

STATE ALLOCATION BOARD

1130 K Street, Suite 400
Sacramento, CA 95814
<http://www.dgs.ca.gov/opsc>



Date: June 23, 2005

To: Interested Parties

Subject: **NOTICE OF THE STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE MEETING**

Notice is hereby provided that the State Allocation Board Implementation Committee will hold a meeting on Friday, July 8, 2005 (9:30 am - 3:30 pm) in the Legislative Office Building, located at 1020 N Street, Room 100 in Sacramento.

The Implementation Committee's proposed agenda is as follows:

1. Convene Meeting
2. Implementation of Assembly Bill 1465, Chapter 894, Statutes 2004 (Chan):
Discussion of the Small High School Pilot Program for new construction and modernization.
3. State Relocatable Classroom Program
Discussion of the State Relocatable Classroom Program and to obtain input from school district's regarding the report presented to the State Allocation Board on June 22, 2005.
The report included:
 - *An overview of the State Relocatable Classroom Program.*
 - *The general condition of the State Relocatable Classroom assets.*
 - *Options for the implementation of an Asset Management Plan (Rehabilitation/Disposal).*
 - *An option for the immediate disposal of all Relocatables 20 years of age and older.*
 - *A proposal to increase the annual lease payments of a Relocatable.*

A copy of the report is posted on the OPSC Web site at www.opsc.dgs.ca.gov under the "What's New" section.

4. Discussion of the Financial Hardship Equity Issues as directed by the State Allocation Board on May 25, 2005.

Any interested person may present public testimony or comments at this meeting regarding the issues scheduled for discussion. Any public input regarding unscheduled issues should be presented in writing, which may then be scheduled for a future meeting. For additional information, please contact Ms. Christine Sanchez at (916) 322-0328.

A handwritten signature in cursive script that reads "Mavonne Garrity".

MAVONNE GARRITY, Chairperson
State Allocation Board Implementation Committee

MG:CS:cs

STATE ALLOCATION BOARD

1130 K Street, Suite 400

Sacramento, CA 95814

<http://www.dgs.ca.gov/opsc>**Implementation Committee
2005 MEETING CALENDAR****Friday, July 8, 2005**1020 N Street (Leg. Off. Bldg.), Room 100
Sacramento, CA**Friday, August 5, 2005**1500 Capitol Ave. Rms. 72.149B & 72.148C
Sacramento, CA**Friday, September 9, 2005**1500 Capitol Ave. Rms. 72.149B & 72.148C
Sacramento, CA**Friday, October 7, 2005**1020 N Street (Leg. Off. Bldg.), Room 100
Sacramento, CA**Friday, November 4, 2005**1500 Capitol Ave. Rms. 72.149B & 72.148C
Sacramento, CA**Friday, December 2, 2005**1500 Capitol Ave. Rms. 72.149B & 72.148C
Sacramento, CA

Meeting times are scheduled from 9:30 am to 3:30 pm with a 1-hour lunch break.

Meeting times, dates and locations are subject to change.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
July 8, 2005

SMALL HIGH SCHOOL FUNDING

PURPOSE

To implement Assembly Bill (AB) 1465, Chapter 894, Statutes of 2004 (Chan).

BACKGROUND

AB 1465 (see attached) created a pilot program that provides \$20 million for additional new construction funding under the School Facility Program (SFP) for the purpose of constructing new small high schools and \$5 million for the reconfiguration of existing high schools into two or more smaller schools that would foster academic achievement and success in a small high school environment. A "Small High School", for purposes of this bill, is defined as a high school with an enrollment of 500 pupils or less.

Discussions regarding the implementation of the pilot program occurred at the March, April, May, and June 2005 Implementation Committee meetings.

DISCUSSION

Funding

Staff originally proposed that the \$20 million for new construction be used for the increase to the per-pupil-grant only. However, another interpretation of the bill was that the \$20 million be used for both the increase to the per-pupil-grant as well as the increased State matching share amount. Due to the conflict in interpretations, staff requested a legal opinion from the Department of General Services legal counsel regarding the intent of the language as written in the bill.

Legal Opinion

Legal Counsel has opined that the language in the statute indicates the \$20 million set aside for the new construction portion of the pilot program should be tied to the adjustment of the per-pupil-grant amount only.

Current Proposal

Due to this legal opinion, staff has revised the proposed new construction regulations to reflect that the increase to the per-pupil-grant be the only component funded from the \$20 million. Furthermore, the 60 percent State matching share for new construction projects shall be funded from the regular new construction SFP bond funds. The current proposal includes providing 60 percent of the entire project cost, including site acquisition.

Proposed Regulations

Staff has revised the proposed regulations to incorporate the changes as noted above. The proposed regulatory amendments are provided on Attachment B.

Filing Period

Filing periods have not changed. Districts will still be required to submit a complete application package including Division of State Architect approved plans and specifications and California Department of Education plan and/or site approvals as required. The final filing date to submit applications will be September 30, 2006. It is anticipated that these projects will be presented for funding to the State Allocation Board (SAB) at the December 2006 or January 2007 meeting. See Attachment A for timeline.

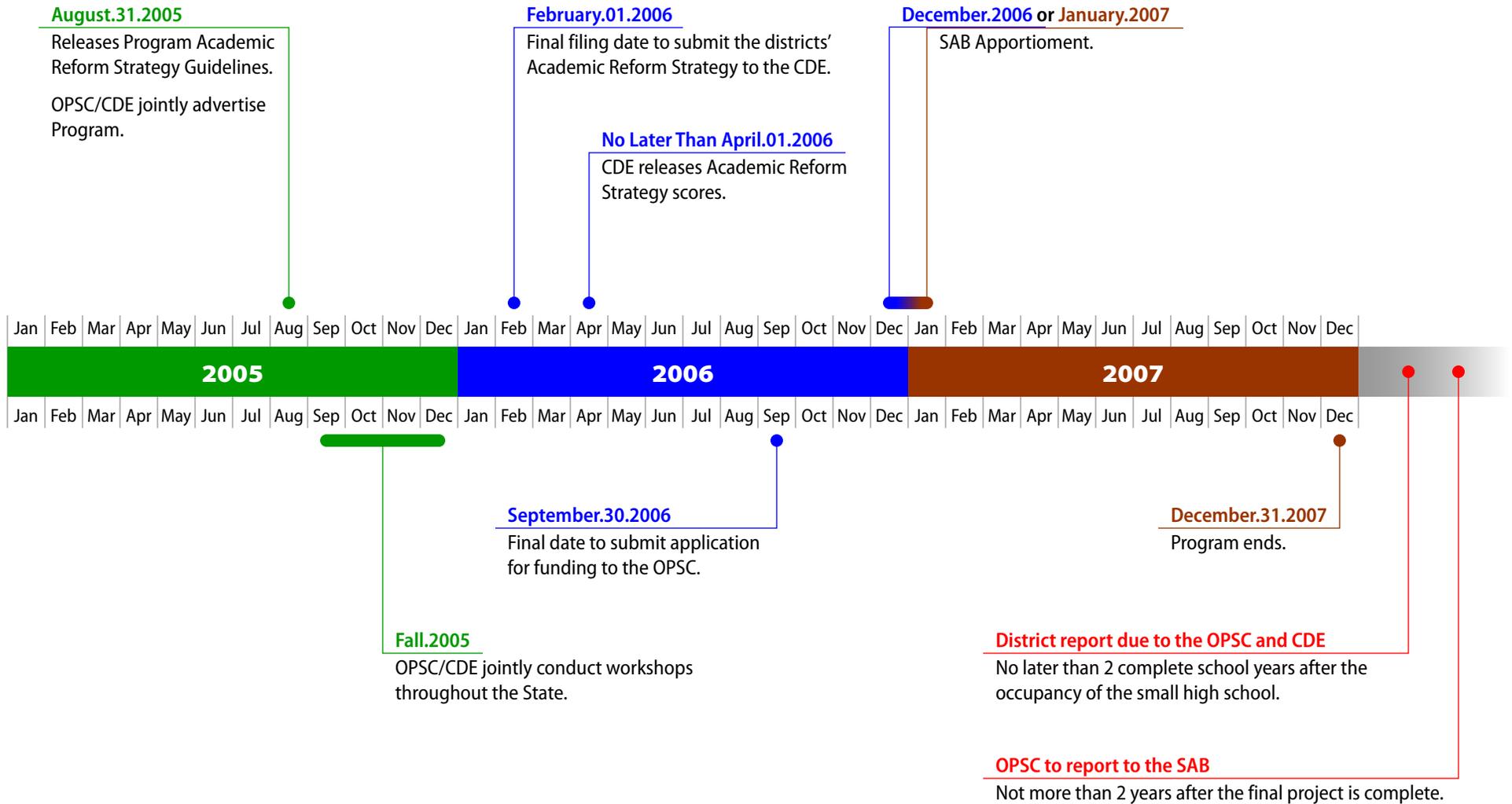
RECOMMENDATION

Present the revised proposed regulation changes to the July 20, 2005 SAB meeting.

Attachment A

New Construction Application Timeline

Small High School Program (AB 1465)



**ATTACHMENT B
PROPOSED AMENDMENTS TO THE
SCHOOL FACILITY PROGRAM REGULATIONS**
State Allocation Board
Implementation Committee Meeting, July 6, 2005

Amend Regulation Section 1859.2 as follows:

Section 1859.2. Definitions.

...

"Approved Application(s)" means a district has submitted the application and all documents to the Office of Public School Construction that are required to be submitted with the application as identified in the General Information Section of Forms SAB 50-01, *Enrollment Certification/Projection*, (Revised 09/04); SAB 50-02, *Existing School Building Capacity*, (Revised 09/02); SAB 50-03, *Eligibility Determination*, (Revised 06/04); and SAB 50-04, *Application for Funding*, (Revised ~~05/05~~ 07/05), as appropriate, and the Office of Public School Construction has completed and accepted a preliminary approval review pursuant to Education Code Section 17072.25(a).

...

"Form SAB 50-04" means the *Application For Funding*, Form SAB 50-04 (Revised ~~05/05~~ 07/05), which is incorporated by reference.

...

"Reconfiguration" for the purposes of the Small High School Program means a project to create new Small High Schools, on an existing high school which can include limited new construction, as needed, pursuant to Education Code Section 17074.32, and the work shall be part of a current Modernization project and considered one project regardless of the number of new high school entities created.

...

"Small High School" for purposes of the Small High School Program means a high school with an enrollment of 500 pupils or less, as defined in Education Code Section 17070.15(m).

"Small High School Program" means an Approved Application submitted pursuant to Education Code Section 17072.10(c) or 17074.32.

Note: Authority cited: Sections 17070.35 and 17078.64, Education Code.

Reference: Sections 17009.5, 17017.6, 17017.7, 17021, 17047, 17050, 17051, 17070.15, 17070.51(a), 17070.71, 17070.77, 17071.10, 17071.25, 17071.30, 17071.33, 17071.35, 17071.40, 17071.75, 17071.76, 17072.10, 17072.12, 17072.18, 17072.33, 17073.25, 17074.10, 17074.30, 17074.32, 17075.10, 17075.15, 17077.40, 17077.42, 17077.45, 17078.52, 17078.56, 17280, and 56026, Education Code: Section 53311, Government Code: and Section 1771.5, Labor Code.

Amend Regulation Section 1859.61 as follows:

Section 1859.61. Adjustments to the Modernization Baseline Eligibility.

The baseline eligibility for modernization as provided in Section 1859.60 for a specific site will be adjusted as follows:

- (a) Reduced by the number of pupils provided grants in a modernization SFP project at the specific site.
- (b) Reduced by the number of pupils housed, based on the loading standards pursuant to Education Code Section 17071.25(a)(2), in a modernization LPP project funded under the LPP pursuant to Sections 1859.14 and 1859.15.
- (c) Increased by changes in projected enrollment in subsequent enrollment reporting years.

- (d) Increased for additional facilities not previously modernized with State funds, that become 25 years old, if permanent, or 20 years old, if portable or as a result of audit findings made pursuant to Sections 1859.90 and 1859.105.
- (e) Adjusted as a result of errors or omissions by the district or by the OPSC.
- (f) Adjusted as a result of amendments to these Subgroup 5.5 Regulations that affect the eligibility.
- (g) For classroom loading standards adopted by the Board for non-severely disabled individuals with exceptional needs and severely disabled individuals with exceptional needs.
- (h) As directed by the Board due to a finding of a Material Inaccuracy pursuant to Regulation Section 1859.104.1.
- (i) Increased for facilities previously modernized with State funds, which qualify for an additional modernization apportionment pursuant to Section 1859.78.8.
- (j) Adjusted as a result of the Reconfiguration of an existing high school under the provisions of the Small High School Program.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17070.51, 17071.25, 17072.15, 17072.20, 17073.15, ~~and~~ 17074.10, ~~and~~ 17074.32, Education Code.

Adopt Regulation Section 1859.70.3 as follows:

Section 1859.70.3. Available Funding for the Small High School Program

For purposes of the Small High School Program, the Board shall set aside the funding as follows:

- (a) \$20 million for the new construction of Small High Schools pursuant to Education Code Section 17072.10(c).
- (b) \$5 million in modernization funding to assist with the Reconfiguration of large high schools pursuant to Education Code Section 17074.32.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17072.10, 17074.32, Education Code.

Adopt Regulation Section 1859.71.5 as follows:

Section 1859.71.5. New Construction Grant Increase for the Small High School Program.

The Board shall provide an increase of 20 percent to the per pupil grant for projects receiving funding under the Small High School Program pursuant to Sections 1859.93.2 and 1859.93.3. and an increase, as appropriate, to any other funding authorized by these Regulations to ensure that the Apportionment represents 60 percent of the total project cost.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Section 17072.10, Education Code.

Amend Regulation Section 1859.74 as follows:

Section 1859.74. New Construction Additional Grant for Site Acquisition Cost.

With the exception of projects that received site acquisition funds under the LPP or projects that qualify for site acquisition funds under Section 1859.74.5, the Board shall provide funding, in addition to any other funding authorized by these Regulations, for the lesser of one half of the actual cost of the site or one-half of the appraised value of the site acquired as described in (a) and (b) of this Section.

(a) Actual Site Cost

The actual cost of the site shall be the purchase price as shown on the escrow documents or other appropriate documents such as court orders in condemnation or as specifically identified in agreements when the site is transferred in lieu of other legally required payments or fees due to the district. The actual cost shall be adjusted for the following:

- (1) Increased by the approved relocation expenses that conform to Title 25, California Code of Regulations, Section 6000, et seq. The reasonable and necessary relocation costs for purchasing fixtures and equipment, personal property, new machinery/equipment and the installation of any improvements at the replacement residence or business location may be included as relocation assistance.
- (2) Increased by four percent of the actual amount determined in (a) above, but not less than \$50,000. This amount shall provide an allowance for any appraisal, escrow, survey, site testing, CDE review/approvals and the preparation of the POESA and the PEA.
- (3) Increased by the DTSC costs for review, approval, and oversight of the POESA and the PEA.

