

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, May 1, 1996

PURPOSE OF REPORT

To propose guidelines and related policy for apportioning the \$2.065 billion proceeds from Proposition 203, the Public Education Facilities Act of 1996 (March).

DESCRIPTION

The provisions of Proposition 203 authorizes specific funds (\$2.025 billion) for certain existing programs and allows for the funding of new programs that may be implemented by the State Allocation Board (SAB). The SAB has authority to determine which of many programs will be funded and the level of funding from zero to the maximum allowed in the Proposition. In addition, Proposition 203 authorized the utilization of \$40 million from the State School Building Aid Law for the purpose of administering the Lease-Purchase Program. The SAB has the option of allocating these funds either to "new construction" or "modernization" projects. Therefore, the SAB has total of \$2.065 billion available for disbursement as they deem appropriate within the confines of this law. The following programs are outlined in Proposition 203, however, it should be noted that the State Allocation Board has the option not to implement any of the programs identified as **new**:

	Programs	Funding Limitation	Unfunded Projects	Projected Need
Funds Specifically Assigned	<i>New Construction (Includes Hardship Projects and all Priority 1 through 8)</i>	(a)\$960,000,000	(b)\$889,922,346	(c)\$1,294,374,926
	<i>Seismic Retrofit</i>	100,000,000		4,400,000
	<i>60% Contribution (new)</i>	40,000,000		Unknown
	<i>Joint Use (new)</i>	25,000,000		Unknown
	Sub-Total Funds Specifically Assigned	\$1,125,000,000		
Funds Not Specifically Assigned	<i>Air Conditioning</i>			37,300,000
	<i>Asbestos</i>			Unknown
	<i>Child Care</i>			Unknown
	<i>COE Severely Handicapped (new)</i>			Unknown
	<i>Furniture and Equipment/Security (new)</i>			Unknown
	<i>Lead (new)</i>			Unknown
	<i>Modernization</i>		(b)517,996,113	(c)777,889,504
	<i>Modernization (new) Wiring, Cabling & Hardware</i>			Unknown
	<i>Modernization (new) Over 25% replace and earthquake</i>			Unknown
	<i>State Relocatable</i>			15,000,000
	<i>Priority Roof Replacement (new)</i>			Unknown
	<i>Prisons, Federal and State (Expansion of existing program)</i>			Unknown
	<i>Size Related (new)</i>			Unknown
Sub-Total Funds not specifically assigned	\$900,000,000			
	Total	\$2,025,000,000	\$1,407,918,459	\$2,128,964,430
	<i>Transfer of funds from the State School Building Aid Program to the Lease Purchase Program</i>	40,000,000		
	Grand Total	\$2,065,000,000	\$1,407,918,459	\$2,128,964,430

- (a) Does not have limitation, this amount represents the minimum that must be used for new construction.
- (b) Reflects total unfunded amount in all priorities as of May 1, 1996. (Refer to Attachment A)
- (c) Represents the amounts shown on the Unfunded List (Attachment A) and the projected need that could be funded in the near future (see Attachment B).

Note: Since the last bond issue (November of 1992) OPSC staff has only processed Priority 1 and 2 new construction/modernization projects, therefore, Priorities 3 through 8 have been on the "unfunded" list for many years. Some districts have been unable to convert to a Priority 1 or 2 due financial difficulties and/or inability or unwillingness to participate in the Year Round Multi-Track Program. District's are given the opportunity to assess themselves a 20% adjustment without actually implementing Year Round Multi-Track Program.

FUNDING PRIORITIES/HISTORY

At its December 4, 1991 meeting, the SAB adopted a priority system pursuant to Education Code Section 17717.7 for all new construction projects filed under the Lease-Purchase Program. This priority system is made up of eight categories. The priority system was established to ensure that the funds available to build public schools are utilized as efficiently as possible by encouraging school districts to participate in the funding of school construction. School districts could enhance their chances for funding by accepting an eligibility reduction, by implementing a viable Year-Round Education (YRE) Program and by funding 50% of the project cost. By agreeing to meet all three of these conditions, thus establishing a Priority 1 status, the district would be in the best position to receive funding from the Lease Purchase Program. See Attachment D for description of priorities if funds are available. School districts that have an emergency situation (generally a natural disaster such as fire or flood) may appeal to the SAB for funding. If the SAB approves the school district's appeal as a hardship, the district is entitled to receive funding prior to any other project requesting funding based on the regular priority system. The priority system provides the State the opportunity to maximize the limited funds so that more students are housed.

The SAB has been without funding for several years, however, it has directed OPSC to continue to process applications in anticipation of a new bond. Since the June and November Bond Acts of 1992, the legislature placed a bond measure before the voters of California in June of 1994, however, it was not approved. Subsequently, another bond measure was attempted, but failed to gain approval in the Legislature for placement on the ballot.

