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Inequity and Privatization in School District Facilities Financing: A Mixed Methods Study

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Inequity and Privatization in School District Facilities Financing: A Mixed Methods Study

By

Marialena Dawn Rivera

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Committee in charge:

Professor Janelle T. Scott
Professor Tina Trujillo
Professor Robert B. Reich

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Abstract

Inequity and Privatization in School District Facilities Financing:
A Mixed Methods Study

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Marialena Dawn Rivera

Doctor of Philosophy in Education

University of California, Berkeley

Professor Janelle T. Scott, Chair

This study examines contracting out for public services to the private sector and the increased use of consultants as examples of the growing reliance on new public management strategies in public education. Although the extant literature has examined aspects of educational resource inequality, the growing privatization of core educational services, and education facilities bonds, scholars have not yet sufficiently considered the implications of education facilities finance policies for equity or as part of the broader privatization trend. To address these conceptual and topical gaps, this mixed methods dissertation draws on the tools of fiscal sociology and critical policy analysis to examine how California education finance policies have shaped the current system of school district debt financing over time, the sociopolitical factors (such as district median household income) that influence how districts interact with private organizations in the bond process (such as the level of involvement of private organizations and the fees paid to these organizations *per student*, and how these fees have changed over time), and how school districts' experiences with school district debt financing policies vary.

Despite record spending on school construction in the decade leading up to the 2008 recession, investment in school facilities attended by minority and low-income students was far less than for their white and middle class counterparts (Filardo, Vincent, Sung, & Stein, 2006). Student access to equitable facilities in many states is largely determined by local wealth, voters' willingness and ability to raise their own taxes to finance school construction through bond sales, and the nuances of state policies. Though the state of California has improved its educational funding policies over time, inequitable facilities funding persists despite policy reforms. In California, when districts prepare to construct and modernize educational facilities, they typically work with a team of private consultants and contractors to navigate the municipal bond financing process.

Findings indicate that California's policy goals for providing equitable facilities for students fall short when school districts implement facilities policies, given the inadequacy of state funding mechanisms. The state's reluctance to equitably fund facilities and the Governor's plans for impending state disinvestment have allowed for an environment where private actors not only flourish, but also influence the policy process.

Shortfalls in state support and training have led to the rise of private actors in the facilities financing industry that have stepped in to fill—and profit from—the void. I find that financial expertise comes at a high cost, particularly for elementary school districts and districts with lower median household income. School districts vary in their ability to pay for financial expertise, and when combined with existing political and ethical problems with a highly variable field of consultants and contractors, the absence of clear state guidance leaves school districts with varying abilities to implement complex state facilities policies, contributing to facilities inequities. When considered alongside the escalating costs school districts are paying for services on the operations side of the budget, these findings help portray the fuller extent to which resources are being transferred from the public to the private sector through contracting in an increasingly neoliberal system that already forces school districts to compete with one another for dwindling state funding.

Though this research has demonstrated that the field of contractors and consultants profiting from contracts with school districts for facilities financing, modernization, and construction is complex and growing, the issue is not whether there is "too much" privatization. Policies that have allowed for the rise of privatization in educational facilities financing and the implications of increasing privatization are far more consequential for educational inequity. I find that privatization impacts the distribution of power and resources between school districts and private actors, and affects facilities outcomes, particularly with regard to equity. California's leaders will allow facilities to remain inequitable as long as the system for financing schools relies foundationally on disparate local property wealth and as long as school districts feel pressured to pay for financial expertise to navigate and compete within a complicated system. There remains a compelling need for state action to ensure educational equity for all students. I conclude that research on school facilities finance must shift its focus from efficiency and bond election outcomes to a broader consideration of the sociopolitical implications of privatization for educational equity.

To April Maldonado and Santos Rivera, my parents, who have always encouraged my love of learning: Thank you for the sacrifices you made for our family, for the examples you have set, and for your unconditional love.

To James Kachelmeyer, my husband and soul mate: Thank you for your insights, patience, encouragement, and unwavering love.

To Rose Rivera Kachelmeyer, my sweet, sweet daughter: Thank you for the endless joy.

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Acknowledgements

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I also thank the Social Science Research Council's Dissertation Proposal Development Fellowship for funding the dissertation pilot study. I thank the program mentors and fellows, especially Isaac Martin and Ajay Mehrotra, who were instrumental in shaping the foundation of this dissertation project.

Thank you, also, to the University of California Dissertation-Year Fellowship program for providing funding and support for this project.

I thank the researchers at the Public Policy Institute of California, who were generous teachers during the summer research internship that informed this project's research questions. From the heart, I thank the late Margaret Weston, my supervisor who cared so much about educational equity. I hope I can, in some small way, further her work.

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I sincerely thank my classmates, both past and present, at the University of California, Berkeley, particularly my peers in the Berkeley Review of Education and the Neoliberalism Research Group, for inspiring my thinking, providing invaluable feedback, and most importantly, for keeping me company along this journey.

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Most importantly, I offer my heartfelt gratitude to my loving family, to whom this dissertation is dedicated. None of this would have been possible without their encouragement, support, and patience over the years. Thank you.

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EDUCATION

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MPP	**University of California, Berkeley** Richard & Rhoda Goldman School of Public Policy Master of Public Policy, 2011
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RESEARCH INTERESTS

Education policy and politics, educational leadership for school improvement, educational equity, public financial management of school districts, governance reform, school finance, privatization, school choice, and alternative certification programs

SELECTED HONORS & AWARDS

2016	José A. Cárdenas School Finance Fellow, IDRA
2015-2016	University of California Dissertation-Year Fellowship
2013	Social Science Research Council Dissertation Proposal Development Fellowship

PAPERS

ACCEPTED

Scott, J., Trujillo, T., & Rivera, M. (2016). Reframing Teach For America: A conceptual framework for the next generation of scholarship. *Education Policy Analysis Archives, 24,* 12. doi: http://dx.doi.org/10.14507/epaa.24.2419

Trujillo, T., Scott, J., & Rivera, M. (In press). Follow the yellow brick road: Teach For America and the making of educational leaders. *American Journal of Education.*

Trujillo, T. & Rivera, M. (2014). Review of "The effect of co-locations on student achievement in NYC public schools." Boulder, CO: National Education Policy Center. Retrieved from http://nepc.colorado.edu/thinktank/review-effect-of-co-locations.

SUBMITTED FOR PUBLICATION

Rivera, M. The price of financial expertise: School district payments to private financial consultants. Under review.

PRESENTATIONS

CONFERENCE PRESENTATIONS

Rivera, M. (2016, April). *Privatization policies and shifting state responsibilities in the school facilities industry.* Presented in symposium at The Politics of Privatization in Education: New Governance, New Policy Networks, New Knowledge Brokers, New York City.

Rivera, M. (2016, April). *Debt, taxation, & privatization: Exploring the inherent inequities of local control school facilities financing policies.* Presented in roundtable session at the annual meeting of the American Educational Research Association (AERA), Washington, DC.

Rivera, M. (2015, April). *Consequences of privatization: School districts and their relationships with private financial consultants.* Presented in paper session at the annual meeting of the American Educational Research Association (AERA), Chicago.

Rivera, M. (2015, February). *Consequences of privatization: School districts and their relationships with private financial consultants.* Presented in poster session at the annual meeting of the Association for Education Finance and Policy (AEFP), Washington, DC.

Rivera, M. (2014, April). *School districts and debt financing: The relationship between public finance policies and private involvement in education.* Presented in paper session at the annual meeting of the American Educational Research Association (AERA), Philadelphia.

Trujillo, T., Scott, J., & Rivera, M. (2013, April). *Teach for America and the making of entrepreneurial leaders: Race, ideology, and elite networks.* Presented in paper session at the annual meeting of the American Educational Research Association (AERA), San Francisco.

Atwood J. R., Love, D., Perry, P., Rivera, M., & White, L. (2010, April). *Reintroducing DCPS: We support communities to build great schools.* Presented at the 2010 D.C. Public Schools Urban Education Redesign Challenge, Washington, DC.

INVITED PRESENTATIONS/TALKS

Rivera, M. (2015, October). *School district facilities financing and the sociopolitical dynamics of educational privatization.* Invited presentation to graduate school finance course at the University of Texas, Austin, TX.

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TEACHING EXPERIENCE

University of California, Berkeley

Graduate Student Instructor

Public Leadership and Management, 2012-2013 (2 semesters)
Goldman School of Public Policy
Graduate-level core course in leadership and public management

Social, Political, and Ethical Environment of Business, 2010
Haas School of Business
Undergraduate course required for all business students

Graduate Student Reader

Comparative Political Economy, 2011
Sociology, undergraduate course

New York City Department of Education

Middle School Teacher

Community School 211, Bronx, NY, math & social studies, 2007-2009

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2016 José A. Cárdenas School Finance Fellow
Factors of facilities construction and maintenance support: Expanding state investment in traditional public school facilities. PI: Marialena Rivera, IDRA, 2016

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Teach For America and civic engagement: A study of aspiring, current, and alumni corps members. PIs: Janelle Scott and Tina Trujillo, UC Berkeley, 2011-2014

Examining structural racialization and targeted universalism in the Oakland Unified School District. PIs: Na'ilah Suad Nasir and Tina Trujillo, UC Berkeley, 2013.

Master's Thesis
Effectively implementing two-way language immersion in Berkeley. UC Berkeley, 2011.

Public Policy Institute of California, San Francisco, California
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Mixed methods project examining school district debt in California. PI: Margaret Weston, PPIC, 2013.

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"Reducing Research Misuse and Disuse: Taking Your Work Beyond the Journal to Public Influence" with panelists Janelle Scott, Chris Lubienski, Angela Valenzuela, Gary Orfield, Patricia Gandara, Julian Vasquez Heilig, and Helen Ladd. AERA Division L Fireside Chat, April 2016.

"Taking the Fear out of Publishing" with panelists Michael Dumas, Alan Daly, Laura Hernandez, Jill Koyama, Lolita Tabron, and Stephen Jacobson. UCEA Annual Convention Graduate Student Breakfast, November 2015.

"The Economics and Politics of Space and its Appropriation: Implications for Justice" with panelists Jennifer Jellison-Holme, Chris Lubienski, Kara Finnigan, and Casey Cobb. AERA Division L Fireside Chat, April 2015.

OFFICES HELD

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2016	José A. Cárdenas School Finance Fellow, Intercultural Development Research Association
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2009	Sue Lehman Excellence in Teaching, Regional Finalist – New York
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2007	Barbara Jordan Business Leadership Award, University of Texas
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2005	Most Outstanding Student, Texas Parents Association, University of Texas

CONSULTING & PROFESSIONAL EXPERIENCE

2011-2012	*Student Teacher Supervisor* for University of San Francisco, supervising student teachers in the social justice teaching program
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2011	*Policy Analyst* for Berkeley Unified School District's Two-Way Immersion Language Program, conducting survey research and qualitative interviewing
2010	*Policy Analyst* for Caldwell Flores Winters, Inc., analyzing facilities funding and charter initiatives
2010	*Policy Analyst* for Alameda County Childcare Planning Council, analyzing unlicensed childcare programs

PROFESSIONAL DEVELOPMENT

2015	University of California System, Dissertation-Year Fellowship Program Fall Meeting, September 2015, Oakland
2013	Social Science Research Council, Dissertation Proposal Development Fellowship Workshops, Summer 2013, Minneapolis & Boston
2013	Dr. Carlos J. Vallejo Research Fellowship, AERA Conference, April 2013, San Francisco
2012	Politics of Education Boyd Mentoring Workshop, AERA Conference, April 2012, Vancouver
2012	Education Pioneers Fellowship, Summer 2012, Oakland

AFFILIATIONS & MEMBERSHIPS

American Educational Research Association (AERA); Association for Education Finance and Policy (AEFP); Phi Beta Kappa

DATA ANALYSIS SOFTWARE

Nvivo, Dedoose, Stata

Chapter 1 - Introduction

"It is totally unacceptable that there are millions of students across the country who are learning in dilapidated, obsolete and unhealthy facilities that pose obstacles to their learning and overall wellbeing. U.S. public school infrastructure is funded through a system that is inequitably affecting our nation's students and this has to change."
--Rick Fedrizzi, CEO and founding chairman of the U.S. Green Business Council

*"*California's public schools will spend billions of dollars over the next decade on new facilities, furniture, equipment, supplies and staff just to keep up with growth. Thus, there are terrific opportunities for businesses which are plugged into the school economy.*"*
--Coalition for Adequate School Housing website, Retrieved from https://www.cashnet.org/cps-facts/

"Municipal bond issuers [nationally] face upwards of $4 billion of issuance costs annually. This represents taxpayer and ratepayer money diverted from infrastructure development and service provision to a variety of financial industry interests."
--Marc Joffe, 2015, p. 19

Introduction

A growing sector of private actors is profiting from the financing, construction, and maintenance of America's school facilities, a taxpayer supported, multi-billion-dollar industry. In many states, policymakers have devised and perpetuated school finance systems that result in inequitable facilities across school districts, with low-income and minority students disproportionately suffering the consequences (Filardo, Vincent, Sung, & Stein, 2006). This mixed-methods dissertation examines how California's education facilities finance policies have shaped the current system of school district debt financing over time, the sociopolitical factors (such as district median household income) that influence how districts interact with private organizations in the bond process, and how school districts' experiences with school district debt financing policies vary. This work also makes the system of financing school facilities, and its costs, more transparent for stakeholders while demonstrating the ways in which the outcomes of this system inequitably impact stakeholders.

I conducted an in-depth policy analysis of the facilities financing process in California while focusing on how the system fits into the larger educational privatization movement in an increasingly neoliberal context. In this work, I define privatization as "initiatives to introduce market relationships into the bureaucratic production of public services" (Sclar, 2000, p. 3), and I define contracting as, "a business arrangement between a government agency and a private entity in which the private entity promises, in exchange for money, to deliver certain products or services to the government agency or to others on the government's behalf. The private entity may be either a for-profit business or a nonprofit organization" (Kelman, 2002, p. 282). Therefore, I understand contracting as a type of privatization, and I view the contracts between school districts and their private consultants and contractors in the debt financing process as examples of the broader educational privatization trend on the operations side of the budget.

This chapter introduces the relevant policy background and political terrain. It situates this study in the context of neoliberal ideology, under which the role of the government is to expand markets for private organizations to flourish. Secondly, I introduce the research questions and briefly describe the motivation for the study and the conceptual framework, which utilizes the lenses of critical policy analysis and fiscal sociology. In the third section, I locate the research in the extant literature on the politics of educational privatization and school finance systems as they inform the study of educational facilities policies and their implications for equity. In the fourth section, I outline the study's mixed methods research methodology, which combines historical policy document analysis, quantitative descriptive and regression analysis, and case studies of two California school districts with active facilities bond programs. Next, in the fifth section, I summarize the research findings and policy recommendations. I conclude with the significance of the study.

Policy Background

Despite significant increases in national public education expenditures over the last century (Brimley, Verstegen, & Garfield, 2012), inequitable education funding persists around the country. Since the 1970s, state legislatures and courts have engaged in school finance reforms, attempting to improve education funding systems nationwide (Baker & Green, 2008). These efforts have yielded mixed results, however. As school finance is typically bifurcated into operational and capital funding (Timar, 2006), many states' finance policies focus on the operations side of the budget, which covers recurring costs of education including teachers, administrators, books, materials, utilities and cleaning (Filardo, 2010). The capital side of the budget, which covers assets with a multi-year life, such as new construction of buildings, facility additions, and the purchase of equipment (Filardo, 2010), are often considered separately or left behind. Thus, public school students still have inequitable access to even the most basic educational resources and adequate school facilities, and scholars have documented the negative impacts of these disparities on student outcomes (Filardo, et al., 2006; Oakes, 2004). Despite record spending on school construction before the 2008 recession, national investment in school facilities attended by minority and low-income students is far less than for their white counterparts (Filardo et al., 2006). Student access to adequate facilities in many states is still determined by local wealth, voters' willingness and ability to raise their own taxes to finance school construction through bond sales, and the nuances of state policies.

Though the state of California has in many ways improved its educational funding policies over time, the state is an example of the persistence of inequitable facilities funding despite policy reforms. In California, a series of initiatives, legislation, ideological shifts, and judicial decisions have shaped the state's school finance system. Soon after California's landmark *Serrano v. Priest* ruling in 1971 that challenged the state's property-tax method of funding public education, California voters passed Proposition 13 in 1978, an initiative that amended the state constitution, decreased property taxes, and made it harder for school districts to raise taxes to pay for facilities. Subsequent reforms, most notably Senate Bill 50, which created the School Facility Program, have made it easier for some school districts to obtain the funding necessary to construct and modernize school facilities. However, facilities outcomes have been inequitable under this funding system, and many are calling for another policy overhaul.

California has already reformed its school finance system on the operations side of the budget. California's legislature passed the Local Control Funding Formula (LCFF) in 2013. This policy altered the way California provides funding to local school districts and provides more money for districts with low-income, English language learning, and foster students. Prior to the 2013 passage of the LCFF, school districts in California were funded through a complicated revenue limit system, which provided schools with funding partially based on their ability to generate revenue through property taxes. The outcomes were inequitable, and districts with similar demographics and student needs received substantially different amounts per child that did not correlate with need. The LCFF policy shift aimed to make school funding more equitable and give local school districts more autonomy over decision-making. However, the LCFF does not substantively address the financing of educational facilities.

Educational facilities funding in California is governed by the School Facility Program (SFP), which provides matching funds to school districts on a first-come, first-served basis and is meant to provide either 50% of costs for new construction or 60% of costs for modernization through competitive, per pupil project grants (Vincent, 2014). Since its inception in 1998, the SFP has been both lauded for its role in improving California school facilities as well as criticized for its shortcomings and unintended consequences. Policymakers and policy watchers in the state's capital, Sacramento, have increasingly acknowledged the need to revisit and revise the SFP. Vincent (2012) summarized this sentiment in a policy report assessing SFP policy needs, written for the California Department of Education:

> Since 1998, the state's voters have provided more than $35 billion in state bond funds and voters in school districts throughout the state have contributed more than $66 billion for our school facilities. With these bonds and developer fees, California's school districts, county offices of education, and charter schools have been able to make an historic investment in building hundreds of new schools and in modernizing thousands of existing schools. Now, fourteen years later, the state as well as the nation and the world are in a different place – an economic recession, a focus on sustainability, and the need to close the achievement gap are informing education policy – and it is necessary to reexamine the state and local facilities partnership. (p. iii)

Three years later, a Legislative Analyst's Office report elaborated some weaknesses in the SFP, describing, "Notably, the existing program fails to treat school facility costs as an ongoing expense despite the recurring nature of facility needs, allows disparities based on school district property wealth, fails to target funding according to greatest need, results in excessive administrative complexity, and lacks adequate accountability mechanisms" (Naqvi, 2015, p. 1). In addition, California's Governor, Jerry Brown, has displayed a reluctance to continue providing bond-backed state matching funds for school construction and modernization, citing the dangers of adding to the state debt. Discontinuing the practice of issuing statewide bonds to provide matching funds to school districts for school facilities would effectively end the SFP. In fact, the program is essentially out of money already. The Governor had not provided a specific policy proposal to replace the SFP program at the time of data collection, though his 2015 annual budget message and public statements indicated that local school districts should

bear the primary responsibility for constructing and modernizing school facilities, with the state playing a minimal equity role in targeted circumstances.

Many leaders of low-income school districts, particularly in urban and rural areas, fear that a discontinuation of adequate state matching funds would limit their ability to provide equitable facilities for their students. The list of concerned stakeholders also includes a number of private consultants and contractors that work in and profit from the school facilities industry. The Coalition for Adequate School Housing (CASH), a membership organization for public and private sector professionals engaged in the school facilities industry, is attempting to circumvent the Governor by placing a voter initiative on the November 2016 ballot for a $9 billion statewide school facilities bond. As reported in an EdSource article describing the Governor's current opposition to the bond:

> In a statement, David Walrath, spokesman for the Coalition for Adequate School Housing, said, "California is facing at least $20 billion in projected school facilities needs over the next decade, and we have sponsored this bond to make sure school districts can continue to partner with the state to create quality learning environments for all students." (Fensterwald, 2016)

This workaround would allow the SFP to continue to provide matching funds to school districts and essentially maintain the status quo. This $9 billion bond for facilities would be unique because, while the state has already passed $35 billion in statewide bonds for school construction, previous measures have had Governor support and were placed on the ballot by legislators. CASH's initiative is unprecedented because it represents a coalition of public and private actors in the school facilities industry seeking to influence the policy process itself.

While scholars have studied operational funding for schools, spending on the capital side through programs like California's SFP is less understood. Since California established the School Facility Program, the state has generated $35.4 billion in construction bonds, and local school districts have gained more than $80 billion in voter authorization for general obligation (GO) bonds to fund school facilities (Vincent & Gross, 2015). However, research has not established how much of this funding goes to hard costs (bricks and mortar) versus soft costs (including fees to private consultants and contractors). In order to obtain facilities funding, school district leaders deal with politically, socially, and economically charged issues, including tax policies, public finance, state spending, and public elections. Increasingly, school districts are relying on a team of private consultants and contractors to guide them through the school district facilities financing process. This study considers contracting out for public services to the private sector and the increased use of consultants as examples of the growing reliance on new public management strategies in public education. Given the current policy focus on California school facilities funding as well as school district leaders' fears that reduced matching funds will diminish already constrained resources, this study examines the privatization of educational facilities financing and the soft costs it generates.

Privatization through Contracts with Financial Firms

California school districts have historically received a baseline level of funding from a variety of sources. In 2013, funding was comprised of 12% from the Federal Government, 30% from local sources, including taxes and fees, and 58% from the state on average (California Education Data Partnership, 2013). Though the LCFF has altered

these percentages somewhat, for many school districts aggregated funding is not always sufficient to meet operational and capital needs. Consequently, when school districts do not have enough cash to meet their current or future expenses, they engage in a variety of long-term and short-term borrowing options to supplement their baseline funding, acquiring debt in the process. For example, school districts with short-term cash flow imbalances can issue tax and revenue anticipation notes to obtain temporary funding. This study focuses on financing school facilities, which school districts can rarely pay for without obtaining long-term debt. Issuing general obligation bonds is the primary way school districts in California raise money to construct and modernize facilities, though this system has inherent inequities built in.

The details of the basic bond process differ depending on the state and the level (state versus local), though typically government entities issue bonds when they need to borrow money from investors for infrastructure or other projects. Generally, school districts, like other municipal government entities, hold an election to gain voter authorization to sell bonds to finance facilities construction and modernization. Underwriting firms sell municipal bonds to investors, and school districts repay the debt, with interest, from taxes levied on the property of individuals living within the municipal boundaries. The California Public Policy Center estimates that California school districts have $49.7 billion in total outstanding bond debt (Fletcher, 2012). Cellini, Ferreira, and Rothstein (2008) noted that "629 of the 1,035 school districts in California voted on at least one bond measure between 1987 and 2006" (p. 5). Some districts in California, including some in the San Francisco Bay Area, easily pass bonds every few years.

However, the policy system was designed in such a way that not all school districts that want to raise money for facilities can be successful. First, in some areas of California, school districts struggle to address their facilities needs because their voters decline to approve general obligation bonds. Voters in these areas are more tax-averse, lower-earning, or otherwise less politically willing to support a bond initiative. Second, local property values, measured by assessed valuation (AV), also statutorily constrain the amount school districts can raise through bond sales. Third, school districts must obtain credit ratings for their bonds, and those with lower credit ratings pay higher interest costs for their debt, thus limiting the dollar value they can raise for construction and modernization. Fourth, school districts essentially compete with other districts in the state for increasingly limited, and now virtually nonexistent, state matching funds. School districts that are able to pass larger bonds, due to either supportive voters and/or higher AV have then also obtained more funding from the state. Fifth, the state has historically provided limited guidance, training, and support for school districts with regard to navigating the municipal bond market. For these reasons, and others explored in this study, school districts around the state have varied notably in their abilities to raise money to fund school facilities construction and modernization.

Given the uncertain and variable nature of the facilities financing process and the high-stakes outcomes of bond elections, many school districts turn to private consultants and contractors for assistance. School districts, like other local government entities, have long contracted with private organizations, with varied consequences, for a range of educational and financial services including: whole school management, testing and data analysis, teacher evaluation and professional development, academic programming, and a variety of consulting activities (Bulkley, Henig & Levin, 2010; Burch, 2009; Scott &

DiMartino, 2009). However, state policies over the last few decades have significantly facilitated a growth in private sector contracting for the provision of core educational services (Bulkley & Burch, 2011; McDonnell, 2013). Privatization in educational facilities financing is less documented and less understood. It is now common for school districts to engage with a team of financial consultants and contractors to help them through the facilities financing process, though we know little about these private actors. Team members can include financial advisors, underwriters, district counsel, bond counsel, disclosure counsel, polling firms, political consultants, architects, ratings agencies, and sometimes credit enhancement agencies (Harrington, Hartenstein, & Field, 2005). Each of these contracts represents a transfer of public dollars to the private sector.

California districts have also utilized connections with advocacy groups, such as the National Council on School Facilities, and professional membership organizations, such as the California School Boards Association. As members of these organizations, school districts can learn about debt financing, share best practices, and network, though membership in these organizations typically comes with an expense. However, fees paid to these organizations are typically much lower than those paid to consultants and contractors. Since 1986, when Proposition 46 restored the authority Prop 13 took away for school districts to issue GO bonds, the number and types of organizations with which districts contract out for assistance with debt transactions has increased in size and influence.

The growing presence of these consultants has significant implications for facilities equity. Many school districts lack internal capacity and expertise to effectively manage their bond programs alone, so they rely on the financial expertise of the consultants they hire. School boards make million-dollar decisions based on the advice of private financial consultants who often lack oversight or democratic accountability, leaving school district leaders accountable for financial decisions they might not understand. Given that school districts vary widely in their ability to pass bonds and generate revenue based on taxing their property-owners, many school districts are reliant on the consultants who promise to help them pass bonds and secure maximum state funding. As I demonstrate in Chapter 6, small elementary districts and those with lower median household income have paid higher fees to private financial consultants, an indication of the inequity built into the system.

Political and Ethical Terrain

When looking at educational facilities and the policies that govern them, there are many political and ethical issues that arise. Like other segments of the financial industry, with massive amounts of capital and limited or unclear regulation, the municipal sector is susceptible to accusations of fraud, signaling important political and ethical complexities. The state has been successful in addressing some of these concerns in recent years. For example, in 2012, the *Los Angeles Times* published a series of articles highlighting the consequences of capital appreciation bonds (CABs), a debt instrument that allowed both principal and interest to be paid at bond maturity, resulting in higher debt levels overall. One article in the series revealed that nearly 200 school districts in California were obligated to repay as much as 20 times the amount they had borrowed from investors for school facilities (Weikel, 2012). The school districts issuing CABs primarily did so because their property values were too low for them to issues traditional GO bonds. Consequently, the California legislature recently passed AB 182, a bill regulating CABs,

reducing the allowable ratio of debt service to principal for each bond series to 4 to 1, and placing additional scrutiny on district debt financing participants. While industry insiders applaud the state for taking action to address CAB abuses, there are still areas of concern with regard to financing school facilities.

Another politically and ethically contentious issue in the realm of school district bond campaigns is the issue of pay-to-play. School districts in California are prohibited from using public money to advocate bond passage, although bond campaigns can be expensive. Consequently, a practice has emerged where private consultants and contractors contribute many thousands of dollars to school district bond campaigns, knowing that it is in their best interest for bonds to pass. Pay-to-play issues can arise when private consultants contribute resources or other services for school districts' bond campaigns in exchange for contracts to work as part of the school district's facilities finance team or for increased fees.

In the past few years, the media has investigated and sometimes alleged fraud in different school districts around the state (Jensen, 2012). Empirically, there is evidence of past pay-to-play in California. Ely and Calabrese's work (2013), analyzing the promotional role investment bankers (underwriters) play in California district bond elections, found that post-election fees paid to firms that make political contributions are significantly higher than fees paid to non-contributors, signaling a possible need for additional regulation of private consultants and contractors. Former State Treasurer Bill Lockyer sought an opinion from the State's Attorney General, Kamala Harris, in 2013, stating that this issue raises questions about whether schools districts were in fact using public money to advocate for bond passage. In January 2016, Kamala Harris issued an opinion that "promising municipal bond underwriters in California that they will be hired to sell debt if they provide election services that get voters to approve new authorizations is a violation of the law," (Preston, 2016a). If school districts reimburse municipal finance firms for providing pre-election services in terms of higher fees, that is also illegal.

Partially as a result of pay-to-play issues, regulators are increasingly addressing underwriters. For example, the Financial Industry Regulatory Authority, a non-profit organization authorized by Congress, monitors the securities industry and helps safeguard against fraud by ensuring underwriters are licensed and registered, pass qualifying exams, and meet continuing education requirements, among other things. In addition, since 2013, the Securities and Exchange Commission's Municipal Securities Rulemaking Board (MSRB) has required underwriting firms to disclose contributions or services donated to school districts bond campaigns. Regulators are also sanctioning underwriters who violate rules. As part of the SEC's continuing disclosure initiative, "which involves municipal securities underwriters voluntarily revealing violations of disclosure obligations in bond documents," George K. Baum, an underwriting firm, self-reported a violation and agreed to pay a $100,000 fine "over allegations it charged a school district four times the typical fee to sell debt, in part to help cover the cost of bond elections" (Preston, 2016b). The school district involved paid four times the typical underwriter fee. However, underwriters are not the only type of private organization overcharging school districts. As Joffe found in a study of municipal issuers, "We found many cases of overcharging by underwriters and other types of municipal bond service providers," (Preston, 2016b). To try and make private interests more transparent, the MSRB also

requires underwriters to inform school districts that they legally represent investors and do not have a fiduciary responsibility to municipal issuers.[1] However, one unintended consequence of this regulation is that school districts are instead turning to *less-regulated* financial advisory firms for financial expertise.

Another political issue that is relevant in the facilities finance realm is the growth of charter schools in certain school districts, particularly in large, diverse urban areas. For charter schools, obtaining school facilities has traditionally been a major barrier. California's recent Proposition 39, requiring school districts to provide facilities to charter schools in their districts, has reduced this barrier for charter schools while introducing facilities complexities for the school districts themselves. Many school district board members and superintendents are now put in the position of providing facilities to charter schools, which are politically contentious by their very existence in the district. The rise of charter schools is connected to broader privatization trends in public education and is examined briefly in later chapters.

Neoliberalism. These financial activities should be understood in the broader social, economic, and political context. Neoliberal reforms include those that rely on market mechanisms to optimize resource allocation, especially those that shift government responsibilities to the private sector. Under neoliberal ideology, the role of government is to expand markets for private organizations to flourish. One instance in which public school districts partner with and transfer power and resources to private organizations is through school district debt financing transactions. Many scholars have written about the rise of neoliberalism in education and other sectors (Apple; 2006; Harvey, 2012; Lipman, 2011). Lipman (2011) defined neoliberalism as "an ensemble of economic and social policies, forms of governance, and discourses and ideologies that promote individual self-interest, unrestricted flows of capital, deep reductions in the cost of labor, and sharp retrenchment of the public sphere" (p. 6). Governor Brown's proposal to shrink the State's role in funding school facilities fits within this narrative. As Kettl (1993) explained, "Neoliberals call for "reinventing government" by inspiring a new entrepreneurial spirit…and that, they argue, can come by promoting competition among service providers. Competition, they say, empowers citizens—now rechristened "customers"—by giving the power of choice and creating inescapable incentives for government workers" (p. 2). We see this competition between financial service providers as they pursue lucrative contracts with school districts that are engaging in the bond process.

Scholars have described the tension between a neoliberal vision of education—to treat parents and students as consumers and prepare students to compete in the workplace—and a more democratic vision of education that prepares students for democratic citizenship and teaches them to strive for the common good (Henig, 1994; Hochschild & Scovronick, 2003). The neoliberal worldview is important with regard to education finance because it can impact the extent to which individuals view education as a public good that prepares students to take on the responsibilities of citizenship versus as a private good that prepares students to compete with their peers in the labor force and reap individual benefits (Labaree, 1997), which could impact individuals' willingness to pay for the educational resources of others through taxes.

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[1] MSRB Rule G-17 builds on the disclosure already required by the MSRB Rule G-23 interpretive notice approved by the Securities and Exchange Commission in May of 2011.

Taxation can be viewed as the transfer of funds from one group to another through government intervention. Therefore, the sociopolitical dynamics between societal factions are important to consider. As district bond campaigns take place in local communities, it is helpful to think about how neoliberal ideology resonates with individuals and how it plays out at the local level. Lipman (2011) defined a neoliberal city as "an entrepreneurial city driven by market ideologies and the regulatory power of global finance" (p. 3), and was concerned with the right to the city, particularly for those who have been disadvantaged by the neoliberal project. In the neoliberal context, the hyper-individualized environment is normalized, possibly limiting the extent to which people are willing to support taxes for which they might not see any immediate, tangible gains for themselves. Investigating bond policies within what has become a common-sense neoliberal context (Scott, 2011) is necessary to more fully understand the relationship between education finance policies, privatization, state spending, and equitable facilities outcomes.

New public management. Some scholars characterize the rise of neoliberal ideologies in the sphere of public administration new public management (NPM). Like neoliberalism, NPM is theoretically based on the neoclassical economic theory of the standard market model, which "envisions a world of markets, each of which is composed of a large number of unrelated buyers and sellers. Each is assumed to be pursuing his or her own gain independent of the others… all buyers and sellers are assumed to share equally all relevant knowledge" (Sclar, 2000, p. 6), though these assumptions are challenged in this dissertation. Aspects of NPM include: contracting, decentralizing, greater discretion to managers, citizen or customer choices, deregulating, organizing so that there is competition, and determining effectiveness according to outcome measurement (Frederickson, Smith, & Larimer, 2003, p. 124). While NPM has been applied to the field of education, it has roots in other areas of the public sector. The current system of financing educational facilities in California, which essentially requires that school districts contract out with private profit-making organizations that are themselves in competition with each other, is an example of a process governed by new public management strategies in a neoliberal context.

Research Questions

While educational privatization is becoming increasingly ubiquitous, and scholars have examined its implications and unintended consequences in a number of settings, the impacts of privatization in education facilities financing are underexamined. This gap is problematic given that public finance policies for school facilities affect millions of schoolchildren and community stakeholders. This study asserts that educational privatization is similarly worrisome in a facilities financing context and can lead to inequitable outcomes, similar to other privatization policies. Furthermore, the persistence of educational facilities inequities, despite increases in educational spending, school finance reforms, and judicial action, is a perplexing societal problem. The extant literature has not adequately explored or explained the sociopolitical aspects of these inequities, nor the policy context in which they have developed. There is a need for in-depth, mixed-methods research, to fully explore the implications of education facilities finance policies for equity as part of the broader privatization trend. Therefore, this dissertation research takes up the following questions:

1. How have public finance policies shaped the system of school district debt financing over time, specifically with regard to the field of private actors involved in the school facilities industry?
    a. To what extent are educational facilities in California, or the process by which facilities are funded, inequitable?
    b. Why have educational facilities remained inequitable given increases in educational spending, finance reform, and judicial action?
2. What sociopolitical dynamics (such as district median household income) influence outcomes related to how districts interact with private organizations in the facilities financing process (and the fees paid to these organizations *per student*)?
    a. How has the level of involvement of private organizations in the market evolved over time?
    b. How much money have school districts paid to private organizations for municipal finance services over time?
3. What are school districts' experiences with school district facilities programs, and by what sociopolitical dynamics (including community and district characteristics) are these experiences informed?
    a. How are policy roles negotiated between school districts, the state, and private organizations?
    b. How do school district officials perceive their relationships with private consultants and contractors? (Are they exploitative, mutually beneficial, or other?)
    c. What ethical and political issues have arisen between school districts and private or outside organizations in the facilities financing process?

Inspiration for this Dissertation Project and Conceptual Framework

These research questions were borne out of my personal interests and experiences. In the summer of 2010, I had completed my first year of graduate work at the Goldman School of Public Policy at the University of California, Berkeley. Policy students were required to hold a 10-week summer internship, and having been a public school teacher for two years before entering the policy program, I had searched for an internship in education policy. My goal was to work for a school district or education policy research organization, but instead, I wound up interviewing with a small financial advisory firm in the San Francisco Bay Area. The financial advisory firm, like many others in the state of California, provides a wide range of services to school districts around the state. They primarily assist districts with navigating the complicated bond financing process that districts go through to raise money to construct and modernize facilities. During the summer, I travelled to districts around the state, including in the Bay Area and in northern and southern California. These trips included visiting large public school districts, small rural districts, medium-sized suburban districts, and a charter school.

As I traveled around the state, I was surprised by the disparity in the quality of school facilities. I would later learn as a result of this dissertation project that California school facilities have dramatically improved over the last twenty years, largely as a result of state facilities policies, but I was still shocked to see such wide variety in facilities conditions. For example, when on a trip to Napa Valley, along with other private contractors and consultants on the facilities team, including architects and polling

consultants, we visited a school with many outdated portable buildings. A teacher talked about how she lost some of her school supplies when rain leaked through her portable classroom's ceiling. That school was sharply juxtaposed to the stunning new school facilities we passed in American Canyon while driving back to the Bay Area. This pattern—of touring or hearing about leaky portables and then visiting new, state of the art facilities—repeated itself throughout the summer. While it was evident that many school districts has been able to use financing mechanisms to leverage state matching funds and improve their school buildings, it was clear that many other districts had not benefited under the same policies.

Much of my summer experience revolved around helping school districts prepare for school facilities bond elections. The districts' abilities to build or modernize school facilities for their students rested primarily on whether voters in their district approved the bond measure. The firm with which I interned provided a variety of services to increase the likelihood that the bonds would pass. These services ranged from election strategies to voter mobilization on Election Day. For example, as an intern I spent time on the phone, cold calling voters, urging them to vote "yes" on their local bond. One day my supervisor was concerned that polling results were lower than anticipated one week before the critical bond election. He directed me and another staffer to drive two hours to the rural school district holding the election and knock on doors. Our task was to inform voters that the election was happening, distribute flyers, and encourage them to vote in the affirmative. Unfortunately, I was not dressed for the occasion, and I spent the afternoon trying to climb over chicken coops in high heels, while being yelled at by residents for trying to raise taxes. It was an eye-opening day, to say the least.

I was also intrigued by the amount of money that seemed to flow through the school facilities industry that did not actually go toward the bricks and mortar of the school facilities themselves. Much of these "soft costs" were fees to contractors and consultants. It was evident that many of the individuals working for the financial advisory firm were well paid. In addition to stating as much, they drove luxury cars, wore high-end suits, and lived in expensive homes. This fact is not necessarily problematic, and it is not the purpose of this study to dictate the earnings of private consultants and contractors. However, it was something I noticed at the time, and my concern about the level of soft costs in the school financing industry grew from a niggling sense of unease to one that frequently raised its head whenever I encountered low quality facilities. The bothersome thought of low-income school districts cutting checks to multiple high-paid consultants, at the same time many were cutting teachers' salaries, propelled my research interests.

Procurement processes also stood out to me that summer. I was struck by the power of personal relationships and the lengths the financial advisory firm went to maintain and build relationships with school district decision-makers. A member of the firm had a box at the Oracle Arena in Oakland and frequently invited school district leaders to attend events. I was invited to attend a concert with my then fiancé and network with district leaders who were there as guests of the financial advisor. One day, I was asked to drive the company car out to a school district an hour away on my lunch break to deliver concert tickets to the superintendent. It bothered that these tickets and gifts were purchased with profits from contracts with school districts, and that the same dollars, if kept in the school districts' coffers, could have been used on the facilities.

My internship left me with a profound sense of unease. While it was always clear to me that many school districts have benefitted from facilities policies and improved the quality of facilities in their individual districts, it was also quite clear that not all school districts—and not all schools within a given district—benefitted equally under the laws of the land. The inequity of school facilities was apparent even to someone like me, with an untrained eye and lacking experience in school facilities planning, financing, construction, and maintenance. It was also clear that the private consultants and contractors school districts hired, played an important role that influenced school facilities outcomes. I kept coming back to the idea that the many private actors involved in the facilities process influenced the extent to which inequities exist. Over the years, my concerns evolved into this dissertation project's research questions.

When I was nearing the end of my PhD course work and starting to think critically about how I wanted to study school district debt financing, I was fortunate to receive the Social Science Research Council's (SSRC) Dissertation Proposal Development Fellowship. I applied for a subgroup focusing on new ways to study taxation in society, using new historical fiscal sociology as a lens. This fellowship funded my dissertation pilot study, conducted over the summer of 2013, and sponsored my travel to two retreats. There I was mentored and supported by three professors, Isaac Martin, Ajay Mehrotra, and Monica Prasad, authors of the edited book, *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective.* This work, along with my ongoing interest in the effects of policies on those with limited power, influenced the study's conceptual framework.

Introduction to the Conceptual Framework

This dissertation's conceptual framework addresses the variables and actors indicated in the research questions, and the presumed interrelationships between those actors and variables are informed by the extant literature. To do so, the conceptual framework utilizes the lenses of fiscal sociology and critical policy analysis. The field of fiscal sociology acknowledges the importance of context in the study of taxation, public debt, and state spending (Martin, Mehrotra & Prasad, 2009). Scholars in the field attend to the consequences of fiscal policies for political, social, and cultural life, though they have not yet sufficiently examined education finance. The tools of fiscal sociology are useful in this context because they help to extend traditional school finance research into the sociopolitical terrain. As explained above, public school facilities are primarily financed through bond elections, which require school districts to take on debt, which is then repaid by taxing voters. States will often supplement or match this local funding. Though the literature has explained how bonds are passed, we do not yet understand the ways in which current policy constructions impact the on-the-ground realities. Drawing on fiscal sociology as part of the conceptual framework helps highlight the actual implications of finance policies for stakeholders utilizing school facilities daily.

Similarly, scholars applying critical policy analysis attend to the ways in which policies differentially impact disadvantaged segments of the population. As yet, critical policy scholars have not sufficiently applied theirs lens to the particulars of education finance policies. For example, we currently lack the knowledge to determine whether education finance policies facilitating privatization through contracting differentially impact school districts based on school district or community characteristics, such as wealth of location. Also, as service provision and even policy creation are turned over to

private groups, the public—as represented by elected school boards—shares power with the non-elected individuals running private organizations. The critical policy analysis approach is needed in this area to help understand the project of privatization in the realm of education finance in a neoliberal context.

Situating the Research in the Literature

Researchers have studied the politics of educational privatization and school finance systems using a number of theoretical lenses and methods, and their work has yielded important discussions and findings. This dissertation connects lessons from the literatures on educational privatization and school finance systems to current gaps in the study of educational facilities, demonstrating opportunities to extend privatization and finance systems research, currently focused primarily on educational operations, to the capital side of the budget.

From the research on the politics of educational privatization, we understand that the implementation of privatization practices and strategies in local school districts are part of a broader shift in governance from the public to the private in many sectors. Contracting out services to consultants and contractors, in particular, is a pervasive practice that coincided in time with the rise of neoliberal ideology and other new public management reforms. While public administration scholars and political scientists theorized possible benefits of contracting as well as warned about possible drawbacks as the practice emerged, education scholars have more recently conducted empirical studies to document its growth and consequences in terms of costs and implementation at the local level. However, this recent work primarily addresses privatization on the operations side of the budget, dealing with teaching and learning, not with facilities on the capital side of the budget.

From the research on school finance systems and resource inequities, we know that the majority of states across the country have implemented some type of finance reform in the last few decades. These policy changes have improved equity in many states, though there is still much progress to be made. With regard to facilities, though, they are often left out of these reforms completely, or only partially addressed. Consequently, high-income areas across the country continue to spend more on facilities than low-income areas. However, states that do explicitly address facilities in their school finance overhauls tend to spend more on facilities overall. Scholars have argued that facilities quality does impact educational outcomes, though this impact is difficult to measure and is often mediated by many factors and influenced by local context. The research on facilities bonds demonstrates that bond and community characteristics impact election outcomes, though again, context matters. This research establishes the impact of state policies on facilities outcomes as well as the existing disparities across states.

There are many opportunities to extend the research methods and lenses of the educational privatization and finance systems literature to the capital side of the budget. This study addresses gaps in the literature, including a historical policy analysis of how public finance policies have shaped the field of actors involved in the school facilities industry over time, the sociopolitical dynamics affecting outcomes related to how districts interact with private organizations in the facilities financing process, and how policies are implemented at the local level, impacting school districts' experiences with facilities programs and the private actors involved.

Conceptual gaps. Overall the rise of neoliberal ideology has privileged economic analyses in much of the facilities literature, leading to a focus on efficiency and quality and factors that influence students test scores and bond election outcomes. Thus, the facilities research is largely disconnected from a discussion of equity that is more prevalent in the educational privatization and school finance systems literatures, though there are a few notable exceptions (see work by Uline, Filardo or Vincent for discussions of equity with regard to facilities). To date, the facilities literature has not sufficiently considered growing private sector involvement and implications for equity. This dissertation reframes the ways in which these topics are considered conceptually, arguing that the current research is missing an in depth consideration of the related sociopolitical dynamics, especially as they relate to equity.

With regard to privatization, casual observers might consider educational privatization's most obvious instantiations to be vouchers, charter schools, and private management of school systems. This assessment of privatization misses the robust and growing private sector involvement in school construction and debt financing through bonds. The ways in which bond deals are structured have far-reaching implications for the education of millions of schoolchildren, and there is a rich empirical opportunity to understand this aspect of educational privatization, which, to date, remains relatively underexplored by policy scholars. As Trujillo (2014) summarized when looking at the literature on intermediaries, the literature is still missing analyses that explore ideological tensions in reforms and research on what motivates private actors to advance specific reforms.

We do not yet know how neoliberal policies influenced the establishment of particular types of financial organizations at certain times. Why did the field of private organizations develop the way it did, and how has the field grown and changed over time? With regard to concerns about privatization identified here, including corruption and fraud and hidden costs, the literature provides theoretical justifications for why these issues can be problematic, but there is still much to learn about how these issues have manifested in the realm of education finance, particularly related to school district debt. Have these problems arisen in municipal education finance or have these problems been avoided in this context?

To date the literature on educational facilities, including the research on bonds, underestimates the sociopolitical impacts of school facilities financing. Also, there is little work on how school finance services have themselves been privatized over time and even less work on the types and nature of private organizations that school districts hire when trying to pass a bond or issue another kind of debt. While academic researchers have studied political and ethical issues related to broader school finance issues (Baker & Elmer, 2009; Picus & Wattenbarger, 1996; Timar, 1994, 2006), scholars have paid less attention to the historical evolution of school district facilities policies and the ethical, social, and cultural implications of privatizing educational finance services. Much of the literature is oriented toward practitioners, focusing on the mechanics of raising facilities money while the sociopolitical dynamics of education facilities financing have been under examined

There are opportunities to think conceptually about how facilities can be integrated into the larger discussion of educational privatization and neoliberalism and new public management. For example, Davis (2015) has documented how facilities are

narrowly considered; “The attention given to the large variation in building quality across school districts is based largely on the assumption that there is a correlation between the quality of school infrastructure and student achievement. Studies have tried to examine possible correlations between school building conditions and student achievement on standardized tests through a number of statistical techniques, controlling for the socioeconomic status (SES) of the parents and other community variables” (p. 5). While it is important to think about student achievement, it is not the only thing we should care about. We should also care about green construction, livable communities, opportunities for communities to use school space, respect for students, health and safety, efficiency of spending, and other concerns that are not addressed in the research as it is currently conceived.

Methodological gaps. The research explored here tends to be either qualitative *or* quantitative in nature. The body of literature on educational privatization is largely qualitative in nature, while much of current work on facilities is quantitative in nature. The lack of mixed methods work tends to limit our understanding; we can either see trends but not understand why they occur, or we can understand the details of a case, but not know the extent to which that case represents a broader policy. For example, the research on facilities finance tends to focus quantitatively at the state level, limiting our understanding of how policy changes and outcomes might be influenced and experienced by local contexts. As Higgins explained, “It is extremely difficult to come to firm conclusions about the impact of learning environments because of the multi-faceted nature of environments and the subsequent diverse and disconnected nature of the research literature” (Higgins, et al., 2005, p. 6). Without exploring local contexts in depth, researchers are unable to fully evaluate policies, and the literature remains disconnected. These local intricacies are especially important when considering the equitableness of certain facilities policies. Baker (2014) noted, inequitable “variations are those that occur without regard for needs and costs, and may include those variations in resources that are largely a function of local wealth and fiscal capacity. As commonly applied, traditional equity measures fail to sort out equitable variation from inequitable variation, often leading to erroneous conclusions” (p. 11). Mixed methods research can help provide context to explain, and in some cases justify and in other denounce, differences in funding distribution.

A major methodological issue with education finance research has to do with problems related to production function analysis. The first problem is related to data. Davis (2015) explained, “School building quality is composed of numerous components, many of which are difficult to separate and measure accurately. In response, researchers either try to study each factor separately (as best they can), or they rely on some aggregate measure of building” (p. 5). The second issue with using production functions as a method for studying education finance is actually a theoretical concern with the method. Crampton (2009) explained that production function studies lack a strong theory base and, as a result, have been uneven and inconsistent over time. The methodological gaps in recent literature also reflect the lack of work combining methods to fully address complex questions.

Introduction to Data and Methods

This mixed-methods dissertation examines how California education finance policies have shaped the current system of school district debt financing over time, the

sociopolitical factors (such as district median household income) that influence how districts interact with private organizations in the bond process, and how school districts' experiences with school district debt financing policies vary. To do so, this research utilize a mixed-methods approach to empirical inquiry, combining quantitative analysis of public debt, property value, and school district and community data with qualitative interviews, observations, and document analysis to explore the research questions. The following methods were informed by an extensive pilot study funded by the Social Science Research Council's Dissertation Proposal Development Fellowship in the summer of 2013. The pilot study included 60 preliminary interviews with state officials, school district personnel, and private contractors as well as a preliminary analysis of quantitative data. Data collection for this dissertation research was completed during the winter, spring, and early summer of 2015.

Documents. To understand how public finance policies have shaped the system of school district debt financing over time (research question 1), I reviewed the following documents: sections of the California Government Code and California Education Code, relevant bills and state propositions, state conducted analyses and commissioned reports on educational facilities, and sections of the Securities and Exchange Commission and MSRB regulations on school district debt financing. Taken together, these documents helped to explain how the current system of educational facilities financing came to be. When analyzing these documents, I looked for references to private organizations, including restrictions, limitations, and requirements. I used this information to help frame interview questions regarding the creation of private organizations, political and ethical tensions, and implications for equity.

I also used document analysis as a critical component of the methodology for addressing school districts' experiences with debt financing (research question 3). To analyze how two case study districts' facilities financing experiences varied, I analyzed school district debt financing official statements, bond oversight committee documents, and other relevant financial and planning documents that school districts shared with me or were available publicly. When analyzing these documents, I looked for factors that influenced the contractual relationships between districts and private organizations as well as evidence of ethical or political tensions. I used this information to inform qualitative interviews.

Finally, to understand more about the nature of the private consultants and contractors that school district hire during the facilities financing process, I analyzed organization websites (including those of financial advisory firms, bond counsel, underwriters, disclosure counsel, ratings agencies, credit enhancement agencies, statewide advocacy groups, and professional membership organizations) and paid careful attention to the mission statements of the organizations to help determine whether they were created to support, make sense of, or help circumvent policies impacting school district debt financing. I also used this information to inform qualitative interviews with members of private organization.

Quantitative datasets. To understand what sociopolitical factors influence outcomes related to how districts interact with private organizations in the bond process (such as the level of involvement of private organizations and the fees paid to these organizations *per student*, and how these fees have changed over time) (research question 2), I utilized a datasets from the California Debt and Investment Advisory Commission

(CDIAC), the Public Policy Institute of California (PPIC), and CalMuni. The CDIAC database includes variables on all California municipal debt transactions since 1984. The data allowed me to track trends in school district debt over time and examine the extent to which private contracting in education finance has changed. When merged with the datasets from PPIC, which contained school district and community characteristics, and CalMuni, which contained assessed valuation data for selected California school districts, the data helped shed light on the sociopolitical factors influencing the fees school districts pay to private organizations and pointed to implications for equity.

Interviews. I utilized interview data to help answer research questions 1 and 3. In addition to the 60 interviews I completed for the pilot study, I conducted 60 interviews with policymakers, school district leaders and staff, and private financial contractors and consultants. In these interviews, I asked respondents to describe the system created by education finance policies, the policy implementation process, and the policy roles played by school district, private organization, and state actors. This allowed me to gather broad information about the school district debt financing policy landscape and to explore and triangulate findings from the document and quantitative analyses. Interviewing individuals at various levels of their respective organizations helped to illuminate the varied policy roles played by public and private policy makers.

Analysis

The analysis was an iterative process. For the quantitative portion of the study, I first generated descriptive statistics regarding trends in costs of issuance, or the amount paid in interest and fees to private organizations. I also described how the market of various types of contractors has grown and developed over time, noting which individual contracting firms are most active. This information helped me understand the school district debt landscape, informed my qualitative data collection, and allowed me to determine the degree to which costs of issuance have, accounting for inflation, changed over time. I also conducted regression analyses to analyze whether sociopolitical factors affected outcomes related to school district costs of issuance.

For the qualitative portion of the study, I constructed a codebook, beginning with a provisional "start list" of deductive codes. According to Miles and Huberman (1994) this "list comes from the conceptual framework, list of research questions, hypotheses, problem areas, and/or key variables that the researcher brings to the study" (p. 58). I then coded qualitative data in Dedoose. As I coded, I added inductive codes that emerged from the data that were related to my research questions, but not captured in the deductive codes. Throughout the analysis process, I utilized tactics to verify findings.

Brief Discussion of Dissertation Findings

Findings from the historical policy document analysis, examining the policy context for privatization in school district debt financing, indicate that there is a mismatch between stated policy intentions and the on-the-ground realities of facilities policy implementation. Despite repeated formal statements from state policymakers and policy reports specifying state responsibilities to *all* children and the importance of quality, equitable schools, the ways in which facilities policies have been implemented have not led to equitable outcomes. Despite the SFP's attempts to streamline and simplify the process of school facilities funding, school districts have had to interact with many government agencies to plan, finance, and construct their facilities. Local school districts are largely responsible for raising funds, though—due in part to the intermittent nature of

facilities financing—many leaders, especially in smaller districts, lack the training, resources, and expertise. Policies have created a system in which districts feel compelled to hire consultants to help pass bonds and keep up with paperwork for matching funds and compliance, making it difficult for budget-conscious districts to compete for funds.

The industry of private actors involved in school district facilities financing has grown in power and influence over time. These actors are formally organized in membership organizations and actively lobby policymakers for policies, such as statewide bonds, that maintain the system in which they have evolved to profit and multiply. Policies perpetuating a system based on property values, credit ratings, and voters' willingness and ability to raise taxes is inherently inequitable. The prevalence of neoliberal ideology in our political, social, and economic system helps to explain the acceptance of private actors in educational finance in the first place. Whereas school buildings were once constructed locally by citizens concerned with the facilities in which their communities' children learned, the process for planning, financing, and constructing school facilities has morphed into a complex system involving not only numerous public agencies, but also scores of private actors, representing an industry that did not exist a few decades ago.

Findings from the quantitative analysis of California school district debt financing, focusing on debt and market trends and the sociopolitical dynamics that influence outcomes related to how districts interact with private organizations, indicate that the number of GO bond transactions has increased over time, likely due to the implementation of policies making it easier for school districts to pass bonds. The field of private financial consultants involved in school district debt financing has changed and grown over time, with a few firms dominating the underwriting, financial advising, and bond counsel markets. Over the last thirty years school districts have paid significant quantities of money—approximately $1.98 billion for just the 48% of debt deals reporting non-zero costs of issuance to CDIAC—in fees to private organizations to provide financial expertise and services for debt transactions. The actual dollar amount that districts have paid to private consultants and contractors for their expertise is much higher. The costs of issuance vary by a number of factors, including by the type of debt issued, by district size, by the type of school district, and by district assessed valuation. The regression analysis looking at 2010-2011 GO bonds finds that measures of wealth did seem to influence the total costs of issuance per student in school districts facilities transactions. Median household income was statistically significantly negatively related to costs of issuance per student, with lower income districts paying higher fees. These patterns are a result of public finance policies that have shaped the financing process.

The qualitative case studies of two California school districts with active bond programs, focusing on the variation in school district's experiences with district facilities programs and trying to identify the sociopolitical dynamics (including community and district characteristics) that inform these experiences, reveal that sociopolitical factors combined to create an image of the school district that impacted the community stakeholders and the bond program as a whole. In both school districts, the legacy of past initiatives and struggles played a large role in the facilities programs. For example, the wealth equity history of a district can affect its credit rating, which then impacts the interest rate at which investors are willing to invest. District leadership structure and facilities philosophy shaped the districts' relationships with private actors. Policy roles

between the school districts, the state, and private organizations were less negotiated than dictated by the state.

With regard to school districts' relationships with private consultants and contractors and whether school district officials perceived them to be exploitative, mutually beneficial, or other, relationships varied by type of private organization. Respondents tended to agree that problems in the industry were connected to particular "bad apple" consultants, and the majority of complaints were related to financial advisory firms more than any other type of consultant. Private consultants were found to provide credibility and political cover for board members when making difficult decisions. Many factors influenced the extent to which school districts contracted out for services, including capacity, expertise, and staff interests. Issues of pay-to-play and charter schools were ethically and politically contentious concerns arising between school districts and private or outside organizations in the facilities financing process.

Policy Recommendations: Imagining A More Equitable California

This is a critical time for California school facilities as the state rethinks the role it plays in funding schools. The recommendations provided in Chapter 9 include ideas for improving the current system as well as recommendations for redesigning the system as a whole, using this policy window to make school facilities more equitable. Recommendations for the current system include implementing an inventory of California school facilities, building on current state and quasi-governmental programs to increase financial capacity and expertise at the local level, increasing maintenance spending requirements, setting procurement policies for members of the finance team, creating a nonprofit to provide financing services, improving the regulations and credentialing of financial advisors, making the system of credit ratings more equitable, ending pay-to-play with campaign finance reform, and developing additional local tools for raising facilities dollars.

Recommendations for creating a new facilities finance system revolve around the state taking responsibility for ensuring equity. Recommended actions include using a statewide tax and per pupil allocation system instead of bond debt to fund essential facilities components, ending the practice of using local assessed valuation as the basis for raising money, and ending the practice of holding local elections for essential construction and modernization authorization. I make the recommendation for the state to provide essential facilities components with caution because the state could set an intentionally low bar, knowing that locals would then continue to have to pass general obligation bonds to make facilities truly adequate and equitable. Where the bar is set in terms of minimum facilities standards would make all the difference and should be set in consultation with national facilities experts based on research and best practices.

Implications and Significance

The facilities financing process in California, as in other states, is at once financially and legally complex, of critical importance to districts, and often misunderstood by researchers, policymakers, and practitioners alike. Policymakers have started to respond to problems with bond financing, such as the recent regulation of capital appreciation bonds, and are now primed to rethink the structure of funding school facilities in California. In addition to highlighting issues for policymakers to address, included in the previous section, this study's findings contribute to research and practice.

Contributions to research. To my knowledge, I am one of the first scholars to explore the privatization of educational facilities financing. Few scholars have looked at the costs associated with passing a school facilities bond, including the costs of hiring private contractors and consultants. Simonsen and Robins (2002) have argued that traditional methods of measuring municipal borrowing costs understate the true costs of borrowing as they do not include all fees paid to private contractors. Ely and Calabrese (2013) investigated the role investment bankers (underwriters) play in California school district bond elections and found that post-election fees paid to firms that make political contributions are significantly higher than fees paid to non-contributors. Recently, Joffe (2015) examined the costs of issuing municipal bonds, noting the high fees local governments pay to private actors. However, the extant literature in this area has yet to fully explore the sociopolitical dynamics of privatization in educational facilities financing. Little is known about how state public finance policies have shaped the system of school district debt financing over time; what sociopolitical dynamics (such as district median household income) influence outcomes related to how districts interact with private organizations in the facilities financing process (including fees paid per student), and how school districts' experiences with school district facilities programs vary. Using the theoretical lenses of fiscal sociology and critical policy analysis to consider the implications of this financing system for equity, this dissertation's potential significance lies in its ability to contribute to the limited research on how state policies have facilitated privatization in the financing of educational facilities.

There are three additional ways in which this dissertation research forges new directions in school finance research. First, this research does not attempt to convince the reader that facilities should be enhanced so that test scores will improve. The vast majority of the research literature on educational reform, educational policy change, and facilities improvement has as its end goal the improvement of student achievement as measured by a standardized achievement test, typically given by the state near the end of the academic year. Test scores are not irrelevant. On the contrary, they can provide useful information to teachers and policymakers, and they arguably shine a light on subgroups that have historically been marginalized or ignored. However, research using student test scores hides other important outcomes that this research attempts to address. Instead, this work argues that the equity of facilities matters because educational structures represent an investment in the future of the community. High-quality, equitable facilities signal to children that they matter, that they are respected, and that the community cares enough about their education to fund the buildings in which they spend their childhoods.

The second way in which this dissertation research builds new directions in finance research is that it does not attempt to establish a connection between dollars spent on facilities and the quality of the facilities. As this study looks at school facilities in California and the state does not systematically conduct a facilities inventory, these types of analyses and conclusions are not possible. Case study analyses that I conducted of two school districts in the California Bay Area reveal the extent to which two similarly situated school districts can vary in how they approach their facilities programs. This work focuses on how these districts engage with the cottage industry of private financial consultants and contractors that profit from contracts with school districts in the facilities financing process. The third contribution relates to one of the oldest debates in political economy. Given that a primary focus of this dissertation research is an instance of

educational privatization and its implications for equity, this study examines the interplay between policy making and public sector contracting. As Robert Reich emphasized at the recent Liz Carpenter Lecture at the University of Texas, "There is no free market without the government making the rules" (Reich, September 8, 2015). Instead of labeling the profit-makers in the public sphere as inherently greedy or ill intentioned, this work makes profits transparent, considers whether funds are equitably allocated, and examines *how* policies have influenced the rise of the private sector in the school facilities industry.

Contributions to practice. The issues and inequities with school district facilities financing in California affect leaders and their community stakeholders, and findings from this study can empower California school district leaders in a few ways. First, the findings make the system and its strengths and weaknesses more transparent for those leaders who are not yet familiar with or experts on this topic. Just as previous research has helped school district leaders understand the steps to take when issuing a bond, this research has the potential to assist practitioners engaging in the facilities financing process by explaining how the system developed, how other actors in the system approach their policy roles, and how their own district and community characteristics might impact the costs of issuing debt. This information has the potential not only to help practitioners prepare to issue debt, but also to prevent them from making costly mistakes when issuing bonds to fund and modernize school facilities.

Second, given current policy conditions, it can help convince school leaders it is well worth their time to take action to increase their local expertise and capacity to enhance oversight of their bond program and take ownership of their district's facilities. Respondents agreed that the most successful programs have leaders who have taken the time to immerse themselves in bond finance. To increase capacity and expertise, leaders can enroll in existing academies and programs on facilities finance and utilize existing resources such as the CDIAC Primer. Most importantly, though, school district leaders and community stakeholders can use the findings within this dissertation, as well as the powerful narratives from their experiences, to advocate for a better system. The system exists in its current form only because of previous policy decisions. This is meant to be empowering because if we acknowledge the system as socially constructed, we can imagine reorganizing the system to improve equity. If enough practitioners and community stakeholders become aware of issues with the current system, they can advocate for more equitable policies.

Conclusion

In the current neoliberal policy context, it is useful to address the ways in which institutions and individuals contribute to the privatization of core educational functions formerly provided by public organizations. Examining education facilities financing reveals important insights about how policies facilitating privatization develop and are layered onto an already inequitable educational system. In addition, studying how policy roles are negotiated between school districts, private financial organizations, and the state points to opportunities to improve equitable access to facilities for students and to strengthen democratic accountability for community stakeholders. Given the rapid expansion of private engagement in public education, the passionate debate it often engenders about the purposes of public schooling, and the recent focus on school finance equity in California and across the country, this is a timely and important topic to explore that has long-term equity implications for students and other community stakeholders.

Chapter 2 - Conceptual Framework

"Should we be concerned that a number of groups go even further, seeing "private" as necessarily good and "public" as necessarily bad? With neoliberalism now driving a good deal of policy in many parts of our economic and social worlds, there may be reasons for worry."
--*Patricia Burch, 2009, p. ix*

"Everyone knows that taxation is important…the rise of neoliberal ideology has propelled taxation onto the international policy agenda."
--*Isaac Martin, Ajay Mehrotra, & Monica Prasad, 2009, p. 1*

Introduction

The opening quotations refer to the connection between broader neoliberal ideology and policies dealing with privatization and taxation, a central concern of this dissertation. I begin this chapter by describing the goals of the study's conceptual framework. I then turn to a discussion of how the two lenses of the framework—critical policy analysis and fiscal sociology—work together to guide this study of the California educational facilities finance process as an instance of privatization in a neoliberal context. This chapter concludes with a discussion of how this work contributes to the depth and breadth of our understanding of the implications of California's school facilities financing system for equity.

Goals of the Conceptual Framework

As Ravitch and Riggin (2012) explained, "a conceptual framework is an argument about why the topic one wishes to study matters, and why the means proposed to study it are appropriate and rigorous" (p. 7). I felt compelled to study the system of school district debt financing in California because the facilities inequities I observed matter for students and community stakeholders. The policy complexities intrigued me, and I felt a strong desire to understand how the system developed, how the costs school districts pay to private contractors and consultants vary by community and district characteristics, and the extent to which district experiences with the school facilities financing process vary. This dissertation project is fundamentally about equity. Children are bearing the consequences of an inequitable system, and I have designed every aspect of this project with the goal that its findings will inform policies that can improve the equity of school facilities in California.

As I discussed in Chapter 1, my personal experiences and interests have shaped this study. As Ravitch and Riggin (2012) described:

> *Personal interests* include your own curiosities, biases, and ideological commitments (what you think is interesting or important), theories of action (why you think things happen), and epistemological assumptions (what constitutes useful or valuable knowledge), all of which are profoundly influenced by your social location (race, ethnicity, social class, gender, sexual identification, nationality, and other social identities), institutional position, and life experience… what is means is that any inquiry into what you study also requires some reflection on who you are, since that in turn informs (and biases) your perception of things. (p. 10)

As part of recognizing my assumptions (Peshkin, 1988), I acknowledge that I previously taught middle school in a facility that was rodent-infested and otherwise unsanitary, and it impacted my ability to teach and my students' abilities to learn. It also made me feel unappreciated and disrespected, and I believe that my students felt similarly. However, a goal of this conceptual framework is to build a case for this study that will resonate with individuals who have not spent time in decrepit facilities or shared other aspects of my personal experiences.

Miles and Huberman (2014) described a conceptual framework as an explanation, "either graphically or in narrative form, [of] the main things to be studied—the key factors, variables, or constructs—and the presumed interrelationships among them. Frameworks can be simple or elaborate, commonsensical or theory drive, descriptive or casual" (p. 21). This dissertation's conceptual framework is informed by three core insights. First, as described above, my personal experiences and interests inspired the main variables to be studied. Second, the literature review provided me with context and background on topics related to my research questions and confirmed that my inquiries were in need of empirical analysis. Third, the pilot study I conducted helped me understand the interrelationships between the variables in this study.

Frameworks for Understanding Privatization and its Impacts on Equity

This framework utilizes the lenses of fiscal sociology and critical policy analysis. The following section describes how scholars have utilized these two lenses and how they work together to help explore privatization in the field of school district facilities financing and its implications for equity.

Critical policy analysis. Given my interests in facilities policies and the inability of the extant literature to explain why facilities inequities exist despite decades of reform, I sought to evaluate and understand policy outcomes in ways that were outside the traditional ways in which policies are evaluated. Common outcome metrics for policies include dollars spent, efficiency, number of people hired, and other descriptive characteristics. In education, the most common outcome used when evaluating policies is student achievement as measured through high stakes test scores. Critical policy analysis enables scholars to evaluate policies in a more nuanced way.

At its core, critical policy analysis attends to the ways in which policies differentially impact disadvantaged segments of the population. Patricia Burch's conception of critical studies of education markets is an example. Burch (2009) used the term "critical" to mean that critical studies "step outside of the immediacy of policy requirements and popular trends and think hard about policy origins and assumptions" and also that these studies "are critical in their concern with the policies' social justice implications" (p. 10). She explained how "critical studies treat education privatization as nested in larger theories and economic thinking" (p. 10). Taylor (1997) noted that what makes policy analysis strategically and politically useful is locating it within a broader, historical context, arguing, "This seems to be a crucial feature of critical policy analysis, that is, the notion of 'thinking relationally'—where theoretical frameworks are used to place cultural forms within broad patterns of social inequality and relations of domination" (p. 32). This type of analysis requires the consideration of policies over time in order to fully understand how they developed and were implemented.

My study considers how education facilities policies were incubated over time in a neoliberal context. As neoliberalism becomes increasingly common-sense (Scott,

2011), we stand to lose the ability to question and critique the larger system. Burch suggested that critical analysis allows scholars to see the bigger picture and "ask the broader questions about ideology and policy," stating "[t]his broader lens is also what we need to bring to current forms of contracting in education. We need to ask, not just whether the contracts "work" in terms of saving money or increasing student outcomes, but why the rise of contracting now and what broader functions is the trend serving?" (p. 11). Instead of taking the increasing presence and influence of private contractors and consultants in the education facilities financing process as a given, critical policy analysis asks questions about how policies have allowed for this to happen, why these policies were the ones implemented, and what the implications are, not just for traditional outcome measures, but for equity and social justice.

Critical policy analysis also acknowledges the complexity of policies, examining how policies are layered. Burch (2009) explained how the first layer of policies, mandates, establish the rules, "but the regulations, guidance, and budgets will bring the game into being" (p. 7) and described how these second layer policies "lie beneath the laws that are the focus of popular debates" (p. 6) and "are important windows on the current ideologies used to stabilize public policy" (p. 7). To understand a policy, it is necessary to look beyond the text of the legislation and evaluate how the policy is implemented. For example, is the policy an unfunded mandate? Does it support school districts at the level that was touted? Do stakeholders have the necessary guidance to benefit from the policy? Was the policy, at its root, meant to promote equity? Are there regulations in place that ensure the policies are correctly implemented? These are some of the questions that critical policy analysis can help to frame.

Critical policy analysis in education research has grown over the last few decades. Twenty-five years ago, Ball (1990) complained, "the field of policy analysis has been dominated by commentary and critique rather than empirical research" (in Taylor, 1997, p. 23). Taylor (1997) added, "It would appear that methodological questions about what 'data' are needed for analysis and how that material is collected have been less important in critical policy work than the theoretical frameworks which are used and the questions which are asked" (p. 23). However, critical empirical analyses of education policies have, over time, produced tools that help us understand how policies impact different segments of the population. One such tool is the privatization typology, which helps us categorize the increasing number of private organizations interacting with public education and to organize the field.

Scott & DiMartino's (2009) typology is a tool that facilitates empirical analysis of privatization in a given policy context. Scott and DiMartino (2009) argued, "increasingly private sector and public sector actors and institutions are intertwined" (p. 433). The authors looked at the social impacts of policies that are linked to the privatization of educational services, and they discussed how private involvement in public schools could lead to the redistribution of control and resources away from traditional public governance structures. The authors explained how depictions of privatization traditionally focused more on economic processes and less on social and political implications and that the use of the private sector in education has "traditionally involved pragmatic strategies for cost saving or efficiency" (p. 434). Their typology of privatization is useful for highlighting the pitfalls of privatization in terms of democracy, equity, and school

quality and included the following types of private organizations: 1) partners, 2) rivals, 3) gatekeepers, 4) profit-seekers, and 5) managers.

First, *partners* join with the public sector to deliver educational services or needed resources or expertise that the local school or district lacks. The issue of expertise is significant for decision-making regarding complex education tax policies. Second, *rivals* base their enterprise on competition. Charter schools that compete for students with traditional public schools are an example. Third, *gatekeepers* provide the private sector with access. For example, they set admissions/expulsion criteria in local schools. The authors explained, "At the district level, superintendents and school boards often provide private sector actors with the opportunity to provide services or school management by issuing requests for proposals for specific school and district contracts" (p. 439). Fourth, *profit-seekers* describe private organizations whose primary object and motivation is to make money. While these organizations may have other goals, they are unlikely to continue a relationship with schools if they are unable to make a profit. Fifth, *managers* are those private organizations that provide fiscal and operational oversight. Scott and DiMartino (2009) noted that organizations could fall into more than one privatization category. This typology helps us understand the complexities and nuances of private organizations now involved in the field of education, though it has yet to be applied to the field of organizations involved in the cottage industry of facilities financing.

While empirical critical policy analysis studies are accumulating rapidly, with important lessons and findings, critical *quantitative* policy analysis is much less common. Scholars like Ezekiel Dixon-Román are working to reconceptualize the use of quantitative methods from a critical theoretical lens, though on the whole, quantitative education policy evaluation, especially as it relates to facilities financing, does not frequently take up issues of social justice. Quantitative data on facilities financing abounds, though it is much more common to use it, for example, to analyze the characteristics associated with bond passage, simply noting how race may or may not be an influential factor. It is much less common to then try and understand why patterns exist. The existing quantitative data on the involvement of private actors in facilities financing in California has also not been adequately analyzed (see Ely & Calabrese, 2013, for an exception), and scholars have yet to examine the implications for equity. As yet, critical policy scholars have not sufficiently applied their lens to the particulars of the education finance policies that shape the system of facilities financing, which limits our ability to fully explain and evaluate not only the system itself, but also its outcomes for students. For example, we currently lack the knowledge to determine whether education finance policies promoting privatization through contracting differentially impact school districts based on wealth, location, or race. The critical policy analysis approach is needed in this area to help understand the project of privatization in the realm of education finance in a neoliberal context.

Sociopolitical dynamics as part of critical policy analysis. In this section, I introduce another dimension to the way I employ critical policy analysis. Throughout this work, I constantly return to the reality that finance does not sit static solely in spreadsheets and in offices. The education facilities financing process is political, social, economic, and incredibly important to the lives of the students and teachers working and learning within the walls of school buildings, not to mention community stakeholders. The way this system has been approached in the past is clinical – often devoid of an

appreciation for its implications for equity and the ways it has changed over time. In developing this framework, I wanted to draw from robust conceptions of policy that consider policies' political, social, and economic dynamics.

Taylor (1997) explained how critical policy analysis is both critical and political, writing "Ozga (1987) has termed the field of inquiry in education policy analysis 'policy sociology,' which she describes as 'rooted in the social science tradition, historically informed and drawing on qualitative and illuminative techniques' (p. 144) and this term has been adopted by many policy researchers" (p. 23). I use the term "sociopolitical" to refer to both the social and political factors that influence outcomes related to how districts interact with private organizations in the bond process as well as the social and political outcomes of the facilities finance system. Though the literature has explained how bonds are passed and has looked at factors that influence bond passage, we do not yet understand the ways in which current policy constructions impact the on-the-ground realities. A sociopolitical analysis is needed that can explain not only what is happening, but how it has evolved over time, how it happens, and how those dynamics impact different stakeholders, particularly as they affect equity outcomes.

The term "dynamic" is meaningful here, too. Analyzing the dynamics of the financing process and system reminds scholars that policies are not static. Rather, they are characterized by nearly constant change and activity as actors act and context evolves. Specifically, I examine the following sociopolitical dynamics as factors that influence how school districts interact with private organizations:

- Community characteristics
  - Wealth equity history
  - Racial equity history
  - Location
  - Power imbalance and the history of struggle
  - Community involvement history
- District characteristics
  - Capacity/expertise over time
  - Transparency over time
  - District size
  - Student demographics

Spending time thinking about these sociopolitical dynamics allows me to understand school financing in ways that the current literature has not addressed.

Fiscal sociology. In this section I develop the second major lens of the conceptual framework. Fiscal sociology acknowledges the importance of context in the study of taxation, public debt, and state spending (Martin, Mehrotra & Prasad, 2009). It attends to not only the causes of public finance policies, but also the effects. Much of the literature in education policy addresses either the causes of a policy, exploring how policies were shaped in a political environment and how they evolved from an idea into a law (see McDonnell, 2005 for an example), or the effects of a policy, evaluating whether policies have had their intended effects (see Mintrop & Trujillo, 2005 as an example). With regard to the literature on education finance, there is a robust body of work describing how education finance policies operate (see Timar, 2006 as an example) as well as literature on the effects of individual education finance policies (see Davis, 2015 for an example), but it should be noted that this literature is more limited with regard to

facilities. This work, when taken together, adds to our understanding of policy. Both types of studies, on causes and on effects of policies, are needed, and indeed, both the studies of causes of policy creation and effects of policies inform my work. However, there is limited work that considers the entire policy system over time, covering the societal context that caused the policies to be created in the first place, through the implementation of the policies, to the effects of the policies on stakeholders. In order to understand why school facilities are inequitable despite decades of reform, we need to look at the entire system over time.

In more detail, in looking at the effects of fiscal policies, scholars in the field attend to the consequences of fiscal policies for political, social, and cultural life, thus interrogating multiple dimensions of policy implications. This is particularly important, as a primary interest of mine is to learn more about how the effects of education facilities finance policies impact stakeholders, and I wanted to look at more than simply student test scores. Scholars using the tools of fiscal sociology provide strong examples of research that has been able to combine questions typically in the realm of economics with history, politics, and sociology. For example, Edgar Kiser and Audrey Sacks' analysis of the effects of tax collection on state capacity has shown that states that have historically been unable to raise revenues may be unable to provide the conditions for prosperity and peace for their citizens (Martin, et al., 2009).

However, in learning about fiscal sociology, it was clear that scholars in this field have not yet sufficiently examined taxation, public debt, and state spending in the realm of education finance policies. As a reminder, public school facilities are primarily financed through bond elections, which require school districts to take on debt, which is then repaid by taxing property owners. States also spend money in a variety of ways to support school facilities. Though the extant education finance literature has explained how bonds are passed, we do not yet understand the connection between policies and the rising prevalence of private actors in the facilities industry, nor do we understand whether and to what extent privatization in the educational facilities industry impacts students and community stakeholders.

The tools of fiscal sociology are useful in the context of school facilities finance because they help to extend traditional school finance research into the sociopolitical terrain. Drawing on fiscal sociology as part of the conceptual framework highlights the actual political, social, and cultural implications of finance policies for stakeholders utilizing school facilities daily. With regard to effects on *political* life, I am interested in how the school facilities finance system requires school districts to engage with local voters when placing bonds on the ballot to raise money for school facilities. To successfully raise money to construct and modernize facilities, school boards must vote to place a bond on the ballot, superintendents must speak publicly about the importance of the bonds for improving facilities, and school districts must navigate the complicated regulations around elections, which prohibit them from contributing money to the very campaigns that affect them. As a result, school district leaders must work in their "free time" to advocate for the bond ballot measures in their communities. This puts them in a difficult position in some tax-averse neighborhoods. I am concerned with how the intricacies of the system have evolved, how different school district leaders understand and approach their role in this system, and how it impacts relationships between school district leaders and their communities over time.

Fiscal sociology also fits in with my study's emphasis on privatization through contracting. With regard to effects on *social* life, I am interested in how the school facilities finance system requires the involvement of so many different actors in society. As this system has evolved, more and more private contractors and consultants have entered and expanded the cottage industry that works with school districts to raise money to improve and construct facilities. As these private actors have assumed larger roles, they have interacted more and more with parents and other community stakeholders in public school spaces. For example, private consultants and contractors are often visible at school board meetings, standing in the back of the room or officially making presentations about bond elections and facilities matters.

During the planning process, when communities are deciding whether they want to go for a bond, or what social functions they want their school facilities to serve, private consultants and contractors interact with community members by presenting options, answering questions, and shaping community desires on possibilities. During the bond campaign, private consultants and contractors often contribute financially to campaigns, help organize campaigns themselves, and interact personally with school district stakeholders in the push to get a bond passed. After bonds are passed, these private groups require the attention and evaluation of involved members of the community, and are often discussed at length at Citizens Bond Oversight Committee meetings. These interactions of public education stakeholders and private contractors and consultants are made possible by the public finance policies that shape the education facilities finance system.