(b) Appraised Value of the Site

The value determined by an appraisal made or updated no more than six months prior to application submittal to the OPSC for funding. A SFP project which had the site funded as a LPP project shall use the appraised value determined under the LPP. The appraisal may be reviewed by the OPSC for conformance with Section 1859.74.1. The approved appraised value shall be adjusted for the following:

- (1) Increased by the approved relocation expenses that conform to Title 25, California Code of Regulations, Section 6000, et seq. The reasonable and necessary relocation costs for purchasing fixtures and equipment, personal property, new machinery/equipment and the installation of any improvements at the replacement residence or business location may be included as relocation assistance.
- (2) Increased by four percent of the appraised value determined in (b) above, but not less than \$50,000. This amount shall provide an allowance for appraisals, escrow, survey, site testing, CDE review/approvals and the preparation of the POESA and the PEA.
- (3) Increased by the DTSC costs for review, approval, and oversight of the POESA and the PEA.

The actual site cost or the appraised value of the site shall be reduced, on a prorated basis, by the percentage of the excess acreage of the site that exceeds the master plan site acreage approved by the CDE.

For the purposes of the Small High School Program, the actual site cost or the appraised value of the site shall be reduced, on a prorated basis, by the amount that exceeds the recommended site size for 500 pupils as determined by the CDE.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17072.10, 17072.12 and 17251, Education Code.

Amend Regulation Section 1859.77.1 as follows:

Section 1859.77.1. New Construction District Matching Share Requirement.

Any funding provided by these Regulations shall require a district matching share contribution on a dollar-for-dollar basis, with the exception of the following:

- (a) ~~Except in the case of financial hardship provided by Section 1859.81 or any additional grant provided for a district-owned site acquisition cost pursuant to Sections 1859.74.5 or 1859.81.2,~~
- (b) If the Approved Application is funded under the Small High School Program, a district matching share equal to at least 40 percent of the total project cost shall be required.

The district may include as its district matching share any amounts expended on the project for an energy audit made pursuant to Education Code Section 17077.10 and any amounts applied to the project for incentive grants or rebates received by the district from a program funded pursuant to Public Utilities Code Section 381.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17072.30, 17072.32 and 17077.10, Education Code.

Adopt Regulation Section 1859.78.9 as follows:

Section 1859.78.9. Modernization Grant Separate Apportionment for Reconfiguration under the Small High School Program.

(a) The Board shall provide an additional apportionment pursuant to Education Code Section 17074.32 to a Modernization Grant for Reconfiguration work completed on an existing high school site, not to exceed an aggregate of \$500,000 subject to OPSC verification, if all of the following criteria are met:

- (1) A district shall submit an Approved Application by September 30, 2007.
- (2) The current enrollment at the existing high school must be at least 1,000 pupils.
- (3) At least two new Small High Schools must be created as a result of Reconfiguration.
- (4) The district must obtain a county-district-school code from the Department of Education for the resulting new school sites.
- (5) Funds provided under this Section shall be used only for work included in the Reconfiguration.

(b) The State funding pursuant to this Section shall continue for projects that meet subsection (a) until all available funds are exhausted. In the event that remaining funds are insufficient to fund a Reconfiguration project in its entirety, the district will have the following options:

- (1) Accept the remaining funds as a full and final apportionment; or
- (2) Refuse the funding in its entirety. If the district wishes to proceed with the Modernization portion of the application, the application will retain its received date and proceed without the Modernization Grant Separate Apportionment for Reconfiguration.

The district must maintain an enrollment, not to exceed 500 pupils, for a minimum of two complete school years after the Occupancy of the new Small High Schools.

Any additional Classrooms Provided to the campus, beyond the existing number of classrooms prior to the Reconfiguration work, shall be reduced from the district's New Construction Eligibility pursuant to Section 1859.51.

At the conclusion of the Reconfiguration project, a new Modernization Eligibility will be established at any resulting new Small High Schools.

After all qualifying projects pursuant to this Section have been apportioned, any remaining funds pursuant to Education Code Section 17074.32 shall be made available for eligible modernization projects pursuant to this Act.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Section 17074.32, Education Code.

Amend Regulation Section 1859.79 as follows:

Section 1859.79. Modernization Matching Share Requirement.

Except in the case of financial hardship as provided in Section 1859.81 or the modernization grant for Reconfiguration as provided in Section 1859.78.9, a district matching share for a modernization project shall be required as follows:

- (a) If the Approved Application is received on or before April 29, 2002, any Modernization Grant plus any other funding provided by these Regulations shall require a district matching share equal to at least 20 percent of those amounts which, combined with the State's Modernization Adjusted Grant, shall represent 100 percent of the total project cost.
- (b) If the Approved Application is received after April 29, 2002, any Modernization Grant, plus any other funding authorized by these Regulations shall require a district matching share equal to at least 40 percent of those amounts which, combined with the State's Modernization Adjusted Grant, shall represent 100 percent of the total project cost.

The district may include as its district matching share any amounts expended on the project for an energy audit made pursuant to Education Code Section 17077.10 and any amounts applied to the project for incentive grants or rebates received by the district from a program funded pursuant to Public Utilities Code Section 381.

The district's modernization matching share shall not be expended on costs included in a Reconfiguration project pursuant to Section 1859.78.9.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17074.15, 17074.16, 17074.32 and 17077.10, Education Code.

Amend Regulation Section 1859.79.2 as follows:

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). Modernization funding may also be used for the costs incurred by the district directly or through a contract with a third party provider for the initiation and enforcement of a LCP. Modernization funding, with the exception of savings, is limited to expenditure on the specific site where the modernization grant eligibility was generated. The grant may not be used for the following:

- (a) New building area with the exception of the following:
 - (1) Replacement building area of like kind. Additional classrooms constructed within the replacement area will reduce the new construction baseline eligibility for the district.
 - (2) Building area required by the federal American with Disabilities Act (ADA) or by the Division of the State Architect's (DSA) handicapped access requirements.
- (b) New site development items with the exception of:
 - (1) Replacement, repair or additions to existing site development.
 - (2) Site development items required by the federal ADA Act or by the DSA's handicapped access requirements.
- (c) the evaluation and removal of hazardous or solid waste and/or hazardous substances when the Department of Toxic Substance Control has determined that the site contains dangerous levels of a hazardous substance, hazardous waste, or both that exceed ten percent of the combined adjusted grant and the district matching share for the project.
- (d) Leased facilities not owned by another district or a county superintendent.
- (e) Costs associated with Reconfiguration pursuant to Section 1859.78.9.

Modernization Grant funds may be used on any school facilities on the site, with the exception of portable classroom facilities eligible for an additional apportionment pursuant to Education Code Sections 17073.15 and 17074.10(f) and as defined in Section 1859.78.8. If the classroom facilities on the site include areas that are currently ineligible for modernization, it will not disqualify those facilities from future modernization funding.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17070.15, 17074.25, 17074.32 and 100420(c), Education Code.

Amend Regulation 1859.83 as follows:

Section 1859.83. Excessive Cost Hardship Grant.

. . .

(c) Excessive Cost to Construct a New School Project.

(1) With the exception of Alternative Education schools for which the final plans and specifications for the project were accepted by the DSA on or after March 24, 2004, or Small High School Program new construction projects, if the project is for a new elementary, middle or high school on a site with no existing school facilities, the district is eligible for a New Construction Excessive Cost Hardship Grant equal to the difference in the amount provided by the New Construction Grant and the amount shown below, based on the number of classrooms, including classrooms used for Individuals with Exceptional Needs, in the project:

Class-rooms in project	Elementary School	Middle School	High School
1	\$160,000	\$674,000	\$1,466,000
2	\$377,000	\$756,000	\$1,525,000
3	\$566,000	\$840,000	\$1,885,000
4	\$717,000	\$932,000	\$2,205,000
5	\$842,000	\$1,028,000	\$2,428,000
6	\$1,021,000	\$1,125,000	\$2,651,000
7	\$1,202,000	\$1,222,000	\$2,874,000
8	\$1,341,000	\$1,328,000	\$3,046,000
9	\$1,341,000	\$1,440,000	\$3,184,000
10	\$1,577,000	\$1,553,000	\$3,321,000
11	\$1,577,000	\$1,666,000	\$3,459,000
12	\$1,660,000		\$3,585,000
13			\$3,709,000
14			\$3,833,000
15			\$3,958,000
16			\$4,082,000
17			\$4,207,000
18			\$4,331,000
19			\$4,455,000
20			\$4,580,000
21			\$4,704,000
22			\$4,828,000

The amounts shown above will be adjusted annually in the manner prescribed in Section 1859.71.

Any Excessive Cost Hardship Grant provided under this subsection for a new school project shall be offset against future New Construction Grant funds provided for that same school. The amount of the offset shall be determined by dividing the additional New Construction Grant pupil request by the difference in the New Construction Grant pupil request when the initial Excessive Cost Hardship Grant was made and 325 for an elementary school, 324 for a middle school, and 621 for a high school project and multiplying the quotient by the Excessive Cost Hardship Grant funds provided under this subsection for that project.

(2) Excessive Cost Hardship Grants for Alternative Education schools for which the plans and specifications for the project were accepted by the DSA on or after March 24, 2004, or for any Alternative Education schools for which the plans and specifications for the project were accepted by the DSA prior to March 24, 2004 and in lieu of choosing funding under Section 1859.82(c)(1), may request funding as follows:

(A) If the project is for an Alternative Education school on a site with no existing school facilities, the district is eligible for a New Construction Excessive Cost Hardship Grant equal to the difference in the amount provided by the New Construction Grant and the amount shown below, based on the number of classrooms in the project:

Classrooms	Alternative Education New School Allowance
1	\$ 434,700
2	\$ 527,400
3	\$ 921,960
4	\$ 1,037,250
5	\$ 1,152,540
6	\$ 1,267,830
7	\$ 1,383,120
8	\$ 1,504,170
9	\$ 1,629,180
10	\$ 1,754,190
11	\$ 2,239,290
12	\$ 2,364,300
13	\$ 2,489,310
14	\$ 2,614,320
15	\$ 2,739,330
16	\$ 2,864,340
17	\$ 2,989,350
18	\$ 3,114,360
19	\$ 3,239,370
20	\$ 3,364,380
21	\$ 3,489,480
22	\$ 3,614,490
23	\$ 3,739,500
24	\$ 3,864,510
25	\$ 3,989,520
26	\$ 4,114,530
27	\$ 4,239,540

The amounts shown will be adjusted annually in the manner prescribed in Section 1859.71.

- (B) If the project is for additional classroom(s) to an existing Alternative Education school constructed under the provisions of 1859.83(c)(2), the district is eligible for a New Construction Excessive Cost Hardship Grant calculated as follows:
1. Determine the amount as shown in the chart above in Section 1859.83(c)(2)(A) for the total combined number of classrooms in the current project and all previous projects at the same site. In the first funding request when the total number of classrooms exceeds 27, the amount shown for 27 classrooms shall be used.
 2. Subtract the sum of the amount previously apportioned for the New Construction Grant and the funding provided pursuant to Section 1859.83(c)(2) for the sum of the number of classrooms for all previous projects at the same site (exclude the classrooms in the current project) from (B)1.
 3. Subtract the New Construction Grant for the current project from the result in (B)2.
- (3) If the project is for a Small High School on a site with no existing facilities, the district is eligible for a New Construction Excessive Cost Hardship Grant equal to the difference in the amount provided in the New Construction Grant and the amount shown below, based on the number of classrooms in the project:

<u>Classrooms</u>	<u>Small High School</u>
<u>1</u>	<u>\$1,759,200</u>
<u>2</u>	<u>\$1,830,000</u>
<u>3</u>	<u>\$2,262,000</u>
<u>4</u>	<u>\$2,646,000</u>
<u>5</u>	<u>\$2,913,600</u>
<u>6</u>	<u>\$3,181,200</u>
<u>7</u>	<u>\$3,448,800</u>
<u>8</u>	<u>\$3,655,200</u>
<u>9</u>	<u>\$3,820,800</u>
<u>10</u>	<u>\$3,985,200</u>
<u>11</u>	<u>\$4,150,800</u>
<u>12</u>	<u>\$4,302,000</u>
<u>13</u>	<u>\$4,450,800</u>
<u>14</u>	<u>\$4,599,600</u>
<u>15</u>	<u>\$4,749,600</u>
<u>16</u>	<u>\$4,898,400</u>
<u>17</u>	<u>\$5,048,400</u>
<u>18</u>	<u>\$5,197,200</u>
<u>19</u>	<u>\$5,346,000</u>
<u>20</u>	<u>\$5,496,000</u>
<u>21</u>	<u>\$5,644,800</u>
<u>22</u>	<u>\$5,793,600</u>

The amounts shown will be adjusted annually in the manner prescribed in Section 1859.71.

The grant shall not exceed the number of classrooms necessary to house 500 pupils.

After the expiration of the time frame specified in Section 1859.93.2(e), any Excessive Cost Hardship Grant shall be offset against future New Construction Grant funds as provided in (c)(1) above.

...

Note: Authority cited: Sections 17070.35 and 17075.15, Education Code.

Reference: Sections 17072.32, 17074.15, 17074.16, 17075.10, 17075.15, 17077.40, 17077.42 and 17077.45, Education Code.

Adopt Regulation Section 1859.93.2 as follows:

Section 1859.93.2. New Construction Adjusted Grant for the Small High School Program.

A district may submit an Approved Application for a Small High School project from January 1, 2006 through September 30, 2006, if all of the following are met:

- (a) The Application meets all the criteria on the Form SAB 50-04 for a New Construction Adjusted Grant, pursuant to Section 1859.21.
- (b) The district has at least 500 pupil grants of new construction eligibility available pursuant to Regulation Section 1859.50 and 1859.51.
- (c) The Small High School must be constructed on a stand alone school site with no existing facilities.
- (d) The Small High School may not be constructed where it would otherwise have been built due to sparse population.
- (e) The district shall only provide the number of classrooms at the new school site necessary to house the capacity of the Small High School, not to exceed 500 pupils, until two complete school years after the Occupancy of the last Small High School funded pursuant to Education Code Section 17072.10(c)(1), which would correspond with timing of the data submitted by the district pursuant to Section 1859.104(e)(2).

Note: Authority cited: Section 17070.35, Education Code.

Reference: Section 17072.10, Education Code.

Adopt Regulation Section 1859.93.3 as follows:

Section 1859.93.3. New Construction Small High School Program Funding Order.

Approved Applications shall be identified in each of the following categories:

- (a) By Geographical Region One (North), Three/Four (South), or Two (Central).
- (b) By Urban, Suburban and Rural areas.

Projects will be identified according to the numerical score for the district's academic reform strategy as determined by the California Department of Education within each category (a) and (b) above, from highest to lowest. The Board shall apportion to the highest ranked project of each possible type starting with the order listed in category (a) and continuing with the order listed in category (b) until all funds are apportioned.

No district shall receive more than one apportionment unless all other qualified districts within the applicant's corresponding categories (a) and (b) have been awarded.

After all apportionments have been made for projects approved under Section 1859.93.2, any remaining funds pursuant to Education Code Section 17072.10(c) shall be made available for eligible new construction projects pursuant to this Act.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Section 17072.10, Education Code.

Amend Regulation Section 1859.104 as follows:

Section 1859.104. Program Reporting Requirements.

