

Proposition 81
California Reading and Literacy Improvement and Public Library
Construction and Renovation Bond Act of 2006

Background

For the most part, cities, counties, and special districts pay the costs of operating and building local libraries. These libraries do receive some money from the state and federal government for local library operations. For example, local libraries throughout the state are receiving about \$46 million this year from the state and federal governments for various operating costs.

The state also provides funds to help pay for the construction and renovation of library facilities. This funding typically is raised through general obligation bonds. For example:

- In 1988, state voters approved Proposition 85, which authorized \$75 million in general obligation bonds to fund grants to local agencies for building, expanding, or renovating library buildings.
- In 2000, voters approved Proposition 14, which provided an additional \$350 million in bond funds for library projects.

Both grant programs required local agencies to pay for 35 percent of the cost of the project with their own funds. Proposition 14 funded 45 projects, many of which are currently under way. Eligible applications were submitted for an additional 60 projects

which were not funded. These unfunded applications sought \$506 million in state bond funding.

Proposal

This proposition allows the state to sell \$600 million of general obligation bonds for local library facilities. The state would use these bond funds to provide grants to local governments to:

- Construct new libraries.
- Expand or renovate existing libraries.
- Acquire land for new or expanded libraries.
- Provide related furnishings and equipment.

These grant funds could *not* be used for (1) books and other library materials, (2) certain administrative costs of the project, (3) interest costs or other charges for financing the project, or (4) ongoing operating costs of the new or renovated facility.

This grant program is similar to the 2000 program. For example, local agencies would be required to pay 35 percent of the project cost and individual grants could range from \$50,000 to \$20 million.

The new program grants first priority to eligible applications that were submitted but not funded under Proposition 14. No more than \$300 million of the new funding would be reserved for these applications. The remaining bond funds would be available for new applications. The measure also reserves \$25 million for "joint use" projects

servicing both a library and a public education institution (such as a school district or college).

The proposition provides for a seven-member state board to adopt policies for the program and decide which local agencies would receive grants. In reviewing local applications, the board must consider factors such as (1) the needs of urban, suburban, and rural areas; (2) the age and condition of existing library facilities in the area; and (3) the financial ability of the local agencies to operate library facilities.

Bonds. General obligation bonds are backed by the state, meaning the state is required to pay the principal and interest costs on these bonds. State General Fund revenues would be used to pay these costs. These revenues come primarily from state personal and corporate income taxes and the state sales tax.

Fiscal Effects

Costs to Pay Off Bonds. For these bonds, the state would likely make principal and interest payments from the state's General Fund over a period of about 30 years. If the bonds are sold at an average interest rate of 5 percent, the cost would be almost \$1.2 billion to pay off both the principal (\$600 million) and interest (\$570 million). The average payment would be about \$40 million per year.

Local Cost to Match State Funds. As mentioned above, in order to receive a state grant a local agency must provide 35 percent of the project cost. Thus, on a statewide basis, local agencies would need to spend about \$320 million. The cost would vary by local agency depending on the cost of the specific project.

Costs to Operate New Library Facilities. Local agencies that build new or expand existing libraries would likely incur additional operating costs. These costs—statewide—could be several millions of dollars annually.