

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, May 27, 2009

FINANCIAL NEEDS OF THE STATE RELOCATABLE CLASSROOM PROGRAM

PURPOSE OF REPORT

To present the estimated financial needs to operate the State Relocatable Classroom Program (Program) for the 2009/10 and 2010/11 Fiscal Years (FY) and to consider transferring potential excess 2008/09 FY revenue.

BACKGROUND

At the August 2005 State Allocation Board (SAB) meeting, the Board directed Staff to report back on the projected annual financial needs for the Program before the end of each FY.

DISCUSSION

Staff has prepared the Attachment which summarizes an estimated \$4.2 million of financial needs to operate the Program for the current and next two fiscal years (FY 2008-09 through FY 2010-11). Some of the operating costs estimated for the current and budget years include transportation and set-up costs for moves that were on the Program workload list prior to the Board's approval of the phase-out plan as well as the moves for State owned relocatables that lie within the footprint of a School Facility Program (SFP) new construction project. The administrative costs for the current and budget years continue to decrease as the relocatable classrooms are sold and there are fewer buildings to move or demolish. Since most of the relocatable classrooms will be sold by the end of FY 2008/09, there will be a significant decline in estimated revenue for FY 2009/10.

The estimated cost to operate the Program for the remainder of FY (2008/09) is \$2,854,330 and is based on actual and projected costs. For FY 2009/10, the estimated cost to operate is \$1.36 million. The total sales and lease revenue for FY 2008/09 is \$8,308,605. After setting aside the total funds needed to operate the Program for current and next FY, it is anticipated that the Program will have excess revenue of \$4,096,945 (see Attachment).

AUTHORITY

Education Code Section 17088.2 states:

Notwithstanding any provision of law to the contrary, including, but not limited to, Section 17587, the board may transfer any funds within the State School Building Aid Fund that are in excess of the amounts needed by the board for the maintenance of portable buildings or for the purchase of new portable buildings, for that fiscal year, to any of the following, as appropriate:

- (a) The 1998 State School Facilities Fund for allocation by the board for any purpose authorized pursuant to that fund.
- (b) The 2002 State School Facilities Fund for allocation by the board for any purpose authorized pursuant to that fund.
- (c) The 2004 State School Facilities Fund for allocation by the board for any purpose authorized pursuant to that fund.
- (d) The State School Deferred Maintenance Fund for allocation by the board for any purpose authorized pursuant to that fund. The board may utilize up to 100 percent of the funds transferred by the board to the State School Deferred Maintenance Fund pursuant to this section for funding extreme hardship critical projects.

The FY 2008/09 Final Budget Summary enactment language provides the following for Surplus Relocatable Classroom Program Funds:

*"SEC. 24.30. Notwithstanding any other provision of law, the Controller, upon the order of the Director of Finance, shall transfer sale and lease revenues received pursuant to Sections 17089 and 17089.2 of the Education Code, in an amount determined by the Department of Finance, from the State School Building Aid Fund to the General Fund."*

RECOMMENDATIONS

1. Request Staff to submit to the Department of Finance appropriate budget documents to update Program revenue and expenditure estimates, which includes \$4,096,945 in excess revenue, to be reflected in the May Revision update for the FY 2009/10 Budget.
2. Direct Staff to report on the projected annual needs for the Program in December of each year.

ATTACHMENT  
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**State Relocatable Classroom Program Projected Costs**

<b>Expenditure Authority Available</b>	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>
6350-601-0739 Local Assistance	\$2,355,000.00	\$1,500,000.00	\$1,500,000.00
1760-001-0739 Support Operations	\$297,000.00	\$300,000.00	\$300,000.00
<b>Expenditure Authority Available</b>	<b>\$2,652,000.00</b>	<b>\$1,800,000.00</b>	<b>\$1,800,000.00</b>

<b>Revenue</b>	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>
Lease Revenue	\$1,098,285.00	\$964,000.00	\$160,747.00
Sale of State Relocatables	\$7,210,320.00	\$12,857,928.00	\$2,253,000.00
Available for Transfer <sup>1</sup>	-\$4,096,945.00	\$0.00	\$0.00
<b>Total Revenue</b>	<b>\$4,211,660.00</b>	<b>\$13,821,928.00</b>	<b>\$2,413,747.00</b>

<b>Estimated SRCP Costs</b>	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>
Southern California Movers Contract (SCMC) <sup>2</sup>	\$1,500,000.00	\$0.00	\$0.00
Contract to Bid for Auction <sup>3</sup>	\$200,000.00	\$200,000.00	\$200,000.00
NMC Reimbursement Costs <sup>4</sup>	\$312,725.00	\$312,725.00	\$312,725.00
SCMC Reimbursement Costs <sup>4</sup>	\$264,605.00	\$264,605.00	\$264,605.00
Moving Costs <sup>5</sup>	\$150,000.00	\$150,000.00	\$150,000.00
Disposal Costs	\$130,000.00	\$130,000.00	\$130,000.00
State Relocatable Classroom Program Staffing	\$297,000.00	\$300,000.00	\$300,000.00
<b>Total</b>	<b>\$2,854,330.00</b>	<b>\$1,357,330.00</b>	<b>\$1,357,330.00</b>

<sup>1</sup> Represents the amount that can be transferred from Lease Revenue and Sales Revenue based upon the direction of the Board.

<sup>2</sup> Approximately \$1.5 million of the remaining mover's contract will be utilized, executing a one-year extension on the contract, during 2008/2009.

<sup>3</sup> Represents the amount needed to support a contract to auction surplus State Relocatable Classrooms.

<sup>4</sup> Represents the amount to reimburse districts that had moves pending prior to the Phase - Out.

<sup>5</sup> Represents the expenditure authority required to reimburse school districts for moving State Relocatable Classrooms out of the footprint for new construction and/or modernization.