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

- (a) An expenditure report from the district on the Form SAB 50-06. The program reporting requirements are as follows:
- (1) The first expenditure report shall be due one year from the date that any funds were released to the district for the project pursuant to Section 1859.90, or upon completion of the project, whichever occurs first. A project shall be deemed complete when either of the following occur:
 - (A) When the notice of completion for the project has been filed, all outstanding invoices, claims, change orders have been satisfied and the facility is currently in use by the district.
 - (B) Three years from the date of the final fund release for an elementary school project or four years from the date of the final fund release for a middle or high school project.
 - (2) The second and subsequent expenditure reports, if necessary, shall be due annually beginning one year from the first report, or upon completion of the project, whichever occurs first. The final expenditure report must be made no later than three years from the date of the final fund release for an elementary school project or four years from the date of the final fund release for a middle or high school project.
- (b) With the exception of projects that qualify for an apportionment pursuant to Section 1859.75.1, a progress report, in the form of a narrative from the district, shall be due 18 months from the date any funds were released to the district for the project pursuant to Section 1859.90. The progress report shall include information regarding the progress the district has made towards substantial completion of the project. If the notice of completion has been filed within 18 months of the release of funds pursuant to Section 1859.90, or the expenditure reports required in (a)(1) or (2) indicate that substantial progress (as defined in Section 1859.105) on the project has occurred, no progress report is required.
- (c) A progress report, in the form of a narrative from the district, shall be due 12 months from the date the site acquisition funds were apportioned to the district for the project pursuant to Section 1859.75.1. The progress report shall include information regarding the progress the district has made towards acquiring the site as outlined in Section 1859.105.1 and may contain other evidence of reasonable effort to substantiate progress towards acquiring the site for purposes of an extension of the site apportionment as authorized by Education Code Section 17072.13(c)(2).
- (d) If an apportionment was made for a district-owned site pursuant to Section 1859.74.5, a certification that the non-school function currently taking place on the district-owned site has been discontinued or relocated. The certification must be submitted to the OPSC no later than the following dates:
- (1) If the project is for an elementary school, 66 months from the date of the site apportionment.
 - (2) For all other projects, 78 months from the date of the site apportionment.
- (e) If an Apportionment was made under the Small High School Program pursuant to:
- (1) Section 1859.78.9 or Section 1859.93.2, a cost evaluation report shall be due to the OPSC no later than two complete school years after the Occupancy of the approved project.
 - (2) Section 1859.93.2, the district must provide a preliminary report on any academic data requested by CDE no later than two complete school years after the Occupancy of the approved project. The final report, pursuant to Education Code Section 17070.99(b), shall be due no later than two complete school years after the OPSC notifies the district of the Occupancy of the last approved project.

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

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

APPLICATION FOR FUNDING SCHOOL FACILITY PROGRAM

SAB 50-04 (REV 05/05/07/05)

GENERAL INFORMATION

Once the Board has determined or adjusted the district's eligibility for either new construction or modernization funding, the district may file an application for funding by use of this form. The Board will only provide new construction funding if this form is submitted prior to the date of occupancy of any classrooms included in the construction contract. If the district has a pending reorganization election that will result in the loss of eligibility for the proposed project, the district may not file an application for funding until the Board has adjusted the district's new construction baseline eligibility as required in Section 1859.51. This may be accomplished by completion of Form SAB 50-01, Form SAB 50-02 and Form SAB 50-03.

For purposes of Education Code Section 17073.25, the California Department of Education (CDE) is permitted to file modernization applications on behalf of the California Schools for the Deaf and Blind.

Requests for funding may be made as follows:

A separate apportionment for site acquisition for a new construction project for environmental hardship pursuant to Section 1859.75.1. For purposes of this apportionment, the following documents must be submitted with this form (as appropriate):

- Form SAB 50-01, Form SAB 50-02 and Form SAB 50-03 (if not previously submitted).
- Contingent site approval letter from the CDE.
- Preliminary appraisal of property.
- Approval letter from the Department of Toxic Substances Control.

A separate apportionment for site acquisition and/or design costs for a new construction project pursuant to Section 1859.81.1. This apportionment is available only to districts that meet the financial hardship criteria in Section 1859.81. Districts may apply for a separate apportionment for the design and for site acquisition on the same project. For purposes of this apportionment, the following documents must be submitted with this form (as appropriate):

- Form SAB 50-01, Form SAB 50-02, and Form SAB 50-03 (if not previously submitted).
- Contingent site approval letter from the CDE (site apportionment only).
- Preliminary appraisal of property (site apportionment only).

A separate apportionment for district-owned site acquisition cost pursuant to Section 1859.81.2. For purposes of this apportionment, the following documents must be submitted with this form (as appropriate):

- Form SAB 50-01, Form SAB 50-02, and Form SAB 50-03 (if not previously submitted).
- Site approval letter from the CDE.
- Appraisal of district-owned site.
- Cost benefit analysis as prescribed in Section 1859.74.6 or a copy of the Board finding that the non-school function on the district-owned site must be relocated.

A separate apportionment for design cost for a modernization project pursuant to Section 1859.81.1. This apportionment is available only to districts that meet the financial hardship criteria in Section 1859.81. For purposes of this apportionment, the Form SAB 50-03 must accompany this form (if not previously submitted).

A New Construction Adjusted Grant pursuant to Section 1859.70. If the funding request includes site acquisition, the proposed site must either be owned by the district, in escrow, or the district has filed condemnation proceedings and received an order of possession of the site. For purposes of this apportionment, the following documents must be submitted with this form (as appropriate):

- Form SAB 50-01, Form SAB 50-02 and Form SAB 50-03 (if not previously submitted).
- Site/plan approval letter from the CDE.
- Appraisal of property if requesting site acquisition funds.
- Plans and specifications (P&S) for the project that were approved by the DSA. Submittal of plans may be on CD-ROM or "Zip Drive" readable in AutoCAD 14. The specifications may be provided on a diskette that is IBM compatible.
- Cost estimate of proposed site development, if requesting site development funding.
- If this request is pursuant to Section 1859.77.2 and the district's housing plan is other than those listed in the certification section of this form, a copy of the school board resolution and the approved housing plan.
- If the site apportionment is requested pursuant to Regulation Section 1859.74.5, a cost benefit analysis as prescribed in Regulation Section 1859.74.6 or a copy of the Board finding that the non-school function on the district-owned site must be relocated.
- If this is a request for funding under the Small High School Program, pursuant to Regulation Section 1859.93.2, the district must also provide a CDE Small High School academic reform strategy approval.

Modernization Adjusted Grant pursuant to Section 1859.70. For purposes of this apportionment, the following documents must be submitted with this form (as appropriate):

- Form SAB 50-03 (if not previously submitted).
- P&S for the project that were approved by the DSA.
- DSA approval letter for elevator to meet handicapped compliance, if funding is requested.
- Cost estimate of the proposed site development necessary for the Reconfiguration of an existing high school.
- Plan approval letter from the CDE.
- Districtwide enrollment data on Form SAB 50-01 when requesting project assistance (if not previously submitted).
- If the request includes funding for 50 year old permanent buildings pursuant to Section 1859.78.6, a site diagram identifying all buildings to be modernized in the project. The diagram must specify those buildings that are at least 50 years old.

Prior to acceptance of an application for funding that includes a financial hardship request, the district must have its financial hardship status "pre-approved" by the Office of Public School Construction (OPSC). To apply for a financial hardship "pre-approval", consult the OPSC Web site at www.opsc.dgs.ca.gov.

If the district is requesting New Construction funding after the initial baseline eligibility was approved by the Board and the district's current CBEDS enrollment reporting year is later than the enrollment reporting year used to determine the district's baseline eligibility or adjusted eligibility, the district must complete a new Form SAB 50-01 based on the current year CBEDS enrollment data, and submit it to the OPSC with this form. A small district with 2,500 or less enrollment as defined in Section 1859.2 will not have its eligibility reduced for a period of three years from the date the district's baseline eligibility was approved by the Board as a result of reduction in projected enrollment.

For a list of the documents that must be submitted in order for the OPSC to deem a funding request for new construction or modernization complete and ready for OPSC processing, consult the SFP handbook and other information located on the OPSC Web site at www.opsc.dgs.ca.gov.

For purposes of completing this form for a Final Charter School Apportionment, a charter school shall be treated as a school district.

SPECIFIC INSTRUCTIONS

The district must assign a Project Tracking Number (PTN) to this project. The same PTN is used by the OPSC, the DSA and the CDE for all project applications submitted to those agencies to track a particular project through the entire state application review process. If the district has already assigned a PTN to this project by prior submittal of the P&S to either the DSA or the CDE for approval, use that PTN for this application submittal. If no PTN has been previously assigned for this project, a PTN may be obtained from the OPSC Web site at www.opsc.dgs.ca.gov "PT Number Generator"

1. Type of Application

Check the appropriate box that indicates the type of School Facility Program (SFP) grant the district is requesting for purposes of new construction, modernization, a separate design and/or site apportionment, site apportionment as an environmental hardship or New Construction (Final Apportionment). If the application is for the modernization of school facilities and includes facilities that are eligible for an additional apportionment pursuant to Section 1859.78.8, include a site diagram with this application that specifies the age of each facility eligible for modernization. The diagram should also indicate the date of its original DSA plan approval and the date the facility received its prior modernization apportionment. If known include the project modernization number on the diagram. If the application is for modernization of a California School for the Deaf or Blind, the CDE shall check the box identified as Modernization of California Schools for the Deaf/Blind. If the request is for a separate design apportionment, the CDE shall check the appropriate box. If the eligibility for this project was established as a result of the need for new or replacement facilities pursuant to Section 1859.82 (a) and (b), or rehabilitation pursuant to Section 1859.83 (e), check the appropriate box.

If this request is for an addition to an existing site and advance funding for the evaluation and RA costs, check the appropriate box and refer to Section 1859.74.4.

If this request is to convert a Preliminary Apportionment or a Preliminary Charter School Apportionment to a Final Apportionment, check the New Construction (Final Apportionment or Final Charter School Apportionment) box.

If the district is requesting a separate site and/or design apportionment, complete boxes 2a, 3, 4, the site acquisition data in box 5 (d and e), and boxes 12, 13, 14, 15 and 21 only.

2. Type of Project

- a. Select the type of project that best represents this application request and enter the total number of pupils assigned to the project for each grade group. Include pupils to be housed in a new or replacement school authorized by Section 1859.82 (a). The amount entered cannot exceed the district's baseline eligibility determined on Form SAB 50-03 and will be the basis for the amount of the new construction or modernization grants provided for the project.

If this request is for a Final Apportionment, the pupils assigned to the project must be at least 75 percent, but not more than 100 percent, of the pupils that received the Preliminary Apportionment. Refer to Section 1859.147.

- b. Check the box if the project is eligible for funding for 50 year or older permanent buildings and report, at the option of the district:
 - The total number of eligible classrooms or the total eligible square footage building area at the site. Refer to Section 1859.78.6(b)(1)(A) or (b)(2)(A).

- The total number of permanent classrooms or the total permanent square footage building area that is at least 50 years old and not been previously modernized with state funds. Refer to Section 1859.78.6(b)(1)(B) or (b)(2)(B).
 - Enter the greater percentage as calculated under Regulation Section 1859.78.6(b)(1)(C) or Regulation Section 1859.78.6(b)(2)(C).
 - If this project includes eligible 50 year or older pupil grants, enter the appropriate number assigned to the project for each grade group. The number of pupils entered cannot exceed the cumulative number of 50 year or older permanent buildings pupil grants requested for all modernization funding applications for the site as determined by using the percentage factor above.
- c. Indicate if this request is for funding of a 6–8 school and/or an Alternative Education School.
 - d. Check the box(es) if the district requests and the project qualifies for additional funding for fire code requirements authorized in Sections 1859.71.2 or 1859.78.4.
 - e. Check the applicable box if the district is requesting additional pupil grants assigned to the project that exceed the capacity of the project or if the pupils assigned represent eligibility determined at another grade level and check the appropriate box to indicate under which regulation the district is applying. The pupil capacity of the project may be determined by multiplying the classrooms reported in box 3 by 25 for K–6; 27 for 7–8, 9–12 grades; 13 for non-severe and 9 for severe.
 - f. If the request is for replacement facilities pursuant to Section 1859.82 (a) or (b) on the same site, check the facility hardship box.

3. Number of Classrooms

Enter the:

- Number of classrooms as shown on the plans and specifications (P&S). If there was demolition at the site, report the net increase in the number of classrooms showing in the P&S.
- Master plan site size, as recommended by the California Department of Education.
- Recommended site size, as determined by the California Department of Education.
- Existing Useable Acres already owned at that location (if any).
- Proposed Useable Acres that was/will be purchased as part of the application (if any).

4. Financial Hardship Request

Check the box if the district is requesting financial hardship assistance because it is unable to meet its matching share requirement. Refer to Section 1859.81 for eligibility criteria. Districts requesting financial assistance must have received a pre-approval for financial hardship status by the OPSC. Consult the OPSC Web site at www.opsc.dgs.ca.gov for details and necessary documentation needed in order to determine eligibility.

5. New Construction Additional Grant Request

Check the appropriate box(es) if the district requests an augmentation to the new construction grant for "additional" grants for the items listed or for replacement facilities pursuant to Section 1859.82 (a) and (b). Refer to Sections 1859.72 through 1859.76 and 1859.82 (a) and (b) for eligibility criteria. Enter the:

- a. Therapy area in square feet as provided in Section 1859.72.
- b. Multilevel classrooms in the P&S pursuant to Section 1859.73.

APPLICATION FOR FUNDING SCHOOL FACILITY PROGRAM

- c. Check the box if the district is requesting project assistance pursuant to Section 1859.73.1. If the district has not submitted a request for new construction baseline eligibility on a district-wide basis, it must submit a current Form SAB 50-01 based on district-wide enrollment data with this form.
- d. Indicate the site scenario that best represents the project request. If no RA is required, refer to Section 1859.74. If a RA is required on a site that is not leased or an addition to an existing site, refer to Section 1859.74.2. If RAs are required on a leased site or an addition to an existing site, refer to Sections 1859.74.3 or 1859.74.4, respectively. The limitation of 50 percent may be exceeded when unforeseen circumstances exist, the CDE determines that the site is the best available site, and substantiation that the costs are the minimum required to complete the evaluation and RA.
- (1) Enter 50 percent of the actual cost.
 - (2) Enter 50 percent of the appraised value of the site. If the request is made pursuant to Regulation Section 1859.74.5, enter 50 percent of the appraised value.
 - (3) Enter 50 percent of the allowable relocation cost.
 - (4) Enter two percent of the lesser of the actual cost or appraised value of the site (minimum \$25,000).
 - (5) Enter 50 percent of the Department of Toxic Substances Control (DTSC) fee for review and approval of the phase one environmental site assessment and preliminary endangerment assessment reports. Refer to Sections 1859.74, 1859.74.1, 1859.74.5, 1859.75, 1859.75.1 and 1859.81.1. If the district is submitting a funding request for new construction under the Small High School Program, enter the 60 percent values.
- A project that received site acquisition funds under the Lease-Purchase Program (LPP) as a priority two project is not eligible for site acquisition funds under the SFP. A district-owned site acquired with LPP, SFP or Proposition 1A funds is not eligible for funding under Regulation Section 1859.74.5.
- e. Enter 50 percent of the amount allowable for hazardous materials/waste removal and/or remediation for the site acquired pursuant to Sections 1859.74.2, 1859.74.3, 1859.74.4, 1859.75.1 or 1859.81.1. If an RA is required, check the box.
- f. Enter 50 percent of eligible service-site development, off-site development including pedestrian safety paths and utilities costs allowed pursuant to Section 1859.76. If the district is submitting a funding request for new construction under the Small High School Program, enter the 60 percent values. Attach cost estimates of the proposed site development work which shall be supported and justified in the P&S. All cost estimates shall reflect 100 percent of the proposed work.
- g. If the district is requesting replacement facilities on the same site, enter the square footage requested as provided in Section 1859.82 (a) or (b).
- h. Enter the square feet of eligible replacement area as provided by Section 1859.73.2.
- i. If the district is requesting an Additional Grant for Energy Efficiency pursuant to Section 1859.71.3, enter the percentage of energy efficiency that exceeds Title 24 requirements as prescribed in Section 1859.71.3 (a)(3).