With regard to effects on *cultural* life, I am interested in how the school facilities finance system impacts the bigger picture of how we think about school facilities and who is responsible for ensuring that children have the resources they need throughout their academic careers. People are busy and do not necessarily have the time to think about how the system evolved over time, where funding comes from, how much funding exists, and whether the system is operating at an optimal level to ensure the outcomes we as a society want to see. How has the current policy system shaped and potentially limited what we expect school facilities to provide for a community? How have we gone from a country where community stakeholders decided together what they wanted from their schools to a place where it is normal for private contractors and consultants to have such a strong voice in what facilities look like in a given community? While I am not trying to say that private actors are not, in their personal lives, members of the community, it is important to distinguish these actors from traditional community stakeholders because private actors profit from contracts with school districts and thus, have different motivations than traditional stakeholders.

The components of this conceptual framework supplement and complement one another. Fiscal sociology complements critical policy analysis in the consideration of context. Each lens understands policies as situated in a complex society with dynamic actors, realities, and constraints. Fiscal sociology supplements critical policy analysis with an added emphasis on taxation, public debt, and state spending. We could conceive of other ways the system of funding school facilities might work, and fiscal sociology helps to understand how policies are connected to the specific outcomes we currently see. Scholars in this field have approached taxation policy from interdisciplinary angles and contributed to our understanding of some of society's most compelling questions.

Equity

I was drawn to this topic because I saw firsthand that school facilities in California were inequitable. Here it is important to distinguish between adequacy, equity and equality with regard to educational facilities. The definitions of those constructs have been informed by legal developments in school finance reform cases. Equality of educational facilities could mean that every student across the entire state has the same facilities, or, more likely, that the state spends the same number of dollars on facilities per student. This is neither a practical, nor a desirable goal for a number of reasons. For example, the climate is different around the state, so facilities in northern California, where it is colder, need different insulation and heating than school facilities in southern California. Costs vary by location. If we were starting from scratch with no facilities at all, and we needed to build facilities at the same time for all students, it might make more sense to allocate dollars by number of students, controlling for basic labor and construction costs by region. However, the inventory of facilities around the state is not distributed in an organized fashion. The age, type, and quality of buildings vary around the state, and therefore different dollar amounts would be needed to even try to bring each building up to an equal level, whatever that might be.

However, debates about school funding have shifted to more sophisticated discussions of what is fair and just for students. As Baker and Green (2008) explain, equity deals with variations or relative differences in educational resources, processes, and outcomes across children. I use this definition when stating that schools in California are inequitable. Adequacy, on the other hand, attempts to address in more absolute terms how much funding, how many resources, or what quality of educational outcomes are sufficient to meet state constitutional mandates (Baker & Green, 2008). This dissertation does not and cannot focus on adequacy as the outcome of interest. For one, as I explained in the first chapter, there is no inventory of facilities quality in California. Even if there were, there are numerous data problems with measuring facilities quality, as explored in the literature review.

Furthermore, evaluating adequacy entails that there is a greater outcome in mind as a goal for students to reach. For example, we might be able to judge if facilities were adequate if they allowed students to reach the goal of full employment. This type of analysis is simply not realistic for a dissertation project, and I do not attempt to specify which later life outcomes would be relevant for an adequacy determination. To clarify, while a research project evaluating the adequacy of school facilities would be a valuable project, and is certainly needed, this research does not evaluate the ability of facilities around the state to help students to reach any specific goal.

However, this research project examines how state facilities policies have developed in such a way that facilities are inequitable, focusing on variations and relative differences in facilities. The research literature tells us that these inequitable variations matter for student outcomes. As Baker and Green (2008) explained, “Vertical equity remains separable from adequacy in that vertical equity is a purely relative concept. Vertical equity of inputs is necessary for providing either equal opportunity to achieve a specific outcome, or equal outcomes” (p. 211). The conceptual framework was designed to allow me to study and understand aspects of facilities financing policies that contribute to and impact the equity of educational facilities.

As mentioned in Chapter 1, this conceptual framework does not look at test scores as the primary student outcome. There is already a broad body of studies that consider education policies as they relate to test scores as the outcome variable of interest. As Trujillo (2014) explained, "many scholars caution that high-stakes testing and competition-driven accountability amplify private aims for teaching and learning to the detriment of public ones" (p. 340). We as a society should care about the equity of educational facilities out of a sense of justice and fairness. These concepts are hard to define and are open to public debate. Facilities variations in California are evident to anyone who takes the time to look. Students are observant and know when their school is dirty, ugly, or unsafe, relative to other schools they see in nicer areas of town or on television. These differences in facilities matter because they signal to students whether and how much society is willing to invest in them and also because poor kids and kids of color overwhelmingly populate such schools. I argue that allowing facilities to vary is disrespectful to students that inhabit the lesser schools. At a basic level, inequity matters because it affects human dignity.

Conclusion

This conceptual framework was designed to guide my study of educational facilities financing as an instance of privatization in an increasingly neoliberal context, looking at the social, political, and economic aspects of the system and process over time—not only over the timeline of a single facilities program, but over the facilities policy history, paying attention to policies from development to implementation to implications. The two lenses of the conceptual framework, critical policy analysis and fiscal sociology, work together to both set the boundaries of what this work encompasses as well as bring to the fore previously unexamined aspects of an educational system that impacts school district leaders and has equity implications for millions of students and community stakeholders.

I selected these lenses for their ability to help focus on aspects of privatization through contracting in education that impact my primary concern: equity. As Burch (2009) explained, "In sum, critical studies of education policy and markets raise serious questions about who benefits, who loses, and at what cost to democracy. The consensus in this literature is that the poor will bear the burden of market failures. I carry these lessons into my work on new forms of privatization. My interest in the new privatization is tightly connected to my concerns for social justice, specifically whether and how the most economically disadvantaged students are faring under emerging forms of privatization" (p. 15). I decided to study the system of education facilities finance in California because, like many educational privatization scholars, I was concerned with social justice. Similarly, scholars engaging in fiscal sociology seek to examine not only the issues in society that caused or led to particular public finance policies, but also how those policies affect political, social, and cultural life. As Martin, Mehrotra, and Prasad (2009) elucidated, "There are good reasons why many scholars have recognized the importance of taxation. Taxes formalize our obligations to each other. They define the inequalities we accept and those that we collectively seek to redress. They signify who is a member of our political community, how wide we draw the circle of "we." They set the boundaries of what our governments can do. In the modern world, taxation *is* the social contract" (p. 1). The next chapter reviews the relevant empirical literature.

Chapter 3 - Literature Review

"'New governance' and privatization scholars in education…are documenting and analyzing new networks of global, national and local policy entrepreneurs and organizations that are promoting pro-market policies and privatization, not only of public schools, but of the policy process itself. These new policy actors, inspired by pro-market and managerialist policies are having economic, political, and cultural effects."
--Gary Anderson, 2016, Politics of Privatization in Education, Symposium

Introduction

This chapter reviews the literature on the politics of educational privatization and school finance systems as they inform the study of educational facilities policies and their implications for equity, paying attention to potential economic, political, and cultural effects noted in the opening quotation. Researchers have studied these topics using a number of theoretical lenses and methods, and their work has yielded important discussions and findings, yet gaps in the study of facilities remain. This review identifies theoretical and empirical lessons from the literature and demonstrates opportunities to extend privatization and finance systems research, currently focused primarily on educational operations, to the capital side of the budget. This chapter also analyzes conceptual, topical, and methodological gaps in the extant research and situates the research questions posed in this dissertation in the conceptual and empirical literature, noting ties to the conceptual framework.

Brief Summary of Literature

The research on the politics of educational privatization finds that the implementation of privatization practices and strategies in local school districts are part of a broader shift in governance from the public to the private in many sectors. Contracting out services to private actors is a pervasive practice that coincided in time with the rise of neoliberal ideology and other new public management reforms. While public administration scholars and political scientists theorized possible benefits of contracting as well as warned about possible drawbacks as the practice emerged, education scholars have more recently conducted empirical studies to document its growth and unintended consequences in terms of costs and implementation at the local level. However, this recent work primarily addresses privatization on the operations side of the budget, dealing with teaching and learning, not with facilities on the capital side of the budget.

The research on school finance systems finds that the majority of states across the country have implemented some type of finance reform in the last few decades. These policy changes have improved equity in many states, though there is still much progress to be made. Facilities though, are often left out of these finance reforms completely, or only partially addressed. Consequently, high-income areas across the country continue to spend more on facilities than low-income areas. However, states that do explicitly address facilities in their school finance overhauls tend to spend more on facilities overall. This demonstrates the impact of state policies on facilities outcomes as well as the existing disparities across states.

There are a number of ways that scholars have studied educational facilities, and the majority of this work is quantitative in nature. Scholars have argued that facilities

quality does impact educational outcomes, though this impact is mixed, difficult to measure, and is often mediated by many factors and influenced by local context. The research on facilities bonds demonstrates that bond and community characteristics impact election outcomes, though again, context matters. Overall the rise of neoliberal ideology has privileged economic analyses in much of the facilities literature, leading to a focus on efficiency and quality and factors that influence students test scores and bond election outcomes. Thus, the facilities research is largely disconnected from a discussion of equity that is more prevalent in the educational privatization and school finance systems literatures, though there are a few notable exceptions (see work by Uline, Filardo or Vincent for discussions of equity with regard to facilities). However, the facilities literature overall has not sufficiently considered growing private sector involvement and its implications for equity.

This study's conceptual framework, utilizing critical policy analysis and fiscal sociology, can extend the existing analyses of educational privatization and school finance systems to include a focus on social justice outcomes of educational facilities policies and the causes and effects of taxation, public debt, and state spending.

Literature on The Politics Educational Privatization

Theoretical motivations for contracting. Organization theorists, business and legal scholars, and educational policy researchers have described the evolution of privatization through contracting over time (Bulkley, Henig & Levin, 2010; Kettl, 1993; Minow, 2002; Sclar, 2000), noting the role of neoliberal policies in facilitating privatization. Privatization comes in many forms, and the most prevalent of those is contracting (Bulkley, Henig & Levin, 2010; Burch 2009; Donahue, 1989; Handler, 1996; Kettl, 1993; Sclar, 2000). As Hatry (1983) defined, "In contracting out, the local government contracts with private firms (profit or nonprofit) to provide goods or deliver services. The local government may contract to have all or a portion of the service provided by the private firms" (p. 13). Contracting is one of the ways in which adherents of New Public Management have privatized previously public services in an era of neoliberalism, in which the government is less the producer of goods and services and more a supervisor of private organizations who do the actual work (Kettl, 1993; Tolofari, 2005).

Fueled by society's growing reliance on market mechanisms, governments at various levels are privatizing public services around the country. Contracting, in education and other fields—such as healthcare, welfare, and legal services—is not a new phenomenon, especially with regard to capital functions (Frederickson, Smith, & Larimer, 2003; Hatry, 1983; Minow, 2002). As broader neoliberal ideology began to gain traction in the 1970s, the level of contracting increased. Kettl (1993) described "State and local governments have been moving steadily for a generation toward increasing contracting out for social services. According to one national survey, the share of all social services that governments contracted out climbed from 25 percent in 1971 to 55 percent in 1979" (p. 166). At the federal level, according to Milward (1994), one-sixth of all federal spending goes to contractors.

Many scholars have connected the rise of contracting to simmering anti-welfare sentiments and the tax revolts of the 1970s (Donahue, 1989; Edsall & Edsall, 1992; Hatry; 1983). Donahue (1989) explained, "Local officials—and the staffers, consultants, and academics who advise them—became increasingly interested in outside contracting

in the late 1970s and through the 1980s as shrinking federal help and a wave of tax protests tightened local finances" (p. 131). One such tax revolt was California's Proposition 13, an early neoliberal voter initiative that dramatically reduced that state's ability to collect property taxes, though the source of the fuel for the tax revolt is disputed. Martin (2008) argued that we must distinguish between the backlash to the welfare state and the tax revolt, noting that state officials caused the tax revolt by professionalizing the tax collection system and doing away with informal tax privileges taxpayers were enjoying, such as the systematic undervaluation of property. Others asserted that tax revolts were fueled by a public that had become wary of a growing welfare state and the notion that the "haves" should pay taxes to benefit the "have-nots." Edsall and Edsall (1992) connected the backlash to race arguing:

> The twin issues of race and taxes have created a new, ideologically coherent coalition by pitting taxpayers against tax recipients, by pitting the advocates of meritocracy against proponents of special preference, by pitting the private sector against the public sector, by pitting those in the labor force against the jobless, and by pitting those who bear many of the costs of federal intervention against those whose struggle for equality has been advanced by interventionist government policies. (p. 3)

Overall, the literature indicates that contracting is a growing trend that is connected in time to the shift toward neoliberal ideology. Coinciding with sweeping neoliberal reforms in other sectors, privatization in education is one of the most influential characteristics in education policy. It has changed the way schools are operated by opening the door to charter schools, altered the field of organizations involved in educational policy-setting, and affected the flow of funding from the state to students.

Criticism of the government's ability to provide services is not exclusive to the field of education, though the notion of privatizing aspects of education has been around for decades (Friedman, 1955; Minow, 2002). Chubb and Moe's (1990) popular critique that bureaucratic institutions have too much power and are filled with people who are unmotivated to innovate was highly influential in promoting privatization through contracting to the forefront of the education reform agenda. As Minow (2002) explained, the debate about whether and to what extent to contract is part of a larger discussion about the boundaries between public and private, religious and secular, and for-profit and nonprofit delivery of social services. She highlighted both positive and negative aspects of privatization in schools, arguing primarily for public and private entities to work together. Minow (2002) stated, "public values, embraced by the Constitution, require complex connections between public and private institutions" (p. 52). She explained why some types of privatization may ease parents' worries in a neoliberal education context, writing "As education becomes ever more central to economic opportunity and job security, increasing parental choice may provide an important means of managing some kinds of anxieties about children's futures and frustration with sclerotic state and local bureaucracies" (Minow, 2002, p. 53). However, regarding privatization in any sector, Minow (2002) cautioned "conflicting missions and loss of accountability surface immediately as central problems when the public and private, profit and nonprofit, and secular and religious sectors converge" (p. 28) and called for rigorous public accountability.

Theorized benefits of contracting include the belief that private firms can deliver services at lower costs because they have incentives to keep costs down, can avoid bureaucratic problems, have the ability to lower employee compensation costs, and are motivated to explore and experiment with newer technology and new procedures that could reduce costs (Hatry, 1983). Donahue (1989) claimed that contractors have incentives to innovate because they can diffuse new methods throughout their operation, might save money because of scale economies (the ability to spread costs of capital and overhead across several cities), and have more motivation to exert best efforts due to opportunities to advance within their organization. Hatry (1983) also argued that governments might contract because they have a temporary need for assistance or an intermittent need for highly specialized help, and "In those cases, it is not practical for governments to provide a full-time internal capability" (p. 14). Some proponents of contracting are influenced by public choice theory, operating under the belief that "Government officials are assumed to be self-interested parties who seek their own interests at taxpayers' expense" (Milward, 1994, p. 42).

In addition to economic and social reasons, there are also political motivations for contracting. Contracting is politically attractive to proponents of smaller government because it allows the size of the public sector to be reduced without actually diminishing the responsibilities of the government (Sclar, 2000; Wolch, 1990). These motivations for contracting are rooted in the neoliberal belief in market theory and have been persuasive and effective at the federal, state, and local levels of government.

Theorized drawbacks of contracting. Scholars have also written extensively on the limitations and unintended consequences of contracting (Ascher, Fruchter & Berne, 1996; Bulkley, Levin & Henig, 2010; Burch, 2009, 2010; Bracey, 2002; Harvey, 2012; Hatry, 1983; Henig, 1994; Kettl, 1993; Wolch, 1990). As privatization became more popular, some researchers warned that it would work best in specific circumstances. Donahue (1989) reasoned that contracting works best when "(1) what needs to be done can be clearly and precisely described for purposes of contract negotiation and compliance; (2) desired outcomes can readily and easily be measured or identified; (3) penalties are imposed for noncompliance with the contract; and (4) contractors may be discontinued or changed" (Frederickson, Smith, & Larimer, 2003, p. 119). Education policy scholars have argued, however, that these conditions are rarely held in complex public education settings (Burch, 2009; Henig, 1994).

Under privatization policies, the government transfers not only money, but also responsibility and power to private organizations. Scholars have explained how the modern school system came about and how the reform "winners" created a complex educational bureaucracy partially to get the politics out of schools and decrease the ability for individuals to exploit the system for private gain (Chubb & Moe, 1990; Kettl, 1993; Tyack, 1974). The idea was that individuals within a big bureaucracy could, in theory, formalize processes and make decisions according to norms and procedures, not according to bribes and political influence. However, researchers have argued that the current bureaucratized system, with its growing reliance on privatization through contracting, has not been able to remove opportunities for corruption in public education. As Kettl (1993) described, "bid rigging, bribery, and kickbacks certainly have not been eliminated; opponents of privatization suggest that such problems are rampant" (p. 164).

The extent to which corruption and fraud can be detected has much to do with the amount of monitoring the government does of its individual contracts.

Monitoring is one of the many "hidden costs" of contracting, which involves substantial administrative costs (Henig, 1994). As the California Fiscal Crisis and Management Assistance Team described, "While issuing debt can be an appropriate method of financing capital projects, prudent fiscal management and consistent monitoring of such debt issuance is required to preserve a district's credit worthiness, budget and financial solvency" (FCMAT Alert, December 2008, p.1). These costs are related to the fact that contractual relationships are different than "spot transactions" that occur on the spot in the standard market model; the contract itself is evidence that each party fears some sort of breech of delivery over the length of the contract (Sclar, 2000). Because contractual relationships exist over time, the process is not as simple, as Sclar (2000) explained, "when contracts are for less-standardized outputs with less readily discernible quality and under conditions of greater uncertainty, a more complex managerial calculus is needed. That is typically the case with privatization" (p. 19). Hidden costs of contracting include organizing and evaluating bids, implementing the contracting process, and monitoring contractors (Jordan, 1997; Hatry, 1983).

Another theorized hidden drawback of privatization is a loss to labor. It is important to remember that jobs going to private workers are jobs, or at least responsibilities, taken away from public workers (Donahue, 1989). In order to save money by hiring contractors, the size of the government would itself need to decrease. Furthermore, private firms tend to have fewer unionized workers, typically do not provide pensions, and are not subject to affirmative action in hiring and promotion. Therefore, the curtailment of public sector jobs has implications for the growing wealth gap in America (Reich, 2008). If governments try to mitigate the labor issue, then their savings from contracting are diminished. As Donahue (1989) elaborated, "Even if taxpayers' stake in efficiency takes precedence over workers' claims to their jobs, taking steps to cushion privatization's shock to municipal workers—while it will likely cut savings considerably—is both politically prudent and commendably humane" (p. 146). Hatry (1983) added, "In addition, the for-profit firm needs to make a profit, and the cost charged to the government agency will include that added cost" (p. 14), indicating that once profits are accounted for, cost savings might not be as large as originally thought.

It is also important to factor in the costs associated with ensuring the existence of competitive markets. There is an assumption that there are private organizations that are willing and able to compete for the contract. If there are no firms available to complete the task or deliver the service needed, then the government will have no choice but to complete the task itself. If only one private firm exists that could complete the task or deliver the service, it is unclear whether the government will benefit from cost savings. What role should the government play in the establishment of a market? Jordan (1997) argued that it is the government's responsibility, though difficult, to ensure the creation and maintenance of contestable markets. Theoretically, savings come from competition, not necessarily from privatization, and competition is difficult to arrange if it does not already exist; private markets often devolve into monopolies or oligopolies (Donahue, 1989, Kettl, 1993; Sclar, 2001).

Finally, the standard market model assumes that markets are more efficient and thus preferable. However, when government budgets are cut back to the point that they

have no choice but to contract out, potentially because they cannot afford to hire full-time workers to complete tasks, then it calls into question the idea that services are contracted out simply because the market is better. As Milward (1994) argued, "Barriers to revenue increases and capacity constraints are so stringent, and the privatization ethos is so strong that government is turning over not only the delivery of services to private or nonprofit concerns but also the functions of financial control and eligibility determination to nongovernmental entities, for the simple reason there are few other options" (p. 46). This points to the importance of reviewing policies related to government budgets and revenue raising abilities. Scholars advise that, before contracting, government entities should consider the full costs of contracting, not just the dollar amount of the contract itself, given how difficult it is to shift back from contracting (Bulkley, Henig & Levin, 2010; Hatry, 1983).

Empirical evaluations of privatization and policy implementation. Given the prevalence of privatization in education—as Giroux (1999) described it "Privatization is the most powerful educational reform movement (p. 141)—there is a robust body of scholarly work that attempts to empirically evaluate aspects of educational privatization through contracting. Many of these studies are situated in school districts, cities, and states and analyze evidence on federal and state educational policies to confirm or challenge theoretical notions of contracting. This work, as described below, finds that policies are increasingly funneling money, influence, and decision-making to private actors, often without evidence to support privatization.

Scholars have critically examined how federal education policies focusing on accountability, markets, and politics have channeled authority and money to private organizations that contract with school districts for supplemental education services (Burch, 2009; DeBray-Pelot & McGuinn, 2009; Harvey, 2012). Bulkley and Burch (2011) noted the recent rapid influx of capital investment in public education, explaining that of the approximately $750 billion state and federal dollars spent on public education, $80 is spent on private organizations. Scholars have examined individual organizations and their profits from school districts (Burch, 2010; Orr, 1999; Scott, 2011). Scott (2011) found that white private sector entrepreneurs and elites benefit from neoliberal privatization policies. Lipman (2011) detailed how charter schools and venture philanthropists benefited politically and financially from their contractual relationships with school districts. Burch (2010) studied 11 national for-profit firms contracting with districts and schools and found that these firms continued to increase sales and expand sales staff during and after the recession and benefited from policies seeking to align public education with market values. Harvey (2012) further clarified that 84% of school districts were expecting to cut essential services in 2011 due to the ending of stimulus funds that followed the "Great Recession" at the same time that profit-earning, private sector organizations were expanding their contracted services with school districts.

Many scholars are critical of this private sector expansion despite a lack of empirical evidence confirming any benefits of contracting. Bulkley and Burch (2011) explained, "For-profit firms continue to expand their contracts with districts (both selling more to individual districts and selling across more districts) in the absence of any substantive evidence of cost savings or improved quality of services" (p. 248). Given that these organizations are not all obligated to report their finances and are thus hidden from public view, the full extent of profits is not clear. Furthermore, given that this research

focuses on the operations side of the budget, we knew even less about the influence and costs of contracting on the capital side.

Scholars have examined how private actors influence educational governance in a number of ways, documenting growing private sector participation in public education in the UK and America (Ball, 2007), how school districts are playing an active role in contracting with a variety of school providers, creating a Portfolio Management Model in major American cities like New York, Chicago, New Orleans, and Philadelphia (Bulkley, Levin and Henig, 2010), how private organizations are impacting policy implementation (Honig, 2004), and how private intermediary organizations are packaging and brokering research to policymakers, thus shaping reforms (Lubienski, Scott, & DeBray, 2011). This body of work demonstrates the growing ability of private organizations to affect not only educational operations through technical and operational influence, but also the policy process itself. Milward (1994) argued that privatizing services does not necessarily remove education from politics because organizations can form associations and lobby and questioned, "What impact does lobbying by contractors have on legislators who exercise oversight of government agencies that monitor the performance of contractors?" (p. 58). In fact, scholars have documented how private organizations are involved in lobbying for policies that benefit them financially (Burch, 2009).

Burch (2009) described how private organizations were not only making millions of dollars in profit from public money, but also are increasingly in charge of the "substance" of education policy, assuming a central place in the day-to-day governance and administration of schooling. Bulkley and Burch (2011) considered the implications of privatization for equity and democracy, analyzing three factors: "(a) the evolution and recent developments in the federal role in education, (b) developments in the marketplace of education and the broader economy, and (c) the political context, including the rise in political power of "new sector" organizations and the shift towards mayoral control in many large cities" (p. 243), noting that for-profit organizations are not only taking on more roles closer to the core of schooling (p. 240), but also taking on increasingly large roles in determining district policy, consequently diminishing the role traditional district actors play.

One type of organization influencing educational governance is the philanthropic foundation. Foundations have been involved with education for a long time, though the role has changed. Whereas foundations used to provide seed money to schools for programs, they have now shifted to comprehensive education reform (Reckhow, 2012; Scott, 2009). Scott and DiMartino (2009) noted how foundations have altered the social, political, and economic dynamics of educational policy and leadership. A relatively small number of private sector actors, including the Gates, Broad, and Walton Foundations, have had a disproportionately large impact on educational policy creation (Scott & DiMartino, 2009). These foundations' influence and financial support have dramatically contributed to the rapid privatization of the American public education system.

Lipman's (2011) work in Chicago also documented the role of philanthropic foundations. Her case study of Chicago used critical policy analysis to analyze the impacts of not only privatization, but also the larger neoliberal agenda on the public school system and larger city. She (2011) argued "like the robber barons that preceded them, their broader goal is to shift policy in the interest of capitalist growth as a whole by promoting neoliberalization of the public sphere and gearing education to global

competition. Through their focus on urban education, they also help shape urban policy" (p. 102-103), and are increasingly impacting education reforms. Lipman (2011) criticized the lack of accountability as governments partner with private organizations, saying "Government has become "governance," deploying managerial discourses and embracing public–private partnerships that integrate corporations and corporate philanthropists into city policy making without public accountability" (p. 26). She described how educational leaders formed close relationships with wealthy individuals in private organizations, concluding that non-democratically elected entrepreneurs are increasingly influencing education policy, reshaping cities to the detriment of low-income residents and people of color. This type of analysis is needed in the realm of educational facilities financing to connect neoliberal policies to the physical structures in which children learn.

Woven throughout this research is the voice of scholars describing how neoliberal privatization policies differentially impact those without power. Apple (2006) argued that, under neoliberal education reforms, teachers and disenfranchised communities get blamed for their own marginalization. Scott (2011) explained how the civil rights movement is in conflict with neoliberal reforms, including privatization, and that reduction of the state is limiting the ability of the public to redress racial inequality. Bracey (2002) highlighted that children suffer when private organizations get involved with schooling, as private organizations' concerns about money distract them from paying attention to important things like curriculum and instruction. Giroux (1999) cautioned that "Central to this agenda is the attempt to transform public education from a public good, benefiting all students, to a private good designed to expand the profits of investors, educate students as consumers, and train young people for the low-paying jobs of the new global marketplace" (p. 140-141).

Empirical analyses document the differential impact private organizations have on certain communities. Scott (2009) described the changing role of foundations, calling the new iteration of active, business-oriented organizations "venture philanthropies," which "aim to radically reshape public education, especially for poor children of color, but also to change the ways that traditional foundations operate" (p. 108). Lipman (2011) explained, "Venture philanthropists are self-appointed political actors, who, by dint of their superwealth, operate in the space between the state and society to engineer public policy, without public discussion or control. In reshaping urban education they also help reshape the city, affecting the lives of millions of primarily low-income working class people of color" (pp. 118-119). Bulkley and Burch (2011) found that "firms seeking to achieve a position in national markets are gravitating toward large urban markets" (p. 240). They elaborated that "As large for-profit firms capture more revenue (e.g., see Pearson) and expand their sales staff, districts and schools across the United States (and in particular where students of color and the very poor live) are laying off teachers, reducing or eliminating critical social services (such as health services), and in many instances closing schools so that children have to travel miles from their neighborhood to go to school at all" (p. 245-246). According to these analyses, where there are profits to be made, there are important issues of power and equity to consider.

Literature on School Finance Systems and Facilities Inequities

This section reviews the literature on school finance systems as they can inform the study of facilities financing policies and their implications for equity. School finance systems, as well as our understanding of them and their impacts, are continually evolving

as states across the country challenge, reevaluate, and restructure their systems. Conceptions of equity in school finance have evolved over time, with the most significant change being the shift from evaluating equity in terms of the total dollars spent on education to a focus on adequacy, or providing children with the resources they need to achieve common educational outcomes (Baker & Green, 2008, 2014). Though some scholars still question the relevance of money for educational outcomes, the consensus in the literature is that finances matter and that school finance reforms can improve educational outcomes (Baker, 2014). As Baker (2014) explained, "A significant body of literature has now shown the positive effects of equity and adequacy improvements of the prior 40+ years of school finance reform" (p. 25). The broader research on school finance reforms has examined the efficacy of various reform permutations, contrasting systems that focused on equality, equity or adequacy (Baker & Elmer, 2009); traced the roles of courts and legislatures in the finance reform process (Rebell, 2009); and highlighted the long-term impacts of finance reforms for various life outcomes in addition to educational outcomes (Johnson, 2015). This review highlights where school finance reform research overlaps with literature on resource inequities, particularly regarding educational facilities.

Compared with the broader literature on resource inequities, a comparatively small subset of research focuses on the equity and adequacy of school facilities. The limited research on the impacts of school finance reform on school facilities is likely due to the nature of school finance reforms themselves. Filardo (2010) explained that "Although there have been numerous challenges to the adequacy and equity of how states finance public education with their operating budgets, there has been much less done to address the issues of adequacy and inequity of capital outlay" (p. 2). Although 32 states have included educational facilities in their school finance reform equity lawsuits, "most of the court cases on education finance have primarily focused on the equity of operating spending, not of capital spending" (Duncombe & Wang, 2009, p. 326). Some scholars have highlighted differences between various state school finance reforms and the implications for facilities equity. "We find significant variation across states in the equity of the capital-finance systems, and some evidence that lump-sum project grants are associated with greater equity" (Duncombe & Wang, 2009, p. 325). Filardo et al. (2006), found that while most states increased their funding for school facilities during the last decade, the states with successful court cases that challenged school facility inequities spent, on average, an additional $158 per student annually.

The state of California, in particular, has a long history of litigation regarding its system of school finance dating back to the 1972 *Serrano v. Priest* lawsuit that went to the California Supreme Court.[2] More recently, in the *Eliezer Williams, et al., vs. State of California, et al.* court case of 2000, plaintiffs alleged that California had failed its constitutional obligation to provide all students with the essential tools of education on equal terms. The case spurred a special issue of *Teacher College Record*, providing an opportunity for scholars to empirically study aspects of finance reforms related to school facilities. The case identified qualified teachers, the supply of instructional materials, and adequate school buildings as the necessary but not sufficient floor for students to receive the opportunity for education that the state's constitution requires (Oakes, 2004). As part

[2] See chapter 5 for an in depth analysis of the policy and legal history of California's school facilities.

of the special edition, Ortiz (2004) reviewed research showing that safe, healthy, and uncrowded school facilities are basic ingredients of a good educational program, arguing that teachers are more effective in highly functional buildings. She criticized the state's funding, inventory, and oversight of educational facilities, arguing "The state has failed to establish a system of state financing to ensure that funds are available to and used by districts with schools in the poorest conditions. It has failed to promulgate minimum standards for school facility conditions and maintenance, develop systematic ways of monitoring conditions in schools throughout that state, or maintain effective investigation and correction processes when serious deficiencies are reported" (Oakes, 2004, p. 1901). Ready, Lee, and Welner (2004) reviewed current research and argued that smaller high schools, under 1000 students, are preferred and that when schools are overcrowded, it is preferable to build new schools as opposed to adding portable facilities.

While there is no national database organizing public school facilities data, scholars and governmental entities have worked recently to make national spending amounts and trends more transparent. According to the National Center for Education Statistics, in 2008 alone, school districts spent $58.5 billion in capital outlay, including on construction and land and building acquisition, and reported $369.4 billion in long-term capital debt (National Center for Education Statistics, 2008). Private organizations also track facilities spending. McGraw Hill School Construction reported that, since 1999, "an average of 80% of capital outlay has been spent on new construction and additions, with 20% spent on alterations or improvements to existing buildings" (McGraw Hill School Construction funding K12, from www.ncef.org construction statistics.) Continuing to document total spending amounts will further allow scholars to measure the effects of state school finance reforms and the extent to which those funds are equitably distributed.

Given that facilities have a history of local funding, scholars have devoted less time to determining whether facilities funding is inequitable than to the nature and implications of the inequity. Research on disparities in educational facilities and ties to wealth inequality has existed for decades (Kozol, 1991). For example Schneider explained that in 1996, the General Accounting Office documented that "schools serving poor and minority students do suffer disproportionately from poor indoor air quality" (Schneider, 2002, p. 5). However, recent work in this area has made the question of whether high-income areas spend more on facilities than low-income areas a resolved one. Filardo et al. (2006) documented that, despite record spending on school construction before the 2008 recession, investment in school facilities attended by minority and low-income students is far less than for their white counterparts. Filardo (2006) found that public school facilities investments align with community wealth and that between 1995-2004 schools in low wealth zip codes had one third the funding for capital projects as schools in high wealth zip codes.

Scholars have also tried to draw attention to the issue of routine and deferred maintenance. School districts have an estimated $271 billion of deferred building and grounds maintenance in their schools, excluding administrative facilities, which average $4,883 per student (21st Century School Fund, 2011). Schools districts spent $49 billion, almost 10 percent, of their operating budgets on maintenance and operations of their school buildings in 2008 (U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "National Public Education Financial Survey

(NPEFS)," fiscal year 2008, Version 1a; Table 2). Annual costs for maintenance repair and operations, including utilities and cleaning, are part of the school district operating budget, which on average, is paid for with 10% from the federal government and 90% from local and state sources (21st Century School Fund, 2011). "In the USA, the 1995 General Accounting Office report documented the extensiveness of deferred maintenance deficits and, since then, spending on maintenance and operations has decreased…The lack of adequate investment ensures that the inevitable process of continued facility deterioration will continue" (Roberts, 2009, p. 368).

In addition to highlighting differences, researchers have attempted to define what constitutes an acceptable "floor" of facilities quality. Uline (1997) lamented the debates about spending on school facilities, saying "Skeptics continue to view features of architectural quality as so many unwarranted frills, characteristics of what taxpayers have come to call "Taj Mahal" schools, schools affordable only to those wealthier suburban school districts continuing to enjoy a healthy tax base and a willing citizenry. Yet significant architecture need not be expensive" (p. 204). While some argue that too much is spent on educational facilities, Filardo, Vincent, Sung, and Stein, (2006) argued that public school students still have inequitable access to even the most basic educational resources and adequate school facilities, and that these disparities impact student achievement.

Current Trends in Educational Facilities Research

Over time, educational reformers have touted the importance of school facilities on learners—from Horace Mann's "common school" to John Deweys "laboratory school" to the Gates Foundation's push for "small schools" (Fuller et al., 2009). This section reviews the current research methods and lenses applied to the study of educational facilities, focusing on three lines of research:1) research on the effects of facilities on educational outcomes, 2) research comparing facilities policies, and 3) research on the facilities financing process. This literature finds that a growing body of research provides evidence of a link between school building quality and student outcomes, though this impact is mixed, difficult to measure, and is often mediated by many factors and influenced by local context. Much of this work is still in its nascent stages despite decades of study. The research comparing state facilities policies finds that policies and regulations do impact facilities spending and equity, and that policies vary widely by state. The research on the facilities financing process finds that varying aspects of bond and election characteristics may directly influence participation and voter preferences and that financing mechanisms vary by state political preferences. Data limitations, such as the lack of a comprehensive measure to fully capture municipal borrowing costs, combined with the limited literature on private actors, leaves many questions of cost and equity impacts unanswered.

Research on the effects of facilities on educational outcomes. A recurring line of research takes up the foundational questions of whether school facilities affect student outcomes like achievements, and thus, whether they warrant significant investment (Bowers & Urick, 2011; Cellini, Ferreira, & Rothstein, 2010; Oakes, 2004; Uline, 1997; Uline, et al., 2010**).** Davis (2015) noted that the most emphasized dependent variable is student test scores, though "researchers have also looked at the wider macro- social impact of high-quality school facilities on housing prices (Cellini, Ferreira, & Rothstein,

2010) and voters' support for schools" (p. 6). Scholars have also looked at the impact of facilities spending on the overall cost of education (Gronberg, Jansen, & Taylor, 2011).

Issues with methods and facilities data. Traditionally, economists of education have utilized education "production function" methods, to evaluate the impacts of inputs like facilities on educational outcomes, though these methods are problematic given that researchers have not settled on a standard way of measuring facilities quality (Gronberg, Jansen, & Taylor, 2011). Consequently, the literature is crowded with studies that regress a few characteristics of a school's physical environment on students' outcomes represented by achievement scores (see Tanner, 2009 as an example). Scholars have attempted to substitute a number of estimates for capital quality, such as an overall principal assessment of building condition (Earthman & Lemasters, 2009) or the age of a facility (McGuffey & Brown, 1978). Each of these measures is problematic. Principals are not facilities experts nor can the age of a facility take into account the variation in quality of construction over different periods of time (Schneider, 2002). Hence, all research on educational facilities is "plagued by problems of measurement and data availability" (Davis, 2015, p. 5). In addition to problems measuring inputs, there are also data problems with dependent variables. With regard to student test scores, scholars have repeatedly noted data limitations (Davis, 2015; Bowers, Metzger, & Militello, 2010).

Some scholars have advocated taking human and social capital, as well as educational purposes, into account when analyzing whether facilities impact educational outcomes. Crampton (2009) argued for building on quantitative research rooted in a unified theoretical framework including investments in not only physical capital (buildings) but also human and social capital. Utilizing canonical analysis, a multivariate statistical approach using multiple independent and dependent variables, and drawing upon data from the US Census Bureau, US Department of Education's National Assessment of Educational Progress test score data, and the US Department of Education's Common Core of Data, Crampton (2009) found:

> Spending on school infrastructure does matter when it comes to student achievement. However, the results of this study indicate that the impact of these investments is maximized when they are made in tandem…Prudent investment in education to maximize students' academic success is a balancing act including all three forms of capital, as opposed to a zero sum game where greater investment in one form of capital comes at the expense of another. (p. 318)

Roberts (2009) contrasted conventional measures of school facilities, which use an engineering "property management" perspective, with an educational perspective, which takes the educational purposes of schools into account and found that when engineering measures were used, there was little evidence of a connection to learning outcomes. However, when educators assess school facilities in terms of educational functions, a connection to learning outcomes is apparent (Roberts, 2009, p. 368). Overall, the answer to the question of whether money matters has depended on the scholar's conceptual framework, methods, and their dependent variable of interest (Roberts, 2009).

Aggregating facilities research. Another line of research on facilities includes literature reviews and meta-analyses attempting to aggregate research findings to help define whether school facilities matter and, if so, what aspects of facilities most impact educational outcomes. Some of the most comprehensive of these reviews have been conducted or commissioned by international governmental entities, attempting to inform

their country's infrastructure policies. These reports are useful in that they differentiate between resolved facilities issues and open empirical questions. For example, the Center for Learning and Teaching at the University of Newcastle's 2005 report explained "there is strong, consistent evidence for the effect of basic physical variables (air quality, temperature, noise) on learning. – Once minimal standards are attained, evidence of the effect of changing basic physical variables is less significant" (Higgins, Hall, Wall, Woolner, & McCaughey, 2005, p. 10).

A review published by the Education Policy and Research Division of Australia's Department of Education and Early Childhood Development found that educational practices were largely ignored and that "Claims in the literature about the possible effects of various aspects of learning spaces on student learning are often not substantiated empirically" (Blackmore, Bateman, Loughlin, O'Mara, & Aranda, 2011, p. 6). Schneider (2002) explored the variation in the quality of research on educational facilities, noting that "Much of it is case-based and verges on the anecdotal, and many literature reviews use simple counts of articles, or they present undocumented summaries of findings" (p. 17). Schneider's review points to the importance of attention to detail when analyzing aspects of educational facilities. For example, he drew attention to the counterintuitive notion that older facilities are on the whole lower quality or in need of repair and renovation, noting that older facilities often benefited from higher quality construction.

Mediating factors. There is a significant body of work that attempts to find effects of school facilities on student outcomes through mediating factors (Earthman & Lemasters, 2009; Higgins, et al., 2005; Horng, 2009; Plank, Bradshaw, & Young, 2009; Uline & Tschannen-Moran, 2008). Weinstein began studying effects of space on "nonachievement behaviors and attitudes" outcomes in 1979. As Higgins et al., (2005) explained, "The causal chain between environmental change and changes in students' attitudes, behaviours and achievements is a fairly complex one" Higgins, et al., 2005, p. 6). Uline and Tschannen-Moran (2008) explored school climate as a link between school building quality and student achievement. Their study surveyed teachers from 80 middle schools in Virginia using biariate correlational analysis to explore the relationships between the quality of facilities, resource support, school climate, student SES, and student achievement and well as multiple regression to test school climate as a mediating variable between the quality of school facilities and educational achievement. They found a link between quality of school facilities and educational achievement in English and math as well as a positive relationship between facilities and three school climate variables (p. 55). They also found that school climate did indeed mediate the relationship between teachers' perceptions of quality of school facilities and student achievement (p. 66). Later work by Uline, Devere Wolsey, Tschannen-Moran, and Lin (2010) used a mixed-methods triangulation design and confirmed earlier findings that there were moderate to strong relationships between the quality of facilities and school climate.

Scholars have also examined relationships between physical disorder (e.g., broken windows and poor building conditions), fear, collective efficacy, and social disorder in schools (Plank, Bradshaw, & Young, 2009). Plank, Bradshaw, and Young (2009) used path analysis to evaluate survey data from 33 public middle schools and found a "direct association between physical disorder and social disorder even when prior levels of collective efficacy are controlled—a finding consistent with traditional broken-windows theories" (p. 227), pointing to the need for ongoing maintenance in schools. A commonly

researched mediating factor between the school building and academic outcomes is teacher health and productivity, with teacher attitudes, perceptions, feelings, and morale used as dependent variables (Earthman & Lemasters, 2009, p. 324; Horng, 2009). In their study comparing teachers' attitudes at 22 high schools—11 whose principals rated the schools in satisfactory condition and 11 unsatisfactory—Earthman and Lemasters (2009) found that "Teachers in satisfactory buildings also have more positive attitudes about their classrooms and how that space influences them and their students" (p. 333). Building conditions have also been found to impact teacher absenteeism (Buckley, Schneider, & Shang, 2005) and student absenteeism (Duran-Narucki, 2008).

Researchers have attempted to understand what factors, including student demographics, pay, and working conditions, encourage teachers to leave or remain in their current positions. Regression analyses have indicated the "effect of student characteristics on teacher turnover is significantly reduced when district salary levels and teachers' ratings of working conditions—including class sizes, facilities, and availability of textbooks—are taken into account" (Horng, 2009, p. 694). Horng (2009) surveyed 531 elementary school teachers in a California school district, asking them to choose between workplace characteristics in an attempt to disentangle "student demographics from other characteristics of teaching jobs that are amenable to policy influences" (p. 690). They found that school facilities were more than twice as important to teachers than the student demographic variables on the survey when teachers select schools (p. 706), and school facilities were 30% more important to teachers than salary (p. 707). Horng (2009) concluded that "previously documented teacher mobility patterns are more likely due to teachers moving away from poor working conditions, such as unclean and unsafe facilities, than to teachers moving away from low-income and non-white students"(p. 709). This finding challenges previous research and deserves more attention. Another recent study of the Los Angeles Unified School District's $27 billion construction program found that teachers were enthusiastic about new facilities conditions (Fuller, Dauter, Hosek, Kirschenbaum, McKoy, Rigby, and Vincent, 2009, p. 344).

Practitioner-oriented research on educational outcomes. One body of research connecting the effects of facilities to educational outcomes, particularly the research finding positive relationships between facilities and educational achievement, is directed at practitioners, encouraging them to pay attention to physical capital and harness its potential to improve educational outcomes. When discussing policy implications of findings, scholars are in agreement that school district administrators are responsible for maintaining school facilities, though Uline (1997) lamented, "Often the event of a school building project is viewed as something to be endured, perhaps an impediment or an obstable to the real work of the administrator, which will resume once construction is completed" and encouraged school leaders to make "school architecture part of their comprehensive educational plan" (p. 199). Scholars are particularly concerned that facilities might become less of a concern when compared with other educational needs. Roberts (2009) declared that "school administrators need to reconsider policies that devalue the contribution that facilities make to learning outcomes" (p. 368). Earthman and Lemasters (2009) agreed, asserting that "District authorities are best able to promote an adequately funded maintenance and operations budget and guard against reductions of funding in lean years" (Earthman & Lemasters, 2009, p. 334). Though equity considerations are not at the fore of much of this literature, these findings have important

equity implications given that low income students and students of color disproportionately attend low-quality facilities. The next section more fully reviews these connections.

Research comparing state facilities policies. Despite the unresolved empirical questions regarding the extent to which facilities, and which aspects of facilities in particular, impact various educational outcomes, research on facilities policies tend to take the positive impact of facilities on educational outcomes as a given. "Indeed, state policies for infrastructure funding are predicated on its central role in educational production" (Gronberg, Jansen, & Taylor, 2011, p. 194). The research comparing school facilities policies is primarily conducted by policy organizations including university research centers, national think tanks, and other local, independent research organizations. Government entities, such as the California Department of Education, have also produced their own reports in recent years or commissioned independent centers to conduct research on shifting school facilities policies in their states. More infrequently, academic researchers compare state facilities policies (Davis, 2015; Duncombe & Wang, 2009; Vincent & Monkkonen, 2010).

Comparative facilities policy research is practical given that educational facilities policies vary widely by state. As a result, school facilities from state to state are dramatically variable. As Uline explains "We have not adopted any form of standard national school architecture, in fact or in spirit" (Uline, 1997, p. 197). The 21st Century School Fund, an organization that attempts to build public will to improve public school facilities, produces reports highlighting differences in state facilities policies. One of their most comprehensive analyses to date used U.S. Census data from 2005-2008 to examine how much capital outlay each state expended on educational facilities. They then surveyed each state to determine the breakdown of expenditures by local versus state sources. They found that the "average state share of spending on capital outlay for construction and land and building acquisition for the years 2005 to 2008 was 30%" (Filardo, 2010, p. 2). Filardo (2010) reported that the range of state contributions for capital outlay costs varies from 100% in Hawaii to 0% in eleven states, with 14 states providing less than 20% of costs incurred by local school districts, 12 states paying between 20 and 50%, and 13 states and Washington, DC contributing over 50%. States also support school districts with their facilities through "information, standards and technical assistance on school design and construction. Other states offer credit enhancement for local school districts, essentially co-signing the loan, so the local district secures a better interest rate and other improved borrowing terms" (Filardo, 2010, p. 2). However, Filardo explained that the level of overall funding is important, noting that when states provide a high share of capital outlay funding, students can still be in substandard facilities if the overall level of funding is low.

Researchers have also attempted to understand the extent to which state policies impact the overall costs of educational facilities. Vincent and Monkkonen (2010) analyzed the impact of three state-level regulations—whether a state funds school construction, whether a state has school siting laws, and whether a state has a prevailing wage law for school construction—on the costs of public school construction using a database of nearly 3,000 schools constructed between 1995-2004. They found that "states with all three regulations have construction costs that are roughly 30% higher than states with none of the three regulations," concluding that the regulatory environment as a

whole impacts costs rather than individual regulations (Vincent & Monkkonen, 2010, p. 313). This points to the need for states to consider each additional regulation as it relates to the existing regulatory environment.

Other recent work has also looked at the impacts of facilities policies across all 50 states. Duncombe and Wang (2009) provided descriptive summaries of state school building-aid programs. They used data from the National Center for Educational Statistics (NCES) Common Core of Data School District Finance Survey to investigate the relationship between types of state capital-aid formulas and inequality in capital outlays. They found that states offer three main types of programs to school districts: 1) credit enhancements, such as aid-intercept mechanisms; 2) state loan programs aimed at reducing the borrowing costs for school districts by, for example, providing a general obligation loan guarantee as a mechanism for lowering district-interest costs; and 3) various types of building-aid programs where states reimburse a portion of debt-service payments as part of a capital aid program. Regarding the latter option, 38 states offer some type of building aid program. Seven states offer lump-sum aid to school districts while 22 offer matching aid. Nine states offer both types of aid, and one state, Hawaii, provides full capital funding to its schools. At the other end of the spectrum, 11 states offer no grants for capital spending (Duncombe & Wang, 2009, p. 332). The authors found that almost all states limit the overall level of state funding for school facilities, and most states require voter approval for capital projects, and 27 of the 38 states with building aid require state project approval (Duncombe & Wang, 2009, p. 332). Most importantly, they argued that state policies affecting building-aid formula affected the level of inequality in capital investments.

Other research looks at one or two states in depth. For example, Davis (2015) analyzed school facilities policies in Michigan and Ohio, using two relatively similar states with very different policies to study the impacts of policies on the distribution of school and community resources to school districts. Davis' study took advantage of a policy changes at the state and federal levels to compare a state-run facilities program to a federal facilities program. In Ohio, school facilities litigation prompted the creation of the Ohio School Facilities Commission, and at the Federal level, the American Recovery and Reinvestment Act (ARRA) was created to, among other things, provide support for the construction of educational facilities to help stimulate the economy after the recession. Davis (2015) found that Ohio does "appear to have a more equitable distribution of capital facilities" than Michigan, a state with weak state support for school construction (p. 3). Interestingly, the study's findings indicated "the allocations in both states went, on average, to districts above the mean on a number of measures of community resources, educational inputs, and student outcomes" (Davis, 2015, p. 4). Similar to the literature reviews of the impacts of school facilities on educational outcomes, the literature comparing facilities policies critiques the data limitations and variations in research quality. The literature finds that variations in facilities policies impact facilities outcomes, which arguably impact educational outcomes.

Research on the facilities financing process. The research on the educational facilities financing process is situated within a larger body of school finance research. Historically, research on school finance has focused primarily on debates about how much spending is needed overall (e.g., Hanushek & Rivkin, 1997), how funds are spent in schools to yield higher outcomes (e.g., Grubb, 2009), or the value of certain resources,

such as facilities, for student performance (e.g., Schneider, 2002). Researchers have examined economic and political issues related to education bonds, including the qualitative work on the sequence of decisions facing school district officials in the bond issuing process (Harris & Munley, 2002) strategies for school boards working to pass bonds (Milder, 2011; Stover, 2012), and patterns in local school capital stock (Arsen & Davis, 2006). These studies find that school district leaders should operate strategically to increase the likelihood of bond passage. The literature also includes quantitative work on political factors associated with bond passage (Bowers, Metzger, & Militello, 2010; Hickey, Linn, & Vaughn, 2008; Sanders, 2009), or the logistics of planning for construction costs (Vincent & McKoy, 2008). This work finds that local context matters for facilities outcomes. Much of this work is directed at practitioners, particularly school board members and district administrators interested in raising funds for their school districts' facilities. To date, this research has not focused on the equity implications of involvement of private actors in the facilities financing process.

Determinants of bond passage. Frustratingly for administrators, the empirical research is divided on what factors are associated with facilities bond passage, and past research tended to indicate that few factors affecting bond passage were under the influence of administrators (Bowers & Lee, 2013; Piele & Hall, 1973). Piele and Hall (1973) looked at four variables related to local voters controlling school bond outcomes, including voter age, socioeconomic status, education, and ethnicity, noting that there was little school districts could do to positively influence bond elections. However, more recent research has centered on bond characteristics, as opposed to voter characteristics, when trying to study determinants of bond passage. The primary characteristics studied include: "refloats, amount of the bond, bond wording, day of the year, voter turnout, and ballot number" (Bowers & Lee, 2013, p. 7). Bowers and Lee (2013) considered the history of voter support, noting in their review of research that tax burden was positively related with a school district's likelihood of passing another bond, indicating that communities that have already exhibited a willingness to tax themselves to fund public school infrastructure are more likely to continue doing so. Attempting to build on theory, they analyzed all proposed school bonds in Texas from 1997 to 2009 using a logistic regression discrete time hazard model and presented a mediated model of school bond passage, explaining "that while district and community characteristics may consistently influence school support attitudes and participation and that community-wide school support attitudes remain mostly constant and beyond the influence of school administrators, the varying aspects of bond and election characteristics may directly influence participation and voter preferences, which then, through voter preferences, act on the election outcome" (p. 28). These findings are likely encouraging to school district administrators hoping to influence bond outcomes.

Other studies have also looked at characteristics associated with voter support of taxation for facilities in single states. Ingle, Johnson, Givens, and Rampelt (2013) recently looked at the relationship between district characteristics, district finances, levy characteristics, and campaign expenditures in Ohio and found that while campaign spending was related to bond passage, the types of expenditures were insignificant for the most part. Sanders (2009) studied an alternative to bonds, looking at factors that helped predict outcomes of the Special Purpose Local Option Sales Tax (ESPLOST) elections to fund school facilities in Georgia, and explained that "the unpopularity of property taxes

and the perceived fairness of the sales tax made the SPLOST a popular method for financing needed capital projects in Georgia-a state with 159 counties and 21 city-school districts" (p. 269). He found that rapid population growth, support in emerging population centers, and holding special elections for the tax increased the likelihood that voters would support a sales tax to support educational capital projects (p. 286). Like other research in this tradition, the studies summarized did not combine their quantitative regression analyses with qualitative data collection, so while there are able to describe relationships, less is known about why these relationships and patterns exist.

Private organizations and the costs of financing. Very few studies have considered the private organizations involved in the school district debt financing industry. Of the dozens of types of private organizations involved, the research to date has concentrated primarily on issues related specifically to underwriters, or the bankers that sell bonds to investors on behalf of school districts. Roden and Bassler (1996) studied the effect of underwriter prestige on the interest costs of municipal bond offerings and failed to find that municipal bond issuers gained statistically significant positive benefits from hiring prestigious underwriters. More recently, Ely and Calabrese (2013) investigated the promotional role investment bankers (underwriters) play in California school district bond elections and found that post-election fees paid to firms that make political contributions are significantly higher than fees paid to non-contributors. However, little is known about the extent to which fees paid to private organizations impact the overall costs of borrowing.

A few other studies have touched on elements of the costs of municipal financing. Simonsen and Robbins (1996, 2002, 2007) have studied issues related to municipal debt, including the difference between competitive versus negotiated municipal bond issuance, which impacts the district's relationship with underwriters, as well as costs of borrowing. Simonsen and Robbins (2002) noted data limitations in this field, specifically that there is no comprehensive measure available to fully capture municipal borrowing costs and that the commonly used measure, true interest cost (TIC), understates the real cost of borrowing issuers experience. Mysak (2010) also wrote about costs of bond transactions, advising municipal issuers on how to lower the cost of financing and follow regulations. In a recent brief, Joffe (2015) examined the costs of issuing municipal bonds, noting the high fees local governments pay to private actors. However, less is known about the nature of relationships between school districts and the private organizations involved in school district debt financing transactions.

There is limited research on the role of credit ratings agencies, one of the types of private organizations involved in debt transactions. Lipman's (2011) analysis of Chicago mentioned these agencies:

> Driven by market ideology and to make up for federal cuts, local governments, including Chicago, turned to property and real estate taxes, debt financing, and financialization…Municipal debt, in the form of municipal bonds and other securities generated through real estate tax revenues and other taxes, is traded in the global financial markets…As a result, cities are especially vulnerable to the decisions of bond rating agencies, which place considerable constraints on city governments, giving finance capital tremendous influence over urban policies. (p. 30)

Lipman does not discuss how ratings agencies interact specifically with school districts, yet her work is rare in that it connects private organizations involved in municipal debt transactions with broader neoliberal trends. This type of analysis is needed in the context of school district debt financing.

Discussion of the Literature

The literature reviewed in this chapter points to resolved empirical findings. The research on the politics of educational privatization finds that the implementation of privatization practices and strategies in local school districts are part of a broader shift in governance from the public to the private in many sectors. Contracting out services to consultants and contractors, in particular, is a pervasive practice that coincided in time with the rise of neoliberal ideology and other new public management reforms. While public administration scholars and political scientists theorized possible benefits of contracting as well as warned about possible drawbacks as the practice emerged, education scholars have more recently conducted empirical studies to document its growth and unintended consequences in terms of costs and implementation at the local level. However, this recent work primarily addresses privatization on the operations side of the budget, dealing with teaching and learning, not with facilities on the capital side of the budget.

From the research on school finance systems and resource inequities, we know that the majority of states across the country have implemented some type of finance reform in the last few decades. These policy changes have improved equity in many states, though there is still much progress to be made. With regard to facilities, though, they are often left out of these reforms completely, or only partially addressed. Consequently, high-income areas across the country continue to spend more on facilities than low-income areas. However, states that do explicitly address facilities in their school finance overhauls tend to spend more on facilities overall. This demonstrates the impact of state policies on facilities outcomes as well as the existing disparities across states.

There are a number of ways that scholars have studied educational facilities, and the majority of this work is quantitative in nature. Scholars have argued that facilities quality does impact educational outcomes, though this impact is difficult to measure and is often mediated by many factors and influenced by local context. The research on facilities bonds demonstrates that bond and community characteristics impact election outcomes, though again, context matters. Overall the rise of neoliberal ideology has privileged economic analyses in much of the facilities literature, leading to a focus on efficiency and quality and factors that influence students test scores and bond election outcomes. Thus, the facilities research is largely disconnected from a discussion of equity that is more prevalent in the educational privatization and school finance systems literatures, though there are a few notable exceptions (see work by Uline, Filardo or Vincent for discussions of equity with regard to facilities). To date, the facilities literature has not sufficiently considered growing private sector involvement and implications for policy and equity. The following section analyzes topical, conceptual, and methodological gaps in the literature.

Topical gaps. Many of this dissertation's central topics are considered in the research literature, though what is missing is a meaningful consideration of privatization, school finance systems, facilities financing policies, and equity together. For example, while there is a robust and growing body of literature looking at educational privatization

on the operations side (as it impacts curriculum and instruction), there is much less research on privatization on the capital side (as it impacts educational facilities). When scholars write about school funding, they tend to gravitate towards operational funding issues rather than capital funding, and as a result, we know much less about school finance on the capital side in general, including as it relates to issues of privatization and equity. Specifically, there is relatively little research that focuses on educational facilities financing mechanisms. Given the amount of money raised every year in educational bonds, this topic deserves more attention.

While the empirical work on facilities financing is emerging, the school finance literature to date has largely neglected the increasing role of the private sector in school finance schemes and the implications of their actions for equity in high-poverty school districts. The growing body of work on private educational intermediary organizations also misses the segment of private actors involved in facilities financing. Scholars have not documented how much money private actors involved in debt financing are paid, nor the influence they have in facilities outcomes.

The most important topical gap in the literature, as it relates to the research questions addressed in this dissertation project, concerns the implications of privatization in educational facilities financing for equity. While we know that the details of state's facilities programs impact facilities outcomes, we cannot systemically detail the ways in which specific policies affect various communities. For example, relatively little is known about the design of state capital assistance programs and their potential impact on capital-outlay distribution. (Duncombe & Wang, 2009, p. 325). These topical gaps are relevant when considering the equity implications of policies, particularly as states consider potential facilities financing policy changes.

Conceptual gaps. This dissertation project seeks to reframe the ways in which these topics are considered conceptually, arguing that the current research is missing an in depth consideration of the related sociopolitical dynamics, especially as they relate to equity. This study builds on research on vouchers, charter schools, and private management of school systems and turns toward the growing private sector involvement in school construction and debt financing through bonds. The ways in which bond deals are structured have far-reaching implications for the education of millions of schoolchildren, and there is a rich empirical opportunity to understand this aspect of educational privatization, which, to date, remains relatively underexplored by policy scholars. As Trujillo (2014) summarized when looking at the literature on intermediaries, the literature is still missing analyses that explore ideological tensions in reforms and research on what motivates private actors to advance specific reforms.

It is important to consider how neoliberal policies influenced the establishment of particular types of financial organizations at certain times. Why did the field of private organizations develop the way it did, and how has the field grown and changed over time? With regard to concerns about privatization identified, including corruption and fraud and hidden costs, the literature provides theoretical justifications for why these issues can be problematic, but there is still much to learn about how these issues have manifested in the realm of education finance, particularly related to school district debt. Have these problems arisen in municipal education finance or have these problems been avoided in this context?

To date the literature on educational facilities, including the research on bonds, underestimates the sociopolitical impacts of school facilities financing. Also, there is little work on how school finance services have themselves been privatized over time and even less work on the types and nature of private organizations that school districts hire when trying to pass a bond or issue another kind of debt. While academic researchers have studied political and ethical issues related to broader school finance issues (Baker, 2008; Picus & Wattenbarger, 1996; Timar, 1994, 2006), scholars have paid less attention to the historical evolution of school district facilities policies and the ethical, social, and cultural implications of privatizing educational finance services. Much of the literature is oriented toward practitioners, focusing on the mechanics of raising facilities money while the sociopolitical dynamics of education facilities financing have been under examined

There are opportunities to think conceptually about how facilities can be integrated into the larger discussion of educational privatization and neoliberalism and new public management. For example, Davis (2015) has documented how facilities are narrowly considered; "The attention given to the large variation in building quality across school districts is based largely on the assumption that there is a correlation between the quality of school infrastructure and student achievement. Studies have tried to examine possible correlations between school building conditions and student achievement on standardized tests through a number of statistical techniques, controlling for the socioeconomic status (SES) of the parents and other community variables" (p. 5). While it is important to think about student achievement, it is not the only valuable outcome. The citizenry also cares about green construction, livable communities, opportunities for communities to use school space, respect for students, health and safety, efficiency of spending, and other concerns that are not addressed in the current research.

Methodological gaps. The research explored tends to be either qualitative *or* quantitative in nature. The body of literature on educational privatization is largely qualitative in nature, while much of current work on facilities is quantitative in nature. The lack of mixed method work tends to limit our understanding; we can either see trends but not understand why they occur, or we can understand the details of a case, but not know the extent to which that case represents a broader policy. For example, the research on facilities finance tends to focus quantitatively at the state level, limiting our understanding of how policy changes and outcomes might be influenced and experienced by local contexts. Without exploring local contexts in depth, the literature remains disconnected. These local intricacies are especially important when considering the equitableness of certain facilities policies. Baker (2014) noted "'Inequitable' variations are those that occur without regard for needs and costs, and may include those variations in resources that are largely a function of local wealth and fiscal capacity. As commonly applied, traditional equity measures fail to sort out equitable variation from inequitable variation, often leading to erroneous conclusions" (p. 11). Mixed methods research can help provide context to explain, and in some cases justify and in other denounce, differences in funding distribution.

A major methodological issue with education finance research has to do with problems related to production function analysis. The first problem is related to data. Davis (2015) explained that because school building quality is so difficult to measure accurately, researchers confront problems with measurement and data availability. Scholars have tried to get around the problem by relying on aggregate measures such as

building age for example (McGuffey & Brown, 1978). However, scholars hoping to use production function models are generally missing reliable measures of variables for which they would hope to control, such as SES, student background variables, teacher effectiveness, as well as school building characteristics, and achievement (Davis, 2015).

The second issue with using production functions as a method for studying education finance is actually a theoretical concern with the method. Crampton (2009) explained that production function studies lack a strong theory base and, as a result, have been uneven and inconsistent over time, explaining:

> Although the underlying conceptual framework for production function research usually draws upon the concepts of efficiency or productivity as derived from the disciplines of economics and public finance. Still, beginning in the mid-1960s, this methodological approach has been employed most widely by researchers interested in the economics of education. (p. 306)

Over time, the methods used are becoming increasingly nuanced. I argue that the methodological gaps with recent literature have less to do with the individual methods themselves than with the lack of work combining methods to address complex questions.

Conclusion

This chapter reviewed the literature on the politics of educational privatization and school finance systems as they inform the study of educational facilities policies and their implications for equity. As demonstrated, researchers have studied these topics using a number of theoretical lenses and methods, and existing work is useful in that it both answers questions and highlights unanswered empirical questions. The research on educational privatization and school finance systems has important lessons for the study of facilities, and there are many opportunities to extend privatization and finance systems research, currently focused primarily on educational operations, to the capital side of the budget. Given the ability of private organizations to impact policies and the growing presence of private actors in the facilities industry, a next step is to study the role of private actors in the realm of facilities financing. With regard to equity, this review emphasizes that despite decades of reform and increases in facilities spending, high-income areas spend more on facilities than low-income areas.

As Uline, Devere Wolsey, Tschannen-Moran, and Lin, (2010) astutely pointed out, "Even as evidence mounts, school leaders-particularly, those in poorly resourced districts-struggle to convince policymakers and taxpayers of the need to invest resources in replacing or renovating inadequate school facilities" (p. 599). Reviewing the literature is but a first step in affecting change and must be accompanied by informed, deliberate action. Based on the insights and findings from the literature, as well as from my pilot study, I designed a dissertation study to address gaps in our current knowledge, including a historical policy analysis of how public finance policies have shaped the field of actors involved in the school facilities industry over time, the sociopolitical dynamics affecting outcomes related to how districts interact with private organizations in the facilities financing process, and how policies are implemented at the local level, impacting school districts' experiences with facilities programs and the private actors involved. This study's conceptual framework, utilizing critical policy analysis and fiscal sociology, can extend the literature to include a focus on educational facilities policies, the causes and effects of taxation, public debt, and state spending, and the social justice outcomes of privatization.

Chapter 4 - Data and Methodology

"Researchers traffic in understanding. Most study participants are preoccupied with action—how to work and live better. It can be argued that if you approach your analytic work with a deeper sense of its action implications, your understanding will be deeper—and the benefits to participants more equitable."
--Miles, Huberman & Saldaña, 2014, p. 61

Introduction

In this chapter, I review the data and methods for this study. I begin with an overview of the mixed-methods design, emphasizing how the design contributes to the depth and breadth of the study. I describe how this dissertation was developed with an explicit focus on equity, designed to address conceptual and methodological gaps in the research literature. Taking each research question in turn, I describe the data sources, data collection methods, and analysis. I then turn to a discussion of researcher positionality, the limitations of the approach, and a brief summary of the contributions of these methods for researchers, practitioners, and policymakers.[3]

Overview

This research utilizes a mixed-methods approach to empirical inquiry, combining qualitative document analysis, quantitative analysis of public debt data, school district and community data, and property value data, and qualitative case studies of two school districts to explore the following research questions:

1. How have public finance policies shaped the system of school district debt financing over time, specifically with regard to the field of private actors involved in the school facilities industry?
    a. To what extent are educational facilities in California, or the process by which facilities are funded, inequitable?
    b. Why have educational facilities remained inequitable given increases in educational spending, finance reform, and judicial action?
2. What sociopolitical dynamics (such as district median household income) influence outcomes related to how districts interact with private organizations in the facilities financing process (and the fees paid to these organizations *per student*)?
    a. How has the level of involvement of private organizations in the market evolved over time?
    b. How much money have school districts paid to private organizations for municipal finance services over time?
3. What are school districts' experiences with school district facilities programs, and by what sociopolitical dynamics (including community and district characteristics) are these experiences informed?
    a. How are policy roles negotiated between school districts, the state, and private organizations?

[3] See the Appendix for supplementary materials, including: case study selection matrix, interview protocols, codebook, and lists of interviewees and meetings and/or events observed.

b. How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?)
c. What ethical and political issues have arisen between school districts and private or outside organizations in the facilities financing process?

Equity-centered design. As described in the conceptual framework, I developed this dissertation with an explicit equity focus. It was also influenced by my own researcher positionality (explored more later in the chapter) and theoretical perspective. As Crotty (1998) elucidated, each theoretical perspective embodies a way of understanding *what is*, or ontology, in addition to understanding *what it means to know*, or epistemology. This study is conducted in the interpretivist tradition. As Glesne (2001) explained, "The ontological belief that tends to accompany interpretivist traditions portrays a world in which reality is socially constructed, complex, and ever changing" (p. 8). My study assumes that policymakers create a complex policy environment that differentially impacts disadvantaged segments of the population, influencing equity. However, policies can and do change, and making the consequences of policies transparent can aid policymakers in making policies more equitable. I designed the methods to support the goal of improving school facilities finance policies to make facilities, and the process by which they are funded, more equitable for the students and community stakeholders.

Pilot study. I conducted an extensive pilot study while I developed my dissertation proposal. In January 2013, I was awarded the Social Science Research Council's (SSRC) Dissertation Proposal Development Fellowship, which allowed me to first express the idea for this dissertation study. As a fellow in the New Historical Fiscal Sociology cohort, I developed my dissertation proposal. This fellowship coincided with and supplemented a summer internship with the Public Policy Institute of California (PPIC), for which I conducted a study of how school districts' use of Tax and Revenue Anticipation Notes (TRANs), a short-term debt instrument, was or was not impacted by the Great Recession. For the PPIC internship, I worked at the PPIC San Francisco office, conducting phone and in-person interviews with individuals involved with school facilities in California. It was during this internship that I obtained school district debt data from the California Debt and Investment Advisory Commission (CDIAC). For my project at PPIC, I merged the CDIAC data with an existing PPIC dataset with school district and community characteristics. The research director at PPIC gave me permission to use this PPIC data for my dissertation and to use the interviews I had conducted for my pilot study.

The pilot study included 60 preliminary interviews with state officials, school district personnel, and private contractors as well as a preliminary analysis of quantitative data. While I conducted most of the interviews over the phone (approximately the first 40), I also conducted many interviews in person during an SSRC funded trip to Southern California, during which time I met with school district facilities personnel and visited school facilities. During this time period, I also attended the 2013 California Latino School Board Association in San Diego, California. During this trip, I observed meetings on school facilities finance, met school district leaders and private consultants and contractors, and gained background knowledge about the ways in which public and private actors interact in networking spaces.

The pilot study was instrumental in helping me design my dissertation study. The background knowledge my mixed-methods pilot study provided pointed me toward the most interesting unanswered questions relating to the privatization of school facilities financing in California and implications for equity. It also helped me get a lay of the land, in a sense, providing me with a rough map of the public and private organizations involved in the industry. This proved useful when sampling for interviews later.

Mixed-methods design. I decided to conduct a mixed methods study early on in the dissertation development process. Given that this study is looking at an area about which there is little empirical work, I wanted to not only describe *what* was going on with fees to private financial consultants, but also *why* and *how* private consultants and contractors were becoming increasingly involved in the school facilities financing process. The three major stages of this dissertation project developed around each of the research questions. Quantitative work lent itself well to answering the "*what"* of the issue. However, I knew that I would not be able to understand the trends and relationships the quantitative analysis revealed without an accompanying qualitative component. Similarly, I wanted to supplement what I was learning from qualitative data collection in my pilot study with numbers to fully document the extent of the issue and get a sense of scale that I could not feasibly achieve through interviews and observations. Miles, Huberman & Saldaña (2014) explained with regard mixed-methods research:

> When they are combined with the up-close, deep, credible understanding of complex real-world contexts that characterize good qualitative studies, we have a very powerful mix. Looked at the other way, qualitative data can help the quantitative side of a study during design by aiding in conceptual development and instrumentation. They can help during data collection by making access and data collection easier. During analysis, they can help by validating, interpreting, clarifying, and illustrating quantitative findings, as well as through strengthening and revising theory. (p. 43)

To understand the California facilities financing climate and how the current policy environment came to be, I did an extensive review of policies over time. While I learned about the California facilities policy history through my pilot interviews, I lacked foundational knowledge about how the context developed. Hence, I needed critical historical policy document analysis to address the first research question. I also wanted to understand how policies were implemented on the ground and how school districts' experiences with private consultants and contractors varied and why. Accordingly, this dissertation study also employs a case study methodology alongside critical policy document analysis and quantitative analysis. Together, the mixed methods coalesce to fully address the research questions. They allow this study to contribute to the breadth of our understanding, explaining how the system developed and analyzing major trends and relationships in the data. The mixed methods also contribute to the depth of our understanding, providing detailed information about the policy environment and implementation at the local level.

Data sources. For the first research question, which looks at how policies have shaped the system of debt financing over time, I collected primary and secondary policy documents related to California educational facilities. For the second research question, which looks at how trends in school district debt and the private organizations evolved over time, as well as the sociopolitical dynamics influencing outcomes related to how

districts interact with private organizations regarding the fees they pay, I merged three datasets on California school district facilities financial transactions, school district and community characteristics, and property value data (as school districts' abilities to raise money to fund facilities is related to property value by law). For the third research question, which examines how school districts' experiences with district facilities financing vary, and the sociopolitical dynamics that inform these experiences, I conducted case studies of two California school districts, for which the primary data sources included interviews, observations, and documents related to the school districts' facilities.

Data collection. I collected and organized policy documents from 2013-2015, and the bulk of interviews and observations were conducted from January 2015 through July 2015. I obtained the California Debt and Investment Advisory Commission dataset and the PPIC dataset in the summer of 2013, and I obtained the CalMuni dataset in 2015, described in detail below. I used data management strategies to support ongoing collection. I carefully stored and cataloged my data. I used the University of California, Berkeley's online storage system to create a folder to save my data files, including quantitative data, interview recordings, interview transcripts, and other files. I also created multiple spreadsheets to organize interview stages, observations, policies, documents, organization websites, analysis codebook, and other relevant items. In addition to using Microsoft programs like Word and Excel, I also used the following programs, listed in Table 1.

Table 1

Dissertation Data Management and Analysis Tools

Tool	Function
Mendeley	Document citation manager. Used for organizing files and aiding in accurately citing sources.
Dedoose	Web-based qualitative analysis program, used for making notes, coding, storage, search and retrieval, data "linking," analytic memoing, content analysis, data display, conclusion drawing and verification, theory building, and graphic mapping (Miles & Huberman, 1994)
Stata	Quantitative analysis software program, used for cleaning, merging and organizing data as well as running descriptive statistics and regression analysis
bCourses	University online file system, used for storing data securely
Dropbox	Online file storage, used for sharing files with dissertation chair
Rev.com	Transcription service

Data analysis. With regard to data analysis, in addition to ongoing meetings and support from my dissertation chair, I relied heavily on the foundational text by Miles and Huberman (1994) and their more recent third edition, Miles, Huberman, and Saldaña (2014) as a reference. It aided me in the dissertation proposal phase and answered questions throughout the dissertation design and execution. I followed Miles, Huberman, and Saldaña's (2014) approach to data analysis, which involved three concurrent flows of

activity: (1) data condensation, (2) data display, and (3) conclusion drawing/verification (p. 12). The goal of *data condensation* is to make data stronger through the process of "selecting, focusing, simplifying, abstracting, and/or transforming the data that appear in the full corpus (body) of written-field notes, interview transcripts, documents, and other empirical materials" (p. 12). The second flow of activity, *data display*, organizes extended text, or vast quantities of text, into different, easier to understand forms including matrices, graphs, charts, and networks. These are designed to "assemble organized information into an immediately accessible, compact form so that the analyst can see what is happening and either draw justified conclusions of move on to the next step of analysis that the display suggest may be useful" (p. 13). The third flow, *conclusion drawing/verification*, happens alongside the other flows. I remained open as I collected data, holding conclusions lightly until they became more explicit and grounded. I verified conclusions by returning to the data, communicating with other scholars, and testing meanings for their plausibility, or validity.

Applying the Conceptual Framework to the Research Questions

The conceptual framework and the research questions informed each other as this dissertation project took shape over time. The research questions developed out of my interests and experiences, and the conceptual framework came together to serve as the guiding tool to help answer those questions, acting as both a highlighter, bringing out the aspects that this study addresses, and as a scalpel, cutting away the excess that this study does not attempt to observe and explain. This section explains how the conceptual framework applies to each research question in turn.

Research question 1. The address the first research question (How have public finance policies shaped the system of school district debt financing over time, specifically with regard to the field of private actors involved in the school facilities industry?), a strong marriage of critical policy analysis and fiscal sociology is essential. Critical policy analysis allows for the examination of policy origins and assumptions, taking a step back from the narrow conception of policy requirements and trends in education policy. Critical policy analysis can help us understand how policies have led to the rise of educational privatization at this particular point in time and what functions privatization through contracting is serving in the broader society. It also incorporates an analysis of second layer policies, including regulations, guidance, and budgets. Finally, critical policy analysis helps answer this research question through the application of Scott and DiMartino's (2009) typology, which can be applied to help describe and analyze the field of private consultants and contractors that profit from involvement in the school facilities industry in California. Fiscal sociology helps answer the first research question by incorporating a focus on the societal factors that caused the policies to be created in the first place. It shines a spotlight on three aspects of public finance—public spending, taxation, and public debt—exploring how policies shape our reliance on each mechanism. Fiscal sociology also pays special attention to timing, allowing for the analysis of policies along the spectrum from the idea phase to implementation to policy implications.

Research question 1a (To what extent are educational facilities in California, or the process by which facilities are funded, inequitable?) is difficult to answer given the lack of a facilities inventory in California or any previously recorded measure of equity. Therefore, answering this question requires thinking about equity, not in terms of some ranking of facilities quality, but in terms of how the policies are applied and how school

districts are differentially affected. Applying critical policy analysis, this research involves an examination of policy documents and focuses on the differences in facilities equity and financing processes between groups based on district and community characteristics. Fiscal sociology explores how taxation, state spending, and public debt processes vary across the state and by what factors these variations are influenced. For example, what do school districts have to do in order to get in line for matching funds, and how might this be impacted by district capacity and expertise? As fiscal sociology is concerned with the effects of public finance policies, it is a useful lens to explore various ways in which stakeholders view the process and outcomes as inequitable.

Research question 1b (Why have educational facilities remained inequitable given increases in educational spending, finance reform, and judicial action?) is a powerful question that allows for an analysis of context, an area where critical policy analysis and fiscal sociology both excel. As critical studies see privatization as nested in larger ideologies and prevalent thinking and is concerned with policies' social justice implications, answering this research question requires an analysis of the neoliberal context, how new public management strategies have become common sense, and how this engrained thinking has limited the public's ability to conceive of different types of policies. Fiscal sociology focuses our attention on the ways in which neoliberal privatization policies have affected political, social, and cultural practices, altering the ability of citizens to influence their public schools.

Research question 2. The second research question (What sociopolitical dynamics (such as district median household income) influence outcomes related to how districts interact with private organizations in the facilities financing process (and the fees paid to these organizations *per student*)?) relies on thirty years of quantitative data on school district debt financing and looks closely at the existing data on private organizations. Critical policy analysis looks for differences in the data that are systematically related to traditionally disadvantaged populations. For this study, I focused on systematic differences in fees paid to private organizations based on school district and community characteristics. For example, are low-income school districts paying more in terms of fees to private organizations than their wealthier counterparts per student? (Note that variations in school district size require that all analyses be done in *per student* measurements.) Is there a difference between school districts with high and low levels of minority students in terms of how much money they have paid to private consultants and contractors for financing expertise? Fiscal sociology turns our attention to levels of taxation, public debt, and state spending over time, and encourages an analysis of patterns in how these levels have changed over the years.

Research questions 2a (How has the level of involvement of private organizations in the market evolved over time?) and 2b (How much money have school districts paid to private organizations for municipal finance services over time?) are simple by design. A central hypothesis of this work is that policymakers do not adequately regulate private organizations involved in school district facilities financing, and citizens have not pushed for policy change and regulations because they do not understand the level of involvement of private actors or how much money these organizations are making from contracts with school districts. In making this information transparent, it is my hope that stakeholders will engage in conversations about privatization through contracting in education finance. Critical policy analysis encourages the examination of previously

unexplored areas such as this, and fiscal sociology supports this type of research question because of the effects this system has for political, social, and cultural life. The extant literature implies that private actors are increasingly involved and that there are financial costs with regard to educational privatization, and this conceptual framework explicitly tracks the market of private actors and the flow of funding between organizations, allowing us to answer questions about how much money school districts have spent on private organizations. This allows for a determination of whether and to what extent resources are directed away from the classroom to management and administrative costs. I also looked at change over time, tracing the temporal aspects of education finance such as how earlier policies have impacted later organizational development and funding flows. The decision to look at district and community characteristics was based on interview findings from my pilot study, where certain sociopolitical factors were repeatedly listed as influential in the school district facilities financing process.

