CC+S Blog

BLOG

Moving to Equity: California School Facility Program Reform

By Sara Hinkley | May 21, 2024

California has an opportunity in 2024 to address the longstanding inequity and inadequacy of school facility funding. Governor Newsom's administration and the state legislature are currently in negotiations about a November 2024 bond measure that would raise $14 billion, the first new school infrastructure bond in eight years. Two versions of such a measure (AB 247 and SB 28) include minor changes to the current formula for funding school facilities through California's School Facility Program (SFP). The SFP supplements local spending on school facility modernization and new construction.

In February 2024, Public Advocates sent a letter to Governor Newsom stating that the current structure of the SFP modernization program constitutes wealth-based discrimination and denies students their constitutional right to basic equality in educational opportunity. Their concern echoes the findings of Berkeley's Center for Cities + Schools (CC+S) and others over the years about the inequities built into the SFP structure, particularly for modernization funding.

fund support of the School Facility Program in 2024-25.

It is equally important that the SFP is reconfigured so that it benefits the students in lower wealth districts who need it most, instead of exacerbating the unequal distribution of resources between districts.

Unfortunately, AB 247 as currently written would have virtually no impact on the current inequity of SFP funding. In this post we outline some key considerations for a meaningful reform effort and illustrate the distributional impacts of different possible approaches, in hopes that this analysis moves the conversation forward to the benefit of California's students.

The problem with California's school facility funding

In "For Equity's Sake" (March 2024) we documented the inequitable distribution of modernization funding by California's School Facility Program (SFP).[1] Our analysis of state modernization spending from 1998-2023 found that wealthier districts—those with higher assessed property values per student—received significantly more state funding per student than less wealthy districts. Other studies have found similar inequities: districts with lower household incomes and lower property values receive less modernization funding per student from the state and raise less local funds through voter-approved bond initiatives.

This inequity is the inevitable outcome of the SFP funding structure. A school district's ability to raise funds for modernization projects depends on local property values. Districts can ask voters to approve local bond measures up to 2.5% of assessed property values (or 1.25% for elementary and high school districts). Districts with higher-value commercial and residential property can raise far more per student than lower-wealth districts. The SFP then matches that funding—60% of total project costs to the district's 40%.

This approach is out of alignment with how California funds general education expenses: by allocating funds based on local need. The SFP's dependence on local property values reproduces the inequity that plagued all education spending in California before the state stepped in to supplement local property tax revenue with state funds.

Instead, the structure of SFP modernization funding compounds the inequity in districts' [illegible] to raise local funds. Local funding—generated primarily through local bond measures—make 84% of all school capital infrastructure spending. It is well-documented that wealthier districts

SFP. In 2022, the California State Auditor identified the need for both more overall funding and a more equitable funding strategy.

The progress California has made towards equity in its general education funding is undermined by the state's approach to school facility funding. Inadequate facility funding affects student outcomes. When districts cannot raise funds to modernize schools, they may have to spend general funds just to keep buildings safe and functioning, reducing their funds for core educational activities. Poor facility quality is linked to worse educational experiences for children, deepening educational inequality. An estimated 38% of California students attend schools that do not meet minimum facility standards for essential health and safety.

Revisiting 25 years of SFP inequity

First we want to illustrate the nature of the inequities at stake here. Our analysis of Office of Public School Construction (OPSC) records from 1998-2023 found that SFP modernization funding goes disproportionately to higher-wealth districts with lower percentages of unduplicated students (Table 1). We grouped districts into quintiles based on the total modernization funding they received per student and found the following:

- **Districts receive very different amounts per student.** Districts in the 1st (lowest) quintile received a median $1,393 in modernization funding per student; districts in the 5th (highest) quintile received 8 times that: over $11,000 per student.
- **Districts receiving the least amount of state funding are significantly less wealthy.** The median assessed value of the least-funded districts was less than $800,000 per student, about ⅓ of the median for the highest-funded districts.
- Districts receiving the most funding per student are much smaller on average than those receiving the least amount of funding per student.
- Districts receiving the least funding had higher percentages of unduplicated students, but within a relatively narrow range.