6. Modernization Additional Grant Request

- a. Check the box if the district is requesting project assistance allowance pursuant to Section 1859.78.2. If the district has not submitted a request for new construction baseline eligibility on a district-wide basis, it must submit a current Form SAB 50-01 based on district-wide enrollment data with this form.

- b. If the district is requesting an Additional Grant for Energy Efficiency pursuant to Section 1859.78.5, enter the percentage of energy efficiency that exceeds Title 24 requirements as prescribed in Section 1859.78.5 (a)(3).
- c. Check the box if the district requests an additional grant for site development utility cost necessary for the modernization of 50 years or older permanent building(s). Enter 60 percent of the eligible costs allowable pursuant to Section 1859.78.7(a).
- d. Check the box if the district is requesting a Separate Apportionment for Reconfiguration pursuant to Section 1859.78.9. Enter the full value of the Reconfiguration request, not to exceed an aggregate of \$500,000 for all high school entities created.

7. Excessive Cost Hardship Request

Check the appropriate box to request an augmentation to the New Construction or Modernization Grants for an excessive cost hardship for the items listed. Refer to Section 1859.83 for eligibility criteria. Requests for excessive cost grants for a new two-stop elevator(s) and for additional stops in a modernization project are allowed only if required by the Division of the State Architect (DSA). Attach copy of the DSA letter that requires that the elevator(s) be included in the project for handicapped access compliance.

If the request is for the excessive cost grant for a new Alternative Education school pursuant to Section 1859.83(c)(2) and the district wishes to request less than the maximum allowance, please submit a letter along with application indicating the desired amount.

If the request is for rehabilitation mitigation, report 80 percent or 60 percent (as appropriate) of health/safety rehabilitation mitigation cost for a modernization project as authorized by Section 1859.83 (e).

8. Project Priority Funding Order

Enter the priority order of this project in relation to other new construction applications submitted by the district on the same date. If applications are not received on the same date, the OPSC will assign a higher district priority to the application received first. Check the box(es) if the project meets the criteria outlined in Section 1859.92(c)(3),(4) and (6), as appropriate. This information is needed for purposes of priority points.

9. Prior Approval Under the LPP

If the project the district is requesting SFP grants for received a Phase P, S, or C approval under the LPP, report the application number of that project, regardless if the project actually received funding or was included on an "unfunded" list. Failure to report this information may delay the processing of the application by the OPSC.

10. Prior Apportionment Under the SFP

If the project received a separate apportionment under the SFP for either site and/or design, or site environmental hardship, enter the application number of the project. Failure to report this information may delay the processing of the application by the OPSC.

11. Preliminary Apportionment to a Final Apportionment

If this request is to convert a Preliminary Apportionment to a Final Apportionment, enter the application number of the Preliminary Apportionment. Failure to report this information may delay the processing of the application by the OPSC.

APPLICATION FOR FUNDING SCHOOL FACILITY PROGRAM

SAB 50-04 (REV 05/0507/05)

12. Alternative Developer Fee

The district must report certain alternative fees collected pursuant to Government Code Section 65995.7, as of the date of application submittal to the OPSC. Refer to Section 1859.77 for details. Districts are advised that the OPSC may perform an audit of the developer fees collected prior to application approval by the Board.

13. Adjustment to Baseline Eligibility

Complete only for new construction projects.

Pursuant to Section 1859.51 certain adjustments to the district's new construction baseline eligibility must be made each time a district submits Form SAB 50-04, to the OPSC for SFP grants. These adjustments are made automatically by the OPSC based on information reported by the district on this form.

- Report all additional classroom(s) provided after the district submitted its request for determination of its new construction baseline eligibility for the grades shown. Refer to Section 1859.51.
- If the eligibility for this project was determined on a high school attendance area (HSAA) or Super HSAA pursuant to Section 1859.41, enter the number of pupils by grade level type that were included in the latest report by the CDE pursuant to Education Code Section 42268 that received operational grants in that HSAA or Super HSAA.

14. Pending Reorganization Election

Complete only for new construction projects. Indicate if there is a pending reorganization election that will result in a loss of eligibility for this project. If the answer is "yes", the district must complete Form SAB 50-01, Form SAB 50-02 and Form SAB 50-03, to adjust the district's new construction baseline eligibility as a result of the reorganization and submit them with this form.

15. Joint-Use Facility/Leased Property

Check the box if:

- The facilities to be constructed/modernized as part of this project will be for joint use by other governmental agencies.
- The new construction or modernization grants will be used for facilities located or to be located on leased property.

16. Project Progress Dates

Complete this section for new construction/modernization projects:

- Enter the date the initial construction contract was signed for this project. If a construction contract has not been executed, enter N/A.
- Enter the issue date for the Notice to Proceed for the construction phase of the project, or enter N/A if a Notice to Proceed has not been issued.

17. Labor Compliance Program

Indicate whether the district is subject to a Labor Compliance Program that has been approved by the Department of Industrial Relations pursuant to Labor Code Section 1771.7 by checking the appropriate box.

18. Construction Delivery Method

Check the box that best represents the construction delivery method that the district has or will use for this project, if known.

19. Architect of Record or Licensed Architect Certification

The architect of record or the licensed architect must complete this section.

20. Architect of Record or Design Professional Certification

The architect of record or the appropriate design professional must complete this section.

21. Certification

The district representative must complete this section. For additional information regarding district certifications, refer to the SFP handbook located on the OPSC web site at www.opsc.dgs.ca.gov.

**APPLICATION FOR FUNDING
SCHOOL FACILITY PROGRAM**

The school district named below applies to the State Allocation Board via the Office of Public School Construction for a grant under the provisions of Chapter 12.5, Part 10, Division 1, commencing with Section 17070.10, et seq., of the Education Code and the Regulations thereto.

SCHOOL DISTRICT		APPLICATION NUMBER
SCHOOL NAME		PROJECT TRACKING NUMBER
COUNTY	DISTRICT REPRESENTATIVE'S E-MAIL ADDRESS	HIGH SCHOOL ATTENDANCE AREA (HSAA) OR SUPER HSAA (IF APPLICABLE)

1. Type of Application—Check Only One

- New Construction
- New Construction (Final Apportionment)
- New Construction (Final Charter School Apportionment)
- New Construction (Small High School Program)**
- Modernization
- Modernization of California Schools for Deaf/Blind

Separate Apportionment

- Site Only—New Construction [Section 1859.81.1]
- Site Only (District owned)—New Construction [Section 1859.81.2]
- Site Only—Environmental Hardship [Section 1859.75.1]
- Design Only—New Construction [Section 1859.81.1]
- Design Only—Modernization
- Design Only—Modernization of California Schools for Deaf/Blind
- Facility Hardship [Section 1859.82(a)]
- Facility Hardship [Section 1859.82(b)]
- Rehabilitation [Section 1859.83(e)]
- Advance Funding for Evaluation and RA

2. Type of Project

- a. Elementary School
- Middle School
- High School

Pupils Assigned:
 K-6: _____
 7-8: _____
 9-12: _____
 Non-Severe: _____
 Severe: _____

- b. 50 Years or Older Building Funding (Modernization Only)
 Total Eligible Classrooms/Square Footage: _____
 Classroom/Square Footage at Least 50 Years Old: _____
 Ratio of 50 Years-Old Classrooms/Square Footage: _____ %
 From 2a above, how many are 50 Year or Older Pupil Grants?

K-6: _____
 7-8: _____
 9-12: _____
 Non-Severe: _____
 Severe: _____

- c. Is this a 6-8 school? Yes No

If you answered yes, how many K-6 pupils reported above are sixth graders? _____

- Is this an Alternative Education School? Yes No

- d. Automatic Fire Detection/Alarm System
- Automatic Sprinkler System

- e. Is this a use of grant request pursuant to Section 1859.77.2? Yes No
 Is this request pursuant to Section 1859.77.2(c)? Yes No

If yes, enter date of successful bond election: _____

- Is this a use of grant request pursuant to Section 1859.77.3? Yes No
 Is this request pursuant to Section 1859.77.3(c)? Yes No

If yes, enter date of successful bond election: _____

- f. Facility Hardship (no pupils assigned)

3. Number of Classrooms:

Master Plan Acreage Site Size (Useable): _____

Recommended Site Size (Useable): _____

Existing Acres (Useable): _____

Proposed Acres (Useable): _____

4. Financial Hardship Request—Must Have Pre-Approval by OPSC

5. New Construction Additional Grant Request—New Construction Only

- a. Therapy: _____ Toilets (sq. ft.) _____
 Other (sq. ft.) _____

- b. Multilevel Construction (CRS): _____

- c. Project Assistance

- d. Site Acquisition: _____

- Leased Site

- Additional Acreage to Existing Site

- Addition to Existing Site

(1) 50 percent Actual Cost: \$ _____

(2) 50 percent Appraised Value: \$ _____

(3) 50 percent Relocation Cost: \$ _____

(4) 2 percent (min. \$25,000): \$ _____

(5) 50 percent DTSC Fee: \$ _____

- e. 50 percent hazardous waste removal: \$ _____

- Response Action (RA)

- f. Site Development

50 percent Service-Site: \$ _____

50 percent Off-Site: \$ _____

50 percent Utilities: \$ _____

- g. Facility Hardship Section 1859.82(a) or (b)

Toilet (sq. ft.): _____

Other (sq. ft.): _____

- h. Replacement area

Toilet (sq. ft.): _____

Other (sq. ft.): _____

- i. Energy Efficiency: _____ %

**APPLICATION FOR FUNDING
SCHOOL FACILITY PROGRAM**

6. Modernization Additional Grant Request—Modernization Only

- a. Project Assistance
- b. Energy Efficiency: _____ %
- c. Site Development—60 percent utilities: \$ _____
- d. Separate Apportionment for Reconfiguration
(for Small High School Program only): \$ _____

7. Excessive Cost Hardship Request

New Construction Only

- Geographic Percent Factor: _____ %
- New School Project [Section 1859.83(c)(1)]
- New School Project [Section 1859.83(c)(2)]
- New School Project [Section 1859.83(c)(3)]
- Small Size Project
- Urban/Security/Impacted Site;
If a new site, \$ _____ per Useable Acre [Section 1859.83(d)(2)(C)]

Modernization Only

- Rehabilitation/Mitigation [Section 1859.83(e)]: \$ _____
- Geographic Percent Factor: _____ %
- Handicapped Access/Fire Code (3 percent)
- Number of 2-Stop Elevators: _____
- Number of Additional Stops: _____
- Small Size Project
- Urban/Security/Impacted site

8. Project Priority Funding Order—New Construction Only

Priority order of this application in relation to other new construction applications submitted by the district at the same time: # _____

- Project meets: Density requirement pursuant to Section 1859.92(c)(3).
 Stock plans requirement pursuant to Section 1859.92(c)(4).
 Energy efficiency requirement pursuant to Section 1859.92(c)(6).

9. Prior Approval Under the LPP

New Construction: 22/ _____
Modernization: 77/ _____

10. Prior Apportionment Under the SFP

Site/Design—New Construction: 50/ _____
Design—Modernization: 57/ _____

11. Preliminary Apportionment to Final Apportionment

Preliminary Apportionment Application Number: # _____

12. Alternative Developer Fee—New Construction Only

Alternative developer fee collected and reportable pursuant to Regulation Section 1859.77: \$ _____

13. Adjustment to Baseline Eligibility—New Construction Only

- a. Additional Classroom(s) provided: K-6: _____
7-8: _____
9-12: _____
Non-Severe: _____
Severe: _____
- b. Operational Grant (HSAA) only: K-6: _____
7-8: _____
9-12: _____
Non-Severe: _____
Severe: _____

14. Pending Reorganization Election—New Construction Only

Yes No

15. Joint-Use Facility/Leased Property

- a. Joint-Use Facility
- b. Leased Property

16. Project Progress Dates

- a. Construction Contract signed on: _____
- b. Notice to Proceed issued on: _____

17. Labor Compliance Program

Will you be required to initiate and enforce a Labor Compliance Program pursuant to Labor Code Section 1771.7 for this project? Yes No

18. Construction Delivery Method

- Design-Bid-Build
- Design-Build
- Developer Built
- Lease Lease-Back
- Energy Performance Contract
- Other: _____

**APPLICATION FOR FUNDING
SCHOOL FACILITY PROGRAM**

SAB 50-04 (REV 05/0507/05)

19. Architect of Record or Licensed Architect Certification

I certify as the architect of record for the project or as a licensed architect that:

- The P&S for this project were submitted to the OPSC by electronic medium (i.e., CD-ROM, zip disk or diskette) or as an alternative, if the request is for a modernization Grant, the P&S were submitted in hard copy to the OPSC.
- Any portion of the P&S requiring review and approval by the Division of the State Architect (DSA) were approved by the DSA on _____ (enter DSA approval date). (If the P&S were not approved by the DSA enter N/A.)
- Any portion of the P&S not requiring review and approval by the DSA meets the requirements of the California Code of Regulations, Title 24, including any handicapped access and fire code requirements.
- If the request is for a Modernization Grant, the P&S include the demolition of more classrooms than those to be constructed in the project, the difference is _____ classroom(s). (Indicate N/A if there are none.)
- If the request is for a Modernization Grant, the P&S include the construction of more classrooms than those to be demolished in the project, the difference is _____ classroom(s). (Indicate N/A if there are none.)

ARCHITECT OF RECORD OR LICENSED ARCHITECT (PRINT NAME)

SIGNATURE

DATE

20. Architect of Record or Design Professional Certification

I certify as the architect of record for the project or the appropriate design professional, that:

- If the request is for a New Construction Grant, I have developed a cost estimate of the proposed project which indicates that the estimated construction cost of the work in the P&S including deferred items (if any) relating to the proposed project, is at least 60 percent of the total grant amount provided by the State and the district's matching share, less site acquisition costs. This cost estimate does not include site acquisition, planning, tests, inspection, or furniture and equipment and is available at the district for review by the OPSC.
- If the request is for a Modernization Grant, I have developed a cost estimate of the proposed project which indicates that the estimated construction cost of the work in the P&S, including deferred items and interim housing (if any) relating to the proposed project, is at least 60 percent of the total grant amount provided by the State and the district's matching share. This cost estimate does not include planning, tests, inspection or furniture and equipment and is available at the district for review by the OPSC.

