

November 28, 2014

Mr. Michael Cohen, Director
Department of Finance
State Capitol, Room 1145
Sacramento, CA 95814

Attention: Ms. Eraina Ortega, Chief Deputy Director

Dear Mr. Cohen:

Pursuant to the requirements of Education Code Section 17463.7, the Department of General Services is submitting the Final Report on the Use of Surplus Site Sale Proceeds.

In keeping with our commitment to encourage conservation, we have posted this report to our website. The report can be viewed at <http://www.dgs.ca.gov/ola/home/2015Reports.aspx>. The report is titled Final Report on the Use of Surplus Site Sale Proceeds, November 2014.

If you wish to receive a printed copy of this report, please contact Lisa Silverman, Executive Officer, Office of Public School Construction, Department of General Services at (916) 375-4751.

Sincerely,



Fred Klass
Director

cc: See attached distribution list
Lisa Silverman, Executive Officer, Office of Public School Construction

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STATE ALLOCATION BOARD ET.AL.

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Joint Legislative Budget Committee
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The Honorable Mark Leno, Chair
Senate Budget & Fiscal Review Committee
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Attn: Brady Van Engelen, Consultant

The Honorable Nancy Skinner, Chair
Assembly Budget Committee
State Capitol, Room 6026
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Attn: Christian Griffith, Chief Consultant

The Honorable Kevin de León, Chair (Attn: Mark McKenzie, Director)
Senate Appropriations Committee
State Capitol, Room 2206

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The Honorable Mike Gatto, Chair
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The Honorable Jeff Gorell, Vice Chair
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The Honorable Mark Wyland, Vice Chair
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Office of Legislative Counsel **(HARD COPY OF REPORT)**
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SAB, BUDGET, ED, & FISCALCOMMITTEES REVISED 10/21/14

*Final Report on the
Use of Surplus Site Sale Proceeds*

Report to the Legislature and State Allocation Board
November 2014

State of California

Edmund G. Brown, Governor

Government Operations Agency

Marybel Batjer, Secretary

Department of General Services

Fred Klass, Director

Office of Public School Construction

Lisa Silverman, Executive Officer

Prepared by the

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OVERVIEW

Due to the past fiscal environment, school districts were faced with limited funding sources for their General Fund obligations. Chapter 2, Statutes of 2009 (Assembly Bill X4 2 – Evans) added Section 17463.7 to the Education Code (EC) to permit school districts to transfer surplus site sale proceeds into their general fund accounts from July 28, 2009 through January 1, 2012. Chapter 48, Statutes of 2013 (Assembly Bill 86 - Committee on Budget) amended Section 17463.7 to extend the transfer of surplus site sale proceeds into the districts' general fund accounts through January 1, 2016. Districts must meet certain conditions prior to transferring the funds. In addition, the surplus property must have been purchased entirely with local funds, and the proceeds must be used for a one-time general fund purpose. Pursuant to Section 1700 of Title 2 of the California Code of Regulations, "one-time expenditures" are defined as costs paid by the general fund of a school district that are nonrecurring in nature, do not commit the school district to incur costs in the future, and are exclusive of ongoing expenditures.

EC Section 17463.7 requires the Office of Public School Construction (OPSC) to submit a final report to the State Allocation Board (SAB) and the Budget, Education Policy, and Fiscal Committees of the Legislature by January 1, 2015, to identify school districts that have exercised the authority granted by this section, the amount of proceeds involved, and the purpose for which those proceeds were used.

Fourteen school districts utilized the authority granted by EC Section 17463.7 between July 28, 2009 and October 16, 2014. The total amount of proceeds requested for transfer by the districts is approximately \$84 million.

This report has been prepared by the OPSC in compliance with EC Section 17463.7 to report the proceeds and how they were used.

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USE OF SURPLUS SITE SALE PROCEEDS

The table below identifies the school districts that have exercised the authority granted by EC Section 17463.7, the amount of proceeds involved, and the purpose(s) for which those proceeds were used.

