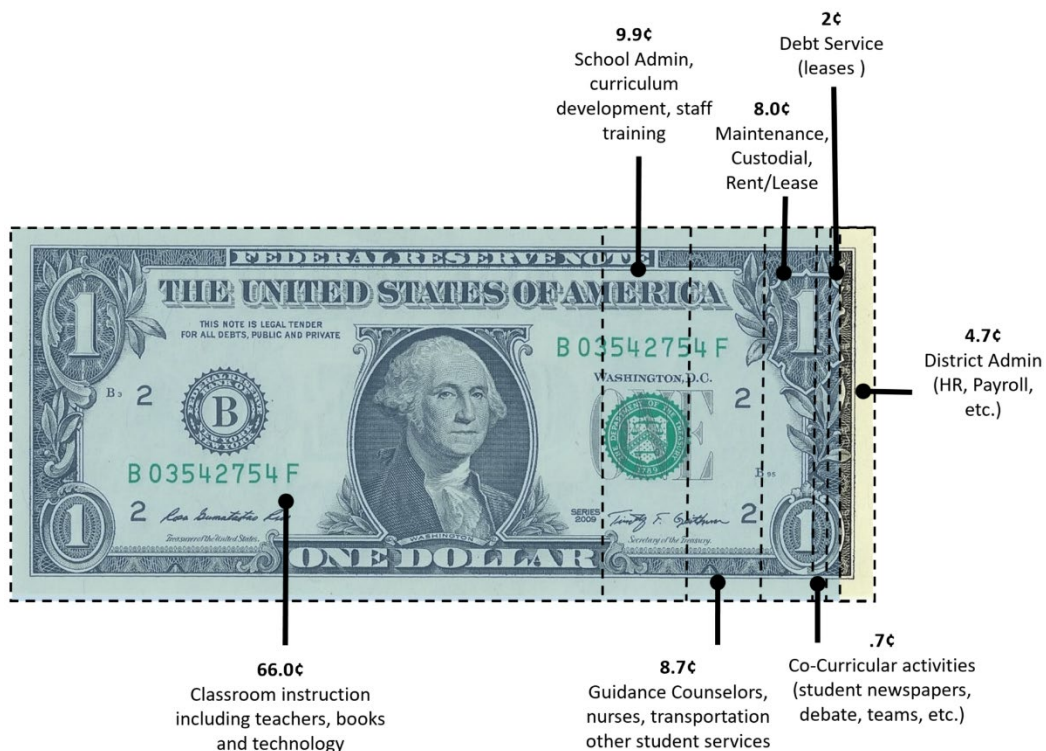


## How Public Schools are Built and Modernized

**Question:** Why don't school districts use their current operating budget to pay for new school facilities and/or upgrades?

**Answer:** Each year, public schools in California receive funding as a combination of local property taxes and state funding. These yearly funds are for providing education to students by providing funding for teachers and other classroom support. To clean, maintain, as well as provide for deferred maintenance to existing facilities.

Below is a graphic illustrating how yearly operating funds are allocated to resources for educating students:



**Question:** So how do new schools get built?

**Answer:** Let us use the recent construction of Esencia K-8 school in Rancho Mission Viejo in 2018 as an example of how a new school is built using local tax dollars.

The Community Facilities Act was a law enacted by the California State Legislature in 1982. The name Mello-Roos is derived from its co-authors, Senator Henry J. Mello (D-Watsonville) and Assemblyman Mike Roos (D-Los Angeles).

When Proposition 13 passed in California in 1978, it limited the property tax rate and the ability of local governments to increase the assessed value of real property by the lesser of 2% or the annual change in the California Consumer Price Index. As a result, the ability to fund public services and for the construction of public facilities such as schools was significantly curtailed. New ways to fund local public improvements and services were considered and adopted by the California State Legislature. A Mello-Roos tax is a

property tax that still follows the requirements of Proposition 13 (which limits property taxes based on the assessed value of real property) because it is not levied on the assessed value of real property but by other metrics, typically per square foot, per unit, or per acre.