	Least	2nd	3rd	4th	Most
Districts	162	161	162	161	161
Students	1,262,457	1,260,268	1,463,824	1,149,218	448,990
Modernization $ per student*	$1,393	$3,313	$5,302	$7,508	$11,008
Assessed value per student*	$798,253	$1,007,508	$1,409,188	$1,861,408	$2,323,063
Bonding capacity per student*	$12,848	$17,983	$24,560	$33,132	$35,274
Unduplicated pupil percentage*	68%	69%	63%	52%	59%

** Values are medians*

Districts that received no funding from the modernization program were about average in terms of bonding capacity per student and unduplicated pupil percentages (Table 2). However, they were significantly smaller than districts that did receive funding: they have a median size of just 137 students—a tiny fraction of median district enrollment (over 2,000 students). This may reflect the difficulty that very small districts have in accessing the School Facility Program. The vast majority of those districts would be eligible for financial hardship under the current $5 million bonding capacity threshold; all but 22 would be eligible under the increased $15 million bonding capacity threshold proposed in AB247 (we discuss financial hardship in greater detail below).

Table 2. Districts that received no SFP modernization funding

Characteristics of districts that received no SFP funding from 1998-2023

Characteristics	Unfunded districts	Comparison to statewide medians
Districts	125	13% of state districts
Students	121,180	2% of statewide enrollment
Assessed value per student*	$1,988,137	1.5 times higher
Bonding capacity per student*	$26,336	1.1 times higher
Unduplicated pupil percentage*	64%	3 percentage points higher
Median Enrollment	137	7% of state median

** Values are medians*

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Figure 1: Median assessed value per student