The chart below identifies the distribution of funds (in millions) that was made in prior years. The current priority system only affected the 1992 Bond funds. In addition, this chart identifies the funding distribution that the SAB utilized when apportioning funds to Lease Purchase projects. Initially the SAB only funded Priority 1 projects in July of 1992, and in August the Board started to fund some Priority 2 projects. Funds were exhausted within a short period of time. When funds became available from the November 1992 bond measure, the SAB only funded Priority 1 and 2 projects for new construction, thus never funding projects below a Priority 2. Many districts that were originally identified as Priority 3 through 8 did convert to Priority 1 or 2 in order to obtain State funding.

Programs	November 1992	June 1992	November 1990	June 1990	November 1988	June 1988
<i>New Construction</i>			\$603	\$596	\$580	\$590
<i>New Construction/Priority 1</i>	\$300	\$785				
<i>New Construction/Priority 2</i>	330	380				
<i>Modernization</i>			52	114	100	120
<i>Modernization/Priority 1</i>	20	30				
<i>Modernization/Priority 2</i>	180	370				
<i>Air Conditioning</i>	60	50	40	40	20	40
<i>Asbestos Abatement</i>	10	10			100	
<i>State Relocatable</i>		10	25	50		50
<i>Size Related (less than 2,500 ADA)</i>		30				
<i>Contingency Reserve</i>		235*	80			
Total Bond	\$900	\$1,900	\$800	\$800	\$800	\$800

* Original Board Allocation, subsequent distribution of funds is not reflected.

TIME LIMITATIONS

It should be noted that when funds are allocated to projects for construction (i.e. Phase C), there are certain time constraints imposed by both the Division of the State Architect (DSA) and the SAB as follows:

Districts that have DSA approved plans may be required to obtain re-certification by the DSA if their plans are over one year old. Re-certification is required in order to assure compliance with current code requirements. Time required for rechecks will vary by project, depending on complexity. DSA has created a separate category which will receive priority processing for DSA approved plans that require re-certification. Taking this step will essentially eliminate bin time and will expedite the re-certification process.

The SAB requires that actual construction of the project must commence within 180 days from the Phase C apportionment. Failure to meet this requirement will automatically result in the project being presented to the SAB at its next regular meeting for rescission of the apportionment. The SAB may extend the 180 day period if the district can demonstrate there are unusual circumstances that warrant an extension.

EDUCATION TECHNOLOGY

At the last SAB meeting, staff was directed to address what changes could be taken to assure that schools are meeting the educational technology needs of the future. The SAB, in accordance with the provisions of Chapter 758, Statutes of 1992 (AB1162), has increased its building allowance by five percent for educational technology hardware for those projects that will be funded with bond funds approved after November, 1992. Districts may only use the additional allowance for educational technology and must specifically identify how that allowance will be used. Since the SAB has not had any funds to allocate since the 1992 bonds, little is known at this time if the added allowance for educational technology is sufficient. Proposition 203 enables the SAB to provide additional funding to be utilized for purposes of wiring and cabling of structures to accommodate computers and other high technology equipment in facilities that are being proposed for modernization. Should the SAB wish to identify funding for this purpose, a proper assessment of need would be made prior to implementation of a program.

In addition, recent legislation (AB1302/AB1519) allowed for \$35 million of Public Utilities Commission funds to be deposited in the Education Technology Trust Fund for the purpose of awarding education technology grants. Currently staff is developing a program for the disbursement of these funds; it is anticipated this proposal will be presented to the SAB within the next couple of months.

REIMBURSEMENTS

Currently there are approximately \$210 million in Phase C projects on the "unfunded list" where the district has proceeded with construction using their own funds in anticipation of reimbursement.

FUNDING OPTIONS

Attachment C identifies various funding options and amounts necessary to fund certain funding priorities.

RECOMMENDATIONS

1. Fund all hardship and new construction projects shown on the "unfunded list" as of May 1, 1996 in all phases for priorities 1 and 2. Estimated apportionments of \$842 million will be presented on the consent calendar at the next available SAB meeting.
2. Fund all modernization projects shown on the "unfunded list" as of May 1, 1996 in all phases for priorities 1 and 2. Estimated apportionments of \$518 million will be presented on the consent calendar at the next available SAB meeting.
3. The distribution of funds for the remaining balance of ~~\$657,081,544~~ 705,340,998 is pending further direction from the State Allocation Board.

BOARD ACTION

In considering this Item, the Board approved staff's recommendations including the modification to Recommendation No. 3 as shown on previous page.

