

STATE ALLOCATION BOARD
 IMPLEMENTATION COMMITTEE MEETING
 February 10, 2011

Minimal Requests for Modernization Grant Funds

PURPOSE OF REPORT

To continue discussions on the proposed regulatory changes that would allow school districts to request less than the currently required 101 modernization grants for projects requesting Special Day Class (SDC) grants.

BACKGROUND

School districts have had modernization funding applications denied because they have requested less than the 101 pupil grants required by School Facility Program (SFP) Regulation Section 1859.79.3. This threshold requires projects requesting SDC grants to be much larger in scope than projects requesting K-12 grants due to SDC classroom loading standards being lower than K-12 loading standards.

According to the Initial Statement of Reasons for the minimum request regulation, submitted to the Office of Administrative Law with the new regulation, the minimum threshold was adopted because it was possible to submit multiple applications of just a few modernization pupil grants each that would allow projects to 1) become eligible for the small size project excessive cost hardship grant and 2) present a scope of work for each application that was so small that it would not require Division of the State Architect (DSA) approval. These projects would receive an early received date by the Office of Public School Construction (OPSC).

The current modernization per-pupil grant amounts and grade level loading standards are listed below:

Grade Level	2011 Per-Pupil Grant (buildings less than 50 years old)	Loading Standard
K-6	\$3,470	25
7-8	\$3,671	27
9-12	\$4,804	27
Non-Severe	\$7,396	13
Severe	\$11,054	9

As shown in the following table, the base grant amount for a four classroom project for 7-8, Non-Severe, and Severe grade levels is very close:

Grade Level	Four classroom (CR) project pupils	Four CR project base grant
K-6	100	\$347,000
7-8	108	\$396,468
9-12	108	\$518,832
Non-Severe	52	\$384,592
Severe	36	\$397,944

Current regulations require projects requesting exclusively Non-Severe or Severe grants to be much larger in scope than projects requesting exclusively K-12 grants:

Grade Level	101 pupils	CRs	101 pupil project base grant
K-6	101	between 4 and 5	\$350,470
7-8	101	between 3 and 4	\$370,771
9-12	101	between 3 and 4	\$485,204
Non-Severe	101	between 7 and 8	\$746,996
Severe	101	between 11 and 12	\$1,116,454

Staff believes the regulations unnecessarily exclude all but the largest SDC modernization projects. Since the base grant amounts for an average K-12 four classroom modernization project and an average SDC four classroom project are comparable, Staff recommends that regulations be amended to allow a district to request the equivalent of four classrooms worth of SDC modernization grants to meet the minimum threshold; that is, 52 Non-Severe or 36 Severe grants.

Based on a review of statewide modernization eligibility on January 4, 2011, this proposal would make 105 more schoolsites in 37 districts eligible to request modernization SDC grants for base grants worth at least \$41 million.

AUTHORITY

EC Section 17074.16 establishes the 60 percent State share for SFP modernization projects. The board shall only apportion funds to an eligible school district if the project has received DSA approval.

EC Section 17074.25 details the acceptable uses of the modernization grants.

School Facility Program Regulation Section 1859.79.3

“With the exception of Approved Applications that meet the requirements of Section 1859.107(a), districts seeking a Modernization Grant must submit Form SAB 50-04 for at least 101 grants, or the remaining modernization eligibility at the school site if less than 101 grants. Form SAB 50-04 requesting Modernization Grant funds that do not meet the above criteria will not be accepted by the SAB.”

DISCUSSION

Questions from the January Implementation Committee meeting

What about sites where the remaining eligibility is less than 36 Severe or 52 Non-Severe pupil grants?

Provided it meets all other program criterion, a district will still be able to apply for a modernization project using all the remaining eligibility at the site. For example, under this proposal, a site with 20 Severe grants remaining would not be eligible to submit an application requesting only 10 Severe grants. To be eligible, the district would have to request all 20 grants.

Why not eliminate the threshold entirely? Let districts submit applications for any number of modernization grants they want.