By quintiles of SFP modernization funding received per student

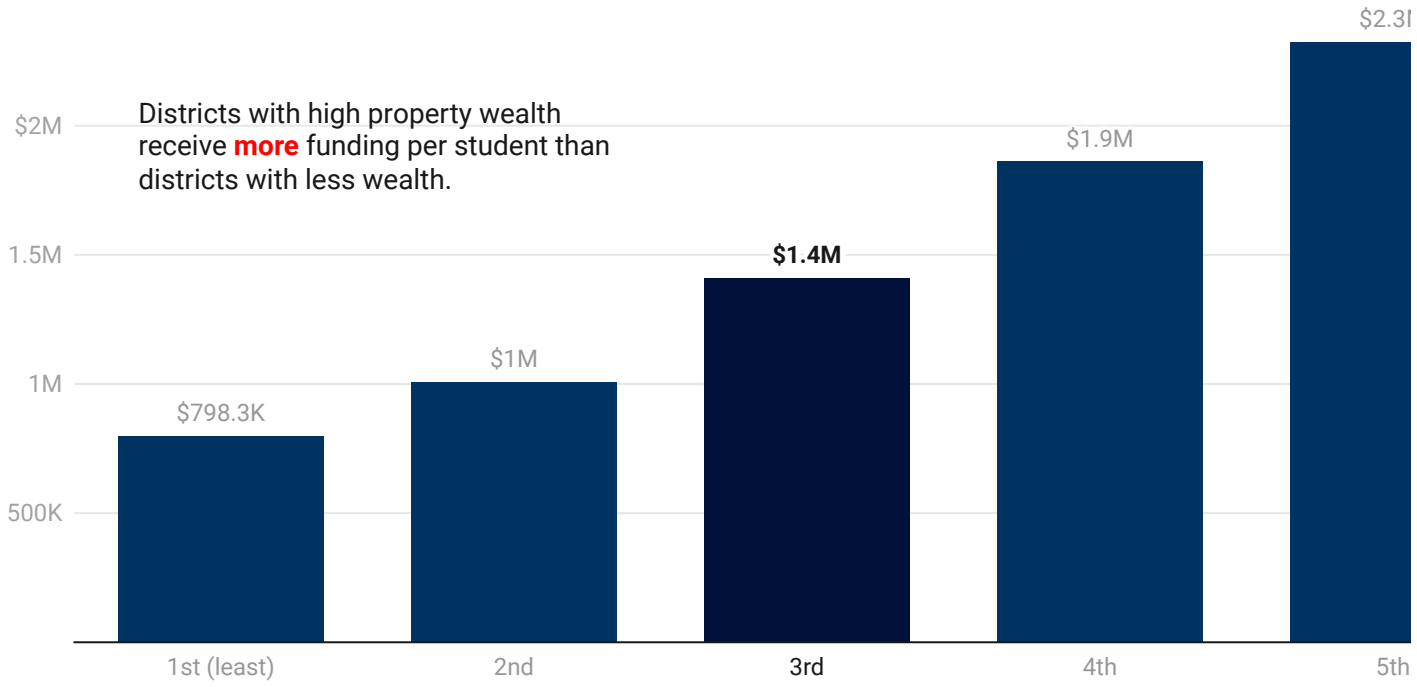


Chart: Sara Hinkley, Center for Cities + Schools • Get the data • Created with Datawrapper

Policy options for equitable modernization funding

California's school facilities are in desperate need of investment. (For analysis of the scale and scope of this need, see our paper, Gauging Good Stewardship.) Ensuring that students have equal access to safe and healthy school facilities will require significant restructuring of the state's approach to filling the gaps in what local funding can provide students.

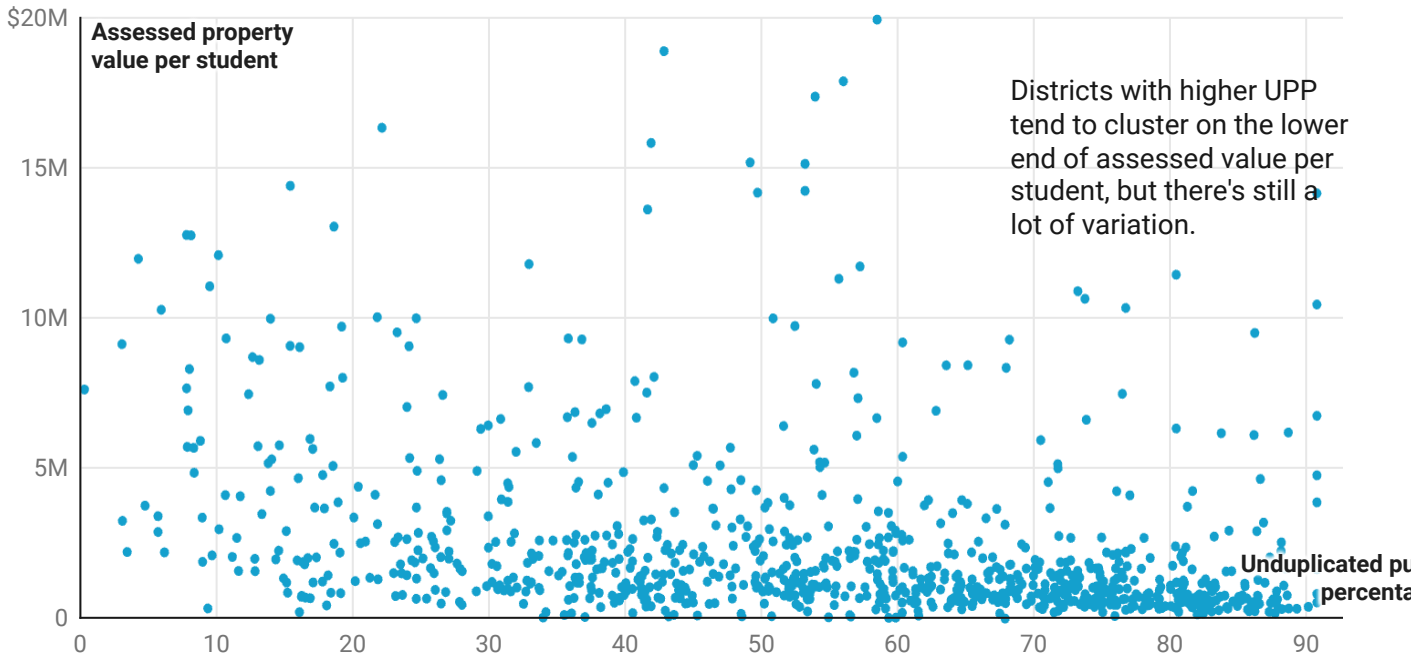
Based on our analysis of the past 25 years of SFP funding, we have identified six recommendations for moving California toward equitable facility funding:

