

STATE ALLOCATION BOARD  
IMPLEMENTATION COMMITTEE MEETING  
January 13, 2012

SB 128: Additional Uses of Modernization Grants

PURPOSE OF REPORT

To present proposed regulations in order to implement Chapter 622, Statutes of 2011 (Senate Bill [SB] 128 – Lowenthal).

BACKGROUND

SB 128 allows School Facility Program (SFP) modernization funds to be used on characteristics of high-performance schools, including new renewable energy systems.

AUTHORITY

SB 128 adds paragraph (b) to Education Code (EC) Section 17074.25:

17074.25 Use of modernization funds

(a) A modernization apportionment may be used for an improvement to extend the useful life of, or to enhance the physical environment of, the school. The improvement may only include the cost of design, engineering, testing, inspection, plan checking, construction management, demolition, construction, the replacement of portable classrooms, necessary utility costs, utility connection and other fees, the purchase and installation of air-conditioning equipment and insulation materials and related costs, furniture and equipment, including telecommunication equipment to increase school security, fire safety improvements, playground safety improvements, the identification, assessment, or abatement of hazardous asbestos, seismic safety improvements, and the upgrading of electrical systems or the wiring or cabling of classrooms in order to accommodate educational technology. A modernization grant may not be used for costs associated with acquisition and development of real estate property or for routine maintenance and repair.

(b) A modernization apportionment may also be used for the cost of designs and materials that promote the efficient use of energy and water, the maximum use of natural lighting and indoor air quality, the use of recycled materials and materials that emit a minimum of toxic substances, the use of acoustics conducive to teaching and learning, and other characteristics of high-performance schools.

SFP Regulation Section 1859.79.2. Use of Modernization Grant Funds.

The Modernization Grant plus any other funds provided by these Regulations shall be expended as set forth in Education Code Sections 17074.25, 17074.10(f) and 17070.15(f) and may also be utilized for other purposes as set forth in Education Code Section 100420(c)....

## DISCUSSION

SFP Regulation Section 1859.79.2 (Use of Modernization Grant Funds) will not need to be amended in order to incorporate changes made to statute by SB 128. SB 128 amends EC Section 17074.25 so the reference to that statute in SFP Regulation Section 1859.79.2 incorporates the SB 128 amendment to specify that modernization projects may include characteristics of high-performance schools, including, but not limited to, new renewable energy systems.

In order to implement this law, SFP Regulation Section 1859.104, the Project Information Worksheet (PIW), and the Form SAB 50-04 will be amended. The purpose of the regulatory amendment and the PIW amendment is to require districts that use their base grant for new renewable energy systems to report the energy the system will produce, the cost of the system, and the savings (in dollars) the system generates. The purpose of the Form SAB 50-04 amendment is to clearly identify the projects that will be required to complete the new "Renewable Energy Information" section of the PIW.

Districts that use their base grant for new renewable energy systems, such as solar panels, may see reductions in their energy bills. In order to best understand how renewable energy systems benefit districts, the proposed regulations would require districts that use their base grant for new renewable energy systems to submit basic energy systems information to the State Allocation Board through the PIW. The data collected could be used to track the benefits gained for the public and for policymakers and to make program improvements, if necessary.

Districts that receive the High Performance Incentive (HPI) grant are currently required to report the amount of energy savings on the PIW. The proposed amendment would add that requirement if the project includes new renewable energy systems, regardless of whether or not the district receives the HPI grant.

### Other High-Performance Systems

SB 128 allows districts to use a modernization apportionment on characteristics of high-performance schools besides the installation of new renewable energy systems. Staff is considering data collection methods for other high-performance systems.

### Career Technical Education Facilities Program

In addition to changes to the SFP modernization program, SB 128 also specifies that Career Technical Education Facilities Program (CTEFP) projects are eligible for the HPI grant. It also amended statute to allow the HPI grant to be provided for CTEFP projects above and beyond the per project maximum grant (\$3 million for CTEFP new construction and \$1.5 million for CTEFP modernization). As of December 14, 2011, \$1.4 million bond authority remained in the CTEFP. Regardless of the available funding, Staff has identified other challenges involved in implementing the CTEFP section of SB 128. Specifically:

- The CTEFP grant is based on project costs, whereas part of the HPI grant is calculated as a percentage of the new construction and modernization per-pupil grants.
- Pursuant to current State Allocation Board (Board) direction, only CTEFP applications already received by the OPSC are eligible for funding. However, CTEFP

applications already received are not eligible for funding that is based on regulations adopted after the OPSC received the application.

- A CTEFP project can consist solely of equipment which would generate few, if any HPI points.
- The HPI grant point system may be restrictive, based on the size of many CTEFP projects.

## Proposed amendments

### SFP regulations

Section 1859.104. Program Reporting Requirements.

A district receiving funds in accordance with the Act shall submit the following:

...

(g) A School District receiving an Apportionment for high performance incentive grants pursuant to Section 1859.71.6 or 1859.77.4 or receiving an Apportionment, in whole or in part, for the purposes of installing a new renewable energy system shall submit a completed Project Information Worksheet to the OPSC for all expenditures related to the additional design and construction costs of the high performance building components. In addition, the School District shall provide information related to resulting energy savings and efficiency, as well as other resulting benefits. The Project Information Worksheet shall be submitted with the Form SAB 50-05 and the District's first and final Forms SAB 50-06 pursuant to (a)(1) and (2) above.

Note: Authority cited: Sections 17070.35, 17072.13, and 17079.30, Education Code.

Reference: Sections 17070.35, 17070.99, 17072.12, 17072.13, 17076.10 and 17079.30, Education Code.

### Form SAB 50-04 Application for Funding

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#### SPECIFIC INSTRUCTIONS

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#### 21. Renewable Energy System

Indicate whether the district is including a new renewable energy system for this project by checking the appropriate box.

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#### APPLICATION FOR FUNDING

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#### 21. Renewable Energy System

Is a new renewable energy system(s) being installed for this project?  Yes  No

**Proposed amendments (continued)**

Project Information Worksheet

INSTRUCTIONS

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Comments/Additional Information

Please provide any additional information about this project that you think will be helpful in completing the analysis.

Renewable Energy Information

The “Renewable Energy Information” section must be completed, at every reporting period, only for projects that include new renewable energy systems. The information reported in these sections will not be used for the purposes of recovering funds or auditing projects.

Check yes or no to indicate whether or not the project includes a new renewable energy system for this project. If yes, enter the following information:

1. Enter the total actual amount (or estimated amount if actual is not available) of kilowatts (kW) generated.
2. Enter the total actual cost (or estimated cost if actual is not available) of the energy system.
3. Enter the total actual amount (or estimated amount if actual is not available) saved (in dollars) as a result of the new renewable energy system.

High Performance Incentive Grant Information

The “High Performance Incentive Grant Information” and “Additional High Performance Incentive Grant Information” sections must be completed....

PROJECT INFORMATION WORKSHEET

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Comments/Additional Information \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Renewable Energy Information

Is a new renewable energy system(s) being installed for this project?  Yes  No

SFP-funded renewable energy system installation:

1. System size: \_\_\_\_\_ kW
2. System cost: \$ \_\_\_\_\_

3. Projected annual savings: \$ \_\_\_\_\_

Please indicate the type of renewable energy system installed:

Photovoltaic  Wind  Geothermal  Other

If Other, please specify: \_\_\_\_\_  
\_\_\_\_\_

HIGH PERFORMANCE INCENTIVE GRANT INFORMATION

1. Is this a Financial Hardship Project?....