After the County of Orange approved Rancho Mission Viejo's (RMV) request to develop 14,000 homes, RMV was required to pay developer fees to the school district to mitigate the impacts of these new homes on local schools. Rather than pay the fee, the developer entered into a mitigation agreement with the school district. As part of the same development, RMV also entered into an agreement with the County of Orange to be the lead agency on new Mello-Roos community facilities districts (CFD). As part of the mitigation agreement, the school district would enter into a joint community facilities agreement (JCFA) with the County of Orange to fund the new school (Esencia K-8).

When purchasing homes in developments of Sendero and Esencia, as required by law, the terms of the Mello-Roos are disclosed to the homebuyer. The Mello-Roos taxes, paid by these homeowners, are the source of funds to pay for bonds that fund the property purchase and construction of Esencia K-8. However, the State of California funds roughly 50% of the total cost for the new school. Both the Mello-Roos bond funds and State funds are from a combination of the local homeowners in the new development and California taxpayers. Bonds from the Mello-Roos also fund the County's infrastructure as part of the new development such as roads, sewers, fire stations and bridges.

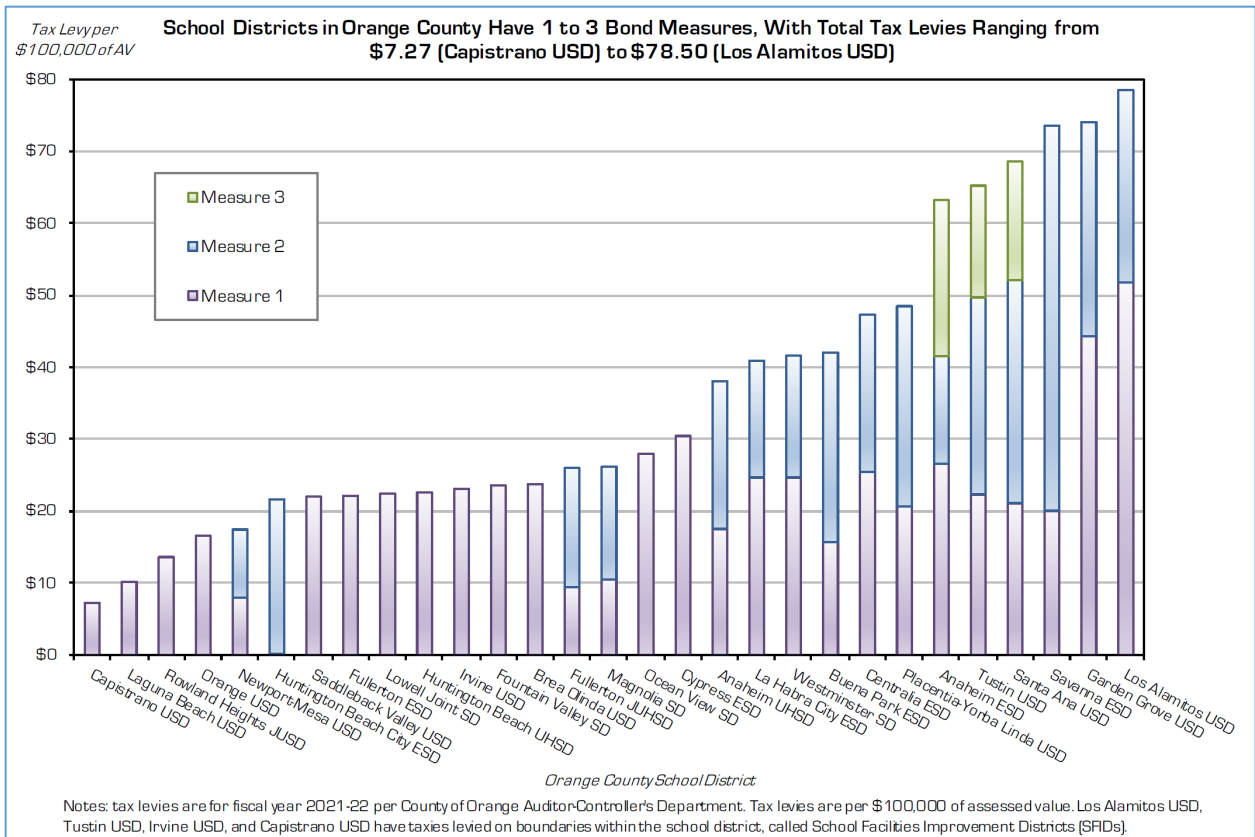
**Question:** What happens when a school has aged 40 years and needs modernization or replacement?

