



November 18, 2016

CS NEWSFLASH: **IMPACTS OF PROPOSITION 51**

Voters recently passed the state school facilities bond measure, Proposition 51, with a 54% approval rate. With this, the State is now authorized to issue up to \$9 billion in bonds to fund new construction and modernization projects. However, there are certain challenges and questions that have arisen with the passage of Proposition 51, as detailed below.

Bond Issuance Timing:

Depending on the timing of bond sales, it's not certain when Local Educational Agencies ("LEAs"), who've been waiting for funding of approved or acknowledged applications, will begin to see funds flowing from the State Allocation Board ("SAB"). Based on the applications on the various unfunded lists, around \$2.1 billion of the combined \$6 billion for modernization and new construction is already spoken for. A rush of applications for numerous projects is expected, especially given the large number of local bonds that were approved on November 8th. Since the rate of application submittal will rise, moving forward on applications quickly will be key to securing funds from Proposition 51.

Construction Costs:

The passage of Proposition 51 and the approval of more than 150 local general obligation bonds will add demand to a construction market, which is already seeing increased prices, resulting in heightened costs for materials and labor. LEAs should keep this inflation in mind as they prioritize their projects and create funding programs that can incorporate future price escalation.

Level 3 Fee Impact:

The approval of Proposition 51 likely means the window for charging Level 3 developer fees will close shortly for school districts that implemented them following the SAB's earlier actions. We may know as soon as the SAB December meeting where they will land on Level 3 fees.

Cooperative Strategies will continue to be in contact with any updates. If you have any questions about how to proceed with your projects or Proposition 51 funding, please do not hesitate to contact us 949.250.8320 or info@coopstrategies.com.

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