SCHOOL DISTRICT COUNTY	Books and Supplies	Capital Outlay	Employee Benefits	Other Expenses*	Reserves	Services and Other Operating Expenses	PROCEEDS AMOUNTS
Berkeley Unified Alameda	✓	✓	✓			✓	\$ 1,616,400
Brea Olinda Unified Orange				✓	✓		\$ 1,290,000
Cucamonga Unified San Bernardino	✓	✓	✓				\$ 1,952,617
Healdsburg Unified Sonoma			✓				\$ 5,100,000
Livermore Valley Joint Unified Alameda	✓	✓	✓			✓	\$ 4,000,000
Millbrae Elementary San Mateo		✓	✓			✓	\$ 3,137,430
New Haven Unified Alameda		✓	✓		✓		\$13,846,750
Orchard Elementary Santa Clara	✓	✓					\$ 565,650
Pasadena Unified Los Angeles	✓		✓			✓	\$ 2,000,000
San Bruno Park Elementary San Mateo		✓					\$12,129,933
San Marino Unified Los Angeles	✓	✓				✓	\$ 1,000,000
Santa Clara Unified Santa Clara		✓				✓	\$ 4,288,552
Ventura Unified Ventura			✓				\$10,000,000
Walnut Valley Unified Los Angeles			✓	✓	✓	✓	\$23,400,000

GRAND TOTAL \$84,327,332

*Comply with local bargaining agreement provisions and/or one-time salary restoration of furlough days.

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ATTACHMENT

California Education Code 17463.7

(a) Notwithstanding any other law, a school district may deposit the proceeds from the sale of surplus real property, together with any personal property located on the property, purchased entirely with local funds, into the general fund of the school district and may use the proceeds for any one-time general fund purpose. If the purchase of the property was made using the proceeds of a local general obligation bond or revenue derived from developer fees, the amount of the proceeds of the transaction that may be deposited into the general fund of the school district may not exceed the percentage computed by the difference between the purchase price of the property and the proceeds from the transaction, divided by the amount of the proceeds of the transaction. For the purposes of this section, proceeds of the transaction means either of the following, as appropriate:

- (1) The amount realized from the sale of property after reasonable expenses related to the sale.
 - (2) For a transaction that does not result in a lump-sum payment of the proceeds of the transaction, the proceeds of the transaction shall be calculated as the net present value of the future cashflow generated by the transaction.
- (b) The State Allocation Board shall reduce an apportionment of hardship assistance awarded to the particular school district pursuant to Article 8 (commencing with Section 17075.10) by an amount equal to the amount of the sale of surplus real property used for a one-time expenditure of the school district pursuant to this section.
- (c) If the school district exercises the authority granted pursuant to this section, the district is ineligible for hardship funding from the State School Deferred Maintenance Fund under Section 17587 for five years after the date proceeds are deposited into the general fund pursuant to this section.
- (d) Before a school district exercises the authority granted pursuant to this section, the governing board of the school district shall first submit to the State Allocation Board documents certifying the following:
- (1) The school district has no major deferred maintenance requirements not covered by existing capital outlay resources.
 - (2) The sale of real property pursuant to this section does not violate the provisions of a local bond act.

(3) The real property is not suitable to meet projected school construction needs for the next 10 years.

(e) Before the school district exercises the authority granted pursuant to this section, the governing board of the school district at a regularly scheduled meeting shall present a plan for expending one-time resources pursuant to this section. The plan shall identify the source and use of the funds and describe the reasons why the expenditure will not result in ongoing fiscal obligations for the school district.

(f) The Office of Public School Construction shall submit an interim and a final report to the State Allocation Board and the budget, education policy, and fiscal committees of the Legislature that identifies the school districts that have exercised the authority granted by this section, the amount of proceeds involved, and the purpose for which those proceeds were used. The interim report shall be submitted by January 1, 2011, and the final report by January 1, 2015.

(g) This section shall remain in effect only until January 1, 2016, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2016, deletes or extends that date.