1. Increase funding for the School Facility Program through a statewide bond
2. Change the state match to a progressive scale based on property wealth per student
3. Expand financial hardship eligibility and funding
4. Address the inequities inherent in a first-come-first-served model
5. Collect data on facility quality to anticipate and prioritize district needs
6. Periodically assess progress on addressing SFP funding disparities

Measures of district wealth versus student need

California's model for allocating annual general education operations funding—the Local Control Funding Formula (LCFF)—provides a base funding level for every district and supplemental funding based on measures of student need. Unlike school facility funding, how much a district spends on general education operations does not depend on its own property tax base. While the LCFF represents the core principle of equity that we want to see applied to facility funding, there are some important differences between general education and facility spending:

- The primary LCFF tool for achieving equity—supplemental funding based on unduplicated pupil percentage (UPP)—is not a good proxy for local need for facility support (see Figure 2). The primary reason for the wide gap in infrastructure spending between districts is the difference in **local property values**, which is only partially correlated with student need. When UPP is used as a basis for allocating the state facility match (as is proposed in AB 247), the wealth-based inequities will persist.
    - One option would be to use high levels of UPP as an additional criteria for supplemental funding. For example, the state match could be increased for districts with **both** low wealth and high percentages of unduplicated pupils. (This would be similar to the concentration grants that LCFF awards districts with very high concentrations of unduplicated pupils).
- LCFF provides a base level of funding for every student, based on the assumption that schools are generally providing the same level of services. But the same assumption doesn't work for facility spending. Districts have very different needs depending on building age, condition, and other factors, and those needs vary vastly over time as buildings go through cycles of deterioration and modernization.
    - One solution would be for the state to collect much better data on school facility conditions and qualities, which could form the basis of an improved system for getting state funds to the most urgent and important projects, as we outline below.



Unduplicated pupil data from California Department of Education
Assessed property value data from Eastshore Consulting
Top 2 AV per student districts omitted

Measuring equity

We measure the degree to which a policy reform promotes equity by looking at the predicted median level of modernization funding per student for the lowest-to-highest wealth districts: we group districts into quintiles of **assessed value per student**. *(See the technical appendix for a note on the relationship between assessed value and bonding capacity).*

Districts with higher assessed values per student are much smaller on average, and have raised far more local dollars per student. They also have much lower unduplicated pupil percentages. The median assessed value per student is more than **ten times higher** for the highest (wealthiest) quintile compared to the lowest (poorest).

	Lowest	2nd	3rd	4th	Highest
Districts	162	161	162	161	161
Students	1,169,807	1,241,833	1,658,177	995,652	519,288
% statewide enrollment	21%	22%	30%	18%	9%
SFP mod $ received per student*	$2,973	$4,185	$5,809	$5,842	$7,907
Assessed value per student*	$481,462	$860,720	$1,313,649	$2,200,921	$5,087,857
Bonding capacity per student*	$7,698	$16,930	$19,732	$32,015	$83,655
Unduplicated pupil percentage*	82%	70%	64%	51%	40%

** Values are medians*

With this metric in mind, here are our 6 recommendations for changes to the SFP modernization program:

1. Increase funding for the School Facility Program

The state has not passed a school infrastructure bond since 2016. General fund allocations have not met the growing need for urgent repairs, modernization, and educational improvements across the state. Although the state does not collect data to estimate infrastructure needs, CC+S and others have documented the significant need across our schools: in 2022, the California state auditor projected the need for $7.4 billion in state funding over the next five years. That figure will have grown significantly since then, especially given the urgency of making our schools climate resilient so that students' education is not disrupted by heat waves, wildfires, and other climate disasters. Our own analysis estimates that California's statewide public K-12 school facility inventory needs at least $15 billion in total capital renewal investment
each year.