ARCHITECT OF RECORD OR DESIGN PROFESSIONAL (PRINT NAME)

SIGNATURE

DATE

21. Certification

I certify, as the District Representative, that the information reported on this form, with the exception of items 16 and 17, is true and correct and that:

- I am an authorized representative of the district as authorized by the governing board of the district; and,
- A resolution or other appropriate documentation supporting this application under Chapter 12.5, Part 10, Division 1, commencing with Section 17070.10, et. seq., of the Education Code was adopted by the school district's governing board or the designee of the Superintendent of Public Instruction on, _____; and,
- The district has established a "Restricted Maintenance Account" for exclusive purpose of providing ongoing and major maintenance of school buildings and has developed an ongoing and major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77 (refer to Sections 1859.100 through 1859.102); and,
- Pursuant to Education Code Section 17070.755, the district has made a priority of the funds in the restricted maintenance account, established pursuant to Education Code Section 17070.75, to ensure that facilities are functional and meet local hygiene standards; and,
- The district has considered the feasibility of the joint use of land and facilities with other governmental agencies in order to minimize school facility costs; and,
- If this funding request is for the modernization of portable classrooms eligible for an additional apportionment pursuant to Education Code Section 17073.15, the district certifies that (check the applicable box below):
 - 1. The state modernization funds will be used to replace the portable classrooms and permanently remove the displaced portables from the classroom use within six months of the filing of the Notice of Completion for the project; or,
 - 2. It has provided documentation to the Office of Public School Construction which indicates that modernizing the portable classrooms eligible for an additional apportionment is better use of public resources than the replacement of these facilities.
- Facilities to be modernized have not been previously modernized with Lease-Purchase Program, Proposition 1A Funds or School Facility Program state funds; and,
- All contracts entered on or after November 4, 1998 for the service of any architect structural engineer or other design professional for any work under the project have been obtained pursuant to a competitive process that is consistent with the requirements of Chapter 10 (commencing with Section 4525) of Division 5, of Title 1, of the Government Code; and,
- If this request is for new construction funding, the district has received approval of the site and the plans from the CDE. Plan approval is not required if request is for separate design apportionment; and,
- If this request is for modernization funding, the district has received approval of the plans for the project from the CDE. Plan approval is not required if request is for separate design apportionment; and,
- The district has or will comply with the Public Contract Code regarding all laws governing the use of force account labor; and,
- This district has or will comply with Education Code Section 17076.11 regarding at least a 3 percent expenditure goal for disabled veteran business enterprises; and,

APPLICATION FOR FUNDING SCHOOL FACILITY PROGRAM

SAB 50-04 (REV 05/0507/05)

- The district matching funds required pursuant to Sections 1859.77.1 or 1859.79 has either been expended by the district, deposited in the County School Facility Fund or will be expended by the district prior to the notice of completion for the project; and,
- The district has received the necessary approval of the plans and specifications from the Division of the State Architect unless the request is for a separate site and/or design apportionment; and,
- If the district is requesting site acquisition funds as part of this application, the district has complied with Sections 1859.74 through 1859.75.1 as appropriate; and,
- With the exception of an apportionment made pursuant to Section 1859.75.1, the district understands that the lack of substantial progress toward increasing the pupil capacity or renovation of its facilities within 18 months of receipt of any funding shall be cause for the rescission of the unexpended funds (refer to Section 1859.105); and,
- If the apportionment for this project was made pursuant to Section 1859.75.1, the district understands that the lack of substantial progress toward increasing the pupil capacity or renovation of its facilities within 12 months of receipt of any funding shall be cause for the rescission of the unexpended funds (refer to Section 1859.105.1); and,
- The district understands that funds not released within 18 months of apportionment shall be rescinded and the application shall be denied (refer to Section 1859.90); and,
- The statements set forth in this application and supporting documents are true and correct to the best of my knowledge and belief; and,
- All school facilities purchased or newly constructed under the project for use by pupils who are individuals with exceptional needs, as defined in Education Code Section 56026, shall be designed and located on the school site so as to maximize interaction between those individuals with exceptional needs and other pupils as appropriate to the needs of both; and,
- This form is an exact duplicate (verbatim) of the form provided by the OPSC. In the event a conflict should exist, the language in the OPSC form will prevail; and,
- The district understands that some or all of the State funding for the project must be returned to the State as a result of an audit pursuant to Sections 1859.105, 1859.105.1, 1859.106; and,
- The district has complied with the provisions of Sections 1859.76 and 1859.79.2 and that the portion of the project funded by the State does not contain work specifically prohibited in those Sections; and,
- If the SFP grants will be used for the construction or modernization of school facilities on leased land, the district has entered into a lease agreement for the leased property that meets the requirements of Section 1859.22; and,
- If the application contains a "Use of New Construction Grant" request, the district has adopted a school board resolution and housing plan at a public hearing at a regularly scheduled meeting of the governing board on _____ as specified in Sections 1859.77.2, or 1859.77.3, as appropriate. The district's approved housing plan is as indicated (check all that apply):
 - 1. The district will construct or acquire facilities for housing the pupils with funding not otherwise available to the SFP as a district match within five years of project approval by the SAB and the district must identify the source of the funds. [Applicable for Sections 1859.77.2(a) and (b) and 1859.77.3(a) and (b)]
 - 2. The district will utilize higher district loading standards providing the loading standards are within the approved district's teacher contract and do not exceed 33:1 per classroom. [Applicable for Sections 1859.77.2(a) and (b) and 1859.77.3(a) and (b)]
 - 3. The pupils requested from a different grade level will be housed in classrooms at an existing school in the district which will have its grade level changed, to the grade level requested, at the completion of the proposed SFP project. [Applicable for Sections 1859.77.2(b) and 1859.77.3(b)]
- If the district requested additional funding for fire code requirements pursuant to Sections 1859.71.2 or 1859.78.4, the district will include the automatic fire detection/alarm system and/or automatic sprinkler system in the project prior to completion of the project; and
- If this request is for a Large New Construction Project or a Large Modernization Project, the district has consulted with the career technical advisory committee established pursuant to Education Code Section 8070 and it has considered the need for vocational and career technical facilities to adequately meet its program needs in accordance with Education Code Sections 51224, 51225.3(b) and 52336.1; and
- If the district is requesting an Additional Grant for Energy Efficiency pursuant to Sections 1859.71.3 or 1859.78.5, the increased costs for the energy efficiency components in the project exceeds the amount of funding otherwise available to the district; and
- If this application is submitted after January 1, 2004 for modernization funding, the district has considered the potential for the presence of lead-containing materials in the modernization project and will follow all relevant federal, state, and local standards for the management of any identified lead; and
- The district has or will initiate and enforce a Labor Compliance Program that has been approved by the Department of Industrial Relations, pursuant to Labor Code Section 1771.7, if the project is funded from Propositions 47 or 55 and the Notice to Proceed for the construction phase of the project is issued on or after April 1, 2003; and
- Beginning with the 2005/2006 fiscal year, the district has complied with Education Code Section 17070.75(e) by establishing a facilities inspection system to ensure that each of its schools is maintained in good repair; and
- If this application is submitted pursuant to Section 1859.93.2, the district certifies that it has an academic reform strategy scored by the CDE, and is available at the district office for OPSC verification; and
- If this application is submitted pursuant to Section 1859.93.2, the district certifies the enrollment at the Small High School will not exceed 500 pupils for a minimum of two complete school years after the Occupancy of the last Small High School funded, as outlined in Section 1859.104(e)(2); and
- If this application is submitted pursuant to Section 1859.78.9, the district certifies the enrollment at the resulting Small High Schools will not exceed 500 pupils for a minimum of two complete school years after the Occupancy of the Small High Schools; and
- If this application is submitted pursuant to Section 1859.78.9 or Section 1859.93.2, the district certifies that it will meet all reporting requirements as specified in Section 1859.104(e)(1) and/or (2).

SIGNATURE OF DISTRICT REPRESENTATIVE

DATE

Assembly Bill No. 1465

CHAPTER 894

An act to amend Section 17070.15 of, to amend, repeal, and add Sections 17072.10, 17072.30, and 17072.32 of, to add Section 17070.99 to, and to add and repeal Section 17074.32 of, the Education Code, relating to school facilities.

[Approved by Governor September 29, 2004. Filed with Secretary of State September 29, 2004.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1465, Chan. School facilities: new construction and modernization: small high schools.

Existing law, the Leroy F. Greene School Facilities Act of 1998, requires the State Allocation Board to allocate to applicant school districts, prescribed per-unhoused-pupil state funding for construction and modernization of school facilities, including hardship funding, and supplemental funding for site development and acquisition. Existing law requires the board to determine an applicant's maximum total new construction grant eligibility under a specified calculation and requires the board to annually adjust the per-unhoused-pupil apportionment to reflect construction cost changes.

Existing law precludes reduction of enrollment projections for a 3-year period, and requires the board to approve a supplemental apportionment, for an applicant school district having an enrollment of 2,500 or less.

This bill would provide that, commencing January 1, 2006, for a small high school, as defined, that meets certain criteria to be established by regulations adopted by the board, the maximum total new construction grant shall be adjusted to reflect 120% of the amounts determined pursuant to the above calculations, except as provided. The bill would establish this adjustment on a pilot program basis until January 1, 2008, and would require the board to set aside \$20,000,000 for this purpose from the proceeds of certain state bonds.

Existing law prohibits the board from apportioning funds for new construction unless certain conditions are met, including, but not limited to, the requirement that the school district, prior to the release of state funds, certify that the required 50% local matching funds will be deposited or expended.

This bill would, instead, until January 1, 2008, for a project for construction of a small high school, as provided, authorize



apportionment to a school district only if the school district certifies that the required 40% local matching funds will be deposited or expended.

Existing law authorizes the release of funds equal to the local match upon certification by the school district that it has entered into a binding contract for completion of the project.

This bill would, until January 1, 2008, for a project to construct a small high school, as provided, authorize the release of funds equal to 60% of the total approved project costs.

Existing law requires the board to determine an applicant's total modernization funding eligibility under a specified calculation and requires the board to annually adjust the calculation factors to reflect inflation, as provided.

This bill would, until January 1, 2008, authorize additional modernization funding for a high school with an enrollment of 1,000 or more pupils that is seeking to reconfigure into 2 or more small high schools, to assist with costs generated by the reconfiguration. The bill would require the board to set aside \$5,000,000 for this purpose from the proceeds of certain state bonds and to adopt implementing regulations, and would limit the amount of funding for a single project.

This bill would require the board to conduct an evaluation on the cost of new construction and modernization of small high schools, as provided, and would require the State Department of Education to conduct an evaluation that focuses on pupil outcomes at the small high schools, as provided, and on the reasons school districts do not currently opt to build small high schools.

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) Research has shown that school size is an important predictor of pupil success, second only to socioeconomic status. The research literature clearly states the superiority of small schools as learning environments. In small schools all of the following occur:

(A) Dropout and truancy rates dramatically decrease and graduation rates and postsecondary education enrollment rates increase.

(B) Parents are much more likely to be involved in the school and to have greater participation in decisionmaking.

(C) Pupils experience a greater sense of belonging and are more satisfied with their schools.

(D) Fewer discipline problems occur.

(E) Crime, violence, and gang participation decrease.

(F) Incidences of alcohol and tobacco abuse decrease.



(G) Pupil attendance increases.

(2) A recent study of large and small schools in four states has shown that smaller schools reduce the damaging effects of poverty and help pupils narrow the achievement gap between them and pupils from more affluent communities.

(3) Reducing school size has also been shown to significantly increase the likelihood of success of school reform efforts. Small schools are more effective at staff development and in implementing new curriculum.

(4) Based upon the research on the benefits of small schools, the United States Department of Education has created the Smaller Learning Communities Program and is currently providing a small number of planning and implementation grants to school districts across the country to support the development of small schools and small learning communities.

(5) Other states have recognized the value of small schools and have developed state policy to encourage small schools development. In Florida, for example, all schools built after 2003 will be small schools.

(6) Many parent groups and school districts in the state, including Oakland, Sacramento, San Jose, Los Angeles, and San Francisco, have initiated efforts to create small schools. These efforts include the creation of new small schools on new sites as well as the reconfiguration of existing schools into small schools and small learning communities.

(7) The trend in California, over the last few decades, has been to build larger and larger schools. For example, in 2000, more than 73 percent of California high schools had more than 1,000 pupils and more than 57 percent of middle schools had more than 800 pupils.

(8) The trend to build large schools has been driven by California's rapidly growing population and by the assumption that large schools are more cost effective.

(9) Research, however, has also shown that small schools, due to lower dropout rates and factors such as reduced school violence, can be more cost effective in per pupil spending than large schools.

(b) It is therefore the intent of the Legislature to enact changes in state law to create an incentive for school districts to establish smaller learning communities through increasing the state's share of schools facilities funding for the construction of new small schools and for the reconfiguration of existing schoolsites to support smaller learning communities.

SEC. 2. Section 17070.15 of the Education Code is amended to read:



17070.15. The following terms, wherever used or referred to in this chapter, shall have the following meanings, respectively, unless a different meaning appears from the context:

(a) “Apportionment” means a reservation of funds for the purpose of eligible new construction, modernization, or hardship approved by the board for an applicant school district.

(b) “Attendance area” means the geographical area serving an existing high school and those junior high schools and elementary schools included therein.

(c) “Board” means the State Allocation Board as established by Section 15490 of the Government Code.

(d) “Department” means the Department of General Services.

(e) “Committee” means the State School Building Finance Committee established pursuant to Section 15909.

(f) “Modernization” means any modification of a permanent structure that is at least 25 years old, or in the case of a portable classroom, that is at least 20 years old, that will enhance the ability of the structure to achieve educational purposes.

(g) “Property” includes all property, real, personal or mixed, tangible or intangible, or any interest therein necessary or desirable for carrying out the purposes of this chapter.

(h) “School district” means a school district or a county office of education. For purposes of determining eligibility under this chapter, “school district” may also mean a high school attendance area.

(i) “Fund” means the 1998 State School Facilities Fund, the 2002 State School Facilities Fund, or the 2004 State School Facilities Fund, as the case may be, established pursuant to Section 17070.40.

(j) “County fund” means a county school facilities fund established pursuant to Section 17070.43.

(k) “Portable classroom” means a classroom building of one or more stories that is designed and constructed to be relocatable and transportable over public streets, and with respect to a single story portable classroom, is designed and constructed for relocation without the separation of the roof or floor from the building and when measured at the most exterior walls, has a floor area not in excess of 2,000 square feet.

(l) “School building capacity” means the capacity of a school building to house pupils.

(m) “Small high school” means a high school with a total enrollment of no more than 500 pupils.

SEC. 3. Section 17070.99 is added to the Education Code, to read:

17070.99. (a) The board shall conduct an evaluation on the cost of new construction and modernization of small high schools in



conjunction with the pilot program established pursuant to subdivision (c) of Section 17072.10, as it read on January 1, 2005.

(b) The State Department of Education shall conduct an evaluation that focuses on pupil outcomes, including, but not limited to, academic achievement and college attendance rates, at the small high schools constructed pursuant to subdivision (c) of Section 17072.10, as it read on January 1, 2005, and on the reasons school districts do not currently opt to build small high schools.