Research question 3. The third research question (What are school districts' experiences with school district facilities programs, and by what sociopolitical dynamics (including community and district characteristics) are these experiences informed?) relies primarily on case study data collected at two California school districts. This question is similarly worded to research question 1a, but 1a is answered by looking at policy documents while research question 3 is based on interview data from the case studies. Critical policy analysis examines the ways in which policies impact disadvantaged segments of the population, including low-income school districts, and how district experiences with the school facilities financing process vary. Examining the sociopolitical dynamics that inform these experiences, including community and district characteristics, will highlight policy shortcomings and unintended consequences. Fiscal sociology focuses on the political, social, and cultural experiences that district stakeholders endure while going through the facilities financing process, helping us understand the effects of these public finance policies.

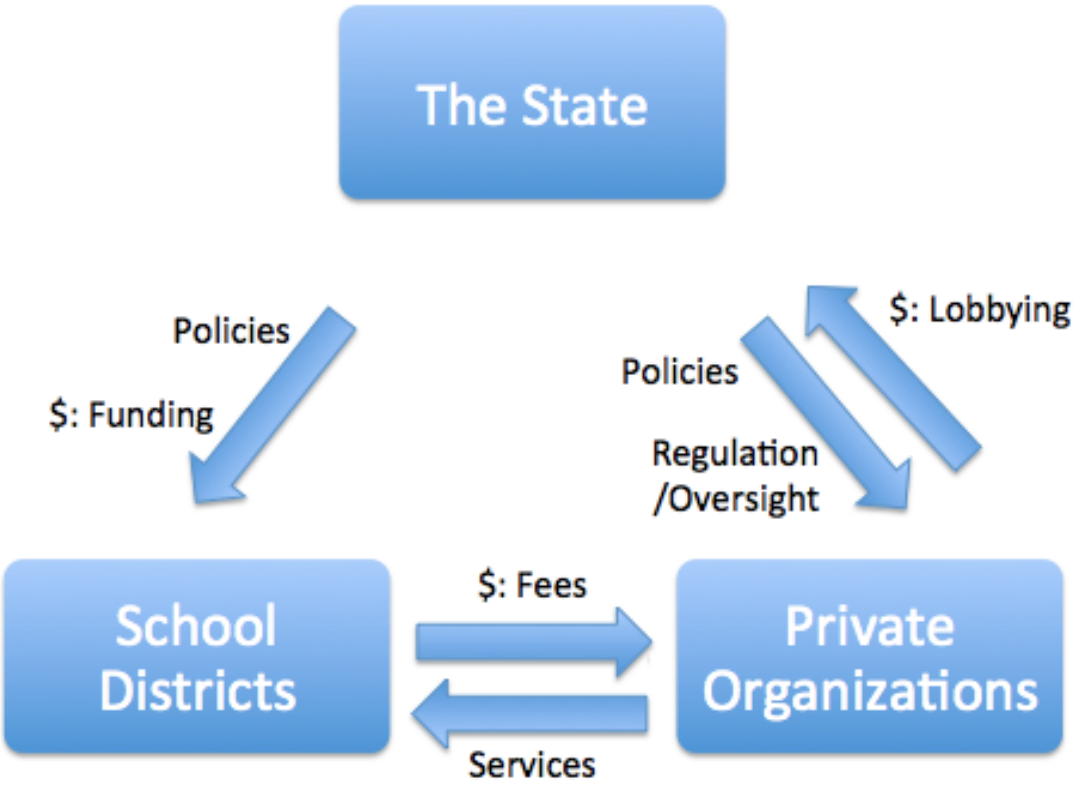
Research question 3a (How are policy roles negotiated between school districts, the state, and private organizations?) centers on power relationships between the various stakeholders in school facilities financing. Critical policy analysis is useful here because it encourages looking at nontraditional outcomes, and in order to understand how policies have been implemented as they are, it is necessary to understand the actors in detail. Figure 1 provides a model of actors observed in this study and the presumed relationships between them. The actors involved in each institution (the state, school districts, and private organizations) have their own histories, motives, and impacts on the system. Fiscal sociology, with its concern for causes and effects, is useful for examining the negotiation of policy roles throughout the facilities financing process. For example, what causes school districts to hire private organizations, and how have private organizations interacted with the state over time?

Research question 3b (How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?)) focuses explicitly on the perspective of school district leaders and staff. This is important because these individuals make decisions about their district's facilities needs, whether to hire private contractors and consultants in the first place, who to hire, what types of organizations to hire, and whether to renew contracts over time or for future transactions. Critical policy analysis allows for an analysis of second layer policies, or the

regulations, guidance, and budgets, which go along with policies as they are implemented. The extent to which school districts feel the need to regulate and monitor the private organizations they hire is indicative of how they view those organizations. Similarly, the budgets they allocate to private organizations signal the perceived worth these organizations provide to school districts.

Figure 1

Model of Actors and Relationships in the School Facilities Financing Process



Research question 3c (What ethical and political issues have arisen between school districts and private or outside organizations in the facilities financing process?) focuses on the consequences of policies, particularly regarding how they impact the larger community. Critical policy analysis encourages the analysis of bigger picture, nontraditional aspects of policies, such as how problems with political elections, ethical issues, or allegations of fraud or corruption, impact community trust and the willingness of voters to support further taxation for school infrastructure. Scholars engaged in fiscal sociology research pay attention to context and the broader impacts of taxation, public debt and state spending, allowing for an examination of how facilities financing programs have resulted in investigations. Studying how school districts engage with regulatory institutions is an important aspect of examining how financing policies impact community stakeholders. The remainder of the chapter describes data sources, data collection, and data analysis in detail for each research question in turn.

Description of First Stage for Critical Policy Document Analysis

The first stage of the project—which addressed how public finance policies have shaped the system of school district debt financing over time, specifically with regard to the field of private actors involved in the school facilities industry—laid the foundation for the rest of the study. During this stage, and to answer the first research question and sub-questions, I analyzed the historical policy context. I collected and organized documents (including websites) that could point toward privatization in facilities financing, explain the extent to which educational facilities in California, or the process by which facilities are funded, is inequitable, and illuminate why educational facilities have remained inequitable given increases in educational spending, finance reform, and judicial action.

Data sources. To understand the system of school district debt financing in California, including how it was developed as well as its strengths and limitations and possible future iterations, I collected and reviewed approximately 30 documents related to school facilities, California history, and finance regulations. Through a process of data condensation, I focused on the following documents:

- Primary source documents
    - Governmental sources
        - Sections of the California Government Code
        - Section of the California Education Code
        - Text of relevant bills and state propositions
        - Legal opinions
        - Sections of the Securities and Exchange Commission and MSRB regulations on debt financing
    - Private sources
        - Private consultant and contractor websites
        - Presentation slides created by private consultants
- Secondary source documents
    - Governmental and quasi-governmental sources
        - Office of Public School Construction
        - California Debt and Investment Advisory Commission
        - California Department of Education
        - Legislative Analyst's Office
        - Little Hoover Commission
        - Department of Finance: Governor's Budget Message
        - Attorney General's Office
    - Nongovernmental sources
        - 21st Century School Fund
        - UC Berkeley Center for Cities + Schools
        - Getting Down to Facts Report
        - Public Policy Institute of California

Data collection. Data collection for this phase occurred over a three-year period, beginning in January 2013. I collected relevant documents, building two databases. I created the first in Mendeley, a document and citation management program and uploaded reports, articles, and other relevant documents into the program. I then read through the documents, looking for references to other relevant sources, which I would then search for and download. However, as I progressed, I realized that Mendeley did not

adequately organize all the relevant policies. I needed a data display to sort statutes, laws, propositions, legal cases, and other regulations that would highlight gaps in my understanding and aid my continued data collection, so I developed an excel spreadsheet where I organized, by type and over time, the relevant policies that affected school facilities in California. I was able to supplement this database with links to reports and policy text or organizational websites where I could easily access the text I needed.

Data analysis. I developed strategies to ensure that analysis procedures were rooted in the conceptual framework and the research questions. I used three primary tools: 1) topical coding, 2) conceptual framing outlining, and 3) data displays. With regard to topical coding, I did a preliminary review of the documents in Mendeley, going through each source and highlighting text relevant to the research questions. For example, when analyzing the documents, I looked for references to private organizations, including restrictions, limitations, and requirements. This information also informed interview questions regarding the creation of private organizations, political and ethical tensions, and contractor procurement and retention practices.

Next, with regard to conceptual framing outlining, I took each piece of the first research question and sub-questions and listed them in a Word document. I then went through and itemized the aspects of the conceptual framework that were relevant to an equity-centered study of school facilities privatization. For example, critical fiscal sociology attends to the causes and effects of policies that relate to taxation, public debt, and state spending. I included these terms in the outline and then went through each document a second time, pulling the previously coded text and pasting it into the outline in the relevant section. This allowed me to write an analysis of the complex policy environment that went beyond basic description or chronological storytelling, and instead organized the policy details by aspects of the conceptual framework.

The third strategy, data displays, helped to organize information and clarify understanding. As Miles, Huberman, and Saldaña (2014) emphasized, "Lengthy, unreduced text in the form of interview transcripts, field notes, documents, and so on is cumbersome because it is dispersed over many pages and is not easy to see as a whole" and "You know what you display" (p. 108). First, I created a table that listed relevant policies chronologically, including a description of how each policy impacted school facilities, noting the equity implications of a policy where applicable. This allowed me to condense many, many pages of information about a large number of policies in an easier to understand format. Viewing the data with the years of the policies pulled out in a separate column also made it easier to understand the time periods where there was more or less activity with regard to facilities in California. As a primary goal of this chapter was to understand the actors involved in facilities financing in California, another primary data display in this chapter organized the public sector organizations that affect school facilities. This matrix organized the data by governmental level, listing state-level organizations and their functions and websites, as well as national-level organizations. This display emphasized the sheer number of public entities involved with California school facilities.

Perhaps the most useful data display in the chapter was a typology of private organizations involved in school district debt financing. As Miles, Huberman, and Saldaña (2014) described, "condensed, distilled data presented are drawn from the full range of persons, events, and processes under study. With extended text, there can easily

be "selective stacking" of the data. An organized display wards off this problem" (p. 108). To learn more about the number of private organizations that exist and when they were created, I analyzed organization websites (including financial advisory firms, bond counsel, underwriters, disclosure counsel, ratings agencies, credit enhancement agencies, statewide advocacy groups, and professional membership organizations) and attended to the mission statements of the organizations to help determine whether they were created to support, make sense of, or help circumvent policies impacting school district debt financing. I also used this information to inform qualitative interviews with members of private organization. I then analyzed data about the nature of types of private organizations through the conceptual lens of Scott and DiMartino's (2009) typology of privatization. Finally, I displayed this information in a matrix, sorting private organizations by type into the typology. This allowed me to better understand how the industry as a whole behaves, as well as the political, social, and economic aspects of individual actors.

The first stage of the dissertation employed qualitative methods and condensed a wide variety of policy documents and private organizations' websites to address the first research question and sub-questions. The findings from this chapter informed the case study data collection and analysis as well as pointed toward ways to analyze the quantitative stage of the study, described next.

Description of Second Stage for Quantitative Analysis

The second stage of the project—which analyzed the sociopolitical dynamics that influence outcomes related to how districts interact with private organizations in the facilities financing process—was quantitative and allowed me to address the second research question and sub-questions, with a focus on the fees school districts have paid to private consultants and contractors over time. I also looked at how the market of private organizations has changed over time, tracing the growth of the industry.

Data sources. Table 2 provides an overview of the three datasets—from the California Debt and Investment Advisory Commission, the Public Policy Institute of California, and California Municipal Statistics, Inc, that I merged for this stage of the study.

Table 2

Quantitative Data Sources

Source	Years included	Brief description
California Debt and Investment Advisory Commission http://www.treasurer.ca.gov/cdiac/	1984-2015	Database includes variables on California school district debt transactions; including variables related to the debt itself as well as variables related to the private organizations involved in the debt transactions.
Public Policy Institute of California http://www.ppic.org/main/home.asp	2010-2011	Database includes variables on California school district and

		community characteristics
California Municipal Statistics, Inc. (CalMuni) http://www.calmuni.com/info.php	2010-2011	Assessed valuation data by school district for many of the school districts that issued general obligation bonds during the time period. (Note: CDIAC staff emailed me this data for use in the dissertation)

Data collection. The CDIAC database was the primary source of quantitative data, and I met with CDIAC staff members during 2013 and again in 2015 to obtain the dataset. In 2013, CDIAC staff members downloaded the file on my personal flash drive, and I used the data for my pilot study. I met with CDIAC staff two years later to obtain updated data. In addition to using variables available on their public database, I obtained additional variables from CDIAC's private database on costs of issuance, including fees paid to private organizations involved in school district debt financing transactions, such as financial advisors, bond counsel, underwriters, disclosure counsel, ratings agencies, and credit enhancement agencies. I obtained the PPIC dataset in 2013. I later met with PPIC staff in the spring of 2015 to discuss the dataset and confirm approval to use the data for my dissertation. I obtained the CalMuni data through my relationship with CDIAC staff. When meeting in the spring of 2015, I mentioned that I was trying to find assessed valuation data for California school districts, and they emailed me an excel file of data they had previously purchased from CalMuni. They informed me that I could use the data for my dissertation, but that if I wanted to additional AV data (outside the year range they had sent), I would need to purchase that data from CalMuni directly.

Data analysis. I completed the quantitative analysis in two stages: 1) descriptive statistics outlining debt trends, describing the rise of private organizations, and examining fees paid to private organizations, and 2) regression analysis examining the effects of sociopolitical factors (such as measures of community wealth like median household income by district) and fees paid to private organizations. I did not intend to conduct quantitative analysis looking at determinants of bond measure outcomes. My contribution with this quantitative analysis is to look at characteristics that are relevant to the field of private organizations working with school districts in the facilities financing process. The quantitative portion of the dissertation, like the other stages, is focused on equity, attempting to discern whether and to what extent district experiences with facilities financing vary with regard to private organizations.

The analysis was an iterative process and was informed by my pilot study. I cleaned and merged data in Microsoft Excel and Stata, Version 12. I generated descriptive statistics regarding school facilities debt trends over time, private organization market trends over time by type of private organization, and fees paid to private organizations over time. I created the following data displays, including charts and graphs to help condense and show these data:

- School District Facilities Debt trends
    - Types and Prevalence of School District Debt
    - Number of Debt Transactions Per Year by Type
- Private Organization Market Trends Over Time by Type of Organization

    - Market share – underwriters
    - Market share – financial advisors
    - Market share – bond counsel
- Fees Paid to Private Organizations Over Time
    - Percent of Debt Transactions Reporting Non-Zero Costs of Issuance by Year
    - Costs of Issuance Over Time, summary statistics
    - Sum of Costs of Issuance Over Time
    - Median Costs of Issuance Over Time
    - Costs of Issuance For Selected Debt Instruments
    - Costs of Issuance per Student by District Size
    - Costs of Issuance per Student by District Type
    - Costs of Issuance per Student by Assessed Valuation
    - Fees Paid to Private Organizations Over Time by Type of Organization
    - Private Fees
        - Median Underwriter Fees Over Time
        - Median Financial Advisor Fees Over Time
        - Median Bond Counsel Fees Over Time

The descriptive analysis included trends in costs of issuance, or the amount paid in interest and fees to private organizations, described how the market of various types of contractors has grown and developed over time, noting which individual contracting firms are most active. This information helped me understand the school district debt landscape, informed my qualitative data collection, and allowed me to determine the degree to which costs of issuance have, accounting for inflation, changed over time.

For the regression analysis stage, I estimated the relationship between community socioeconomic status and wealth and costs of issuance per student in general obligation bond transactions in 2010 and 2011, controlling for variables identified in the educational facilities literature. In order to present a fuller understanding of the sociopolitical factors that impact school facilities financing, this analysis examined two measures of community socioeconomic status and wealth: median household income and assessed valuation per student. Median household income gives us a picture of the socioeconomic status of the median family residing in the school district. Assessed valuation per student provides a measure of the property wealth in a community divided by the number of students in each district. I determined the independent effect of these measures on the costs of issuance communities pay in fees, primarily to private consultants and contractors, for their school district facilities debt transactions. Looking at costs of issuance per student helped to standardize issuance costs. The merged dataset analyzed included CDIAC, CalMuni, and PPIC data from 2010-2011.

Table 3, also included in Chapter 6, provides the descriptive statistics for all variables included in the models, including the mean, standard deviation, minimum, and maximum values for each variable. The subset of the database used here includes data for 446 general obligation bonds from 2010 and 2011. As the district and community characteristics variables were obtained through merging the CDIAC bond database with data from the PPIC database and the CalMuni database on assessed valuation, the final sample size for the full models is n=200, as some variables are missing data. Primarily,

some transactions are missing data for a credit rating (likely not reported to CDIAC). There are also missing variables because the CalMuni database, which had a sample of school districts, did not report assessed value for all school districts issuing GO bonds in 2010-2011.

Table 3

Descriptives for Variables Included in the Models

Characteristic	Obs.	Mean	SD	Min	Max
Costs of Issuance Per Student	402	103.61	248.160	0.04	3460.80
Community Characteristics					
Median household income in thousands	446	67.37	24.722	25.24	211.07
Assessed value in millions per student	261	1.67	4.171	0.16	61.95
Bond amount in thousands per student	446	3.40	6.689	0.01	97.34
Total population in thousands	446	188.42	602.510	0.50	4525.06
% Latino	446	0.32	0.222	0.02	0.97
% Black	446	0.04	0.045	0	0.30
% Asian	446	0.13	0.133	0	0.65
% Multiple ethnicities	446	0.02	0.012	0	0.05
% Other	446	0.01	0.012	0	0.11
% Old age	446	0.40	0.078	0.10	0.69
% Homeowner	446	0.60	0.113	0.31	0.96
% School age	446	0.18	0.038	0.06	0.28
District Characteristics					
Enrollment	446	21.64	75.426	0.04	567.60
AAA Credit rating	357	0.18	0.384	0	1
AA Credit rating	357	0.71	0.455	0	1
Elementary district	446	0.29	0.455	0	1
High school district	446	0.17	0.378	0	1

For this analysis, I estimated three models. The first model used multiple regression to estimate the costs of issuance per student for a school district facilities general obligation bond debt transaction in California in 2010 or 2011. For this model, I provided a data display: Mean Estimates of Costs of Issuance Per Student for Different Values of Median Household Income to show how issuance costs vary by MHI. The second model added in other community characteristics, including the percentages of various racial and ethnic groups included in the PPIC school district characteristics database. It also included the percentage of the population that is old aged, homeowners, and school aged. The third model added in district characteristics including enrollment, district credit ratings for the given GO bond transaction, and the type of the school districts (elementary district, high school district, or unified school district).

The quantitative data allowed me to track trends in school district debt over time to examine the extent to which private contracting in education finance has changed over the last three decades. The quantitative data also helped shed light on the sociopolitical factors influencing the fees school districts pay to private organizations and pointed to possible implications for equity. For example, if policies were implemented equitably, we would not expect to see correlations between costs of bond issuance and district or student characteristics such as community wealth or district size. Because private organizations' names are included in the database, I was also able to track which private organizations have been most active in school district debt financing.

Description of Third Stage for Qualitative Case Studies

After I obtained an understanding of how the system evolved and how that affected the actors in the system (first phase: historical policy document analysis) and what the school district debt landscape has looked like over the last 30 years in terms of fees to private contractors (second phase: quantitative analysis), I designed the third and final stage of the project, a qualitative case study of two Bay Area school districts, to explore the third research question. This stage of the project examined what sociopolitical factors inform districts' experiences with facilities policies on the ground, focusing on how policy roles are negotiated between school districts, the state, and private organizations, how the public sector perceives its relationships with the private sector, and any ethical and political issues that have arisen between school districts and private organizations in the facilities financing process. As Yin (2003) explained, "case studies are the preferred strategy when 'how' or 'why' questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context" (p. 1). As the goal of this stage of the project was really to learn about how policies are implemented and why certain trends exist, case study methodology was the most appropriate fit to address the third research question.

Data sources. This stage of the project included three primary types of data related to two case study school districts: interviews, observations, and document analysis.

Case study selection. As Miles and Huberman (1994) described, "we can define a *case* as a phenomenon of some sort occurring in a bounded context. That case is, in effect, your unit of analysis" (p. 25). My units of analysis are two Bay Area school districts, nested within the broader California policy context in an increasingly neoliberal society. Selecting case study districts was the first step in this process. Miles, Huberman and Saldaña (2014) reminded us that when selecting cases, it is important to "Attend to several dimensions of the case: its *conceptual* nature, its *social size*, its *physical* location, and its *temporal* extent" (p. 30). Taking each in turn, given my research questions, it made sense to look at school districts conceptually, because they are the sites at which policies are implemented. School district staff and leaders make decisions about whether to contract out for financing services, how much money to pay, and even whether to engage in the facilities construction and modernization processes in the first place. With regard to social size, the school district was the appropriate level at which to focus research given that public and private actors understand their actions and understand policies as they relate to the school district level.

With regard to physical location, I determined my geographical limitations. Given my desire to visit the case study districts multiple times in person over the data collection

phase, I selected districts that I could drive to in less than two hours. Therefore, I limited my district search to the San Francisco Bay Area. Miles, Huberman & Saldaña reminded us that it is important to think of a case as a *site* as it "reminds us that a "case" always occurs in a specified social and physical **setting**; we cannot study individual cases devoid of their context in the way a quantitative researcher often does" (p. 30). With regard to temporal extent, interviewee selection was related to the extent to which individuals could talk about the change in the school district actions and policies over time, though this was not always possible. Therefore, the decision to incorporate documents into this analysis was related to my research design, which looked at change over time. Next, I determined the *number* of cases that would be appropriate. I settled on two case study districts as an appropriate number of case sites for a dissertation.

In narrowing down the options for case study districts to the Bay Area, I looked at a number of variables related to school districts. See Appendix A for the case study selection matrix. The matrix includes data on various district characteristics, including size, and free and reduced price lunch percentage, often used as a proxy for community and district wealth. Given my research questions, I was interested in selecting districts with active bond programs. Also, given my overall dissertation focus on equity, I wanted to select school districts in communities with a history of equity issues, including political and wealth inequality. Selecting case study districts purposively in this way allowed me to highlight many of the relevant issues with policy implementation. In my pilot study interviews, I spoke with numerous experts who repeatedly mentioned the two districts I ultimately selected as important cases.

Miles, Huberman and Saldaña (2014) described various sampling strategies and their use in selecting cases, saying "*Politically important cases* are "salient" participants who may need to be included (or excluded) because they connect with politically sensitive issues anticipated in the analysis" (p. 32). Both districts are larger than the median school district size in California, both are low income, and both have diverse student and community populations with a history of wealth inequality. However, through conducting my pilot study, I learned that while these two districts are similar in many ways demographically, they have different philosophies with regard to how they approach their school facilities programs, and as a result, their facilities are very different. Goetz and LeCompte (1984), as cited in Miles, Huberman and Saldaña (2014) also defined different sampling strategies, describing "*comparable case selection*—selecting individuals, sites, and groups on the same relevant characteristics over time (a replication strategy)" adding that "most of these strategies will increase confidence in analytic findings on the grounds of representativeness" (p. 32). I decided that selecting two districts based on the similar characteristics listed above would allow me to explore how district experiences with bond financing can vary, even in two arguably similar districts.

Interviews. Since interviews allow people to tell their stories and make meaning as they select details from their consciousness (Seidman, 2006), interviews served as my primary source of information. As Richardson, Dohrenwend, and Klein (1965) explained, "For some purposes the interview is far more versatile and flexible than either observation or the use of documents…. in the interview… the investigator can always check his own interpretation of the data with that of his respondents" (p. 10-11). Sampling was purposive and theory-driven. Given my desire to learn about interactions between school districts and private organizations, I interviewed respondents from each

sector. I wanted to speak to a range of individuals, in various positions, whose work involves aspects of education finance. I limited interviews to individuals who were involved with the facilities financing process in California. I also looked for individuals who had been involved with the school facilities industry for many years. To begin, I requested interviews with leaders in the school facilities industry. In many cases, interview participants were selected based on *reputational case selection*, "instances chosen on the recommendation of an expert or key participant" (Miles, Huberman, & Saldaña, 2014, p. 32). In addition, during each interview, I asked the respondent if they could recommend other experts for me to interview, thus engaging in a snowball sample (Kuzel and Patton, as cited in Miles & Huberman, 1994). As Small (2009) explained, "snowballing almost always increases the number of respondents, because people become more receptive to a researcher when the latter has been vouched for by a friend as trustworthy" (p. 14). In almost all cases, I reached out to the individuals suggested. I conducted 60 interviews with policymakers at the state level, school district administrators and staff, and private sector consultants and contractors. See Appendix D for descriptive information about interviewees.

Observations. In addition to conducting interviews, I also completed eleven observations, including ten observations of public events and/or meetings and one private sector event. The school district events included school district board meetings, facilities subcommittee meetings, citizens bond oversight committee meetings, and school site visits. For one school district, I toured two high schools with the school board director. For the second school district, I toured two elementary school sites with members of the citizens bond oversight committee. One public sector event was a meeting of the Task Force on Bond Accountability in Sacramento, an event organized by the Treasurer's Office to analyze issues with local bonds. The last public sector event was also in Sacramento, and was cohosted by Policy Analysis for California Education and the UC Berkeley Center for Cities + Schools. This event brought together policymakers, researchers, and practitioners to discuss issues and limitations of the current School Facility Program, as well as proposed changes to the way schools in California are financed. The private sector event I observed was a Coalition for Adequate School Housing (CASH) workshop. The topic was on developer fees, though other items related to school facilities were discussed, including CASH's initiative to place a school facilities bond on the state ballot in 2016. See Appendix E for a list of events and meetings observed.

Documents. In addition to interview and observation data, I also used documents to support the case study phase of this dissertation project. Documents included official statements related to district bond measures, district policy documents, bond measure campaign materials, and documents associated with and handed out at the various observations conducted. These documents often contained information about particular school site facility projects as well as information related to the school district's facilities program in general. In addition to district documents, I also looked at documents created for the school district by their contractors and consultants as well as some state policy documents related to particular time periods of a school district's facilities program.

Data collection.

Interview data collection. I collected interview data over a seven-month period from January 2015-July 2015. Miles, Huberman and Saldaña (2014) explained that

researchers must make within-case sampling decisions as cases are almost always nested, as in children within classrooms. I wanted to interview people interacting within school district debt transactions. I was not attempting to generalize to other settings, as I understand that relationships would look different in smaller districts or rural districts. My interview sampling was therefore theoretically driven, trying to get at constructs I was interested in exploring. Miles, Huberman and Saldaña (2014) explained:

> Choices of participants, episodes, and interactions should be driven by a conceptual question, not by a concern for representativeness. To get to the construct, such as *negotiation*, we need to see different instances of it, at different moments, in different places, with different people. The prime concern is with the *conditions* under which the construct of theory operates, not with the generalization of the findings to other settings. (p. 33)

I interviewed each participant either over the phone or in person, depending on his or her preference. I recorded the conversations using a digital recorder. Each interview lasted approximately 30 – 90 minutes. I used a semi-structured, non-scheduled interview protocol and probed for more information when participants mentioned something that was relevant to the research questions (Patton, 1990). It was semi-structured in that there were certain questions that I asked everyone—for example, "What aspect of your background prepared you for your current role?"—though there were also questions that were unique to each respondent. Because I interviewed people in various roles related to school district finance, it was not possible to collect the same information from each respondent, nor was it possible for the answers to be comparable and classifiable (Richardson et al., 1965). However, when respondents were in the same or similar roles, on a school board for example, more of their interview questions were the same. Richardson et al. (1965) explained that non-structured research questions are appropriate to "help explain an unexpected research finding" (p. 35).

As this research is, in many ways, novel, respondents often said things that surprised me, and it was necessary to be able to ask follow up questions that were not on the protocol. The interview protocol questions were also non-scheduled, or in no particular order. Questions were frequently asked in a different order than they appeared on the interview protocol in order to help the conversation flow and to build rapport (Spradley, 1979). Throughout the interviews, I attempted to restate what informants said in order to demonstrate an interest in learning their terms (Spradley, 1979). I also listened for "markers," or topics related to the research questions, that respondents mentioned during an answer so that I could follow up with a later question (Weiss, 1994; Patton, 1990). I was also careful to be comfortable with silence and allow respondents to think without personally feeling the need to rephrase the question (Richardson et al., 1965). See Appendix C for the interview protocols.

To understand how policy roles are negotiated between school districts, the state, and private organizations involved in school district debt financing transactions, I asked respondents to describe the system created by education finance policies, the policy implementation process, and the policy roles played by school district, private organization, and state actors. I also asked about ethical and political issues that had arisen in the school districts. This allowed me to gather broad information about the school district debt financing policy landscape and to explore and triangulate findings from the document analysis.

Observation data collection. With regard to the public observations, I looked up the school district meeting times online and then attended as a member of the public. I sat with the crowd and took extensive field notes while the meetings went on, noting direct quotes when possible, as well as documenting my reactions to the meetings. Afterward, I edited my field notes within the next 24 hours whenever possible, added anything else I remembered. I would then supplement my field notes with memos, describing how my observations connected to other constructs I was encountering in my ongoing interviews and document analysis. For the private CASH workshop, the CASH director invited me to the event as his guest. I was allowed to attend for free, given materials, and able to meet CASH members. During this observation, I collected business cards of individuals working in the public and private sectors around school facilities and followed up with those individuals as interviewees.

Document data collection. Many of the meetings I observed had materials available to the public. I collected and recorded these documents in my document log spreadsheet. To obtain school district debt financing official statements, bond oversight committee documents, school district budget data, bond campaign materials, facilities master plans, and other relevant documents, I searched school district websites. During interviews, if respondents mentioned certain documents, I would ask them to email them to me if they were willing, which they often did. I organized these documents by school district and added other documents from the California Department of Education and the Office of Public School Construction that were relevant to certain school district time periods of interest.

Data analysis. I conducted coding inductively and deductively. In constructing the codebook, I started with a provisional "start list" of deductive codes. According to Miles and Huberman (1994) this "list comes from the conceptual framework, list of research questions, hypotheses, problem areas, and/or key variables that the researcher brings to the study" (p. 58). This list began with 18 codes from the conceptual framework. After transcribing the interviews using the Inqscribe transcription software as well as Rev.com transcription services, I coded using Dedoose, an online platform for data analysis. As I started to code, I added 25 inductive codes that emerged from the data that were related to my research questions, but not captured in the deductive codes. As Coffey and Atkinson (1996) explained, codes "can be expanded, changed, or scrapped altogether as our ideas develop through repeated interactions with the data" (p. 32).

Throughout the analysis process, I used tactics to verify findings. After adding the new codes, I went back and recoded my early transcripts through the process of "extension," or interrogating material coded earlier in a new way (Lincoln & Guba, as cited in Miles & Huberman, 1994, p. 62). Throughout the coding process, I paid careful attention to examples that seemed like they did not fit. Coffey and Atkinson (1996) advised that researchers "should not be tempted to ignore incidents, events, individuals, or chunks of data that do not "fit" into the codes. The exceptions, misfits, and "negative" findings should be seen as having as much importance to the process of coding as do the easily coded data" (p. 47). As Miles and Huberman (1994) explained, "A good look at the exceptions, or the ends of a distribution, can test and strengthen the basic finding" (p. 269). Throughout the coding, I wrote memos to myself about patterns or surprises in the data. I went back and read these memos to inform the findings.

After completing the coding process, I created several data displays. For example, I created a checklist matrix, "a format for analyzing field data on a major variable or general domain of interest" (Miles and Huberman, 1994, p. 105) to organize how individuals in the public versus private sectors talked about equity. I also used analysis features in Dedoose to create tables showing how many times I used each code for each unit of analysis as well as tables indicating when codes were used together to help me look for patterns in the data. I also followed up on surprises. As Miles and Huberman (1994) said, "Surprises have more juice than outliers" (p. 270). Surprises provided an opportunity to reflect on the theory, consider how to explore and revise a hunch, and look for evidence to support the revision. Table 4 provides a summary of research questions, data sources, and analysis techniques.

Table 4

Summary of Research Questions, Data Sources, and Analysis

Research Question	Data Source	Analysis
Critical Policy Document Analysis Research Question		

1. How have public finance policies shaped the system of school district debt financing over time, specifically with regard to the field of private actors involved in the school facilities industry?	• Primary source documents
	  o Governmental sources
	  o Private sources
	• Secondary source documents
	  o Governmental sources
	  o Private sources
		1) topical coding, 2) conceptual framing outlining, and 3) data displays

a) To what extent are educational facilities in California, or the process by which facilities are funded, inequitable?	• Primary source documents
	  o Governmental sources
	  o Private sources
	• Secondary source documents
	  o Governmental sources
	  o Private sources
		1) topical coding, 2) conceptual framing outlining, and 3) data displays

b) Why have educational facilities remained inequitable given increases in educational spending, finance reform, and judicial action?	• Primary source documents
	  o Governmental sources
	  o Private sources
	• Secondary source documents
	  o Governmental sources
	  o Private sources
		1) topical coding, 2) conceptual framing outlining, and 3) data displays

Quantitative Research Question		
2. What sociopolitical dynamics (such as district median household income) influence outcomes related to how districts interact with private organizations in the facilities financing process	• CDIAC database with data from 2010-2011 only • PPIC database with data from 2010-2011 only • CalMuni database with AV data from 2010-2011 only	1) Regression analysis

(and the fees paid to these organizations *per student*)?		
a) How has the level of involvement of private organizations in the market evolved over time?	• Full CDIAC database with 14,872 transactions from 1984-2015	1) descriptive statistics 2) data displays
b) How much money have school districts paid to private organizations for municipal finance services over time?	• Full CDIAC database with 14,872 transactions from 1984-2015	1) descriptive statistics 2) data displays
Qualitative Case Study Research Question		
3. What are school districts' experiences with school district facilities programs, and by what sociopolitical dynamics (including community and district characteristics) are these experiences informed?	• Case study of two school districts o Interviews o Observations o Documents	1) deductive and inductive coding 2) recoding through process of "extension" 3) data displays
a) How are policy roles negotiated between school districts, the state, and private organizations?	• Case study of two school districts o Interviews o Observations o Documents	1) deductive and inductive coding 2) recoding through process of "extension" 3) data displays
b) How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?)	• Case study of two school districts o Interviews o Observations o Documents	1) deductive and inductive coding 2) recoding through process of "extension" 3) data displays
c) What ethical and political issues have arisen between school districts and private organizations in the facilities financing process?	• Case study of two school districts o Interviews o Observations o Documents	1) deductive and inductive coding 2) recoding through process of "extension" 3) data displays

Researcher Positionality

Throughout the research process, I have been attentive to the ways in which my identity affects my work. Peshkin (1988) said that researchers should identify their own standpoints and assumptions and publicly acknowledge their subjectivities so that they may be incorporated into the analysis in a transparent manner. While many researchers have historically valued objectivity in data collection, Peshkin (1988) acknowledged that subjectivity is virtuous, "for it is the basis of researchers' making a distinctive contribution, one that results from the unique configuration of their personal qualities joined to the data they have collected" (p. 18). As a scholar of color who employs a critical perspective, I appreciate that researchers' identities can affect what is studied. To address my positionality, I paid careful attention to my interpretations, continually asking myself whether the findings could be interpreted in another way.

My constructionist epistemological belief is that meaning and knowledge are co-constructed through the interaction of the subject and object. As an interpretivist, I believe that everything the researcher comes to know is filtered through their past experiences and resulting subjectivities, often shaped by their relative position in society. As Glesne (2001) wrote, "standpoint epistemologies are positioned in the experiences, values, and interests of a group that has traditionally been oppressed or excluded" (p. 10). As a Latina from a lower middle class early childhood, my interpretations of phenomena are filtered through, and undoubtedly affected by, my identity and standpoint epistemology. My identity might have affected how interviewees responded to me in ways that are not always possible to detect or document. The purpose of this research is to understand a particular aspect of privatization in education and its implications for equity while building consensual meanings between the people I interviewed and myself. I value my interviewees and appreciate how their lived experience shapes their understanding of the school facilities finance environment. The methodology and methods selected for this study reflect my ontological and epistemological beliefs as well as my theoretical perspective.

Limitations of Methodological Approach

With regard to the first phase of the project, the historical policy document analysis, I was limited by the number of documents I could realistically review in depth. While I conducted a thorough search and reviewed each document that was mentioned or referenced as a foundational, critical, or pivotal piece, there may be documents I missed in my collection process.

With regard to the second phase of the project, the quantitative portion, a limitation with the regression analysis is the small *n*. The first two models include 234 debt transactions, while the third model includes 200 debt transactions. As the goal of the regression analysis part of the quantitative portion of the study was to estimate the relationship between community socioeconomic status and property wealth and costs of issuance per student in general obligation bond transactions, I decided to restrict the analysis to 2010 and 2011 because I only had median household income for that school year. There were 446 general obligation bond transactions in those two years, though the CalMuni database with assessed valuation (property wealth) by school district, only included AV for 261 of those school district transactions for that time period. Finally, the *n* was restricted due to the fact that there was missing credit rating data for some transactions. I decided to use Standard & Poors credit ratings, and not all transactions

included an S&P rating. While the smaller sample size limits the power of the regression analysis, we can still glean initial findings from the data to point researchers toward later quantitative work using fees paid to private organizations involved in debt transactions.

With regard to the third phase of the dissertation, the case studies of two school districts, the primary limitation is that the school districts were both in the Bay Area. Given the size of California and the fact that the state has approximately 1,000 school districts, it was simply not feasible to select enough cases to provide a representative overview of how school district experiences vary with regard to school facilities finance and the interactions between school districts and the private consultants and contractors they hire. Instead, the decisions I made when sampling for interviews, observations, and documents were driven by the conceptual framework and by my focus on equity within the system. My choices were made to try and view the policy process and outcomes from different angles over time. While I am not able to generalize the findings to other settings, the study's findings inform the conditions under which the constructs operate (Miles, Huberman, & Saldaña, 2014, p. 233).

There are a few other ways in which the case study research was limited. First, I learned after I had begun data collection in WCCUSD of the SEC, FBI and Contra Costa Grand Jury Investigations and much later about the Clay Investigation/whistleblowing scandal. While I briefly considered selecting a different case study site, I decided to continue data collection in WCCUSD with the caveat that I would stay as far away from the investigations as possible. Similarly, in the OUSD case study, I deliberately stayed away from any personal employee issues that were not already highlighted in the news media. Even then, I omitted information from the chapter that related to individual employee interactions or relationships with a particularly contentious company. Throughout data collection, I was concerned more with learning about general issues that can come up in a bond program than I was with individual actors or individual companies. My focus on a particular leader in WCCUSD was more in the service of analyzing the extent to which a single individual can influence a program than with trying to evaluate the legality or ethical nature of his actions.

The second limitation related to the analysis of charter schools. When trying to determine how to constrain my case study to make it more manageable, I decided to focus on traditional schools and did not originally plan to collect data related to charter schools. However, as I moved through data collection, it became clear that individuals affiliated with charter schools had played a larger role with regard to WCCUSD facilities than I had originally understood. The extent to which charter schools can impact a bond program is explored more in the OUSD context. Third, given what I know about the importance of race in Oakland, I expected that I would find *racial equity history* to be a major sociopolitical factor that affected the districts facilities program. However, in all of my interviews about OUSD, few respondents explicitly mentioned race. As in the WCCUSD case study, I suspect there was a shortcoming with the way I asked respondents about race while interviewing that did not draw out more relevant information, not that race is not a sociopolitical factor that impacts facilities program. The interaction of race and facilities is an area I would like to study in the future.

Summary of Contributions of Methodological Approach

This dissertation was designed to address conceptual and theoretical gaps in the literature. So often, research on school finance is quantitative in nature, describing *what*

is happening, but not how or why. On the other hand, qualitative research on privatization often analyzes *how* or *why* things are happening, but cannot give a broader picture. The mixed methods approach was organized to contribute to the depth and breadth of our understanding of an instance of privatization in the education sector. Organizing the dissertation study into three phases scaffolds our learning. The first phase, the historical policy document analysis, gives a broad lay of the land over time and describes how policies have created an environment that has allowed private organizations to flourish. The second phase, the quantitative analysis, also broadly describes debt and market trends, allowing us to see what has been happening in the field over time. It also analyzes relationships between sociopolitical dynamics, including school district and community characteristics such as socioeconomic status and property wealth, and the fees school districts pay to private contractors and consultants for debt transactions. After laying the foundation and uncovering the trends in the industry, the third phase of the study provides an in depth analysis of policies on the ground in two case study districts. The case study portion is designed to take context into consideration and critically analyze policies over time and then inform our understanding of how those policies impact equity.

The methods were also designed to be respectful of the individuals involved in the system, acknowledging their care and concern for students and community stakeholders. At its core, this dissertation project was designed to empirically analyze a previously underexplored sector of the education industry. One goal of this study was to make the inequities of privatization in school facilities finance more transparent. This is a first step before policies can be amended to improve the system. The next chapters explore the findings of this study.

Chapter 5 - Critical Policy Document Analysis Findings: Historical Policy Context for Privatization in School District Facilities Financing

"The less we spend on financing costs, the more we have for our mission of education. If we do a poor job of minimizing financing costs, we're not fulfilling our fiscal responsibility. Taxpayer money is taxpayer money – we need to be equally vigilant whether financing costs are paid by taxpayers indirectly (out of the budget) or directly (taxes)."
--Lori Raineri & Keith Weaver, CBO Training Presentation on Understanding Debt, August 9, 2013

Introduction

This chapter provides the historical policy context for privatization in school district facilities financing, situating it in the broader neoliberal context. Schools are currently operating in an increasingly privatized system, characterized by competition, contracting, and capital accumulation. Analyzing the text of propositions, bills, and government and education codes, as well as secondary sources of facilities policies, I address the following research question and its sub-questions:

1. How have public finance policies shaped the system of school district debt financing over time, specifically with regard to the field of private actors involved in the school facilities industry?
    a. To what extent are educational facilities in California, or the process by which facilities are funded, inequitable?
    b. Why have educational facilities remained inequitable given increases in educational spending, finance reform, and judicial action?

Throughout this chapter, I apply critical policy analysis and fiscal sociology to evaluate policies and their implications for equity while taking context into consideration. Critical policy analysis attends to the ways in which policies differentially impact disadvantaged segments of the population. Burch (2009) explained that critical analysis allows scholars to "ask the broader questions about ideology and policy…this broader lens is also what we need to bring to current forms of contracting in education. We need to ask, not just whether the contracts "work" in terms of saving money or increasing student outcomes, but why the rise of contracting now and what broader functions is the trend serving?" (p. 11). This chapter looks beyond the text of the legislation and evaluates how facilities funding has been implemented over time. Fiscal sociology complements and supplements critical policy analysis in this chapter. It provides a scaffolded analysis of taxation, public debt, and state spending. It incorporates a focus on the societal factors that caused the policies to be created in the first place.

In this chapter, I also focus on the role of private consultants and contractors. I examine levels and types of state support, efforts to make education finance more equitable, through litigation and school finance policy reforms, and previous analyses of the system. I then discuss the implications of this system for equity, exploring how this system fits into a broader neoliberal context. Policy discussions often take the given context as fixed, forgetting that systems were socially constructed over time by prior policy decisions, and can thus be changed, rearranged, and improved. This chapter's

findings demonstrate that educational inequities are the product of past decisions, and therefore, can be re-imagined.

Summary of Findings

Facilities policies have, over time, resulted in a system that inequitably serves California's students. This study confirms what the policy implementation literature has long shown: A disconnect exists between California's stated equity goals and the implementation of facilities policies at the local level. This chapter's findings, however, add substantially to this general policy implementation insight. It finds that the state's policy apparatus for funding educational facilities failed to adequately address the inevitable inequities of a system based on voter approval, varying local property wealth, and local leadership capacity. While school district leaders are largely responsible for overseeing bond campaigns to raise funds and for managing facilities programs, many leaders, especially those in elementary, rural, and low-income districts, lack the capacity and expertise to effectively manage their facilities programs. Despite formal statements from state policymakers and policy reports specifying state responsibilities to *all* children and the importance of quality, equitable schools, the ways in which facilities policies have been implemented have not led to equitable outcomes.

This chapter also finds that the state provides limited effective guidance to help districts equitably navigate the facilities financing process, which when combined with local capacity and expertise gaps across the state has facilitated the rise of a private industry that profits from selling consulting services and financial expertise to districts. I examine the ways in which district processes, including applying for and obtaining matching funds, contributes to inequitable outcomes. For example, as responsibilities for educational facilities are distributed across various levels of the government, school districts must engage with many different agencies at different points in time. I find that the policy environment has created and nurtured a system where school districts are essentially required to hire consultants to help them complete the many steps to obtain local funding and then compete with other districts for increasingly limited state funding.

This chapter also demonstrates how the industry of private actors involved in school district facilities financing has grown in power and influence over time and is now influencing the policy process. There are a number of ways in which these private actors have formally organized to translate their shared interests into policy and practice. For example, recognizing the capacity and expertise gaps at the local level, the Coalition for Adequate School Housing (CASH) created a leadership academy to train school district leaders alongside industry consultants. They also placed a $9 billion statewide bond on the November 2016 California ballot. If it passes, this bond would not only help local districts get the money they need to continue their facilities programs, but also serve to maintain the status quo in a system in which private actors have evolved to profit and multiply. I also discovered that while it is evident that California facilities are inequitable, it is difficult to answer the sub-question: "to what *extent* are educational facilities in California inequitable?" given the lack of a facilities inventory in California or any previously recorded measure of equity statewide. As yet, there is no existing empirical measure or ranking of school facilities in California. Therefore, answering this question required thinking about equity in terms of the processes by which facilities policies are implemented and how school districts are differentially affected.

The central argument of this analysis is that a finance system based on property values and credit ratings, voters' willingness and ability to raise taxes, and local leadership capacity are inherently inequitable. Districts with higher assessed valuation can raise more money through their general obligation bond sales, and while a district can waive its bonding capacity limits, Proposition 39 tax rate limitations affect school districts' abilities to issue bonds. Also, because a school district's credit rating affects the interest rate taxpayers will pay on its bonds, the system of credit ratings inequitably impacts districts with blemished financial pasts. Furthermore, state law requires local voters to authorize tax increases to fund school facilities, resulting in a system where conservative or otherwise tax-averse areas are less likely to pass bonds, limiting certain school districts' abilities to improve their school buildings. As Rothstein (2014) described in his analysis of Ferguson, Missouri, these dynamics are interwoven with patterns of residential segregation, influenced by not only White flight, but also discriminatory government zoning policies and practices. Consequently, poor and rich districts often map onto racial and socioeconomic inequalities that get magnified in the inability of "poor" districts to provide for their students (Rothstein, 2014).

When analyzing why educational facilities have remained inequitable given increases in educational spending, attempts at finance reform, and judicial action aimed at redressing inequality over the years, it is crucial to examine these policies in terms of the broader social, political, and economic system. The broader neoliberal context, which promotes capital accumulation, privatization, and individual competition, has contributed to the present system with less resistance from those negatively impacted. The School Facility Program has required school districts to essentially compete for state funding over time in a first-come, first-served system that emphasizes the capacity variations between school districts. However, there has never been enough money in the School Facility Program to ensure equitable facilities or to provide matching funds at the level the policies promise. The neoliberal notion that each district has to compete with other districts for funds facilitates the hiring of financial consultants and contractors who promise to help districts secure limited funding. Given large school district variation in California in terms of fiscal expertise, school districts with a lack of expertise are relatively vulnerable to the decision-making power of the consultants they hire.

I also found that competition is evident throughout the system of district facilities financing. There is competition between private consultants as they compete for lucrative contracts with school districts in order to stay in business. Elections for bond measures are themselves competitive, in a sense, pitting "yes" and "no" campaigns, and their respective proponents, against one another. For example, in conservative communities, it is not uncommon to see signs, put up by local anti-tax groups, urging citizens to vote "no" on wasteful school bonds. The fact that California requires it citizens to vote to raise taxes also often forces school bond measures to compete with other, non-school ballot measures for taxpayers' attention and approval. This system of financing is the direct result of public finance policies, over time, shaping and reshaping the funding process.

Current Policy Context

California's public schools educate approximately 6.2 million students, with 5.7 million enrolled in school districts, 500,000 in charter schools, and 41,000 students in schools run by county offices of education, including alternative schools (LAO, 2015). School districts range in size from less than 20 students in rural elementary districts to

over 600,000 students in the Los Angeles Unified School District. There are 58 county offices of education, about 950 local school districts, and over 10,000 individual schools in the state. According to Fred Yeager at the California Department of Education's (CDE) School Facilities Planning Division in 2008, "We've approved more than 2,000 new schools in the past ten years" (Vincent, McKoy, & Baker, 2008, p. 12). The CDE projected that more than 23,000 new classrooms were needed between 2008 and 2013 (Vincent, McKoy, & Baker, 2008). CASH estimates that $40 billion is needed to build and modernize California's schools. They elaborate on their website to facilities industry actors that there are "significant business opportunities" in public schools, saying that schools "will spend billions of dollars over the next decade on new facilities, furniture, equipment, supplies and staff just to keep up with growth. Thus, there are terrific opportunities for businesses which are plugged into the school economy" (CASH, N.D.).

The constellation of actors involved in the school facilities industry relies on a constant flow of funding from school districts to stay in business. California has incentivized districts to pass bonds to fund school facilities construction and maintenance by the promise of matching funds from the state. Since 1998, to provide these matching funds, California has passed a series of statewide general obligation bonds totaling approximately $35.4 billion (Vincent & Gross, 2015). School districts can also use developer fees, local bonds, certificates of participation, and Mello-Roos bonds to construct and modernize facilities. Vincent (2012) found that, between 1998 and 2012, across the state of California, approximately $118 billion was spent on K-12 school facilities, including $66.2 in local GO bonds, $10 billion in local develop fees, and $3.1 billion in local deferred maintenance. However, the last such bond was considered in 2006.

A 2011 CDE report titled *Schools of the Future* blamed the collapse of the housing market and economic downturn of 2008 for unprecedented budget deficits, stating that the "ongoing deficit has prevented the state from going out for a 2010 school bond" (CDE, 2011b, p. 34). Since that time, the Office of Public School Construction has doled out the proceeds from the statewide bonds to school districts that have applied for matching funding, though the coffers are almost empty. Though the state "face[s] an estimated $20 billion backlog of applications," (Miller, 2015) and the California legislature previously took the initiative to place all the previous statewide bond measures on the ballot, when the legislature attempted to place a school bond on the November 2014 ballot during the 2014 legislative session, the effort was unsuccessful as Governor Jerry Brown opposed the legislation. Governor Brown has stated his desire for the state to play a smaller role in funding school construction and modernization, stating in January, along with his proposed budget, "I think the locals can do it more efficiently" (Miller, 2015). Table 5 provides statewide bond amounts, which have allowed the state to provide dedicated support for school facilities construction and modernization over the last couple decades.

Table 5

Statewide Bonds under Leroy F. Green School Facilities Act, School Facility Program

Proposition	Date	Amount (in billions)

Proposition 1A	Nov-98	$6.7
Proposition 47	Nov-02	$11.4
Proposition 55	Mar-04	$10.0
Proposition 1D	Nov-06	$7.33

Failing to pass another statewide general obligation bond for school construction and maintenance would have significant implications for not only school districts, but also the private actors that make their livelihoods from this industry. While districts would likely continue, and have continued, to pass local bonds without a guarantee of state matching funds, industry members are in agreement that the lack of matching funds would necessarily cause the industry to contract. Therefore, CASH, along with the California Building Industry Association, created a campaign committee called Californians for Quality Schools and collected enough signatures to place a $9 billion school construction bond on the November 2016 ballot. Of this sum, $3 billion would be spent on new construction and $3 billion for modernization of K-12 public school facilities, $1 billion would be spent for charter schools and vocational education facilities, and $2 billion would be directed to community college facilities. The *Sacramento Bee* reported in September 2015 that the campaign committee had collected almost $1.7 million in contributions since January, and organizers have until June 30, 2016 to withdraw the initiative, "allowing time for possible negotiations with the Legislature and Brown on a substitute" (Miller, 2015), though this is unlikely.

California's education policies under Governor Brown have exemplified the mismatch of philosophies between the operations side of the budget and the capital side of the budget. On the operations side, California gained national acclaim by passing the Local Control Funding Formula (LCFF), which attempts to make operational school funding more equitable by providing additional funds for English Learners, low-income, and foster students. According to the Governor's 2015-16 Budget, money under the LCFF will be "providing additional funding to school districts and students most in need of these resources" (p. 17) and was established "in recognition of the fiscal challenges that many school districts face, and to address the many inequities in the pre-existing system of school finance" (p. 20). The word *local* in the policy's title is telling of the inter-district inequalities in California. The LCFF attempts to return decision-making authority to school district and school leaders by minimizing the categorical funding complexity that previously tied district and school leaders' hands with regard to spending. However, local school districts do not have a say in the overall level of funding they receive from the state, which is determined centrally based on school district student demographics. Thus, on the operations side of the education budget, the state is playing an important role in distributing funding in a calculated way with the stated intention to improve funding equity across the state.

In contrast are the Governor's actions on the capital side of the budget. At first glance, the policies seem to be coherent. The Governor promotes *local* control of education funding. However, on the operations side, the state collects taxes and then distributes funding to school districts according to a formula devised to increase equity of the overall amount of funding. On the capital side, though, the Governor is proposing that local school districts be responsible for raising funds themselves with limited additional funding from the state. This would dramatically alter what Brunner described in 2006 as

a partnership between the state and local school districts (p. 1). While the way in which the Office of Public School Construction has provided matching funding for facilities projects has not ensured equitable facilities in the past, it has at least reallocated funding collected from taxpayers across the state and helped districts with additional funding that property poor school districts could not have raised with their own tax base. In this way, the state has played a role in improving the equity of school facilities funding.

As the Governor's 2015-16 proposed budget acknowledges, "There is currently no bond authority remaining in the state's core school facilities new construction and modernization programs" (p. 21). Vincent and Gross (2015) further explained, state and local funding, "together with locally-generated developer fees…formed the "three-legged stool" of financing for K-12 public school facilities under the SFP. Currently, there are no funds identified for the state's "leg" in the partnership" (p. 1). The state has blamed the economy, stating that the recession made bond funds unstable. In a 2011 CDE report, the Subcommittee on Funding noted, "The three-leg stool of school building finance worked very well…and the state built thousands of schools and housed tens of thousands of students. Subsequent to the 2008 financial crisis, state bond funds became less predictable funding sources" (p. 38). Others have argued, including those behind the $9 billion 2016 ballot initiative, that when passed every few years, bonds *can* serve as a predictable source of funding. If the state moves toward a minimal role in the future as the Governor suggests, educational facilities industry members and school district leaders fear that the extent to which facilities in California are inequitable will increase dramatically. While the Governor has explained that the state could play a targeted role in the future, distributing money to school districts with real equity needs, the amount of money would likely be minimal as it would have to be pulled from other areas of the state budget in the absence of dedicated bond funds.

California's Interrupted Equity Focus

In one of the more than twenty "Getting Down to Facts" reports written to provide California's policy-makers and other education stakeholders with the comprehensive information they needed to inform their goal of raising student achievement and repositioning California as an education leader, Timar (2006) described the history of California's finance system, how funding flows to schools, and the impacts of system changes over time. As Timar described, historically the California legislature created school districts as legal entities with the power to levy taxes, enter into contracts, and enforce state laws related to the operation of schools. Until the late 1970s, 60% of school funding was comprised by local property tax revenue, with the state guaranteeing only a funding floor for school districts as long as they taxed themselves at a minimum level. The state provided approximately 34% of funding, with 90% of those funds being unrestricted (Timar, 2006).

Over time, however, California shifted to a state centralized education finance system. By the 2004-2005 school year, 67% of funding came from the state, with 40% restricted to state specified purposes, 22% of the funding came from local sources, 9% from the federal government, and 2% from the state lottery. Timar (2006) argued that the state's role in school finance had been good for reducing inter-district disparities in funding on the operations side of the budget, but the overwhelming number of categorical programs and add-ons undermined equalization due to significant variation in funding among school districts. In the years leading up to the creation of the LCFF policy, many

leading scholars and policymakers agreed that California's system of funding education required a major overhaul to define state and local roles and responsibilities for revenue, program control, and accountability. Timar (2006) called for increased local control of funding decisions on the operations side of the budget, writing, "Local school boards retain authority to determine how funds are used, but that authority has been considerably diminished in several ways. The most obvious is the limited (and for some, non-existent) ability to increase funding through local tax levies" (p. 29).

Major policy events in the 1970s further shaped the system. Two California State Supreme Court decisions, *Serrano I* (1971) and *Serrano II* (1976) held that school district revenues were so reliant on local property taxes that students in low-wealth school districts, those with low assessed valuation of property within the district, were denied equal educational opportunity in violation of the equal protection clause of the California Constitution. Large variations in property values across the state meant that while some school districts were taxing themselves at higher rates, they raised less money per student due to low property wealth. *Serrano I* declared the system unconstitutional, and *Serrano II* required the state to reduce disparities among school districts to an inflation-adjusted $100 per pupil band. While the Court's expectation was that equal tax efforts would produce equal results, the subsequent passage of Proposition 13 in 1978, severely limited the amount of revenue school districts could raise.

Proposition 13 limited California property tax increases based on assessed valuation (AV) to 2% annually. New construction or property sold after Proposition 13 was taxed at 1% of market value. The law also prohibited additional increases in AV taxes, with any new levies requiring a 2/3 vote. A number of policies over the following years, including AB 8 (Chapter 282, Statutes of 1979) and Proposition 98, attempted to replace money lost to school districts from local revenue and guarantee a minimum level of education funding in the budget. However, the majority of these policies focused on the operations side of the budget, and thus fell short of their goals. The system for funding educational facilities in California developed separately (see Brunner, 2006, for a thorough analysis of the history of school facilities finance in California). This section briefly describes the major educational facilities finance policies in California before turning to an analysis of these policies, and their second layers, in the following sections.

In 1879, school districts gained the authority to issue bonds to finance school construction, subject to a 2/3 vote. Since then bonds have remained the primary source of revenue for educational facilities. As Brunner (2006) described, state involvement in school construction and modernization projects began in 1947 with the creation of the State Allocation Board. For decades, local districts provided the majority of school facility funding, with the state providing loans. The California legislature provided various programs for modernizing urban schools, and in the 1970's the state passed new legislation that forgave loans for school districts that had reached their bonding capacity and "Thus, by the early 1970's, state involvement in school facility finance had expanded to include aid for school renovation and modernization and the role of the state had begun to change from one of a primary lender to one of a grantor" (Brunner, 2006, p. 5). In this phase, the state began to play a role in distributing funds based on equity concerns.

After Proposition 13 prohibited property tax overrides to fund GO bonds, upending the taxation and state spending system in California, the state became primarily responsible for funding new school construction and modernization. The state responded

to a facilities funding shortfall by providing a Lease-Purchase Program, which voters funded with $950 million through statewide bonds. The state also created Mello-Roos Community Facilities Districts in 1982, which allow school districts to collect a special tax from property owners within a certain area in the district to fund new school construction, with voter approval. The funds raised through these measures were not sufficient for the facilities needs of districts. Voters passed seven statewide bonds from 1986 to 1992, providing the state with $6.8 billion for school facility projects. In 1986, Proposition 46 led to a constitutional amendment restoring the authority for school districts to increase local property taxes above the limit set by Proposition 13. This allowed school districts to issue GO bonds, requiring a 2/3 vote. After Proposition 46, local school districts raised millions of dollars to improve educational facilities around the state. (See Chapter 6 for detailed analyses on GO bond sales over time.) However, the state lacked a coherent framework for administering facilities funding. Through the 1990's the state adapted the Lease-Purchase Program for funding schools multiple times, creating priority rankings and then moving to a first-come first-served system in 1997 after the state experienced a $6 billion backlog of projects in 1996 (Brunner, 2006, p.8). In 1998, educational policy leaders came together to draft SB 50, the Leroy F. Green School Facilities Act, which was designed to make the system more simple, transparent, and equitable (Brunner, 2006, p.1). SB 50 created the School Facility Program, which has been funded by four state school construction bonds. As the policy was written, the state would provide a 50% match for new construction and a 60% match for modernization projects. Funding was provided as per-pupil grants with funding available for other site-specific costs. This program has dramatically increased California's spending on school facilities, allowing the state to surpass the national average.

Two years after SB 50, voters passed Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 lowered the voter threshold from 2/3 to 55% for bond measures meeting certain criteria, including: a list of specific school projects to be funded, the creation of a Citizens Bond Oversight Committee, and mandatory performance and financial audits of the bond program. School districts could now seek approval for general obligation bond authority under traditional rules with a 2/3 vote or under Proposition 39 rules, which led to a substantial increase in local capital support for K-12 facilities, doubling the measures placed on the ballot (Brunner, 2006, p. 9). Nearly half of the $56 billion passed for K-12 educational facilities between 2001 and 2009 would not have passed if the threshold had not been lowered from 2/3 to 55% (Hanak, 2009). Proposition 39 also enjoyed the support of a broad-based coalition that included business leaders (Hanak, 2009).

A 2015 LAO report incorporated more recent data, finding that local voters have approved about 80% of school district bond measures since Proposition 39, in comparison with about 60% before (Naqvi, 2015). This analysis points to the ability of policies to promote tangible change and improvement at the local level. The current SFP was created to promote equity and transparency and has undeniably paved the way for the improvement of educational facilities in California. The fact that school districts have continued to pass local bonds and apply for state matching funds in the absence of guaranteed state money indicates both a need for matching funding and a belief that state funding will return. Indeed, the state has experienced funding application backlogs in the

past and responded with policy changes to address local needs. See Table 6 for a summary of relevant state policies.

Table 6

Selected Policies Related to California School Funding

Relevant Policies	Year	Description of Policy
Constitutional revision	1879	School districts granted authority to issue bonds to finance school construction
Field Act	1933	Mandated the Division of the State Architect to develop safe school designs and construction for public schools
State School Building Aid	1949	State passed $250 million statewide school bond initiative, Prop 1, to provide loans to school districts bonded at capacity for construction and acquisition of new school facilities (not renovation or modernization)
Statewide bonds	1952-1966	Voters approved 7 statewide bonds, providing $1.54 billion for the State School Building Aid program
Urban School Construction Aid	1968	Provided state assistance for modernizing urban schools built before 1943
Bond Vote for Structurally Unsafe School Buildings	1972	Proposition allowed districts to issue GO bonds, subject to the approval of a simple majority of voters (rather than a super-majority) for the purpose of repairing or replacing structurally unsafe buildings (Brunner, 2006)
School Building Aid and Earthquake Reconstruction and Replacement Bond	1972 & 1974	Provided $350 million for the construction and renovation of schools; then provided an additional $150 million (Brunner, 2006)
Leroy Greene State School Building Lease-Purchase	1976	Established a fund to provide loans to school districts for both new construction and modernization. Eligibility for new construction funding based on housing capacity (Brunner, 2006)
Proposition 13	1978	Statewide property tax rate set at 1 percent of AV and limited annual increases in AV. Led to an increase in state support and shift in responsibility away from local districts. Authorized legislature to allocate property tax revenue among local governments, including school districts

Proposition 46	1986	Local tax increases allowed for bond repayment. Required 2/3 vote. Constitutional amendment restoring the authority to issue GO bonds. Allowed counties, cities, and school districts to increase local property taxes above the limit imposed by Proposition 13.
Proposition 98	1988	Constitutional amendment establishing a minimum guarantee for public school revenue. Set floor on percentage of state revenue allocated to schools and colleges at about 40% of the state's general fund.
Proposition 111	1990	Allowed the guarantee on state and local revenue to be suspended temporarily when the growth in revenue lags
Ed Revenue Augmentation Fund	1992	To meet Proposition 98 obligation, state shifted partial financial responsibility for funding education to local government (cities, counties and special districts).
SB 50	1998	The Leroy F. Green School Facilities Act. Established the School Facility Program
Proposition 39	2000	Smaller Classes, Safer Schools and Financial Accountability Act. Lowered vote threshold to 55% vote in certain circumstances: Separate account/annual report. List of specific school facility projects to be funded. Citizens Bond Oversight Committee (CBOC) created. Performance and Financial Audits required.
Critically Overcrowded Schools Program	2002	Funded with $4.1 billion of Proposition 47 and 55 bond revenue. To qualify for COS program funding, a school must have a student density that is double the density recommended by the CDE (Brunner, p. 2)
AB 2560, Chapter 266	2010	Provided CDE and California School Finance Authority the authority to assign and distribute the state's 2010 federal QSCB tax credit bond volume cap to or for the benefit of school districts, county offices of education, and charter schools
AB 696	2011	State School Fund Apportionment Lease Revenue Bond Program offered tax-exempt revenue bond financing for school districts needing emergency apportionment loans
AB 182	2013	Required the ratio of total debt service to principal for each bond series to not exceed 4 to one. Required each CAB maturing more than 10 years after its date of issuance to be subject to mandatory tender for purchase or redemption before its fixed maturity date.

Fiscal Sociology, Policy Implementation, and Impacts on Equity

Fiscal sociology attends to the context of taxation, public debt, and state spending. This section looks at each of these fiscal tools, considering how California's political realities, policy history, and constraints impact these major components of the state's

finance landscape and how policies shape our reliance on each mechanism. Fiscal sociology is concerned with the effects of public finance policies, and it is a useful lens to explore the equity aspects of facilities financing processes and outcomes.

Taxation. Raineri (2008) explained that bonds essentially mean property taxes: "When voters approve a general obligation bond measure, they are authorizing the school district to issue a specific amount of bonds, and agreeing to repay those bonds through whatever property tax levies are necessary. The tax rates are basically determined each year by dividing the total required levy (which is based on the annual bond payment and any required reserve) by the amount of assessed value in the district, and each property within the district pays its pro rata share (based on its individual assessed value) of the total tax levy" (Raineri, 2008, slide 56). There are tax rate limitations put in place to protect taxpayers. As the LAO described, "districts that issue bonds under the provisions of Proposition 39 cannot levy tax rates to repay those bonds that exceed $60 for unified districts or $30 for elementary and high school districts per $100,000 of assessed value per election" (Naqvi, 2015, p. 4). Savidge (2015) noted that tax rate limitations have prevented some districts from being able to issue voter-approved bonds.

The Governor's preference for local control contributes to a common-sense mindset that taxation to fund educational facilities should happen primarily at the local level, as opposed to a balance between the state and local level as it has been since the SFP was created in 1998. The Governor's Budget Summary 2015-16 argues that the current program is out of date given that it "was developed before the passage of Proposition 39 (which reduced the local bond vote threshold to 55 percent) in 2000, which has since allowed local school bonds to pass upwards of 80 percent of the time" (p. 22). This statement indicates that the SFP, which was set up to provide state matching funds when school districts passed local bonds for facilities, made more sense when it was more difficult for school districts to pass bonds. In other words, it argues that since Proposition 39 made it easier for school districts to pass bonds, state matching funds are no longer needed. However, the SFP only provided matching funding after school districts had already passed a bond. Even after Proposition 39, many districts are unable to pass GO bonds and thus, do not receive local or state facilities tax dollars.

As a fix, the Governor's Budget Summary proposes expanding local funding capacity by increasing the assessed valuation caps for specific bond measures as well as total caps on local bonded indebtedness as they have not been adjusted since 2000. The Governor's argument is that increasing these caps at least by the rate of inflation since 2000 would provide greater access to local financing, essentially allowing locals to tax themselves at higher rates, providing more money for school facilities. However, this "fix" would likely have a disparate effect on taxpayers dependent upon the property wealth in their school district. Property owners in districts with higher assessed valuation, those not near the current cap, would be able to tax themselves at lower rates to raise enough money to address their facilities needs. However, property owners in areas with lower property wealth, and thus lower assessed valuation, would have to tax themselves at higher rates to raise money for facilities. This would exacerbate inequities in the current system where the level at which a property owner is taxed for school facilities is dependent upon the property wealth of the area in which they live. This is an already inequitable tax system, and removing the state match that can serve to provide a smoothing function, could further increase inequitable tax rates across district lines.

While aspects of the Governor's proposals are problematic from an equity perspective, in many ways the proposals are meant to address inadequacies in the current system. Over the years, various scholars and policy analysts have criticized shortcomings in the SFP, particularly with regard to equity. As Brunner described a decade ago, "revenue per pupil for school construction and modernization varies widely across districts. For example, in unified school districts the differences between the 75th and 25th percentiles of facility revenue per pupil (total revenue raised over the period 1998-2005 divided by student enrollment) is over $10,000" (2006, p. 2). Brunner found similar disparities between elementary and high school districts and found little relationship between race and facilities revenue. While some of the variation can be explained by enrollment growth and need, scholars have found that school funding disparities across districts are systematically related to assessed valuation due to the simple fact that school districts with higher property wealth can raise more money per student through general obligation bond issues (Brunner, 2006; Vincent & Jain, 2015). Though the SFP was created to make the system of financing educational facilities more equitable, the fact that it is based on disparate local property values makes equity impossible.

Public debt. According to the Dictionary of Banking and Finance, *debt* refers to the "money, services, or materials owed to another person as the result of a previous agreement" (Rosenberg, 1982). School districts cannot take out loans for facilities. Instead, they tax themselves to pay off bond debt for capital improvements. Voters must authorize long-term debt, as explained in the California Constitution's Article XVI, Section 18(a), with a two-thirds majority. Taking on debt to fund infrastructure is not unique to education. In a Public Policy Institute of California report, Hanak (2009) explained that since the 1970's, bonds have increased significantly as a share of state capital spending, often accounting for over half of the total, with real per capita state capital spending rising substantially over time. The report cautioned that the state might be over-relying on state general obligation bonds. First, GO bonds increase obligations on the state's general fund as the state makes payments on the debt service. This has implications as financial markets are wary of debt-service obligations above 6 or 7% (Hanak, 2009). Second, during recessions, the debt-service burden can lead to cuts in other spending programs. Finally, a May 2007 PPIC Statewide Survey "found that nearly two-thirds of residents knew very little (43 percent) or nothing (21 percent) about how state bonds are paid for" (Hanak, 2009, p. 6), signaling that voters do not understand the potential drawbacks of bond debt.

Over the years, several reports have raised concerns about the level of debt service. The Little Hoover Commission, an independent oversight committee that produces reports on California governance warned that "Simple arithmetic suggests that the state budget will not support the amount of borrowing that would be required to meet the estimated $500 billion California needs to build new and replace worn-out infrastructure" (Little Hoover Commission, 2010, p. 4). Education debt is sometimes viewed in competition with other infrastructure needs. A 2011 CDE report noted the burden of state debt, asserting, "Given the state's budget deficit of $15 billion dollars, it is unclear if the state can afford the debt services of another school facilities bond. In addition, there is still the possibility of a 2012, $10 billion water bond with debt services of $800 million annually. Given the ongoing state budget problems, it is unclear if voters would have the appetite for another bond" (p. 38). Over time, voters have been

supportive of taking on debt to support schools. “According to data from the California Debt and Investment Advisory Commission (CDIAC), school districts have authorized at least $75.2 billion in local bonds for school facilities since 1998” (Naqvi, 2015, p. 4). Even without the promise of state matching funds, local school districts have approved $2 billion in local bonds for school facilities in 2013 and 2014 elections (Naqvi, 2015).

The Governor’s Budget Summary 2015-16 asserted that education bonds “cost the General Fund approximately $2.4 billion in debt service annually” (p. 22). New state bonds for education would undeniably increase the state’s overall debt burden. If voters approve the $9 billion dollar educational facilities state bond in November 2016, the Legislative Analyst’s Office estimated the following fiscal effect: “State General Fund costs of $17.6 billion to pay off principal ($9 billion) and interest ($8.6 billion) on bonds over a period of 35 years. Annual payments would average $500 million” (LAO, 2015, p. 4). The Governor’s office questioned the level of spending on facilities, pointing to the example that districts can generate and retain school facility program eligibility based on outdated or inconsistent enrollment projections, which can then result in “financial incentives for districts to build new schools to accommodate what is actually modest and absorbable enrollment growth” (p. 22). There are already laws in place, including tax debt limits, which work together to constrain bond amounts. “Under state law, a unified school district’s outstanding debt cannot exceed 2.5 percent of assessed value in the district. For an elementary or high school district, the figure is 1.25 percent.

In practice, several districts have sought waivers from the State Board of Education to exceed these debt ceilings. Data from recent years indicate these waivers are routinely granted (Naqvi, 2015, p. 4). However, the SFP “allows school districts to raise vastly different amounts per student at a given tax rate, raising equity concerns. While the existing Financial Hardship Program mitigates this issue to some extent (providing additional state funding for some districts that are close to their debt ceilings or have lower property wealth), significant differences remain in districts’ local revenue raising ability” (Naqvi, 2015, p. 5). These critiques point out the limitations of using debt as a primary funding mechanism. They also suggest opportunities to improve facilities policies and direct funding more equitably to areas with critical facilities needs.

State spending. State spending sends a strong message to residents about state priorities—not only what the state values, but also what it does not. California’s legislature treats facilities financing in ways that do not map onto the realities of facilities expenses. Between 1988 and 1996, California spent about 20% less on school facilities than the rest of the nation (Brunner, 2006). Under the SFP, California has substantially increased state spending on facilities. However, in some ways, the state still takes an inchoate approach to spending. As a recent LAO report explained, “Under the current system, the state does not treat school facilities costs as an ongoing expense. The Legislature generally considers facility funding only when it asks voters to approve a state school facilities bond. It is difficult to justify treating facilities so differently from other school expenses” (Naqvi, 2015, p. 5). The LAO and others have called for the state to treat facilities as an ongoing expense, recognizing that the state can plan for facilities depreciation, maintenance, repair, and replacement. Others argue that state spending has not adequately taken local context into account. As Vincent & Gross (2015) elaborated, school districts in California vary on a number of factors, including size, urbanicity, and age of facilities, with varying capital spending needs that are unique to their local context.

Some aspects of the current program address the complex contexts of schools and school districts. For example, the current program has a mechanism for targeting funding toward overpopulated schools, called the Critically Overcrowded Schools (COS) program. Created in 2002, this program provides funding to schools with a student density double that recommended by the California Department of Education. Brunner (2006) found that "Critically overcrowded schools contain a disproportionate number of disadvantaged and minority students… [and] also tend to have higher facility revenue per pupil" (p. 2). Though this program contributes to making funding more equitable, it only supports a small percentage of California school districts; of the more than 1,000 school districts, in 2006 only 42 districts contained critically overcrowded schools, with almost half of those schools in Los Angeles Unified School District (Brunner, 2006).

The ideological underpinnings of a matching system of funding require examination in order to consider their equity assumptions. As a state spending mechanism, matching funding is based on the popular policy idea that local communities have to "earn" state support and prove that they have "skin in the game" before the state will provide funding. Under the current system in California, to earn funding from the state for school facilities, local districts have to show effort by taxing themselves first before they can apply for state funding. This kind of policy, however, ignores the extent to which context can impact equity. In the case of school facilities, there are a number of factors that can prevent a school district from passing a bond measure, thus impacting the local district's ability to apply for matching funds to improve facilities for their communities. Over time, this system can lead to increasingly inequitable outcomes as districts in communities with supportive voters can pass bond after bond, raising large quantities of funding from their local taxpayers and from state matching funds, while other school districts fail to capture state or local taxes.

The Governor's Budget Summary 2015-16 attempts to address this issue. It proposes targeting state funding for school districts most in need, allocating funding in a way that "(1) limits eligibility to districts with such low per-student assessed value they cannot issue bonds at the local level in amounts that allow them to meet student needs, (2) prioritizes funding for health and safety and severe overcrowding projects, and (3) established a sliding scale to determine the state share of project costs based on local capacity to finance projects" (p. 23). A program like this could, over time, improve the equity of school facilities in the state, although there are a number of reasons for concern about the possibility of growing inequity. First, there is no specificity in terms of what the threshold of AV would have to be for the state to step in. Given the Governor's stated desire to limit state spending for facilities, one might worry that the state would set a threshold so low that only a few school districts would qualify. Second, the budget does not describe where funding for this program would come from, if not from the continued issuance of statewide bonds. It is possible that funding would not be at a high enough level or predictable from year to year. Third, the policy framework does not fully acknowledge context, ignoring the political reality that some school districts do not raise enough tax revenue for schools, not because they have low AV, but because their voters are tax averse. This is an important example of how state-generated policy documents state an equity intention, but do not provide the regulations, sanctions, and incentives needed to actually realize equity upon implementation.

Another way that the state signals its spending priorities in the Governor's Budget Summary 2015-16 is through its recommendation to augment the Charter School Facility Grant Program to "provide additional funding to support this program expansion" (p. 24). Governor Brown is a charter school supporter, and while the intention here is not to debate the merits of charter schools and their role in the privatization of public schools, it is notable that the Governor would recommend increasing funding for charter school facilities while at the same time advocating for a revolutionary new way of funding traditional public schools, which would limit state funding. This recommendation is also specific in a way the others are not, suggesting a 55% threshold for students qualifying for free or reduced-price meals. This stands in stark contrast to the suggestion that the state target facilities funding and "limit eligibility to districts with such low per-student assessed value they cannot issue bonds at the local level in amounts that allow them to meet student needs" (p. 23). Furthermore, there is not a coherent equity or policy rationale for why the Governor favors increasing funding for schools attended by charter school students while decreasing funding for facilities attended by traditional public school district students.

Applying Critical Policy Analysis to Evaluate Second Layer Policies

Critical policy analysis focuses on the differences between stated policy goals and what the system actually looks like in practice for various segments of the population, specifically with regard to equity outcomes. It also allows for the examination of policy origins and assumptions, taking a step back from the narrow conception of policy requirements and trends in education policy and considers the social justice implications of policies (Burch, 2009).

In this section, I analyze the tools that underlie policies in order to examine implementation issues. Burch (2009) explained how the first layer of policies, mandates, establishes the rules, "but the regulations, guidance, and budgets will bring the game into being" (p. 7). She described how these second layer policies "lie beneath the laws that are the focus of popular debates" (p. 6) and "are important windows on the current ideologies used to stabilize public policy" (p. 7). These second layer policies call our attention to the mismatch between policies' stated goals and their actual effects. Critiques of the SFP often have to do with second layer policies. For example, a recent report from the LAO lists these critiques: "the existing program fails to treat school facility costs as an ongoing expense despite the recurring nature of facility needs, allows disparities based on school district property wealth, fails to target funding according to greatest need, results in excessive administrative complexity, and lacks adequate accountability mechanisms" (Naqvi, 2015, p. 1). This section untangles many of these critiques, situating them in the development of the facilities program.

Regulations. The appropriate level of regulation is a common topic in policy literature as well as political debate. As Brunner (2006) described, state involvement in school construction and renovation began when a large earthquake prompted the passage of the Field Act in 1933, mandating the Division of the State Architect to develop safe school designs. Since that time, school facilities regulations with regard to design have tightened. In contrast, regulations for the financing of school facilities are arguably less stringent. In the facilities finance industry, the primary regulatory body is the Securities and Exchange Commission's Municipal Securities Rulemaking Board (SEC/MSRB), which protects investors and issuers of municipal securities. Regulations are meant to

protect investors, who are, as one financial advisor put it, "those who seek tax exemption and security, including individuals, banks, and corporations" (Raineri, 2008, slide 81).

Regulations are also meant to protect taxpayers and voters. One issue of importance is that the state does not provide funding for school districts for their general obligation bond/tax campaigns. Education Code 7054(a) states that school districts may not use public resources to advocate for passage of bonds, though 7054(b) states that it may use public resources to provide objective information under certain conditions, and violation is a misdemeanor or felony (Raineri & Weaver, 2009, slide 41). However, it costs money to educate voters about upcoming GO bonds and to get-out-the-vote. Consequently, a system has developed where private contractors and consultants contribute to school district bond campaigns, raising pay-to-play allegations. Recent media accusations of private organizations using pay-to-play tactics to gain favor with school districts have attracted attention, and California County Offices of Education have debated regulating the extent to which private organizations contribute to school district bond campaigns prior to entering into contracts with school districts (Jensen, 2012). The outcome of this policy proposal could have dramatic consequences on school districts' ability to fund bond campaigns, potentially impacting bond passage.