ATTACHMENT A
PROPOSITION 203 PROJECTED NEED

SAB 05-01-96

UNFUNDED PROJECTS

The charts below identify the new construction and modernization projects that meet all the SAB requirements and are currently awaiting funding.

New Construction	Priority/Phase	Unfunded Amount as of March 27, 1996	Add'l Unfunded Amount as of May 1, 1996 *	Cumulative Unfunded total through May 1, 1996 Total
	Hardship	\$9,667,339	-0-	\$9,667,337
	Priority 1/Phase P	10,923,062	\$789,766	21,380,167
	Priority 1/Phase S	16,887,898	246,902	38,514,967
	Priority 1/Phase C	330,232,396	23,565,476	392,312,839
	Priority 2/Phase P	27,655,983	-0-	419,968,822
	Priority 2/Phase S	33,681,221	-0-	453,650,043
	Priority 2/Phase C	376,619,821	11,393,025	841,662,889
	Priority 3 (All Phases)	1,256,324	-0-	842,919,213
	Priority 4 (All Phases)	13,602,003	-0-	856,521,216
	Priority 5 (All Phases)	5,988,053	-0-	862,509,269
	Priority 6 (All Phases)	16,489,338	-0-	878,998,607
	Priority 7 (All Phases)	2,633,564	-0-	881,632,171
Priority 8 (All Phases)	8,290,175	-0-		
Total for New Construction (All Priorities)	\$853,927,177	\$35,995,169	\$889,922,346	

Modernization	Priority/Phase	Unfunded Amount as of March 27, 1996	Unfunded Amount as of May 1, 1996 *	Cumulative Total
	Priority 1/Phase P	\$2,996,735	\$1,247,652	\$4,244,387
	Priority 1/Phase C	39,778,928	4,480,049	48,503,364
	Priority 2/Phase P	36,188,808	2,478,138	87,170,310
	Priority 2/Phase C	402,645,251	28,180,552	
Total for New Construction (All Priorities)	\$481,609,722	\$36,386,391	\$517,996,113	

* Reflects additional unfunded amounts as of May 1, 1996.

Note: Modernization projects are not subject to the same Priority System as new construction. For modernization there is a two tier system: Priority 1 = School district participating at 50% Level, and Priority 2 = No school district funding participation unless there is a "match" obligation.

Phase P = Planning
Phase S = Site
Phase C = Construction

ATTACHMENT B
PROPOSITION 203 PROJECTED NEED

SAB 05-01-96

PROJECTED NEED

In addition to the projects identified on the “unfunded list”, there are projects that are ready for processing by the OPSC staff as well as those projects that are currently being reviewed by the Division of the State Architect. It is anticipated that most of these projects will be ready for approval by the State Allocation Board in the near future. These charts provide a breakdown of the anticipated funding need for those projects.

Projects being processed by OPSC			
	Priority/Phase	Anticipated Funding Need	Cumulative Total
New Construction	Priority 1/Phase P	\$9,712,541	\$9,712,541
	Priority 1/Phase S	2,013,177	11,725,718
	Priority 1/Phase C	15,891,710	27,617,428
	Priority 2/Phase P	2,501,693	30,119,121
	Priority 2/Phase S	13,031,380	43,150,501
	Priority 2/Phase C	46,827,819	89,978,320
	Priority 3/Phase P	150,000	90,128,320
	Priority 4/All Phases	531,645	90,659,965
	Priority 5/All Phases	3,118,760	93,778,725
	Priority 6/All Phases	332,250	94,110,975
	Priority 7/All Phases	7,859,891	101,970,866
	Priority 8/All Phases	1,527,191	103,498,057
Modernization	Priority 1/Phase P	28,150,650	131,648,707
	Priority 1/Phase C	4,145,700	135,794,407
	Priority 2/Phase P	17,481,249	153,275,656
	Priority 2/Phase C	61,286,307	214,561,963
Total New Construction/Modernization		\$214,561,963	

Projects being processed by the Division of the State Architect			
	Priority/Phase	Anticipated Funding Need	Cumulative Total
New Construction	Priority 1/Phase C	\$98,175,948	\$98,175,948
	Priority 2/Phase C	107,112,463	205,288,411
	Priority 4/Phase C	25,326,075	230,614,486
	Priority 6/Phase C	56,684,082	287,298,568
	Priority 7/Phase C	266,500	287,565,068
	Priority 8/Phase C	13,389,455	300,954,523
Mod.	Priority 1/Phase C	10,256,837	311,211,360
	Priority 2/Phase C	138,572,648	449,784,008
Total New Construction/Modernization		\$449,784,008	

Phase P = Planning
Phase S = Site
Phase C = Construction