(c) The evaluations required pursuant to subdivisions (a) and (b) shall be completed no later than two years after the opening of the last small high school constructed pursuant to subdivision (c) of Section 17072.10, as it read on January 1, 2005.

(d) The evaluations conducted pursuant to subdivisions (a) and (b) shall be used to inform the direction of future school facilities construction and related bond measures.

SEC. 4. Section 17072.10 of the Education Code is amended to read:

17072.10. (a) The board shall determine the applicant's maximum total new construction grant eligibility by multiplying the number of unhoused pupils calculated pursuant to Article 3 (commencing with Section 17071.75) in each school district with an approved application for new construction, by the per-unhoused-pupil grant as follows:

(1) Five thousand two hundred dollars (\$5,200) for elementary school pupils.

(2) Five thousand five hundred dollars (\$5,500) for middle school pupils.

(3) Seven thousand two hundred dollars (\$7,200) for high school pupils.

(b) The board shall annually adjust the per-unhoused-pupil apportionment to reflect construction cost changes, as set forth in the statewide cost index for class B construction as determined by the board.

(c) (1) Commencing January 1, 2006, notwithstanding subdivisions (a) and (b), for a small high school, the maximum total new construction grant shall be adjusted to reflect 120 percent of the amounts determined pursuant to subdivisions (a) and (b). The board shall adopt regulations, in consultation with the Superintendent of Public Instruction, to establish criteria to ensure that this adjustment is available to multiple small high schools on a pilot program basis and only for those applicant school districts that propose to build a small high school as part of an academic reform strategy that focuses on the positive outcomes that small high schools encourage. The board shall set aside a total amount of twenty million dollars (\$20,000,000) for this purpose from the proceeds of state bonds approved by the voters pursuant to the



Kindergarten-University Public Education Facilities Bond Act of 2002 (Part 68.1 (commencing with Section 100600)) and the Kindergarten-University Public Education Facilities Bond Act of 2004 (Part 68.2 (commencing with Section 100800)). The board shall also adopt regulations, in consultation with the Superintendent of Public Instruction, to implement the pilot program, including, but not limited to, allowing a sufficient filing period for applications in order to ensure that the pilot program encompasses school districts from the northern, southern, and central regions of the state and from urban, suburban, and rural areas so that the pilot program participants are broadly representative of the state.

(2) Paragraph (1) does not apply in those circumstances where a small high school would otherwise have been built because of sparse population in the geographical area.

(d) The board may adopt regulations to be effective until July 1, 2000, that adjust the amounts identified in this section for qualifying individuals with exceptional needs, as defined in Section 56026. The regulations shall be amended after July 1, 2000, in consideration of the recommendations provided pursuant to Section 17072.15.

(e) The board may establish a single supplemental per-unhoused-pupil grant in addition to the amounts specified in subdivision (a) based on the statewide average marginal difference in costs in instances where a project requires multilevel school facilities due to limited acreage. The district's application shall demonstrate that a practical alternative site is not available.

(f) For a school district having an enrollment of 2,500 or less for the prior fiscal year, the board may approve a supplemental apportionment of up to seven thousand five hundred dollars (\$7,500) for any new construction project assistance. The amount of the supplemental apportionment authorized pursuant to this subdivision shall be adjusted in 2001 and every year thereafter by an amount equal to the percentage adjustment for class B construction.

(g) This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2008, deletes or extends that date.

SEC. 5. Section 17072.10 is added to the Education Code, to read:

17072.10. (a) The board shall determine the applicant's maximum total new construction grant eligibility by multiplying the number of unhoused pupils calculated pursuant to Article 3 (commencing with Section 17071.75) in each school district with an approved application for new construction, by the per-unhoused-pupil grant as follows:

(1) Five thousand two hundred dollars (\$5,200) for elementary school pupils.



(2) Five thousand five hundred dollars (\$5,500) for middle school pupils.

(3) Seven thousand two hundred dollars (\$7,200) for high school pupils.

(b) The board shall annually adjust the per-unhoused-pupil apportionment to reflect construction cost changes, as set forth in the statewide cost index for class B construction as determined by the board.

(c) Any regulations adopted by the board prior to July 1, 2000, that adjust the amounts identified in this section for qualifying individuals with exceptional needs, as defined in Section 56026, as amended after July 1, 2000, in consideration of the recommendations provided pursuant to Section 17072.15, shall continue in effect.

(d) The board may establish a single supplemental per-unhoused-pupil grant in addition to the amounts specified in subdivision (a) based on the statewide average marginal difference in costs in instances where a project requires multilevel school facilities due to limited acreage. The district's application shall demonstrate that a practical alternative site is not available.

(e) For a school district having an enrollment of 2,500 or less for the prior fiscal year, the board may approve a supplemental apportionment of up to seven thousand five hundred dollars (\$7,500) for any new construction project assistance. The amount of the supplemental apportionment authorized pursuant to this subdivision shall be adjusted in 2008 and every year thereafter by an amount equal to the percentage adjustment for class B construction.

(f) This section is operative January 1, 2008.

SEC. 6. Section 17072.30 of the Education Code is amended to read:

17072.30. (a) Subject to the availability of funds, and to the determination of priority pursuant to Section 17072.25, if applicable, the board shall apportion funds to an eligible school district only upon the approval of the project by the Department of General Services pursuant to the Field Act, as defined in Section 17281, and certification by the school district that the required 50 percent matching funds from local sources have been expended by the district for the project, or have been deposited in the county fund, or will be expended by the district by the time the project is completed, in an amount at least equal to the proposed apportionment pursuant to this chapter, prior to release of the state funds.

(b) Notwithstanding subdivision (a), subject to the availability of funds, the board shall, for a project to construct a small high school pursuant to subdivision (c) of Section 17072.10, apportion funds to an eligible school district only upon approval of the project by the Department of General Services pursuant to the Field Act, as defined in



Section 17281, and certification by the school district that the required 40 percent matching funds from local sources have been expended by the district for the project, or have been deposited in the county fund, or will be expended by the district by the time the project is completed, in an amount at least equal to 40 percent of the total project costs pursuant to this chapter, prior to release of the state funds.

(c) This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2008, deletes or extends that date.

SEC. 7. Section 17072.30 is added to the Education Code, to read:

17072.30. (a) Subject to the availability of funds, and to the determination of priority pursuant to Section 17072.25, if applicable, the board shall apportion funds to an eligible school district only upon the approval of the project by the Department of General Services pursuant to the Field Act, as defined in Section 17281, and certification by the school district that the required 50 percent matching funds from local sources have been expended by the district for the project, or have been deposited in the county fund, or will be expended by the district by the time the project is completed, in an amount at least equal to the proposed apportionment pursuant to this chapter, prior to release of the state funds.

(b) This section is operative January 1, 2008.

SEC. 8. Section 17072.32 of the Education Code is amended to read:

17072.32. (a) For any project that has received an apportionment pursuant to subdivision (a) of Section 17072.30, funding shall be released in amounts equal to the amount of the local match upon certification by the school district that the school district has entered into a binding contract for completion of the approved project.

(b) Notwithstanding subdivision (a), for any project for construction of a small high school, pursuant to subdivision (c) of Section 17072.10, that has received an apportionment pursuant to subdivision (b) of Section 17072.30, funding shall be released in amounts equal to 60 percent of the total project costs upon certification by the school district that the school district has entered into a binding contract for completion of the approved project.

(c) This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2008, deletes or extends that date.

SEC. 9. Section 17072.32 is added to the Education Code, to read:

17072.32. (a) For any project that has received an apportionment pursuant to Section 17072.30, funding shall be released in amounts equal to the amount of the local match upon certification by the school



district that the school district has entered into a binding contract for completion of the approved project.

(b) This section is operative January 1, 2008.

SEC. 10. Section 17074.32 is added to the Education Code, to read:

17074.32. (a) A high school with an enrollment of 1,000 or more pupils that is seeking to reconfigure into two or more small high schools, as defined in subdivision (m) of Section 17070.15, shall be eligible for additional modernization funding to assist with costs generated by the reconfiguration. Reconfiguration can specifically allow some limited new construction necessary to accommodate the reconfiguration. The board shall set aside a total amount of five million dollars (\$5,000,000), from the proceeds of state bonds approved by the voters pursuant to the Kindergarten-University Public Education Facilities Bond Act of 2002 (Part 68.1 (commencing with Section 100600)) and the Kindergarten-University Public Education Facilities Bond Act of 2004 (Part 68.2 (commencing with Section 100800)), for purposes of this additional modernization funding and no single project shall be granted, in the aggregate, more than five hundred thousand dollars (\$500,000).

(b) The board shall adopt regulations to implement this section.

(c) This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2008, deletes or extends that date.



STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
July 8, 2005

STATE RELOCATABLE CLASSROOM PROGRAM

PURPOSE

To discuss the potential implementation of a State Relocatable Classroom Program (SRCP) Asset Management Plan and the resulting impact to school districts.

BACKGROUND

At the June 22, 2005 State Allocation Board (SAB) meeting, the Board considered Staff's proposed State Relocatable Classroom Program report that provided options for the implementation of an Asset Management Plan. In addition, the report provided the Board with:

- The general condition of the SRCP assets
- An option for the immediate disposal of all Relocatables 20 years of age and older
- A proposal to increase the annual lease payments of a Relocatable
- Three options to implement a plan

In considering the item, the Board postponed this item until the July SAB meeting. The Board directed staff to obtain input from interested parties regarding the options proposed by Staff including the non-chargeability of Relocatable buildings purchased from the State.

DISCUSSION

The following items are to generate discussion and input from districts regarding the recommendations outlined in the SRCP Report and to provide the OPSC with additional information:

- Preference of the Three Options outlined in the June 2005 SRCP Report.
 - Rehabilitation and Phase Out Plan
 - Phase Out Plan
 - Immediate Phase Out of SRCP
- Input on a phase out of the SRCP by offering Relocatables for sale to districts at 15 years. The SRCP would continue until 2018.
- Interest in purchasing SRCP Relocatables with or without an adjustment to a school district's baseline eligibility when facilities are added to the inventory.
- Fiscal impact to districts if the Board was to approve a rental increase.
- Discussion on the costs to repair or replace the major components of a Relocatable.
- Other potential options.
- Availability of portables from private manufacturers and leasing companies.

RECOMMENDATION

Staff will present a report to the SAB at its July 2005 meeting which will incorporate feedback received at this Committee meeting.

STATE RELOCATABLE CLASSROOM PROGRAM

PURPOSE OF REPORT

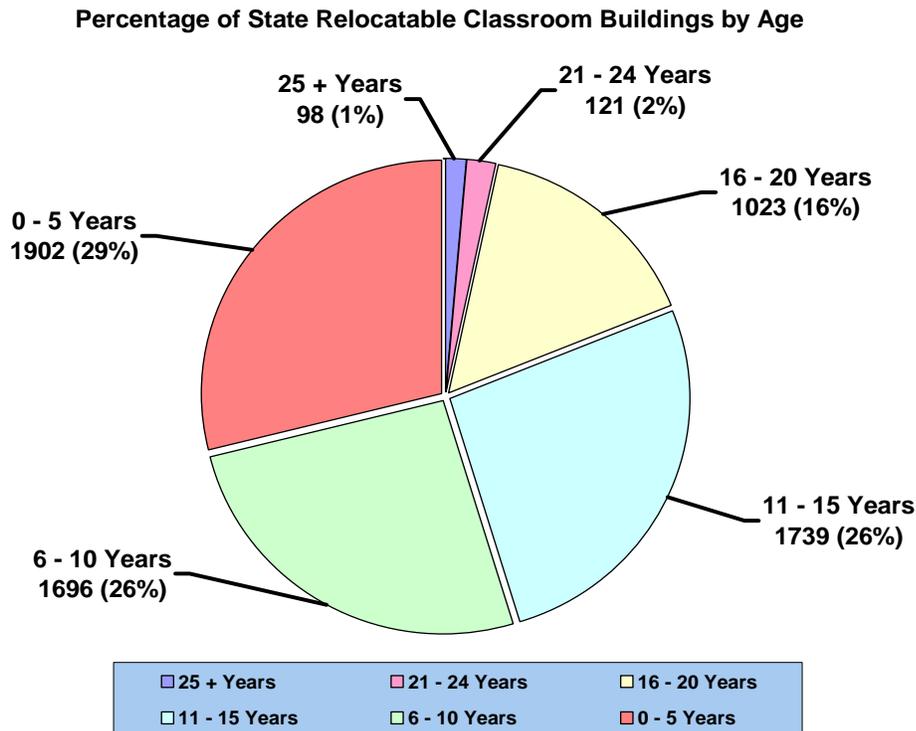
The purpose of this report is to provide the State Allocation Board (Board) with:

1. An overview of the State Relocatable Classroom Program (Program).
2. The general condition of the State Relocatable Classroom (Relocatable) assets.
3. Options for the implementation of an Asset Management Plan (Plan) (Rehabilitation/Disposal).
4. An option for the immediate disposal of all Relocatables 20 years of age and older.
5. A proposal to increase the annual lease payments of a Relocatable.

OVERVIEW

At the Program's inception in 1978, the inventory consisted of less than 100 relocatables designed to assist school districts in times of emergency situations. In fact, the Program was originally entitled the "Emergency Portable Program". Over the years, the Program has evolved into a long-term leasing program which accommodates district student housing needs far beyond the emergency nature of its initial inception. Today, the Board owns 6,579 Relocatables that are leased to school districts. The majority of these classrooms are leased at a rate of \$4,000 per year. There are some school districts within the Program that qualify for financial hardship and subsequently lease their Relocatable at a reduced rate. Thus the average annual lease rate is \$3,648 per Relocatable, which generates lease payment revenue of approximately \$24 million annually. Since 1991, the Board has not increased the lease payments for the Relocatables.

Of the 6,579 Relocatables owned by the Board, the majority of classrooms (5,337) are 15 years of age or less. There are 249 Relocatables that are at least 20 years of age that represent the most potential cost and liability for the State. As this report will show, the cost to maintain a Relocatable substantially increases as it ages.



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OVERVIEW (cont.)

Under the Lease-Purchase Program, the State passed three bond measures between 1990 and 1996 that generated \$62 million for the specific purpose of purchasing relocatable classrooms and covering Program operating costs such as transporting Relocatables from one school district to another school district, reimbursing school districts for the cost to set up the Relocatable, and the administrative costs associated with managing the Program.

Over the last ten years, seven times the annual State budget control language has directed the lease payment revenue generated from the Program to be directed to the State's General Fund. During the three years the Program was able to retain these funds, the Board purchased additional Relocatables and was able to sustain the program. However, the last time the Program was able to retain the lease payment revenue was in Fiscal Year 2001-02. Since that time, funds have significantly diminished and are inadequate to sustain the Program and address the growing issues associated with an aging fleet.

These issues have precipitated the need to develop an Asset Management Plan and examine the feasibility of increasing the lease payments on the Relocatables.

AUTHORITY

Education Code (EC) Section 17089 permits the Board to lease a Relocatable to school districts for not less than one dollar per year, and no more than \$4,000 per year. The Program currently leases Relocatables to school districts for an annual fee of \$4,000. However, the Board has the authority to annually increase the lease payment on Relocatables according to the adjustment for inflation set forth in the statewide cost index for classroom construction as determined by the Board at its January meeting, pursuant to EC Section 17089 (a).