Ely and Calabrese (2013) investigated the promotional role investment bankers (underwriters) play in California school district bond elections and found that post-election fees paid to firms that make political contributions are significantly higher than fees paid to non-contributors. Prior to that, journalists had also documented possible pay-to-play issues:

> In nearly all cases, the only underwriters that donated to a successful school bond campaign ended up working on the bond sale…in Contra Costa County, where Stone & Youngberg gave $10,000 to a 2010 bond measure for the West Contra Costa Unified School District but the contract for lead underwriter went to Piper Jaffray, which contributed $25,000… Canciamilla said school districts instead negotiate underwriting deals before bond elections specifically to draw in campaign money. Districts are "in effect negotiating much more attractive deals for the underwriters in order to generate the money necessary to run the campaign," he said. (Evans, 2012)

Licensed underwriters are required to represent investors who buy bonds, not school districts. School district policy makers must attend to "total interest costs, because the district's taxpayers will bear these costs through their property taxes" and "costs of issuance, because the amount of money the district receives for facilities projects could be reduced in order to pay for these costs" (Raineri, 2008, slide 91). According to the Legislative Counsel Bureau, in their June 28, 2010 statement, school districts "may not condition the award of an agreement to provide bond underwriting services on the underwriter also providing campaign services in support of that bond measure" (Raineri & Weaver, 2009, slide 42). To try and protect school districts, in 2012 the MSRB added a layer of requirements for underwriters. While underwriters have, in the past, been able to advise school districts on financial matters, the MSRB now requires underwriters to disclose to school districts that they are non-fiduciaries, meaning that they legally represent investors and do not have a fiduciary responsibility to municipal issuers, and therefore are not required to protect the school district's financial interests. In this way, the MSRB has warned school districts that they should not necessarily rely solely on

financial advise from underwriters. MSRB Rule G-17 builds on the disclosure already required by the MSRB Rule G-23 interpretive notice approved by the Securities and Exchange Commission in May of 2011.

To address this issue further, Assembly Member Wagner introduced AB 621 on local government bonds, which was last amended in February 24, 2014. It prohibits firms providing "bond campaign servics" from simultaneously serving as bond counsel, financial advisor, or underwriter during bond issuance. It also prohinits firms from serving as underwriter on a bond financing if they are also serving as financial advisor on that specific financing. When amended, firms can provide "campaign services" as long as those firms entered into the relationship with a district before the bond measure was placed on the ballot. Bond campaign services include: "fundraising, contributions, public opinion pollicy, election strategy & management, organization of campaign volunteers, get-out-the-vote services, and development of campaign literature and advocacy materials" (Raineri, 2014, slide 20).

On April 30, 2013, the Kern County Superintendent of Schools, Christine Lizardi Frazier, and the Chief Deputy for Governmental Affairs, Michael Hulsizer, drafted a letter to Paul Fong, the Chair of the Assembly Elections and Redistricting Committee, in support of the legislation. They argued that "the practice of "service bundling" targeted in AB 621 has resulted in school districts and taxpayers paying inflated costs as bond underwriters and financial advisors attempt to recapture campaign expenses by underwriting bonds with higher fees and less favorable terms to school districts and taxpayers…It has become a common practice among Financial Advisors, underwriters and bond counsels to initiate contracts with school districts that bundle campaign and underwriting services… the cost of issue for local education agencies who participate in this practice of bundling campaign and underwriting is higher than with school districts who do not" (Frazier & Hulsizer, 2013). It remains to be seen whether Attorney General Kamala Harris' January 2016 opinion, affirming the illegality of reimbursing municipal finance firms for providing pre-election services in terms of higher fees, will change practices at the local level.

The Education Code includes protections for bond funding. Ed Code 15288 states "It is the intent of the Legislature that upon receipt of allegations of waste or misuse of bond funds authorized in this chapter, appropriate law enforcement officials shall expeditiously pursue the investigation and prosecution of any violation of law associated with the expenditure of those funds." Proposition 39 requires the creation of Citizens Bond Oversight Committees, meant to protect taxpayers from abuses in bond spending. However, their appropriate role is debated. The Little Hoover Commission, reviewed bond spending in California and recommended that the state bolster capacity in local bond oversight committees (2010, p. 1).

Private citizens created the California League of Bond Oversight Committees to try to address concerns with municipal bond oversight, though industry experts have called their legitimacy and partisanship into question. The California legislature has taken steps in the past to address perceived abuses of facilities debt financing. For example, when Poway Unified School District made national news by issuing capital appreciation bonds that would lead to their repaying $1 billion on a $100 million loan, Joan Buchanan, a California legislator, authored Assembly Bill 182, which passed and now restrict and

regulates the use of capital appreciation bonds in the state, thus protecting school districts from the unintended consequences of type of financing mechanism.

With regard to facilities themselves, some industry insiders argue that there are too many regulations. The Governor's Budget Summary also critiqued the lack of flexibility in school design, suggesting that overly regulated requirements limit innovative designs, stating, "Program eligibility is largely based on standardized facility definitions and classroom loading standards. As a result, districts are discouraged from utilizing modern educational delivery methods" (p. 22). Given policy trends, there are indications that regulations for consultants and contractors will tighten while regulations for school design might be loosened, or at least streamlined.

Guidance. There are a number of ways that the state has attempted to provide guidance to school districts to help them navigate the School Facility Program. For example, the California Debt and Investment Advisory Commission provided trainings for local school districts, though in interviews, CDIAC staff admitted that these trainings were poorly attended. The Office of Public School Construction has also provided handbooks on the SFP and other resources for school districts. However, this limited guidance has not served to provide districts with equitable access to SFP funds. According to the Governor's Budget Summary 2015-16, the current School Facility Program "allocated funding on a first-come first-served basis, resulting in a substantial competitive advantage for large school districts with dedicated personnel to manage facilities programs" (p. 22). This critique explicitly acknowledged the level of school district capacity required to navigate the complicated school facility funding process, and it highlighted how disparate levels of access to guidance can contribute to facilities inequities. The SFP was created, in part, to address this critique of the preceding system (Cohen, 1999), but it has not, as yet, realized this potential.

The 2015 LAO report elaborated, "Although SFP was supposed to reduce the complexity of the state's prior school facilities program, it is widely acknowledged that the program has grown significantly more complex over the years" (Naqvi, 2015, p. 5). The fact that similar critiques exist now, nearly twenty years after the creation of the SFP, indicates the continued complexity of the system. It remains the case that school districts with the capacity and expertise to navigate the SFP requirements and opportunities have an advantage over less sophisticated school districts. The fact that school districts that can afford to often choose to hire specialized consultants to help them acquire the maximum funding possible from the SFP signifies that, despite efforts of policymakers to make the system more simple, transparent, and equitable, the current system falls short of the stated goals. The state is not providing adequate guidance to allow all school districts to equitably acquire matching funds for their district construction projects.

The state has attempted to address the need for guidance in the past. A series of government policy documents have analyzed the system of school facilities finance in California, providing recommendations for program guidance. At a 2008 convening in Sacramento, researchers, education administrators, state policy leaders, design professionals, teachers, and students met at a roundtable on *Re-visioning School Facility Planning and Design for the 21st Century*. Rick Simpson, speaking in his role as Deputy Chief of Staff in the California State Assembly, described changes in the structure of the facilities funding program, saying "We tried to make a paradigm shift in Senate Bill 50 (in 1998) to be much more flexible, giving local communities, school district boards, and

administrators a lot more say over what they build…However, I fear that we may be slipping back a little bit to more the sort of command-and-control type of thought process in Sacramento" (Vincent, McKoy, & Baker, 2008, p. 26). At the roundtable, Fred Yeager, Assistant Division Director of the School Facilities Planning Division noted "At the core of the CDE's mission is to ensure safe and educationally appropriate school facilities for California's children" (p. 12). Equity was not explicitly mentioned as a goal.

In 2011, Tom Torlakson, State Superintendent of Public Instruction, stated, "we cannot educate the next generation of students in schools that are relics of the past" and created a *Schools of the Future* initiative, pulling together more than 90 members of the education and educational facilities community, including "representatives from schools, architectural firms, colleges, construction manager organizations, unions, builder associations, energy firms, and businesses" (CDE, 2011, p. 2). Together, they addressed critical issues related to educational facilities in California and ostensibly made policy recommendations to improve the system, related to the issues of school planning, design and finance, and energy efficiency.[4] Their overall recommendation was that "the state should continue to provide school facilities funding, in combination with shared local funding, as a priority infrastructure investment for California" (CDE, 2011, p. 35). This recommendation, and its stark contrast with Governor Brown's current proposed trajectory, is an example of the mixed messages school districts have received from the state in recent years. The sub-committee recommended that CDE change the current funding structure so that "the state's share of new construction and modernization costs is realistically aligned with the state's historic cost sharing commitments and is sufficient, in combination with the designated local share, to enable districts to provide schools with high-quality learning environments" (CDE, 2011, p. 35),

Budgets. With regard to budget, the critique of the SFP is that there has never been enough money to ensure equitable facilities. A report from the 21st Century School Fund, titled *State Capital Spending on PK-12 School Facilities* examined spending from 2005-2008 and found that California ranked 6th of 50 states and Washington, DC, with public school districts in California spending nearly $39 billion from all sources in those years, though California ranked 23rd in state share (Filardo, 2010). However, the report also found that the state's match for school facilities was far from the 50% policies promise. In the report, Filardo (2010) stated "The California Office of Public School Construction paid 29% of the total capital outlay from 2005 and 2008, with local school districts paying the balance. This level of state support for school facilities was in the second highest quartile of all states" (p. 16). While California was providing more state support than the majority of other states, its contributions still fall short of need. One reason the state is not actually providing a 50% match has to do with the timing of state funds. Whereas the state used to reimburse districts for certain cost overruns, districts are now responsible for those costs. Matching dollars do not take project all realities into consideration. A 2011 CDE report found, "school districts put in thousands of dollars for a school construction project before they come to the state for matching funds. Because

[4] The Funding and Governance Sub-committee included public and private actors: William Savidge, West Contra Costa Unified facilities program; Cathy Allen, Coalition of Adequate School Housing; Eric Bakke, Los Angeles Unified School District; Steve Castellanos, Caldwell, Flores, Winters, Inc.; Stephen English, Advancement Project; Mahendra Mehta, Prefast Plant Crafted Buildings; Jeff Vincent, University of California, Berkeley, Center for Cities + Schools

school districts are investing their own bond dollars with the promise of matching state dollars, it is important districts have some assurance that state matching dollars are available in a reasonable amount of time" (p. 38). While the state's report acknowledged funding shortages, policies were not changed to fix the problem.

Scholars have examined the ways in which school districts budget for facilities. Vincent and Jain (2015) examined California school district facility spending over the life of the SFP. They found structural patterns of inadequate and inequitable spending, arguing that, "This trend signals costly long-term consequences, as accumulated facility needs risk becoming a health and safety crisis." First, they found that the majority of school districts underspend on facilities, and that "substantially more than half of districts (at least 57%) did not meet industry benchmarks for spending on capital renewals and more than 60% failed to meet the benchmark for basic maintenance and operations" (Vincent & Jain, 2015, p. 2). They also found that school districts disproportionately serving low-income students tend to spend more from their operating budgets on maintaining schools, taking money from educational programs. This is a critical finding as it confirms that the current SFP does not equitably address school facilities needs.

This is likely due to the inconsistent emphasis on budgeting for school facilities from the CDE's reports. For example, in the 2006 report *Healthy Children Ready to Learn: Facilities Best Practices,* the state lamented that while "The *California Code of Regulations, Title 5,* sections 14001 through 14036, establishes minimum standards for playfields, gymnasiums, multipurpose rooms, and cafeterias in new schools. However, those areas are often compromised as the student population increases beyond the school's intended maximum capacity. In many cases this growth means that additional classrooms are placed on blacktops or playfields, reducing the original physical education space" (p. 12). On the other hand, in a report written by the California P-16 Council, in which Jack O'Connell directed a group of education, business, and community leaders to examine strategies for closing the achievement gap, facilities are only mentioned with regard to expanding facilities for prekindergarten programs. The role of facilities is ignored in the march to "close the achievement gap" despite previous statement's from the state declaring the importance of educational facilities for student learning. The state's inadequate funding of school facilities goes hand in hand with its mixed messaging about the importance of facilities.

Since the early years of the SFP, critics have argued that the process for allocating the state facility budget is inequitable. An LAO report in 2001, shortly after the creation of the SFP, listed problems with the current school finance system including: "unpredictability in state funding impedes planning and school construction, process for allocating state funds is inherently imprecise and controversial, [and] rules of state-district partnership are not clear" (O'Malley, Guyer, & Skinner, 2001, p. 4). In response, the state has made attempts to target portions of the budget to address equity concerns. In 2000, parents and students from LAUSD filed the *Godinez v. Davis* lawsuit contending that "even though large urban districts were "high need" districts, and thus should receive a high priority for state funding, the state funding process placed such districts at a disadvantage since it took them longer to file applications" (Brunner, 2006, p. 9). To address these complaints, the State Allocation Board revised the system to set aside $450 million of the remaining Proposition 1A funds in the budget for high-priority urban school districts. Funds were prioritized "to alleviate overcrowded schools" (Filardo,

2010, p. 16). However, equity efforts have often fallen short. As a recent LAO report explained, "these new guidelines only applied to state bond funds approved for new construction prior to January 2002. Applications for new construction funding from bond funds approved after January 2002 and all applications for modernization funding continued to be processed on a first-come, first- served basis" (Naqvi, 2015, p. 5).

As another litigation example, in the *Eliezer Williams, et al., vs. State of California, et al. (Williams)* case, filed in 2000 by 100 San Francisco County students, the plaintiffs alleged that state agencies failed to provide equal access to safe and decent school facilities, qualified teachers, and instructional materials (Oakes, 2004, p 1889-1890). Settled in 2004, the state pledged to provide $800 million for critical repair of facilities for schools with lower API scores. The state also has a Financial Hardship Program that targets money to school districts with inadequate local resources. As Brunner (2006) described, "To qualify for financial hardship funding, a district must demonstrate the following: (1) it is levying developer fees up to the maximum amount allowed by law; (2) it has made every reasonable effort to raise local revenue to fund a project; and (3) evidence of financial inability to contribute the required local matching funds" (Brunner, 2006, p. 18). If these conditions are met, the state will cover part or all of project costs. The state is still accepting hardship applications (Savidge, slide 17). Overall, past efforts to target funds toward equity gaps have been insufficient.

Current proposals would affect school districts' facilities budgets, in order to make budgets more flexible. Currently, the law allows school boards to partially fund school facilities by levying developer fees against construction within its boundaries, though this system does not necessarily work as intended. A 2015 LAO report noted, "In practice, developer fees have covered no more than half of project costs because districts are only permitted to assess 100 percent of project costs when SAB certifies that state new construction funding has been exhausted" (Naqvi, 2015, p. 3-4). The current system has three categories of fees allowed, ranging from a small percentage of the project costs to 100 percent of the costs. The Governor's Budget Summary 2015-16 proposes that a new policy "establish one developer fee level for all districts and cap the amount of fees that can be levied for specific projects" to between 50 and 100 percent of project costs. A second suggestion is to expand the allowable uses of routine restricted maintenance funding, allowing school districts to pool funds over time and use them for modernization and new construction.

Currently, school districts are required by law to hold in a restricted account a percentage of general fund expenditures, and use that money solely for maintaining facilities. This policy could prove disastrous for poor school districts if cash-strapped school districts imprudently neglected or were unable to maintain their facilities. As it is, policy experts argue that required maintenance funding is inadequate to protect the investments the state has already made in constructing and modernizing facilities. The next section considers the process districts engage in to obtain funding.

Public Organization Mapping to Examine how Policies have Distributed Responsibility Across Multiple State Agencies and Public Organizations

There is a sequence of decisions that superintendents and school board members face when considering whether to place a bond on the ballot. After the board votes to pursue bond financing, superintendents work with their chief business officers and business offices to determine how to hire members of the financial team. Procurement

processes, the steps district take to hire contractors, vary across districts, and few districts in the state of California have formal board approved procurement procedures. Some districts issue formal requests for proposals (RFPs) while others decide to work with contractors with whom they are familiar. Whatever the process, it is the superintendent and staff that invite contractors to apply for contracts with the district, and district leaders also agree to the terms of the contracts. School board members will typically then vote whether to approve the contracts. While district staff and elected officials decide which individuals and groups will work with their particular district, the broader policy environment is set at a higher level at County Offices of Education, at the California State Legislature, and at the California Department of Education. These policymakers determine how the school district financing system operates and what type of financing is allowed. They create the overall environment in which all actors operate.

The California Constitution claims responsibility for the education of all students in California. In order to fulfill its responsibility to provide facilities for students, various policies over time have created a complex, multi-stage process with various government agencies involved in some way, shape, or form. Responsibilities for educational facilities are distributed across various levels of the government and across multiple state agencies and public organizations. These organizations are involved at different periods along the school facilities process, with the stages including planning, design, financing, construction, improvement/modernization, operation, maintenance, and compliance. As mentioned before, the SFP was designed to "stream-line the application process and simplify the overall structure of the state's school facilities program," and "Relative to the old Lease-Purchase Program, the SFP also involves less project oversight by the state and allows districts considerable independence in determining the scope of any new school construction or modernization project" (Brunner, 2006, p. 16). In practice, the CDE has been acknowledging the overly complicated process for years. In the 2011 *Schools of the Future* advisory report the Subcommittee on Funding made recommendations to help small school districts that might only work with facilities every 10-15 years, noting "Small school districts often struggle through the SFP, so Project Coordinators would help them though the complex process" (p. 40). The Governor's Budget Summary 2015-16 considered the complexity a shortcoming, saying "The current program is overly complex with over ten different state agencies providing fragmented oversight responsibility. The result is a structure that is cumbersome and costly for the state and local districts" (p. 22). See Table 7 for a list of involved agencies.

Table 7

Agencies Involved with School Facilities: Public Organization Mapping

Agency/Organization Name	Description of Role as Related to School Facilities Financing	Website
State Allocation Board	Oversees the distribution of statewide bond funds and makes policy decisions within the framework of state law.	http://www.dgs.ca.gov/opsc/AboutUs/sab.aspx

Department of General Services — Office of Public School Construction	Staff to the State Allocation Board. Oversees the state's school building program, implementing and administering a $35 billion voter-approved school facilities construction program. Verifies district and project funding eligibility and makes recommendations to the SAB.	http://www.dgs.ca.gov/opsc/home.aspx
School Facilities Planning Division	Determines if site and plans meet educational safety standards and procedures (Title 5) (Vincent, McKoy, & Baker, 2008, p. 14).	http://www.cde.ca.gov/ls/fa/
Division of the State Architect	Provides design and construction oversight for K–12 schools, community colleges, and various other state-owned and leased facilities. Provides plan check review services to school districts. Verifies school plans meet Field Act requirements, etc.	www.dgs.ca.gov/dsa/home.aspx
Department of Toxic Substances Control	Protects California and Californians from exposures to hazardous wastes. Determines if school site meets health and safety requirements.	https://www.dtsc.ca.gov/
Department of Finance	Prepares, explains and administers California's annual financial plan, the California Budget. The Governor submits the Governor's Budget to the Legislature in January, it is revised in May, and the fiscal year begins July 1.	www.dof.ca.gov/
Senate Education Committee	Holds meetings and hearings related to education topics.	http://sedn.senate.ca.gov/
Assembly Committee on Education	Holds meetings and hearings related to education topics.	http://aedn.assembly.ca.gov/
Office of Legislative Counsel	Nonpartisan public agency that drafts legislative proposals, prepares legal opinions, and provides other confidential legal services to the Legislature	http://legislativecounsel.ca.gov/
California School Finance Authority	Finances (some) educational facilities and provides school districts and community college districts access to working capital. Most recently focuses on assisting charter schools with facilities funding.	http://www.treasurer.ca.gov/csfa/
Legislative Analyst's Office	Provides nonpartisan fiscal and policy analysis to the California Legislature, including an annual analysis of the Governor's budget, fiscal analyses of all measures that qualify for the statewide	www.lao.ca.gov/

	ballot, and reports on other topics of interest to the Legislature.	
Department of Industrial Relations	Established to improve working conditions for California's wage earners, and to advance opportunities for profitable employment in California.	http://www.dir.ca.gov/
California Energy Commission	Assist K-12 schools, public colleges & hospitals, local government, and others to identify and implement energy efficiency measures.	www.energy.ca.gov/
Fiscal Crisis and Management Assistance Team	Quasi-private organization created to help local education agencies through financial crises and provide timely financial assistance.	http://fcmat.org/
State Treasurer's Office – California Debt and Investment Advisory Commission	Provides information, education and technical assistance on debt issuance and public fund investments to local public agencies and other public finance professionals.	www.treasurer.ca.gov/cdiac/
	National Level	
U.S. Department of Education	Runs programs and agencies related to education in the United States.	www.ed.gov
Educational Facilities Clearinghouse	Supports educational facilities through the provision of technical assistance and training to public facilities on issues related to educational facility planning, design, financing, construction, improvement, operation, and maintenance.	http://www2.ed.gov/programs/edfacclearinghouse/index.html
Institute of Education Sciences — National Center for Education Statistics	Primary federal entity for collecting and analyzing data related to education. Provides reports and guides related to public school facilities.	Example report: http://nces.ed.gov/pubs2014/2014022.pdf
Securities and Exchange Commission	Protects investors, maintains fair, orderly, and efficient markets, and facilitates capital formation.	http://www.sec.gov/
MSRB	Provides resources about issuing municipal bonds. Regulates aspects of municipal market.	http://www.msrb.org/MSRB-For/Issuers.aspx
FBI	Investigates school facilities programs	http://www.fbi.gov

The SFP process has remained largely unchanged over time. As Vincent, McKoy, and Baker, (2008) noted, "California's detailed and peculiar regulatory structure stems from a long tradition of state support for school capital costs" (p. 14). Brunner (2006)

explained, “In order to obtain funding for new school construction and modernization projects, school districts must interact with, and obtain approval from, a number of state agencies” (p. 15). Senator Carol Liu proposed SB 114 to redesign the way the state funds facilities, which is similar to Buchanan’s AB 2235 proposed last year, and draws in part from the State Allocation’s Boards Program Review Subcommittee consensus recommendations (Savidge, 2015, slide 11). Savidge (2015) noted that program complexity has long been a concern of stakeholders and explained that the proposed program would develop an interagency plan to streamline school facility program application, review, and audit processes (slide 15). A core tension in the process is between state standards and local flexibility. A 2015 LAO report concluded “The complexities of the funding process, the existence of numerous categorical programs, and extensive regulations governing school construction limit school districts’ flexibility in designing and building facilities that meet local needs” (Naqvi, p. 6). Local education agencies must ensure that their designs are consistent with the *California Code of Regulations, Title 5* standards adopted in 1993 and amended in 2000 (Vincent, McKoy, & Baker, 2008). However, the regulations do not ensure equity or even much uniformity across schools. As Vincent, McKoy, and Baker, (2008) explained:

> Some school components contained in Title 5 (e.g., gyms or multipurpose rooms) are not mandated and are applicable only if those components are provided. Title 5 is structured to allow an LEA to vary from any standard if the LEA demonstrates to the CDE that student safety and educational appropriateness are not compromised. Yeager explained, “As a result, schools look different throughout the state, and this wide variation has given rise to the state policy discussions on both fiscal realities and equity issues.” (p. 16)

This excerpt helps explain why, on the surface construction standards seem like they would ensure similarities between facilities, but in practice, educational facilities vary widely. Over the years, the state has used the four state bond measures under the SFP to target specific priorities, such as reduced class size or energy efficiency (Naqvi, 2015, p. 3). Given the variety of programs for which school districts can apply, the amount of money a district can obtain for facilities varies on a number of factors. Amounts have varied over time by whether the project was new construction or modernization, whether the school district contained any critically overcrowded schools, by the type of student attending the school, and by the age of the facility.

The bureaucratic structure of the governmental departments, agencies, offices, and programs in California that school districts must interact with at some point during the facilities financing process, not to mention over the course of their entire facilities programs, takes time for a school district leader to master and navigate. In 2011, a CDE report noted “multiple reports have documented concerns with the efficiency of this state administrative structure. LEAs and other stakeholders have repeatedly expressed a desire for a single agency to administer all aspects of the SFP” (p. 26). A 2015 LAO report described, “This complexity creates a large administrative burden for the state as well as school districts, many of which have hired consultants to navigate the intricacies of SFP” (Naqvi, p. 6). The next section turns to an analysis of the private actors involved in the facilities financing process.

Complex Process and Intermittent Nature of Financing Facilitate the Rise of Specialized Private Actors

In the educational facilities sector, specialized private actors have developed and sold skillsets to school districts experiencing difficulties navigating a complex financing process. In this section, I describe and map out the various private actors involved with school facilities to give interested parties a sense of the complexity of the system and the number of private actors involved. Given the realities of our political, social, and economic world, the specialization of individuals is expected and can be useful. It is easy to understand why school district leaders, particularly those that are less experienced, might want to hire experts to help them meet statutory requirements and get all the help, funding, and other resources they can for their individual district's facilities. In a sense, the complex process and the intermittent nature of facilities financing has facilitated the rise of specialized private actors. In other words, policies have created a system that tends toward compartmentalization and specialization, allowing for a context where school districts pay private actors for financial expertise.

School district leaders must make decisions about performing the necessary tasks of conducting a bond campaign, applying for funding, and ensuring compliance themselves, 'in-house,' or contracting for these services, 'outhouse,' or some combination. In this way, each district determines their specific level of contracting out for each debt transaction or stage in the facilities financing process. In a Coalition for Adequate School Housing presentation titled *Building and Leading the Facility Team*, held in Sacramento on March 27, 2007 to educate school districts about hiring contractors and consultants, the level of contracting was said to depend on "size, in house talent, in house interest, specific funding source, philosophy or ?" As the CASH workshop materials indicated, "Some funding sources may have a specific subset of needed services not appropriately performed in house" (CASH Workshop, 2007).

For example, Proposition 39 local general obligation bonds require that school districts conduct performance audits and fiscal audits of the ongoing facilities program. Raineri (2008) warned that most, if not all, of the players involved in bond transactions have a vested interest in securing a transaction, warning that private interests can oppose district interests. To monitor facilities programs, including aspects of their contracts with private consultants and contractors, districts must perform audits. As it is not appropriate for school districts to conduct their own audits, the audit requirement is, in a sense, a statutory requirement for the school district to spend money on consultants to conduct the audits. The following section describes the private actors in detail.

Private Organizational Mapping Utilizing a Typology of Privatization

As the sector of private actors involved in facilities financing grows and exerts increasing influence on district decision-making, it is useful to organize and analyze the different types of actors to allow for a better understanding of the variation in the field and the potential regulatory actions needed. School district Chief Business Officers (CBOs) are trained to budget for costs of issuance (COI), which include the costs of completing a financing transaction. These costs include fees paid to the financial advisor, bond counsel, rating agency, underwriter, trustee, bond insurance company (if used), and miscellaneous costs including printing, shipping, and travel (Raineri & Weaver, 2013, slide 18). However, it can be difficult to keep track of all the organizations involved with bond financing. As an example, the process can differ based on whether the district is conducting a competitive or negotiated sale. A competitive sale is a "public auction where underwriters submit bids and the lowest-cost bidder is awarded the purchase,"

whereas a negotiated sale is where "an underwriter is selected prior to the sale and assists the issuer and financial advisor in the structuring and documentation, then purchases the bonds at a negotiated price (a function of the underwriter's discount and interest rate)" (Raineri & Weaver, 2013, slide 46). Academic studies have demonstrated that when competitive sales are possible, it leads to the best pricing on bonds for the issuer (Simonsen & Robbins, 2007). How can school districts make sense of these types of decisions and determine who to hire to help them navigate the process, particularly in the absence of sufficient state guidance?

Some scholars have created privatization typologies to help categorize the increasing number of private organizations interacting with public education and to organize the field. Scott and DiMartino (2009) argued, "increasingly private sector and public sector actors and institutions are intertwined" (p. 433). The authors explained how depictions of privatization traditionally focused more on economic processes and less on social and political implications and that the use of the private sector in education has "traditionally involved pragmatic strategies for cost saving or efficiency" (p. 434). In analyzing the social impacts of policies linked to the privatization of educational services, they explained how private involvement in public schools could lead to the redistribution of control and resources away from traditional public governance structures. Their typology of privatization is useful for highlighting the pitfalls of privatization in terms of democracy, equity, and school quality and included the following types of private organizations: 1) partners, 2) rivals, 3) gatekeepers, 4) profit-seekers, and 5) managers.

First, partners join with the public sector to deliver educational services or needed resources or expertise that the local school or district lacks. The issue of expertise is significant for decision-making regarding complex education tax policy. Second, rivals base their enterprise on competition. Charter schools that compete for students with traditional public schools are an example. Third, gatekeepers provide the private sector with access. The authors explained "At the district level, superintendents and school boards often provide private sector actors with the opportunity to provide services or school management by issuing requests for proposals for specific school and district contracts" (p. 439). Fourth, profit-seekers describe private organizations whose primary object and motivation is to make money. While these organizations may have other goals, they are unlikely to continue a relationship with schools if they are unable to make a profit. Fifth, managers are those private organizations that provide fiscal and operational oversight. Scott and DiMartino (2009) noted that organizations could fall into more than one privatization category. This typology helps us understand the complexities and nuances of private organizations now involved in the field of education, though it has yet to be applied to the field of organizations involved in municipal education debt.

The private organizations involved in school district debt transactions play different roles in the debt issuing process, and it is helpful to establish the range of existing organizations and their various functions. These organizations tend to work with many districts within states, though some organizations work with school districts across state lines. Because districts typically enter into contractual relationships with these organizations, transferring public money to these private groups, these relationships constitute educational contracting, or an instance of educational privatization. These organizations may not be hired for all debt transactions, and the descriptions provided below may not explain all the variation within each type of organization. Other

participants may be hired as part of the debt issuance "team" as well, such as certified public accountants, though the organizations below are the principal groups engaged in contracting with school districts for debt transactions (adapted from Harrington, Hartenstein, & Field, 2005):

- Financial advisory firms: Professional consultants that assist in implementing the financing. May negotiate the terms of the sale of the bonds to the underwriter.
- District counsel: Reviews financing documentation and provides legal advice
- Bond counsel: Drafts bond documents and organizes financing to ensure legal bond requirements are satisfied.
- Disclosure counsel: Prepares district's disclosure and other bond offering documents. These lawyers are hired as an additional layer of protection to ensure that the school district is disclosing necessary information to investors.
- Underwriters (or placement agent): Buy bonds from the school district and resell them to the public. Placement agents can be hired instead of underwriters if bonds are to be sold to a limited number of investors.
- Polling firms: Create and administer polls to likely voters to determine likelihood of bond passage, favorable ballot language, and preferred messaging strategies with district voters. This may be an independent firm, or the financial advisory firm might provide these services or contract out with another firm for these services.
- Political consultants & consulting firms: Advise districts on political bond campaign strategy. This may be an independent firm, or the financial advisory firm might provide these services.
- Architects: Sometimes join the team before debt is issued to assist district with planning for how much money it will need to generate through the bond program.
- Rating agencies: Standard & Poors, Moody's and/or Fitch review district documents and administer a credit rating based on the likelihood of defaulting on the debt.
- Credit enhancement agencies: Insurance company with a high credit rating that insures the payment of the debt.
- Statewide advocacy groups: Lobby the legislature on behalf of school districts (and their other members) regarding relevant school finance bills.
- Professional membership organizations: Advise school districts on policy, financial, and legal matters and might also lobby the legislature on behalf of school districts regarding relevant school finance bills.
- Other quasi-public regulatory organizations: Quasi-public organizations like the Financial Industry Regulatory Authority (FINRA) can become involved with municipal debt. FINRA is a non-profit authorized by Congress to protect investors by making sure the securities industry operates fairly and honestly. It writes and enforces rules, examines firms for compliance, and educates investors. School districts do not enter into contracts with FINRA.

Applying Scott and DiMartino's (2009) typology of privatization, shown in Table 8, helps organize and map the actors while attending to the practices, structures, and processes involved.

Table 8

Private Actors	Partner	Rival	Gate-keeper	Profit-Seeker	Manager
Financial advisors	X		X	X	X
District counsel	X			X	
Bond counsel	X			X	
Disclosure counsel	X			X	
Underwriters	X		X	X	
Polling firms	X			X	
Political consultants	X		X	X	
Architects	X			X	
Rating agencies				X	
Credit enhancement agencies				X	
Statewide advocacy groups	X			X	X
Professional membership organizations	X			X	X
Quasi-public regulatory organizations					X

Type 1: Partners. Partners join with the public sector to deliver educational services or needed resources or expertise that the local school or district lacks. As shown in Table 4, partnering is one of the primary ways in which private organizations engage with school districts in debt financing transactions. Most of the private organizations involved, particularly the consultants, partner with the district in some way, providing needed expertise the school district lacks. There are also various private statewide advocacy groups and professional membership organizations to which school districts pay membership fees and belong. These organizations serve various functions, but in general, exist to provide resources and services to school districts in the form of lobbying for common needs and providing financial and legal expertise. For example, School Services of California (SSC) was founded in 1975 to provide business, financial, management, and advocacy resources for California educational agencies. School board members and superintendents across the state rely on SSC's conferences and materials for networking and support. Another organization, the California School Board Association, is a nonprofit educational association representing district and county elected officials. They actively lobby the California State Legislature on behalf of school districts, present at conferences, and provide district officials with resources and timely information. There are also more specialized membership organizations. For example, the California Association of School Business Officials (CASBO) is a resource for business practices and policies for California's public education system.

Most relevant in this field is the Coalition for Adequate School Housing (CASH), which contractors established in 1978 to promote, develop, and support state and local funding for public school construction. They represent contractors including construction companies, financial advisors, architects, and other private firms involved in school

construction. They have an interest in protecting the for-profit building industry, and CASH lobbies on behalf of the private organizations profiting from school facilities construction. Their website boasts, "C.A.S.H. focuses on school facility issues only, so if your firm provides goods and services associated with the needs of growing school districts, you can benefit by joining the organization. The modest membership fee affords your firm with excellent marketing opportunities. The fact that C.A.S.H. has more active business members (500) than any other statewide organization is testimony to the significance of the organization from the point of view of savvy businessmen" (CASH, 2016). CASH's relevance is also evident in their successful placement of a $9 billion bond on the California 2016 ballot.

Type 2: Rivals. One might argue that any of these organizations could be seen as rivals in that they charge fees for services or resources that school and district personnel used to provide or could provide themselves in house. However, the organizations involved in school district debt financing transactions do not have a financial interest in replacing the public school sector or "putting schools out of business" like rivals in other aspects of the education system might (such as charter schools).

Type 3: Gatekeepers. As Scott and DiMartino (2009) explained, "One function of gatekeepers is to decide which groups or individuals can enter an environment. Given their tremendous decision-making power, it is often the gatekeepers' values and goals for schooling that dominate a system, or in the case of education, a district or a school" (p. 441). Given the extended timeline of school district debt financing projects, contractors and consultants are not hired all at once. Often the first consultants hired will advise the district on future private hires. For example, the financial advisory firm might advise that the district work with a particular architect or polling firm with which they have an existing relationship. If the district hires a political consultant, they might also serve this gatekeeping function, helping the district make strategic hiring decisions. Underwriters can also serve as gatekeepers in that they influence which private buyers purchase the school district's bonds. In this way, private organizations can influence the makeup of the financing team. This explains why teams of contractors and consultants are often seen working together in school districts around the state.

Type 4: Profit-seekers. Scott and DiMartino (2009) described profit-seekers as actors whose primary objective is to make money. While they might also have other motives, such as providing structurally sound buildings for all students, they would not likely engage in the public education realm if their ability to make money were removed. The private firms that contract with school districts during the debt issuing process, while they might also fit into other categories in this typology, are all first and foremost profiteers. They view school districts as clients and work to gain contracts with school districts, maintain their reputations, and expand their networks to other districts. Some members of the team, like financial advisors, maintain relationships with districts over the course of the debt issuing process. Others provide a brief service and then move on. For example, credit rating agencies—Fitch, Moody's, and Standard & Poors—are paid to rate school districts' bonds after their bond election has succeeded and before they can sell bonds to investors. The rating agencies evaluate school districts based on multiple categories related to districts' abilities to repay debt. While credit rating agencies might have an interest in protecting investors, their primary purpose is to make money. It should also be noted that the system of credit ratings inequitably impacts low-income districts,

which will be explored more in the case study chapters. It is also important to emphasize that not all financial teams are alike. One district might hire all members of the team while another might simply hire an underwriter, counsel, and an architect. What districts have in common when issuing debt is that they will need to, at some point, contract with a private organization to complete the debt transaction.

Type 5: Managers. Scott and DiMartino (2009) argued that managers were the fastest-growing segment of their privatization typology, and they describe managers as those who aspire to make key decisions over schooling and who also seek the authority and even funding they believe is necessary to complete their tasks. Statewide advocacy groups and professional membership organizations are exhibiting signs of organizing to influence policy. A clear example of this practice is CASH's efforts to circumvent the Governor and place a bond on the ballot. They also have the ability to influence local school district staffers who attend their trainings and conferences. Quasi-public regulatory organizations also play a management role through their oversight functions. For example, the Financial Industry Regulatory Authority (FINRA), a non-profit authorized by Congress to protect investors by making sure securities industry operates fairly and honestly, writes and enforces rules, examines firms for compliance, and educates investors. Another quasi-private organization, the Fiscal Crisis and Management Assistance Team (FCMAT), was created in 1992 to help local education agencies through financial crises and to provide timely financial assistance. While these organizations might receive money from California school districts (for example, FCMAT charges $500 per consultant per day plus expenses), their primary role is not to profit from school districts.

Financial advisors can also play a management role and are in many ways the most important and active members of the school district debt financing team. Over the years, financial advisory firms have expanded to offer more and more services to the school districts they advise. In addition to advising school districts on financing, such as the recommended bond size or term, some financial advisors market themselves as full-service advisors and bundle services to provide support to school districts before, during, and after the debt issuing process. Before the district issues debt, financial advisors have been known to help the district assess its needs (thus determining the size of the bond), to assist school districts with assembling the rest of their financing team, and to coordinate the bond campaign itself. Once the bond passes, financial advisors advise districts on their relationships with underwriters and on the bond selling process. They also coordinate meetings between various counsels, thus impacting the legal process. A bond campaign can also tie a district to a specific financial advisor for years. Given that bonds are issued in multiple issuances over many years, school districts can feel compelled to work with the same financial advisor over time. Some financial advisors are also now marketing project management services, charging districts to manage the facilities construction process, which requires them to coordinate construction teams, work with the state to try to acquire matching funds, and maintain ongoing communication with the school board and community regarding construction updates.

Given the range of services financial advisors offer and the potential length of their contracts with school districts, financial advisors can come to make important decisions for the school district through the fiscal and operational oversight functions they provide. Their sophisticated financial expertise can make them invaluable to school

districts. Unlike underwriters who are regulated by the MSRB, financial advisors are less regulated, and thus have little official government oversight. Perhaps more important, interview evidence cited in later chapters indicates that some financial advisors are still paid relative to the size of the bond, despite policies prohibiting this practice. Given that financial advisors can play a role in determining the bond size, there is the potential for conflict of interest and unethical behavior. As Scott and DiMartino forewarned, many of the school debt actors fit into more than one category, though this should be seen as a strength of the typology because it allows us to better sense the complexity of the relationships between school districts and the private organizations they hire. Across the actors analyzed, four of the five components of the typology are represented. As noted above, many of these organizations are paid to provide services to school districts at taxpayers' expense with little to no input from the public at large. This growing field of private organizations is ripe for more empirical study with regard to how its members interact with school districts and how the relationships are evolving over time.

Discussion

This chapter applied the conceptual framework, utilizing the lenses of fiscal sociology and critical policy analysis, to consider the first research question:

1. How have public finance policies shaped the system of school district debt financing over time, specifically with regard to the field of private actors involved in the school facilities industry?
    a. To what extent are educational facilities in California, or the process by which facilities are funded, inequitable?
    b. Why have educational facilities remained inequitable given increases in educational spending, finance reform, and judicial action?

Applying fiscal sociology, this chapter explored how policies have affected taxation, state spending, and public debt. As fiscal sociology is concerned with both the causes and effects of public finance policies, it is a useful lens to explore various ways in which the process and outcomes can be seen and experienced as inequitable. Applying critical policy analysis, this chapter examined how policies have facilitated the rise of educational privatization at this particular point in time and how second layer policies impact policy implementation. It also applied a typology of privatization to organize the actors in the field. This upcoming section focuses on a number of ways in which facilities policies have, over time, resulted in a system that inequitably serves California's students and examines the functions privatization through contracting is serving in a broader, increasingly neoliberal society.

This chapter finds repeated mismatch between stated policy intentions and the on-the-ground realities of facilities policy implementation. Government Code 65041.1, originally AB 857, describes state planning priorities for infrastructure, including promoting equity. As Jack O'Connell said in his opening remarks at a facilities roundtable meeting in Sacramento in 2008, "The issue of equity also plays heavily into this discussion, but equity is not a measure of equal inputs but of equal opportunity. We know that students have different needs, and with these different needs, some students will require additional or different facilities to improve outcomes. There is no question that we must accommodate these students and fulfill their needs" (Vincent, McKoy, & Baker, 2008, p. 65-66). Yet, despite repeated similar formal statements from state policymakers and policy reports specifying state responsibilities to *all* children and the

importance of quality, equitable schools, the ways in which facilities policies have been implemented have not led to equitable outcomes. Vincent and Gross (2015) found that "school districts serving more higher-poverty students and communities are likely spending less on their facilities *relative to their facility needs*. The ability of lower-wealth school districts to meet long-term investment needs independent of additional capital support is uneven" (p. 6), adding that "The persistence of inadequate school facility conditions in the absence of mechanisms to address systemic inequities means that some children will likely be disproportionally burdened, harming their health and/or educational achievement" (p. 9). While it is evident that California facilities are inequitable, it is difficult to answer the sub-question: "to what *extent* are educational facilities in California inequitable?" given the lack of a facilities inventory in California or any previously recorded measure of equity. Therefore, answering this question requires thinking about equity, not in terms of some ranking of facilities quality, but in terms of how the policies are applied and how school districts are differentially affected. How do policies allow for inequities to creep in, especially in certain districts?

First and foremost, policies perpetuating a facilities finance system based on property values and voters' willingness and ability to raise taxes is inherently inequitable. State law requires voters to authorize tax increases to fund school facilities, resulting in a system where conservative or otherwise tax-averse areas are less likely to pass bonds. Similarly, as Brunner and Vincent & Gross noted, districts with higher assessed valuation can raise more money through their general obligation bond sales. Sometimes even when school districts have bond authority, they are unable to issue their bonds due to tax rate limitations, issues with their credit, or the inability to get a project organized. In addition to property wealth, we know that the distribution of revenue per student is related to median household income, another measure of community wealth (Brunner, 2006). Furthermore, because a school district's credit rating affects the interest rate it will pay on its bonds, the system of credit rating inequitably impacts low-income districts.

This analysis has also critiqued how the *process* by which school districts apply for and obtain matching funds in California contributes to inequitable outcomes. Even before the coffers were depleted, many school districts with limited sophistication, capacity, and expertise struggled to navigate the complicated school facilities finance system. First, responsibilities for educational facilities are distributed across various levels of the government. As documented here by multiple sources, despite the SFP's attempts to streamline and simplify the process of school facilities funding, school districts have had to interact with many government agencies to plan, finance, and construct their facilities. Local school districts are largely responsible for raising funds, though—due in part to the intermittent nature of facilities financing—many leaders lack the training, resources, and expertise. These capacity gaps have created a system where districts pay for financial expertise. I argue that the policy environment has created and nurtured a system where school districts are essentially required to hire consultants to help them complete the many steps to obtain local funding and then compete with other school districts for increasingly limited state funding.

In analyzing the constellation of consultants and contractors that profit from contracts with school districts in the facilities financing process, it is important to consider that these private actors are formally organized in membership organizations and actively lobby policymakers for policies, such as statewide bonds, that maintain the

system in which they have evolved to profit and multiply. When considering the power dynamics involved here, it is evident that low-income school districts have less knowledge about the SFP system, and as a result, their comparative lack of expertise can make them relatively vulnerable to the decision-making power of the consultants they hire. While multiple reports have pointed to weaknesses in the current SFP, little attention has been paid to the power consultants and contractors hold in the system and the important role they have come to play as agents of school districts competing for state funds. Whether school districts can afford to hire consultants impacts their ability to navigate the system and thus secure funds in a timely manner. This certainly cannot be the most equitable way for the state to distribute resources. If the state follows the Governor's recommendations to play a smaller role, school districts might rely even more heavily on consultants in the absence of state support, making them more dependent on local general obligation bond measures, which require substantial amounts of district time, energy, and resources. These repeated bond measures also have the potential to put districts in harms way, including difficult pay-to-play situations as discussed above. There is an important equity role for the state to play, as Vincent and Gross (2015) described, "Only the state can play the role of looking out for the school facility-related interests of all public school children" (p. 14).

Conclusion

It is crucial to examine these policies in terms of the broader social, political, and economic system. Research question 1b (Why have educational facilities remained inequitable given increases in educational spending, finance reform, and judicial action?) is a powerful question that really allows for an analysis of context, an area where critical policy analysis and fiscal sociology both excel. Burch (2009) explained how "critical studies treat education privatization as nested in larger theories and economic thinking" (p. 10). Answering this research question has required an analysis of the neoliberal context, how new public management strategies have become common sense, and how this engrained thinking has limited the public's ability to conceive of different types of policies. Fiscal sociology focuses our attention on the ways in which neoliberal privatization policies have affected political, social, and cultural practices, affecting the ability of citizens to influence their public schools. Fiscal sociology also considers how our system of taxation, public debt, and state spending is socially constructed. When considered in the broader neoliberal context, which promotes capital accumulation, privatization, and individual competition, it is easier to understand how we have arrived at the present system with less resistance from those negatively impacted.

With regard to competition, the fact that there has never been enough money in the School Facility Program to ensure equitable facilities or provide matching funds at the level the stated policies promise, school districts operate in an environment where they feel as if they must compete with other school districts for limited and unreliable state matching funds. The neoliberal notion that each district has to take care of itself and is in competition with other districts for funds necessitates the hiring of financial consultants and contractors who promise to help districts secure limited funding. In fact, when considering the system of facilities financing as a whole, competition is evident throughout. There is competition between private consultants as they compete for lucrative contracts with school districts in order to stay in business. Elections for bond measures are themselves competitive, in a sense, pitting "yes" and "no" campaigns, and

their respective proponents, against one another. The fact that California requires it citizens to vote to raise taxes also often forces school bond measures to compete with other, non-school ballot measures for taxpayers' attention and approval. Finally, the overwhelming prevalence of neoliberal ideology in our political, social, and economic system helps to explain the acceptance of private actors in educational finance in the first place. Whereas school buildings were once constructed locally by citizens concerned with the facilities in which their communities' children learned, the process for planning, financing, and constructing school facilities has morphed into a complex system involving not only numerous public agencies, which specialization and compartmentalization can explain, but also scores of private actors, representing an industry that did not exist a few decades ago. This system of school district debt financing is the direct result of public finance policies, over time, shaping and reshaping the funding process.

Chapter 6 - Quantitative Findings: California School District Debt Trends and Regression Analysis

"There is a quiet revolution occurring in the relationship between the public and private sector in K-12 education that is not being publicly discussed and is likely to have significant implications for disadvantaged children"
--Burch, 2009, p. 119

Introduction and Summary of Findings

As Burch indicated, much of the relationship between the public and private sector in education is hidden from view. In the interest of making educational privatization's implications for disadvantaged children more transparent, this chapter takes up the dissertation's second research question:

2. What sociopolitical dynamics (such as district median household income) influence outcomes related to how districts interact with private organizations in the facilities financing process (and the fees paid to these organizations *per student*)?
    c. How has the level of involvement of private organizations in the market evolved over time?
    d. How much money have school districts paid to private organizations for municipal finance services over time?

This chapter examines trends in school district debt financing from 1984-2015. The first section of this chapter provides descriptive statistics on the levels and types of debt school districts use, detailing the amount of debt school districts have undertaken over time. These data show that while the number of debt transactions has fluctuated over time, overall the number of general obligation bond transactions has increased over time, due in part to Proposition 39, which lowered the voter threshold necessary for school districts to pass general obligation (GO) bonds. This section also analyzes the market of private consultants and contractors, providing a detailed description of three main actors involved in the facilities financing process: underwriters, financial advisors, and bond counsel. This information provides a fuller picture of the level of involvement of private sector organizations and how the fees paid to these contractors and consultants have changed over time. Findings from this section show that the field of private financial consultants involved in school district debt financing has changed and grown over time. Several hundred underwriters, financial advisors, and bond counselors have competed to sell financial expertise and services to California school districts over the last three decades, though a few firms dominate the market. When considering how much money school districts have paid to private organizations for municipal finance services over time, I show that over the last thirty years school districts have paid approximately $1.98 billion for just the 48% of debt deals reporting non-zero costs of issuance to the California Debt and Investment Advisory Commission (CDIAC) to private organizations to provide financial expertise and services. Given that the market share for financial expertise and services is divided between relatively few firms, the top financial consultants have collected large amounts of public tax dollars over time.

This chapter also finds that costs of issuance vary by a number of factors, including by time, by the type of debt issued, by district size, by the type of school

district, and by district assessed valuation. The descriptive analysis reveals that many smaller districts as well as districts with lower assessed valuation pay higher fees per student, relative to other districts. This is cause for concern given that smaller districts and districts in lower property wealth areas are often the districts that also lack capacity, sophistication, and financial expertise. Elementary school districts, which are typically smaller than high school or unified districts, also pay more in costs of issuance per student than other types of school districts, signaling that larger districts experience economies of scale. The actual dollar amount that school districts have paid to private consultants and contractors for their expertise is much higher than $1.98 billion. While the frequency with which school districts have reported costs of issuance to CDIAC over time has increased, California lacks total cost of issuance data for 52% of all debt transactions. The missing data from the costs of issuance variables, especially from older transactions, leads to an understatement of the total fees paid to private financial consultants.

The second section of this chapter is a regression analysis looking at school district general obligation bonds from 2010-2011 to examine whether and how sociopolitical factors (such as district median household income) influence outcomes related to how districts interact with private organizations in the bond process (such as the fees paid to these organizations *per student*). It finds that measures of wealth did seem to influence the total costs of issuance per student in school districts' facilities transactions. When considering measures of community socioeconomic status and wealth together, median household income and assessed valuation, there were differences in direction and magnitude. The MHI and AV variables operate in different directions, with lower income communities paying *more* in costs of issuance per student and lower property wealth communities paying *less* in costs of issuance per student. When reflecting upon the opposite directions of the correlation coefficients of SES and property wealth further, it is not surprising that communities with higher AV might pay more per student in costs of issuance. Communities with higher AV can issue larger bonds, and bond amount in thousands of dollars per student is also statistically significantly positively related with costs of issuance per student. Given that consultants are by stature not supposed to charge fees based on the amount of the bond, this finding signals the need for further investigation. These patterns are a result of public finance policies that have shaped the financing process.

Analyzing California School District Debt Financing Trends Over Time

CDIAC's database used in this analysis contains 14,892 school district debt transactions from 1984 to 2015.[5] Of those debt deals, 98.71% involved one of three types of debt: certificates of participation (COPs)/leases, GO bonds, or tax and revenue anticipation notes (TRANs), as shown in Table 9. Lease financing, including the use of certificates of participation, allows school districts to finance land, buildings, relocatable structures, vehicles, computers, and other equipment. Lease financing does not require voter approval as it does not generate additional revenue to pay debt service, and it cannot be used for general operating purposes. When engaging in lease financing, school districts lease property or equipment and, in consideration of the use of that property or equipment, make periodic lease payments during the term of the lease. In effect, lease

[5] CDIAC began collecting this data in 1984, and I acquired the last updated data in April 2015 at a meeting with CDIAC staff in Sacramento, California.

financing is a borrowing to be repaid over time from the school district's general fund or other available resources. As shown in Table 9, California school districts used lease financing, including COPs, 1,682 times from 1984 to April 2015, which comprised 11 percent of the debt deals. The use of lease financing relative to the two other major types of debt, GO bonds and TRANs, has fluctuated over the years, representing between approximately 5% to 30% of annual California school district debt transactions in any given year. The median inflation adjusted costs of issuance paid to private consultants and contractors for a COP/lease transaction is $218,197, and the mean is $390,292. The costs of issuance warrant attention because they represent dollars spent on soft costs, or private consultant fees, rather than hard costs, or bricks and mortar.

Table 9

Types and Prevalence of School District Debt 1984-2015

Type of debt	# of debt deals	% of debt deals
Lease financing/certificates of participation	1,682	11
General obligation bonds	4,119	28
Tax and revenue anticipation notes	8,899	60
Other debt instruments	192	1
Total	14,892	100

Source: California Debt and Investment Advisory Commission dataset

In contrast with lease financing, GO bonds must be voter approved and generate additional revenues for school districts through ad valorem taxes (which means "based on value") on all taxable property within the school district's boundary, which is collected from property owners through their annual property tax bill based on the county's assessment of property value. School districts have an unrestricted ability to raise property taxes to meet debt service requirements, making GO bonds a secure, low-risk form of debt. With traditional authority, requiring a two-thirds vote, school districts can use GO bond funds for real property acquisition and improvement only (purchase of land or construction of buildings). However, in 2000, California voters passed Proposition 39, which provides an alternate framework for school district GO bonds. Proposition 39 reduced the vote threshold from two-thirds to 55%. This change in the law is responsible for a statewide increase in the GO bond approval rate from about 60% to approximately 75% as of 2014 (Ballotpedia, 2014). Under the Proposition 39 framework, GO bonds can be used to finance construction, reconstruction, rehabilitation or replacement of school facilities, furnishing and equipping of facilities, and the acquisition or lease of property.

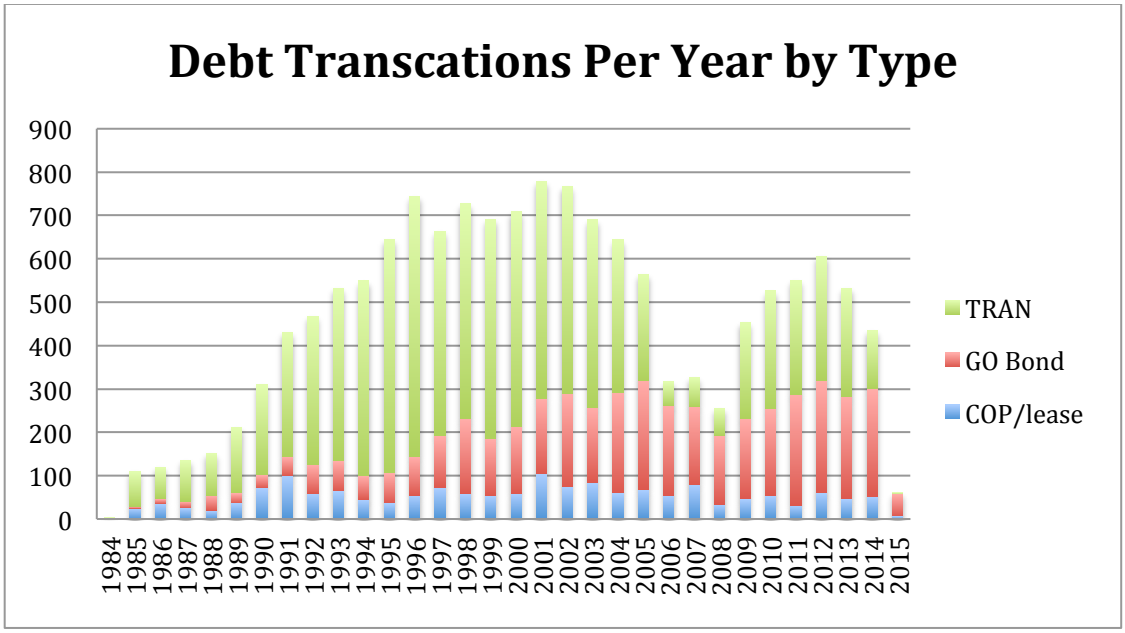
Similar to lease financing, GO bond proceeds cannot be used for operating expenses. As shown in Table 9, California school districts used GO bonds 4,119 times from 1984 to April 2015, making up 28% of the debt deals. The use of GO bonds relative to the two other major types of debt, lease financing (including COPs) and TRANs, has fluctuated over the years, representing between 5% and 65% of annual California district debt transactions in any given year, though in the last few years, GO bonds have made up around 40% of annual debt deals, comprising many billions of dollars of debt each year.

The median inflation adjusted costs of issuance paid to private consultants and contractors for a GO bond transaction is $235,308, and the mean is $373,839.

Tax and revenue anticipation notes (TRANs) are by far the most commonly used California school district debt instruments, as shown in Figure 1. TRANs represent 60% of all school district debt transactions between 1984 and April 2015 with 8,899 debt deals in that period, as shown in Table 9. The use of TRANs relative to the two other major types of debt, lease financing (including COPs) and GO bonds, has fluctuated widely over the years, representing between approximately 20% and 80% of annual California district debt transactions in any given year. TRANs do not require voter approval as they do not generate additional revenues for school districts and are short term debt instruments used to finance cash flow deficits (misalignment of revenues and expenditures) in anticipation of receiving taxes and other revenues that are attributable to a certain period of time, but will not be received until later. TRANs may be used and expended by the school district for any purpose for which the school district is authorized to use and expend funds, including: current expenses, capital expenditures, and the discharge of any obligation or indebtedness. While some school districts issue TRANs annually as a regular part of their operating plan, other school districts in California have never needed to rely on TRANs to meet their cash flow needs. The median inflation adjusted costs of issuance paid to private consultants and contractors for a TRAN transaction is $22,614, and the mean is $37,379. These issuance costs are substantially lower than for the other two primary transaction types (COPs/lease financing and GO bonds), which is likely due to their relative frequency and simplicity as a financial transaction.

Figure 1

Number of Debt Transactions Per Year by Type



Note: 2015 is a partial year

Private Organization Trends Over Time

As mentioned previously in Chapter 4, CDIAC's database collects data from school districts for each debt transaction. Over the years, they have increasingly collected variables pertaining to the private organizations involved in California school district debt deals. While not all involved actors are included, the database contains variables on three of the primary financial consultants—underwriters, financial advisors, and bond counsel—which I analyze in detail in this chapter in two ways. First, I describe what I call the market of each type of private organization in order to describe the size of the market, how it has changed over time, and who the primary actors are. Second, I describe the fees school districts have paid to these private actors over time.

Market share: underwriters. Of the 14,892 debt transactions included, 14,635, or 98% of the transactions, list an underwriter. There are 297 distinct underwriters included in the database, although many of the firms have merged or changed names over the years and are therefore included more than once. Table 10 lists the top 10 underwriters in the state over the last 30 years to show the dominance of the top firms.

Table 10

Top Ten Underwriters by Number of Deals

Underwriters	# of Debt Deals	% of Debt Deals
Piper Jaffray & Co/Piper Jaffray Incorporated/US Bancorp Piper Jaffray/Piper Jaffray & Hopwood Inc	6,269	43
Stone & Youngberg/Stifel Nicolaus & Company Inc/Stone & Youngberg/Stifel Nicolaus & Co	982	7
Sutro & Company Inc	614	4
PaineWebber Inc/UBS Financial Services/UBS PaineWebber Inc/UBS Securities LLC	604	4
RBC Capital Markets LLC/RBC Dain Rauscher	460	3
Banc of America Securities/Banc of America Public Capital Corp/Banc of America NA	450	3
George K Baum & Company	445	3
Citigroup Global Markets Inc/Citigroup Capital Markets Inc/Citigroup Corporate & Investment Bank..	310	2
Bank of America NT & SA	310	2
Lehman Brothers	194	1

As an illustration, it is helpful to track the prominence and involvement of one underwriting firm to better understand this type of actor. As shown in Table 10, no underwriter has been more involved in debt deals than Piper Jaffray & Company, which has underwritten 43% of California debt deals in one form or another. In 1988, Piper entered the market as Piper Jaffray & Hopwood, Inc. with just over 3% of the debt transactions that year. By 1989, this firm had become the dominant player, underwriting 27% of the deals in that year. From 1993 to 1998, the firm was known as Piper Jaffray Incorporated and underwrote between 41-56% of debt deals, and between 1999 and 2003,

known as US Bancorp Piper Jaffray, the organization underwrote between 50-54% of debt deals. Beginning in 2004, the organization, now known as Piper Jaffray & Co, lost a bit of market share to competitors. In 2006-2008, the firm underwrote only 12-20% of California debt deals, though by 2009, Piper Jaffray & Co had regained prominence and has underwritten at least 43% of debt deals in each year since. Piper Jaffray's standing in the underwriter market is worth exploring further. As shown in Table 10, while Piper Jaffray has underwritten over 6,000 debt deals, their competitors trail far behind in terms of market share.

Market share: financial advisors. Compared with underwriting firms, the market share of financial advisors is more evenly distributed, though there are a few dominant players. There are 143 different financial advisors reported in the CDIAC database, and of the 14,892 debt transactions included, only 6,270, or 42% of the transactions, list a financial advisor. This is probably due to personnel capacity within districts. While school districts almost always work with underwriters to sell their bonds to investors or otherwise work with investors on their behalf, school districts do not always hire financial advisors for their debt deals, particularly if the transaction is routine or if the district has an experienced chief business officer. Table 11 shows the top ten financial advisory firms involved in California debt deals from 1984 to April 2015.

Table 11

Top Ten Financial Advisors by Number of Deals

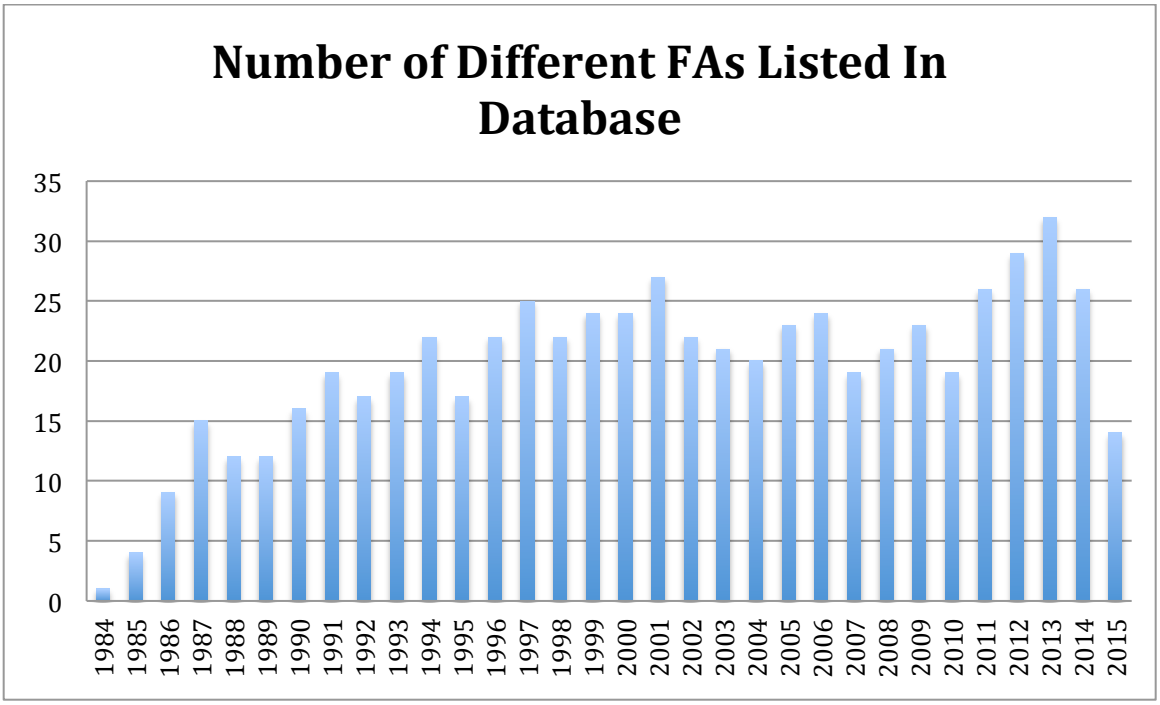
Financial Advisors	# of Debt Deals	% of Debt Deals
KNN/Kelling Northcross & Nobriga Inc/KNN Public Finance	1302	21
Dale Scott & Company Inc/Dale Scott & Associates Inc	798	13
Government Financial Strategies Inc	643	10
Caldwell Flores Winters Inc	555	9
Isom Advisors/Urban Futures Inc	249	4
Keygent Advisors LLC	248	4
Seidler-Fitzgerald Public Finance	233	4
California Financial Services	221	4
Sutro & Company Inc	202	3
Tamalpais Advisors Inc	140	2

The leading financial advisory firm, KNN Public Finance (also known at different times in the CDIAC database as simply KNN or Kelling Northcross & Nobriga Inc), has participated in 21% of debt deals since 1984. Their website for K-12 public finance advertises that, "KNN Public Finance is unparalleled in its school financing expertise, having worked with more than 200 different school districts to provide everything from short-term loans to long-term strategic financial planning." The three other big players in the field, Government Financial Strategies based out of Sacramento, Dale Scott &

Associates based out of San Francisco, and Caldwell Flores Winters, Inc. based out of Emeryville, have each participated in about 10% of debt deals with the other top ten financial advisory firms participating in 2-4% of the deals. Like the underwriting firms described above, financial advisors work with school districts around the state of California. However, unlike underwriters who are increasingly regulated by the SEC, financial advisory firms have fewer restrictions placed upon them and are free to offer a wider range of services to their clients. Some financial advisors are now offering market analysis, survey collection, and project management packages to cover a broader spectrum of debt services to clients. When considering the growth of this field over time, it is helpful to look at the number of different financial advisors listed it the CDIAC database each year. As shown in Figure 2, the number of different financial advisors used for financial transactions over time has risen (note 2015 is a partial year), indicating that the market is expanding.

Figure 2

Number of Different Financial Advisors Listed in Database Over Time



Note. 2015 is a partial year

Market share: bond counsel. The third and final type of private actor analyzed here is bond counsel, or a type of lawyer, listed in the database as law firms, that assist school districts with debt financing transactions. Of the 14,892 debt transactions from 1984 to April 2015, 14,763, or 99%, include information for bond counsel. Of those, 13,412 debt deals, or 91%, were conducted by one of the top ten bond counsel firms. There are 122 different bond counsel listed in the CDIAC database, though similar to the

underwriter market, there is one dominant player in California. Table 12 shows the top ten bond counsel firms involved in California debt deals from 1984 to April 2015.

Table 12

Top Ten Bond Counsel by Number of Deals

Bond Counsel	# of Debt Deals	% of Debt Deals
Orrick Herrington & Sutcliffe	6805	46
Jones Hall A Professional Law Corp/Jones Hall Hill & White	2242	15
Stradling Yocca Carlson & Rauth	1327	9
Brown & Wood/Sidley Austin Brown & Wood/Sidley Austin LLP	894	6
Quint & Thimmig LLP	534	4
Hawkins Delafield & Wood LLP	490	3
Kronick Moskovitz Tiedemann & Girard	487	3
Bowie Arneson Wiles & Giannone/Bowie Arneson Kadi Wiles & Giannone	333	2
Buchalter Nemer Fields Chrystie Younger/Buchalter Nemer Fields & Younger	300	2

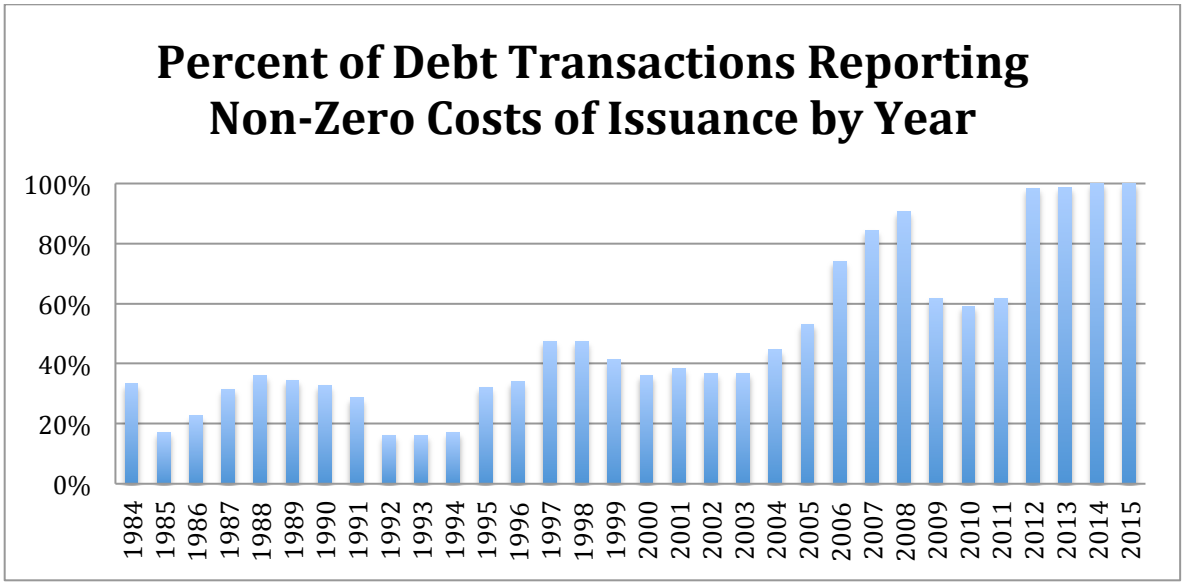
Costs of issuance: fees paid to private organizations over time. When issuing debt, school districts incur costs and fees. As the MSRB State and Local Government Toolkit explains, in addition to fees paid to the underwriter "Other expenses associated with a new issuance that are generally paid by the issuer are typically known as the costs of issuance and do not factor into the gross spread. Such expenses may include: Financial/municipal advisory fees; Bond counsel fees; Disclosure counsel fees; Rating agency fees; Bond insurance premiums or credit enhancement fees; Trustee fees; Escrow agent fees; Feasibility study, engineer's report or environmental study; Auditor's fees; and Printing costs" (MSRB, 2013, p. 2). The bulk of issuance costs are comprised of fees paid to private consultants and contractors. CDIAC is increasingly committed to collecting data on costs of issuance. Beginning in 2000, CDIAC began collecting more detailed information on the fees school districts paid to individual companies as well as the total costs of issuance, or the sum of fees, they paid for all consultants, including to underwriters, financial advisors, and bond counsel (analyzed here), as well as ratings agencies, and other consultants and contractors. In the following sections, I first describe the costs of issuance school districts have paid over the last 31 years. Then, I describe how the fees paid to underwriters, financial advisors, and bond counsel have changed over time. All costs are adjusted for inflation to 2015 dollars.

Costs of issuance over time. Of the 14,892 K-12 school district debt transactions in the CDIAC database over the last 31 years, 7,180 of those debt deals, or 48% include non-zero costs of issuance. For each of the last twenty years, hundreds of debt deals reported a non-zero value for costs of issuance. As shown in Table 13, adjusted for inflation, between 1984 and 2015, school districts paid on average $275,868 in issuance costs, though the costs were highly variable, with a standard deviation of $543,308. This

variability can mask the degree to which some districts outlay significant issuance costs in a given year. For example, in 2003, Los Angeles Unified School District (LAUSD) paid $18,700,000 in issuance costs for one debt transaction. The median costs of issuance, $151,088, gives a better measure of how much school districts pay per debt transaction in fees to private consultants and contractors. This wide variation matters because it inaccurately signals that consultants are performing highly variable amounts of work for different district transactions, which contradicts interview findings indicating that district and community characteristics do not significantly impact the amount of work needed to complete a financial transaction.

Figure 3

Percent of Debt Transactions Reporting Non-Zero Costs of Issuance by Year



Note. 2015 is a partial year

For the 7,180 transactions reporting costs of issuance, districts have paid $1.98 billion (in 2015 dollars) in fees to private organizations involved in facilities debt transactions. However, the actual dollar amount that school districts have paid to private consultants and contractors for their expertise is much higher. The frequency with which school districts have reported costs of issuance to CDIAC over time has increased, as shown in Figure 3. Though CDIAC has requested that school districts report this information since 1984, fewer than half of school district debt transactions prior to 2005 actually reported costs of issuance to CDIAC. Some years were much lower. For example, in 1992 and 1993, only 16% of school district debt transactions included costs of issuance. 2005 was the first year more than half of the debt transactions reported costs of issuance, and the reporting fidelity increased from 2005 until 2008, although this progress dropped off during the recession with less than two-thirds of the debt transactions reporting costs of issuance in 2009-2011. The last four years, however, have seen reporting improve dramatically with over 98% of school districts reporting costs of issuance. This improvement in data collection is helpful moving forward because it will

allow the state to more accurately track how much school districts are paying for financial expertise and private services when issuing debt. While the data do not reveal the full costs of issuing debt, they do indicate that the true cost is much higher than $1.98 billion.

Total costs of issuance have fluctuated over the years, as shown in Table 13. Total fees paid by districts in a given year rose fairly steadily from 1984 to 2005 when they reached approximately $140,000,000 for about 300 debt deals and then dropped before reaching a peak in 2009 of about $167,000,000 for approximately the same number of deals, or over half a million dollars per transaction on average. The median costs of issuance also reached a peak of $316,740. This peak in 2009 is notable when contrasted with 2012 when costs of issuance were only $113 million for 607 transactions, or about $185,627 per debt deal on average, with a median cost of issuance of $91,248. As shown in Figure 3, after a peak of total costs of issuance in 2009, costs of issuance have declined in recent years, adjusted for inflation. These patterns are significant given the timing of the 2008 Great Recession and the unprecedented budget cuts school districts were making across the state at the time. These findings are similar to the findings on the hidden costs of privatization on the operations side of the budget that private organizations were making increasing profits during and immediately after the financial collapse (Burch, 2010; Harvey, 2012). These trends should be considered alongside the broader policies that allowed these private financial organizations to multiply.

Table 13

Costs of Issuance Over Time

Year	Num-ber of deals	Median	M	SD	Min	Max	Total
1984	1	5,178	5,178	.	5,178	5,178	5,178
1985	19	56,724	307,143	832,860	276	3,682,911	5,835,707
1986	27	125,918	190,920	327,917	929	1,696,095	5,154,848
1987	44	28,707	152,166	306,305	4,084	1,361,490	6,695,293
1988	55	28,160	66,957	83,161	2,581	334,216	3,682,659
1989	73	25,905	140,314	375,226	1,159	2,234,943	10,200,000
1990	101	54,615	344,749	1,074,662	455	9,524,438	34,800,000
1991	124	82,459	358,612	837,288	2,044	4,565,681	44,500,000
1992	76	113,568	587,792	1,069,728	5,975	4,653,011	44,700,000
1993	86	99,203	321,437	632,817	1,647	3,147,207	27,600,000
1994	94	51,929	183,134	359,254	2,635	2,158,689	17,200,000
1995	208	37,349	106,757	163,750	1,183	1,742,434	22,200,000
1996	255	35,354	105,213	167,204	875	1,514,221	26,800,000
1997	315	60,264	129,887	182,915	919	1,686,925	40,900,000
1998	346	94,486	126,488	143,366	829	899,657	43,800,000
1999	289	78,551	117,173	134,759	223	939,042	33,900,000

2000	261	106,135	142,517	167,532	2,107	1,332,401	37,200,000
2001	300	205,737	283,860	311,231	6,046	1,991,038	85,200,000
2002	284	256,634	350,095	342,693	4,497	2,742,632	99,400,000
2003	255	179,197	383,813	1,238,937	5,173	18,700,000	97,900,000
2004	287	308,161	434,279	468,009	6,298	3,406,465	125,000,000
2005	303	307,037	461,313	593,460	9,260	6,396,168	140,000,000
2006	237	290,167	492,338	980,414	8,380	11,600,000	117,000,000
2007	277	235,089	387,852	578,895	2,020	6,463,655	107,000,000
2008	240	301,134	439,815	523,709	11,604	4,134,750	106,000,000
2009	293	316,740	569,913	973,041	9,538	12,400,000	167,000,000
2010	325	195,593	365,564	696,216	6,384	9,403,762	119,000,000
2011	356	184,318	264,131	307,153	3,637	3,327,790	94,000,000
2012	607	91,248	185,627	240,271	2,049	1,867,642	113,000,000
2013	538	72,488	196,360	288,927	1,798	2,413,557	106,000,000
2014	444	147,765	188,834	212,101	2,513	2,097,975	83,800,000
2015*	60	223,570	283,278	231,158	5,000	1,174,407	17,000,000
Total	7180	151,088	275,868	543,308	223	18,700,000	1,980,000,000

Note. 2015 is a partial year

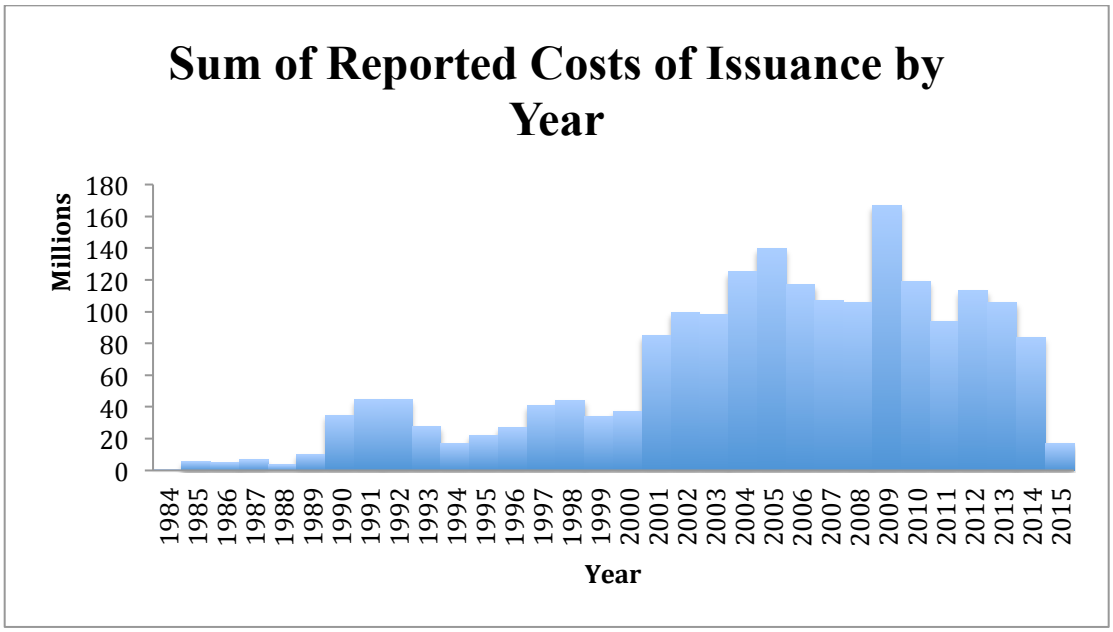
Figure 4 shows the sum of reported costs of issuance by year. While costs of issuance have increased over time, much of the increase depicted in the chart is related to the fact that more districts are reporting costs to CDIAC now. For example, in 2008, over 60% of districts reported costs of issuance to CDIAC, but in 2009-2011 fewer than 60% of transactions in the CDIAC database included cost of issuance data. However, these data are useful in that they provide a partial picture of fees district pay to private actors.

When trying to determine how these trends behave at the individual transaction level, it is helpful to also look at trends in the median value of costs of issuance over time. As shown in Figure 5, median costs of issuance rose in the years preceding the Great Recession and then declined from 2010-2013. It is possible that private firms were more sensitive to school district budget constraints and thus charged less per transaction during this time, though more qualitative data collection and analysis is needed to confirm this hypothesis. Interestingly, median costs of issuance doubled between 2013 and 2014 and appear to be on the rise again in 2015, though the data for this year is only collected through April. It will be important to continue monitoring these fees and how they do or do not map on to economic cycles. The fluctuation in fees likely affects the private actors who work in this industry and might influence the size of the market. For example, if private actors see that fees are on the rise, they might decide to enter the market.