In an April Assembly Committee hearing, OPSC stated that without a state bond, they will exhaust available state funds by spring 2025 if they apportion funds at current rates. With the zeroing out of SFP funding in the 2024-25 budget, that will happen months earlier. The shortage of funding especially harms lower-wealth districts, which cannot cover project costs while they wait for state reimbursement (a common practice for wealthier districts).

2. Change the state match to a progressive range tied to district property wealth

Local property wealth is the single most important factor affecting a district's ability to improve its school infrastructure. **Assessed value (or bonding capacity) per student *must* be the centerpoint of any strategy for improving equity.**

The SFP modernization program currently requires districts to raise 40% of project funding locally; the state provides a 60% match for approved projects (we discuss financial hardship supplemental funding below).

AB247 proposes a very moderate increase in state match: from 60% to up to 65% for districts with the highest level of points. Points are determined by bonding capacity per student, unduplicated pupil percentage, and size. Our analysis finds that **the changes in AB247 will make no meaningful improvement towards equity**, both because the match increase is too small to be significant, and because the points system does not address the fundamental factor driving existing equity: unequal levels of district property wealth.

Our two proposed models base the state match on deciles of assessed value per student (see technical appendix for details). Dividing districts into deciles provides a less steep dropoff from one match level to the next; a policy that bases state match on wealth could also use quintiles, or a linear sliding scale.

Current SFP	60% state match, plus financial hardship	Wealthier districts get more modernization funding per student, and a greater share of modernization funding.
AB 247	60-65% state match, based on points for bonding capacity per student and unduplicated pupil percentage	Almost no impact on the distribution of modernization funding by district wealth.
Model #1	60-100% state match, based on deciles of assessed value per student	Wealthier districts would continue to receive the most funding per student and a larger share of total state funding, even with a 100% match for the neediest districts.
Model #2	20-80% state match, based on deciles of assessed value per student	Distribution of funding more closely aligns with enrollment, and wealthier districts get less state funding per student than low-wealth districts.

We calculate the new share of modernization funding per student for AB247 and our two models, as well as the distribution of funds across the lowest-to-highest wealth quintiles of districts (See Figures 3 and 4). We held the total amount of modernization funding constant ($27.5 million).

Figure 3 illustrates the funding per student that would have been received under alternative models of state match for modernization projects.

