative: Rosa Flores Garcia
Title: President
Phone: 805-343-1591
Position: Neutral