The variation in total fees in any given year is related to a variety of factors including types of debt issued, size of debt deals, and size of debt-issuing districts. For example, if LAUSD issues debt in a given year, the transaction is likely to affect the average cost of issuance given the size of the district. However, there are other sociopolitical factors that can affect the costs of issuance, such as community wealth, analyzed later in the chapter.

Figure 4

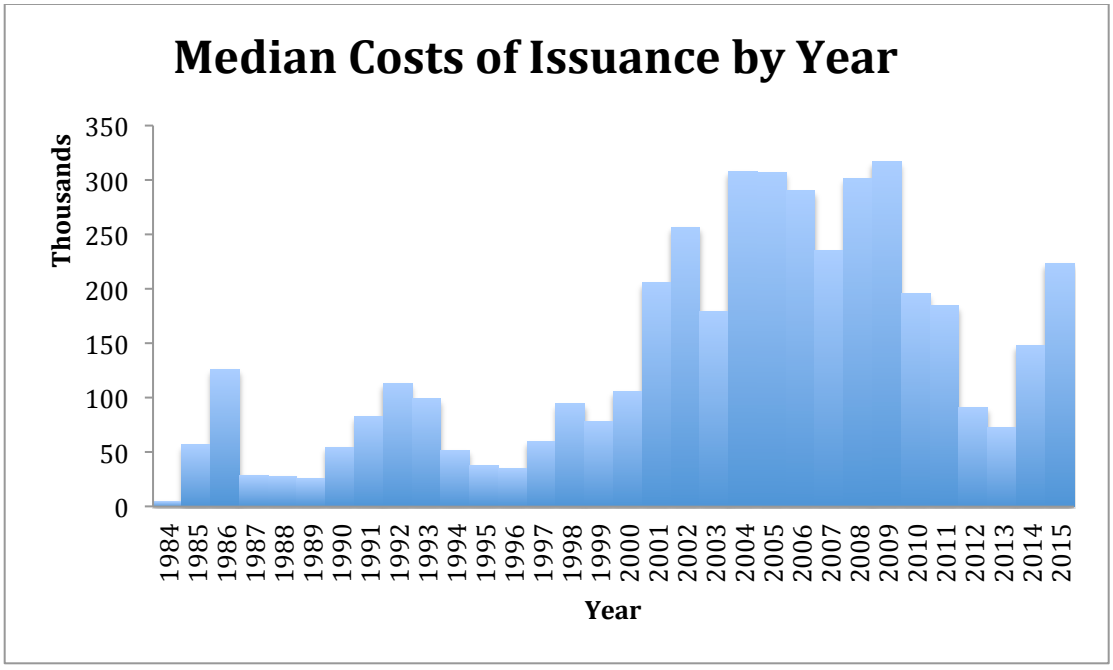
Sum of Costs of Issuance Over Time



Note. 2015 is a partial year

Figure 5

Median Costs of Issuance Over Time



Note. 2015 is a partial year

Costs of issuance by other factors. In addition to analyzing debt trends over time, it is also interesting to note how costs of issuance vary by other factors, including type of debt instrument, district size, district type, and property value, measured in assessed valuation. As shown in Table 14, costs of issuance vary by type of debt instrument. The vast majority of non-zero costs of issuance from 1984 to April 2015, over $1.34 billion dollars, adjusted for inflation, have been paid to private consultants and contractors for their work on general obligation bonds. The median dollar amount paid in costs of issuance for a single GO bond is $235,308, and the mean is $373,839. General obligation bonds typically require a lot of preparation on the part of a school district and community and involve many types of contractors and consultants. Interestingly, COPs/leases are also expensive for school districts with a median cost of issuance of $218,197 and a mean of $390,292. This type of financing is relatively complex when compared with less expensive financing mechanisms, including bond anticipation notes, as shown in Table 14. As mentioned earlier, TRANs are much less complex, which is reflected in the lower median costs of issuance of $22,614 and mean of $37,379 per debt transaction paid to private consultants and contractors. This information can help school district administrators make budgeting decisions.

Table 14

Costs of Issuance For Selected Debt Instruments

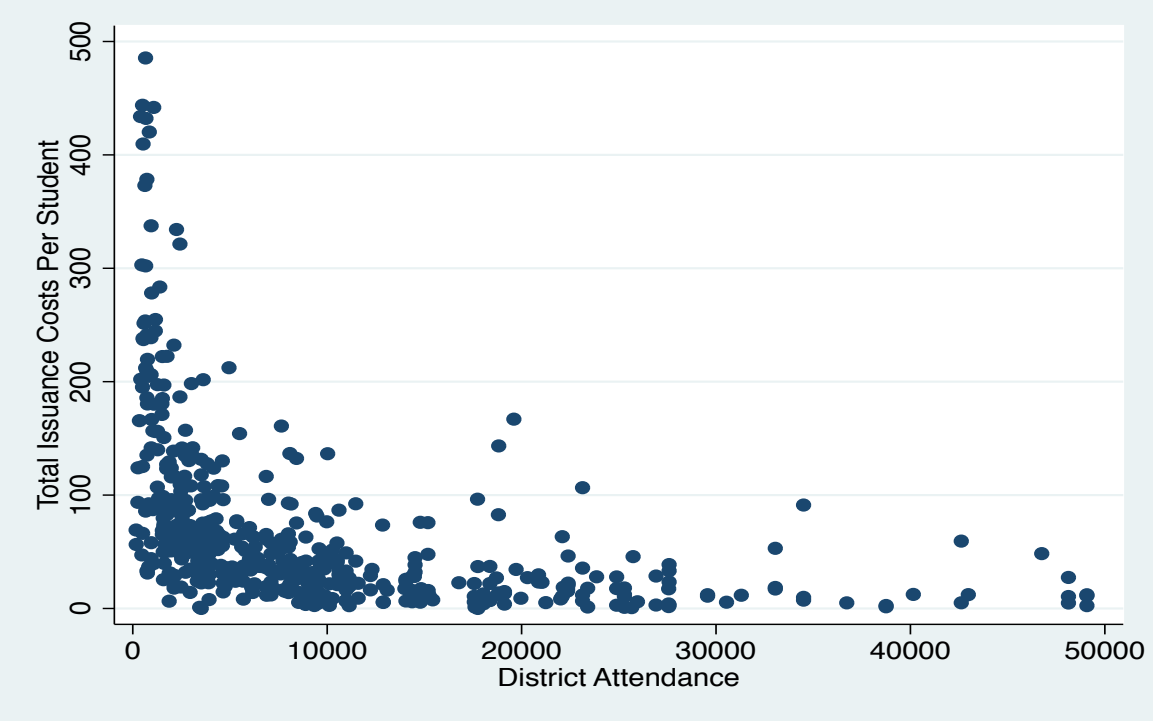
Type of Debt Instrument	Num-ber of deals	Median	M	SD	Min	Max	Total
Bond anticipation note	115	183,002	274,424	277,769	3,763	1,528,506	31,600,000
Certificates of participation/ lease	1,338	218,197	390,292	586,545	2,096	9,524,438	522,000,000
General obligation bond	3,583	235,308	373,839	636,113	223	18,700,000	1,340,000,000
Tax and revenue anticipation note	2,099	22,614	37,379	104,612	276	2,886,487	78,500,000

The costs of issuance that districts are paying per student prove to also be an important expenditure related to equity. In the current system, private consultants enter into contracts with school districts of various types and sizes. In qualitative interviews, respondents mentioned that larger school districts benefit from economies of scale in these contractual relationships. Looking at a subset of merged data combining debt data (CDIAC data on GO bonds and COP/lease transactions) and school district data from

2010-2011 (from PPIC), this assertion is verified in the quantitative analysis. As displayed in Figure 6, dots on the scatterplot represent the costs of issuance that a district of a certain size paid for private financial expertise on a single transaction during 2010 or 2011. While larger districts tended to pay less in costs of issuance for a single debt transaction—with no district larger than 30,000 students paying more than $100 per students in costs of issuance—smaller school districts regularly paid several hundred dollars per students in costs of issuance for a single debt transaction. This variation matters because smaller school districts typically have smaller budgets, which makes their financing decisions more critical.

Figure 6

Costs of Issuance per Student by District Attendance



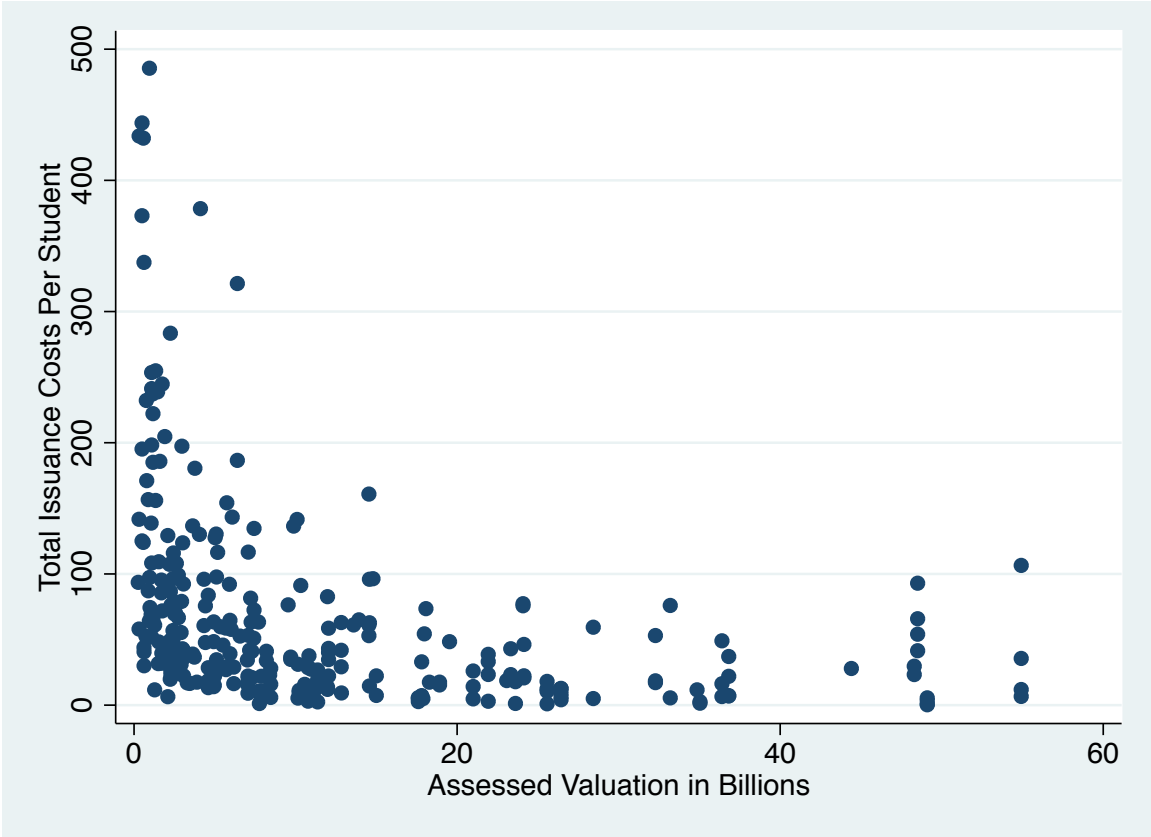
When looking at costs of issuance per student by type of district, in 2010 and 2011 elementary school districts paid $178 per student on average in costs of issuance compared with high school and unified school districts, which each paid $61 per student in costs of issuance. This also confirms the assertion that larger districts achieve economies of scale through their contracts with private consultants and contractors as elementary school districts in California are typically smaller than high school and unified school districts.

Costs of issuance by property value. I then looked at data including 2010 and 2011 school district facilities financing transactions (a subset of the CDIAC database containing GO bond data and COP/lease transactions) and school district characteristics (from the PPIC database) and merged that with data on property values by school district for the 2010-2011 school year. This property value data, from CalMuni, is measured in

assessed valuation of the land, which is the value that determines how much school districts can raise through taxation. As shown in Figure 7, the pattern is similar to the scatterplot of costs of issuance by district size. In school districts with higher property wealth, school districts tend to pay less per student in costs of issuance per debt transaction. Those districts paying higher fees per student per debt transaction tend to be school districts with lower assessed valuation. However, many school districts with lower assessed valuation pay relatively less in costs of issuance for their GO bond and COP/lease transactions.

Figure 7

Costs of Issuance per Student by Assessed Valuation



Private fees by type of contractor or consultant. When school districts have a new issuance of debt, they incur certain costs and fees. In addition to analyzing total costs of issuance and complementing the market analysis of underwriters, financial advisors, and bond counsel, the following section details the fees school districts have paid to these three types of private contractors or consultants over time. Looking at types of actors one at a time helps those involved in these transactions—and those making policies affecting facilities financing—understand similarities and differences between the different players in the system. It also helps issuers understand the types of transaction expenses associated with issuing debt. I chose these three actors for closer scrutiny given the important roles they play in financing transactions, although not all debt transactions involve each of the

three selected actors. The dataset used for the following analysis is the full set of CDIAC data from 1984 to April 2015, including 14,892 transactions.

Private fees: underwriters. To understand how underwriters are compensated, it is necessary to review the components of gross spread, "which is the difference between the price paid by the underwriter to the issuer of municipal securities for a new issue and the price at which the securities are sold to investors" (MSRB, 2013, p. 1). This spread is also referred to as the underwriter's discount, spread, or fee and consists of three components: takedown, management fee, and underwriter expense. Takedown, typically the largest component of gross spread, is the compensation to underwriters for selling the bonds to investors and is payable from the proceeds of the new issue. Sometimes bonds are sold by a syndicate, or group of underwriters formed to purchase securities from the issuer and resell it to investors in the public. The second component, management fee, is paid to the lead member of the syndicate out of bond proceeds at the issuer's discretion for management and investment banking services and structuring the debt. The third component, underwriter expense, includes out-of-pocket costs incurred by the underwriters during the process of selling the issuer's bonds. These costs are then reimbursed by the school district from the proceeds of the issuance. The underwriter fees analyzed here include these three components.

The CDIAC database lists an underwriter for 14,635 of the 14,892 transactions included. However, only 6,503 transactions actually provide a non-zero underwriter fee. The median underwriter fee paid, adjusted for inflation to 2015 dollars, from 1984 to April 2015 was $73,995, and the mean fee paid for a single transaction was $152,556. The fees were variable, with a standard deviation of $310,007, which is likely due to a number of factors including type of transaction and the size of the issuance. For example, the median underwriter fee for GO bonds is $121,574, and the median fee for COPs/leases is $135,785, while the median fee for TRANs is only $9,594. As shown in Table 15, the maximum fee a district paid an underwriter for a single transaction was $11.7 million in 2009. The total reported fees school districts have paid for underwriter services is $992 million, although the actual amount paid to underwriters is higher given that less than 44% of underwriter fees have been reported separately from costs of issuance.

Table 15

Fees Paid to Underwriters By Year

Year	# of deals	Median	M	SD	Minimum	Maximum	Total
1984	2	222,557	222,557	233,775	57,253	387,861	445,113
1985	74	43,675	206,405	419,348	3,158	2,629,355	15,300,000
1986	80	54,166	189,792	306,919	586	1,983,209	15,200,000
1987	92	25,973	73,886	110,177	2,618	718,377	6,797,543
1988	79	26,983	138,560	441,140	1,408	3,550,121	10,900,000
1989	65	19,189	112,824	222,419	25	1,151,219	7,333,562
1990	101	80,858	185,758	425,634	18	3,924,496	18,800,000
1991	144	74,095	177,487	509,371	943	5,590,400	25,600,000

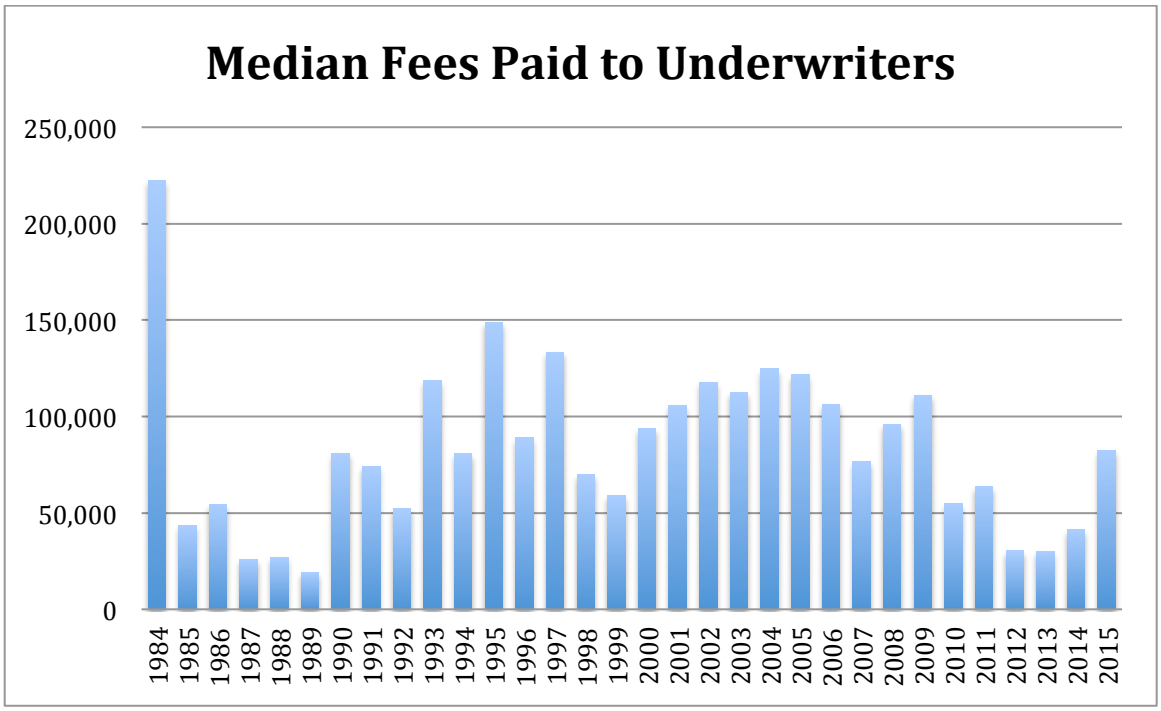
1992	133	52,288	185,092	387,284	616	2,647,100	24,600,000
1993	133	118,648	180,445	228,803	2,406	1,752,041	24,000,000
1994	116	80,738	155,632	349,038	2,649	3,522,060	18,100,000
1995	61	148,597	224,606	216,368	31,701	1,144,043	13,700,000
1996	105	88,958	132,080	156,242	910	864,214	13,900,000
1997	135	133,425	171,717	155,839	59	1,092,484	23,200,000
1998	217	69,851	121,367	165,106	153	1,419,463	26,300,000
1999	214	58,900	114,370	157,940	314	1,374,450	24,500,000
2000	167	93,725	148,357	160,281	1,105	1,127,541	24,800,000
2001	261	105,876	147,697	163,738	2,351	1,317,837	38,500,000
2002	280	117,745	195,085	211,091	758	1,631,828	54,600,000
2003	246	112,311	210,578	464,110	230	5,803,494	51,800,000
2004	301	124,698	199,887	246,677	1,960	1,968,214	60,200,000
2005	323	121,535	200,102	250,390	69	1,746,790	64,600,000
2006	281	106,227	192,419	254,191	35	2,145,600	54,100,000
2007	279	76,516	145,958	183,200	164	1,306,753	40,700,000
2008	234	95,896	178,766	250,390	166	1,779,127	41,800,000
2009	288	110,862	253,883	747,478	660	11,700,000	73,100,000
2010	312	54,827	166,935	550,247	491	8,741,611	52,100,000
2011	316	63,546	116,369	144,413	413	1,141,951	36,800,000
2012	554	30,258	80,309	141,306	98	1,422,200	44,500,000
2013	478	30,185	94,335	182,461	56	2,183,487	45,100,000
2014	379	41,249	86,848	139,114	45	1,371,707	32,900,000
2015	53	82,110	148,924	183,861	5,728	964,407	7,892,969
Total	6,503	73,995	152,556	310,007	18	11,700,000	992,000,000

Note. 2015 is a partial year

As shown in Figure 8, median underwriter fees have varied over time. While 1984 looks like a peak, there were only two transactions that year reporting an underwriter fee. Interview data indicates that the services underwriting firms offer have changed over time. Whereas it used to be more common for underwriting firms to also provide more robust financial advice, financial advisory firms have increasingly taken on that role. In addition, regulations requiring underwriters to disclose to school districts that they are not fiduciaries might explain the decline in underwriting fees. Median underwriter fees were lower in the years after the Great Recession, although the data show that fees are increasing in the last couple years, including in 2015, though there is only data for underwriter fees for 53 transactions so far in 2015. The fluctuation in median fees does not appear to map onto the variation in the amount of work a single transaction requires, and thus warrants more attention.

Figure 8

Median Underwriter Fees Over Time



Note. 2015 is a partial year

Private fees: financial advisors. Similar to the data on underwriters, the CDIAC database does not always include a cost for financial advisors listed separately from costs of issuance. Of the 14,892 total transactions in the database from 1984 to April 2015, 6,270 transactions listing a financial advisor, and only 2,654, or 18% of the total, report an actual non-zero fee school districts paid to an FA. Unlike underwriters, CDIAC only started collecting data specifically for financial advisors in 2000.

As shown in Table 16, since 2000 the average fee paid to financial advisors was $59,638, the median fee was $54,942, and the standard deviation was $52,735. The maximum fee paid to a financial advisor for a single debt deal was reported in 2004 for $547,926. For the 2,654 deals reported, school districts have paid financial advisors over $158 million in fees since 2000, though again it is important to remember that the actual total is much higher given the high percentage of missing data.

Table 16

Fees Paid to Financial Advisors By Year

Year	Num-ber of deals	Median	M	SD	Minimum	Maximum	Total
2000	5	64,772	55,790	36,699	6,909	103,635	278,951
2001	120	57,439	64,516	54,193	2,687	403,080	7,741,921
2002	66	58,360	65,722	53,607	3,704	232,134	4,337,625
2003	93	54,573	61,715	56,906	3,233	345,284	5,739,469

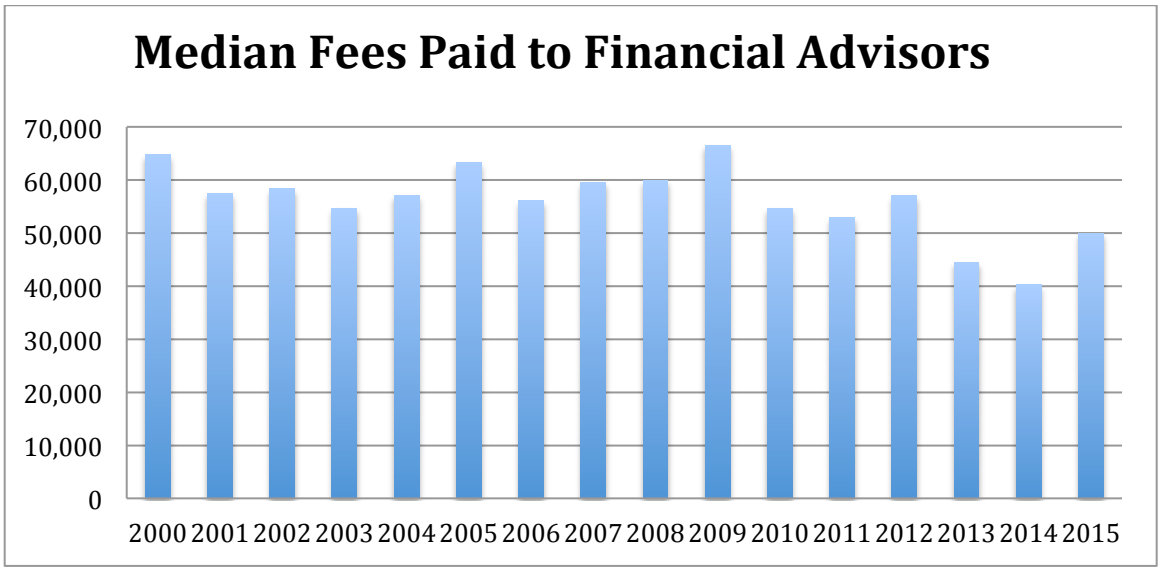
2004	92	57,093	74,277	76,224	4,409	547,926	6,833,484
2005	105	63,340	72,950	56,863	6,092	302,163	7,659,791
2006	58	56,079	72,284	66,873	1,770	292,880	4,192,443
2007	156	59,532	70,883	62,763	6,493	461,909	11,100,000
2008	176	59,957	69,962	57,566	5,695	501,035	12,300,000
2009	191	66,546	67,144	48,746	618	253,984	12,800,000
2010	251	54,560	60,369	58,789	405	466,488	15,200,000
2011	257	52,890	59,268	48,128	1,941	412,225	15,200,000
2012	305	57,002	57,329	45,197	1,341	512,932	17,500,000
2013	340	44,469	50,470	44,428	511	281,396	17,200,000
2014	382	40,204	45,433	45,139	619	505,078	17,400,000
2015*	57	50,000	51,137	26,370	2,300	114,537	2,914,801
Total	2654	54,942	59,638	52,735	405	547,926	158,000,000

Note. 2015 is a partial year

Figure 9 displays that the general trend in the median fee for financial advisors has been declining since CDIAC starting reporting on this information. However, 2015 fees might indicate a slight rise, and it would be worthwhile to continue monitoring this database to see if this trend continues.

Figure 9

Median Financial Advisor Fees Over Time



Note. 2015 is a partial year

Private fees: bond counsel. The third and final type of organization analyzed here is bond counsel. Like the data on financial advisors, CDIAC began collecting data specifically for bond counsel in 2000. Though 99% of transactions list a bond counsel, only 3,965 transactions, or 26%, provide a non-zero fee paid. As shown in Table 17, the

median fee paid to bond counsel since 2000 is $33,623, the mean fee is $37,298, and the standard deviation is $31,585. The highest fee paid for a single debt transaction to bond counsel was $333,839 in 2009, and over the past 15 years, school districts have paid over $148 million for the 26% of transactions reported. The actual dollar amount paid to bond counsel is much higher, given that only about a quarter of school districts reported a fee specifically for bond counsel. Table 17 shows the fees paid to bond counsel by year.

Table 17

Fees Paid to Bond Counsel By Year

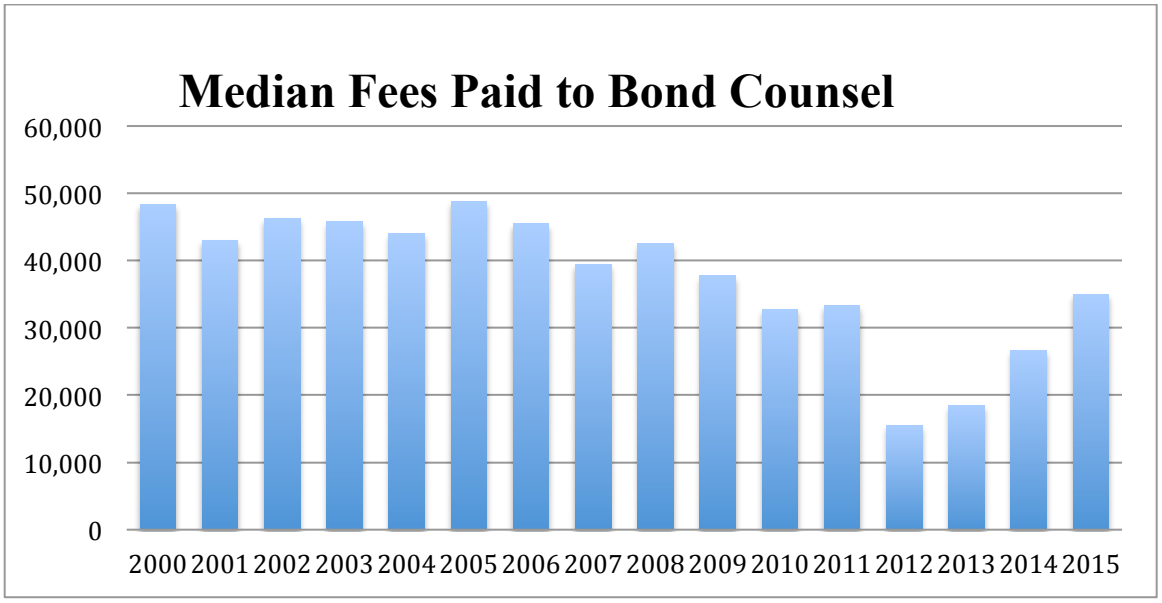
Year	# of deals	Median	M	SD	Minimum	Maximum	Total
2000	7	48,363	54,249	20,312	29,018	90,508	379,746
2001	181	42,995	43,830	26,162	403	163,767	7,933,265
2002	127	46,295	47,876	30,735	661	158,063	6,080,215
2003	146	45,786	49,668	32,946	1,940	193,980	7,251,531
2004	178	44,086	50,742	36,149	1,889	221,312	9,031,996
2005	179	48,736	51,598	26,263	2,437	127,932	9,236,060
2006	91	45,442	47,096	27,739	2,361	129,833	4,285,778
2007	243	39,439	42,817	30,624	4,017	200,830	10,400,000
2008	237	42,550	43,966	30,101	2,526	138,148	10,400,000
2009	290	37,709	46,671	43,007	560	333,839	13,500,000
2010	317	32,736	38,349	30,094	239	254,795	12,200,000
2011	349	33,321	36,060	26,112	1,570	219,494	12,600,000
2012	596	15,546	25,509	28,475	453	303,048	15,200,000
2013	533	18,385	27,530	30,336	410	326,179	14,700,000
2014	433	26,635	28,896	26,772	489	314,473	12,500,000
2015	58	35,000	37,917	16,901	1,500	88,000	2,199,172
Total	3,965	33,623	37,298	31,585	239	333,839	148,000,000

Note. 2015 is a partial year

Analysis of trends in fees paid to bond counsel over the last 15 years reveals that there was a decrease in inflation-adjusted fees from 2000 to 2012, although fees have risen steadily over the last three years. Similar to the other categories, fees declined in the years after the recession and now appear to be increasing again. Like other actors, bond counsel fees vary by type of debt. The median fees paid for bond counsel for GO bond services was $43,529, for COP/leases was $46,163, and for TRANs was $4,939. Figure 10 shows median bond counsel fees over time, which is useful information for school district administrators when determining their budgets.

Figure 10

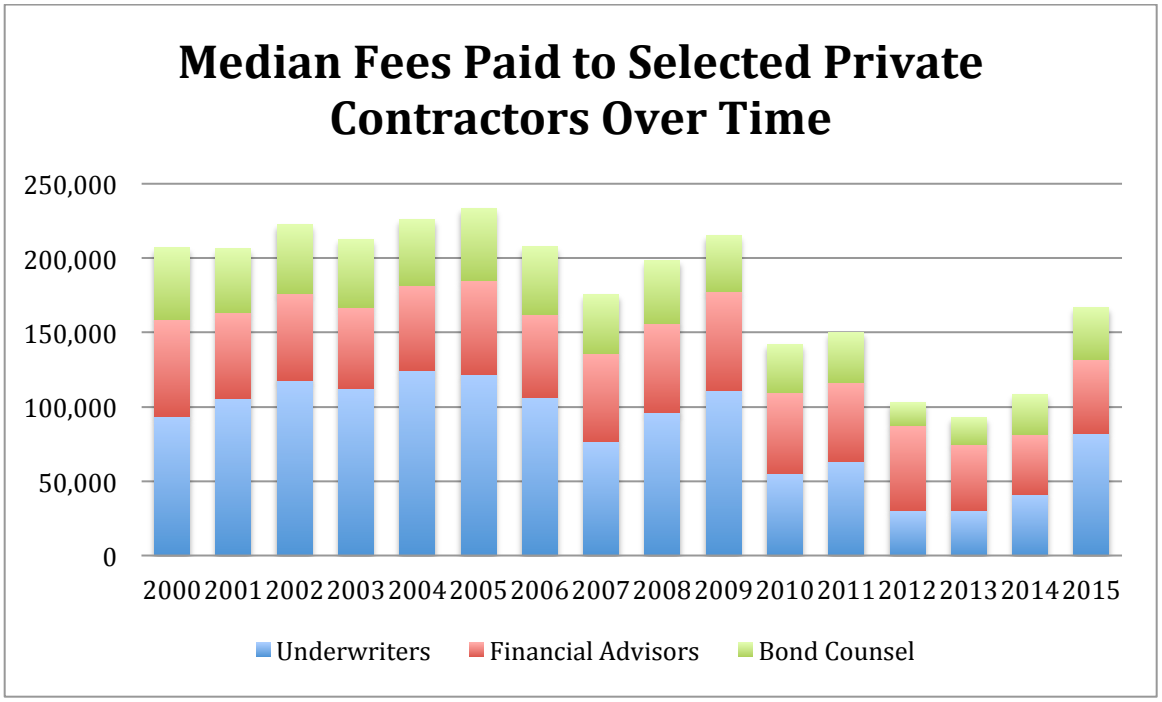
Median Bond Counsel Fees Over Time



Note. 2015 is a partial year

Figure 11

Median Fees Paid to Selected Private Contractors Over Time



Note. 2015 is a partial year

Analysis of the median fees paid to selected private contractors combined over time, as in Figure 11, reveals that fees to these three main types of contractors and

consultants decreased in the year after the Great Recession, but appear to be on the rise in the past few years. These fees vary based on a number of factors. As the MSRB materials noted, "The legal treatment of costs of issuance expenses may be governed by bond resolutions, local ordinances, governing state statutes and federal tax law. Issuers should consult their relevant documents and discuss the treatment of issuance costs and expenses with their financial professionals" (MSRB, 2013, p. 2). School districts pay these consultants and contractors for their assistance with debt transactions and for their financial expertise and experience with the system.

Subset of 2010-2011 Merged Data - Regression Analysis

This regression analysis explores how various community and school district characteristics influence costs of issuance per student, the outcome variable of interest. This analysis examined costs of issuance per student in order to standardize and interpret issuance costs. The merged dataset includes CDIAC, CalMuni, and PPIC data from 2010-2011. Table 18 provides the descriptive statistics for all variables included in the models, including the mean, standard deviation, minimum, and maximum values for each variable. The subset of the database used here includes data for 446 general obligation bonds from 2010 and 2011. As the district and community characteristics variables were obtained through merging the CDIAC bond database with data from the PPIC database and the CalMuni database on assessed valuation, the final sample size for the full models is n=200, as some variables are missing data. Primarily, some transactions are missing data for a credit rating and assessed valuation.

Table 18

Descriptives for Variables Included in the Models

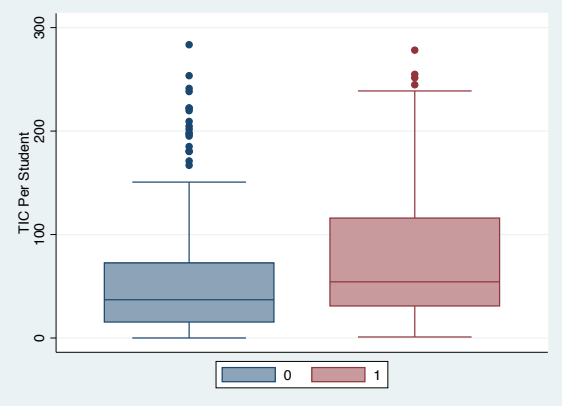
Characteristics	Obs.	Mean	SD	Min	Max
Costs of Issuance Per Student	402	103.61	248.160	0.04	3460.80
Community Characteristics					
Median household income in thousands	446	67.37	24.722	25.24	211.07
Assessed value in millions per student	261	1.67	4.171	0.16	61.95
Bond amount in thousands per student	446	3.40	6.689	0.01	97.34
Total population in thousands	446	188.42	602.510	0.50	4525.06
% Latino	446	0.32	0.222	0.02	0.97
% Black	446	0.04	0.045	0	0.30
% Asian	446	0.13	0.133	0	0.65
% Multiple ethnicities	446	0.02	0.012	0	0.05
% Other	446	0.01	0.012	0	0.11
% Old age	446	0.40	0.078	0.10	0.69
% Homeowner	446	0.60	0.113	0.31	0.96
% School age	446	0.18	0.038	0.06	0.28
District Characteristics					
Enrollment	446	21.64	75.426	0.04	567.60
AAA Credit rating	357	0.18	0.384	0	1

AA Credit rating	357	0.71	0.455	0	1
Elementary district	446	0.29	0.455	0	1
High school district	446	0.17	0.378	0	1

Analysis of the full dataset of 14,892 debt transactions from 1984 to April 2015, reveals that elementary school districts paid more per student than other school district types. Analyzing this subset of GO bond data for 2010-2011, we see a similar pattern in costs of issuance per student. The 278 non-elementary school districts (high school districts and unified school districts) that issued GO bonds in 2010 and 2011 paid $68 on average in cost of issuance per student and a median cost of issuance of $38, with a standard deviation of $102. The 124 elementary school districts issuing GO bond debt in 2010 and 2011 paid $182 on average, though their median cost of issuance per student was only $62. The standard deviation for elementary school districts was also much higher at $410. As seen in Figure 12 (which cuts off outliers with costs of issuance over $300), we see that both distributions are somewhat positively skewed.

Figure 12

Boxplot of Costs of Issuance Per Student by School District Type



Note: 0=non elementary school district; 1=elementary school district

Regression Analysis to Predict Costs of Issuance Per Student

Table 19 presents the findings from the final models of estimating the relationship between community socioeconomic status and wealth and costs of issuance per student in general obligation bond transactions in 2010 and 2011, controlling for variables identified in the educational facilities literature. In order to present a fuller understanding of the sociopolitical factors that impact school facilities financing, this analysis examines two measures of community socioeconomic status and wealth: median household income and assessed valuation per student. Median household income gives us a picture of the socioeconomic status of the median family residing in the school district. Assessed valuation per student provides a measure of the property wealth in a community divided by the number of students in each district. The goal of this analysis is to determine the independent effect of these measures on the costs of issuance communities pay in fees,

primarily to private consultants and contractors, for their school district facilities debt transactions.

Table 19

Regression Model Parameter Estimation of Costs of Issuance Per Student for GO Bond Transactions in 2010 and 2011

	Model 1		Model 2		Model 3	
	Coeff.	SE	Coeff.	SE	Coeff.	SE
Community Characteristics						
Median household income in thousands	-.719**	0.262	-.806*	0.398	-1.044*	0.437
Assessed value in millions per student	12.104***	3.048	11.812***	2.943	15.655***	3.327
Bond amount in thousands per student	16.344***	1.864	16.818***	1.775	14.153***	2.040
Total population in thousands	-.017*	0.007	-0.005	0.008	-0.006	0.095
% Latino			-140.817**	45.882	-165.850**	52.149
% Black			-37.327	160.732	-10.141	181.087
% Asian			-108.352*	45.930	-126.187*	50.339
% Multiple ethnicities			-2277.373**	757.572	-2441.269**	843.342
% Other			940.550	536.142	706.271	563.156
% Old age			108.771	88.724	59.463	98.761
% Homeowner			79.047	78.436	135.111	88.188
% School age			559.728*	217.487	404.623	274.969
District Characteristics						
Enrollment					0.043	0.762
AAA Credit rating					68.722**	23.094
AA Credit rating					7.218	19.119
Elementary district					30.399*	15.222
High school district					-29.433	25.171
_cons	69.312***	18.632	-12.429	51.397	16.116	60.995
R^2	0.783		0.825		0.849	
N	234		234		200	

Notes: * p<0.05 ** p<0.01 ***p<0.001

Model 1. Table 19 provides three models. The first model uses multiple regression to estimate the costs of issuance per student for a school district facilities general obligation bond debt transaction in California in 2010 or 2011. This model controls for bond amount per student and population size and examines the relationship between SES and wealth measures and costs of issuance. Median household income (MHI) in thousands and costs of issuance per student are statistically significantly negatively associated at the 1% level. For a given assessed valuation per student, bond amount per student, and population, the estimated effect of median household income in

thousands is $0.72 less in mean costs of issuance per student per unit increase (thousand dollar increase) in MHI. We could consider the effect of a ten thousand dollar decrease in median household income in a school district, which would be associated with an estimated increase in mean costs of issuance per student of $7.20.

The regression coefficient of AV in millions per student is estimated as 12.104 and is significant at the .1% level, indicating that mean costs of issuance per student is estimated to increase by $12.10 for every one unit increase in AV in millions per student, controlling for other covariates. The regression coefficient for bond amount in thousands per student is estimated as 16.344 and is significant at the .1% level, which indicates that mean costs of issuance per student is estimated to increase by $16.34 for every one unit increase in bond amount in thousands per student, controlling for other covariates. The estimated coefficient for the variable total population in thousands is -0.017 and is statistically significant at the 5% level. This indicates that an increase in population size of 1,000 people would lead to an estimated decrease in costs of issuance per student of about $0.02, controlling for other covariates. This model explains about 78% of the variance in costs of issuance.

Using the "adjust" command in STATA, we can obtain adjusted mean estimates of costs of issuance per student for different values of median household income for certain values of the other covariates. Setting each of the covariates to their median value, we obtain the mean estimates of costs of issuance per student, shown in Table 20. These predictions of costs of issuance per student show that at the median MHI, holding other covariates constant, school districts would estimate paying $64.77 per student in costs of issuance for a single GO bond debt transaction. The poorest districts, at the 1% level, would pay a higher cost of issuance per student of $86.54. At the other end of the socioeconomic status, school districts at the 99th percentile in MHI would pay only $38.19 per student in costs of issuance for a single GO bond transaction.

Table 20

Model 1. Mean Estimates of Costs of Issuance Per Student for Different Values of MHI

Percentile	Median Household Income	Mean Estimate of Costs of Issuance per Student
1%	$31,280	$86.54
25%	$50,700	$73.41
50%	$62,403	$64.77
75%	$80,113	$52.17
99%	$154,417	$38.19

Model 2. The second model adds in other community characteristics, including the percentages of various racial and ethnic groups included in the PPIC school district characteristics database. It also includes the percentage of the population that is old aged, homeowners, and school aged. Compared with Model 1, Model 2 explains about 83% of the variance in costs of issuance, and in the second model, the effect of MHI on costs of issuance increases by about $0.09 per student, and the population size is no longer

significant. In Model 2, the regression coefficients of the race and ethnicity variables for percent Latino, Black, Asian, and multiple ethnicities are negative, though only Latino, Asian, and multiple ethnicities are statistically significant. For example, the regression coefficient of % Latino is estimated at -140.817 and is significant at the 1% level, indicating that the mean costs of issuance per student is estimated to decrease by $140.82 for every one-unit increase in % Latino. Considering % Latino only ranges from 0 to 1, put differently, a 1% decrease in the Latino population would correspond with a $1.41 increase in costs of issuance per student. The percent of the population that is school aged is also positively related and statistically significant at the 5% level. The regression coefficient of % school aged is estimated at 559.728, indicating that mean costs of issuance per student is estimated to increase by $5.60 for every one percent increase in the percent of the population that is school aged, controlling for other covariates. The other variables in the model are not statistically significant.

Model 3. The third model adds in district characteristics including enrollment, district credit ratings for the given GO bond transaction, and the type of the school districts (elementary district, high school district, or unified school district). Median household income (MHI) in thousands and costs of issuance per student are statistically significantly negatively associated at the 5% level. The regression coefficient is estimated as -1.044, indicating that mean costs of issuance per student is estimated to decrease by $1.04 for every one-unit increase in MHI in thousands, controlling for other covariates. Put another way, for a $10,000 decrease in median household income in a school district, the estimated increase in costs of issuance per student would be $10.44. The regression coefficient of AV in millions per student is estimated as 15.655 and is significant at the .01% level, indicating that mean costs of issuance per student is estimated to increase by $15.66 for every one unit increase in AV in millions per student, controlling for other covariates. The regression coefficient for bond amount in thousands per student is estimated as 14.153 and is significant at the .01% level, which indicates that mean costs of issuance per student is estimated to increase by $14.15 for every one unit increase in bond amount in thousands per student, controlling for other covariates.

Compared with Model 2, the other variables in Model 3 behave similarly. Of the added variables, AAA credit rating is positive and statistically significant at the 1% level. Controlling for other covariates, the estimated population mean costs of issuance per student in districts with AAA credit ratings is $68.72 higher than for districts with an “A” credit rating. This is a surprising finding and warrants further study.

The regression coefficient of the dummy variable, elementary school districts, is estimated as 30.399 and is significant at the 5% level, indicating that mean costs of issuance per student in elementary school districts is $30.40 higher than for unified school districts, the reference category. The other variables in the model are not statistically significant. This full model explains about 85% of the variance in costs of issuance.

Discussion

Looking at overall trends in the CDIAC data over time is an important first step for anyone trying to understand school district facilities financing in California. While there are many debt instruments, the three main types of debt are overwhelmingly GO bonds, TRANs, and COP/leases. The number of debt transactions in any given year has fluctuated over time. From 1984 to 2005, the number of transactions per year rose

steadily, though there were far fewer transactions conducted in the years leading up to the Great Recession. The number of GO bond transactions has increased over time, likely due in part to the changed policies making it easier for school districts to pass GO bonds

With regard to private contractors and consultants, there are three main findings. First, the field of private financial consultants involved in school district debt financing has changed and grown over time. For example, in the 1980s fewer than 30 underwriting firms were involved in school district debt transactions in any given year, with that number growing to over 40 firms per year in the 1990s. In 1985, fewer than 5 financial advisors were reported in the CDIAC database, and in 2013, there were over 30 different financial advisors reported on facilities transactions in that single year. Since 1984 approximately 300 different underwriters and well over 140 distinct financial advisors and over 120 bond counsel have competed to sell financial expertise and services to California school districts. When considered along with the fact that school districts also work with a number of other types of contractors for facilities financing transactions, it is easy to understand how school districts might feel overwhelmed by the number and types of private actors seeking contracts. The market would not be growing if there was not money to be made in this industry.

Second, a few firms dominate the underwriting, financial advising, and bond counsel markets. Individual firms have entered and exited the markets with a few key firms vying for top market share over time, with Piper Jaffray & Company as the clear leader in the underwriting field. Though market share for financial advisors is more evenly distributed across consultants, four firms have participated in over 50% of the facilities financing transactions that reported utilizing this type of financial consultant. In the bond counsel market, Orrick Herrington & Sutcliffe has participated in over 46% of the debt transactions. Future analysis centering on the major players in the market will provide more information about the extent to which individual firms influence the market and the way facilities financing policies are implemented at the local level. At the other extreme, many firms have executed only a handful of deals before disappearing from the database.

Third, over the last thirty years school districts have paid significant quantities of money—approximately $1.98 billion for just the 48% of debt deals reporting non-zero costs of issuance to CDIAC—to private organizations to provide financial expertise and services. While this amount may seem inconsequential given that California is a large state with almost 1,000 school districts, it is important to remember that the market share for financial expertise and services is divided between a relatively small number of firms. The top financial consultants have collected large amounts of public tax dollars over time and, given the important role they play in municipal finance decision-making, especially considering that they are selected without much public input, are worth exploring further. When looking at the individual transaction level, as shown in Figure 5, median costs of issuance rose dramatically in the years preceding the Great Recession and then declined from 2010-2013. Interestingly, median costs of issuance doubled between 2013 and 2014 and appear to be on the rise again in 2015, though the data for this year is only collected through April. It will be important to continue monitoring these fees and how they do or do not map on to economic cycles. Costs of issuance also vary by the type of debt districts issue, with TRANs being far cheaper than the other two main types of debt, as well as by the size and type of a school district and its assessed valuation. The descriptive

analysis reveals that many smaller districts pay higher fees as well as districts with lower assessed valuation. Elementary school districts, which are typically smaller, also pay more in costs of issuance per student than other types of school districts, signaling that larger districts experience economies of scale.

The dollar amount that school districts have paid to private consultants and contractors for their expertise is much higher. While the frequency with which school districts have reported costs of issuance to CDIAC over time has increased, as shown in Figure 2 above, we lack costs of issuance data for 52% of all debt transactions. While the CDIAC dataset is a rich repository, the missing data from the costs of issuance variables, especially from older transactions, causes us to understate the total fees paid to private financial consultants. We can estimate the total cost of financial expertise over the last 30 years, but true costs are unknown.

The major finding from the full model of the regression analysis is that measures of wealth influenced the total costs of issuance per student in school districts facilities transactions. Median household income was statistically significantly negatively related to costs of issuance per student. This coefficient estimate for MHI in thousands of $1.04 indicates that for each $1,000 decrease in median household income, a school district would pay an estimated one dollar more in costs of issuance per student for a single debt transaction, holding other variables constant. Comparing two communities, one at the 25th percentile in California with an MHI of $50,000 and another in the 75th percentile with an MHI of $80,000, the school district located in a lower income community would pay approximately $30 more per student in costs of issuance for a single general obligation bond debt transaction.

The other measure of community wealth, assessed valuation, was statistically significant and positively related. In the full model, Model 3, as assessed valuation increased by one unit (one million dollars per student in property value) the costs of issuance per student was estimated to increase by $15.66, controlling for other variables. However, the median AV per student was just under 1 million, with the 25th percentile school district having $638,449 per student and a school district at the 75th percentile having about $1,622,887 per student, or less than a one million dollar per student difference in AV. This means that a school district in the 25th percentile in AV would pay about $15 less per student in costs of issuance than a school district at the 75th percentile in AV.

When considering these two measures of community SES and wealth together, median household income and assessed valuation, we notice differences in direction and magnitude. The SES and wealth variables operate in different directions, with lower income communities paying *more* in costs of issuance per student and higher property wealth communities paying *less* in costs of issuance per student. It should be noted first that AV and MHI are negatively correlated, though the correlation is weak ($r = -0.0818$). Some poor communities might be located in an area with an oil refinery, for example, while other poor communities have low property wealth. The two do not necessarily influence each other as much as one might think. When reflecting upon the opposite directions of the correlation coefficients of SES and property wealth further, it is not surprising that communities with higher AV might pay more per student in costs of issuance when controlling for other factors. We know from Model 3 that bond amount in thousands per student is also statistically significantly positively related with costs of

issuance per student. Given that consultants are by statute not supposed to charge fees based on the amount of the bond, this is worth further investigation. In addition, property wealth, measured in assessed valuation, is strongly correlated ($r = 0.6293$) with the amount of the general obligation bond (principal amount). This makes sense when considered with the policy constraint that communities are limited by how much debt they can take on by their property values. Therefore, if a community has more property wealth, it can issue larger general obligation bonds, which is itself positively related to the fees districts pay to contractors and consultants.

The second difference between the correlation coefficients of SES and property wealth is magnitude. While the coefficient of AV is much higher, as explained above when taken into consideration with the variable's range and standard deviation, there is a bigger difference in how much changes in MHI affect costs of issuance per student than changes in AV.

Limitations

The goal of the regression analysis is to explore how various community and school district characteristics influence costs of issuance per student, the outcome variable of interest. Many of the independent variables in the model have high standard errors, indicating that those coefficients may be imprecise. These values are estimates of the variables' impacts on the dependent variable, costs of issuance per student. A second limitation of the regression analysis is that the dataset is small. While the full CDIAC dataset considered for the descriptive statistics in this chapter includes almost 15,000 debt transactions, the regression analysis was conducted on a small subset of this data for only general obligation bonds sold in 2010 and 2011 in California. General obligation bonds vary widely from year to year, and conducting this analysis on a larger dataset of debt transactions over a longer period of time would provide more reliable information about how various sociopolitical factors impact the costs school districts pay for their debt.

Conclusion

Much of the literature on educational facilities finance simply focuses on how district and community characteristics are linked to bond passage without paying attention to the involvement of private organizations in the process. This chapter describes how district and community characteristics are linked to outcomes related to how districts interact with private organizations in the facilities financing process. While this analysis begins to make the soft costs of school facilities more transparent, the consultants analyzed here represent a fraction of the private organizations involved over the life of a school financing, planning, and construction program. These findings highlight not only the price districts pay for financial expertise, but also the growing field of private financial consultants within an increasingly privatized educational system. When considered alongside the escalating costs school districts are paying for services on the operations side of the budget (Burch, 2010), these findings help portray the fuller extent to which resources are being transferred from the public to the private sector through contracting in an increasingly neoliberal system.

Chapter 7 - School District Case Study Findings, Part 1: West Contra Costa Unified School District

"We are very proud of our newly remodeled (reconstructed) schools and there are more on the way. We hope that all staff, students and community will help us maintain these beautiful facilities. These new structures also support the core business of WCCUSD - academic excellence for all. Please join us in attaining this goal."
--Dr. Bruce Harter, WCCUSD Bond Program website

"You picked an area that people don't necessarily hide because they doing a bad job, they hide because it hinders their ability to do a good job if the public is distracted about talking about it. I mean, you pay that guy $30,000 and here's this Mom in one of your schools saying I only made $30,000 this year and that guy made $30,000. I mean it's a lot of money. The dollars are staggering to most people...but with respect to the funding it's a problem—you can't expose it without risk, which is why I'm so excited about what you're doing because you are insulated from the risk that we experience."
--Private Financial Expert with decades of experience in the industry

Introduction

This chapter is the first of two school district case studies. Case studies of individual school districts begin addressing a gap in the literature on school facilities financing. Bond financing literature is almost always quantitative and therefore tends to miss what happens behind the scenes and how the process of financing school facilities differentially affects school districts based on various sociopolitical factors. The case study analysis was designed to address the third research question and sub-questions:

3. What are school districts' experiences with school district facilities financing, and by what sociopolitical dynamics (community and district characteristics) are these experiences informed?
    a. How are policy roles negotiated between school districts, the state, and private organizations?
    b. How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?)
    c. What ethical and political issues have arisen between school districts and private organizations in the facilities financing process?

Summary of Findings

Overall, district and community characteristics shape how facilities finance policies are implemented at the local level and affect school districts' experiences with the financing process. Analyzed community characteristics included: wealth equity history, racial equity history, location, power imbalance and the history of struggle, and the history of community involvement with the school district and bond program. Analyzed district characteristics included: district capacity and expertise over time, transparency over time, district size, and student demographics. Each of these sociopolitical factors was found to influence the school district's experiences with school district facilities financing, sometimes in surprising ways. Respondents emphasized that many factors influence the extent to which school districts contract out for services, and

that two similarly situated school districts might make very different decisions with regard to what they do "in house" versus what services for which they decide to contract out. For example, the level of contracting out can be affected by school district size, but two school districts of the same size might contract out for different services, given the preferences, capacity, and expertise of individual school district staff members.

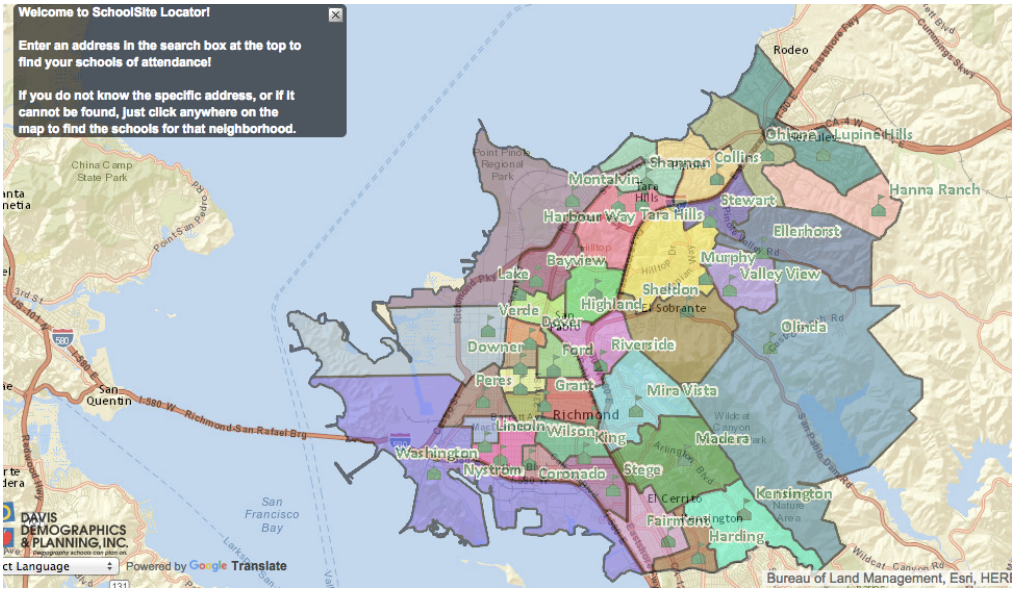
This chapter explains that the extent to which a community believes school district leaders to be transparent can have a large impact on a district's bond program. Respondents agreed that allegations that the school district was not always honest with taxpayers, particularly with regard to its budget, impacted community trust and ultimately contributed to the failure of the last bond measure. Findings also indicate that policy roles are less negotiated than dictated by the state, with school districts simply struggling to navigate the facilities financing process. These policy roles—what the state controls versus what is left to school boards—also affect the relationships that develop between school districts and the private consultants and contractors they hire to assist them with their bond programs. Given the state's practice of *not* providing explicit training to school board leaders regarding bond finance, school districts are more likely to contract out to private experts for that guidance. With regard to the relationship between school districts and consultants, respondents tended to agree that problems in the industry are connected to particular "bad apple" consultants, and the majority of complaints are also related to a particular type of consultant: financial advisors. This chapter also finds that allegations of pay-to-play issues affected the school district's ongoing bond program and involved current and former district leaders in multiple distracting and image-harming ways.

Brief Overview of West Contra Costa Unified School District

This section provides some context for understanding the school district.

Figure 13

West Contra Costa School District Map



Source: West Contra Costa Unified School District website

The information contained in this chapter, as well as in the following chapter on Oakland Unified School District, is combined from a number of public sources as well as from observation and interview data collection. West Contra Costa Unified School District (WCCUSD) is located in the San Francisco Bay Area. As shown in Figure 13, the school district includes the cities of Richmond, El Cerrito, San Pablo, Pinole, and Hercules as well as other unincorporated areas including El Sobrante, Kensington, North Richmond and other small neighborhoods.

Like all school districts, WCCUSD has changed over time with regard to its student population and community demographics. After several years of declining enrollment, down from 32,719 students in the 2004-2005 school year to under 30,000 in 2010, enrollment seems to have stabilized in the past few years, increasing to back over 30,000 students in 2012. In the 2014-2015 school year, it educated 30,596 pre-school through adult students, and the district's enrollment by ethnicity broke down to approximately 50% Latino students, 20% African American students, 10% Asian students, 10% White students, and 5% Filipino. However, the school district's African American population has been decreasing in recent years and has decreased from over 27% in the 2004-2005 school year. In the 2014-2015 school year, 70% of the school district's students were classified as receiving free and reduced-price lunch, and 35% were English language learners. The number of charter schools in the district has increased from 2 charter schools in the 2002-2003 school year, with an enrollment of 176 students, to 5 charters in the 2014-2015 school year with an enrollment of 1,451 students.

District leadership and structure. The district is under the leadership of Superintendent Bruce Harter and has a five-member *school board*. According to the WCCUSD website, "The five members of the West Contra Costa Unified School District Board of Education are elected by voters in the community for a term of four years. Board elections take place in November every other year. New board members are sworn in on or after the first Friday of December following elections. The board elects its president and clerk each year in December." With regard to facilities, the school district has a *Facilities Subcommittee* made up of two board members and staffed by members of the *Facility Planning and Construction Department* that meets regularly. Typical agenda items include a bond program financial update, reports on the facilities master plan, and a discussion of change orders over 10% or greater than $250,000, and updates on school construction projects. A district engineering officer and a director of facilities and construction lead the *Facility Planning and Construction Department*. The school district also lists four bond regional facilities project managers and two senior school facilities planning specialists on its department website. In addition, the district has a Citizens' Bond Oversight Committee (CBOC), as required by statute, to oversee the active bonds issued under Proposition 39. The WCCUSD CBOC's website says, "The Citizens' Bond Oversight Committee is the instrument for the free flow of information between the District and the Community" (WCCUSD Bond Oversight Committee website).

Brief school district financial history. WCCUSD, previously named Richmond Unified School District (RUSD), was renamed in the aftermath of its 1990 bankruptcy. RUSD was the first school district in California to go bankrupt and received a $29 million loan from the state in 1991. Though there was never any evidence of fraud or criminal conduct, the district went bankrupt due to mismanagement of funds (Tucker, 2012). WCCUSD was able to pay off its debt in 2012, four years early. During the 21

years that it took the school district to pay off its loans, the loan payments "devastated the district, costing nearly $19 million in interest payments alone, said school board member Madeline Kronenberg" (Tucker, 2012). The bankruptcy still hangs over the district's head and, as financial advisors tell the district, may influence investors' perceptions of the district.

Brief facilities history. According to Education Data Partnership, West Contra Costa Unified School District has 60 school sites, with 38 elementary schools, 8 high schools, 8 middle schools, 1 alternative school, 1 community day school, 2 continuation schools, 1 district office, and 1 nonpublic, nonsectarian school site. The school sites range in quality, though the vast majority have been recently rebuilt or extensively modernized. However, inequity between district facilities exists. For example, in 2012, the ACLU filed a lawsuit in the Superior Court of California, County of Contra Costa on behalf of two concerned taxpayers against the school district regarding facilities conditions at the Community Day School Program, alleging that "Students at CDSP have been subjected to a school environment that at times has had no electricity, no heat, leaky ceilings, insufficient desks and chairs, rat and feral cat feces, and mushrooms growing out of the floors" (ACLU, 2012). With regard to educational facilities bonds to raise money to support school facilities, WCCUSD is somewhat of an anomaly. According to school board members, WCCUSD's bond program is the 3rd largest in the state compared with other districts, though the district is the 30th largest. District voters have approved six bonds since June 1998, providing the district with a total of $1.63 billion in bond authorization. See Appendix F for WCCUSD bond measures and amounts.

However, the generosity of the district's voters might have reached a limit. Only 46.3% voted yes on the most recent bond election held in June 2014 seeking $270,000,000 in bond authorization to "Improve earthquake safety, seniors and handicapped accessibility, update science and computer labs, remove asbestos, hazardous materials and lead-based paint, bring all district schools to the same quality, meet fire codes, construct, equip facilities." Given the need for all Proposition 39 bonds to reach 55% approval, the bond measure failed, signaling what many feel is the end of an era in a school district known around the state for its large bond program. When a district obtains authorization, it usually does not issue all of its bonds at once. Of the six bond measures that passed, the district still had voter approval to issue $592,590 as of February 2015.

The Effects of Sociopolitical Dynamics on WCCUSD's Facilities Financing

A major goal of this dissertation is to understand the sociopolitical dynamics that inform school districts' experiences with school district facilities financing. This section analyzes the community and district characteristics that were hypothesized to have influenced WCCUSD's bond program experiences, with a particular focus on the financing part of the process. Analyzed community characteristics include: wealth equity history, racial equity history, location, power imbalance and the history of struggle, and the history of community involvement with the school district and bond program. Analyzed district characteristics include: district capacity and expertise over time, transparency over time, district size, and student demographics.

Community characteristics: wealth equity history. There are three primary measures of wealth that are relevant to school districts: assessed valuation (AV) of land in the district, median household income (MHI), and the percentage of students who qualify for free and reduced price lunch. The latter affects the amount of money school

districts receive per student under the new Local Control Funding Formula recently implemented in the state of California. The other two measures of wealth, AV and MHI were analyzed in the quantitative findings chapter of this dissertation to observe patterns between these wealth measures and aspects of school district bond programs, particularly with regard to the fees school district pay to private consultants involved in bond financing. In WCCUSD, there is a long history of wealth inequity, not only when comparing it to other districts, but also when comparing communities within WCCUSD.

Assessed valuation waivers. Few things impact a school district's bond program more than its' assessed valuation, and it should be considered separately from a district's median household income as the two are not necessarily correlated. As one financial advisor explained:

> I think you'll see that sometimes these align, but many times they do not…You could have a middle class bedroom community that chugs along all right, but doesn't have any type of huge industry that is creating huge assessed valuations. Meanwhile you can have a largely farming community and you could have a lot of migrant worker children that may be lower wealth, but then also you've got in that district the farms and the oil rigs, and refining that have huge assessed valuations. (Interview, Private Consultant-Financial Advisor)

To try and protect taxpayers, and because taxes to repay bonds are tied to AV, state statute restricts bond sales based on AV. As described in a recent presentation to the board from KNN Public Finance, the district's financial advisory firm: "Section 15106 of the Education Code provides that a unified school district may only issue general obligation bonds up to 2.5% of the assessed value of property within the district. Section 33050 of the Education Code allows the State Board of Education ("SBE") to waive any provisions of the Education Code, following a public hearing on the matter (with certain exceptions)." Previously, WCCUSD has requested and received four waivers of its bonding capacity. This is a major piece of WCCUSD's bond story. When compared to other school districts with a similar number of students, WCCUSD's assessed valuation is lower, which means that the school district cannot sell as many bonds to investors, and thus not garner as much money for its facilities program. One architect elaborated on how disparities in AV affect facilities quality:

> If you have higher AV, you can actually spend more money by spending a lower percentage of the AV just because you have a much higher basis to begin with. The schools are not as deteriorated to being with. SFUSD has some of the oldest schools in the Bay Area, OUSD has quite a few older schools, WCCUSD has a huge number of schools that date from the initial migration of people into the Bay area, you know the 50s, early 60s…Oakland and WCC have much lower AV, so they've got that ceiling - they can't spend more than that, and they've got so far to go to bring their facilities up to a higher standard. (Interview)

Another architect that has done work around the state agreed, adding:

> But we finished work up in [Northern] school district… I can't imagine what their AV per student is. It makes your upper quintile of 2.7 million look pretty small. I would imagine it's probably twice that. And God bless them, they support their schools, as they should, so this isn't anything derogatory, but you put that up against a West Contra Costa and some of those. You get this disparity on how do you actually compete? On a facilities level?" (Interview)

One school board member explained how unplanned for events can have a dramatic impact on the district's bond program, saying, "Chevron had a fire. It knocked 7% of our AV off…Chevron is 3 billion out of a 21 billion dollar district that year - 21 billion is the AV of the district - 24 this year probably," (Interview).

Given WCCUSD's educational facilities philosophy to provide long-lasting, high-quality facilities to its students, discussed below, the district was hampered by the statutory restriction limiting its bond sales. The district leaders made the decision to seek a waiver from the State Board of Education (SBE) to increase its bonding capacity limit. The result is that the school district has been able to issue more bonds, which has the dual effect of raising more money for facilities, which has allowed them to continue their program and build and modernize facilities they otherwise would have had to wait to address, as well as increasing the tax burden on district taxpayers as they are the ones responsible for paying the debt on the facilities bonds. The charge to obtain debt waivers from the SBE was a political one and required an organized effort. Charles Ramsey, the widely acknowledged leader of WCCUSD's bond program during his two decades on the WCCUSD school board, described his experiences working to obtain the waivers:

> If you're in a poor community, your AV is going to be like $1/10^{th}$… If I have a recession, which I've had twice, my bonding capacity, which should be if I had normal bonding capacity, should be 38 billion dollars. Well, my bonding capacity is only at 26 billion dollars. So if you only have 2.5% of that, that really has an impact, and you can't really do anything. You can't do anything. And so what happens is, this means that a lot of needs go unmet, and you're just stuck…So I went to the state twice and you can get the records in 2011 and 2013 and got the state to double our bonding capacity from 2.5 to 5% and everybody told me it was impossible, but I got it done…You actually have a bigger investment in our kids than any other school district in the state of California…When I die, I'll have the biggest smile on my face because I will always know that there was a community that got much more than anyone ever, ever wanted them to have. (Interview)

One architect noted how rare WCCUSD's approach to its bond program has been, explaining, "there are not many school districts who are willing to do…things like getting the debt limit waivers…in the history of the state, seven school districts out of a thousand school districts in this state that have gotten debt limit wavers" (Interview). Bonding capacity is in flux year-to-year as assessed valuation changes. The County Assessor is responsible for determining the annual AV of the district, which is impacted by the economy. For WCCUSD's recently issued bonds, KNN Public Finance used an assumed 4% AV growth rate over time, explaining in their presentation to the Board in February 2015 that, "With the growth in assessed value for 2014-15, the District's remaining bonding capacity with the waivers is approximately $400 million. Statutory debt capacity with the waivers will change with variations in assessed value as well as the amount of remaining debt, as the District pays off prior bonds." School districts rely on the expertise of their financial advisory firms when determining how to structure their debt as these firms are responsible for predicting a school district's future assessed valuation when constructing bond transactions. FAs have gotten in trouble in the past—or, have gotten school districts in trouble in the past—when they are overly optimistic about a district's future assessed valuation. When this happens, and districts sell more bonds than is prudent, their taxpayers are responsible for paying off the debt, even in a financial

downturn. Or, districts are left with bond authorization, but the inability to actually issue those bonds given lower than predicted AV.

Facilities philosophy and median household income. Not all communities within WCCUSD are similarly situated with regard to MHI. There is the notion that those "in the hills," including El Cerrito and Hercules, not only have more that those in the "flat" communities, including Richmond, but some also claim that individuals living in various communities differ with regard to what they think school students ought to have. Former WCCUSD board member Charles Ramsey described how he perceived the impacts of community wealth on facilities expectations:

> When we first started in 1998, we didn't have a middle school in Richmond, so it was more about need. A low-income city had been deprived of having its own middle school. That was for 40 million dollars. I learned then that if you're in a low-income community, there's low expectations. Staff said, well we'll build you a new school for 16 million; a new middle school. We were like, wow that's great. That's exciting. Cause you don't know, millions just sounds like a lot of money. And I started hearing from some of the people, and they said, you know you're not gonna get what you think you're gonna get for that…And that was the first real time that I had been exposed to how people in general sell people out in low-income communities short. (Interview)

The disparity in facilities quality between wealthy suburban school districts and lower income, more urban communities like parts of WCCUSD is apparent to professionals in the industry that work with school districts around the state. In this quote that is emblematic of those from individuals in the industry speaking about facilities inequities around the state, one architect described:

> I still think there's a lot of disparity between the districts that we work for. We tend to work for primarily more urban districts, for example SFUSD or WCCUSD or OUSD. All of which are fairly urban, well, very urban, have fairly large components of their districts that include low income students and their facilities tend to be kind of at the lowest common denominator. We also from time to work with some more well to do districts…The facilities are, well, incredible compared to what we see in some of the more urban districts. (Interview)

Some of the school district's leaders, with Charles Ramsey leading the way, pushed back on the notion that low-income communities should have lower quality schools, and over time, WCCUSD's educational philosophy of facilities emerged. With the funds from the first bonds the district passed, leaders decided to spread the money around the school district, doing modernization projects where they seemed most pressing. However, over time, the district developed a higher standard of facilities quality, and that standard has received much praise as well as derision over the years, depending on the viewpoint of the speaker. One former CBOC member described how the board made the decision to follow a high standard for facilities:

> There has always been a master plan, but the district is really focused on, people think of it as a dirty word, but scope-based building. What does the community need? And what should a building provide? The way the district looked at the buildings was really smart of them. The district set what they called a C1 standard. The C1 standard, the basis of it is, if we were looking at rebuilding a

> building, and you got to 75% of the cost of a brand new building, then it required that the whole building be knocked down and be rebuilt. (Interview)

While California sets basic standards for facilities quality, including for example, the minimum number of square feet a classroom should have, school districts are allowed considerable latitude with regard to their facilities quality and specifications. It is widely acknowledged that, prior to the bond program, the facilities in WCCUSD were in disrepair. When asked to comment on the difference in facilities before and after the active bond program, one board member described, "They were dilapidated and dangerous. Every child—every school my kids went to—had it not been rebuilt, was a seismic death trap, 100 yards from the fault line," (Interview). Like all districts, WCCUSD had to make decisions around how to allocate its facilities dollars. As described by one facilities expert involved with the bond program:

> This is a blue-collar area and they wanted to have their schools…I don't know if you ever looked at the schools before the bonds…Oh, my god. They were filthy, there was graffiti, bathrooms were clogging up, the water fountain didn't work. The first school we built was DeJean Middle School…They put in the very best of the best so this middle school could be comparable to something you would get in Orinda. There's no reason the why those kids shouldn't have good schools anywhere in California. (Interview)

Through talking with school board members and professionals around the state familiar with California school districts, I learned that districts vary widely with regard to their "philosophy," or how they allocate facilities dollars. While there are many different ways to think about facilities, a common constraint that most districts face is having more needs than they can afford to address. Added to that, many larger school districts also have to contend with the politics of allocating facilities dollars, with multiple communities or neighborhoods requesting funding for their particular neighborhood school. School district leaders are put in the uncomfortable position of deciding which schools and communities to address and which to upset. Some school districts decide to "spread the butter thinly" to hit as many schools as possible across the district, addressing the most critical needs, usually related to health and safety, as WCCUSD did when it began to ramp up its bond program. Politics come into play, as one architect explained:

> Let's say the district pass a 10 million dollar bond…and this district has 5 schools, while the 5 schools may not be equal in terms of need, and they might all need 5 million dollars worth of work, but the district only has 10 million dollars, so 10 million dollars for the 5 schools, let's give 2 million dollars to each school. Again, you're just basically doing maintenance work, you're not really satisfying the need, you're doing what you can with what you have, and instead of taking 2 schools and saying, 'We're really going to do all 5 million dollars worth of work at these 2 schools, we're going to spread it around so that everybody gets a little something so nobody feels left out and therefore complains and makes it a political problem for the school board.' (Interview)

One school board member described how WCCUSD's philosophy evolved, saying that the district realized after its first few renovation projects that they could either spend a lot of money to have clean, but not great facilities, or, they could spend a little more and "have an extraordinary facility" (Interview). Many professional consultants in

the industry have strong feelings about the wisdom of various school district facilities philosophies. One architect said:

> Most of these projects…I could rebuild that school for $10 million brand new, that building, and it's going to cost you $8 million just to do what you need to do to make it useful again. That 20%, it's all ... Different ways of thinking, and so that translates in the bond program. Do you take that money and do you spread it thin so everybody gets a little bit of something, or do you take the money and say, 'Look, we're not going to get everything done. Your school's not going to get anything until later but whatever school we go into, we're going to do the best job that we can so it is as done as we can make it so we don't have to go back again.' (Interview)

Another architect contrasted WCCUSD with other districts that do renovations bit by bit, which disrupts the learning environment and leads to higher mobilization and construction costs in the long run. The architect explained:

> This philosophy of determining what the need is and spending all your money on the priority school and getting everything done is a new trend. The first district that I saw do it was West Contra Costa Unified, but subsequently there have been other districts that have done that…there are plenty of school districts like Oakland Unified which takes their money and spread it around, and yeah, they've got a few choice projects where they've said, 'No, we're going to spend a lot of money at this campus, and a lot of money at that campus.' But the decision making process is a little sporadic. I prefer…the idea of identifying the need and taking care of all the need at once…because first you give these kids and teachers a world-class environment, you give them a great environment to work in. (Interview)

One architect that has worked with districts around the state compared WCCUSD to wealthier districts with high assessed valuation that can build state-of-the-art facilities, and noted the uniqueness of WCCUSD's facilities philosophy, explaining:

> Charles Ramsey, who is really willing to push all the rules as far as he can possibly get to get as much resources as he can and I've always applauded Charles for doing that, because he is absolutely right. His philosophy is 'Hey, just because our community is not as economically robust as some of the other that surround them, does not mean that we should have second rate facilities.' I would have to say that is kind of the exception. Most school districts say, 'This is the resources that we have, we will do what we can.' (Interview)

However, WCCUSD's facilities philosophy has many critics. As one school board member and advocate of the bond program explained, the school board's philosophy was often at odds with others in the community, including the newspaper:

> They believe – West Contra Costa has a lower income level than Walnut Creek or Lafayette – that their job is to protect taxpayers. And so all they're looking at, is they're not looking at what those taxpayers are buying for their dollar. They're saying, they don't make enough money, you shouldn't ask them to pay more…I say, if anybody should invest more in their kids, it's lower income kids. (Interview)

A school board member who led the bond program is sensitive to allegations that the district spent "too much money" on their facilities program, explaining:

> But it's not about being beautiful, it's about the fact that these are needed uses that we would all want for everybody in our life. That's what it is, they're uses. The facility is a use, the use of it in a way to help promote what you want for your students. My belief is, yea, other people say you don't need it. I think that's a lie. I think you always need to upgrade and modernize and make things work. We wouldn't have a damn smartphone if people didn't think it was necessary. We would still be using Morse code. That's what we'd be doing. So that's always a specious argument only used for low-income people. (Interview)

Those who defend the bond program, both district leaders and private consultants working on the program, point to high quality facilities in other, more affluent areas of the state, noting that WCCUSD's bond program has brought its facilities up to a level of which the community can be proud.

One criticism of WCCUSD's facilities program from the newspaper is that bond dollars have been spread around inequitably with schools left unfinished, though opinions differ on the extent to which this is a real problem (see Harrington, 2015 as an example). It is a fact that there are a few schools that have not yet been addressed by the bond program, and a few of the schools that have been addressed were simply modernized, not torn down and rebuilt like others in the community. As one architect explained:

> Now you've got a district where the last bond measure failed, and now they're going to have to look at a prioritization scheme, and they've got some projects that will happen and some that won't, and you're going to end up with some schools that never got touched, not even a little bit. It's not fair to that segment of the population, but they could go out for another bond, too. (Interview)

Some community members allege that remaining disparities are tied to differences in wealth levels of WCCUSD's pockets of communities. One board member summarized the current disparities in district facilities, saying:

> It's complicated to decide where to put resources. West Contra Costa is good because the bond money was put in place and used to replace schools that were built back when I was in kindergarten. The World War II generation comes back and was under the notion that we were going to have a quality in terms of education. We built a lot of stuff. 10 years ago those buildings were falling apart. They're still falling apart. Where we are able to build new things it's pretty good. We've got a whole bunch of portables all over the place. (Interview)

One former member of the WCCUSD CBOC, tied disparities in facilities quality around the district to median household income, noting, "If you look at Kennedy High and Richmond High, they look like prisons. The kids are already poor" (Interview). When asked how the school district prioritized projects, one former school board member said, "It just evolved. We decided in 2001 we would make sure each community got something. We didn't base it on need. We based it on making sure each community felt like they had an investment in the bond measure…remember we were shut out of the state building program because of the bankruptcy for 7 years. We got nothing from the state" (Interview). Despite spending hundreds of millions of dollars on its facilities over the last decade, people still point to the differences between WCCUSD facilities and those in other, more affluent areas of the state. One architect explained, "It's night and day. You take a look at the American Canyon High School and what a nice facility that is and you go over to Kennedy High School in West Contra Costa; it's a little bit different,

and the experience that the students will have in each of those schools is going to be completely different. The contrasts are pretty stark" (Interview).

The most vocal critiques of the WCCUSD Bond Program are related to the overall cost of the program, particularly with regard to the facilities philosophy. As one former CBOC member explained:

> One of the driving forces of our school district is that they have this idea of a standard that's much higher than a state standard…They say if you have a middle school you have to have a playing field to play professional soccer on it even though we have no athletic interscholastic athletic program below the high school level….They just go out of the way to build this $6 million dollar field that is a nice... but why are you doing that?...I think it was political…Then you play the equity game where you say, okay we're going to give El Cerrito and Kensington... where naturally people who vote, who vote regularly and buy taxes because it's a relatively liberal area. They get everything first. Then everyone else says, we want that too and so then you have to build…That's how they raised all these bonds, by saying... By never saying what they really were going to spend. How much they were going to spend, but just doing it incrementally. (Interview)

An industry expert familiar with the bond program agreed about communities wanting what other WCCUSD neighborhoods had already gotten, explaining, "Once you have that as a demonstration of what you're gonna do, and you go to another school community and say 'Oh well we're just gonna modernize your school,' they're like 'What? They got that! How come we're not getting that?'," (Interview).