**Answer:** In cases where a school has aged to the point that it requires modernization or replacement, again, the local taxpayers along with the State fund these projects. However, in order for the State to provide the matching funds, the local community must provide a match. These matching funds are typically generated with a voter approved general obligation (GO) bond measure.

School districts can either pass a Prop 39 bond where a 55% approval rate is required for passage. These can only take place in even years and when a general election is already planned. Otherwise, at any other time, a two-thirds approval rate is required for passage.

**Question:** Have other school districts passed GO bonds to fund their schools?

**Answer:** Yes, school districts have received voter approval for over 600 GO bond measures since 2010, of which more than 20 were by school districts in Orange County. Capistrano Unified School District last passed a GO bond in 1999. This bond was called Measure A and was for \$65 million dollars. Measure A is expected to be paid off in fiscal year 2025-26. The chart below shows the number and total tax rate for GO bonds in all school districts in Orange County.



Some people reside within communities that are served by two school districts: an elementary school district and a high school district, while other people reside within communities that are served by a single unified school district that serves both elementary and high school grade levels. Capistrano Unified School District serves the entire K-12 grade span. The table below shows the total tax rate for GO bonds in all school districts in Orange County by each community.

**Total Tax Levies for School Bond Measures in Orange County**

		<i>Elem.</i>	<i>High</i>	<i>Unified</i>	<i>Total</i>
	<u><i>School District</i></u>	<u><i>Tax Levy</i></u>	<u><i>Tax Levy</i></u>	<u><i>Tax Levy</i></u>	<u><i>Tax Levy</i></u>
Savanna ESD	Anaheim UHSD	\$73.55	\$38.04		\$111.59
Anaheim ESD	Anaheim UHSD	\$63.21	\$38.04		\$101.25
Centralia SD	Anaheim UHSD	\$47.33	\$38.04		\$85.37
Los Alamitos USD				\$78.50	\$78.50
Garden Grove USD				\$74.08	\$74.08
Santa Ana USD				\$68.58	\$68.58
Cypress SD	Anaheim UHSD	\$30.45	\$38.04		\$68.49
Buena Park ESD	Fullerton JUHSD	\$42.06	\$25.99		\$68.05
La Habra City ESD	Fullerton JUHSD	\$40.90	\$25.99		\$66.89
Tustin USD *				\$65.23	\$65.23
Magnolia SD	Anaheim UHSD	\$26.19	\$38.04		\$64.23
Westminster SD	Huntington Beach UHSD	\$41.60	\$22.60		\$64.20
Ocean View SD	Huntington Beach UHSD	\$27.96	\$22.60		\$50.56
Placentia-Yorba Linda USD				\$48.49	\$48.49
Lowell Joint SD	Fullerton JUHSD	\$22.42	\$25.99		\$48.41
Fullerton ESD	Fullerton JUHSD	\$22.13	\$25.99		\$48.12
Fountain Valley SD	Huntington Beach UHSD	\$23.56	\$22.60		\$46.16
Huntington Beach City ESD	Huntington Beach UHSD	\$21.62	\$22.60		\$44.22
Brea Olinda USD				\$23.76	\$23.76
Irvine USD *				\$23.10	\$23.10
Saddleback Valley USD				\$22.00	\$22.00
Newport-Mesa USD				\$17.44	\$17.44
Orange USD				\$16.56	\$16.56
Rowland Heights JUSD **				\$13.62	\$13.62
Laguna Beach USD				\$10.18	\$10.18
Capistrano USD *				\$7.27	\$7.27

Notes: tax levies for FY 2021-22 per Orange County Auditor-Controller.

Tax levies are per \$100,000 of assessed value.

\* bonds issued in School Facilities Improvement District(s) involving most but not all of the school district boundary, excluding "Mello-Roos" community facilities district boundaries with school tax levies already in place.

\*\* portion of school district is in Orange County and portion is in Los Angeles County.