EC Section 17089 (b) authorizes the Board to require each lessee to undertake all necessary maintenance, repairs, renewal and replacement to ensure that a project is at all times kept in good repair, working order, and condition. All costs incurred for this purpose shall be borne by the lessee.

EC Section 17089 (c) states that for the purposes of this section, "good repair" has the same meaning as specified in subdivision (d) of Section 17002.

EC Section 17002 (d) states that "good repair" means the facility is maintained in a manner that assures that it is clean, safe, and functional as determined pursuant to an interim evaluation instrument developed by the Office of Public School Construction (OPSC). The instrument shall not require capital enhancements beyond the standards to which the facility was designed and constructed.

EC Section 17094 permits the Board to dispose of a relocatable classroom to the public or private entity in any manner that it deems to be in the best interest of the State, if the Board deems there is no longer a need for the relocatable classroom.

2004 Budget Act - Section 24.30 permits the Controller, upon order of the Director of Finance, to transfer rental income received in the 2004-05 fiscal year, pursuant to Section 17089 of the EC, from the State School Building Aid Fund to the State's General Fund.

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AUTHORITY (cont.)

2005 Budget Act – Section 24.30 (PENDING) permits the Controller, upon order of the Director of Finance, to transfer rental income received in the 2005-06 fiscal year pursuant to Section 17089 of the EC, in an amount as determined by the Department of Finance, from the State School Building Aid Fund to the State's General Fund. Further, the OPSC is authorized to expend revenues in the State School Building Aid Fund per EC Section 17088(f) in an amount as specified by the Department of Finance.

EC Section 17089.2 permits school districts or county superintendent of schools to purchase any relocatable classroom that was leased from the Board prior to December 1, 1991, for an amount equal to the purchase price paid by the Board, including costs for site preparation, furniture and equipment, toilet facilities and transportation of classrooms, less the amount of any lease payment already paid to the Board by the district or county superintendent of schools for that classroom. Payment for purchases made pursuant to this section shall be in equal annual installments for an agreed upon term not to exceed nine years.

State Allocation Board Policy states that the purchase cost to the district shall be called the "net purchase cost" and equal to the purchase price paid by the Board, less rental payments by that district for the relocatable classroom. In no case shall the purchase cost to the district be less than \$4,000.

GENERAL CONDITION OF THE FLEET

In order to determine the general condition of the fleet, Staff conducted an inventory survey that requested information from participating school districts regarding the general condition of the Relocatables currently being leased. Staff inquired about the interior, exterior and mechanical conditions of the Relocatables. Of the 304 school districts currently participating in the Program, Staff received 192 responses (63 percent). Of those school districts that responded to the survey, 73 percent of the respondents rated their Relocatables either in good or excellent condition, which represents the majority of classrooms less than 15 years of age. Staff analyzed the remaining 27 percent of the respondents that rated their Relocatables in either fair or poor condition and found that those classrooms were older than 15 years of age. In addition, it has been determined that these classrooms have been transferred from one school district to another a number of times throughout the years, which has contributed to the overall deterioration of the classroom.

Currently, school districts are required to keep the Relocatables in a well maintained condition and bear the costs for the maintenance. Costs vary from each school district, depending on the adoption of a routine maintenance schedule, the age of the classroom, the frequency of moves, location and environment. In recent years, more and more school districts have expressed concern to the OPSC about the rising costs to repair the more expensive building components, such as HVAC systems, roofs, exterior siding, etc. that have exceeded their useful life expectancy. In fact, the repairs necessary to keep a Relocatable in good working order have gone beyond general maintenance needs and have become capital improvement needs. Thus, school districts are asking the State for assistance to replace the major building components and they do not feel that it is their responsibility to pay for these components.

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ASSET MANAGEMENT PLAN

To present a comprehensive report to the Board, Staff met with other State agencies and members from the relocatable manufacturing industry and collected information regarding the major costs and factors that should be considered when developing a Plan. Those factors include useful life expectancy data, major building component rehabilitation costs, relocatable classroom replacement value, and disposal costs.

Useful Life Expectancy

Useful life expectancy is defined as the probable life span of a particular object. For the purposes of this report, Staff will be using the useful life expectancy data provided by members of the relocatable manufacturing industry and individual component manufacturers. It was necessary for Staff to determine the useful life expectancy of each component in order to determine the cost to maintain a Relocatable. The first thing to keep in mind in evaluating useful life expectancy data is the fact that the useful life expectancy of a component is dependent on the level of care and maintenance provided over the years and the location and environment of the Relocatable. As an example, the useful life expectancy for components of a classroom that is located on the coast will vary from components located in a desert region due to the climate conditions.

The useful life expectancy data used for this report takes into consideration that components have received regular maintenance on a routine basis. The majority of components within a Relocatable have a useful life expectancy that range between ten and twenty years of age. In other words, when a component has reached its useful life expectancy, that component is likely to have deteriorated and require replacement. As classrooms continue to age, it is expected that certain components will have reached their useful life expectancy more than once and again require replacement, which will result in additional costs.

Major Building Component Rehabilitation Costs

The rehabilitation costs proposed in this section address the major building components that have exceeded their useful life expectancy and considers that school districts have applied the proper maintenance and repair to the classrooms as prescribed in EC Section 17089 (b). In a typical landlord/lessee relationship, the landlord bears the responsibility to repair or replace the major components. As an example, the replacement of carpet is typically not the responsibility of the lessee unless the damage to the carpet is beyond normal "wear and tear" and determined to be caused by the negligence of the lessee. Anything beyond the cost to keep the facility in a well maintained condition is the responsibility of the landlord. As landlord of the State's assets, it may be more appropriate that the rehabilitation cost for the major components be borne by the State.

Staff examined the key components that make up a relocatable classroom. These components include such things as; Exterior Siding, Trim and Skirting; Roof; Door and Windows; HVAC; Ramp; Wallboard and Related Items; Ceiling and Electrical Fixtures; and, Flooring. Using cost estimating data from Lee Saylor Base Cost Estimate (2005 edition) and R.S. Means Cost Estimate (2005 edition), and useful life expectancy data from the relocatable manufacturing industry, Staff calculated the estimated cost to rehabilitate a Relocatable over a period of time (See Chart A). In finalizing the cost estimates, Staff made further adjustments to account for additional rehabilitation work that may be necessary to adjacent areas, such as dry rot or damage caused by a leaking roof.

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ASSET MANAGEMENT PLAN (cont.)

Major Building Component Rehabilitation Costs (cont.)

CUMULATIVE COST TO REHABILITATE A SINGLE RELOCATABLE

CHART A		AGE OF RELOCATABLE			
		10 Years	15 Years	20 Years	25 Years
	Cost to Rehabilitate	\$17,214	\$26,791	\$52,229	\$67,481

As mentioned earlier, the majority of Relocatable components have a useful life expectancy that range between 10 and 20 years. As the classrooms continue to age, certain rehabilitation costs are duplicated, thus resulting in additional overall costs in subsequent years. For example, if the State were to rehabilitate a Relocatable over a period of 20 years, the State would incur costs for carpet twice over a period of 20 years, since the useful life expectancy for carpet is 10 years.

Relocatable Classroom Replacement Value

Using the latest building specifications, which were used for the Board's 2002 Relocatable building contract, members from the relocatable manufacturing industry estimated that the cost to purchase the same relocatable classroom today would increase approximately ten percent from the 2002 purchase price. Thus, the estimated replacement value of a Relocatable would be \$28,000 or more depending on available material costs. Factoring in additional costs for transportation and set-up, the cost to the State to replace a Relocatable could be \$40,000 or more.

Under the School Facility Program (SFP), school districts can establish modernization eligibility when their relocatable classroom has reached 20 years of age. However, it is not cost effective to use modernization funds to rehabilitate an older relocatable when the costs to replace a relocatable classroom are comparable. In fact, by using their modernization funds to purchase a new relocatable, the new facility would meet the requirements under Title 24 and address some of the issues related to air quality and noise pollution. School districts typically exercise the option to replace district owned relocatable classrooms when faced with the decision of how to use their modernization funding. The Board may want to consider implementing a similar cost effective practice.

Currently, the Board owns 249 Relocatables that are over 20 years of age. Recognizing that the cost to replace a Relocatable is virtually the same cost to rehabilitate one, it may be prudent for the Board to develop a plan that includes the disposal of Relocatables that incorporates a cost benefit analysis.

Relocatable Classroom Disposal

After evaluating the rehabilitation costs and useful life expectancy data, it was necessary for Staff to research the cost to dispose of a Relocatable. The average cost to dispose of a Relocatable could range from \$6,000 to \$7,000 per classroom.

As an alternative to incurring the additional expense to dispose of a Relocatable, the Board can sell the classrooms to school districts, other public agencies, or private entities. EC Section 17094 permits the Board to dispose of any relocatable classroom, in any manner that it deems to be in the best interest of the State, if the Board deems there is no longer a need for a relocatable classroom. Additionally, EC Section 17089.2 permits

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ASSET MANAGEMENT PLAN (cont.)

Relocatable Classroom Disposal (cont.)

the Board to sell a Relocatable that was leased from the Board prior to December 1, 1991, for an amount equal to the purchase price paid by the Board, including the cost of site preparation, furniture and equipment, toilet facilities and transportation of classrooms, less any lease payments received for that classroom. The purchase

price would include costs associated with improvements made to the Relocatable. The revenue generated from the sale of Relocatables could be used to cover the cost to dispose of some classrooms, as it is anticipated that not every school district, public agency or private entity will purchase all of the Relocatables.

Currently, there are 61 school districts, representing 1,357 Relocatables that have continually leased their classroom since December 1, 1991 and have not elected to purchase the State's relocatable classroom. The OPSC is aware of school districts that have not elected to purchase the State's relocatable classroom due to the high costs associated with adjusting their SFP baseline eligibility. A typical elementary grade level classroom loaded at 25 pupils will generate a base allowance of \$169,225 in new construction funding. Districts will not risk the loss of future new construction funding.

Staff determined that the best return on investment for a Relocatable requires the State to dispose of the classrooms at 15 years of age. An analysis of the rehabilitation costs compared to the lease payment revenue generated produces a 57 percent return on investment when Relocatables are disposed of at 15 years of age. Should the State dispose of Relocatables at 20 years of age, the return on investment only yields a 26 percent return on investment.

Based on the information mentioned previously, Staff has developed three options for the Plan, which do not contemplate the purchase of any new Relocatables.

OPTION #1 – REHABILITATION PROGRAM

One of the objectives for implementing a Plan is to allow for more effective planning in relation to the maintenance and repair of a Relocatable. As previously mentioned, the Program requires a school district to maintain the Relocatable throughout the duration of the lease, pursuant to EC Section 17089 (b) and (c). However, as these classrooms continue to age, the OPSC has received complaints from school districts that the repairs necessary to keep a Relocatable in good working order have gone beyond general maintenance needs and have become capital improvement needs.

Using property management principles, the landlord is responsible for the repair or replacement of the major components that contribute to the functionality of a facility. The State is responsible for the major component costs of the Relocatable, unless it is determined that the school district was negligent in providing the proper care and maintenance resulting in the replacement of a component before that component has reached its useful life expectancy. Requiring a school district to replace building components that have outlived their usefulness is inconsistent with normal property management principals and might be unfair to school districts. Therefore, Staff has developed a proactive program that is designed to extend the useful life of a Relocatable while preserving the State's assets.

In order to adopt a Rehabilitation program, it would be necessary to develop a grant program that would provide funds, generated from the lease revenue, to reimburse school districts for rehabilitation costs for key

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ASSET MANAGEMENT PLAN (cont.)

OPTION #1 – REHABILITATION PROGRAM (cont.)

components when those components have reached their useful life. These components would be placed on a schedule and Staff would coordinate with school districts to ensure the key components are rehabilitated. Staff would accomplish this through an education program that would instruct school districts on the proper care and maintenance.

The figures in Chart B represent the cost to rehabilitate three proposed groups of Relocatables. The data illustrates the estimated rehabilitation costs for the major building components if the Board does not elect to adopt a disposal plan, adopt a disposal plan at 20 years and 15 years of age, which account for a graduated schedule for the disposal of Relocatables. Based on the figures below, it is clear that the rehabilitation costs and associated general liabilities to the State are far less if the Board adopts a disposal plan when the classrooms reach 15 years of age, than if the State were not to adopt a disposal plan.

CUMULATIVE COST TO REHABILITATE THE FLEET OVER A PERIOD OF 20 YEARS

CHART B		YEAR 2005	YEAR 2015	YEAR 2020	YEAR 2025	Total
	No Disposal Plan (6,579 classrooms)	\$76,183,776	\$114,566,706	\$177,573,789	\$231,679,485	\$600,003,756
	Disposal at 20 Years (6,330 classrooms)	\$65,920,545	\$58,302,072	\$38,894,031	\$0	\$163,116,648
	Disposal at 15 Years (4,869 classrooms)	\$26,486,694	\$25,093,574	\$0	\$0	\$51,580,268

In determining the overall costs to the State, it is necessary to also factor in the operating costs for the Program. The costs associated with operating this Program do not include the purchase of new Relocatables and include transportation costs to move a Relocatable from one school district to another, administrative costs to manage the Program, and reimbursable allowances for costs associated with setting up the Relocatable. The chart below illustrates the financial shortfall when calculating the rehabilitation costs and the operating costs and comparing those costs to the lease payment revenue generated.

NET PROFIT / LOSS FOR THE PROGRAM OVER A PERIOD OF 20 YEARS

CHART C		COST TO REHABILITATE RELOCATABLES	COST TO OPERATE THE PROGRAM*	REVENUE GENERATED ***	PROFIT / LOSS
	No Disposal Plan (6,579 classrooms)	\$600,003,756	\$419,890,135	\$480,003,840	\$(539,890,051)
	Disposal at 20 Years (6,330 classrooms)	\$163,116,648	\$269,845,305	\$221,338,752	\$(211,623,201)
	Disposal at 15 Years** (4,869 classrooms)	\$51,580,268	\$104,373,832	\$119,650,752	\$(36,303,348)

* The cost to operate the program represents only those costs for transportation, reimbursable allowances, and administrative costs and excludes the initial purchase costs. This Option does not anticipate the purchase of new Relocatables.

** The costs represented under "Disposal at 15 Years" are calculated over a period of 15 years and are not carried forward over 20 years.

*** Revenue generated is based on an average lease payment rate of \$3,648 annually.

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ASSET MANAGEMENT PLAN (cont.)

OPTION #1 – REHABILITATION PROGRAM (cont.)

Chart E illustrates the lease payment rate necessary to sustain the Program under Option #1, while adjusting for a graduated schedule for the disposal of the Relocatables. If the Board elects to retain the Relocatables and not adopt a disposal plan, the State may increase its exposure for rehabilitation costs and general liabilities as a result of using Relocatables that have exceeded their useful life expectancy.