The fact that people disagree over the amount of money that should be spent on school facilities would not be surprising or noteworthy in most districts. This should be expected as people tend to argue over the level of spending on most "public goods." What makes the level of spending notable in WCCUSD is the uniquely large size of the bond program overall and the fact that it has garnered so much attention, not only from district residents, but from the consultant community, the state, and now the FBI, SEC and a Contra Costa County Grand Jury. The amount of spending has played a large role in all aspects of WCCUSD's bond story and is tied to the school district's educational facilities philosophy as well as to past and present district leaders' commitment to providing high quality facilities for students in the school district for years to come. This chapter will continue to explore the unintended consequences of this spending.

Community characteristics: racial equity history. As a school district with predominantly students of color, WCCUSD's leaders are aware of ways in which the school district's ethnic diversity can, or possibly has, influenced its bond program. One issue that impacts all school district bond transactions is the arguable subjectivity of credit ratings. When school districts issue bonds, they typically obtain credit ratings from one or more of the country's leading credit agencies: Fitch, Moody's and Standard and Poors. In a recent KNN Public Finance Presentation to the WCCUSD school board, the financial advisory firm explained, "The District has secured ratings of Aa3 (stable) / A+ (stable) / A+ (stable) from Moody's, S&P, and Fitch respectively. The most recent ratings reports have discussed credit strengths, such as the District's solid financial position and reserves. Credit challenges include overall debt levels as well as expenditure and enrollment pressure," (Slide 5, KNN Presentation to the WCCUSD School Board, February 11, 2015). What the KNN presentation did not discuss, however, is the extent to

which other community factors, such as a community's history, might impact the bond's credit rating. In a negotiated bond sale, underwriters sell a school district's bonds to investors, and there is a common understanding in the industry that investors might be weary of buying bonds from a school district with any "problem areas," which can include a district's reputation. As one WCCUSD School Board Member explained, the district pays all three ratings agencies and now has a split rating:

> WCCUSD School Board Member: If you have a split rating, you pay more.
> Me: Because the bond buyers are going to say, well, it's split so it's not as secure so they're gonna want higher interest?
> WCCUSD School Board Member: Well, they ask for higher interest. But this is like money right? This is gold. It's so much extra that poor people pay in interest without, for the life of me, I can't see a higher risk - to be honest….Just because our citizens are poor, right, just because our board is primarily minorities, we're not bond buyers, or used to be - now we're all White, it's so strange…All these sort of prejudices. (Interview)

The school board member was insinuating that the fact that WCCUSD formerly had minorities on its school board, and the fact that it is a low-income school district, that the credit rating of the school district would be lowered. One industry expert who has worked as a school board member, as a financial advisor, and for a statewide membership organization pointed to the credit rating system as a major problem in the school district debt transaction world. He explained that some school districts are penalized for their perceived reputations, meaning that they receive lower credit ratings from the ratings agencies. Consequently, their investors who buy school district bonds will receive higher interest payments, costing the school district's taxpayers more money in interest payments holding bond dollars constant. What makes this system strange is the fact that investors will be repaid, with interest, regardless of school district characteristics such as race or wealth levels. When taxes are collected annually from district taxpayers, that money is held in a trust and repaid directly to investors. The money investors are "owed" is protected. The WCCUSD School Board Member elaborated:

> You also have to understand—what drives me crazy is, here we are, right. We're a low-income district with a history of bankruptcy. And we're in Richmond. Richmond has its own baggage in a lot of people's eyes. So, we have debt ratings that are lower than, let's say, San Mateo. I cannot for the life of me see how we have a higher risk. The money that we've promised the bondholders doesn't even hit us. It goes straight from the taxpayers into an impound. And it's gonna be that way if we go broke again, whatever…We are twisting ourselves into knots to serve bond buyers. (Interview)

The term "baggage" when referring to Richmond might have been alluding to a history of racial tensions, police violence, or other references to Richmond's past, though this board member did not elaborate on that point. When asked about the credit rating system, one former WCCUSD School Board Member explained how issues related to the school district impact bond transactions,

> I think negative versus competitive just deals with things that I on my side don't know. I'm not a banker, so I don't know if there's real genuine interest or they have to drum it up. I don't know. Competitive is that you believe there are people that are interested in your bond. In a single A rated school district, I don't think

> many [investors] are going to be interested in our bond because really a lot of these portfolios really shouldn't be looking at school districts unless they're AA or better. And I know last year with our refunding, which was a huge success, after the SEC subpoenaed the school district and opened an investigation in the school district, we had like 60% of the investors and bankers get out of the deal. If it wasn't Piper [underwriting firm] buying like $33 million worth of bonds, the deal would have went kaput. (Interview)

This quote reveals not only that the credit rating system is complex and opaque even to school board members who have studied the system, but also that bond transactions are sensitive to issues going on in the district, like the SEC investigation. Though, technically, the investigation would not impact the assessed valuation of the school district property, and therefore would not affect bond repayment, taxpayers living in school districts with less than perfect records can still be "penalized" through higher interest payments if their school districts' bonds are rated low as a result of district issues. This issue has received some attention in policy circles already.

Contractor and consultant hiring and race. Individuals involved in the WCCUSD bond program commented on the explicit ways in which the school district leaders made a point to incorporate minorities into the bond program. With regard to hiring contracts, the school district set up an explicit project labor agreement with the unions, and in return, received strategic support from union labor for subsequent bond election campaigns. One individual from a local building and construction trades group familiar with the bond program described the relationship between contractors and WCCUSD and the explicit attempts to involve minority-owned businesses:

> They had no more shoddy construction projects. The projects were going on schedule, on budget. Then they go, 'We need to go out for a bond to get some help and support for you.' Obviously, we had a ton of local people working from the community and the area and they said, 'Hey, our people would support a bond.' A lot of them because they've got school kids go to school there, but two, they have a pride in workmanship, and they'd be the people that'd be working on the project. We're doing all this outreach, trying to recruit more women, minorities, economically disadvantaged, so we put all this together and it's been a winning solution. That's a fact. (Interview)

A former member of the WCCUSD CBOC agreed that the district reached out to diverse segments of the community for its contracting work, saying "Yeah, like they were minority owned businesses. African American, Spanish-owned companies, Women-owned companies, minority architects…" (Interview). One architect talked about being proud of his work with WCCUSD, saying, "I was one of the principal designers on [District] Elementary School, which obviously resonated with me as an Afro-American" (Interview). However, there is a sense that this outreach might change now that the school district has an all White school board. One architect described his difficulty getting contracts with school districts as a minority, saying:

> Architect: It's been a struggle for me as an African American to get work and to stay alive. Usually, it's, you know, I get work where there's an African American either in charge or has some kind of influence. Like Mayor Brown was in San Francisco. I got a lot of work in San Francisco. When he left, it stopped, just like that. And I'm suspecting it's gonna stop in West Contra Costa.

Me: Now that Charles Ramsey is out?

Architect: Right. (Interview)

Whether the percentage of contracts with minority-owned contractors and consultants changes as a result of a new school board remains to be seen.

Community characteristics: location. One factor that can have an impact on a district's bond program, including the amount of work they can do and the number of contractors and consultants they can hire, is the dollar amount of bonds they can pass. The San Francisco Bay Area has, overall, a liberal voter base relative to the rest of the state, which is more willing than many other areas to vote to increase their own taxes to support public schools. While many areas around the state have communities that are willing to pass bonds every few years to support local schools, the Bay Area is known for being very supportive of GO bond campaigns. WCCUSD has benefitted from its location in the Bay Area and the supportive voters that go along with that, which is evidenced by the district's ability to pass 6 school facilities bonds in a relatively short amount of time.

The geography and topography of a school district can also impact its bond program. When the school district is large, with regard to square miles as WCCUSD is, it can cover many towns or established neighborhoods, each with its own identity and history. When highways or hills further separate those areas of a district, or between districts, the extent to which the communities feel distinct from one another or in competition with one another can increase. In WCCUSD, there is the understanding that the school district needs to compete with other districts in close proximity that can lure WCCUSD families away. When asked about parents' perceptions, one WCCUSD former CBOC member explained, "people in the hills tend to run away to Berkeley or Albany schools, somehow try to transfer their kids there" (Interview). One former school board member felt that the geographical separation of Contra Costa area communities impacts prejudices, particularly in the newspaper:

> Why are you running these bogus arguments?... All these are just your own opinions. Are you really prejudiced against people like this? If you say they can't afford it? Why do you feel that way? …They're in Walnut Creek. They don't come out to Richmond. (Interview)

Regarding the newspaper, a former CBOC member said, "It has never written a fair, balanced article about us. They are White people from over the hill who don't believe poor people should have an equal education to their children, in my humblest opinion" (Interview). Another board member lamented the inequities between the geographically segregated communities of the Bay Area, saying, "We're not going to have an equitable system…The accumulation of opportunity in a narrower and narrower band of geography, driven largely by schools… The competitive pressures of the world are going to narrow what people have access to" (Interview). The Bay Area, like many other areas, is segregated geographically by income, race, and politics. This segregation impacts district bond programs, and thus, can impact the quality of a school district's facilities.

Community characteristics: power imbalance and history of struggle. Segregation and community differences can impact the balance of power between communities and their members and contribute to the sense of struggle in a district. In WCCUSD, as in other places, there are individuals that are ruled by the mindset that resources are limited and in a resource-constrained environment, there is a zero-sum game that is played so that in order for some communities or populations to have

something, others have to give up something, or that in order to focus on one issue, other issues will be left behind. There is an understanding in the district and amongst those familiar with the program that support for WCCUSD's massive bond program has changed or diminished in the year or so leading up to the most recent bond election, when the district's voters decided not to pass a seventh bond. When asked about opponents of the bond program, one CBOC member explained that taxpayer discontent drove the opposition, with the loudest voices, "from groups of people who are paying the taxes and maybe their schools are not going to be part of the improvement. There is a strong feeling that maybe the school district will not be able to meet its commitments or the promises that they made under these six bond measures" (Interview). The district's taxpayers are currently paying off the debt on the previous bonds, and many people have pointed to a group of "watchdogs" that organized to call attention to the debt burden. A CBOC member explained that the watchdog group, "makes it a point to question everything and…get[s] a lot of publicity and they have the charter schools also helping. There's a big push now of opposition that hasn't existed so much before" (Interview). It is unclear how many people in the community actually agree with the small, but vocal anti-tax group. With regard to the lack of willingness of a small group to support continued bonds, one architect expressed his frustration, explaining:

> West Contra Costa as an example has been extraordinarily willing because they've seen the benefit and this is the thing that drives me nuts about the paper is, oh, they talk about the super high tax, the super high taxes and yeah, they are some of the highest for schools in the state, but it's still less than a cup of coffee a day. (Interview)

An industry expert who previously worked closely with WCCUSD's bond program believed that CBOC members organized the bond opposition efforts, explaining that CBOC members, "asked for help in funding an opposition campaign and several of them are charter people who were getting kicked around by the school district so it was the first time they ever had organized funded opposition to a bond" (Interview).

Respondents seemed to be in agreement that WCCUSD's leaders spent a great deal of time on the bond program, relative to other school districts, though respondents vary in their opinions on whether it was time well spent. While bond program leaders are proud of their commitment to the program, saying "We stayed passionate about it…we never felt like we were satisfied with where we were" (Interview, WCCUSD Former School Board member), other members of the community worried that the school district spent too much time focusing on the bond program and that facilities took up "too much air" at the expense of other issues that also mattered. Given that WCCUSD focused time and other resources on its bond program, including hiring consultants specifically to maximize matching funding from the state's facilities program, one former CBOC member worried that WCCUSD was unfairly pulling funding from other districts around the state:

> One of the problems with the existing state funding was that it was always matching. Districts that had the political capacity, not just the ability to pay, but also political capacity to organize would be rewarded when their need wasn't necessarily the same…There's a finite amount of money in these buckets. What about other places? (Interview)

All school districts leaders must decide how to allocate resources and prioritize certain issues over others. In Contra Costa, the district struggled with satisfying its voters, individual communities, charter school advocates, and a small, but vocal anti-tax group.

Community characteristics: community involvement. Prior to the most recent failed bond election, WCCUSD voters had supported bond campaign after bond campaign, granting the school district $1.6 billion to improve school facilities. School district leaders worked hard to cultivate a strong relationship with the community and made a commitment to voters and taxpayers to levy at tax rates less than Proposition 39 maximums, promising a $48 tax rate maximum instead of a $60 tax rate maximum per 100,000 of assessed valuation, as outlined in ballot language. However, respondents disagreed about whether or not WCCUSD community members, as a whole, actually understand the details of the bond measures they have voted to pass. While most respondents agreed that community members are aware that the school district has a commitment to quality facilities, some respondents suggested that community members might not have understood that the tax dollars they agreed to pay had to go to facilities and not educational operational costs. One former board member described how the district worked with consultants to determine how much money to ask for from voters:

> We had a poll done in 2000…the guy said, it's not about what you think you need. It's about what people are willing to pay. And so he asked a question differently. Would you be willing to pay this, this, or this? Not whether you *need* this, this, or this? So I changed my outlook and from that point forward, I just asked the community, are you willing to spend more money on facilities and $1.6 billion later, that's where we're at. (Interview)

This quote suggests that the school district determined first what the community would be willing to spend and then applied that to their needs instead of first determining their needs and then asking the community for a specific amount. This process is consistent with what respondents told me in my pilot study, though one bond lawyer with decades of experience working with district bond programs criticized this method of asking for community support, blaming private consultants that encourage school districts to think this way:

> I've talked to districts that say, 'Well, we're going to do a bond election.' 'Really, what are you going to build?' 'I don't know.' They have no idea. They probably have something they can get done. This guy showed up at my door and said, 'You should do a bond. I think you could win. Let's put a $15 million on the ballot.' (Interview)

This respondent was explaining that some financial advisors and polling consultants approach school districts and encourage them to ask their communities for money instead of beginning with an assessment of the needs of the community. One financial consultant agreed, saying, "I think first and foremost, educational decisions including facility decisions should be community driven," though he cautioned that private consultants and the district need to provide structure to the discussions because, "They're not the experts in educational delivery or in facilities" (Interview). He went on to explain that an overreliance on community involvement can actually perpetuate facilities inequities because "you may have a loud voice in certain schools, and not a loud voice in other schools" and therefore consultants should "equip the community with the right tools so that they can make good decisions about their facilities," (Interview). These

excerpts emphasize the importance of starting with community needs, but then balancing community involvement with professional expertise to ensure that money is being spent in an equitable way to address district facilities needs.

District characteristics: capacity and expertise over time. School district capacity and expertise, at the staff level, the school board level, and even the level of the Citizens' Bond Oversight Committee (CBOC), are perhaps the most critical characteristics affecting a school district's bond program, especially with regard to their level of contracting out. Across the 60 interviews conducted for this dissertation, this issue came up with 17 respondents. This section analyzes how capacity and expertise at various levels of the school district have affected its facilities program.

Staff capacity and expertise. School district staff members, generally, run the bond programs at a school district and are responsible for overseeing daily operations, long-term strategic planning, and addressing issues that arise over the course of spending facilities dollars. The roles of district facilities staff members vary by school district size and resources. However, larger districts are not guaranteed to have larger facilities staffs, or necessarily, greater facilities expertise. As confirmed by a facilities expert working at various levels of public and private facilities organizations, "Even the bigger districts don't have the expertise, actually" (Interview). Oftentimes, the level of staff expertise is related to the interest of particular individuals within the department, including whether they have taken an interest in the intricacies of bond programs or whether they have previously worked with another district with a bond program in the past. Even district staffers who have worked in facilities or district finance for many years might never develop the capacity for running a bond program because financing facilities through bond transactions is an intermittent need. As one underwriter with decades of experience working with school district bond transactions explained:

> The trend line for the level of professionalism among chief financial officers has changed over the years and now there are many more chief business officers who have financial and accounting backgrounds, and who are prepared to do the jobs that they do. Even though they may be much better at their day-to-day jobs than their predecessor generation had been. When it comes down to settling debt - that is not part of their normal routine. It is not part of their training with their trade associations. (Interview)

Another facilities expert with decades of experience in the industry explained that school district staff members who know they have needs for facilities and projects that community members want to do, "probably don't have the financial capacity or expertise in house," to develop a project and plan the amount of money they might need, "which the financial advisor can do. So, I would say they [advisors] are performing a service and districts don't have the capacity, generally… you almost always need help because you want professionals, typically, for things" (Interview). The district staff members work closely with the school district's financial advisory firm. For example, during the last bond transaction in the spring of 2015, the staff worked to get financial information to the financial advisor so they could put together the official statement and make sure the information was accurate and that it matched the financial audit that was issued as a financial report at the end of 2014 to the school board and the state. When asked why the school district needs a financial advisor and cannot complete these tasks "in house," one district staff member explained:

> I have never heard of the district selling bonds without a financial advisor. Those of us involved in education and education finance have no experience in selling bonds and that process...It wasn't until I sold my first bonds with the assistance of a financial advisor that I became aware of what an underwriter is and what bond counsel does…typically the people in education finance aren't geared to that unless they actually come from the business and come to work for a school district. (Interview)

When asked whether it was typical for a private consultant to come work for a school district, the staff member laughed and said, "Too much money to be made outside of education," (Interview). The staffer explained that over time, as he gained experience, he learned how to ask the right questions and keep an eye on legislation.

With regard to developing district internal capacity, leaders within the Coalition For Adequate School Housing (CASH) recognized a capacity gap and developed a facilities leadership academy to help school districts learn about industry best practices. At monthly meetings, school district staff attended class on a range of facilities issues to increase their expertise. According to a facilities expert and one of the organizers:

> So it was CBOs, facility directors, facility coordinators, lower level people that wanted to move up, and there's a lot of that that goes on in school districts. And also industry people; architects and construction managers and contractors realized, 'Oh if I get in the leadership academy then I meet all these people,' and so they see it as networking, and that's what CASH is about, ok. It's partly a networking organization, so we had a lot of them. (Interview)

CASH felt that its leadership academy was fulfilling a need and helping school district staff understand how to better serve their communities. While this academy was in a way providing staff with the skills to oversee private contactors working with their facilities program, it was also providing consultants and contractors with access to school district staff members who would potentially be in the position to hire them.

School board member capacity and expertise. School board members are responsible for many aspects of a school district's facilities program. While opinions differed with regard to the appropriate level of expertise board members need to approve facilities decisions, most respondents were in agreement that school board members would ultimately be held responsible if anything goes wrong with the program. One financial consultant expressed that it is staff's responsibility to educate the board, saying "I don't think that the board members should need to absolutely immerse themselves into every aspect of the district, but they need to have enough information to make the decisions and to get the right information" (Interview). An architect reasoned that school board members tend to lack expertise regarding facilities given that they are typically elected to improve the education of students and "rarely do they run on a platform" of improving facilities (Interview). He connected school board members' interests with their political responsibilities to improve test scores, which then shifts resources, adding, "The voices of the maintenance department are often silenced or they just aren't heard" (Interview).

When conducting interviews, I was able to speak with four of the five current WCCUSD school board members and one former school board member regarding the bond program. On the topic of board expertise, the board members all recognized that, given the size of WCCUSD's bond program, it was critical that they have some expertise

on the topic. However, the extent to which they had individually become involved in or taken steps to increase their capacity to make financial decisions regarding facilities differed. One board member described his disengagement with the district's facilities prior to joining the board, saying, "It was, I wasn't there - this is back 12 years ago, but I've been watching it as a parent from the periphery. Frankly, not engaged. Disengaged. As a taxpayer, parent, all that. I have not had any real interest in facilities" (Interview). This board member, though, has taken it upon himself to study facilities financing and had attended a Bond Buyer conference to understand the industry, saying "You have to learn everything about everything. There's no choice. It's complicated" (Interview). Another board member acknowledged that "I make a better football coach than bond manager" (Interview), but had recently had a tutorial with district staff to try and improve his knowledge and expertise.

One experienced board member who has learned a lot about the bond program through her work on bond campaigns and on the WCCUSD CBOC prior to becoming a board member expressed her frustration with board members at large for not having the critical expertise needed to oversee their district's bond programs. She said, "Look at it and think: who is making the decisions? Who's involved? The people making the decisions on the school boards are often PTA moms. They don't see it." (Interview). She described how she had worked with other board members and the school district's consultants to put on a conference session at a prior California School Board Association meeting to try and pass along their district's expertise to other district leaders, and only one person showed up to attend the session. To her, this was an indication that school board members are not interested in learning about facilities and do not want to take the time to learn about how to run facilities programs.

Charles Ramsey, the widely acknowledged leader of the WCCUSD bond program, felt similarly about school board members around the state and was frustrated that board members do not take the time to gain the necessary knowledge, saying "Their big issue is always the same thing: teachers and learning. All they care about is student achievement even though the job is so much more" (Interview). He spoke at length about the process he undertook to learn the ins and outs of facilities financing, arguing, "I was ignorant. I learned. You know what we teach our kids every day, right? What do we tell 'em? Motivate 'em? Why not start with yourself? Be motivated" (Interview). However, Mr. Ramsey indicated that taking an active interest in the bond program as a school board member can have its pitfalls, declaring, "I got criticized and excoriated. They accused me of micromanaging because I wanted to educate myself…I went to the Bond Buyer conferences with other board members. We attended a lot of trainings about what was going on…nobody knows this stuff" (Interview). Mr. Ramsey believes that his taking the time to learn about bonds helped the school district's program be more successful and saved the school district money. A former member of the WCCUSD CBOC agreed, saying, "Absolutely, without a doubt. It is a fact" (Interview).

A newer WCCUSD school board member, one who has entered the board after all the bond elections, expressed her interest in running for the school board in the first place and how it was not related to the facilities program, noting "I'm just learning that we have these facilities and the bonds for them in more detail, and it's certainly not my area of expertise. I came into the board really wanting to tackle the mediocre education that I think kids are receiving in our district," (Interview). She explained that she has been

learning about the bond program by talking with people who have been involved in the program, asking questions, and reading about bonds. She complained, "The district has not provided any specific training. I've been advocating for several months to get a board handbook so that we have a handbook to follow for how we work as a group…It was very difficult for me at the beginning," but added that she has put a lot of effort into trying to understand bonds and facilities (Interview). Overall, the WCCUSD school board has taken, and is taking, an active interest in the bond program, particularly when compared with other school districts' leaders around the state.

CBOC capacity and expertise. Proposition 39 requires that any school districts that issue bonds under Proposition 39's lower threshold (55%) have a Citizens' Bond Oversight Committee to oversee the spending of bond funds. The California Education Code Section 15278 et. seq. specifies the purpose and role of CBOCs in the state, including ensuring that bond revenues are expended only for the purposes described in the ballot language and that funds are not used for operating expenses. The CBOC also reviews a performance and a financial audit of the bond program, inspects school facilities and reviews deferred maintenance proposals. CBOCs may also engage in reviewing efforts by the school district to:

> Maximize bond revenue by implementing cost-saving measures including, but not limited to, all of the following: (A) Mechanisms designed to reduce the costs of professional fees. (B) Mechanisms designed to reduce the costs of site preparation. (C) Recommendations regarding the joint use of core facilities. (D) Mechanisms designed to reduce costs by incorporating efficiencies in school site design. (E) Recommendations regarding the use of cost-effective and efficient reusable facility plans. (Education Code Section 15279)

The WCCUSD CBOC is unique in a number of ways. First, it is much larger than most CBOCs. CBOCs are required to consist of at least seven members of the community, including one member in a business organization, one member in a senior citizens' organization, one member in a bona fide taxpayers' organization, one parent or guardian, and one person who is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization. CBOC members may not include employees or officials of the district, nor can vendors, contractors, or consultants serve on the CBOC. The WCCUSD has 21 members, which is a point of contention with many of its critics. In addition to the members required by statute, WCCUSD also has CBOC members appointed by school board members as well as representatives from individual communities. One criticism is that a committee cannot properly evaluate the bond program when they are overseeing the very people that appointed them.

Another issue is the appropriate role of the CBOC. According to one WCCUSD school board member, the role of the CBOC is quite limited. She noted, "The Citizens' Bond Oversight Committee is ex post facto, so they just evaluate what has already been done…The only way they can influence things that are happening in the present or future, is to say that a similar kind of action was used in the past and it wasn't a good thing to do" (Interview). One bond lawyer was critical of the WCCUSD CBOC, saying:

> The West Contra Costa Oversight Committee is run amuck. They're out of control. The district itself is out of control…West Contra Costa's oversight committee believes that they have an obligation to be far more proactive and far more involved in the minutia that I think is reserved to the elected officials, than

> the people believe…They're not a good example of good practices, but they're an example of what happens when the school board itself, or members of the school board are train wrecks…It's inconceivable to me that an oversight committee should have the authority to hire an independent attorney to represent that committee. Who is supposed to pay the attorney's fees? There's no budget. (Interview)

A major issue is the capacity and expertise of the CBOC to perform its role. School boards are supposed to provide CBOCs with "any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose and sufficient resources to publicize the conclusions of the citizens' oversight committee" (Education Code Section 15280) without expending bond funds. Given that the WCCUSD CBOC also meets once a month, more frequently than most CBOCs, they require a large amount of information from school district staff.

The WCCUSD CBOC is often described as a large, unwieldy group lacking expertise. One CBOC member described her experiences on the CBOC saying, "It was a big blur. Inadequate training. Political infighting. Meetings were unstructured and crazy…I found tremendous bureaucratic problems… a lot of hierarchy, obstacles… information that was unobtainable" (Interview). She explained that CBOC members have to deal with the "huge, huge monster issues with incredible amounts of documentation and paperwork" (Interview). One current CBOC member described the difficulty in obtaining information on the facilities program from the school district staff and school board, noting the contentious relationships between former CBOC members and school board members, past and present. She explained that the district's facilities subcommittee was, in her opinion, previously "run in a very loosey-goosey way. There were no documents, no backups. I went there and complained, how are we gonna know what you're talking about if you don't tell us what's going on?" (Interview). She complained that, previously, the CBOC had difficulty with staff cooperation and communication, saying, "We would have questions that we asked directly of staff. They would say, we don't know the answer, and we'll give you an answer… next meeting, we still didn't have an answer. We'd wait. The answers were inadequate" (Interview). She worried that the public was not as informed about the bond program as it could have been given the inability of hard-working members of the CBOC to get the information they needed. She explained that the newly constituted facilities subcommittee is more organized, with agendas, more documentation, and the ability for people to ask questions in a productive, positive environment. She also noted that the superintendent directs staff to support the CBOC and that the new associate superintendent and other staff are willing to support the CBOC's efforts, allowing them to make a lot of progress in the past year.

With regard to capacity and expertise, most CBOC members join the committee knowing very little about how bonds and facilities programs function. CBOC members, past and present, that I spoke with indicated a lack of training or dissatisfaction with the training provided. One former CBOC member explained that the committee members were provided with a few sheets of paper of basic information, but was dissatisfied with how disorganized the training was. Interestingly, one WCCUSD CBOC member decided to create an unofficial statewide organization called the California League of Bond Oversight Committees (CaLBOC), which describes itself on its website as an "all volunteer, non-partisan association of Citizen Bond Oversight Committee (CBOC)

members, current and past, who are interested in helping other CBOC members. CaLBOC was formed in 2006 by CBOC members trying to find better training to help perform their duties" (CaLBOC, N.D.). CaLBOC holds a statewide conference that provides training for CBOC members around the state and advocates at the state level for transparency of school district Proposition 39 bond programs. One bond lawyer who advises school districts regarding their bond program feels that CaLBOC is unnecessary because CBOC requirements are outlined in statute, saying, "Those guys don't really get the fact that the State Legislature has defined the rules of the Oversight Committee." (Interview). While several respondents questioned the origins and motives of the organization and its founders, most agreed that the organization was created to address a need for better training.

The importance of the individual. A recurring theme with regard to the WCCUSD bond program was the importance of one individual, Charles Ramsey, who worked tirelessly for many years as a ringleader to improve the district's facilities. While I did not set out to write about individuals, the finding that an entire school district's bond program can be influenced so strongly by one individual is relevant when considering sociopolitical dynamics that affect school district's bond programs and relationships with private organizations. Almost everyone I spoke with regarding WCCUSD's bond program mentioned Mr. Ramsey. As one board member explained, "The Board itself is extraordinarily engaged in every aspect of this. Not me, my former colleague Charles Ramsey…it was really Charles' vision that really led…," (Interview). A former school district employee said of Mr. Ramsey, "He's a force of nature. He's like your worst enemy and your best friend," (Interview). When asked why WCCUSD's bond program became the large program that it did, one school board member explained, "Vision and leadership are important in something like this. It's not gonna happen without a proponent at a political level….Staff is not gonna come up with that… they'll do what their peers do…In a district like ours it would have meant mediocre facilities," (Interview). Another board member agreed, saying, "There was no question that he was the mastermind behind this. I would never want anyone to think otherwise. Everybody else was around, but the truth is, he drove it. And he was politically astute" (Interview).

Consultants who work with school districts around the state agreed that individual school district leaders shape a school district's facilities program. One architect explained that it is rare for a school board member to take an active interest in facilities, saying "You can have a superintendent or a CBO or some other member of the staff that has a lot of interest in facilities, and he might be able to make the case, say, 'Hey, we need better facilities.' But the board is a political animal" (Interview).

Perhaps most importantly, an individual within the school district can have a large impact on controlling the costs of the bond program. While CBOCs are tasked with reviewing school district efforts to reduce the costs of professional fees, they have no power to set policies that could save the school district money. Instead, as this former WCCUSD CBOC member argued, it is necessary for someone in the district to understand bond finance at a deep level to make suggestions to save the school district money. He credited Mr. Ramsey's efforts to understand finance:

> I strongly believe that at least one board member really does need to saddle up and learn and ask questions…the paper gives us grief about selling bonds and paying old ones off…Charles has saved the taxpayers so much money, it's stupid.

> I just can't even begin to tell you how much. It's just stupid. And he never gets credit for it. Never ever, ever. The paper rides him like a damn horse. (Interview)

The local newspaper has written frequent, critical articles about the bond program and about Mr. Ramsey in particular. While the point of this chapter is not to evaluate the merits of the newspapers' claims, the extent to which respondents pointed to the newspaper's impact on the bond program is notable. Respondents agreed that the newspaper's critical coverage contributed to the failure of the most recent bond campaign, and several respondents argued that the paper was biased toward charter schools and anti-tax groups and biased against low-income communities of color.

District characteristics: transparency over time. This section addresses transparency issues that respondents raised that can impact a school district's bond program, particularly with regard to the private consultants and contractors they hire. A contentious issue with WCCUSD's bond program is how it allocates bond dollars to individual programs and how it budgets for projects. According to one CBOC member, the committee was having a difficult time obtaining documents from the school district regarding its budget, alleging that "They were seemingly protecting themselves from repercussions," and then, in February 2014, the committee learned that the school district was operating under a scope-based budget, which upset the community and made headlines when the associate superintendent "made the very public statement that this is a scope-driven program and everything started going crazy because that wasn't…we all looked at each other on the committee and were like "what?" You mean you guys don't have a budget?" (Interview). In a scope-based system, instead of allocating a strict dollar amount to individual projects and then sticking to the budget, a scope-based system is more flexible and allows for components to be added to school projects over time, depending on community needs. As one CBOC member explained this type of budget:

> If school ABC is on the calendar for renovation, and the community has several meetings to discuss what they want, what they need, and the budget is [x] but the community says, we want you to add to that a better gymnasium, add a mock courtroom, or expand our football facilities, whatever those requests were, regardless of what the budget started out being, they went ahead and did that…They didn't adhere to a strict budget within the parameters of those dollars, as you can see as time went on, things carried over, money was spent on bond measures, there's gonna be people left without what they expected. (Interview)

A former CBOC member defended the scope-based program, reasoning that many school districts are modernizing buildings that should be torn down instead of building facilities that will last. WCCUSD, on the other hand, consulted with the community to meet needs, saying, "There were many, many meetings with the community. What do you need in the building? Do you need a health clinic? Do we need smaller rooms, bigger rooms?" (Interview).

However, the scope-based budget method has received considerable criticism. One current school board member said, "I think our bonds have been wasteful. I think we've spent too much money on schools and there are quotes from people on the facilities committee that for some of our schools we really had no limits as to how much money we would spend. I think we have put in things in schools that aren't necessary, like courtrooms and hospital wings," (Interview). The argument over how much money to spend on schools, and whether school facilities should have facilities for vocational

programs, etc., is an old discussion that will not be resolved here and is not the primary issue. What bothered people is the claim or image that the school district did not give itself a budget and instead acted as if the community would endlessly support unbounded facilities spending. Some respondents argued that if the school district had been providing more of its documentation earlier on, the community would have realized that the district was operating under a scope-based budget and might have been able to react sooner. One former CBOC member considered whether it should have been the role of the oversight committee to identify the issue, pondering the appropriate amount of transparency, "This is always the problem when bureaucracies complain about open records type requests that... Just put everything on the website that's not illegal to put on the website, then people don't have to ask you for it" (Interview).

Another transparency issue has to do with whether the community was aware of the school district's decision to obtain waivers from the state to increase its debt limit, essentially increasing the amount of bonds they can issue and thus increasing the tax burden on community residents. Mr. Ramsey defended the transparency of the waivers:

> In 2013, I had 57 elected officials who signed off on going to the state with our application for the debt limit waiver at 5% for 10 years…The paper can never ever say that the debt limit waiver and our ability to issue bonds was done without people's knowledge. Everybody knew. Even the opponents…It's public record. (Interview)

As with many school districts, the prioritization of bond dollars is often contentious, as individual communities, understandably, want bond dollars to be spent on their local schools. The processes school districts use to spread bond dollars around the district vary by school district. Respondents disagreed over whether WCCUSD's prioritization process was equitable or transparent. One architect that has worked with WCCUSD's bond program throughout its duration claimed that those involved with the program attempted to remove politics, as much as possible, from the prioritization process by focusing on safety, accessibility, code issues, and functionality:

> We did a seismic assessment of all the buildings, which is a structural assessment, and went through and ranked them all and took a lot at the ones that, okay, there's some ones that are our highest concern and those are our least concern, okay? They were spread all over all five communities. (Interview)

A board member agreed, explaining that bond dollars were allocated according to a list called AB 300, which listed the most dangerous buildings in the state of California, saying, "We had a whole bunch of schools on that. El Cerrito was one of them. Gompers was one of them. The first thing that was done was we looked at safety," (Interview). However, one former board member was frustrated with community arguments over prioritization, given that the school district has tried to allocate dollars equitably by geography. He insinuated that some communities would be dissatisfied no matter how much the district spends on their schools, saying, "We're talking about elementary schools fighting for $40 or $50 million dollars. You just don't spend that kind of money on schools. That's why it's so crazy. Like [district school]. We're gonna spend $17 million on [district school] for their main building to do their kindergarten multipurpose. They're upset! It's crazy" (Interview). With regard to transparency, respondents agreed that allegations that the school district was not always honest with taxpayers, particularly

with regard to its budget, impacted community trust and ultimately contributed to the failure of the last bond measure.

District characteristics: size. When analyzing a school district's bond program, it is important to consider not only the size of the school district, but also trends in student population over time. After World War II, a population boom in the Richmond area led to the construction of a large number of schools within a short period of time. Consequently, most of those buildings needed to be addressed around the same time decades later. School districts hire demography consultants to make predictions about future population changes to aid districts in their facilities planning. Fluctuations in district size, particularly those that are thought to be unpredictable, impact community willingness to invest in school facilities. As some respondents suggested, the State of California's own policies reflect this in their support for portable facilities. The idea is that adding portable facilities, instead of spending money for more permanent educational facilities, can allow communities to deal with temporary student population increases without leaving the district with excess capacity to maintain in the future. Of course, predicting populations is an inexact science at best and guesswork at worst, and many school sites around the state have "temporary" portable facilities that have been there for decades. Respondents indicated that new construction, versus modernization, is more common in areas with population growth. WCCUSD is an anomaly in that its facilities program tended toward new construction even at a time when they were experiencing a population decrease. As one former CBOC member said when talking about the size of the school district:

> You don't know what the populations going to be. You can say, 'Oh I'm going to build this building that will last for 40 years with the capacity for 1,000 or 2,000 students,' but you... The demographic trends are all going down. Despite immigration, the trends is down…People who are immigrants don't necessarily move to the West Contra Costa because it's... Even except for some really poor areas it's pretty expensive to live around there. (Interview)

Size of the school district also impacts, of course, the number of schools a district has and how long it can take the school district to address its schools during the span of an active facilities program. As one architect noted:

> You might see in a program like West Contra Costa that has been going on for a number of years, or in other districts where I've worked where, they pass a local general obligation bond in order to fund their facilities modernization program. They can't do everything at one time, and so it can take three, five, seven, depending around the size of the district, 10 or more years before they touched all of the schools. (Interview)

She further explained that this can impact equity as educational programs and building codes change. Some school districts can get "stuck in a rut in terms on what they provide in terms of school facilities"…and decide not to implement the newest building components at the end of their bond programs because they say, "No, because we didn't do that in the last school and it would be unfair for this school to have something that the last school didn't get" (Interview). She explained that WCCUSD has not slipped into that trap, saying, "They have been really great about adopting the Collaborative for High-Performing Schools, energy efficiency standards, as their standard for their schools. They've done really well in that regard" (Interview).

With regard to hiring private consultants and contractors, school district size can have an important impact, though size does not necessarily predict the level of contracting out a school district will do. As would be expected, respondents noted that most small school districts have small district staffs, and typically do not have the internal capacity to complete bond related tasks in house. However, medium and larger school districts do not necessarily decide to allocate district resources to increasing the capacity and expertise of their facilities staffs. Instead, school districts vary with regard to the level of services they conduct in house versus those for which they contract out. As one architect explained with regard to contracting, "They made that call. They're big enough that they can do it either way. In other districts that I've worked in, are much smaller, and it doesn't make any sense for them to have a full-time person in house dedicated to just that," (Interview). This excerpt indicates that the level of contracting out can be affected by district size, but it is also affected by the preferences of district staff.

District characteristics: student demographics. Respondents working with the WCCUSD facilities program agreed that student demographics in the district, with regard to income and race, varied by community. As one former CBOC member noted, "We have two of the top schools in Hercules. Generally, Hercules high does very well. Very high level of Asian students. What do you mean you got a B? I think there is, continues to be, a conversation about the quality of education" (Interview). One board member expressed praise and concern for the students in a lower-income community of the school district, saying, "I like the kids around here. They're smart. They're fun. They've got a lot to say. They have lot to contribute to the world and people don't see their value as much as they should" (Interview).

To some extent, one respondent indicated that student demographics impacted prioritization of bond funds. When thinking about the longevity of the bond program, one school district strategy was to spread dollars around to each WCCUSD community so that wealthier communities would be more willing to support subsequent bond campaigns that would provide schools for low-income children. A school board member said:

> You can't get the people in Hercules just to vote for poor kids in Richmond. They're not gonna do that. Not enough of them. So you gotta give - You have to have geographic equity along with equity around that - you have to put your safety first, and after that was geographic equity so that every community feels invested that they've got something out of the program. (Interview)

While student demographics might have impacted other aspects of the bond program, the way I collected data did not allow me to fully examine the effect. This could be an area for future study.

Negotiating Policy Roles between School Districts, the State, and Private Organizations

This section addresses the research question: How are policy roles negotiated between school districts, the state, and private organizations? My notion that these roles would somehow be "negotiated" was immediately proven false as respondents overwhelming spoke about policy roles as being one-way, with the state proposing policy and school districts and private organizations reacting, and sometimes reeling, from unfavorable decisions. When asked about policy roles, respondents frequently criticized Governor Brown's proposed changes to the School Facility Program and argued passionately for the state to play a larger role in facilities financing. This response was

fairly consistent across individuals and the 78 interview comments on this topic, including those in the public and private sectors, though the nuances of the critique and preferences for the ideal roles for school districts, the state and private organizations varied. Not surprisingly, the dissenters were those working in the Department of Finance, the organization that prepares the Governor's Budget Message.

From the state's perspective, the SFP should change for a number of reasons. First, since the program was created, Proposition 39 passed, allowing local school districts to more easily pass their own bonds with only 55% voter approval, instead of 2/3 approval. In addition, as the Governor has said in his budget message, the state argues that it is unable to fund more bonds given the unsustainable levels of debt and the high cost of bonds. According to one facilities expert:

> Right now it's 2.4 billion a year from the general fund to pay just the debt on the K-12 school facilities, the debt service. And they see that as inflexible. And you have to pay that, you don't have any choice, right? So, they don't want to do that. The costs of doing bonds, it's pretty extensive. (Interview)

The state also critiques the SFP because, according to one facilities expert:

> It doesn't really focus on the school districts that are in need. First come first serve. The way the program is set up currently, it's a project-based program, and if you have a project and a need, you develop a project, you go to the state and make sure you have matching share, you go to the state and then you get your matching funds. (Interview)

The state also proposed changing developer fees, or altering the "famous three legged stool," which many respondents argued had one very short leg, where developers are concerned. Those in the home building industry are also concerned that decreases in state funding will require developers to pay higher developer mitigation fees, arguing that will increase already high home prices in California.

Some respondents working at the state level also commented negatively on the Governor's plan. One facilities expert framed it as the Governor shirking responsibility, saying, "They're trying to get out of the business and shove it back down to the locals" (Interview). As another example, one facilities expert explained that the state has long resisted conducting an inventory of state facilities, explaining:

> The State Department of Finance is totally opposed to that…Because they don't want to know. Once you know, then you're responsible for it…. why doesn't the state take responsibility? Because once you're on the hook for it, then you're on the hook for it, right, and then you can't just walk away from it. (Interview)

This excerpt presents a cynical view, suggesting that the state would rather turn a blind eye to facilities quality than invest in an inventory of facilities quality that would force it to spend the money necessary to improve facilities statewide. An architect with considerable experience working with school districts around the state felt similarly, sharing an anecdote about a school district that applied to use hardship funding, which worried the state, saying, "You saw it in OPSC's eyes. People are going to start using this? It looks good. Of course we have this program. But is it really funded for the number of people who really qualify if they knew about it?" (Interview).

Consultants were particularly angered by the Governor's approach to school facilities. One architect framed it as a state abdication of responsibility, saying:

> I was really upset with him [Governor] when he decided not to put the state facilities bond on the state ballot last year. That was just like 'You got to be kidding me,' because we deal with it every day here and we see the disparities and we see what is going on and it is just the way of the state shedding their responsibility that they actually, from a constitutional standpoint as far as I'm concerned, have an obligation to deal with, but I guess the Governor doesn't see it that way. (Interview)

Another architect with decades of experience said, "I kind of feel like the state system has really let down the populace" (Interview).

Many respondents spoke passionately about the repercussions of recent policy changes, including the lack of current state matching funds. One financial consultant explained, "The 2012 date is when any new projects that got in the queue aren't promised money because the state has run out of its bonding authority. That has caused effects in districts, because many districts can't move forward with a project until they have their money," (Interview). He further explained that this can contribute to facilities inequities, saying, "I think that it's going to cause huge inequity issues between districts in the state" as more affluent school districts can move forward with projects while other, less affluent districts have to pause their programs until they get state money (Interview). An architect agreed, adding "I imagine that what he thinks is that it's just got to be about local funding, which would be tough, because if you have low AV, it's very difficult to get where you need to be, especially because usually those are the districts that have the greatest need" (Interview).

One consultant argued that while proposed changes will hurt school districts, the state's program never provided enough resources for school districts, saying the:

> Architect: Office of Public School Constructions, it was in the business of saying no. It was their job to hand out as little money as possible, and I went through those rules for a long time. A long, long time, and even when the program was like 80/20 and all these different ... It was 80/20 based on their formula of what a school would cost. Not actually what it cost, and so what we were actually getting was just a tiny fraction of what ...
>
> Me: It was never the big matching funds that they were saying it was?
>
> Architect: No, no, it never was…my firm does work all over the state of California, one of the largest firms doing school construction in the state and there's a half a dozen of us or so and it's consistent all the way across the board. The state, excuse me, never even came close to funding any school projects adequately, but at least it was something. Like the little district out here, if the state had come through with the hardship because it seems there's all these different categories with that plus some of the money they had, we could have moved forward and at least given them something. Now they don't even have that. (Interview)

Another architect with decades of experience spoke about how the system has changed over time, and not for the better:

> Jerry Brown should know better than most, at local levels they don't always do what they should do and know should be done…it's not a smart idea. There needs to be that safety net; there needs to be something there. That's been the backbone of the California educational system for a long time, until recently. (Interview)

One financial consultant argued that money at the local level is insufficient to the facilities needs and that the Governor's plan would be devastating to varying degrees to school districts around the state. With regard to WCCUSD, he said:

> You can look at West Contra Costa, for example, and their community has done a remarkable job at supporting local bonds, and particularly considering it's, on the whole, a lower wealth community, the amount that they've taxed themselves to invest in their kids and their facilities is quite remarkable. They still have a lot to do, and without the state's participation, would have a huge struggle in finishing up what they need to do with their schools. (Interview)

One former WCCUSD CBOC member also blamed the state for other issues related to school facilities financing, including the scandals with capital appreciation bonds a few years ago, saying:

> All the travesties that have befallen all the school boards in the state of California since Prop 39 lie squarely at the foot of the state because they did nothing to educate board members. They did nothing. And that threw many taxpayers under the bus. Many districts in the state of CA that have bond programs, they're paying through the nose for and it's the fault of the state because they threw school board members off the deep end 'Here, you go jump in the bond market.' Of course there are sharks in the bond market!...There should have been some guidance from the state. (Interview)

This CBOC member argued that the appropriate role for the state was to serve as an educator that provides, at the very least, a minimal overview to school district leaders regarding bonds. He was also critical of the levels of state support, complaining that the state has, in the past, only provided enough money for school districts to pay for portable buildings. One former CBOC member said:

> If you want the state to pay for the schools, what are you going to get? A pre-fab building built somewhere else and trucked in. Maybe. Or you're gonna get portables and that's it. Ok. You're not getting money. You're not gonna rebuild your school. You're not gonna get $128 million that it took to rebuild El Cerrito HS. That's not happening. (Interview)

A WCCUSD board member agreed, saying, "The good people of Sacramento—they will come in and give you the lowest possible level of materials, but they will rebuild it for you, and you don't have to pass any bond. They will just put a big x on it and say 'this building is unsafe'," (Interview).

However, one respondent supported local control of school bond programs, though he argued that in order for that to work, board members would need to educate themselves and take an active role in bond programs. The former school board member explained:

> I agree with Jerry Brown. I think it should pretty much all be local because…if local board members know they can't get it done by the state, then they'd have to do it. Too many board members punt…if board members have to be there for teacher salaries, benefits, make them involved that much in facilities. (Interview)

In addition to critiquing the state, another common theme from the interview data was a defense of the role of private organizations, either as a reaction to the state abdicating its responsibility in some way, or as a defense of the capacity of school district staff. For example, one facilities expert felt strongly about providing training and

guidance to school district staff to increase school district capacity, though he felt that private organizations could serve that function well, saying, "Well, the state doesn't want to be responsible for that," though he acknowledged that FCMAT, a non-profit, semi-public organization could also use state funding to provide that training and guidance (Interview).

With regard to the school district role in the facilities program, Charles Ramsey acknowledged potential pitfalls when board members take an active role, saying, "they feel like if they start getting involved in all those things, it's gonna get them in trouble cause they don't have any understanding. And look at me. I've been subpoenaed by the SEC" (Interview). This interview reflects the difficult position that school leaders can find themselves in when they lack training and guidance from the state and want to take an active role in their facilities program. On the other hand, another WCCUSD school board member talked about what can happen, given the lack of state assistance and guidance, when school board members do not have the expertise to oversee their district's facilities program:

> Before that they were old dilapidated buildings that the state of California refused to invest. The state of California left it to schools boards to do it. Ok, so you have 1000 school boards in the state of California. More than half of them, I don't know the percentage, but I think it's a lot more than half, are small school districts where the people who serve on that school board get absolutely no money, so who serves on the school boards? PTA homeroom moms…Nowhere in their list of things that they want to do is 'I'm gonna rebuild the buildings in this district.' It's nowhere on their list. That's why they were prey to these lawyers and the financers. 'Don't worry dear, we'll take care of it.' (Interview)

This excerpt indicates the connection between policy roles—what the state controls versus what is left to school boards—and the relationships that develop between school districts and the private consultants and contractors they hire to assist them with their bond programs. The next section further explores this relationship.

Relationships between School Districts and Private Consultants and Contractors

This section analyzes data from respondents interviewed for the WCCUSD case study to address the research question: How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?).

Procurement. As noted on the WCCUSD website, the Facilities Planning and Construction department is responsible for a number of areas, including managing the new construction and modernization program, which includes overseeing funds from the state school building program, local facilities bonds, and the deferred maintenance program. In addition the district staff is also responsible for the majority of the procurement process, or hiring contractors and consultants. While the only consultants specifically listed are architects, the staff is also responsible for issuing and reviewing requests for proposals (RFPs) and requests for qualifications (RFQs) when hiring. When asked to describe procurement, one former WCCUSD board member said:

> All they do is RFQ or put out RFP and people respond. That's what happens. They go through an interview process…The underwriter process was handled by the CBO's office…Staff did all that stuff and hired those people and have them submit their qualifications. We changed legal firms three times. (Interview)

He then added, when asked if the staff does all the hiring without the board, "We [board] just ratify. We don't have time to be interviewing and doing all that stuff. That's what they [staff] do," (Interview). According to multiple respondents, WCCUSD's process for hiring evolved. For example, with regard to architects, at first WLC Architects served as the architect of record, meaning that they were formally in charge of all projects, with other architects working under them using the designs WLC had created. As time went on, though, other architects pushed back, wanting to use their own designs if their names were to be associated with the projects.

The decision to contract out. As described above, the decision to hire contractors and consultants for a given component of the facilities process, or contract out, is dependent on a number of complex and varying factors, which can include school district size, capacity and expertise, and also the internal structure of district departments and the interests of the individuals within the facilities department who fill those roles. As one architect noted, "It's a challenge for school districts and I think balance that, how many people should they hire on the inside, and how many should they hire as consultants," (Interview). The local newspaper has criticized WCCUSD over the years for contracting out "too much" as opposed to doing tasks in house, arguably, to save the school district money. However, it is important to note that the community, including the newspaper, cannot actually have the full picture of how much it costs to contract out versus how much it would cost to perform the same services in house. Not only is there no counterfactual, but also the costs are opaque as one industry expert explained:

> Districts are not very forthcoming about all of the true costs because they're going to be criticized for it. So most of the general public has no idea how much bonds cost...but the general public doesn't get it that you can't do it without all of those players, you really can't. (Interview)

Respondents agreed that one of the major factors that influences the extent to which school districts contract out is capacity. One architect explained that California district staffs are additionally constrained because California spends less on a per capita student basis on administration than most of the other states in the country. She said that districts have downsized their administrative staffs so much that, "they're all working more than full-time jobs already. When something like a bond facilities program comes along, it's very hard to just say, 'Well, I'll just add that to my to-do list'," (Interview). Another industry expert elaborated:

> But guess what? That's not my full-time job. I'm running the school district, and I'm dealing with issues of boards and community and making sure that the schools are safe. I rely upon these people who have the expertise. Who, if I'm going to sell bonds, they're in the marketplace because I don't have those contacts. So I was trying to basically get it across to this reporter, who was very dense by the way—that, and very suspicious—that I have to rely upon the private sector because, one, the law requires it—just like the architect and hiring a contractor. The other is because of expertise. If I didn't know what I knew when I was building schools, I would've had to rely on contract managers or construction managers to help me get the job done. (Interview)

His tone indicated a frustration with those who criticize school districts' need to contract out as well as connection between individual district staff expertise and the level of contracting out. Similarly, a facilities expert with experience at multiple levels of the

industry explained what it is like to work for a school district, arguing for hiring private contractors and consultants, saying:

> Just so you can remind yourself about why these firms are needed, school districts are, and when you're in facilities, it's like one crisis after the other…And so getting your head above water enough to look at the big picture is often pretty hard. I'm just telling you. You spend a ton of your time on a couple of big high profile projects and the community's beating the crap out of you…If you spend 10% of your time on big picture, strategic vision, it's a miracle. So that's one reason why you hire out. And another reason is, internal capacity in terms of the talent you have inside school districts is also—we call it the lifer syndrome, right? Hey, it's alright. It's just what it is. It's like that they're stuck with, right? But that's a big piece of it. And I don't fault firms for serving the market. (Interview)

Another architect who has worked with school districts while they put together their "teams" for a facilities financing transaction explained that she encourages districts to do things in house when possible, but warns districts that things have to get done, saying. "It's not a choice to skimp on doing the effort" (Interview).

The concern over the level of contracting out is something that comes up frequently with WCCUSD. At a WCCUSD Citizens' Bond Oversight Committee (CBOC) meeting, a CBOC member asked the district staff members in attendance, "Why do we hire consultants? I think [the district] could hire someone and put them in a cubicle for one hundred thousand dollars for a year and save money… we funnel so much money to consultants" (Observation). The staff member responded, saying, "There's just not enough of us," explaining that the staff was too small to complete the task (Observation). She further explained that the private firm had successfully worked with other school districts around the state on school facilities planning and thus had the expertise to complete the job "within twelve months or less" a timeframe that she argued would be shorter than if the school district staff tried to complete the task on its own (Observation). Even though WCCUSD is a large school district, staff still argued that it did not have the capacity to complete tasks in house due to their size. However, one architect was surprised that WCCUSD had the level of contracting out that it did, comparing it with smaller school districts, saying:

> They [WCCUSD] can afford to hire facility staff. When you get a school district like, we do a lot of work for [small] School District. It's a small little school district, they just have 6 schools, and they don't have money. They have a director of facilities, but they don't have money for staff, so every time they do a project they need to hire somebody to help them. (Interview)

Another financial consultant argued for contracting out, connecting it with the complexity of bond programs and district size:

> This is an extremely difficult and complicated process, and I think experts in our areas and various areas are needed. That being said, some school districts do it on their own, and seem to find that to be a model that works for them. In fact there are districts that have had in house architects as well as in house financial advisory people, and funding people. I think that that requires you having a pretty darn large scale district and a pretty long continuous program to make it make sense to staff at that level, as opposed to have outside consultant expertise support. (Interview)

In addition to capacity and size, another issue that affected whether and to what extent school districts contracted out related to the intermittent nature of facilities financing transactions and the waxing and waning of district facilities programs over time. Given the nature of facilities policies in California that encourage school districts to do a slew of projects when and only when they pass a bond, one architect connected contracting out to state policies:

> That's part of the problem is the way we do projects in California, we're going to do all this work, then we're not going to do anything for a while...They have to hire consultants, and the consultants get paid to first, figure out what the heck's going on, second, figure out what it is that they need, third, then manage it for them…If there is a constant funding stream and districts can afford a facilities department, then they wouldn't have that problem that even if they had some ramping up and slowing down, they could have a consistent core that would carry them through. (Interview)

The regulations around hiring school district staff members are an additional constraint to hiring staff to handle facilities transactions. Given the intermittent need for facilities services, school districts will blame their preferences for contracting out on the fact that they have a "hard time shedding those people when the need for them no longer exists," as one architect explained:

> I hope you won't take this the wrong way because I am not in any way anti-union, but the union rules say, it's hard to get rid of a school district employee once you've hired them. There are steps you have to take. There are things you have to prove. (Interview)

From the contractor point of view, contractors can not only make more money in the private sector, but also have more job security with a company that brings in business from multiple school districts.

These excerpts indicate that there are preferences from the private and public sectors for contracting out. Consultants have also effectively argued that they can provide school districts with efficiencies and cost savings. One financial consultant argued that, because "the process is very complicated and tedious," it makes "economic sense for the school district to hire in that area that adds value as opposed to have limited district staff learn all those rules, jump through all those hoops, and have to know all those requirements" (Interview). The consultant added that they, "live and breathe this, and are an expert in that area" similar to a legal consultant (Interview). Consultants have convinced school districts that they need professional expertise and the added value that professionals can provide, and that while school districts are paying fees to consultants, in the long run consultants can "produce more funding for a district than a district has been able to do on their own, because, again, we're in the trenches every day on these rules and processes of attaining the state funding" (Interview, Financial Consultant).

From the school district perspective, one WCCUSD staff member explained that "I would tell you the MBA did not assist me with regard to knowing what questions to ask about bond financing," which does lend credence to the consultant's point about district expertise and the added value of professional services (Interview). One former CBOC member emphasized the importance of professional expertise, particularly given the size of WCCUSD's bond program, saying:

> Yes we have professionals in house, but they can't cover everything…You want the best people in their field doing that. That comes down to hiring private companies that have good reputations….they're trained professionals… the other thing, to me, see I run my own company, so one of the things I rely on when running my own company is sometimes I rely on having somebody else do something for me because their insurance policy is bigger than mine. So if they blow it, it's on their back, not mine. (Interview)

This indicates there might be other reasons, such as legal liability, for contracting out.

Nature of the relationship. Public sector contracting theory suggests that private consultants will be self interested, given their profit motive, relative to school district staff members. One former school district staff member explained how he was hired to work for a school district given his experience in facilities and "How you have internal district capacity that can be there and really be a lot less self interested, let's say. You're interested in the district, and the district is who you are" (Interview). One architect with decades of experience lamented the growing self interest in the industry, saying:

> Well, we are living in the age of compartmentalization and specialization, and part of it is trying to understand the new workforce…Everyone involved in that sees it as an opportunity, doesn't have the passion for what's going on with it… when I talked to certain bond underwriters and certain management scenarios, it becomes all the administrative effort in many cases…It's just that it takes on a life of its own and…The management aspect of it becomes less important, versus the actual end result, which is facilities for kids. (Interview)

As I spoke with individuals from the private and public sectors, informants repeatedly told me horror stories relating to districts' experiences with private contractors and consultants. However, respondents tended to agree that problems in the industry were connected to particular "bad apple" consultants. The majority of complaints were also related to a particular type of consultant: financial advisors. Also, many of the complaints dealt with the level of profit financial advisors make from contracts with school districts. When I asked consultants to speak about profit in the industry, one architect said:

> Those are really good questions and I think those [are] important questions to ask... If you decide that you want to go out for a bond, you have to have folks who can put those bonds together. You have to have a bond attorney to make sure the language is all right. If you're going to go out for a bond, you have to have the surveys done and then the demographic work done and the assessed valuation actually determined. It's a lot of work. I realize it is expensive… I think there is a little bit, actually way too much profit involved with some of these folks. It's embarrassing, I think. If I were that industry, I would be embarrassed at how much money they make. (Interview)

Several respondents made a point of distinguishing between the types of consultants school districts hire when planning for and taking the steps to obtain financing for facilities. Respondents tended to agree that architects "earned" their money more than other consultants who were, often, paid more. As one industry expert lamented that people often do not know:

> How expensive they are and how much of the money goes to the financial advisor and the legal counsel for the bond and the underwriter…all of these players that are out there and cost a lot of money and being very high percentages when you

> compare them to the architect, for instance, who has a license on the line, and works for months and months on your project and he takes home less than the financial advisor who might put maybe three weeks of 8 hour days into your project, and that would be heavy, and those would not be in a row. It's just egregious how out of proportion cost is to benefit, but that's because people who make money—and make money available—take good care of themselves. (Interview)

Repeatedly, respondents told me about financial advisory firms that had acted dubiously in their relationships with school districts. For example, one industry expert described a situation where a financial advisory firm had a "contract with the school district to get state funding for them before the funds ran out," and they had a contract to be paid on a fee basis for a percentage of whatever state funding they obtained for the school district (Interview). Since they were under intense time pressure, they "hurried the district along to do funding applications and plans for drawings for like, 27 schools," and so, without realizing, the school district went along with it (Interview). Unfortunately, because the current program requires districts to begin construction at all 27 schools within 90 days of getting their money, the financial advisory firm's advice put the district in a difficult position because it was not possible for the district to have 27 shovel-ready projects within that period of time (Interview). This anecdote illustrates an instance in which a financial advisory firm acted in its own self-interest to maximize its revenue instead of advising the school district to do what was best for its students.

Interestingly, when other consultants spoke about financial advisory firms, they used terms like "pet peeves" and "frustrations." It was evident that professionals within the industry were concerned with the practices of a handful of consulting firms. As one architect put it:

> This is sort of one of my pet peeves in that I do believe that some of the financial consultants out there, financial advisors out there, are taking advantage of school districts…The money that these financial folks make on these people, probably actually exceed what architects earn whenever we go out and design these schools and we have a great deal more risk than they do. That having been said, there has been a proliferation of them, but I think that comes out of a, I won't say a necessity, it almost comes out more of desperation in school districts and those school districts are desperate to get funding for their facilities and the only avenue they can turn to is the financial markets in regards to bonds and some of the other things that are out there. (Interview)

This consultant went on to describe one financial advisory firm that was:

> …known for being very, very aggressive and putting districts and people in a difficult financial way in terms of the amount of debt they take on and how it is structured and in some cases structured and then restructured and then every time this thing goes around, they are making more money. (Interview)

These excerpts put the blame squarely on the shoulders of the private firms and the policymakers, not the school districts, indicating that school districts are simply operating within the constraints of the policy environment.

One particular bond lawyer was frustrated with changes in the industry over the last three decades and pointed to scandals in the industry, including those related to

capital appreciation bonds that often projected future revenues that were unrealistic, lamenting:

> Then, when none of those assumptions proved to be at all realistic, the [districts] of the world found themselves regretting the fact that they hired the firm that had the greatest promise, but had the least deliverable skill set because the assumptions that went into these bond programs were designed to get hired, not to fulfill your realistic financial plans for the school districts. (Interview)

He explained that for the "younger generation" the game for them is "about getting hired, locking in that contract, locking in future revenues" whereas "the game for people of my generation, and maybe it's self-serving, is to work on transactions" (Interview).

Another issue the lawyer raised was the trend of financial advisory firms marketing to school districts that they will assist the district with hiring the "complete team" supposedly to make the bond transaction process simple for the school district (Interview). As this bond lawyer elaborated:

> One of my frustrations these days with the younger generation…everyone wants to have 'The client relationship.' They want a conduit through which communication to the client gets made. Financial advisors are particularly greedy with respect to maintaining control over the ear of a client. (Interview)

He described the negative repercussions of this practice as it encourages school district leaders to listen solely to their financial advisor, not their team as a group, adding "I think the districts are better served when there's an independent bond counsel who has been selected through an independent process. [Financial advisors'] first step with the district, if I'm involved, is to get me fired," explaining that he was recently fired after working with a school district for 20 years because a new superintendent came to the district and decided to continue her relationship with her financial advisory firm from her old district. He explained:

> They want to bring in their own lawyer, who is not going to ask questions, because that lawyer is beholden for their work [to] a financial advisor. So these independent relations that clients need to have are the safeguards without getting advice that recognizes who the real client is. The client for many bond counsels who work with certain financial advisors exclusively—they're beholden to the financial advisor for their paycheck. (Interview)

The lawyer cautioned that the practice of hiring "the complete team" would result in working with a group of consultants that are more in line with each other than the school district.

With regard to bad experiences with consultants, WCCUSD sued one of its law firms. A WCCUSD board member described the situation, saying, "That's why I hired people to do it, right? The firm we sued, we sued because they made a representation that they did work that they clearly didn't do," explaining that the school district lost $4 million due to incorrect information in an email from the law firm (Interview). The school district sued the firm for malpractice and settled with the firm, receiving a "lot of money" from the firm's insurance company (Interview). This lawsuit connects to the important issue of school districts' capacities and their ability to oversee and monitor the consultants and contractors they hire.

The capacity to monitor contractors was a common theme amongst respondents, with individuals in the private and public sectors acknowledging the necessity of keeping

an eye on those hired to provide professional services for the school district. With regard to controlling costs and making sure school districts are not paying too much for their contracts with consultants, an industry expert said, "for me it's always having strong people inside the district that know the industry and know what's the best way to structure contracts, to structure the school services, and to structure the fees" (Interview). One WCCUSD staff member acknowledged the issue, admitting, "A district might get taken advantage of if the CBO is not sophisticated enough," and when asked why that might happen, he explained, "I think there are some districts that don't ask the right questions" (Interview). He went on to explain how it is important for district staff members to keep tabs on legislation so they can make sure their financial advisory firms are suggesting bond transactions that are in line with upcoming legislative changes. When asked about the nature of school district problems with consultants, one industry expert summarized the issue:

> The school boards get themselves into issues where they sign contracts for long term indebtedness without understanding the overall cost of carry. As a result, they basically sold the store before they have any goods to put on the shelf. That's just lousy work. We've got some unscrupulous consultants out there that want to get their cut up front, and then they walk away. They're these carpet baggers that come in, they promise you everything, they get everything rolling, they get their big financial incentives, and then they walk away and the client's left dealing with the fallout. I've seen it happen on a number of occasions…They're not held accountable for it. That's the problem. (Interview)

With regard to variation in consultants, one architect confirmed this saying:

> There are good consultants and there are bad consultant and there are consultants that do a great job and consultants that make mistakes, just like anybody…The district may or may not know which consultants to hire. They may hire a consultant that gives them all this advice that's totally irrelevant. (Interview)

This confirms what WCCUSD board members said about the importance of taking the time to learn the industry so they can effectively monitor. As one WCCUSD former CBOC member put it, "the private industry can work really well with the public ones as long as the public entity has somebody that's you know, hard cold steel. Mr. Steel, not Mr. Cotton. Somebody who's educated themselves" (Interview). A staff member said that it is staff's job to do research on the firm and make sure "you follow up with the firm checking for references" (Interview). In theory, actively monitoring consultants should go hand in hand with bringing any problems to light, though unfortunately, board members are disincentivized to draw attention to issues with the bond program, as one industry expert explained:

> They get hired in public which I think because they're so vulnerable to attack by public members, but …there are just plain unscrupulous people and people feel completely had and they have been and I could probably name those companies for you and when that happens they're even more quiet about it because 'just get through this, just get through this.' They're really trying to just...house their kids…just get the project done. (Interview)

According to the board members themselves, with regard to fees paid, one former board member argued that the fees financial advisors and underwriters charge should be regulated, saying:

> Oh absolutely. Especially if it's gonna be negotiated. One thing they always tell low-income districts, 'Oh, you can't go competitive, you have no investors who will buy. I can't market your bond out there so we're gonna have to do negotiated.' I don't know if it's true or not, but I know when we went with a competitive sale and boy it was terrible, and but you know, it's just too much for a board member to try to learn, it's just way too much. (Interview)

This excerpt highlights an important issue in bond transactions–whether to try and issue the bonds competitively or with a negotiated sale, and whether school board members have the expertise to make the decisions or whether they can potentially be misled. Other scholars have written on the differences, indicating that negotiated sales tend to be in the underwriter's best interest because it guarantees them the transaction. This is an issue for later exploration. However, while this former board member questioned the advice of underwriters, he acknowledged that he tended to respect WCCUSD's consultant, saying:

> But it's because we got to have a relationship and we understood what they were doing. They became more interested in us, and we became more knowledgeable about them. And we pushed them to really do their job…I wish you could see some of the meetings. They would be at board meetings, and they would have to speak for two hours. We went over every page of our preliminary statement. Every page. (Interview)

One new school board member had a different perspective and was frustrated with the district's decisions. She explained that, as a new board member, she worked to "really try to understand where the money is being spent," though she felt that "sometimes when you ask the questions it becomes obvious that what was done was wrong" (Interview). She was upset at consultants when they would not give her a number she requested at a meeting, complaining:

> We pay a lot of money to these people… Of course they could calculate it. They just didn't want to give the number. I think with private people coming in and managing our bond funds, we have to really be vigilant to make sure that what they do is in the district's best interest. (Interview)

This excerpt indicates not only her hesitance to trust the consultants that worked with the district, but also her relative lack of knowledge of how the program works, which she worried could affect her ability to monitor the program. In particular, she is concerned about a contract with the district's construction management company. She acknowledged:

> We are thinking very seriously about who work with…because there's still so much information about [company]. A lot of people don't understand why we're still working with them. I think part of our master plan will be to evaluate whom we're using. (Interview)

Another board member said cynically, "Remember, the reason it's complicated is because people don't want you to really know what's going on," (Interview), which indicates a lack of trust between the district leaders and their consultants and contractors. Of course, it is not possible to evaluate the extent to which WCCUSD board members or staff members effectively monitored consultants. The local newspaper certainly alleges mismanagement, and the existence of SEC, FBI, and Contra Costa Grand Jury investigations raise suspicion, though certainly do not prove any wrongdoing. As one

source close to the district explained, "there are areas where board members have not taken an interest and so other industries can charge what they want, but that's the board members' fault. They should pay more of an interest. But that's not corruption. It's not even incompetence, they're just not interested" (Interview, WCCUSD Source).

Controlling costs. With regard to costs, the district has already tried to implement measures to decrease the costs to taxpayers, for instance by promising a lower tax rate than they state maximum, as mentioned earlier. When they issued bonds last year, the approved bond sale parameters included fixed-rate current interest bonds with up to 40-year final maturity, though they did not include capital appreciation bonds, known to be more expensive. The district also restricted the maximum underwriter's discount to $5.25 per bond, according to a KNN Public Finance Presentation to the board. These fees are part of the soft costs that come out of bond proceeds. When asked about soft costs, one WCCUSD former CBOC member explained:

> Soft costs are what you look at [in] your design phase: the cost of the architects, the cost of your project management, the cost of getting through DSA. Those are all your soft costs. We're running about 30% or a little higher. They were telling us in that article that LA was better than us. No! LA's soft costs on average are over 50%. And, on top of that LAUSD's bond program was shut down for mismanagement and overextending their program. We have never been shut down. (Interview)

This excerpt indicated frustration with allegations that WCCUSD's bond program is too expensive. Perhaps in response to those allegations, the school board recently made the decision to pay financial advisors by the hour, which shows that the school district is making changes to address some of the real or perceived issues with paying private contractors and consultants for bond services.

Ethical and political issues. This section analyzes data from respondents interviewed for the WCCUSD case study to address the research question: What ethical and political issues have arisen between school districts and private organizations in the facilities financing process? Though many issues discussed above touch on ethics, and almost all have a political component to them, this section will explicitly address pay-to-play, the most headline grabbing and most frequently mentioned ethical and political issue in WCCUSD.

Pay-to-play. The purpose of this section is not to get into the details of specific allegations or call out individual companies. There are ongoing investigations, and the purpose of this dissertation is not to investigate any individuals or specific companies. The point of this section is to explain ethical issues that can arise when school districts decide to place a bond on the ballot, and to share interview excerpts emblematic of the ways different constituent groups view the issue. As discussed in the literature review, school districts are put into a difficult situation with regard to bond campaigns. Laws prohibit districts from spending money to support bond campaigns, which leads many to create campaign organizations that are officially separate from the school district. These campaigns collect and then spend money to educate the voters about the bond and encourage them to vote "yes." The campaign organization that supported WCCUSD's bond campaigns was called For The Children Of West County, and it has come under intense scrutiny. The local newspaper, for example, wrote:

> Roughly $2.8 million has poured into campaigns to pass West Contra Costa school district bond measures since 2002…The bulk of the contributions have come from construction companies, architectural firms and organized labor, groups that have been heavily involved in building and renovating dozens of schools throughout the district thanks to the $1.44 billion the measures have freed up since 2002. (Rogers, 2014)

Given the link between the companies that contribute and the companies that get contracts, critics of the bond program allege that there are obvious pay-to-play issues. On the other hand, those involved with the program admit that consultants and contractors involved with the program have donated to the bond campaigns, but there is no promise that they will be given contracts in exchange. Those who defend the contributions point to the fact that this is a common practice in bond campaigns around the state given policy constraints and the expense of running campaigns. One former CBOC member that I interviewed encouraged me to look at public records of campaign contributions, saying:

> …labor unions, teacher associations, architects associations, contract associations. We're talking hundreds of thousands of dollars...What's interesting to see how of the names that appear making donations end up with contracts…There's certainly enough occurrences of campaign donations leading to contracts to start to have questions. (Interview)

As might be expected, staff members and board members alike defended the bond program. One school board member explained that the local newspaper made, "a concerted effort to discredit the overall facilities workings of this district and make it sound maligned if not illegal…I don't think so. I haven't seen any evidence of it…I mean I just don't believe that's happening" (Interview). Another board member said, "And all of the suspicions that something is going wrong here—nothing has ever been found. There have been mistakes. There have been new practices that have been implemented. But there is nothing wrong. There is no big problem" (Interview). The board member explained that the school district actually worked hard to avoid pay-to-play issues. For example, they rejected offers from law firms to run campaigns or write bond language "for free" (Interview).

A staff member defended the bond program saying, "In some communities people think others are lining their pockets with their tax dollars, which really isn't the case. It's all about putting the students in an environment that is conducive to learning" (Interview). However, one board member did acknowledge that private interests are drawn to school districts given how much money they spend, saying:

> There are a lot of interests in schools. You're talking 300 million dollars of year of operating funds. 120-30 of capital funds. So half a billion dollars a year is going out of this district. That's a lot of money. There's a lot of interests lined up to influence how that money is spent. (Interview)

One former WCCUSD staff member spoke about the SEC investigation and started to defend the school district saying:

> A lot of programs that they were supporting by their donations, and people that donated money…was it a quid pro quo? No. I don't think so…There's a fine line between protected free speech, which is me giving you money for your campaign, and then making sure that I'm here for the work, or the works here for me.

> Right?...Look at the correlation between the campaign donations of [firm] and [firm] and the amount of work they got. How about that? (Interview)

This quote is emblematic of the way even those close to the program questioned the practice of private companies donating to school district bond campaigns.

On the other hand, one person intimately involved with the WCCUSD bond campaigns defended the private companies that invested resources in helping the school district pass the bonds, saying:

> One of the things that has been really important in our district is all of the private companies have all worked together and donated money, and an incredible amount of man hours to help us pass bonds and parcel taxes. And those things don't happen without money, and they don't happen without people. (Interview)

This excerpt shows a level of frustration with criticisms of the bond program when this individual felt that the district and its bond campaign contributors and volunteers were working within the constraints of the system. When speaking about the industry as a whole, one facilities expert connected the campaign contributions with the initiative to place a statewide facility bond on the 2016 ballot, saying:

> It's just what you do. It's how you finance a campaign. It's a big industry. Ok. And part of why CASH and CBIA are putting this bond measure on the initiative process is; it's an industry. It's people's livelihood that depends on it, and oh by the way, we'll build some schools and take care of all these kids. (Interview)

WCCUSD's bond campaigns were unique regarding the extent to which union members and others affiliated with labor came out to support the campaigns. As one former board member described, "Our program was big enough and a lot of people knew about it in the building trades and got behind it more than anybody else ever imagined, so we had a lot of the unions really participated and helped out a lot" (Interview). As one union leader explained the involvement of labor with the bond campaigns in WCCUSD, "We've had a good grassroots campaign to reach out to the membership…we've been pretty successful because we have a pretty high density of union households in West County" (Interview). A volunteer with the bond campaigns explained how helpful these outside interests were to passing the bond, saying:

> The way that this district works to have that stuff happen and work with their NG partners, thoroughly benefited our neighborhood more than anyone will ever understand except for the people who really did it, you know, like the contractors. They know it. I've done more phone-banking over 12 years than I can shake a stick at…There were more tradesmen, and there were more professionals from the firm that we hire than there were parents and teachers calling. (Interview)

This excerpt again points to the constraints of the current system and the perceived need for private interests to help districts with their bond campaigns.

The pay-to-play issue also relates to individual board member campaigns. For example, critics have pointed out how one school board member serving on the facilities subcommittee raised a majority of her contributions from the construction industry (Ballotpedia, 2015). However, some board members think differently about contributions. One board member spoke about how he did not take contributions from companies because "I don't want the conflicts that come with that" (Interview). This issue is relevant in WCCUSD not because I am alleging that there was any wrongdoing; that is not my concern at this point. However, this issue is important to discuss given the

extent to which it has served as a distraction, taking attention away from the bond program and its ultimate goal of improving facilities. Unfortunately, allegations of pay-to-play and its coverage in the newspaper negatively impact the trust between the community and the school districts' leaders and might impact the extent to which community members are willing to support subsequent bonds.

Discussion

This chapter addressed the dissertation's third research question and sub-questions:

3. What are school districts' experiences with school district facilities financing, and by what sociopolitical dynamics (community and district characteristics) are these experiences informed?
    a. How are policy roles negotiated between school districts, the state, and private organizations?
    d. How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?)
    e. What ethical and political issues have arisen between school districts and private organizations in the facilities financing process?

With regard to the primary research question, analyzed community characteristics included: wealth equity history, racial equity history, location, power imbalance and the history of struggle, and the history of community involvement with the school district and bond program. Analyzed district characteristics included: district capacity and expertise over time, transparency over time, district size, and student demographics. Each of these sociopolitical factors was found to influence school districts' experiences with school district facilities financing, sometimes in surprising ways. These questions regarding the level of contracting a school district engages in are not meant to try and determine or debate whether the private sector or the public sector are better at providing facilities financing services. Respondents emphasized that many factors influence the extent to which school districts contract out for services, and that two similarly situated school districts might make very different decisions with regard to what they do "in house" versus what services for which they decide to contract out. For example, the level of contracting out can be affected by school district size, but two school districts of the same size might contract out for different services, given the preferences, capacity, and expertise of individual school district staff members. Therefore, instead of trying to determine what services a school district "should" contract out for versus what services a school district "should" do, I sought to make transparent the various areas of concern that could point to necessary or preferred policy changes. The areas I focused on are those that have the strongest equity implications.

First, the extent to which a community believes school district leaders to be transparent can have a large impact on a district's bond program. Respondents agreed that allegations that the school district was not always honest with taxpayers, particularly with regard to its budget, impacted community trust and ultimately contributed to the failure of the last bond measure. Another major finding related to the way policy roles are determined. My notion that these roles would somehow be "negotiated" was immediately proven false as respondents overwhelming spoke about policy roles as being one-way, with the state proposing policy and school districts and private organizations reacting,

and sometimes reeling, from unfavorable decisions. When asked about policy roles, respondents criticized Governor Brown's proposed changes to the School Facility Program and argued passionately for the state to play a larger role in facilities financing. This response was fairly consistent across individuals, including those in the public and private sectors, though the nuances of the critique and preferences for the ideal roles for school districts, the state, and private organizations varied. Not surprisingly, the lone dissenters were those working in the Department of Finance, the organization that prepares the Governor's Budget Message. These policy roles—what the state controls versus what is left to school boards—also affected the relationships that develop between school districts and the private consultants and contractors they hire to assist them with their bond programs. For example, given the state's desire to *not* provide explicit training to school board leaders regarding bond finance, school districts were more likely to contract out to private experts for that guidance. Another area for future research is the issues related to financial advisory firms. As I spoke with individuals from the private and public sectors, I was told over and over about horror stories relating to districts' experiences with private contractors and consultants. However, respondents tended to agree that problems in the industry were connected to particular "bad apple" consultants, and the majority of complaints were also related to a particular type of consultant: financial advisors. Several respondents mentioned possible regulations "in the works" for financial advisors, though this is an area for future study.

Finally, it was evident that many people working in the industry were not only familiar with critiques of "too much" contracting out, but also frustrated that those lobbing the critiques did not understand the realities of school district capacity, the intermittent nature of facilities financing, and district constraints with regard to hiring full time employees. While acknowledging the occasional horror story and increased costs of hiring private consultants and contractors, respondents overwhelmingly agreed that, at least in the current policy environment, school districts need to work with consultants to navigate facilities bond financing. However, the policy proposals for how to address these issues vary by sector. These proposals will be discussed in Chapter 9.

Conclusion

West Contra Costa Unified School District is in many ways *not* a representative case given how unique it is in terms of the size of its bond program relative to the size of the school district, the number of bonds it has passed in a relatively short amount of time, its philosophy with regard to tearing down and rebuilding the majority of schools in the school district, and the ongoing investigations of the district's bond program. However, there are two primary benefits of looking at a school district like WCCUSD. First, given that it is a large, urban school district, with a relatively low assessed valuation serving a high proportion of low-income minority students that has been able to provide high-quality school facilities, the district is an example—whether "good" or "bad" aside—of how to improve facilities while facing many barriers. Second, given its program size and duration, the district has faced many more "issues" than most school districts and gives the reader an opportunity to understand many aspects of bond financing while looking at a single school district. Regardless of individuals' assessments of the program, it is an undisputed fact that the school district has been able to dramatically improve the quality of the majority of its schools. Those facilities will stand for decades and hopefully give many thousands of students over time the opportunity to be proud of their schools.