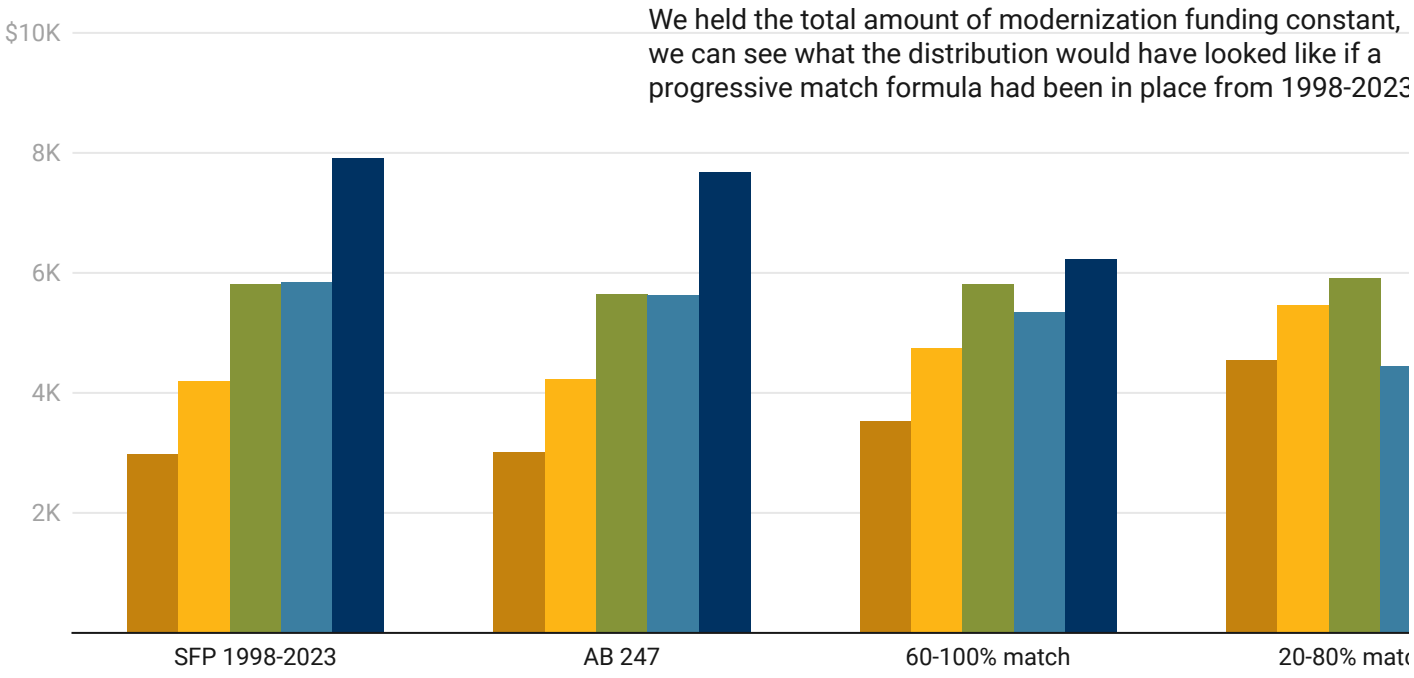


Chart: Sara Hinkley, Center for Cities + Schools, UC Berkeley • Get the data • Created with Datawrapper

Figure 4 illustrates the extent to which actual SFP funding from 1998-2023 favored wealthier districts; only with the 20-80% state match of Model #2 does the distribution of modernization funds come close to the actual distribution of students between the lowest and highest wealth groups of districts.

Figure 4. Policy reforms and share of modernization funding

Quintiles with equal enrollment, based on assessed value per student

	Lowest	2nd	3rd	4th	Highest
Baseline: Share of state enrollment	20	20	20	20	20
SFP 1998-2023	13	17	18	24	29
AB 247	13	17	18	24	28
Model #1	15	19	19	23	24
Model #2	19	22	20	22	18

These figures make clear that it will be very difficult to address the inequity in facility funding without adopting a much broader range of state match percentage, reflecting the vast differences in lc wealth. Several states have adopted similarly broad ranges of [state support], tied to local wealt and/or facility needs.

40% local match for modernization projects, and is often touted as a way to address significant equity. But over 25 years, financial hardship funds made up **less than 3%** of total SFP modernization funding. In most cases, the amounts awarded are quite small: the median financial hardship award was only $919 per student. As LCFF illustrates, supplemental programs can be a valuable tool for enhancing equity by targeting specific needs. But the current scale of the financial hardship program is far too small to make a difference. The financial hardship apportionment may increase the state's contribution to overall project costs up to 100%, although the typical project match is far lower than that (28% for all modernization projects).

The eligibility criteria should also be expanded to address the wealth disparities driving funding inequities. Under current law, districts are eligible for financial hardship by meeting specific criteria, including:

- Bonding capacity below $5 million
- Debt level at 60% of bonding capacity
- Evidence that all local efforts have been exhausted to levy the match

The primary criteria by which districts qualify for financial hardship is having less than $5 million in total bonding capacity. In 2021-22, only 178 districts were below this threshold, enrolling a total of 53,197 students (about 1% of statewide enrollment).

AB 247 proposes to increase the threshold to $15 million, which would bring in an additional 147 districts and 135,270 students. This is still a very small number of students and benefits primarily very small elementary school districts, which have relatively high levels of assessed property value per student.

However, this threshold is meaningless for larger districts that face significant challenges in passing local bonds to meet the state match because of their low wealth per student. Allowing districts with 50% of the median bonding capacity per student to qualify for financial hardship funding would reach a much larger share of students in lower-wealth, higher-need districts.

We evaluated the impacts of both AB247's expanded eligibility and a per-student bonding capacity threshold, as outlined in Table 5.