The initial reasons behind the State Allocation Board adopting a threshold regulation are still valid today. Specifically, without a threshold, a project could be divided into several applications each requesting a small number of modernization grants that would allow projects to 1) become eligible for the small size project excessive cost hardship grant and 2) present a scope of work for each application that was so small that, for some of the applications, the scope may only involve routine maintenance and repair.

Will districts be required to define applications and projects as being “SDC-specific”?

No. Defining a project as an “SDC project” will not be necessary. The goal of the proposal is to allow projects requesting Non-Severe and/or Severe grants, similar in scope and cost to currently eligible projects requesting K-12 grants, to submit eligible funding applications.

Under the proposal, provided one of the new thresholds is met, a district could request any number of other grants. Modernization grants may currently be requested to fund a project related to any grade level, and any building, at the site. For example, 9-12 grants may be used to modernize a gymnasium and do not have to be used to modernize the 9-12 classrooms that generated the eligibility. This proposal does not impact that policy.

Why not base the proposal on a dollar threshold instead of a pupil grant threshold?

Basing the proposed new thresholds on pupil grants provides a clear minimum standard for districts to follow.

Basing the proposal on a dollar threshold may unnecessarily complicate the process of applying for funding.

There are different types of costs a dollar threshold could be based on:

1) 60 percent of the SAB-approved total project cost: Although the OPSC provides an SFP modernization grant calculator on its website for districts so that districts may receive a State grant estimate, basing the dollar threshold on the estimated district share may still add a layer of complexity to the application submittal process.

2) DSA cost estimate: as project costs change, the estimate is not necessarily updated to reflect the latest costs.

3) Base grant: Using a base grant amount as a basis for a dollar threshold would unintentionally lower the threshold for projects requesting Severe pupil grants compared to Non-Severe grants. For example, if the base grant threshold was \$400,000 a project requesting Severe grants would have to request 37 grants (the equivalent of four classrooms plus *one* grant), but a project requesting Non-Severe grants would have to request 55 grants (four classrooms plus *three* grants).

How will this proposal be applied?

	Remaining Eligibility		Application Request		Eligible Application?	
	Non-Severe	Severe	Non-Severe	Severe	Current	Proposal
1	150	50	101	0	Yes	Yes
2	150	50	10	50	No	No
3	50	35	50	35	Yes	Yes
4	50	35	45	30	No	No
5	150	50	0	36	No	Yes
6	150	50	50	36	No	Yes
7	80	40	10	40	No	Yes

Application 1: A request of 101 grants is and would be allowable.

Application 2: A request that, based on the remaining eligibility, is not and would not be allowable.

Application 3: Districts can and will be able to request all of a site's remaining eligibility.

Application 4: Under current regulations, if the remaining eligibility is less than 101, the district must request all remaining eligibility. Under our proposal, this request would still not meet the threshold.

Application 5: Under current regulations, if the remaining eligibility is over 101, an application requesting less than 101 is not allowable. Under our proposal, a request of 36 Severe grants, regardless of the remaining eligibility, is allowable.

Application 6: Under current regulations, the rule in Example 5 applies. Under our proposal, a district could request any number of grants from any other grade level as long as one of the proposed thresholds is met.

Application 7: Like in Example 6, even the request of a few pupil grants would be allowable provided the request meets one of the proposed thresholds.

Will this proposal impact any additional grants or excessive cost hardship grants?

Yes. This proposal may impact the funding a project is eligible to receive pursuant to the small size project excessive cost hardship grant regulations.

Proposed Regulation:

Section 1859.79.3 Minimal Requests for Modernization Grant Funds

(a) With the exception of Approved Applications that meet the requirements of Section 1859.107(a), districts seeking a Modernization Grant must submit Form SAB 50-04 for any one of the following:

(1) at least 52 Non-Severe grants, or

(2) at least 36 Severe grants, or

(3) at least 101 grants, or

(4) the remaining modernization eligibility at the school site if less than the grants in (1), (2), or (3).

(b) Form SAB 50-04 requesting Modernization Grant funds that do not meet the above criteria will not be accepted by the SAB.