Chapter 8 - School District Case Study Findings, Part 2: Oakland Unified School District

"I'm not saying one way or another, but you have a construction management team and you're paying them several million dollars a year—you could in theory hire a high-level, quality team of full time employees to do the same work. Because at the end of the day, we work hand in hand with them currently, so why wouldn't you hire more staff to do the same functionality?"

--Interview, Oakland Unified School District Staff Member

"Building schools is important business and school administrators largely shoulder the responsibility. They are held accountable for the quality of decisions and manifest results. Dissatisfied teachers and disgruntled taxpayers will direct their complaints to the persons in charge, and superintendents and building principals remain on site, long after architects and general contractors have moved on."

--Cynthia Uline, 1997, p. 194

Introduction

This chapter is the second of two school district case studies. The case study analysis was designed to address the third research question and sub-questions:

3. What are school districts' experiences with school district facilities financing, and by what sociopolitical dynamics (community and district characteristics) are these experiences informed?
    - b. How are policy roles negotiated between school districts, the state, and private organizations?
    - f. How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?)
    - g. What ethical and political issues have arisen between school districts and private organizations in the facilities financing process?

Summary of Findings

Many of the findings from the OUSD analysis are similar to those from the WCCUSD analysis and helped to confirm that certain issues need policy attention and likely are present in similar school districts. For example, respondents from both school districts lamented the inequitable ways assessed valuation and credit ratings impact low-income school districts. Despite policy limitations, both districts have been able to improve the quality of their educational facilities over time, and both have enjoyed the support of a generous voter base over the years, although critics have pointed to weaknesses in each district's program. While both districts have pointed to equity as a driving force behind the distribution of bond dollars, each district has dealt with community criticism and dissatisfaction with bond dollar allocation. These similarities could be due to shared sociopolitical dynamics: both are of relatively similar size, with socioeconomically diverse student demographics and community populations.

Case study findings indicate that these sociopolitical factors combine to create a fiscal image of a school district that impacts community stakeholder support and the bond program as a whole. In both school districts, the legacy of past initiatives and past

struggles played a large role in the facilities programs. Findings also demonstrate the importance of the district leadership structure. While WCCUSD had one primary individual driving the program on the school board, OUSD suffered from consistent leadership turnover. Respondents indicated that the district consequently lacked a clear philosophy and has shifted focus over time. While OUSD is now organizing itself around a facilities prioritization strategy targeted toward equity, it is unclear how long OUSD will follow this plan before shifting focus yet again.

This chapter also analyzes the consequences of transparency policies around Citizens' Bond Oversight Committees. Respondents described OUSD's CBOC as a weak body that went from not even meeting the statutory membership requirements to one that is starting to get the information, documentation, and expertise it needs to perform its oversight function. However, as the CBOC turns over its membership over time, without a stable training mechanism, the committee risks slipping back to simply being a "rubber stamp" for the school district.

With regard to relationships with private consultants and contractors and whether school district officials perceive them to be exploitative, mutually beneficial, or other, I found that the relationships vary by type of private organization. There is a wary trust as school districts are reliant on these professionals to help them serve students, but at the same time district leaders acknowledge that they needed to watch, monitor, and oversee private organizations, which can become costly. In addition to the expertise they provide, private consultants can also provide credibility and political cover for board members when making difficult decisions.

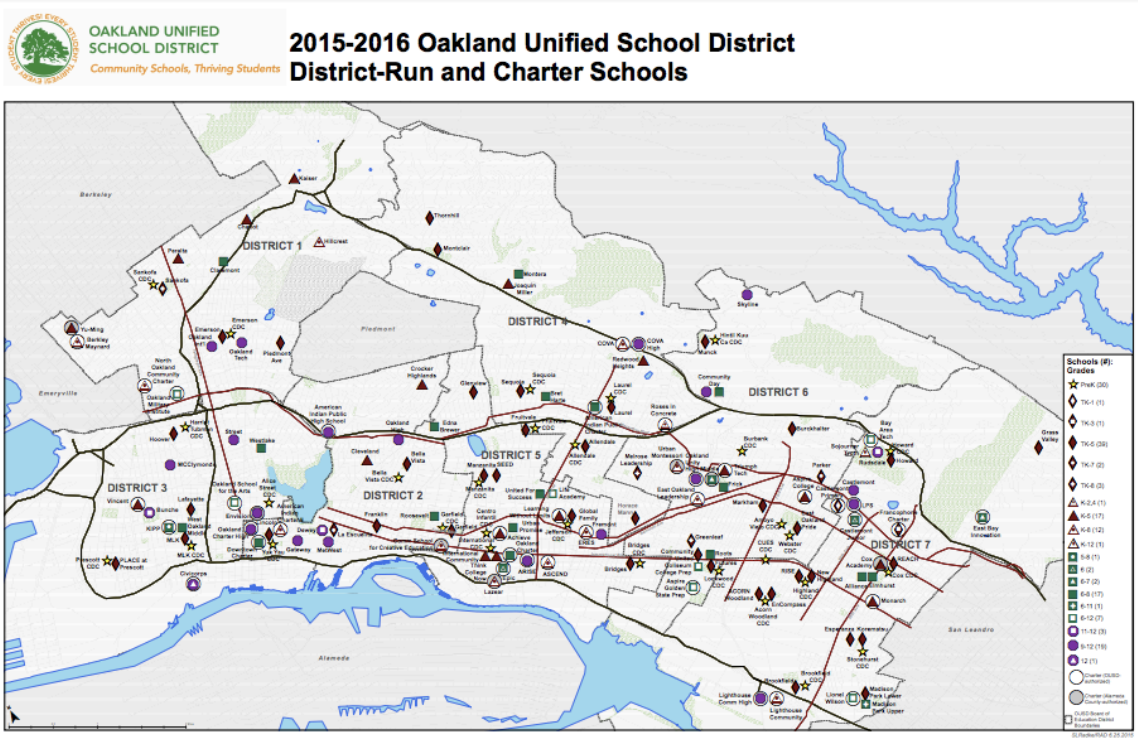
With regard to the level of contracting out, a key finding is that many factors influence the extent to which school districts contract out for services. Respondents overwhelmingly agreed that, at least in the current policy environment, school districts need to work with consultants to navigate facilities bond financing. With regard to the ethical and political issues that have arisen between school districts and private or outside organizations in the facilities financing process, in OUSD, the rapid increase in the number of charter schools combined with the district's existing asset management woes to complicate a politically divisive issue. Overall, I argue that the actors involved are doing their best to navigate a financing system that is the direct result of public finance policies that have shaped facilities finance over time.

Brief Overview of Oakland Unified School District

Oakland Unified School District is an often-misunderstood district in the East Bay of the San Francisco Bay Area. The district is a blend of urban and suburban neighborhoods varying substantially in terms of wealth and racial and ethnic diversity. According to the OUSD Preliminary Official Statement (POS) (2015), "The District encompasses approximately [53.2] square miles, including a diverse economy of industry, services, health care, retail, and other commercial activity. The District was unified in 1952, combining then-existing high school and elementary school districts" (p. 4). Figure 14 provides a map of the district's schools.

Figure 14

Map of Oakland Unified School District, District-Run and Charter Schools



Source: Oakland Unified School District website

The district educates pre-kindergarten through adult students. In the 2014-2015 school year, the district had 48,077 students, though total enrollment has fluctuated over the years. In the 2004-2005 school year, the school district had 49,214 students, and by 2007-2008, the district's enrollment had declined to 46,431. However, enrollment has increased in recent years, and one of the school district's goals is to entice families who are placing their children in other educational settings, such as private schools, to enroll their children in Oakland public schools. Compared with the rest of Alameda County, Oakland has a high percentage of Black and Latino students. In the 2014-2015 school year, the district's enrollment by ethnicity broke down to approximately 44% Latino students, 27% African American students, 13% Asian students, 10% White students, and 3% were two or more races. The school district's African American population has decreased from over 41% in the 2004-2005 school year to only 27% while the Latino population has increased from 34% in the 2004-2005 school year to 44%. The school district has approximately 200 foster students, and in the 2014-2015 school year, approximately 75% of the school district's students were classified as receiving free and reduced-price lunch, and 32% were English language learners. The number of charter schools in the district has increased rapidly from 13 charter schools in the 2002-2003 school year, with an enrollment of 2,077 students, to 32 charter schools in the 2014-2015 school year, with an enrollment of 10,981 students.

District leadership and structure. In 2015-2016, the school district was led by Superintendent Antwan Wilson and the Board of Education was comprised of seven Directors who, according to the district website, "have the primary responsibility of

ensuring that every student served by the District is well-educated for college, career, and community opportunities upon graduating from an OUSD school," (OUSD, N.D.). Board members are elected to serve four-year terms in staggered years. The school district also has a Facilities Planning and Management Department, which oversees the school districts facilities program. According to OUSD's web page on the department:

> We are happy to be responsible for the management and support of construction projects, maintenance of all District buildings, and clean and healthy facilities throughout Oakland Unified School District. Our division is led by Timothy White, Deputy Chief of Facilities. We take care of over 100 buildings 800 portables, including charter schools and address over 20,000 work orders per year. (OUSD website, N.D.)

However, the information is out of date and has been for some times as Tim White left the district in early 2015. According to the website, Lance Jackson is still the Interim Deputy Chief of Facilities Planning & Management while simultaneously serving as Vice President of OUSD's construction management company. In addition to Lance Jackson, the facilities department also has an executive assistant, a director, and an office manager. For buildings and grounds, OUSD has a director and an office manager. In addition, the department has an executive director of custodial and grounds, an office manager for custodial services, a facility use analyst and two facilities coordinators.

Superintendent Wilson's strategic plan identifies three major priorities: "(i) creating effective talent programs, (ii) creating an accountable school district, and (iii) creating quality community schools" (POS, p. B-3). Superintendent Wilson created committees and subcommittees to assist in making important decisions about the district's facilities. A June 24, 2015 memo reviewing the administrative regulations for the Bond Prioritization Policy 7112 explained the background of the committee structure:

> In January of 2015, the Superintendent launched three Strategic Plan Committees to ensure community input and implementation of the Pathway to Excellence 2015-2020. The Accountable School District committee formed a sub-committee on Asset Management. The District's capital project needs are greater than the bonds approved by the Oakland voters. To support the Board in allocating bond dollars in an equitable, transparent, and strategic manner the Asset Management Sub-Committee was charged to bring forth a recommendation to the Board of Education on general obligation bond prioritization. In addition, a transparent bond prioritization criteria will enable the District to align bond resources to the District's goals and demonstrate to voters the stewardship the District has over these valuable funds the voters has entrusted to the District. (p. 1)

As required by statute, OUSD also has a Citizens' Bond Oversight Committee that meets monthly to perform the duties outlined in statute. OUSD's CBOC is analyzed below.

Brief school district financial history. Like WCCUSD, Oakland Unified School District has a blemished history with regard to finances. In 2003, OUSD received a $100 million emergency loan from the state, the largest school bailout in the history of the state (Murphy, 2003). The state essentially "took over" the school district, firing the superintendent and appointing a state administrator, making Oakland the 6th district in California history to come under state jurisdiction. OUSD was under state control until Tony Smith became superintendent in 2009. To this day, those close to OUSD criticize

the state takeover and question the extent to which it helped the district. As described in an *Inside Bay Area* article:

> The Alameda County civil grand jury, in its 2007-08 report, found that 'the district was hampered by continuous staff turnover, particularly in the area of finance, numerous reorganizations and a succession of state administrators'…After nearly five years of state management, OUSD's budget remains unbalanced and the district's future is unclear. (Murphy, 2010)

OUSD's bond program continues to be affected by its history of state takeover, as described later in this chapter.

Brief facilities history. According to Education Data Partnership, Oakland Unified School District has 122 school sites, with 68 elementary schools, 22 high schools, 16 middle schools, 1 junior high school, 3 alternative schools, 2 community day schools, 3 continuation schools, 3 K-12 schools, 1 district office, 1 opportunity school, 1 preschool, 1 special education school, and 1 nonpublic, nonsectarian school site. Oakland Unified School District is unique in that it has a large number of schools relative to its enrollment. As one OUSD board member explained:

> We have right now forty-eight thousand students between districts and charters. We operate a hundred and twenty-six schools…there are that many charter and district schools in Oakland between the county authorized, the district authorized and district run. That's about twice as many schools as a district with that student population runs in any other place. When I meet people from other districts, their jaws drop. (Interview)

This is partially related to the much-debated small schools movement that unfolded in Oakland over a decade ago. In 2004, Oakland received a $9.5 million grant from the Gates Foundation to aid in the creation of smaller schools, under the popular idea at the time that smaller schools would improve student outcomes.

Oakland has passed three bond measures since 2000, with its most recent general obligation bond for $475,000,000 passing in 2012 with an impressive vote in favor of 84.4%. According to a June 24, 2015 memo to the Board of Trustees from the Superintendent, Senior Business Officer, and CFO, the board was asked to consider and approve two resolutions to authorize general obligation bonds, one to issue Measure J bonds for new construction and modernization, and another to refund (refinance) a prior issue to reduce bond repayment and "related annual tax payments by Oakland property owners" (p. 1), explaining that "in 2013, the Board authorized the first series of bonds of $120 million to be issued under Measure J. Based on the District's construction needs, another issue of bonds is planned for early August. The resolution and related documents will authorize the next issuance in a not-to-exceed amount of $180 million. The need for $180 million is driven by project funding requirements of the District's facilities program over the next two years" (p. 1). In comparison with WCCUSD, in the same amount of time that WCCUSD raised $1.6 billion, OUSD has raised $1.2 billion, though Oakland has 17,500 more students and more than twice as many schools. However, Oakland's bond program is still near the high end of the spectrum when compared with other school districts in the state.

When asked how the district would be impacted if bond measures had not passed, one former board director interviewed in my dissertation pilot study spoke about how difficult it would be without bond proceeds:

> Oh, it would be horrible…we absolutely rely on them to be able to make major health and safety repairs to our school buildings. Say 20 years ago, we were, our buildings were overcrowded. Many of our schools were overcrowded, many of them were in dilapidated conditions in terms of the basic stuff, whether it's roofing, heating systems, the adequacy of classroom amenities. There are a number of things that were very problematic, and through the local investment and then being able to use that local investment to leverage state bond money, we have been able to do, I would say, fairly dramatic improvements. We still have a long ways to go. In fact, our facilities master plan outlines an additional $1.2 billion dollars worth of major capital improvements, and yet, where we were 20 years ago to today, it's a huge difference. (Pilot Study Interview)

This excerpt indicates how reliant OUSD is on the proceeds from their bond funds, but it also points to the limitations of bonds and matching funds as a finite funding source.

The Effects of Sociopolitical Dynamics on OUSD's Facilities Financing

As stated in the previous chapter, a major goal of this dissertation is to understand the sociopolitical dynamics that inform school districts' experiences with school district facilities financing. This section analyzes the community and district characteristics that I hypothesized to have influenced OUSD's bond program experiences, with a particular focus on the financing part of the process. Analyzed community characteristics include: wealth equity history, racial equity history, location, power imbalance and the history of struggle, and the history of community involvement with the school district and bond program. Analyzed district characteristics include: district capacity and expertise over time, transparency over time, district size, and student demographics.

Community characteristics: wealth equity history. Oakland has a well-documented history of inequality. There is a pervasive belief in the community that resources are spread inequitably, whether they are related to the school district or other city sources. When asked about whether the community has a mindset that some facilities in some areas are better than others, one OUSD staff member said:

> Yeah, so that's just the culture of Oakland period…That transcends the education. That's universal throughout the city, so yes that does exist unfortunately with the school district as well. There is the perception that hills are going to be better regardless if they do have what you need in the flats (Interview)

When asked if that was actually the case, if schools in the hills actually are nicer than those in the flat-lying areas of the city, respondents agreed that they were, though their reasons were different. The staff member attributed differences to the number of schools, saying, "Well, what I would say is unfortunately you have a larger amount of schools in the flats. Obviously when we talk about, for example, earlier on, projects being done by a regional approach, you only have a handful of schools to do in the hills. Each time one of them is addressed or taken care of, yes the numbers are going to be skewed that they are better. The bottom line is we just don't have as many schools to maintain in the hills, so they tend to be in better shape" (Interview). A CBOC member and long time district educator attributed the difference in equity between the schools to parental involvement, saying:

> Equity is a tricky thing to apply because equity in the school, in a hill school, still the parents are going to fill whatever gaps they see. Whereas, in other schools, kind of what you get is what you're going to get…It's not kind of so much the

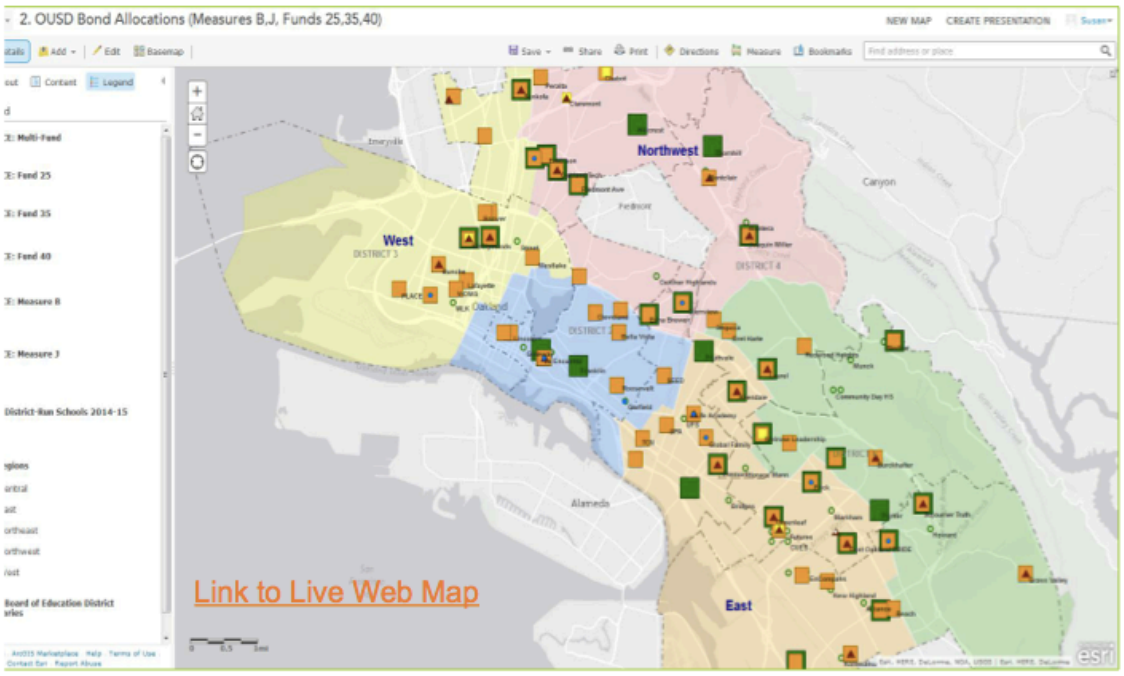
> district…At [hills school], the parents pretty much filled in any gaps…they didn't like the fence. I think the fence is going to be eventually replaced or covered with plants or something. They're the squeakier wheel. Because the parents are more organized, willing to make the calls. I mean, I can't blame the district for that because when you have wealth, that's what wealth does…I don't know if we'll ever have equity in the true sense because the communities are not equal. (Interview)

Each of these respondents shifted blame from the school district for any inequities in facilities and instead shifted the blame to the way the community is organized and the way its residents act.

While respondents agreed that the few schools in the hills are perceived to be nicer than the majority of the other Oakland schools, the vast majority of respondents emphasized the extent to which OUSD has worked to spread money around the school district. As one staff member who has worked with OUSD for many years explained, while the district has done some extra projects in the hills, they were community-driven, and the district has also put a lot of resources into other areas of the city, saying, "It's going to be great investment for the city. The money has been spread out. In the Fruitvale area, there's been some work. It is all over" (Interview).

Figure 15

Map of OUSD Bond Projects from Measures B and J



Source: OUSD Bond Prioritization Presentation, Slide 31

Facilities philosophy. I refer to the way a school district decides to allocate funds across its schools as a facilities philosophy. Like with WCCUSD, it makes sense to write

about the district's facilities philosophy in the context of writing about the community's wealth equity history. When comparing WCCUSD to OUSD, respondents in both school districts attributed the school district's philosophy with regard to its facilities program, at least in part, to a desire to make schools more equitable. However, in WCCUSD, equity between district neighborhoods and neighboring school districts with varying median household incomes seemed to serve, in many ways, as the basis for the district's driving facilities philosophy. In OUSD, on the other hand, mentions of equity were subtler. For example, the issue of wealth equity only came up explicitly in 6 interviews, though more people described OUSD as "spreading" its bond dollars around, as shown in Figure 15.

As an example of one explicit reference to equity, one former OUSD staff member familiar with OUSD's facilities program explained that equity was a driving part of the organization's facilities philosophy, saying:

> We put in great facilities for people that didn't have it. When I came to Oakland, people wanted to do crappy stuff in East and West Oakland. Their stuff failed. The center of it was that, 'Oh we got to clean it up. We got to clean it up.' Nobody was saying 'White folks in the hills was going to clean this stuff up,' right? We spread that equity. I felt like our students deserved the best regardless of where they live. (Interview)

One school district staff member explained the district's philosophical focus on equity as a political need to spread money around geographically, given that the school district is broken into several smaller districts, saying:

> Typically ours is more of a regional approach to spreading the money. Meaning, the district is broken into 6 regions, or zones, or whatever word you want to use. Typically what we attempt to do is spread that bond money. For example, currently we have a 1.5 billion dollar need, and we only have…475 million dollars for the things we need to address. You have over a billion dollars of [unmet need]. That money has to be spread. Obviously, that's a huge need. All of our school sites, if they haven't been modernized or built new in the last few years, they're still in need. Our approach has been to strategically spread the money out not so it's just in one area. We try to have equity throughout the district. That's pretty much been our approach to spreading out the bond funds. (Interview)

There were a few respondents who had worked with or were familiar with WCCUSD and OUSD's facilities. When asked to compare their facilities philosophies, one OUSD staff member brought up the importance of the regional districts in OUSD, saying:

> [WCCUSD] specifically said, 'This is our standard for schools. We want all of our schools to meet this standard. And so that one over there is going to have to wait extra long until we get this one done and get the funding available for that one.' That is a stated objective that they've been executing. I think that Oakland—I'm not sure what the board structure is West Contra, but in Oakland we have districts. There is this political need to spread it around. (Interview)

Speaking generally about the differences in philosophies, respondents tended to explain that while WCCUSD is known for knocking down and rebuilding all its buildings, and while it tends to do things "the expensive way," its facilities will now last for decades. They described OUSD, on the other hand, as spreading its money around

across all its schools and doing smaller projects that are not typically as long lasting. One OUSD staff member even questioned whether OUSD actually has an articulated facilities philosophy, saying, "I know that West Contra Costa has a philosophy. I would say that Oakland does not necessarily have a philosophy that's articulated in the way West Contra's is" (Interview). However, one private consultant took issue with this description, explaining that the variance in philosophies is more complex given the differences between the districts:

> OUSD has 86 schools at 115 sites. WCCUSD has 56 schools at 53 sites. WCC is about half the size. OUSD also has been trying to be very responsible in how they are equitably allocating bond dollars and trying to make sure that they recognize that there are needs at every school site and every school site has different needs and trying to be conscientious about how they are allocating bond dollars. The comparison of just tearing it down and building a new building versus doing smaller projects that maybe are not necessarily as long lasting is not just a white or black situation like that. Because resources are so limited and needs is so high and because there are so many more schools and facilities [in OUSD], they have to be a bit more practical in how they spend their dollars and how they allocate resources for modernization and upgrade projects. (Interview)

An OUSD staff member emphasized that OUSD is focused mainly on modernization, saying:

> It's all about modernization and modernizing to current use and current need…Which ones get modernized, which ones kind of don't, and how much? There's just so much need that we've had to spread it around…Most other districts will be very specific… We need to build a new pool… Whereas, Oakland, it's really more seen as, sort of this ongoing modernization, as your buildings grow old have to replace them. (Interview)

However, another former staff member argued that OUSD was also focused on new construction over the last decade, saying:

> A lot of it is going to new construction in Oakland because our desire was to…we had to handle expanding enrollment in some cases. A lot of our growth was in portable development. We took out more facilities for us; we did a couple new schools, several new buildings on existing campuses. In addition to any buildings, like schematic buildings, science laboratories, arts and science kind of buildings. I would say probably, last 10 years maybe, easily 40% to new construction. (Interview)

However, OUSD's new construction was more often related to new work on existing campuses, compared with WCCUSD, which tore down and rebuilt more of its facilities.

One major issue in Oakland has been its changing population of students over time, "as charters come and go, as school populations come and go, as the school's performance goes up and down, these needs change like year to year," and one staff member explained how this can make it difficult for the district to manage its assets:

> Between private schools and charters, we're left with about 38,000 to 37,000 but we have enough schools to house 50,000. That's our challenge is that we have too many schools for the number students that come to district schools, but it's probably the right number of schools for all the kids in the community. (Interview)

As an example, the staff member said, "This one was a huge high school and we don't have that many kids going to high school there. How do we break it up and have multiple uses?" (Interview). OUSD's committee on Asset Management is working to address this issue along with its staff and board members.

One former staff member described how a major part of OUSD's facilities philosophy was a commitment to building sustainable schools, explaining that OUSD set the bar for sustainability. One school board member agreed, describing:

> There were [stories] published in Architecture Digest a hundred years ago about Oakland and its innovative school architecture…We were cited for our work around open, fresh air and lighting and courtyard. I think it's really interesting that we continue to be a leader in green school construction. (Interview)

She lamented that the quality of school construction was not consistent over time, noting:

> Every building we've put up since then has needed so much work, it's crazy. All those buildings from the '70s we had replace all the HVAC in that building. We did all that interior work, but we didn't really get to do anything for the classrooms. They needed another science room. There are all sorts of things they need to be up to snuff. (Interview)

The school district has spent a large portion of its bond dollars on issues that the community cannot necessarily see when looking at the district's schools. An OUSD staff member agreed, saying, "Some of the ones we have done work to, they may have gotten structural upgrades where you don't see it on the outside. It's more of a system type of upgrade" (Interview).

The importance of consistent leadership. In the WCCUSD, there was one person that everyone agreed was the leader of the facilities program. OUSD, on the other hand, had almost the opposite issue. Respondents spoke about leadership change and the difficulties created by constant transition and frequent new initiatives as the district's leadership turned over. This created turmoil within the district. As one respondent put it, "Oakland doesn't want to face its issues. They like to talk a certain way. Behind closed doors they are totally different than what you would have thought" (Interview, OUSD Respondent). For example, one initiative in OUSD that absorbed facilities resources and still impacts its facilities today was the Small School Initiative. One former OUSD staff member explained:

> OUSD Former Staff Member: When we went into the Receivership, the original plans I believe, were still pretty much followed. But there was I think, a lot of adjustments made, on the State Receivership to create smaller schools…Under the Small School Initiative we did tens of millions of dollars in renovations to existing schools that weren't designed to be small. Trying to create features that allowed them to operate as small schools.
>
> Me: … That kind of fizzled out, right, after the money went away?
>
> OUSD Former Staff Member: Yeah, I think it was more than the money too. I think, in some cases, [it] didn't produce the kind of results that people had wanted it to produce. (Interview)

The movement to create small schools in Oakland impacts OUSD today as the district wrestles with having many more schools per student population than most districts in the state.

One current staff member described the challenge OUSD has had with changes in leadership and its impacts on its facilities program:

> We've had a lot of turnover in our leadership at the top level, superintendent and so forth changing in the last several years. One of the things that occurs with that is, every new leadership comes in with a different focus, or a different charge or task on what they feel is necessary and what direction they want to provide on what's important for school sites. Sometimes when we start down a path with one leader in facilities, and marching, and doing work in one area, and then you're forced to kind of switch. You can easily kind of see how the community could be frustrated with that decision. Feeling, 'Hey, what about us? We were promised x, but now the focus has shifted or changed.' (Interview)

Without calling out any specific current programs, a couple respondents agreed that OUSD has no shortage of initiatives and that, at times, that could cause the facilities program to seem disjointed.

New directions for school district philosophy. OUSD respondents agreed that the school district has made a strong effort to make decisions based on the needs specified in its Facilities Master Plan. In the past, when making decisions about how to prioritize bond dollars, one OUSD Staff Member described the process:

> Typically the ones that get done first are the ones that have…take the easiest. Or, ADA issues. Or, if there are school sites that have been neglected in the past and are really in bad condition, then those tend to float to the top. Typically, a list is generated based on those criteria. That list is provided to the board at a board meeting and those projects get approved at a high level. (Interview)

Unlike WCCUSD, another staff member described the direction for the bond program as coming from the superintendent, rather than the school board, describing how equity and transparency are playing a role in the new directions for the bond program:

> There is a little bit of everything, but I wouldn't say it's board-driven. I would say it's superintendent-driven because we have a new superintendent. He would like to open up the discussions and have a little bit more transparency as far as how the project is selected and how the need is determined. Then we have equity amongst, and the big thing in Oakland is equity does not mean equal. (Interview)

In fact, a focus on equity is more explicit in the district's new bond prioritization plan (Oakland Unified School District, 2015, "Update Report: Bond Prioritization," slide 14). The board approved the proposed Bond Prioritization Policy 7112 on May 27, 2014. The policy's administrative regulations state:

> Under the direction of the Board of Education, the Superintendent or designee, with the Facilities Department Leadership, shall conduct this process in a transparent manner that engages multiple diverse stakeholders, maximizes equity and openness, and results in a prioritization that is well- informed, professional, unbiased, and reflects District and community values. (Oakland Unified School District, 2015, "Administrative Regulations for Board,' p. 1)

In Figure 15, the map of OUSD bond allocations from Measures B and J shows how the various bond projects have been spread geographically around the school district, with the majority of projects appearing to be done in the flat-lying, lower income communities in the school district. The bond prioritization process will begin with gathering and reviewing data and documents to inform decisions and "establish context prior to the

project prioritization process" (Oakland Unified School District, 2015, "Administrative Regulations for Board,' p. 3). Guiding data includes a number of various and seemingly disjointed organizing documents, which reflect the turnover in OUSD's leadership and is emblematic of the different initiatives that the district has embarked on over its different leadership phases.

Detailed spending plan. In 2012, OUSD's Facilities Master Plan identified $1.5 billion in facilities needs in the school district, with the bulk of that money, $370, being needed for modernization and facilities upgrades. Another $337 million was needed for portable reductions, $333 million was needed for seismic safety enhancements, and $258 was needed for full service community schools support. OUSD's Measure J Spending Plan accounts for four separate issuances of the $475 million from Measure J and accounts for each dollar of the money, allocating it to specific board approved projects at individual school sites, such as "Fremont HS – Replacement," as well as deferred maintenance projects that are more general, such as "Bathroom Renovations." Unlike WCCUSD, OUSD was very explicitly drawing up a budget and allocating bond funds to specific needs. With regard to Measure J funds, the prioritization plan called for approximately 70% of the funds to go toward modernization and new construction, 10% for coordination and contingency, 11% for capital improvements, 4% for energy and technology, 4% for field projects, and 1% for security. OUSD plans to repeat this prioritization process for subsequent bonds.

State takeover, district reputation, and no credit rating. As mentioned above, though Oakland has now had control of its own district since 2009, the state takeover was recent enough that it still impacts the district's reputation and contributes to its lack of a credit rating. When deciding whether to purchase a school district's bonds, investors read the bond's "Official Statement," (OS) in order to determine whether the bonds are a good investment. These OS's contain a wealth of information about a school district, including information about the local economy, the district's finances, and any issues that might indicate to investors that the school district is a "risk" to invest in. Though the issues that led the state to take over the school district happened over a decade ago, a draft of OUSD's preliminary official statement retrieved from OUSD's website from July 2015 explained OUSD's previous financial troubles in detail:

> In December 2002, the District's unaudited financial statements for the fiscal year 2001-02 showed a General Fund deficit of $31 million as of June 30, 2002, and projected to reach $52 million by June 30, 2003. Before the audit was completed, a Financial Crisis Management Assistance Team ("FCMAT") declared a fiscal emergency in the District and the Board of Education requested an emergency loan from the State, resulting in the adoption of S.B. 39 and State takeover of the District's financial affairs. (OUSD Preliminary Official Statement Draft, 2015, p. 25)

The statement describes to investors how Oakland was governed by a state administrator in response to the district's request for emergency financial assistance, and while OUSD now has control, as long as the emergency loan made by the state is outstanding, "a trustee appointed by the State Superintendent (the "State Trustee") will monitor and review the District's operations, with the power to stay or rescind any action of the Board of Education that may affect the District's financial condition" (OUSD Preliminary Official Statement Draft, 2015, p. 4). The OS also points out other areas that might make

investors wary: “Increased unemployment and other general economic conditions in the District may also correlate with a decline in assessed value and an increase in delinquent tax payments” (OUSD Preliminary Official Statement Draft, 2015, p. 24).

However, as many respondents noted, the way that official statements are written can be misleading to investors as they point out financial issues that would not necessarily impact whether bonds are repaid. The OS acknowledges the way the system actually works in terms of repayment:

> As mandated by law, the County Treasurer has sole responsibility for the levy and collection of the tax imposed to pay the principal of and interest on the District’s bonds. Pursuant to State law, the proceeds of the tax levy are never in the custody of the District or available for any other purpose, and are at all times segregated from the operating revenues of the District. The District has no role in the process of taxation and payment of the District’s bonds…It should not be inferred from the inclusion of information in this section concerning the District’s operations and the District’s finances that the principal of or interest on the Series 2015 Bonds is payable from the District’s General Fund or from State revenues. (OUSD Preliminary Official Statement Draft, 2015, p. 24)

This statement makes clear that school bonds are secure and that it would be highly unlikely that investors would not be paid. So why do OS’s include this information? Bond lawyers say that it is important that investors have all the necessary information to determine whether to buy a district’s bonds. However, the fact that the school district’s financial imperfections are given so much attention and then a single statement is included to explain why all that information is not entirely relevant with regard to the risk of the investment, can hurt school districts like Oakland that are working hard to improve their reputations.

This problem is further exacerbated when one considers that another factor that investors consider is the credit rating of a bond. As discussed in the last chapter, taxpayers living in school districts whose bonds have lower credit ratings pay higher interest rates on those bonds over time. In Oakland, the school district’s bonds lost their credit ratings as the OS explains:

> The Series 2015 Bonds have not been rated by any rating agency. Standard & Poor’s Ratings Services withdrew their underlying ratings of the District’s bonds on February 11, 2011. Moody’s Investors Services withdrew their underlying rating of the District’s bonds on February 15, 2012. The decision to withdraw the District’s ratings reflects only the views of the ratings agencies, and any explanation of the significance of such withdrawal may only be obtained from the rating agencies themselves. The District cannot predict when or if either of the rating agencies mentioned above will reinstate their ratings of the District’s bonds or, if they do, what the reinstated ratings may be. (OUSD Preliminary Official Statement Draft, 2015, p. 35)

While the OS does not explore why OUSD lost its credit ratings, district staff explained that issues with the district’s audits caused the rating agencies to withdraw their ratings. When the State Controllers Office was given the responsibility of auditing the district’s financials and compliance, they fell behind as one OUSD staff member explained:

> You don’t have a current audit. Meanwhile, you had financial problems to begin with and you’ve waited to hear what your auditor has to say. You’ve obviously

> missed the opportunity to make improvements or changes or whatever in the year that followed. Then another year and a half goes by in another audit. Now you're 2 or 3 years behind in your audits plus your findings are from 2 years back, so by the time you change it, you're still going to get the same findings in the next 2 years. They just created this avalanche of not getting audits done and then not being able to provide an opinion on the financials because they said, 'Well, you haven't balanced your beginning balance.' Finally, by the time the district did that, it was like 5 years in. Finally, the rating agencies…after the financial crisis in 2008, '09, they came up with more rigid criteria for how they would rate and they said you must have 3 years worth of audits to get current. (Interview)

The lack of a credit rating can affect investors' willingness to purchase Oakland's bonds, making it difficult for the school district to use its bond authorization and ultimately access money to build facilities. In a letter to the board from June 2015, district staff explained why OUSD would attempt to issue bonds and refinance other bonds at a time when it lacks a credit rating:

> The District expects to be current with audits by June of 2016 and expects to have bond ratings restored at that time. The difference between a non-rated bond and an "A" rated bond is between 0.25% and 1.25% (depending on the repayment year). For the Measure J 2015 Bonds, construction needs over the next 18 months drive the need for issuing now. Waiting a year to replenish Measure J funds could delay the start and completion of several projects. For the Refunding Bonds, interest rates drive the timing of issuance. Interest rates could easily move up by 1.25% in a year's time. In the current interest rate environment, with non-rated bonds, the District anticipates savings of $24 million in repayment costs. (Letter to the Board, June 24, 2015, p. 2)

Current OUSD staff is committed to correcting the issues that have led to credit ratings problems. However, the way credit ratings differentially impact lower wealth school districts is a larger issue. As one OUSD staff member explained, "our bond rating has nothing to do with our financials here" (Interview). Another former OUSD staff member complained about the system, saying:

> I think school districts that have those kind of issues, like Oakland unfortunately, where there is smoke there is fire, and somewhere in the system is something that vital, that people who lend money are always critical of. Even though it's not money that's going to be paid back by you, and the lenders don't have any worry of the money being paid. They do have to deal with that money after it's…they do have to deal with the money being managed by those people with the bb- rating. (Interview)

This excerpt indicates that investors might worry that money from the bond will be managed by school district staff even though taxes from the community will pay off the bond regardless. This issue is discussed in more detail in Chapter 9.

Community characteristics: racial equity history, location. Oakland has a complicated racial history. With regard to its educational facilities, while Oakland is a diverse city, its schools tend to be segregated by race. Unlike Berkeley Unified School District, to the north, which has a student assignment plan explicitly designed to desegregate its elementary schools, OUSD does not. However, race was not an issue that came up with regard to educational facilities with the study's respondents. Respondents

tended to connect educational facilities more to wealth than to race. This was likely due to the way I asked interview questions, and I explore this issue in the limitations section of Chapter 4.

Like WCCUSD, OUSD leaders are concerned about seismic activity given their location near the fault line. As noted in the draft Preliminary Official Statement from July 2015, "The property tax base in the District is located on a seismically active fault in California and could sustain a significant decline in value were a large-magnitude earthquake to occur" (Draft Preliminary Official Statement, 2015, p. 24). This explains whey the school district prioritizes seismic issues when allocating bond dollars.

Oakland is also similar to WCCUSD in that it enjoys support from a generous voter base. As one OUSD staff member put it:

> Voters here will say yes to whatever the district asks for...Very generous voter base, and for that reason, the district has looked to that, to the bond program to fund their modernization projects. They don't depend so much on state…[for] years now, the [state] faucet has been turned off so they look to their voters for that modernization, as well as, they don't have a lot of development so they weren't getting a lot of developer fees…I think we have some of that luxury because we know voters have supported us and will continue to support us as long as we show something and also do it without overspending. (Interview)

Given OUSD's location in the liberal Bay Area, it can count on voters to support school bonds, unlike other districts in the state, including many in rural and conservative areas, whose voters routinely vote down school bonds.

Several respondents spoke about the importance of urbanicity, or population density, when thinking about bond programs. While suburban voters often have a supportive tax base and enough AV to take care of schools, urban and rural districts are often left behind. One former OUSD staff member explained how state policies are less helpful for urban school district facilities:

> On many levels, particularly for me is close to the heart, this issue of urban school facilities. How for the most part, urban school facilities have a stock inventory of real property, that's fixed in a certain area, that was built at a certain time, that has all of the restrictions associated with urban development and infield development over hundreds of years. We have a need that is not necessary clearly understood…You have heard there is a lack of a true state inventory of real properties for school districts…Given that, you've got a program that has been built, supported by the state, that emphasizes new growth, new development, growth school district. The budget model it allocates funds emphasizes an importance to that…It's a different kind of reality of urban school districts than it is for not urban…different kind of reality for school districts that have modernization versus having new construction. (Interview)

Also with regard to location, Oakland schools are spread out across the city and the district has been struggling with keeping enrollment consistent, or at least predictable, across school sites. As one board member explained as an example:

> Because when we redirected all those kids to [school] and [school], it really stabilized the enrollment at those schools. It's like a big game of dominoes or Jenga. Whatever that thing is where you pull out one and a house of cards whatever. It's crazy. Those are really important decisions. (Interview)

Unlike rural districts where students simply go to the school closest to them, Oakland students often have many schools near them that they could go to, given Oakland's school choice policies. When that is considered alongside the fact that Oakland has a number of public charter schools and private schools that also attract students and affect enrollment, it is clear when OUSD struggles with facilities utilization.

Community characteristics: power imbalance and history of struggle. Five respondents mentioned power imbalance or a history of struggle when talking about OUSD's facilities program or its relationships with private contractors and consultants. One area that is a struggle in the district is that it is constantly worried about losing students to other locations. This concern influences many of the district's facilities decisions. For example, there is a perception that some schools in OUSD are unsafe. As one staff member put it, "The Accountable Schools [committee members] are looking at issues that are important to the sites, so they're safe. And safety has been one of the issues why so many kids may not want to attend Oakland schools" (Interview). The constant draining away of students from OUSD's traditional public schools is frustrating to many who are close to the district. As one insider lamented:

> People don't feel like they can go to their neighborhood school… If people would just go to their neighborhood school and they all would go and they would put that social capital and that energy into the neighborhood school, it would quickly become the school that they want for their kid. (Interview, OUSD Insider)

A staffer explained that all of the Superintendent's committees' recommendations are hopefully going to serve as a guiding tool for the district to try and increase its enrollment so that it does not have pressure to close school sites. The district is now struggling with juggling students so that enrollment is as balanced as possible across school sites. A district staff member explained:

> The Asset Management Committee was trying to see what they could do with some of the sites that have low enrollment. The inventory of schools that we currently have housed, like a few years ago, or 54,000 kids just in the Master Plan, and now we're like 34,000. So, the general fund gives money to ADA (Average Daily Attendance) and, so that ADA went from 54,000 to now at 34,000, but the facilities that we have are still the facilities that we had 10 years ago. So, they were trying to see how to best utilize facilities. (Interview)

This excerpt notes that district enrollment impacts facilities utilization as well as the district budget as money follows students in California.

OUSD has also struggled very publicly with its budget. Given fluctuating enrollment and cuts in funding from the state, district leaders have had to make many tough decisions. As one board member reasoned:

> I have made extremely difficult decisions, but they were responsible decisions… I just take that so seriously…You got to understand the history here. Eighty percent of our budget comes from the state…I didn't make those hard decisions for nothing. I'm not going to send this district back into receivership, not on my watch. I can't just give people everything they want…Everything that people want costs money. (Interview)

Unlike wealthier school districts around the state, OUSD's budget struggles constrain its freedom.

Another struggle in OUSD related to facilities is what to do with the central office staff. When the old central office flooded, OUSD staff were evacuated and dispersed to locations around the city. The district has recently made the decision to bring staffers to a central office location, but the district has to pay for that office space. Now they are trying to determine how to use the empty space, whether to "rent out those sites or somehow lease them to charters or other agencies that can use them," as one OUSD staff member explained. They further said:

> There's that kind of strategic use of facilities that's been discussed here quite a bit. I don't feel like we're currently in the most strategic. It's this constant push and pull between an expert's decision of what should be strategic. An expert comes in and tells you, 'You should be using new facilities.' Community comes in and says, 'No, I want that school that's next to my house even though it's the worst building in the school or the educational program is really bad.' Somebody else comes in and says, 'You know, there's a whole community movement about a central kitchen and getting all the foods prepared on site, and stuff like that.' Different competing interests and then not the least of which is somebody's telling you that the best use of this facility is this and that. I think we've been balancing all the competing needs and interests for our facilities. (Interview)

These insights point to the power imbalances between difference segments of the community, with and without political capital, as well as the struggles between public input and private experts' advice.

Community characteristics: community involvement. Oakland is known for having an involved community. In addition to vocal parents and families, Oakland is the home to several education nonprofits. Eight respondents spoke about community involvement as a sociopolitical factor that impacted OUSD's facilities program. As one private consultant noted, "OUSD communities are very vocal in a very strong way with the school district because they care very much about the quality of schools and the quality of facilities that their children attend" (Interview). There are a number of ways for community members to voice their opinions and facilities needs, as one staffer said, "Well, board meetings; they go through their board members. They can go through the school site, and the school site can petition facilities directly, and we can do site assessments" (Interview). He went on to say, though, that community members are also vocal about their displeasure with district decisions regarding facilities:

> …Even with us putting our best foot forward to spread the money out. You're going to have a group, or a community, or a school site, who feels, 'Why them? Why not us? We have every bit of need too.' The thing about that is, a lot of the school sites, there's validity in that question, but unfortunately we have to make the tough decision of picking someone. Someone has to get something, someone's going to not get something. It's just the nature of it, with us not having enough to address all of our needs. (Interview)

Another way for community members to get involved is through district committees, including the Superintendent's three committees. As one nonprofit member explained:

> The superintendent formed these committees, strategic plan committees, he basically put out a call for people to apply, community members to apply. There were three major committees that aligned with each of the three big areas of his

> strategic plan. One was around talent. One was around accountable school districts. One was around quality community schools. Then, people who applied included teachers, and parents, and community organizations, and district administrators, so the whole range. He selected people for those committees, and then each of the committees had some sub-committees. (Interview)

The breadth of experience that committee members brought to the discussions impressed several respondents. Private consultants and charter voices were on the committees, in the position to influence district decisions. Their presence on these committees signals their power in OUSD despite their relatively small sphere of concern compared to other constituents.

Respondents also praised Oakland's community members for their ability to influence the district and to demand transparency. One private consultant used different community projects as examples, describing how the "Community was active in turning that area around. There was a remarkable change in safety and perception of safety in that area" (Interview) after community members worked with the district to improve a certain school site. He also explained how the community was frustrated that while the bond had passed in 2012, work for a particular project did not begin until 2015. He explained that "In the interim, the community had a lot of questions about why the money had not been spent and why project not taking place" and described how the district worked to be "as transparent as possible with community" (Interview).

One member of a district community commented specifically on community engagement around OUSD's consultant and contractor hiring practices, saying, "as soon as you say the word consultant, they [community] want to fucking freak the fuck out. I mean it's all over…I remember when Tony Smith was doing contract negotiations with teachers, everyone's all over that contractor shit in Oakland. The advocacy community, the activist community, the equity committee ... People, they get this" (Interview). According to this individual, the active community in Oakland pays attention to district hiring practices and is not likely to let shady dealings go unnoticed.

Another member of an OUSD committee noted that there could always be more involvement. From her perspective, the community needs to pay more attention to facilities, saying, "they need to have better involvement of the staff and the community in front and in the planning stages, because what happens when you don't is that no one is satisfied with it and so it doesn't make sense to spend all that money and have people not satisfied with what the end result is. One way to avoid that is to have meaningful participation" (Interview). While this individual wanted more participation with regard to the details of facilities, most respondents agreed that Oakland residents are uniquely attentive and engaged.

District characteristics: capacity and expertise. Ten respondents spoke about capacity and expertise as a sociopolitical factor that impacted OUSD's facilities program. There are three areas of district capacity and expertise, as identified through coding case study data, relevant to a school district's bond program discussed in this section: staff, school board, and CBOC.

Staff capacity and expertise. As mentioned in the previous chapter, while few factors impact a school district's bond program more than the staff members working on the program daily, school districts vary immensely in their levels of capacity and expertise. These levels impact the extent to which a school district contracts out for

facilities services. Respondents noted that OUSD has previously had a high level of expertise at the staff level, though the district has recently undergone major staff changes. As mentioned before, OUSD lost its longtime facilities leader and made the decision to hire a contractor as the interim facilities chief. Remaining staff members are left trying to keep the program running smoothly. There are individuals in the facilities department with construction management experience, and as one OUSD staff member put it, "I'm also able to do all other things that [construction management company] could do" (Interview), questioning why the district hires private employees instead of district employees, an issue explored later.

The issue of district capacity and expertise is relevant with regard to the district's decision to hire Lance Jackson as the interim facilities chief. A member of an OUSD committee explained, a "spokesperson from the district was like 'no one else in the department can do this job'," (Interview). This individual was offended that the district spokesperson would speak so disparagingly about the remaining members of the facilities department, and it led them to question whether the department was adequately managed and how it can plan for succession in the future so OUSD is not forced to pay more for a private company to fulfill traditional district roles if facilities staff members leave unexpectedly in the future.

With regard to making financing decisions, a former financial consultant argued that limited school district capacity requires school districts, including OUSD, to need financial advisors because they do not have the expertise to make certain decisions themselves, explaining, "in school districts, they're in the business of educating and maybe building schools but they don't have the expertise to be dealing with the financial markets, and they don't enter into financial markets that often…to really have built-in expertise," (Interview). This individual also noted, given the intermittent nature of facilities financing activities, districts do not employ individuals to execute those functions.

State funding is another factor that impacts a school district's capacity at the staff level. As state disinvestment relates to neoliberal governance strategies, these effects can be understood as part of the broader implementation of new public management strategies at all levels of government. Changes in state policy and funding levels can affect a district's ability to address certain facilities and maintenance issues, which can impact student learning, as this OUSD staffer explained:

> The state, two years ago, basically stopped funding the grounds or maintenance programs. And so, that ended up impacting [facilities] department… So, we had that money, if a heater breaks down at a school and they had six staff members to take care of it and now they have two, that causes a delay in the response time… it ultimately impacts the learning conditions of the students. (Interview)

OUSD staff members have been involved with the Coalition for Adequate School Housing (CASH) and in that way are informed about issues at the state level and are able to network with and learn from individuals in other districts.

School board member capacity and expertise. Unlike WCCUSD, the OUSD's school board has not been the driving force behind the district's bond program. Instead, the program has been staff and superintendent driven, depending on the leader at the time. OUSD does not have a school board facilities subcommittee like WCCUSD, for example. Respondents did not describe anyone on the school board at OUSD a having a

vision for the facilities program, and one school board member explained the role, saying, "I'm a board member. I'm not in the weeds. I'm not down. I'm not supposed to be down there. I'm up at the high level" (Interview). However, some board members were knowledgeable about the program. One board member, for example, made an effort to go to school site visits as well as attend events to learn more about facilities issues and had ideas for how the district could better integrate its deferred maintenance with capital expenditures. Overall, though, the school board in OUSD played a much smaller role with regard to the bond program when compared to the WCCUSD school board.

CBOC capacity and expertise. Though OUSD's CBOC is much smaller than WCCUSD's, and is currently replacing members, it deals with many of the same issues as WCCUSD's CBOC. For one, its members can find it difficult to de an advisory committee "without teeth." As one former OUSD CBOC member put it, "It is an advisory committee. Its main purpose is to make sure that the district is spending the bond money the way it said it would. That can be frustrating" (Interview). Like in WCCUSD, though the CBOC is meant to oversee district spending, members are often appointed by the very people they are overseeing:

> There were other people who moved on and off the committee. It's often hard to get a quorum. That could be a frustration. One of the things I think districts and we are as guilty of this as the next person, need to do a much better job of recruiting. The way people were recruited to that committee was just whomever Tim White knew he recruited onto the committee. It wasn't very intentional. I don't think it really met all the requirements in Prop 39 that you're supposed to have on your bond oversight committee. (Interview, OUSD Former CBOC Member)

Like in WCCUSD, OUSD's CBOC members also complained about a lack of training, with one former CBOC member saying, "I think there needs to be clear guidelines or goals that you're given at the beginning, because we really weren't given anything" (Interview). She explained that the group was able to function as well as it did because "we had individuals within the committee that understood the politics and there were a couple of people who understood the facilities business. We had various levels of expertise that I think helped us to be effective," though she noted that expertise should not be assumed and that a training mechanism would help committee members understand what is expected of them.

One member noted that OUSD committees sometimes have a reputation of being "just rubber stamps for the district," though over time the CBOC has built up more expertise by asking questions and working positively with the district. Observing the CBOC's role, she said:

> We can certainly protest as individuals, but our role as a committee is not to become a protest committee…I personally think that we're not to micromanage…I think our job is to, number one, see what's going on, understand what the money is supposed to spent for, and then to make suggestions or whatever. Kind of get into the flow rather than try to change the flow. (Interview)

She noted that over time the CBOC has built a solid relationship with the district, though she noted, "it took a while for us to build that because the district wasn't used to us monitoring at that level. It took a little time for them to kind of trust us enough…That just wasn't the way the district operated" (Interview). Another OUSD CBOC member spoke

about the CBOC's role in a slightly different way, noting that it is not meant to serve as a cheerleading squad for the district, saying, "I totally get that the optics of this are super important, and that the annual report should serve that role, but also, this is the annual report of the Oversight Committee, right? Not of the School Facilities Department," (Interview).

One CBOC member talked about the CBOC's role and was frustrated with regard to a recent issue concerning a potential conflict of interest with a contractor:

> I got really frustrated and I was like 'I don't understand what these committees do.' So they're legislatively mandated. And we're oversight. So we're advisory, but we seem to have advisory plus punitive. Plus, like, you're supposed to be doing something. But we have no teeth, right?...What are our mechanisms to actually do anything? The only mechanism I could identify was getting on the Board of Ed's agenda. That seems to be our only recourse, right? (Interview)

This excerpt reveals one committee member's confusion with the role the committee is meant to play, especially when, as she felt:

> Staff doesn't take us seriously…so you want to cultivate good relationships because they have to give you information, but then you are overseeing that. But then you have no technical knowledge, so they can dismiss you…They're either not showing up. Or at best they think you're a pain in the ass because it's one more thing they have to do for their job. For a committee that doesn't mean anything. (Interview)

Like CBOC members and former members in WCCUSD, this OUSD member was frustrated with the capacity and expertise of CBOCs in California. OUSD's Accountable School District Committee's presentation to the board outlined clear roles for the board and CBOC with regard to bond prioritization, so it looks like the district is attempting to clarify the CBOC's role, though the presentation did not specify the "mechanisms" CBOC members can use if they feel they have uncovered an issue, other than going to the board (Oakland Unified School District, 2015, "Update Report: Bond Prioritization"). Policy recommendations to address CBOC's functioning are explored more in Chapter 9.

District characteristics: transparency over time. Six respondents spoke about district transparency over time as a sociopolitical factor that impacted OUSD's facilities program. OUSD has a website and makes an effort to upload all board meeting and CBOC meeting minutes, agenda, and even videos when possible. Interested community members could easily access a great deal of facilities information provided they have internet access and can understand the materials. Respondents overall noted that the level of district transparency varies depending on the administration over time and the topic area. However, most respondents noted that the current administration is making an effort to be transparent and that transparency has improved over time. As one CBOC member noted, "it took six years before they would send [staff member] to the meeting…Change is slow but at least it's in the right direction" (Interview). Another OUSD committee member expressed a similar sentiment, saying, "Communities are very active and vocal and rightfully so, and the school district is doing its best to be transparent and engage them in a meaningful way around the needs of the community" (Interview). Both of these excerpts, though, depict transparency as something that must be demanded over time.

District characteristics: size. Five respondents spoke about district size as a sociopolitical factor that impacted OUSD's facilities program. As mentioned before, the

main issue with regard to size is the number of students relative to the number of facilities. As one board member put it, "Really, that's what it boils down to. We don't need all those schools. We have to find a way to consolidate them" (Interview). While the number of OUSD traditional public school students has decreased over time, OUSD is still a relatively large school district, compared with other districts in the state. Given its size, the district could arguably have a relatively active facilities department. An OUSD staff member agreed, contrasting large and small districts' staff options:

> Having a district staff is beneficial, but once you get a district employee it is typically more difficult to ... how do I put it? So, typical programs tend to run about ... if they're small, two years, three years… So, for a small school district to [hire] someone to come in and complete that project for two years, and then at the end of those years, that person goes away. As opposed to having someone in-house that, a district employee, and at the end of that period they're going to have to get fired or get reassigned. (Interview)

Similar to WCCUSD, given OUSD's size, the district has more flexibility to hire a larger facilities staff because they have a larger, relatively longer lasting bond program.

District characteristics: student demographics. Only three respondents explicitly mentioned student demographics as they related to the facilities program, though other respondents spoke about the population of Oakland more generally, indicating its diversity and segregated communities. Respondents agreed that students in Oakland "deserve" high-quality facilities and a high-quality education to go with it. This quote is emblematic of the type of conversation that occurred around what Oakland kids want and need:

> Because I'll tell you why even blue-collar jobs these days require advanced knowledge. You need advanced math to do a lot of what needs to happen in a lot of blue-collar jobs right now. You can make a great living. The other piece of it is I don't want any kid to come back and say, 'I wanted to go college. I decided when I was twenty-three that I wanted to go college, but I didn't have the right coursework.'…Kids want that. They want rigor. They want the opportunity. (Interview, long-time OUSD resident)

Like in WCCUSD, OUSD's community and district characteristics interact to create a unique environment. Its facilities program over time can best be understood when situated in context.

Negotiating Policy Roles between School Districts, the State, and Private Organizations

Seven respondents spoke about the policy roles between the school district, the state, and private organizations, though overall, the tone was different than that in WCCUSD. Whereas many respondents close to the WCCUSD program were openly angry about changes in the state program, or suspicious about the role of private organizations in the school district's facilities program, most of the individual respondents close to OUSD's program were less vehement. One exception is the issue with the Interim Deputy Chief of facilities simultaneously being a private contractor, discussed more later in this chapter.

One OUSD staff member, while noting the lack of current funds, was grateful for the state money the district had received in the past, and said, "We did apply for overcrowded relief plans, modernization, new construction and seismic, and [in] the last

six years, we've received over 130," million from the state (Interview). He explained that OUSD was able to do many more projects with state support than they would have been able to do on their own, and reasoned that "at the most basic level, there needs to be some type of state funded program for school districts such as ours that aren't able to generate $1 billion," (Interview) or the full amount needed to address all facilities needs. Another OUSD staff member agreed, saying, "I think that there should be a minimum amount that the state should provide to everybody. It doesn't seem fair that only those districts that can pass a bond measure…It's not fair for those kids," and she went on to note that communities with low AV are especially vulnerable, saying, "It shouldn't have to all be community-driven because now the community is higher in taxes" referring to WCCUSD and similar districts that tax themselves heavily to fund local schools (Interview).

Regarding the local role, one former financial advisor thought the School Facility Program system had worked well over the years with communities being able to decide what their facilities should look like, and said, "the 55% voter support [for] bonds is a great way of allowing communities to set their standard of what they want for their schools. If they want a new swimming pool, they'll pay for it" (Interview). She went on to describe how their program grew over time as it gained voter support:

> One of my clients, I love to use them as an example because they started out small. They said, 'we're going to do a bunch of modernization, $36 per 100,000.' They did it, came back, and they said, 'You know, we were able to leverage the state money and we ended up spending $50 million. Can we come back for another bond measure because we want to do our whole high school?' 'Okay, sure.' They did that. They come back for a third bond measure…Now that they've built up all these other things, people have a very strong connection with the schools and will support that. (Interview)

However, the former financial advisor acknowledged that this was an example of a district that had supportive voters and that not all districts can achieve this level of success with their bond program. She also emphasized that this district was able to do more with state matching funds than it would have been able to do on its own and that the community benefited from the combination of state and local investment in facilities. Like in WCCUSD, the respondents familiar with OUSD's facilities program applauded and valued the previous state investment in facilities and were worried about the Governor's proposed changes to the state's role in supporting school facilities. The fact that Oakland has not been able to raise enough money to address all of its facilities needs, even with its incredibly generous local tax base, demonstrates the need for continued state support of facilities programs.

Relationships between School Districts and Private Consultants and Contractors

Like in WCCUSD, those working closely with OUSD's facilities program framed the relationship between school district and private consultants and contractors as a mutually beneficial partnership where the district gets needed services and the private organizations make money to stay in business. Overall, respondents were positive about the relationships between OUSD and its contractors and consultants, again with the exception of the Interim Deputy Chief issue. Also similar to WCCUSD, while some respondents were defensive about the need to hire consultants and contractors, others questioned whether certain actions and aspects of the program could be conducted "in house."

The need for a "professional." Respondents drew a distinction between different types of services. When asked about the decision to contract out, respondents seemed to agree that professionals who specialized in a specific aspect of bond financing should perform certain services. For example, everyone agreed that school districts would never have an underwriter on staff. As one OUSD staff member explained:

> We have underwriters and bond sales people, and they're typically not in-house. They're highly specialized and they tend to be consultants with districts, and they come in, you know, for the portion that they're needed…For the $475 million that is the bond, it's going to have… three draw downs. Draw downs are financed when you take your bond and sell it. So, that's the only three times that you would need bond underwriters. (Interview)

With regard to financial advisors, when asked about the pros and cons of contracting out versus hiring staff members for the work, one former financial advisor explained,

> I don't think we need to have it at the staff level because I think you want people to be specialized. You want people that are in it all the time and are professional and will be able to provide that professional expertise. [Professionals] can have discussions and bring things to bear that if it was just somebody in-house wouldn't be equal to….The financial advisors bring a different level of professional expertise and resource into the mix. Honestly, having been a financial advisor, it's a niche. You really have to be left to know what you're doing. You have to understand, keeping up with bond, the bond market. (Interview)

She argued that, while there are benefits to having someone on staff with those skills, there is simply not enough volume at the individual district level for someone to be, for example, a full time financial advisor at a district. Therefore, they would have to take on other functions, and as soon as they did that, they would "lose your professionalism and you lose the professional expertise that comes from being a specialist on what you do" (Interview). She felt that working solely as a financial advisor allowed her to spend all her time talking to other financial advisors, learning the industry, and ultimately be better at her job. In addition to financial advisors, she also argued that campaign experts should be hired as consultants given the specialized set of skills needed to run a bond campaign as well as the rules against using school district money for bond campaigns. If campaign consultants are hired separately and then paid by the campaign instead of the district, then the district does not have to worry about money "bleeding" from one account to another or breaking any rules.

One expert that has worked with school districts in the Bay Area talked about how districts often have little choice with regard to hiring consultants and contractors and paying whatever the market demands they pay. He compared it to how school districts are locked in to buying textbooks from a limited number of companies that make them:

> It is such a boutique industry that once it's opened can create a pretty luxurious lane for themselves in supplying services in these areas. They are very limited in terms of the number of folks who specialize in, say, school district work…With No Child Left Behind, where manufactures will write textbooks and manufactures of the instructional materials, textbooks ... manufactures create the assessment test, and the assessment test has their own set of tools necessary for you to give

> the instructions…You are just locked in, and because it's this place where, you just have to shovel money on so many different aspects of it. The contracts are highly complicating it. The agreements are always very complicated. (Interview)

This excerpt depicts the private consultants and contractors that work with school districts as powerful, specialized professionals that can charge high rates given their expertise and they knowledge they, and only they, can provide to school districts.

One consultant listed the specialized services certain school facilities consulting groups can provide, including:

> Long range facilities master planning, developing databases, helping school districts, [projecting] student populations, align capacity and population, work with school districts to develop formulas they use to calculate utilization based on programs, help them come up with strategies for how they can use capacity, facility master planning and asset management. (Interview)

Individuals in school districts argue that these professional consulting firms are necessary because they provide expertise the district lacks. OUSD's facilities consultants do in fact assist the district with a range of useful services. For example, one consulting firm helped Oakland "develop attractive programs in underutilized facilities to draw students to them to fill up assets that they are having to pay for ongoing operations," (Interview, Private Consultant, Facilities Expert), which is arguably important in a district like OUSD with utilization issue. However, some respondents questioned whether school districts really need to pay consultants for each of those services or whether some could be conducted in house. For example, does the school district really need to pay an outsider to provide strategic management for the facilities division? The division already has a Deputy Chief and a Director, which makes one wonder why these individuals would not provide strategic management to the rest of staff.

Intermittent needs, costs, and compromise. With regard to the ideal level of contracting out, like in WCCUSD, OUSD respondents talked about making compromises and balancing costs with the length of contracts in addition to thinking about the type of contractor needed. Professionals in the industry noted differences in approaches, though. One architect compared both districts' levels of contracting out, saying, "Each has a large staff, although Oakland Unified has a lot more in-house staff than consultants and West Contra Costa uses consultants more often than they use in-house staff" (Interview), and he went on to say that the approach does not necessarily affect the program that much and is more a matter of preference. On the construction side of things, many contractors are hired on an as-needed basis and are "project specific. They are brought in for whatever project they are hired for or that they are awarded" (Interview, OUSD Staff Member) because they have to bid on the actual work and be qualified, and then get chosen or matched to that particular project. For example, school districts do not typically have architects sitting around in house because architects are hired to work on specific school sites. Respondents tended to agree that even if hiring certain types of contractors costs more than hiring a district staff person to do the same task, it makes sense to hire some contractors for any non-repetitive tasks that are short in duration. However, this issue was a sticking point with a few OUSD respondents. One CBOC member who had looked at contracts questioned the relationship with companies that tend to renew their contracts to the point that they are not short-term anymore:

> It was a two-year contract, right? They are arguing that they're turning the expenditure of bond money in terms of capital project/project management, they're calling that an intermittent need by having a two-year contract. Then, of course, they tack on another contract for the next set of money…Then, it's another and another, but they are framing it in this way, but essentially because it's ongoing and because of the scope and scale and the nature of the work, they then are imbedded. I mean they call themselves imbedded. They use that language. (Interview)

This individual was frustrated that OUSD would pay higher costs to companies rather than just hire more staff and save money, particularly given the size and duration of OUSD's facilities program. A staff member agreed:

> That makes sense if you keep these for short term. Like if it's a 6-month project…but when you see these people around for years, or you see that functionality around for years where it would be a new contractor rehired to do the same work. It's not just the same person, but that position still seems to exist, than that kind of theory goes away if you're going to continue to pay for that position or that functionality on a continuous basis. (Interview)

When asked why OUSD hires contractors and consultants to do tasks the individual thought district staff members could also do, the staffer said:

> I have my theory. A lot of times it's, I think, the perception or idea that it's easier to get a specialized group who handles, or can be brought in with the manpower to ramp up ... To be honest, I don't know. That's a question I have myself, to be honest with you. I'm hopeful that if you get the answer to that I'll be able to read about in your dissertation… I'm wondering why there isn't any account for a more competitive salary range, as compared to what is paid for consultants and contractors. You spend an enormous amount of money in that area versus what you pay staff salaries, and so I don't see why there isn't more staff hired to be honest…I'm sure someone has the answer, and I'm sure it boils down to maybe the way money can be spent. I just don't know. (Interview)

In particular, in OUSD, the district is paying for construction project managers to manage particular work sites, but it also has four staff project managers who essentially perform the same functions, but are paid less. In this instance, it is difficult to justify the cost. As one industry expert explained:

> If you look at a project manager in the school district, fully loaded, as an employee, you are probably looking at about $100k maybe $110k. Typically in HR they are looking at some range within that number, maybe $95k-120k. Once you actually go out on the street the competitive rate for that kind of position as a consultant service is probably about $225k a year…Easily justified in many cases once people tell you how much benefits and vacations and healthcare costs. This industry has become accustomed to that, but some of those prices are just obscene. Economically, you can see if you have a large program that has 4 or 5 staff people loaded at that rate, can get to be pretty expensive. (Interview)

OUSD staff members are aware of the different rate they are paid compared with private contractors who essentially fill the same role. One staffer commented, "What that company receives through billing of that position versus what you would pay for an employee is a huge disparity" (Interview). One has to question what it does to employee

morale when district staff works alongside members of the private sector that are paid much higher rates.

Nature of the relationship. Contracts between school districts and consultants can last for many years through contract renewals, as noted above. Contractors and consultants can get to know district staffers and leaders over time and often work with many individuals in the school district, as one consultant noted, they "definitely work with lots of divisions" (Interview) at OUSD. One organization that has worked closely with OUSD over many years is SGI, its construction management firm. The relationship became more complicated when Tim White, OUSD's former director of Facilities Management and Planning, which oversees the departments of Buildings and Grounds, Facilities, and Custodial Services, decided to leave the school district for a variety of personal and professional reasons. As previously noted, OUSD made the controversial decision to hire Lance Jackson, SGI's COO, as the Interim Chief Deputy for facilities, with the understanding that he would be there temporarily while the school district put plans in place to hire a new director. This issue has been reported on in the newspaper, is a frequent topic of discussion in CBOC meetings, and is generally an area of concern for those paying attention to OUSD's facilities program.

Understandably, OUSD wanted to take its time to select a qualified person for the role. According to the position description introduced to the board on June 10, 2015, the essential functions listed describe a specific set of high-level skills. For example, the person hired must:

> Ensure District compliance with all county, state, and federal mandates, requirements, obligations and commitments related to projects for facility upgrade, modernization, and/or modifications to existing facilities and grounds, Develop, recommend and execute plans for provision of economical school facilities commensurate with legal and educational requirements, Assume responsibility for the comprehensive overall planning and scheduling of maintenance and repair requirements for the Districts… (Oakland Unified School District, 2015, "Approval of Job Descriptions")

…and in addition, the individual must have eight years of experience in architecture or a related field and five years of supervisory/managerial experience. Further complicating the issue was that OUSD was simultaneously searching for a replacement Chief Operations Officer, to whom the facilities director would report. OUSD leaders said they wanted to replace the COO first so that new person could help hire the facilities director.

However, the media and CBOC members have made it a point to question the relationship between OUSD and SGI, and the issue is certainly not making OUSD's hiring practices look responsible. As one *San Francisco Chronicle* article summarized:

> When Oakland school officials hired an interim director of their facilities department early this year—at $30,000 a month—they said it was temporary. Eight months later, Lance Jackson's services still cost Oakland Unified about $1,300 a day, nearly 30 percent more than the district superintendent's pay. Despite his job title, Jackson isn't a district employee. He's the chief operating office at SGI Construction Management, the company hired to manage the district's bond program, a three-year contract worth up to $11 million. He is both a district administrator and a contract worker, overseeing services performed by his own company, through which the $30,000 monthly fee is paid. The

> arrangement has raised conflict-of-interest questions in an Oakland district with a history of financial mismanagement, including a $100 million state bailout in 2003. (Tucker, 2015)

When CBOC members questioned these practices and met with the OUSD General Counsel to raise concerns, Lance Jackson attended the meeting. OUSD's General Counsel said at a public CBOC meeting that Lance Jackson's contract is not a conflict of interest and that the school district planned to hire a replacement as soon as possible. However, respondents questioned the determination that the contract was not a conflict of interest. As one respondent put it,

> Well that doesn't make any sense, because even if they are project managers, as a leader in an organization you're still setting an agenda…legally [it] has to be a conflict of interest…You're directing staff to allocate resources that you are directly benefiting from, even if you're not literally signing the piece of paper. You are responsible for creating a culture of either a hostile or a supportive environment for them to make those decisions. And you have a dual stake in that? I just don't get it…I don't understand how someone in charge of this department can be serving as both client and consultant. (Interview, OUSD Respondent)

While the purpose of this dissertation is not to make a legal determination about the contract, it is important to draw attention to the fact that school district facilities hiring decisions are public, that people are paying attention, and that ultimately the public's assessment of district decisions can impact future bond support, which is what respondents argued happened in WCCUSD.

Facilities programs are understandably concerned, or at least they should be, with controlling costs. When asked about OUSD's soft costs, one individual close to the program said, "I think when I started it was kind of 80/20, 25/75 and just seeing this gradual peak. I think I have always struggled with costs" (Interview, OUSD Respondent). When asked how a district knows whether or not it is paying too much in soft costs for its bond program, one OUSD staffer said:

> You don't but there are some resources. One is CDIAC. The other one is to ask the consultant [what] other people are getting paid. The other one is to do a competitive process sort of to get your rates. The other one might be to ask through county office. Schools have other resources. They don't usually go to them in some place like Oakland. A lot of times we don't. [We] get so wrapped up in what we're doing. We forget to ask how another district does it or I need to do this tomorrow, by the time I get around to ask all these people…(Interview)

They also pointed out the difficulty in finding comparison districts when OUSD is unique in a number of ways. Even districts of similar size have different costs of living or different construction costs. Controlling soft costs is worth exploring in later research.

Ethical and political issues. While there are many ethical and political issues that all school districts deal with, not all affect facilities. The primary issue with ethical implications, the hiring of an SGI employee as the Interim Chief Deputy of facilities, was discussed previously. The one issue that has been the most politically contentious in Oakland regarding facilities has been the allocation of school sites to charter schools.

Charter schools. One of the difficulties charter schools face is trying to find facilities for their programs. As one charter expert put it, "facilities is one of the biggest bottle necks for the growth of charter schools" (Interview). Oakland has a large number

of charter schools. As noted before, in the 2013-14 school year, there were 32 charter schools with district-granted charters as well as six charter schools granted by the Alameda County Office of Education, though OUSD "revoked the charter for three schools and did not renew the charter for a fourth," (OUSD Preliminary Official Statement draft, 2015, p. B-25). Charter schools are contentious for a number of reasons, which have been well documented elsewhere. With regard to funding and facilities, a large charter presence in a district can cause strain:

> Charter schools receive revenues from the State and from the District for each student enrolled, and thus may cause a reduction in revenues available for students enrolled in District schools. However, certain per-pupil expenditures of the District also decrease based upon the number of students enrolled in charter schools. The District is required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students. (OUSD Preliminary Official Statement draft, p. B-25)

This facilities requirement is a result of the (more recent) Proposition 39, which requires school district to offer "reasonably equivalent" facilities to charter schools. This law is particularly challenging to school districts like OUSD with a relatively large number of charter schools. Comparing WCCUSD to OUSD with regard to charter schools, one architect discussed how the number of charter schools in each district has impacted its asset management:

> West County has a lot of schools that have a few charters. They're opening up to some charters, but they hadn't done that a lot. Oakland Unified has a huge charter contingency, so that adds a lot of dynamics to it so that those are really the differences and how they approach that, and it's made a big difference on their facilities because charters are taking over some facilities in Oakland…they're paying some of their own way, but the districts are required to give them some facilities which they, they have a complicated negotiations that they have to deal with, so the asset management is very different. (Interview)

One school board member talked about how the charter issue is complicated given how it is interwoven with asset management issues and previous state control:

> I view the number of charter schools we have as one of the legacies of state control… They just kept granting charters willy-nilly. That was their strategy. Every time you grant a charter, it develops a constituency. This is where the strategic regional analysis is really important. We have seats for fifty-five thousand kids…I said, 'I cannot in good conscience authorize another charter. I don't care how good the program is…It's going to strangle us. We just can't have any more schools'…I started voting no…We don't need all those schools. We have to find a way to consolidate them. (Interview)

This board member noted that her views are not always popular, particularly given the many entities in Oakland that are pro-charter. Many of these organizations spend large amounts of money to try and support Oakland charter schools and influence district policy around charters. For example, as one Oakland charter expert explained, one organization funds "community advocacy organizations that basically will work to create ground-up demand for quality" and works to create "conditions for systems like common enrollment" (Interview). She explained, "Our goal is to raise 25 million allocated over a 5 year fund, with basically a spend rate of about 5 million a year" (Interview).

The charter community in Oakland is optimistic that the environment for charter schools will improve given Superintendent Wilson's inclusive attitude toward charters. As one charter expert explained:

> Well, from the get-go this superintendent has made it very clear that he is concerned about quality, not government...He's been clear that he feels like his responsibility as a superintendent, and correspondingly the school boards responsibility, is to ensure that every student in public schools in Oakland, again regardless of whether it's run by a charter or run by the district, is their responsibility…It shows up in subtle ways too. Where the old superintendent used to say, 'OUSD serves thirty-eight thousand students and that's down from forty thousand last year, because charter schools have been growing,' this superintendent says, 'At OUSD we are responsible for serving fifty thousand students.' In other words, inclusive of the students in charters and district schools. (Interview)

In addition to his statements about charter schools, Superintendent Wilson has included the charter community in a number of ways. One of OUSD's current initiatives is to focus attention and energy on five "Intensive Support Schools" that the district has identified as low performing. Superintendent Wilson requested proposals to from anyone in the city to redesign the schools and took a political risk by saying charter schools were eligible to submit applications to redesign and run the schools as well. As one charter expert explained:

> He got a lot of push back and a lot of heat for opening up the RFP process to charter schools, but he said, 'We know we're not serving these kids, and we need to kind of keep all options open.' So that's an example of how it played out in terms of his being more open to charters. As it turned out, no charters applied, because there was so much community push back that was anti-charter. (Interview)

While the charter community says they were deterred by opposition from the teachers union this time, they are hopeful that in the longer run there will be more opportunities for collaboration and strategic growth if the district continues the practice of allowing charter schools to apply to redesign and take over schools on the district's "watch list."

The superintendent also allowed members of the charter community to serve on his three committees created to support the district's strategic plan. One charter expert volunteered in her free time to serve on the sub-committee on asset management, responsible for creating a policy that would make facilities project prioritization more systematic. While charter schools were not explicitly addressed in the proposed policy, facilities that house charter schools would go through the same vetting and ranking process:

> With equal standing as any district school facility need…and one of the criteria that's heavily weighted is around whether the project actually is aligned with the district's strategic plan. So, if the district in its strategic regional analysis has identified the need for a redesigned middle school in this neighborhood and it happens to be a charter, then it could still get prioritized. (Interview, OUSD Committee Member)

The facilities department agreed with this approach, nothing that they have responsibility for all district facilities, whether they house charter programs or traditional district schools. One OUSD staff member said:

> They are currently spending money out of Measure J on charter facilities because technically, charters don't own any properties. OUSD owns all their properties. If a charter ends up being the one to occupy it, we still ultimately are responsible for the maintenance of those particular buildings. (Interview)

In fact, OUSD has started negotiating facilities contracts with charter schools for longer periods of time contingent upon the schools' charters getting renewed. As one charter expert put it:

> What some districts like OUSD are starting to do…and it's an indication of a district that has leadership that's recognizing their responsibility to all public school students, regardless of whether it's a charter or a district school. They're basically negotiating what they're calling 'in lieu of Prop 39 lease agreements.' In other words, we'll sign a five-year lease with you charter school for this particular facility, and your lease is going to be kind of [contingent upon] your charter renewal cycle. So if your charter gets renewed, right, you'll get this building again for the next five years. (Interview)

The benefit for charter schools is they will have a more stable location and not have to move around, and districts are then negotiating benefits in exchange for the stability. As the charter expert explained, districts will say:

> Because we're giving you a side deal maybe we'll charge you a little bit extra, or maybe you'll agree to use our janitorial services, or something like that. Then it saves the district staff hassle of every single year having to do all the compliance of Prop 39. (Interview)

These types of charter school facilities negotiations are worth exploring in later research.

Discussion

This chapter, like the previous one, set out to address the third research question and sub-questions:

3. What are school districts' experiences with school district facilities financing, and by what sociopolitical dynamics (community and district characteristics) are these experiences informed?
    a. How are policy roles negotiated between school districts, the state, and private organizations?
        b. How do school district officials perceive their relationships with private consultants and contractors (Are they exploitative, mutually beneficial, or other?)
        c. What ethical and political issues have arisen between school districts and private organizations in the facilities financing process?

Many of the findings from the OUSD analysis are similar to those from the WCCUSD analysis and helped to confirm that certain issues need policy attention. For example, respondents indicated the inequitable ways credit ratings impact low-income school districts. Both districts have been able to improve the quality of their educational facilities over time, and both have enjoyed the support of a generous voter base over the years. And while both districts have pointed to equity as a driving force behind the distribution of bond dollars, each district has dealt with community criticism and

dissatisfaction with bond dollar allocation to some extent. These similarities make sense given the fact that both districts are of relatively similar size, with similar student demographics, and similar community populations.

In both school districts, the legacy of past initiatives and past struggles played a large role in the facilities programs. OUSD's legacy of state control negatively impacted voter trust of school district leaders and impaired its credit rating. Given that bond programs last for many years at a time, past struggles and financial woes can hurt a district for decades. As noted, district troubles can also influence a district's charter presence, which comes with its own struggles.