Current SFP	Below $5 million in total bonding capacity	178 districts, enrolling only 53,197 students. Median bonding capacity per student $16,871—70% of median of all districts. UPP similar to state average.
AB 247	Below $15 million in total bonding capacity	An additional 147 districts enrolling 135,270 students. Median bonding capacity per student just slightly higher ($17,167). UPP similar to state average.
Our recommendation	Below 50% of the median bonding capacity for student for the same district type (ESD / HSD / USD)	An additional 78 districts enrolling 819,554 students. Median bonding capacity per student 50% of districts under $15 million and 35% of median for all districts. Median UPP rate of 87%—40% higher than state average.

Expanding financial hardship as proposed by AB 247 primarily benefits very small elementary districts without addressing the real hardship faced by larger districts with very low levels of property wealth. While a sliding progressive scale of state match would go a long way to helping these districts, if the state maintains a financial hardship program it must consider one that doesn't exclusively benefit very small districts. Using a measure of bonding capacity calculated by district type would allow USDs with very low levels of property wealth to access additional state support.

Table 6. Districts and students covered by expanded financial hardship eligibility criteria

< 50% median bonding capacity per student based on bonding capacity by district type (USD / ESD / HSD)

District type	< $5 million		$5 - 15 million		< 50% median bonding capacity per student	
	Districts	Students	Districts	Students	Districts	Students
USD	10	13,135	26	15,212	43	533,384
ESD	167	39,996	118	119,146	30	247,438
HSD	1	66	3	912	5	38,732
Total	**178**	**53,197**	**147**	**135,270**	**78**	**819,554**
Unduplicated pupil percentage*		64%	--	63%	--	87%
Bonding capacity per student*		$16,872	--	$17,168	--	$8,418

** Median values calculated for all districts*

The first-come first-serve model structurally advantages higher-wealth and higher-capacity districts, particularly when district applications for funding exceed available funds. Wealthier districts can move ahead with projects while awaiting state funds; less wealthy districts are forced to delay or forgo important projects until they actually get the state funding (the 2022 State Auditor's report discusses this at length).

AB247 proposes some valuable strategies for small school districts that could also be adopted for low-wealth districts:

- Allocate preliminary apportionment funds to a subset of low-wealth districts (as AB247 currently proposes for small school districts, and as current law provides for critically overcrowded schools) so that funds are guaranteed to be available once the application process is complete. The state auditor noted in 2022 that the lengthy application process disadvantages lower-wealth districts because of the delay caused by waiting for funds to be available.
- Set aside a portion of funds by reserving a portion of bond authority for specific categories of applicants. AB247 currently proposes to allocate 10% for districts with fewer than 2,501 students—this captures more than 60% of districts, but less than 7% of enrollment, and is not tied to any measure of local wealth. Set asides for lower-wealth districts could also ensure that a greater share of state funds goes to districts that need it most.
- Provide technical assistance to districts with high levels of need, and apportion funding for design and site grants to support such districts.

5. Collect data on facility quality and estimated modernization needs

The state is significantly hampered by its lack of centralized documentation and estimation of school facility conditions, qualities, and needs. Neither the OPSC nor the Division of State Architects maintain data on the age of school buildings despite having access to this information through their program activities (the 2022 California auditor report emphasizes this point). Some data on school age, HVAC condition, and climate risks is scattered across local and state systems. This data could inform decisions about the need for SFP modernization funding and guide funding to the most urgent needs.

This data could also help policymakers understand the inequities in access to suitable school buildings. It is impossible to know whether previous patterns of funding requests are a good

6. Periodically assess progress on addressing funding disparities

Finally, progress will be difficult without a mechanism for evaluating the distribution of SFP funding in relation to some set of equity metrics, and a commitment to adjusting policy as needed to meet those metrics. As the state gathers data on district facilities, this progress assessment should include review of the level and urgency of facility modernization needs.

Is state facility funding being spent effectively and equitably to give every California student an equal opportunity to learn in a suitable facility? We know that the answer to that question today is "no." California's policymakers and voters have an opportunity now to take steps to change that.