The ways in which the districts differ, though, also aid our understanding of how districts' experiences with school district facilities financing vary. District leadership structure proved to be of great importance. While WCCUSD had one individual driving the program on the school board, OUSD has suffered from consistent leadership turnover. Its facilities program has consequently lacked a clear philosophy and has shifted focus over time. While the district is now organizing itself around a facilities prioritization strategy targeted toward equity, it is unclear how long OUSD will follow this plan before again shifting focus.

I also found that Citizens' Bond Oversight Committees play a critical role. OUSD's CBOC was described as a weak body that went from not even meeting the statutory membership requirements to one that is starting to get the information, documentation, and expertise it needs to perform its oversight function. However, as the CBOC gains new members over time, without a stable training mechanism, the committee risks slipping back to simply being a "rubber stamp" for the school district. Finally, the decisions a district makes around contracting—regarding the level of contracting out and the costs of contracts—affect community trust and possibly even staff satisfaction levels. It was not clear that OUSD had strong mechanisms in place to control soft costs. Given the disparity between how much money OUSD has for facilities and its facilities needs, the district does not have any extra money to waste.

Conclusion

Oakland Unified School District is an example of a school district facing multiple constraints and making difficult decisions about how to allocate too few bond dollars over too many deserving projects. Putting aside any evaluations of the quality of the district's decisions, OUSD is another example of a district working to improve its facilities while facing many barriers in a period of state disinvestment and increasing educational privatization.

Chapter 9 - Discussion, Policy Recommendations, and Significance

"Despite our constitution's recognition that public education is the state's highest and most necessary duty, California's support for education has reached historic lows, with the pernicious consequences of neglect spreading to every community. We should all recoil at the sight of millions of lives being constrained to substandard learning conditions and the steady drain of lost human potential."
--John Affeldt, Public Advocates Inc. website

"The critical debate for the future is not about the size of government; it is about whom government is *for*. The central choice is not between the "free market" and government; it is between a market organized for broadly based prosperity and one designed to deliver almost all the gains to a few at the top. The pertinent issue is not how much is to be taxed away from the wealthy and redistributed to those who are not; it is how to design the rules of the market so that the economy generates what most people would consider a fair distribution on its own, without necessitating large redistributions after the fact."
--Robert Reich, 2015, p. 219

"Well I think that one of the things, since there is such a high vote threshold, even at the 55%, and you've got really a lot of private firms that have come in and kind of have a private sector solution for a failure in the public sphere of, you know, you don't have financial experts at schools, at school districts, you don't have a lot of the expertise in house. You have to buy it. And then it just becomes more expensive. And in addition, you have a lot of these private sector folks who, they are certainly aligned in that they want to get the deal done, but they definitely have their own profit motive rather than necessarily just the school districts' interests in mind. I think long run they have to be pretty close, but you certainly can see that these private consultants have really created this big industry where they're getting a significant chunk of these tax dollars that people are voting. And they're getting paid in that."
--Pilot Study Interview, Former Financial Advisor

Introduction

The last excerpt above, along with similar sentiments respondents shared in my dissertation pilot study research, not only sparked my interest in this dissertation project, but also informed my hypotheses and curiosities as I entered this work. This study was conducted to better understand why educational facilities in California are still inequitable despite decades of litigation, legislation, and countless policies dedicated to improving the system. However, it was also designed to interrogate the connection between the increasing presence of private actors in the facilities industry and the inability of all school districts to take the necessary actions to provide equitable facilities for their students and community stakeholders. I was not looking for causal links between increasing privatization in the educational facilities industry and persistent facilities inequities, but rather to understand how California's school finance history and contemporary policy contexts informed the structure and dynamics of urban school districts seeking to modernize or build new facilities. The qualitative and quantitative data demonstrated that private consultants and contractors involved in the facilities

industry comprise an influential set of actors in a complex and changing policy landscape. At the end of this work, I have reoriented my thinking from trying to determine whether there is "too much" privatization, to instead thinking about how policies have allowed for the rise of privatization in educational facilities financing. I find that privatization impacts the distribution of power and resources between school districts and private actors, and affects facilities outcomes, particularly with regard to equity.

This dissertation provides breadth and depth in telling its piece of a complex story. This research is situated in the broader national trend of privatization through state disinvestment and private sector contracting for public services in an increasingly neoliberal educational system. At the state level, the California School Facility Program (SFP) began issuing bonds in 1998, and since then many school districts' facilities have improved, though inequities remain. For example, there are still 75,000 portable classrooms in the state. School district leaders and individuals working in the school facilities industry are calling attention to the fact that the SFP is virtually out of money, and the Governor has announced plans to decrease state support for educational facilities moving forward. As the state, school districts, and private consultants grapple with a changing policy landscape, this research examines the policies surrounding school district debt financing and the politics of privatization, building on the literature examining educational privatization in an increasingly neoliberal system (Burch, 2009; Hursh, 2016; Scott & DiMartino, 2009).

These findings help broaden the school finance research literature and the literature on educational privatization. The literature is clear that private organizations are increasingly profiting from contracts with school districts on the operations side of the school finance budget (Burch, 2009), though there is limited research on private profits on the facilities side. Scholars have also documented the implications of increasing privatization, including a shift in governance from school district leaders to private organizations (Trujillo, 2012). This research, however, focuses on private actors working on educational programs, not with facilities. Those studying education finance have noted that school district and bond characteristics impact bond passage (Bowers & Chen, 2015), though there has not been a thorough study of how community and district characteristics impact bonds and facilities programs overall, including the relationships between school districts and the private actors working in the school facilities industry. Researchers have also documented the lack of data in the industry, including the fact that districts do not accurately or consistently track debt issuance costs or facilities quality (Davis, 2015). Furthermore, scholars have not yet thoroughly studied the effects of local characteristics on the ways in which facilities policies are implemented at the school district level.

Given these gaps in the literature, this dissertation study employed the dual lenses of critical policy analysis and fiscal sociology to analyze the policies around educational facilities financing in California, with a particular focus on the private actors in the industry. Critical policy analysis (CPA) attends to the ways in which policies differentially impact disadvantaged segments of the population and assumes that there are power asymmetries related to race, class, and location. Fiscal sociology acknowledges the importance of context in the study of taxation, public debt, and state spending (Martin, Mehrotra & Prasad, 2009). These frameworks push the ways in which scholars examine school finance. This project also utilized a mixed-methods approach to analyze policy history, debt trends, and policy implementation. In particular, methods included a

historical policy document analysis, descriptive quantitative data and regression analysis, and case studies of two school districts with active bond programs. Together, the conceptual framework and methods focused our attention on the study's research questions about how public finance policies helped to shape the facilities finance industry, the sociopolitical dynamics of facilities finance in urban districts, and facilities system's implications for equity.

This chapter considers cross-case findings and drawing from the historical and quantitative data, makes policy recommendations to address the inequities of school facilities in California. This section attempts to concisely frame weaknesses in the school district debt financing system as opportunities to improve the system. In summarizing the major research findings, this chapter begins with taking the current system as a given, both acknowledging the patterns that have developed over time and connecting the system to existing inequities. However, in outlining policy recommendations, this chapter imagines what could be. After an overview of policy recommendations, this dissertation concludes with the significance of this work for research and practice.

Cross-Case Findings

While previous chapters examined individual findings in detail, this next section analyzes how the evidence comes together to show the "big picture." When conducting my dissertation pilot study in 2013, I was struck by the extent to which respondents working in school finance, both in the public and private sectors, agreed that there are major problems and inequities with the current method of financing school facilities. Pilot study respondents also acknowledged deep problems with the policy roles between the state, local school districts, and the private sector, and many spoke about issues with oversight and the lack of regulations of some private sector actors. With these pilot interviews as the foundation for my study, when I began this dissertation research, I was somewhat searching for some group or some organization, which I assumed would likely be private, on which to lay the blame for existing inequities. However, I quickly realized there is no clear villain in this story because private actors are only allowed to pursue their interests because of the policy framework provided by public sector actors.

Robert Reich (2015) argues in *Saving Capitalism*, that policy discussions often devolve into a debate around the size of government and whether services should be provided by the public sector or the private sector. He argues that this debate is usually a distraction and that issues should not be viewed so much as public *versus* private, but instead how the system is organized to distribute power and resources and how that impacts stakeholders. I have focused not on whether there is "too much" privatization in school facilities financing, but rather, the implications of the policies that have shaped the system and created the growth in the facilities financing industry. An operating question became: When looking at the policy landscape and the private actors involved, who are the winners, and who are the losers, and how is the system set up to enhance or ameliorate inequities?

In Chapter 5, I conducted a historical policy document analysis to examine the policy context for privatization in school district debt financing. I focused on a number of ways in which facilities policies have, over time, resulted in a system that inequitably serves California's students and examined the functions privatization through contracting provide in a broader, increasingly neoliberal society. A central finding emanating from the policy document analysis is the mismatch between stated policy intentions and the

on-the-ground realities of facilities policy implementation. Despite repeated formal statements from state policymakers and policy reports specifying state responsibilities to *all* children and the importance of quality, equitable schools, the ways in which facilities policies have been implemented have not led to equitable outcomes.

The combination of a complex process with local capacity and expertise gaps led to a system where districts pay for financial expertise. The *process* by which school districts apply for and obtain matching funds in California contributes to inequitable outcomes. Many school districts with limited sophistication, capacity, and expertise struggle to navigate the complicated school facilities finance system. Responsibilities for educational facilities are distributed across various levels of the government. As documented here by multiple sources, despite the SFP's attempts to streamline and simplify the process of school facilities funding, school districts have had to interact with many government agencies to plan, finance, and construct their facilities. Local school districts are largely responsible for raising funds, though—due in part to the intermittent nature of facilities financing—many leaders, especially in smaller districts, lack the training, resources, and expertise. The policy environment has created and nurtured a system where school districts are essentially required to hire consultants just to pass a bond and then keep up with the applications and compliance paperwork in the facilities system, making it difficult for budget-conscious school districts to compete for state matching funds.

In addition, the industry of private actors involved in school district facilities financing has grown in power and influence over time as public resources have flowed to them. These private actors are formally organized in membership organizations and actively lobby policymakers for policies, such as statewide bonds, that maintain the system in which they have evolved to profit and multiply. They operate in their own best interests as profit-seekers. Yet, industry experts acknowledge that the majority of these organizations also genuinely want to help school districts improve their facilities, and have altruistic motivations as well as self-interested ones. In fact, respondents defending the private sector described instances when the private sector has organized to help school districts. For example, recognizing the capacity and expertise gaps at the local level, the Coalition for Adequate School Housing (CASH) created its leadership academy to train school district leaders. They also point to their initiative to put a statewide bond on the ballot as an effort to help local districts get the money they need to continue their facilities programs. Yet, private actors' positions as profit-seekers should be remembered when looking at the power dynamics between school districts and private organizations.

While it is evident to everyone involved that California facilities are inequitable, it was difficult to answer the sub-question: "to what *extent* are educational facilities in California inequitable?" given the lack of a facilities inventory in California or any previously recorded measure of equity. There is no existing empirical measure or ranking of school facilities in California, which is addressed in the recommendation for a statewide facilities inventory below. Therefore, answering this question required thinking about equity, not in terms of some ranking of facilities quality, but in terms of how the policies are applied and how school districts are differentially affected.

The most important finding in this dissertation is that policies perpetuating a system based on property values, credit ratings, and voters' willingness and ability to raise taxes is inherently inequitable and requires a radical shift. State law requires voters

to authorize tax increases to fund school facilities, resulting in a system where conservative or otherwise tax-averse areas are less likely to pass bonds. Districts with higher assessed valuation can raise more money through their general obligation bond sales, and while districts can waive their bonding capacity limits, Proposition 39 tax rate limitations affect school districts' abilities to issue bonds. Furthermore, because a school district's credit rating affects the interest rate it will pay on its bonds, the system of credit ratings inequitably impacts low-income districts and those with blemished financial pasts. These dynamics are interwoven with patterns of residential segregation, influenced by not only White flight, but also discriminatory government zoning policies and practices, and as a consequence, poor and rich districts often map onto racial and socioeconomic inequalities that get magnified in the inability of "poor" districts to provide for their students (Rothstein, 2014).

When analyzing why educational facilities have remained inequitable given increases in educational spending, finance reform, and judicial action over the years, it is crucial to examine these policies in terms of the broader social, political, and economic system. When considered in the broader neoliberal context, which promotes capital accumulation, privatization, and individual competition, (Lipman, 2011) it is easier to understand how we have arrived at the present system with less resistance from those negatively impacted.

With regard to competition, as noted elsewhere, the SFP has required school districts to essentially compete for state funding over time in a first-come, first-served system that does not adequately consider equity, and instead, emphasizes the capacity variations between school districts. There has never been enough money in the School Facility Program to ensure equitable facilities or provide matching funds at the level the policies promised. As one state facilities expert acknowledged, "Yeah. It's described as a 50/50 program, but in reality it's really a 30/70," (Interview), and school districts operate in an environment where they must compete with other school districts for limited and unreliable state matching funds. The neoliberal notion that each district has to take care of itself and is in competition with other districts for funds necessitates the hiring of financial consultants and contractors who promise to help districts secure limited funding, and incentivizes families to seek schooling in high wealth school districts, thereby reifying racial and socioeconomic segregation that stymies some school districts from raising needed revenue. Whether school districts can afford to hire consultants impacts their ability to navigate the system and thus secure funds in a timely manner. This dovetails with another finding that, given school district racial and socioeconomic segregation in California, school districts with a lack of expertise are relatively vulnerable to the decision-making power of the consultants they hire. These issues result in a system where more wealthy or sophisticated school districts have had an advantage in obtaining facilities funding.

In fact, when considering the system of facilities financing as a whole, competition is evident throughout. There is competition between private consultants as they compete for lucrative contracts with school districts in order to stay in business. Elections for bond measures are themselves competitive, in a sense, pitting "yes" and "no" campaigns, and their respective proponents, against one another. For example, in conservative communities, it is not uncommon to see signs, put up by local anti-tax groups, urging citizens to vote "no" on wasteful school bonds. The fact that California

requires it citizens to vote to raise taxes also often forces school bonds to compete with other measures for taxpayers' attention and approval.

Finally, the prevalence of neoliberal ideology in our political, social, and economic system helps to explain the acceptance of private actors in educational finance in the first place. Whereas school buildings were once constructed locally by citizens concerned with the facilities in which their communities' children learned, prior to the Field Act in 1933 which first involved the state (Brunner, 2006), now the process for planning, financing, and constructing school facilities has morphed into a complex system involving not only numerous public agencies, which specialization and compartmentalization can explain, but also scores of private actors, representing an industry that did not exist a few decades ago. This system of school district debt financing is the direct result of public finance policies, over time, shaping and reshaping the funding process.

In Chapter 6, I conducted a quantitative analysis of California school district debt trends, focusing on the sociopolitical dynamics that influence outcomes related to how districts interact with private organizations in the facilities financing process. The number of debt transactions in any given year has fluctuated over time, but clear patterns emerge from this analysis that show the private sector's rise in the last few decades. From 1984 to 2005, the number of transactions per year rose steadily, though there were far fewer transactions conducted in the years leading up to the Great Recession. The number of GO bond transactions has increased over time, likely due in part to the changed policies making it easier for school districts to pass GO bonds.

Regarding the level of involvement of private organizations in the market and how it evolved over time, I found that the field of private financial consultants involved in school district debt financing had, in particular, grown over time. For example, in 1985, fewer than 5 financial advisors were reported in the CDIAC database, and in 2013, there were over 30 different financial advisors reported on facilities transactions in that single year. Since 1984, approximately 300 different underwriters and well over 140 distinct financial advisors and over 120 bond counsel firms have competed to sell financial expertise and services to California school districts. When considered along with the fact that school districts also work with a number of other types of consultants for facilities financing transactions, it is easy to understand how school district officials might feel overwhelmed by the number and types of private actors seeking contracts. The market would not be growing if there were not significant money to be made in this industry. Another finding relates to the concentration at the top of a few firms dominating the underwriting, financial advising, and bond counsel markets. For example, in the bond counsel market, one firm has participated in over 46% of the debt transactions.

When considering how much money school districts have paid in fees to private organizations for municipal finance services over time, I found that over the last thirty years school districts have paid significant quantities of money—approximately $1.98 billion for just the 48% of debt deals reporting non-zero costs of issuance to CDIAC—to private organizations to provide financial expertise and services. Given that the market share for financial expertise and services is divided between a relatively small number of firms, the top financial consultants have collected significant amounts of public tax dollars over time. The actual dollar amount that school districts have paid to private consultants and contractors for their expertise is much higher. While the frequency with

which school districts have reported costs of issuance to CDIAC over time has increased, we lack non-zero total issuance cost data for 52% of all debt transactions. While the CDIAC dataset is a rich repository, the missing data from the costs of issuance variables, especially from older transactions, causes us to understate the total fees paid to private financial consultants. We can estimate the total cost of financial expertise over the last 30 years, but true costs are unknown.

In addition, descriptive analysis revealed that the costs of issuance vary dramatically by a number of factors, including over time, by the type of debt issued, by district size, by the type of school district, and by district assessed valuation. At the individual transaction level, median costs of issuance rose dramatically in the years preceding the Great Recession, declined from 2010-2013, then doubled between 2013 and 2014 and appear to be on the rise again in 2015, though the data for this year is only analyzed through April. Elementary school districts, which are typically smaller, also pay more in costs of issuance per student than other types of school districts, signaling that larger districts experience economies of scale.

The regression analysis looking at general obligation bonds in 2010-2011 revealed that measures of wealth influenced the total costs of issuance per student in school districts facilities transactions. Median household income was statistically significantly negatively related to costs of issuance per student. The coefficient estimate of $1.04 for MHI (in thousands) indicates that for each $1,000 decrease in community median household income, a school district would pay an estimated one dollar more in costs of issuance per student for a single debt transaction, holding other variables constant. Comparing two communities, one at the 25th percentile in California with an MHI of $50,000 and another in the 75th percentile with an MHI of $80,000, the school district located in a lower income community would pay approximately $30 more per student in costs of issuance for a single general obligation bond debt transaction.

The other measure of community wealth, assessed valuation, was statistically significant and positively related to fees, or costs of issuance. In the full regression model, as assessed valuation increased by one unit (one million dollars per student in property value) the costs of issuance per student was estimated to increase by $15.66, controlling for other variables. However, the median AV per student was just under 1 million, with the 25th percentile school district having $638,449 per student and a school district at the 75th percentile having about $1,622,887 per student, or less than a one million dollar per student difference in AV. This means that a school district in the 25th percentile in AV would pay about $15 less per student in costs of issuance than a school district at the 75th percentile in AV.

When considering these two measures of wealth together, median household income and assessed valuation, we notice differences in direction and magnitude. The MHI and AV wealth variables operate in different directions, with lower MHI communities paying *more* in costs of issuance per student and lower property wealth communities paying *less* in costs of issuance per student. When reflecting upon the opposite directions of the correlation coefficients of MHI and AV further, it is not surprising that communities with higher AV might pay more per student in costs of issuance. Bond amount in thousands of dollars per student is also statistically significantly positively related with costs of issuance per student. Consultants are by statute not supposed to charge fees based on the amount of the bond, and this practice

requires investigation. In addition, property wealth, measured in assessed valuation, is strongly correlated ($r = 0.6293$) with the amount of the general obligation bond (principal amount). This makes sense when considered with the policy constraint that communities are limited by how much debt they can take on by their property values. Therefore, if a community has more property wealth, it can issue larger general obligation bonds, which is positively related to the fees districts pay to contractors and consultants per student. As with other aspects of the facilities financing process in California, these patterns are a result of public finance policies that have shaped the financing process.

In Chapters 7 and 8, qualitative case studies of two California school districts with active bond programs, I focused on the variation in school district's experiences with school district facilities programs, and tried to identify the sociopolitical dynamics (including community and district characteristics) that inform these experiences. Taken together, many of the findings from the OUSD analysis are similar to those from the WCCUSD analysis and helped to confirm that certain issues need policy attention. For example, respondents indicated the inequitable ways credit ratings impact low-income school districts. Both districts have been able to improve the quality of their educational facilities over time, and both have enjoyed the support of a generous voter base over the years. And while both districts have pointed to equity as a driving force behind the distribution of bond dollars, each district has dealt with community criticism and dissatisfaction with bond dollar allocation to some extent. These similarities make sense given the fact that both districts share some sociopolitical dynamics: both are of relatively similar size, with similar student demographics, and similar community populations.

Based on my 2013 pilot study, I hypothesized that the following dynamics would surface from interviewing respondents: community characteristics including wealth equity history, racial equity history, location, power imbalance and the history of struggle, and the history of community involvement with the school district and bond program, as well as district characteristics including district capacity and expertise over time, transparency over time, district size, and student demographics. A surprising finding to me was that, while the majority of these sociopolitical factors influenced school districts' experiences with school district facilities financing, sometimes in surprising ways, racial equity history did not, at least as reported by respondents. However, I suspect there was a shortcoming with the way I asked respondents about race while interviewing that did not draw out all relevant information. The interaction of race and facilities is an important area to examine in future research.

A key finding is that the sociopolitical factors combined to create an image of the school district that impacted the community stakeholders and the bond program as a whole. In both school districts, the legacy of past initiatives and past struggles played a large role in the facilities programs. For example, the wealth equity history of a district can affect its credit rating, which then impacts the interest rate at which investors are willing to invest. As another example, whether a district is perceived to be transparent affects community trust and the likelihood of community members to vote for bonds.

The districts' differences aid our understanding of how districts' experiences with school district facilities financing vary. The district leadership structure proved important. While WCCUSD had one individual driving the program on the school board, OUSD has suffered from consistent leadership turnover. Its facilities program has consequently lacked a clear philosophy and has shifted focus over time. While the district is organizing

itself around a clear facilities prioritization strategy targeted toward equity, it is unclear how long OUSD will follow this plan before shifting focus yet again.

Also important were the unintended consequences of transparency policies around Citizens' Bond Oversight Committees. Both school districts' CBOCs indicated confusion around a lack of training. While WCCUSD's CBOC was described as unwieldy and overstepping its authority, OUSD's CBOC was described as a weak body that went from not even meeting the statutory membership requirements to one that is starting to get the information, documentation, and expertise it needs to perform its oversight function. However, as the CBOC turns over its membership over time, without a stable training mechanism, the committee risks slipping back to simply being a "rubber stamp" for the school district.

With regard to how policy roles are negotiated between school districts, the state, and private organizations, I found that respondents overwhelming spoke about policy roles as being one-way, with the state proposing policy and school districts and private organizations reacting, and sometimes reeling, from unfavorable decisions. For example, respondents criticized Governor Brown's proposed changes to the School Facility Program and argued passionately for the state to play a larger role in facilities financing. This response was fairly consistent across individuals, including those in the public and private sectors, though the nuances of the critique and preferences for the ideal roles for school districts, the state, and private organizations varied. Not surprisingly, the dissenters were those working in the Department of Finance, the organization that prepares the Governor's Budget Message. These policy roles—what the state controls versus what is left to school boards and others—also affected the relationships that develop between school districts and the private consultants and contractors they hire to assist them with their bond programs. For instance, given the state's desire to *not* provide explicit training to school board leaders regarding bond finance, school districts were more likely to contract out to private experts for that guidance.

Relationships between private consultants and contractors and school district officials are complicated and vary by type of private organization. Respondents tended to agree that problems in the industry were connected to particular "bad apple" consultants, and the majority of complaints were also related to financial advisory firms more than any other type of consultant, which is an area for future study. With other types of consultants, there exists what I call a wary trust as school districts are reliant on these professionals to help them serve students, but at the same time district leaders acknowledge that they need to watch, monitor, and oversee private organizations, which can become costly in time and other resources. In addition to the expertise they provide, private consultants can also provide credibility and political cover for board members when making difficult decisions.

With regard to the level of contracting out, many factors influence the extent to which school districts contract out for services, and two similarly situated school districts might make very different decisions with regard to what they do "in house" versus what services for which they decide to contract out. For example, the level of contracting out can be affected by school district size, but two school districts of the same size might contract out for different services, given the preferences, capacity, and expertise of individual school district staff members. Finally, it was evident that many people working in the industry were not only familiar with critiques of "too much" contracting out, but

also frustrated that the critics did not understand the realities of school district capacity, the intermittent nature of facilities financing, and district constraints with regard to hiring (and firing) full time employees. While acknowledging the existing malfeasances and increased costs of hiring private consultants and contractors, respondents overwhelmingly agreed that, at least in the current policy environment, school districts had no clear choice except to work with consultants to navigate facilities bond financing.

With regard to the ethical and political issues that have arisen between school districts and private or outside organizations in the facilities financing process, the two main issues explored in this dissertation include pay-to-play and charter schools. In WCCUSD, pay-to-play allegations led to multiple investigations of the district's bond program, which in turn negatively impacted the community's trust of the district. In OUSD, the rapid increase in the number of charter schools combined with the district's existing asset management woes to complicate a politically divisive issue. These ethically and politically sensitive topics are just two examples of issues that school districts deal with in the course of running a bond program. Again, the actors involved are doing their best to navigate a financing system that is the direct result of public finance policies that have shaped facilities finance over time. The next section directly addresses many of these concerns and provides policy recommendations to help the reader imagine what might be possible.

Policy Recommendations: Imagining A More Equitable California

This is a critical time for California school facilities since the state is rethinking the role it plays in funding facilities. This shift has also created a space for individuals in the industry to think about the system of financing school facilities as a whole. The recommendations included here are based on many types of data collected in this study, including policy documents, interviews, and observations. While multiple respondents suggested some of the recommendations, most emerge from the dissertation's findings.

Recommendations for fixing the current system.

1. Conduct an educational facilities inventory. California does not currently collect data on the overall quality of its school facilities, and as a result cannot rank schools by quality or even quantify the dollars needed to bring schools up to some adequate level. Even individuals with years of experience working with California school facilities are unaware of the condition of the state's schools or the level of inequity that exists, as one financial advisor explained, "I'm in the business, and I don't think I'm fully aware of how different a high school looks in a Central Valley community versus a high school in a Bay Area community versus a high school in LA" (Interview). An architect agreed, complaining, "That's the problem with the state. It's not acknowledging the problem. Quantify the problem. And then say, ok, what's the best practice?" (Interview). Most respondents agreed that a critical first step would be for the state to conduct an inventory of its school facilities to make the conditions of schools more transparent. For a model, California could look to the community college system or to Texas, which recently implemented an inventory. Though this recommendation has been included in Assembly and Senate bills in California, one industry expert explained that the Department of Finance is opposed to an inventory, "Because they don't want to know. Once you know, then you're responsible for it," (Interview). Given the political realities, an independent commission is needed to develop and implement the inventory.

2. Increase capacity and expertise at the local level. School districts leaders and staff often lack the capacity and expertise needed to effectively implement and oversee their bond programs. As one facilities expert and former state staff member said:

> The culture of California has been pretty wedded to these periodic statewide bond measures. I say let's make them better…Let's build greater capacity at the local level to manage that money well. Because to me, we could get more for our money if we were managing it all equally. One school districts is fabulous at managing it, and they get a lot out of the money. Another school district is not. And it's just these local capacities. (Interview)

Who should bear the responsibility for addressing these gaps? While school district Chief Business Officers (CBOs) are the primary staff members responsible for working with bond programs, and CBOs do attend various CBO training programs around the state, respondents indicated that this training does not cover bonds in depth. In addition, there are not currently organized programs for school board members to learn the basics of school district facilities financing, let alone how to manage a bond program, despite the fact that board members are responsible for determining whether to go for a bond as well as all contractor and consultant hiring decisions. While the state might not want the responsibility of training local school districts how to manage bond programs, alternative solutions are less likely to reach all school districts. For example, CASH currently provides a leadership academy to help improve local capacity, though this is a private solution that can only partially address the problem as not all school districts participate. Public or quasi-public organizations are more appropriate to provide these services as they can present information in a non-biased way, free of charge to school districts. As one facilities expert explained:

> It's staff training. It could come at the state level… The state of California has said, all trainers and bus drivers will go through our state training, no matter what. And you have to have the certificate to do that. So we do it for transportation. CASH has their academy. But there's not state investment in that. And actually the state is in the best position…CASH has done a tremendous job, and occupied where there was a vacancy, but to me, the state can be the disinterested party in providing that information. They don't need to have an agenda. (Interview)

Two organizations that could provide these resources are FCMAT and CDIAC. FCMAT already has a widely recognized CBO academy that it could build on to improve facilities financing resources. CDIAC has tried in the past to provide training to school districts and already has a Bond Primer that it could update for school district use. At a minimum, school district board members need to have a rubric they can use to analyze bond deals that are being presented that helps them figure out what questions to ask and what appropriate responses would be.

More broadly, this training could help leaders think about school facilities and the necessity of integrating facilities with the curriculum of a school. While it is helpful when school districts have people in the facilities role that have teaching experience, if this is not possible, people making decisions about school facilities should work with the "operations side of the house." As one industry expert and retired teacher suggested:

> Put facilities in curriculum. If you were to house the facilities program in the educational side of the house, it would be a whole different conversation. Just that simple. In our school system, we had equal participation. We would not make a

facilities decision until we had information from curriculum, personnel, and finance to figure out how we'd put it together. (Interview)

In addition, this training should provide guidance for Citizens' Bond Oversight Committees. While CaLBOC organized to provide CBOC training and resources, many respondents questioned its biases and suggested that state guidance, training, and support, even in the form of a training manual, would help the individuals on hundreds of independent CBOCs around the state understand the bond transactions they are meant to oversee. This training should clarify the actions CBOC members should take if they have concerns about their district's bond program.

3. Protect the Investment by Increasing Maintenance Requirements. The state of California and local school districts have invested tens of billions of dollars constructing and modernizing school facilities, though much of that investment is at risk. During the recession, the state allowed school districts to defer required maintenance spending. Facilities experts argue that spending requirements for maintenance were already too low and that failing to spend adequate money on maintenance will cost the state more in the long run. However, the Governor's Budget Summary 2015-16 recommended expanding the allowable usage of district maintenance, allowing districts to use funds for modernization and new construction. Experts worry this would decrease the already too-low amount districts spend on maintenance. As one architect explained, school districts typically do not have enough money from their bonds to address all their schools, so they allocate maintenance money to the schools that do not get bond money, adding:

> What happens is they figure, 'Well, the brand new school, they don't need any maintenance because it's brand new.' It was brand new 2 years ago, then 5 years ago, then 10 years ago, but people always see that it's a brand new school, not recognizing the fact that they have a tremendous amount of abuse. (Interview)

Given that many school districts do not adequately budget for maintenance, one recommendation is to change deferred maintenance requirements from a percent of the general fund to a percent of replacement cost because the general fund isn't necessarily tied to facilities. Another recommendation is for districts to try to pass companion parcel taxes for maintenance and operations when they pass a bond. However, parcel taxes have low passage rates outside the San Francisco Bay Area. Maintenance requirements for school districts should be set at a high enough level to protect the investment the state and local districts have made in their facilities.

4. Set Procurement Policies for All Members of the Finance Team. School boards should pass and implement rigorous policies for consistent procurement of contractors and consultants. The state summarized issues with procurement of contractors and consultants working on school facilities five years ago:

> It is estimated that 20% of the education budget is assigned for construction, professional outside services, school equipment, information technology, energy and other services. This represents between $9 billion to $12 billion per year. Despite the size of this investment, there is currently no systemic approach to procurement practices governed by CDE. Local business officials in over 1,000 school districts operate as independent islands with respect to procurement, without clear guidance or incentives that promote efficient practices or socially beneficial outcomes like supplier diversity. The Superintendent of Public

> Instruction has the authority to set statewide policy in education procurement services that promote inclusion and diversity, as well as greater effectiveness and efficiency. This is a critical time to use that authority to create a more fair, green, and economical system of facilities development. (CDE, 2011a, p. 26)

In addition, respondents in this study expressed concerns about how school districts are encouraged to allow their financial advisors to help them hire "the complete team" to assist them with their facilities financing. This can be problematic when the underwriters, lawyers, election consultants, etc., that are in the "team" become beholden to FAs because they rely on them to bring them in and get them contracts. One bond lawyer explained how this diminishes the feedback school districts get and that it's better when school districts independently hire individual consultants separately. If school boards pass and implement rigorous policies for consistent procurement of contractors and consultants, they can ensure that each private actor is vetted independently.

5. Create a Nonprofit to Provide Financial Services. A few respondents suggested that, while school district staff members will unlikely ever gain the necessary expertise to master all the details of a bond program, given the intermittent nature of bond campaigns and issuing bonds, the private sector is not necessarily a preferable alternative given the expense. As an alternative, individuals with expertise could create a non-profit organization that keeps prices down and is affordable to school districts. The organization could house a financial advisor, campaign expert, underwriter, lawyers, and others members of "the team." School districts around the state could consult with the organization at reasonable rates to get unbiased expert advice. The organization could also have the added value of driving down prices in the market. As one industry expert who suggested the non-profit remarked:

> The market forces are not evenly balanced, so the school districts lose at this. So, for the reasons we've discussed, they have to hire them [private consultants]. There's no market pressure for them to stay reasonable other than what everybody else is charging. Which is why my thought of a non-profit, if you put it out there, you could really dent their pool. And that would be a market pressure for them to stay more reasonable in their pricing. There's no market pressure for them to be reasonable, other than public scrutiny. But the public scrutiny isn't adequate because the school district doesn't want to be criticized for hiring people that they have to hire and who all cost that much, so you can see how the market dynamics that usually fix things aren't present. (Interview)

6. Improve Regulations and Credentialing of Private Financial Consultants. There is evidence that some individuals might choose to work for reasonable fees in a nonprofit or even private for-profit company. For example, Lori Raineri, a financial advisor in Sacramento, has made her reputation off exposing and fighting fraud in the industry. She charges districts for her financial advisory services on an hourly basis and frequently presents to CBOs and CBOCs regarding industry best practices. However, other consultants will say they do work "for free," such as underwriters who will offer to write school district's bond language free of charge, on their risk that the district's bond will then pass and the underwriters will then be able to "compete" for a contract with that school district. Given ethically questionable practices such as these, several respondents suggested regulating underwriters and financial advisory firms. As one school board member remarked, "I would also regulate these underwriters and these FA firms so they

couldn't charge these outrageous sums" (Interview). One publicly elected official was disgusted that private organizations make such high levels of profit off school districts, saying:

> It seems to me that if you're gonna sell bonds, market them, the kind of money that bond underwriting companies make, it would be appropriate to require you, for public education if nothing else, to give your service free of charge. It makes no sense. Makes no sense that we wouldn't do that. (Interview)

Respondents pointed to the fact that financial advisors are already not allowed to charge fees based on a percentage of a bond. Currently, Government Code Section 53590-53594 says that the basis of compensation for "the financial advisory services to be rendered, which, except for bonds issued prior to January 1, 1988, to finance single-family or multifamily housing, shall be on a basis other than as a percentage of the amount of the bonds to be sold," though one industry expert explained that FAs do not always follow this law. He reported:

> The legislature wanted financial advisors not to be influenced by earning more money by encouraging the district to borrow more money. That statute passed says that a financial advisor has to charge on some basis other than the par amount of the bonds. What did financial advisors say then? They were very unhappy at that because if they get hired on a $100 million deal, they want to get paid a big fee because the cows have come home, and that's a big success as opposed to getting merit on a $1 million deal. So they want to charge, to be rewarded for getting hired on large deals, and that law is frequently just ignored by financial advisors. (Interview)

Given that this might be the case with less scrupulous financial advisors, school districts should agree to pay only flat fees or an hourly rate for financial advisory services.

Industry experts also argued for creating a credential requirement, or some sort of licensing and independent testing of financial advisors to create some barrier to entry for individuals to be financial advisors. As one bond lawyer explained:

> Unlike investment bankers that have to pass certain securities tests and have to be licensed, and lawyers that have to go to law school and pass the Bar, financial advisors don't have to go to school, don't have to pass a test, aren't licensed by anyone. (Interview)

Currently, anyone can represent themselves as a financial advisor. When describing how the industry ballooned over the last three decades, one former financial advisor described:

> There's lot of new construction that's driving development…Financial advisors also saw this opportunity, and it's a much lower threshold of entry. You can just walk in and say, 'I am a financial advisor and let me help you with your— ' if you can figure out how to work a spreadsheet, you can pretty much do it, and especially if you had worked as an investment bank or with another financial advisory firm or maybe in a peripheral type of job, 'Okay, I can do this.' (Interview)

According to some respondents, financial advisory firms are also taking advantage of the fact that they are paid out of bond funds, not district operating funds, and bundling their services with other types of consulting arrangements, which can drive up costs. As one bond lawyer described:

> So once you get in as a financial advisor, some firms want to really provide a whole list of services, with the firms becoming larger to provide multifaceted types of services, all of which end up getting paid from bond proceeds, and the scrutiny when it's not money coming out of your operating budget is not as keen as it is if it's of taxpayer dollars. (Interview)

While the majority of financial advisory firms are likely fulfilling their fiduciary responsibility to provide unbiased advice in school districts' best interests, the fact that the majority of complaints and lawsuits regarding consultants have to do with financial advisory firms, suggests that it would be wise for policymakers to consider ways to assist districts in their relationships with FAs. One suggestion is to have create an easy way for school districts to share their experiences with consultants with other school districts.

I concede that the industry will always move faster than regulations can. For example, one former financial advisor described how financial advisors got "creative" with using cash-out refundings and getting paid out of the underwriter spread:

> There were some districts that were taking to the extreme what you can pay for from underwriters spread… [at] that point, the Attorney General stepped in and said, 'Hmm, I don't know if I like this because your bond—that increases your interest rate that your taxpayers are paying and so, and it's providing more resources to you, district, for your bond program.' If they're now finding a way to generate additional resources, beyond what was originally authorized through a spread, who's paying for that? The taxpayer is paying for it from a higher interest rate. Schools did that and they did what's called cash-out refundings where they would initially issue with higher interest rates and then a year later come back and refinance at a lower, the real rate, and keep the difference instead of just …ordinarily when you refinance…the objective is to reduce your payments and that way you're passing your savings onto your taxpayer. There was this point in time when these cash-out refundings were very popular and that the cash-out piece would come back to bond program. (Interview)

Obviously, there are many areas for policymakers to address, but we have evidence that strong regulations have worked to improve industry abuses in the past. AB 182, regulating capital appreciation bonds, is a good example of policymakers paying attention to an issue with school district debt financing and taking action. However, that does not mean that policymakers should now relax. If anything, policymakers should devote more attention to regulating this industry, particularly the costs to school districts, as individual contractors have demonstrated deliberate attempts to bilk school districts.

7. Make the Credit Rating System More Equitable. The current credit rating system penalizes low-income school districts as well as any school districts that could be perceived as having a "bad reputation," financial or otherwise, by investors. These districts almost always serve significant numbers of poor children of color. Credit rating agencies evaluate school districts on a number of factors and then assign districts with a credit rating, which, taken together with the Official Statements for district bonds, influence investors' decisions about whether to buy districts' bonds and what interest rate to demand. However, industry experts complain that credit ratings take many factors into consideration that do not actually impact the likelihood of investors getting paid for their investment. Due to negative perceptions of school districts' fiscal practices, taxpayers' dollars are not actually held by the school district. Instead, a trustee who repays investors

with interest holds the revenue. This system of revenue management developed because school districts have been historically marginalized and discounted with regard to their financial capabilities. One private consultant with decades of experience in the industry explained:

> They [financial advisors] became the talk of the town amongst school districts in part because of the perception that school district employees, particularly financial officers, weren't very smart. School superintendents were in many cases the former football coach who, when he got tired of being the football coach or was fired as a football coach, became a district administrator, and then became the superintendent, and the chief financial officers were not trained professional financial people. So there was a perception that the level of integrity and sophistication among school districts was lower than other public agencies, and then as a matter of law, the County Treasurer is the statutorily designated treasurer of the school district because Sacramento also believes that school districts were nit-nicks and were not smart enough to take care of themselves, so they had to be subjected to their cash being deposited in the county treasury and managed by the County Treasurer because they couldn't manage their cash by themselves. (Interview)

If a school district has to pay higher interest rates due to low—or revoked in OUSD's case—credit ratings, they hit their statutory cap earlier, limiting the amount of bonds a district can issue. There are a number of problems to resolve. First, as recommended above, school districts can make a concerted effort to improve their capacity and expertise. Over time, if school districts work to improve their financial capacity, they will become more trusted with public dollars. Second, policy makers can push for alterations in the system of assigning credit ratings to more accurately reflect the strong and secure investments of school district bonds. An improved system would be one that no longer penalizes low-income school districts unfairly, thereby contributing to inequity in educational facilities financing.

8. End Pay-to-play with Campaign Finance Reform. As described earlier, school districts are not allowed to use district money to support expensive bond campaigns. Instead, community stakeholders organize a campaign committee to raise money, often soliciting and accepting contributions from the private consultants and contractors hoping to be hired by the school district should the bond pass. This practice leads to allegations of pay-to-play. Without changing the current system, school districts should at the least make sure their procurement practices are transparent for any consultants and contractors that stand to get a financial benefit from the bond. One industry expert differentiated between different types of private organizations, saying:

> I don't think there should ever be contributions from the financing people or from the lawyers to anything. If you're gonna have your contractors or your architects or labor – it's natural for them to want to participate because you're growing their industry. Right? For the lawyers, it's just flat out pay-to-play. They're not growing an industry by doing somebody's bond language for free. They're just trying to get jobs. (Interview)

One recommendation would be to create a statewide pool of campaign contributions where private organizations can all contribute. Then that money could be distributed across school districts for bond campaigns based on the number of voters in the district.

This system would not be perfect, but it could be easy to implement and would allow private companies to help fund the elections that grow their industry, while removing pressure from school districts to hire individual consultants.

9. Develop Additional Local Tools for Raising Facilities Dollars. In 2000, Proposition 39 made it easier for local school districts to pass facilities bonds. I recommend lowering the threshold further from 55% to 50%. This would make it easier for communities to raise money to improve their facilities and help districts that have tried and failed to pass bonds in the past. This could also help school districts meet their needs more immediately as a new state system is getting set up. Some local areas have already become weary of general obligation bonds, as one state staff member described, "I don't really see that local school districts are going to be able to continue getting further and further in debt and having their taxpayers pay huge amounts of money and still be able to go back to the well endlessly" (Interview). Another recommendation would be for local school districts to utilize pools at the county level for general obligation bonds like they already do for tax and revenue anticipation notes. This would allow many school districts to take advantage of economies of scale by working together to issue GO bonds they could then share.

Recommendations for creating a new system. While tweaking policies can certainly improve the current system, tinkering around the margins will not fundamentally improve the equity of California's school facilities. The following recommendations might be less pragmatic, and might even be non-starters in Sacramento. Many people benefit from the system and want it to stay the same. Others feel that the current system has worked well and should just be tweaked. The system *has* worked well for a few different groups: private actors, wealthy districts, districts that can afford to hire consultants and contractors, and school districts that have supportive voters. However, 17 years after SB 50 created the SFP, California's school facilities are still inequitable. In this section I argue for policy recommendations that maintain a state-local partnership, though I make the case that the state should take the lead, actively transferring wealth from affluent districts to less affluent districts in the form of state funding.

10. The State should Take Responsibility for Ensuring Equity. I argue for a stronger state role because there is no other entity that can affect inter-district equity. As Vincent and Gross (2015) described:

> Even in California's strong local control environment, statewide accountability is necessary to ensure fairness and equity. Only the state can play the role of looking out for the school facility-related interests of all public school children. Subsidiarity alone is unlikely to address statewide equity and adequacy in facility conditions. (p. 14)

It does not make sense for the state of California to make equity the focus of its recent Local Control Funding Formula on the operations side of the budget—in which the state takes an active role in redistributing money toward particular groups of students—while taking a step back on the capital side of the budget. Respondents agreed that the Governor's current plans to minimize the state's role would reverse the strides California schools have made and make school facilities more inequitable, particularly for school districts that have relatively small tax bases and relatively less supportive communities. One facilities expert was particularly concerned about non-suburban schools, saying:

> I think it's going to be again really hard for the urban schools and the rural schools. So your suburban schools will survive because the building industry will make sure they do. Ironically we don't need to protect them. They have a financial interest in doing that well and they are the most protected in the program because we need campaign finance reform frankly. So quality will go down in the urban schools, and the state small rural; it will get harder and harder to do business. (Interview)

The Governor and the Department of Finance are correct when they argue that the SFP is currently inequitable. As a state staff member said, the "overly complex, first-come, first-served funding allocation creates a disadvantage for smaller school districts that don't have the key personnel or resources to undertake complicated capital projects" (Interview). Most respondents agreed with that critique. The Governor and state staff also seem to want to improve equity by targeting state funding toward the districts with the greatest need, those with low assessed valuation, as the state staffer explained, "The budget also recommends that state funding should be prioritized for health and safety and overcrowding projects," (Interview). However, given the Governor's stated reluctance to pass another statewide bond for school facilities, those who care about school facilities are left to wonder where the money would come from. The state is concerned about the reliance on debt issuance as the primary financing mechanism for the program and the states own capacity to continue to carry this amount of debt. Therefore, the state should develop new tools to allow it to take the lead in equitably funding facilities.

11. Use a Tax and Per Pupil Allocation Instead of Bond Debt to Fund Essential Facilities Components. The state should set an adequacy bar for *essential facilities components* and then be responsible for ensuring that all schools reach that bar. While some might argue that is what the state already attempted to do with SB 50, this study has enumerated many of the ways in which current policies fall short. The state should think of investment in constructing, modernizing and maintaining educational facilities as an ongoing expense for which it should budget annually. This is not a new idea. As O'Malley, Guyer, & Skinner (2001) argued in an LAO report, "Just as the state supports school operations on an ongoing basis, the state should appropriate funds for capital outlay annually," (p. 1). It is time to consider turning away from an overreliance on bonds. As Naqvi (2015) explained in a recent LAO report:

> The state's reliance on bonds also contributes to uncertainty about the availability of state funding and unevenness in the distribution of state funds. For example, while the amount of state funding distributed since SFP was created has averaged about $2 billion a year, the amount distributed in a given year has ranged from $140 million to $5 billion. The wide variance in state funding from year to year can make it difficult for school districts to plan facilities projects. (p. 5)

Instead of relying on unpredictable and costly statewide bonds, the state could collect an annual property tax for facilities from all school districts and put it into a pot, which it could then distribute based on a per pupil allocation, adjusted for equity needs. As one architect put it:

> I think from an inequity standpoint it is a good idea to have state facilities money. It just strikes me that, as far as that goes, it seems like we ought to have a better system than just simply, every time we need money, we have to go out and borrow money for 30 years. Seems like it would be nice to be able to be a little bit

> more proactive with that and somehow set aside money as we're going along, rather than having to borrow it. (Interview)

While this is obviously an oversimplified description of overhauling an entrenched system, it is refreshing to think outside the box about how the state could address Governor Brown's concerns about unlimited and expensive debt, and still raise ongoing, predictable money for educational facilities that could be equitably distributed. If the state collected an annual tax for facilities, once the state completed its statewide inventory of educational facilities, it could then, in a depoliticized process, allocate funding toward the lowest quality facilities, regardless of location.

The LAO put forward a similar recommendation, though they suggested that school districts that have received state funding in the past should be penalized for the debt the state has already incurred on the district's behalf and therefore have their funding reduced. This is problematic because some districts that have already received state funding still have considerable facilities needs. Instead, funding should be allocated solely based on the current facilities quality with a focus on bringing all schools up to the adequacy bar for *essential facilities components*, which could be determined together by facilities and educational experts. As one former financial advisor said, "I think that there should be a minimum amount that the state should provide to everybody. It doesn't seem fair that only those districts that can pass a bond measure—It's not fair for those kids and especially not fair if the community" has low assessed valuation (Interview).

12. End Local Assessed Valuation as the Basis for Raising Money. While there are many factors that contribute to the inequities between California's school facilities, the single biggest cause is the fact that the amount of money school districts can raise for facilities is limited by their property values. Varying local assessed valuations across the state can no longer be the basis for raising money for facilities if the state has any hope of achieving equitable facilities. It is simply not fair and never will be. As one architect lamented, "When you have that kind of AV disparity and you're using that tax base to improve your facilities, it's inevitable that you're going to have disparities in facilities" (Interview). A financial advisor agreed, describing the system this way:

> In districts that have a wealthy and supportive tax base, so places where the tax base is large, the public is largely supportive of bond measures, and they can fund facility improvements with a relatively small tax—places like Palo Alto, for example, Pleasanton, for example—have been able to really do a good job with their facilities and bring them up to standards that anyone would be proud of…In terms of equity, I think you look at schools districts in the Central Valley, that have relatively small tax bases and a relatively large number of kids, it's difficult for them to raise money through a general obligation bond issuance, just because the tax base won't support the level of investment that's needed for a reasonable tax rate. That's true more in rural places, but even in places in the Bay Area, places like Pittsburg, West Contra Costa, that have relatively small tax bases on a per student basis. (Interview)

With that type of built in inequity, the system can never be fair. As one architect explained:

> Not at the expense of the kids…I'll give you another example of another district out here in the valley. Their total assessed valuation allows them to go out for a bond for one and a half million dollars. This is a school district that's got five or

> six thousand students in it, so it's not a tiny one…They can do nothing with a million and a half dollars, absolutely nothing… I have two schools that have been designed and have been sitting in a drawer, waiting for funding to come in to build, to house those students so… Jerry thinks that they've just got to go out and raise the money. Right now, the law doesn't allow them to do that. How would the law allow them to do that? Could you bond up to 50% of your indebtedness and then that means, all of a sudden, this small community is going to have a massive tax bill? You think that's going to pass in conservative Central Valley...when all the little districts out there that don't have the ability to generate enough revenue to maintain their schools and they are falling down around the kids? (Interview)

The recommendation to pool revenue collected from annual property taxes across the state and then distribute based on a per pupil allocation, adjusted for equity needs, would address these tangible inequities.

13. End Local Voting for Essential Construction and Modernization. In addition to those living in low AV areas, children are also penalized, through no fault of their own, if they happen to live in an area with voters who are anti-tax or otherwise unsupportive of general obligation bonds. I recommend that the state remove politics from facilities funding and end local voting for any essential facilities components, including modernization, to ensure facilities needs are met. As mentioned above, the state should be responsible for setting an adequacy bar for all essential facilities components and then distributing tax dollars across school districts. Currently, districts have few options when their voters decline to support a bond measure. As a former financial advisor and current school board member described:

> Honestly, there is not that much. The Office of Public School Construction has a hardship program that essentially makes some money available for districts for school facilities, but there's not a lot of money left in that program, so if you're a district that is moderately conservative, say in the Central Valley, and you have a 60 year old school, it's really hard for you to find money for a new building. It's incredibly hard. (Pilot Study Interview)

While the state might argue that it already has financial hardship programs for districts that have passed bonds and still have needs beyond those funds for growth and modernization, that program does not actually recognize school districts that have tried, and failed, to pass a bond. It recognizes only school districts that are beyond their limit or that have additional needs beyond what the bonds they passed can fund. According to one former state staffer, "there is high reluctance in appeal situations to give school districts that haven't passed a local bond any funds" from the state (Interview). The state's argument was that it did not want to create a perverse incentive for local districts to not work hard to raise local bond money, knowing they could simply go to the state for funding. As one industry expert explained, the SAB does not like school districts that say they cannot pass bonds. This issue has been a perplexing policy problem given that even areas with unsupportive voters still have children that need adequate and equitable school facilities. Removing politics from the situation and ending the local vote for taxation, instead making a specified tax level mandatory every year, would protect students in conservative, anti-tax, or otherwise unsupportive communities.

The state could still allow local communities to hold general obligation bond

elections for non-essential projects that communities would like to tax themselves to provide, such as Olympic-sized swimming pools, elaborate play fields, mock court rooms, and other local needs. However, this could easily become a trap where the state sets an intentionally low bar for essential facilities components, knowing that locals would all then continue to have to pass general obligation bonds to make facilities truly adequate. Where the bar is set in terms of minimum facilities standards makes all the difference and should be set in consultation with national facilities experts based on research and confirmed best practices. Then, in order to ensure equity, the state would need to distribute money on a per pupil basis, adjusted for the results of the statewide facilities inventory.

Implications for Research

This dissertation research was spurred in part because I could not find satisfactory answers in the literature to my questions about inequities in educational facilities. While the literature has looked at privatization as well as education facilities finance, this study is one of the first to my knowledge that considers them together. While this exploratory dissertation research considers a number of areas, there are still many more questions left unanswered. In this section, I suggest a few areas for future research.

With regard to school district bond campaigns and the troubling practice of pay-to-play, one issue would be to look at campaign contributions over time from private organizations for school district bond campaigns. This information could be obtained from the California Fair Political Practices Commission. Ely and Calabrese (2013) did some of this research for underwriters, but it would be helpful to study other private actors such as financial advisors and bond counsel to get a clearer picture of how much money these organizations are donating to bond campaigns. Respondents tended to agree that problems in the industry were connected to particular "bad apple" consultants, and the majority of complaints were also related to financial advisory firms more than any other type of consultant, and this study would allow me to look at aspects of that assertion. As Ely and Calabrese did, a next step would be to look at the CDIAC data to determine how much these actors were paid for their contracts with school districts. Making this information more transparent would not only reveal whether pay-to-play is possibly occurring, but also which firms are most frequently donating and then getting paid statistically higher fees, for example.

This dissertation's findings also suggest that researchers of school finance should examine issues of democratic accountability. As scholars have noted on the operations side of the budget, school districts are contracting out to private actors who are increasingly making decisions closer to the technical core of education practices. As private actors' influence increases, traditional school district decision makers, such as board members, who are officially accountable for schools, have relatively less power and influence (Trujillo, 2012). Moving forward, I plan to conduct a study looking at whether and to what extent these patterns are evident on the capital side of the budget. A possible question might be, "As construction management firms increase in number and contract length, what decisions are they now making, if any, that were previously made by democratically elected school boards?" School finance researchers should also focus on the interactions of race and facilities, and this is tightly connected to questions of democratic accountability.

There is more analysis that researchers could do on state finance data sets when they exist. While the full CDIAC dataset considered for the descriptive statistics in this dissertation includes almost 15,000 debt transactions, the regression analysis was conducted on a small subset of this data for only general obligation bonds passed in 2010 and 2011 in California. General obligation bonds vary widely from year to year, and conducting this analysis on a larger dataset of debt transactions over a longer period of time would provide more reliable information about how various sociopolitical factors impact the costs school districts pay for their debt.

Brunner's (2006) study of California's school facilities system is in need of updating, particularly his data on median household income and bond revenue allocation. Brunner showed that distribution of revenue per pupil by quintiles of MHI was inequitable, with wealthier districts tending to get more local and state GO bond revenue, (Brunner, 2006, p. 55). Given findings from this dissertation that MHI and costs of issuance (fees paid to private financial consultants) are statistically negatively related, it would be helpful to compare MHI and current GO bond allocations to get an updated understanding of inequities in California school facilities finance.

Implications for Practice

This dissertation research is relevant to the individual practitioners that assisted me with the study as well as to the wider body of California school district leaders. The issues and inequities with school district facilities financing in California affect these leaders and their community stakeholders, and this study can empower California school district leaders in a few ways. First, the findings within can make the system and its strengths and weaknesses more transparent for those leaders who are not yet familiar with this topic. Second, given current policy conditions, I made the case that school leaders should act to increase their local expertise and capacity to enhance oversight of their bond program and take ownership of their district's facilities. Respondents agreed that the most successful programs have leaders who have taken the time to immerse themselves in bond finance. To increase capacity and expertise, leaders can enroll in existing academies and programs on facilities finance and utilize existing resources such as the CDIAC Primer.

Most importantly, school district leaders and community stakeholders can use the findings within this dissertation, as well as the powerful narratives from their district's experiences, to advocate for a better system. I attempted to emphasize throughout the dissertation that the system exists in its current form only because of previous policy decisions. If we acknowledge the system as politically and socially constructed, we can imagine reorganizing the system to improve equity. If enough practitioners and community stakeholders become aware of issues with the current system, they can push for reforms and advocate for more equitable policies.

Conclusion

The "story" of this dissertation is simple. The big policy problem is the disconnection between California's policy goals for providing equitable facilities for students and the implementation of facilities policies at the local level. Gaps in state support and training are largely responsible for the rise of private actors in the facilities industry that has stepped in to fill—and profit from—the void. This study demonstrates that financial expertise comes at a high cost, particularly for elementary school districts and those with lower median household income. Given that school districts differ in their

ability to pay for financial expertise, combined with existing problems with a highly variable field of consultants and contractors, the absence of clear state guidance leaves school districts with varying abilities to implement complex state facilities policies, contributing to facilities inequities. When considered alongside the escalating costs school districts are paying for services on the operations side of the budget, these findings help portray the fuller extent to which resources are being transferred from the public to the private sector through contracting in an increasingly neoliberal system that already forces school districts to compete with one another for dwindling state funding.

Though this research has demonstrated that the field of contractors and consultants profiting from contracts with school districts for facilities financing, modernization, and construction is complex and growing, the issue is not whether there is "too much" privatization. The ways in which policies have allowed for the rise of privatization in educational facilities financing and the implications of increasing privatization are far more consequential for educational inequity. This study has examined how privatization impacts the distribution of power and resources between school districts and how private actors interact to affect facilities outcomes, particularly with regard to equity. California's leaders will allow facilities to remain inequitable as long as the system for financing schools relies foundationally on disparate local property wealth and as long as school districts feel pressured to pay for financial expertise to navigate and compete within a complicated system. There remains a compelling need for state action to ensure educational equity for all students.

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Appendices

Appendix A

Case Study Selection Matrix

County Name	District Name	Enroll-ment	ADA	% ELL	% FRPL	Revenue (per std)	Expendi-tures
Alameda	Berkeley Unified	9779	8891	12.1	40	12964	13333
Alameda	Castro Valley Unified	9210	8875	8	19.3	7660	7886
Solano	Dixon Unified	3537	3349	23.2	56.2	7307	7374
Alameda	Dublin Unified	7325	7223	7.2	9.2	8048	7864
Solano	Fairfield-Suisun Unified	21400	20406	13.4	55.3	7373	7147
Alameda	Hayward Unified	21939	19751	30.9	68.1	9425	9271
Alameda	New Haven Unified	12873	12329	21.5	48.7	7872	7569
Alameda	Oakland Unified	46486	34513	30.5	73.3	11461	11559
Contra Costa	Orinda Union Elem	2488	2423	0.9	0.8	10369	10668
Alameda	Piedmont City Unified	2605	2518	2	0.3	12140	12337
Alameda	Pleasanton Unified	14932	14513	5.4	6.2	8183	7936
Monterey	Salinas Union High	13879	12965	24.7	70.9	9238	8776
Solano	Vacaville Unified	12657	10888	9.1	37.2	6877	7042
Solano	Vallejo City Unified	15157	12771	16.1	65.3	8725	8646
Contra Costa	West Contra Costa Unified	30398	27888	33.2	68.7	9271	9446
Yolo	Woodland Joint Unified	10126	9350	25.4	65.2	7984	7604

Appendix B

Interview Protocols

For public sector respondents:

- What is the nature of the contractual relationships between your school district and the private organizations involved in school district debt financing transactions?
    - More specifically, are these relationships mutually beneficial?
    - Knowing what you know now, would you change any of your decisions in the past about entering into contracts with private organizations?
    - How much money has your school district paid to private organizations—including financial advisory firms, bond counsel, underwriters, disclosure counsel, ratings agencies, credit enhancement agencies, statewide advocacy groups, and professional membership organizations—for municipal finance services?
    - What ethical and political issues have arisen between your school district and private organizations in the debt issuing process?
    - Have any state policies impacted your decisions to hire private financial organizations?
- What factors influence contractual relationships between school districts and private organizations involved in school district debt financing transactions?
    - How do you enter into those relationships?
    - More specifically, do districts have a formal procurement process by which they hire private organizations, or are organizations hired more informally?
    - What are your procurement processes?
    - Do districts work with the same private organizations for long periods of time, or do they frequently change teams, and why?
    - Does your district have an official debt policy?
    - How were the last contracts issued?
    - What department or office makes the decisions in your district about which private organizations to hire?
- Can you speak about the CA finance policy landscape and how it has changed over time, specifically with regard to state versus local control?
- What are the major issues with regard to debt financing in your district?
- With the Local Control Funding Formula, people are primed to think about equity right now. How does LCFF address facilities if at all?
    - Over time, what has been done to try and insure that facilities are more equitable?
- I have been learning about the cottage industry of private organizations involved in municipal debt transactions. What are your thoughts about all the players involved, including financial advisors, bond counsel, disclosure counsel, underwriters etc.?

    - I heard that bills in the past had tried to regulate FAs. Is anything like that on the horizon?
- What bills/issues are on the horizon?

For private sector respondents:

- What school districts does your organization work with?
- What is your role in your organization?
- How did you become involved in school district debt financing?
- How do you decide which districts to work with?
- How have public finance policies shaped the field of private organizations involved in school district debt financing transactions in California over time?
    - More specifically, have private organizations been created to support, make sense of, or help circumvent policies related to school district debt financing?
    - Why was your organization created?
- Can you speak about the California finance policy landscape and how it has changed over time, specifically with regard to state versus local control?
- What are the major issues with regard to debt financing in the state?
- With the Local Control Funding Formula, people are primed to think about equity right now. How does LCFF address facilities if at all?
    - Over time, what has been done to try and insure that facilities are more equitable?
- I have been learning about the cottage industry of private organizations involved in municipal debt transactions. What are your thoughts about all the players involved, including financial advisors, bond counsel, disclosure counsel, underwriters etc.?
    - I heard that bills in the past had tried to regulate FAs. Is anything like that on the horizon?
- What bills/issues are on the horizon?

Appendix C

Codebook

Code	Abbreviation	Brief Code Description (descriptions of…)	Literature
		Deductive Codes	
Critical Policy Analysis			
Partners	Par	Private organizations that join with the public sector to deliver educational services. Some partnerships, rather than functioning as relatively equal interactions between institutions, in fact look more like management relationships, especially when the partner has needed resources or expertise that the local school or district lacks	Scott & DiMartino, 2009
Rivals	Riv	Private organizations that base their enterprise on competition	Scott & DiMartino, 2009
Gatekeepers	Gat	Private organizations that provide the private sector with access.	Scott & DiMartino, 2009
Profit-seekers	Pr-S	Private organizations whose primary objective is to make money. Although this does not preclude them from having multiple motivations—student achievement, parent satisfaction, school improvement, public relations, and growing their brand, for example—they are unlikely to engage in any of these secondary goals if doing so will diminish their ability to make money.	Scott & DiMartino, 2009
Managers	Man	Private organizations that provide fiscal and operational oversight.	Scott & DiMartino, 2009
Second-layer policies	SLP	Mentions second-layer policies	Burch, 2009

Regulations	Reg	Mentions how policies and programs are regulated	Burch, 2009
Guidance	Gui	Mentions policy guidance for school districts	Burch, 2009
Budgets	Bud	Mentions budgets related to policies	Burch, 2009
Profit	Pro	Mentions profits as they relate to policies	Burch, 2009
<u>Fiscal Sociology</u>			
Causes of policies	Cau	Mentions factors that led to the policies, including context	Martin, Mehrotra, & Prasad, 2009
Taxation	Tax	Mentions aspects of policies related to taxation	Martin, Mehrotra, & Prasad, 2009
Public debt	Pde	Mentions aspects of policies related to public debt	Martin, Mehrotra, & Prasad, 2009
State spending	SSp	Mentions aspects of policies related to state spending	Martin, Mehrotra, & Prasad, 2009
Effects of policies	Eff	Mentions effects of the policies, impacting context	Martin, Mehrotra, & Prasad, 2009

Policy consequences for political life	Pol	Mentions how the school facilities finance system requires school districts to engage with local voters when placing bonds on the ballot to raise money for school facilities, how different school district leaders understand and approach their role in this system, and how it impacts relationships between school district leaders and their communities over time	Martin, Mehrotra, & Prasad, 2009
Policy consequences for social life	Soc	Mentions how the school facilities finance system requires the involvement of so many different actors in society and how, as these private actors have assumed larger roles, they have interacted more and more with parents and other community stakeholders in public school spaces	Martin, Mehrotra, & Prasad, 2009
Policy consequences for cultural life	Cul	Mentions how the school facilities finance system impacts the bigger picture of how we think about school facilities and who is responsible for ensuring that children have the resources they need throughout their academic careers	Martin, Mehrotra, & Prasad, 2009
		Inductive Codes	
Sociopolitical dynamics	SPD	Mentions sociopolitical dynamics as a factor that influences how school districts interact with private organizations	
Community characteristics	CCh	Mentions sociopolitical dynamics related to the community as a factor that influences how school districts interact with private organizations	
wealth equity history	Wea	Mentions wealth equity history as a factor that influences how school districts interact with private organizations	

racial equity history	Rac	Mentions racial equity history as a factor that influences how school districts interact with private organizations
location	Loc	Mentions location as a factor that influences how school districts interact with private organizations
power imbalance/struggle history	Pow	Mentions power imbalance/history of struggle as a factor that influences how school districts interact with private organizations
trust/involvement history	Tru	Mentions trust over time as a factor that influences how school districts interact with private organizations
District characteristics	DCh	Mentions sociopolitical dynamics related to the district as a factor that influences how school districts interact with private organizations
Capacity/expertise over time	Cap	Mentions district capacity/expertise over time as a factor that influences interactions with private organizations
Transparency over time	Tra	Mentions transparency over time as a factor that influences interactions with private organizations
Trust over time	Dtru	Mentions trust over time as a factor that influences interactions with private organizations
District size	Siz	Mentions district size over time as a factor that influences interactions with private organizations
Student demographics	Dem	Mentions student demographics over time as a factor that influences interactions with private organizations
Ethics	Eth	Mentions ethical issues related to school facilities financing, including pay to play, etc.

Policy Roles	Roles	Mentions how policy roles are negotiated between school districts, the state, and private organizations
Relationship	Rel	Mentions whether school district officials perceive their relationships with private debt organizations to be exploitative, mutually beneficial, or both.
Costs	Cost	Mentions actions and issues related to costs, how much things cost, trying to contain costs
Facilities ine/quality	Qual	Mentions the quality of facilities in California or factors that impact quality
Definitions	Def	When interviewee is providing the definition of something
Change over time	Time	Mentions changes over time in the industry
Policy Recommendation	Reco	Mentions a policy recommendation to improve the system
Contracting out	Out	Mentions the decision to contract out versus, perhaps, doing something in house
Procurement	Proc	Mentions the procurement process a SD uses to hire contractors
Charter schools	Char	Mentions the influence of charter schools
Philosophy	Phil	Mentions how leaders of the SD think about the facilities/bond program

Appendix D

Interviews with Public Sector Actors

#	Role	Organization
2	Former CBOC Member	WCCUSD CBOC
3	Board Member	WCCUSD School Board
4	Researcher, facilities expert	UC Berkeley Center for Cities + Schools
5	Researcher, facilities expert	University of California, Berkeley
6	Municipal Debt Officer	City of San Antonio Finance Department
7	Former CBOC Member	WCCUSD CBOC
8	Board Member	WCCUSD School Board
9	Staff Member	Office of Public School Construction
10	Staff Member	WCCUSD
13	Former CBOC Member	WCCUSD CBOC
14	Former Board Member	WCCUSD School Board
15	CBOC Member	WCCUSD CBOC
17	Board Member	WCCUSD School Board
21	Staff Member	California Department of Education
24	Analyst	California Legislative Analyst's Office
25	Staff	California Department of Finance
26	Staff Member	California Department of Finance
30	Staff Member	Oakland USD
36	Staff Member	California Debt and Investment Advisory Commission
37	Staff Member	California Debt and Investment Advisory Commission
38	Staff Member	California Debt and Investment Advisory Commission
39	Staff Member	California Debt and Investment Advisory Commission
40	CBOC Member	WCCUSD CBOC
41	Board Member	WCCUSD School Board
45	Staff Member	Oakland Unified School District
46	Board Member	Oakland Unified School District
49	Staff Member	Oakland Unified School District
50	Researcher, facilities expert	San Diego State University
51	CBOC Member	OUSD CBOC
54	Staff Member	BUSD (formerly OUSD)
55	CBOC Chair	OUSD CBOC
56	Staff Member	BUSD (formerly OUSD)
58	Assistant Superintendent of Facilities	[Central Valley] Unified School District

Interviews with Private Sector Actors

#	Role	Organization
1	Staff Member	California School Board Association
11	Researcher	Public Policy Institute of California
12	Private Consultant	Financial Advisory Firm #1
16	Architect	Architecture Firm #1
18	Architect	Architecture Firm #2
19	Architect	Architecture Firm #3
20	Architect	Architecture Firm #3
22	Architect	Architecture Firm #4
23	Architect	Architecture Firm #5
27	Staff Member	Contra Costa Building and Construction Trades Council
28	Financial Advisor	Financial Advisory Firm #2
29	Staff Member	Oakland Education Non-Profit #1
31	Architect	Architecture Firm #6
32	Architect	Architecture Firm #7
33	Financial Advisor	Financial Advisory Firm #3
34	Executive Director	Oakland Education Non-Profit #2
35	Architect	Architecture Firm #1
42	CEO, Broker-Dealer, Financial Advisor	Underwriting Firm
43	Senior Strategist, Facilities Consultant	Oakland Facilities Consulting Firm #1
44	Staff Member	Education Venture Philanthropy #1
47	Staff Member	Coalition for Adequate School Housing
48	Staff Member	CA Building Industry Association
52	Architect	Architecture Firm #8
53	Facilities expert	Retired, previously private sector
57	Staff Member	Education Venture Philanthropy #1
59	Counsel	Bond & Disclosure Counsel Firm
60	Financial Advisor	Financial Advisory Firm #4

Pilot Interviews with Public Sector Actors

#	Role	Organization
2	District Superintendent	[Northern CA #1] Unified School District
3	District Board Member	[Bay Area #1] Unified School District
6	District Board Member	Oakland Unified School District
7	District Board Member, Former financial advisor	[Bay Area #1] Unified School District
8	CBOC Member	WCCUSD CBOC
9	District Board Member	WCCUSD

10	Researcher, school finance expert	University of California, Berkeley
11	Division of Governmental Relations	[Southern CA #1] County Office of Education
12	Chief Business Officer	[Southern CA #1] Unified School District
14	Researcher	UC Berkeley Center for Cities + Schools
16	Staff Member	Fiscal Crisis & Management Assistance Team (FCMAT)
18	Chief Business & Financial Officer	[Southern CA #2] Unified School District
20	Staff Member	[Southern CA #1] County Office of Education
22	Superintendent	[Northern CA #2] County Office of Education
24	Chief Business Officer	[Bay Area #2] Unified
25	Staff Member	California Debt and Investment Advisory Commission
26	Staff Member	California Debt and Investment Advisory Commission
27	Staff Member	California Debt and Investment Advisory Commission
29	Staff Member	State Assembly Standing Committee
30	Chief Business Officer	[Southern CA #3] Unified School District
34	Chief Business Officer	[Bay Area #3] Unified School District
35	Superintendent	[Bay Area #4] School District
36	County Chief Business Officer	[Southern CA #4] County Office of Education
39	Assistant Superintendent	[Southern CA #5] School District
41	Interim Chief Financial Officer	[Southern CA #6] Unified School District
43	Staff Member	WCCUSD
45	Director, Facilities Legislation, Grants and Funding	[Southern CA #7] Unified School District
46	Policy Director for Board Member	[Southern CA #7] Unified School District
47	Researcher, facilities equity expert	University of California, Los Angeles
48	Chief Business Officer	[Southern CA #8] Schools
49	Fiscal Services	[Southern CA #8] Schools
50	Chief Business & Financial Officer	[Southern CA #9] Unified School District
51	Deputy Superintendent & Chief Business Officer	[Southern CA #10] Unified School District
52	Chief Business Officer	[Southern CA #11] High School District

53	Chief Business Officer	[Southern CA #12] School District
55	Business Manager, Facilities	[Southern CA #13] School District
58	Researcher, school finance expert	University of Southern California
59	Researcher, school finance expert	University of California, Davis
60	Staff Member	California Debt and Investment Advisory Commission

Pilot Interviews with Private Sector Actors

#	Role	Organization
1	Former Financial Advisor	Financial Advisory Firm #1
4	Financial Advisor	Financial Advisory Firm #1
5	Nonprofit Staff	Bay Area Education Non-profit
13	Staff Member	California School Board Association
15	Staff Member	California Association of School Business Officials
17	Staff Member	California School Board Association
19	Staff Member	California School Board Association
21	Staff Member	Small School Districts' Association
23	Staff Member	California Charter Schools Association
28	Staff Member	California Society of Municipal Finance Officers (CSMFO)
31	Analyst	Standard & Poors
32	Staff Member	CA County Superintendents Educational Services Association (CCSESA)
33	Staff Member	CA County Superintendents Educational Services Association (CCSESA)
37	Financial Advisor	Financial Advisory Firm #2
38	Financial Advisor	Financial Advisory Firm #3
40	Underwriter	Underwriting Firm #1
42	Financial Advisor	Financial Advisory Firm #4
44	Researcher	Public Policy Institute of California
54	Underwriter	Underwriting Firm #2
56	Underwriter	Underwriting Firm #2
57	Financial Advisor	Financial Advisory Firm #4

Appendix E

Observations

#	Date	Event/Meeting Observed
		Pilot Study
1	Spring 2013	WCCUSD CBOC Meeting in Richmond
2	Fall 2013	California Latino School Board Association in San Diego
		Dissertation Study
1	2/11/15	WCCUSD Board Meeting in Richmond
2	3/17/15	WCCUSD Facilities Subcommittee Meeting in Richmond
3	3/25/15	WCCUSD CBOC Meeting in Richmond
4	4/8/15	Task Force on Bond Accountability in Sacramento
5	5/8/15	CCS/PACE event in Sacramento
6	5/27/15	OUSD School Board Meeting in Oakland
7	6/2/15	WCCUSD site visits in Contra Costa County
8	6/3/15	OUSD CBOC meeting in Oakland
9	6/5/15	OUSD site visits in Oakland
10	6/17/15	WCCUSD CBOC Meeting in Richmond
11	6/23/15	CASH workshop in Sacramento

Appendix F

WCCUSD Bond and Parcel Tax Elections

(Election results since the mid-1980's through June 2014, based on the best available information.)

Date of Election	Election Type	Purpose	Proposed Bond	Proposed Parcel Tax	Vote in Favor	Passed	Vote Required	# of Students
6/2014	GO Bond	Improve earthquake safety, seniors and handicapped accessibility, update science and computer labs, remove asbestos, hazardous materials and lead-based paint, bring all district schools to the same quality, meet fire codes, construct, equip facilities	$270,000,000		46.30%	no	55%	27,598
11/2012	GO Bond	Make schools safe, complete essential health/safety repairs, qualify for state matching grants.	$360,000,000		64.40%		55%	27,377
11/2012	Parcel Tax	Protect core academics – reading, writing, math, science, attract and retain quality teachers, provide lower class sizes for the youngest children, prepare students for college and the workforce, and improve safety on and around school campuses.		7.2 cents/sq. ft.	75.60%		66.70%	27,377

6/2012	Parcel Tax	Preserve quality education including: reading, writing, math, science; maintaining reduced class sizes for the youngest children; retaining quality teachers; supporting libraries, improving campus safety; preparing students for college/workforce.		Extend and increase current parcel tax for three years from 7.2 cents/sq foot to 10.2 cents/sq foot.	65.50%	no	66.70%	27,377
11/2010	Parcel Tax	Provide local funding the State cannot take away, and preserve quality education by: providing manageable class sizes to improve core academics like math, science, reading/ writing, restoring arts/ music programs, attracting/ retaining quality teachers, improving campus safety/ cleanliness, preparing students for college and workforce	27,976	7.2 cents per sq. ft. building area or $7.20 per vacant parcel for 5 years	59.40%	no	66.70%	
6/2010	GO Bond	Upgrade schools for earthquake safety/handicap accessibility, remove asbestos, upgrade restrooms, vocational classrooms/technology/ energy systems to reduce costs, install lighting and security systems, acquire, repair, construct, equipment/sites/facilities	$380,000,000		62.60%		55%	27,976
11/2008	Parcel Tax	Reading, writing, math, science programs, teachers, counselors, libraries, computer training and athletic programs, class sizes.		$.072 per sq. ft. of total bldg area or $7.20 per vacant parcel for 5 years	79.60%		66.70%	28,414

8/2007	Parcel Tax	Maintain class sizes, purchase textbooks/materials, attract and retain teachers, maintain libraries, counselors, after school programs, custodians, school safety programs.		$0.11 per sq. ft. of building area on parcel, $11/parcel for vacant parcels. Senior citizen exemption by application.	54.40%	no	66.70%	28,706
11/2005	GO Bond	Continue repairing all school facilities, improve classroom safety and technology, and relieve overcrowding.	$400,000,000		56.90%		55%	31,416
6/2004	Parcel Tax	Maintain CSR; textbooks & materials; maintain/recruit staff; enhance curriculum		$.072/sq ft/parcel for 6 yrs	70.60%		66.70%	32,383
3/2004	Parcel Tax	Classize;instructional materials; staff; program; maintenance		$.068/sq ft building area/parcel	62.70%	no	66.70%	32,383
9/2003	GO Bond	Continue districtwide reconstruction program	$450,000,000		59.10%	no	66.70%	32,593
3/2002	GO Bond	Construction; improve facilities	$300,000,000		71.60%		55%	31,771
11/2000	GO Bond	New construction, renovation; replace portables; health & safety improvements	$150,000,000		77.30%		66.70%	34,823
6/1998	GO Bond	Construct middle school; tech; repairs	$40,000,000		76.00%		66.70%	33,148
4/1992	Parcel Tax	Maintain & improve program		$60/parcel for 4 yrs	58.20%	no	66.70%	31,420
7/1988	Parcel Tax	Program		$125/parcel for 4 yrs	34.80%	no	66.70%	24,465

Note: Student count provided by district at the time of the elections.

Source: Eduation Data Partnership

Appendix G

OUSD Bond and Parcel Tax Elections

(Election results since the mid-1980's through June 2014, based on the best available information.)

Date of Election	Election Type	Purpose	Proposed Bond	Proposed Parcel Tax	Vote in Favor	Passed	Vote Required	*Students
11/2012	GO Bond	Upgrade science labs, classrooms, computers and technology, improve student safety and security, repair bathrooms, electrical systems, plumbing and sewer lines, improve energy efficiency and earthquake safety.	$475,000,000		84.40%		55%	36,228
11/2010	Parcel Tax	Offset severe state budget cuts, improve student achievement, help every child read at or above grade level, and prepare students for college and careers by retaining teachers, teachers' aides, safety officers and other support staff		$195/parcel for 10 years	66.00%	no	66.70%	36,195
11/2008	Parcel Tax	Attract teachers, support public charter schools.		$120/parcel for 10 years	61.50%	no	66.70%	37,525

2/2008	Parcel Tax	Attract and retain teachers, college preparation programs, textbooks, class size, after-school programs, libraries, arts, music.		$195/parcel	79.20%	66.70%	39,049
6/2006	GO Bond	Repair, modernize facilities; construct libraries, classrooms, and science and computer labs; safety	$435,000,000		78.00%	55%	41,943
3/2004	Parcel Tax	Attract/retain credentialed teachers; maintain programs; instructional materials		$195/parcel for 5 yrs	74.50%	66.70%	48,283
11/2001	Parcel Tax	Small classes, programs, technology, student services		$123/parcel for 5yrs;	78.90%	66.70%	49,482
3/2000	GO Bond	Construct new schools; renovation; modernization; replace portables	$303,000,000		84.70%	66.70%	52,238
11/1996	Parcel Tax	Curriculum enhancements		$75/parcel for 5 yrs	82.00%	66.70%	51,780
11/1994	GO Bond	School safety	$170,000,000		84.00%	66.70%	52,121

Note: Student count provided by district at the time of the elections.

Source: Eduation Data Partnership