Footnotes

1. This report focuses on SFP modernization funding, which functions very differently from SFP new construction funding, which is targeted primarily to districts experiencing enrollment growth. Going forward, we anticipate that few districts will access new construction funding as most California districts are facing declining enrollment. ↩

Technical appendix: sources and methods

Data sources

District and student data: Enrollment, unduplicated pupil counts, and district demographic data is from California Department of Education, 2022-23 school year. Downloaded from https://www.cde.ca.gov/ds/ad/filesenr.asp and https://www.cde.ca.gov/ds/ad/filescupc.asp. For total enrollment we use the enrollment variable in CalPADS.

Assessed property value data: Provided by Eastshore Consulting in Oakland, California, 2021-22 fiscal year (nominal values). For districts where 2021-22 data was not available, we adjusted the most recent available year's data by the average increase from the previous year in adjacent counties. Bonding capacity by district is calculated as 1.25% of assessed value for elementary and high school districts, 2.5% of assessed value for unified districts.

Components for Construction (WPSID612) https://fred.stlouisfed.org/series/WPSID612. We adjust each year's data to 2023 $ before totalling over the full time period.

How we model policy impacts

We use the universe of 1998-2023 SFP modernization funding to estimate the distribution of state modernization funds if the state match ratio were changed. Over 25 years of data, 807 districts received state funds at least once. These estimates cannot be perfect, because in the coming years a different mix of districts will pursue funding. However, with such a large set of data we can assume that patterns will be roughly similar. Perhaps the biggest unknown is the number of projects that would move forward if the state match were significantly increased for lower-wealth districts.

To estimate the new amount of modernization funding a district would receive, we multiply the actual state funding received by the amount of increase in state match for that district.

- New funding = [modernization amount * (new share / .60)] + original financial hardship amount

The amount of financial hardship funding awarded is such a tiny proportion of overall funds awarded historically that the most important value for evaluating the equity impacts of a change in state match is the impact on core modernization funding.

For models #1 and #2, we divided districts into even deciles based on assessed value per student, and assigned a state match as follows:

Assessed value decile	State match: model #1	State match: model #2
1 (lowest)	1.00	0.80
2	0.96	0.76
3	0.915	0.69
4	0.87	0.62
5	0.825	0.55
6	0.78	0.48

9	0.645	0.27
10 (highest)	0.60	0.20

A note on assessed value versus bonding capacity

We use assessed value per student rather than bonding capacity per student to evaluate the outcomes of policy reforms, following the model of similar studies (e.g. PPIC 2022 and Brunner & Vincent 2018). Both assessed value and bonding capacity are measures of relative district wealth, but they function differently for unified versus non-unified districts. Policy reforms should be evaluated using both measures to fully understand how they might impact distributional outcomes.

Assessed property value includes both commercial and residential property, and is the total value of that property within the geographic bounds of the district. **Bonding capacity** represents the total amount of bonds (debt) that a district can issue through voter approval to borrow funds for facilities spending. The revenue stream paying back the bonds is the annual tax charged to property owners based on their property's assessed value. The amount taxpayers will be charged is calculated by determining the rate per $ value that is needed to pay the annual debt service on the bonds.

The state sets bonding capacity for districts at 2.5% of assessed property value for unified school districts (USDs), and 1.25% for high school and elementary school districts (HSDs & ESDs). Because of the 1.25% limit, HSDs & ESDs have much lower bonding capacity per student than USDs, even if their assessed value per student is relatively high. So we use assessed value as a better measure of the actual wealth in a district. Because the actual tax will be based on the entire assessed value, and the ability of districts to pass bonds is related to the perceived tax burden by voters, we believe that assessed value per student is the best indicator of a district's relative ability to access local wealth and therefore our preferred measure for evaluating the equity of policy outcomes.

However, ESDs in particular are often very small. For that reason, they are much more likely to qualify for financial hardship funding (see above). Thus, a policy that includes some type of supplemental funding based on very low overall bonding capacity or relatively low bonding capacity per student may also serve an important purpose for achieving equity.

CC+S speaks at White House Summit on Sustainable and Healthy K-12 School Buildings and Grounds

CC+S Research on State Funding Inequity Cited in EdSource Coverage of Possible State Facility Bond

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