The SFP regulations require an adjustment to a school district's baseline eligibility when facilities are added to the inventory. Staff is proposing that school districts that wish to purchase a Relocatable not be required to adjust their SFP baseline eligibility. The purpose of this proposal is to reduce the State's liability due to an aging fleet and provide an incentive to those school districts currently participating in the Program. Further, the existing Relocatables are not comparable to newer relocatable classrooms and the existing Relocatables can not continue to meet the long-term needs for the school districts. To ensure that school districts can purchase a Relocatable without an adjustment to their baseline eligibility, legislative and/or regulatory remedies would need to be enacted to ensure this proposal.

To summarize Option #1:

- Proposes a Rehabilitation Program that provides school districts with the funds to rehabilitate the eight key components of a Relocatable.
- Outlines three disposal plans; no disposal, disposal at 20 years and 15 years of age.
- Requires a lease payment increase to cover the operating and rehabilitation costs identified in this proposal.
- Permits school districts to purchase a Relocatable without impacting their baseline eligibility.

OPTION #2 – PROGRAM PHASE-OUT WITHOUT REHABILITATION

This option requires the State to develop policy and procedures that allows for the phasing out of the Program by disposing of classrooms when they have met a predetermined age. Under this proposal, school districts will still be required to maintain the condition of the classroom. However, when a Relocatable reaches a predetermined age, the Board would have the option to dispose of the classroom.

In determining the appropriate age in which to dispose of a Relocatable under this option, Staff analyzed the useful life expectancy data and determined that 15 years of age would adequately limit the amount of future liability the State would incur, if the State were to retain the classroom beyond 15 years of age. Staff anticipates that under this option, all relocatable classrooms will be completely phased out by the year 2018 or sooner.

Staff determined that the best return on investment for a Relocatable requires the State to dispose of the classrooms at 15 years of age. An analysis of the rehabilitation costs compared to the lease payment revenue generated produces a 57 percent return on investment when Relocatables are disposed of at 15 years of age. Should the State dispose of Relocatables at 20 years of age, the return on investment only yields a 26 percent return on investment.

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ASSET MANAGEMENT PLAN (cont.)

OPTION #2 – PROGRAM PHASE-OUT (cont.)

TOTAL COST TO OPERATE THE PROGRAM VERSUS THE LEASE PAYMENT REVENUE

CHART D		COST TO OPERATE THE PROGRAM*	REVENUE GENERATED***	PROFIT / LOSS
	No Disposal Plan (6,579 classrooms)	\$419,890,135	\$480,003,840	\$60,113,705
	Disposal at 20 Years (6,330 classrooms)	\$269,845,305	\$221,338,752	\$(48,506,563)
	Disposal at 15 Years** (4,869 classrooms)	\$104,373,832	\$119,650,752	\$15,276,920

The cost to operate the program represents only those costs for transportation, reimbursable allowances, and administrative costs and excludes the initial purchase costs. This Option does not anticipate the purchase of new Relocatables.

**The costs represented under "Disposal at 15 Years" are calculated over a period of 15 years and are not carried forward over 20 years.

*** Revenue generated is based on an average lease payment rate of \$3,648 annually.

Chart E illustrates the lease payment rate necessary to sustain the Program under Option #2, while adjusting for a graduated schedule for the disposal of the Relocatables. If the Board elects to retain the Relocatables and not adopt a disposal plan, the State may increase its exposure to general liabilities as a result of using Relocatables that have exceeded their useful life expectancy.

Currently, regulations require an adjustment to a school district's SFP baseline eligibility when facilities are added to the inventory. Staff is proposing that school districts that wish to purchase a Relocatable will not be required to adjust their SFP baseline eligibility. To ensure that school districts can purchase a Relocatable without an adjustment to their SFP baseline eligibility, legislative and/or regulatory remedies would need to be enacted to ensure this proposal.

To summarize Option #2:

- Requires school districts to continue providing for the general maintenance of the Relocatable.
- Outlines three disposal plans; no disposal, disposal at 20 years and 15 years of age.
- Requires a lease payment increase to cover the operating costs for this proposal.
- Permits school districts to purchase a Relocatable without impacting their SFP baseline eligibility.

OPTION #3 - IMMEDIATE SALE OF THE PROGRAM FLEET

This option requires the State to develop policy and procedures that allows for the immediate sale of all Relocatables owned by the Board. Under this proposal, the Board would authorize the sale of 6,579 Relocatables to school districts, other public agencies or interested private entities up to an amount equal to the purchase price paid by the Board, including all purchase costs absorbed by the State, pursuant to EC Section 17089.2.

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ASSET MANAGEMENT PLAN (cont.)

OPTION #3 - IMMEDIATE SALE OF THE PROGRAM FLEET (cont.)

This proposal is supported by two main factors that have developed in recent years. First, the relocatable manufacturing industry has grown and provides school districts with options beyond the State's Program at competitive prices throughout the State. Secondly, the funds necessary to adequately manage the Program have substantially diminished. It may be prudent for the Board to sell the Relocatables to avoid any future

general liabilities and recover costs previously expended on the Program. The funds generated from the immediate sale could be directed to augment various programs administered by the Board, or reduce the debt service on the bonds. Staff would need to come back to present various disposal options of the fleet under this Option.

Currently, regulations require an adjustment to a school district's SFP baseline eligibility when facilities are added to the inventory. However, Staff is proposing that school districts that elect to purchase a Relocatable would be permitted to do so and the school district's SFP baseline eligibility would not be adjusted to reflect an increase in classroom capacity. To ensure that school districts can purchase a Relocatable without an adjustment to their SFP baseline eligibility, legislative and/or regulatory remedies would need to be enacted.

To summarize Option #3:

- Disposes of Relocatables immediately and offer Relocatables at fair market value, pursuant to EC Section 17089.2.
- Permits school districts to purchase a Relocatable without impacting their SFP baseline eligibility.

LEASE PAYMENT INCREASE PROPOSAL

The Board, in the past, has designated funds through various bond measures to fund the Program. These bonds generated \$62 million that permitted the OPSC to purchase new relocatable classrooms, cover transportation costs and administrative costs associated with managing the Program. The funds generated from the bond measures have diminished. Without retention of the Program's revenue, it will be necessary for the Board to increase its lease payment rates as shown below in Chart E in order to implement Option #1 or #2. However, pursuant to EC Section 17089, the SAB is limited to an increase in the annual lease payment to a maximum of \$6,364 for Fiscal Year 2005-06 based on the annual adjustments for inflation set forth in the statewide cost index for classroom construction since 1991.

VARIOUS LEASE PAYMENT RATE INCREASE OPTIONS

CHART E		OPTION #1 (Rehabilitation)	OPTION #2 (Phase-Out)
	Disposal at 20 Years	\$9,500	\$8,175
Disposal at 15 Years	\$9,450	\$8,720	

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STAFF COMMENTS

It may no longer be cost beneficial for the State to remain in this business, because there is now a private portable classroom manufacturing and leasing industry operating throughout California that is able to support the demand for relocatable classrooms at a comparable price. For example, private industry is charging approximately \$6,500 per classroom annually, which includes furniture and equipment, transportation, set-up and maintenance costs. The original intent of the Program, to provide housing in emergency situations, remains meritorious. However, this purpose has long since been superseded by the Program's evolution into a long-term lease program. If the Board elects to phase-out of the Program, the Board may address emergencies, such as natural disasters, through the SFP.

Given the comparable lease rates available through private industry, the costs of a comprehensive rehabilitation program exceed the benefits because the State would, in the next ten years, be faced with the additional costs of

replacing major building components. The private industry leases include a maintenance/rehabilitation program. The portables provided through the private industry would better meet the current requirements under Title 24 and address some of the issues related to air quality and noise pollution that are associated with the State's older Relocatables.

The Board's existing policy regarding purchasing portable classrooms appears to be appropriate for establishing the fair market value that school districts will be required to pay for Relocatables. Under current statute, school districts are required to pay the initial purchase price of the building, delivery and installation costs, utility connection costs, furniture and equipment costs, architect fees, inspection and Division of the State Architect fees, less lease payment revenues collected for each Relocatable. The Board's policy has been that the purchase cost to the district shall not be less than \$4,000.

The State's Annual Budget control language has authorized the transfer of the lease payment revenue generated by the Program to the State's General Fund. The last time the Program was able to retain the lease payment revenue was in Fiscal Year 2001-02. The Program currently lacks sufficient funding to cover the cost of moves requested by school districts and storage of excess Relocatable inventory. The demand for the State's relocatable classrooms has diminished due to the availability of new construction General Obligation Bonds and the expansion of the private portable classroom manufacturing/leasing industry.

Current lease payment revenues are insufficient to cover the costs associated with operating the Program and rehabilitating the aging relocatable fleet. The State's Relocatables have been leased at a rate of \$4,000 per year since 1991. To support a rehabilitation program (Option #1) without retention of the Program's revenue, the lease payment rates would be \$9,500 with a disposal plan for all buildings at 20 years of age and \$9,450 with a disposal plan for all buildings at 15 years of age. To support a phase-out program (Option #2) without retention of the Program's revenue, the lease payment rates required would be \$8,175 with a disposal plan for all buildings at 20 years of age and \$8,720 with a disposal plan for all buildings at 15 years of age. However, pursuant to EC Section 17089, the SAB is limited to an increase in the annual lease payment to a maximum of \$6,364 for Fiscal Year 2005-06 based on the annual adjustments for inflation set forth in the statewide cost index for classroom construction since 1991. To minimize the financial burden on the school districts, Staff is proposing that the Board increase its lease payment rate by \$1,000 beginning with the 2005-06 Fiscal Year, with the balance of the increase occurring in the following fiscal year. Based on the districts with the highest number of State Relocatables, the highest increase to any one school district would be \$206,000.

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STAFF COMMENTS (cont.)

Provided that all lease payment revenues are strictly dedicated to supporting the Program operation costs, there is no change required to the current lease payment to support a phase-out program, without a rehabilitation program, and a disposal plan for all buildings at 15 years of age. However, a phased approach for the State to withdraw from the long-term leasing of relocatable classroom business needs to be developed that minimizes the fiscal impact on school districts. As mentioned previously, Staff is proposing to change existing regulations to allow school districts to purchase all Relocatables over 15 years of age without a charge to their SFP baseline eligibility. This proposal offers several benefits to both parties. The State will be able to maximize its return on the investment in Relocatables and minimize its exposure in terms of rehabilitation costs, disposal costs, and general liability issues associated with using Relocatables that have exceeded their useful life expectancy. School districts, on the other hand, will receive the benefits of purchasing classrooms and an exemption from the SFP baseline eligibility adjustment that would have otherwise been charged.

RECOMMENDATIONS

1. Approve Option #2 with a disposal plan at 15 years and instruct the OPSC to implement the Phase-Out Program.
2. Direct Staff to present regulations at a future Board for the implementation of Option #2, as specified.
3. Approve the immediate disposal of all relocatable classrooms older than 20 year of age.
4. Require that all lease payment revenues be made available to support the Program.
5. If the Board does not approve Recommendation No. 4, increase the lease payment rate for the Program from \$4,000 to \$5,000 beginning with the 2005-06 Fiscal Year. Approve the balance of the lease payment rate increase for the 2006-07 Fiscal Year.
6. Authorize the encumbrance of approximately \$5 million for relocation expenses, set up costs and other related expenses.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
JULY 8, 2005

Financial Hardship Equity Issues

PURPOSE

To discuss the Financial Hardship Equity Issues.

BACKGROUND

A report on Financial Hardship Equity Issues was presented to and accepted by the State Allocation Board (SAB) at the May 3, 2005 meeting. The report discussed several situations of inequity and possible remedies. The SAB requested that the report be taken to the Implementation Committee for further discussion. The SAB also requested that the Implementation Committee discuss possible negative impacts to school districts currently in the financial hardship program.

DISCUSSION

At the June 3, 2005 Implementation Committee, the Office of Public School Construction (OPSC) solicited comments and feedback in relation to the Financial Hardship Equity Issues report and the possible negative impacts to school districts currently in the financial hardship program. Introductory comments from the Committee and audience, at that meeting, were primarily focused on the perceived inadequacy of the School Facility Program (SFP) grants and their inability to build complete schools. It was asserted that this may create problems for financial hardship districts that do not have other funds available to supplement the SFP grants, and if they do over expend beyond the district's grant eligibility are penalized for doing so.

In association with the above grant adequacy issue, Staff presented a report to the SAB on May 25, 2005 regarding the SFP grant adequacy for financial hardship districts that had funds released and bid projects during a high bid climate time period. The report detailed the results of a survey of financial hardship districts and their ability to build complete schools with the SFP grants. Unfortunately, not all districts responded to the survey and Staff believed the results were inconclusive. The SAB asked OPSC to resubmit the survey to those financial hardship districts that did not respond to the initial survey and present the revised findings at a future SAB meeting. Staff is continuing its coordination with the California Coalition for Adequate School Housing to obtain additional data on this issue from the impacted school districts.

Staff has developed proposed solutions to address some of the concerns discussed for observations 1-3;

1. **Observation:** Under current regulations, after the initial request for financial hardship status is granted, no further encumbrances of existing capital facility funds are approved by the OPSC, and all prospective capital facility revenue is deemed available on the subsequent financial hardship review. The regulations provide for an exception to this requirement if the district does not file a financial hardship request for a period of three years from the date of the district's latest financial hardship adjusted grant apportionment.

Under this three-year provision, some districts receive SFP financial hardship approval for up to 100 percent State funding of their projects, and then later issue Certificates of Participation (COP) or other funding mechanisms that are not recognized as district contribution towards their previously funded SFP projects. If districts wait to file subsequent SFP funding applications until after the three years lapse from the date of their last adjusted grant funding apportionment, the COP or other district funds are exempt from contribution to the previous or future SFP projects.

Additional Observations: In association with the above observation, there was considerable discussion at the June 3, 2005 Implementation Committee meeting regarding the inadequacy of the grants for financial hardship districts. Many asserted that the grant inadequacy was the catalyst for the after the fact COP borrowing. In essence, the post COP borrowing was necessary to complete the project but subjected the

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school district to potential over-expenditure penalties when future audits of the project occur. In addition, there was discussion relating to the cumbersome financial hardship paperwork requirements and review process that ultimately leads to a six month financial hardship approval period. Several audience members maintained that the six month financial hardship approval is too short and should be increased.

Potential Solutions: Based on comments from Implementation Committee and audience at the June 3, 2005 Implementation Committee meeting, staff offers the following suggestion for addressing this issue:

- A. Require districts to be subject to all governing financial hardship rules until a 100 percent complete final expenditure report is submitted on their last funded SFP/Financial hardship project. Note: A financial hardship review at time of project closeout might necessitate an adjustment to the financial hardship grant and an increase in the district contribution to a maximum of 50 percent of project costs.
 - B. Provide that on a case by case basis financial hardship districts be allowed to supplement SFP grants through local funding mechanisms, to enable the construction of a complete school containing minimum essential facilities as specified by CDE. Provided the local funding mechanism is used only to generate the amount needed to complete the school facility project in accordance with the original scope of the project. Any local funding mechanism which exceeds that amount would be deemed available for district match.
 - C. In response to comments that the financial hardship approval period is too short (6 months), staff proposes increasing the financial hardship renewal period from 6 months to one year. To accommodate this new approval period, a review of a financial hardship district or COE's finances will be performed by OPSC on an annual basis or when new projects, or subsequent phases of previously approved projects, are submitted by the district for financial hardship funding.
2. **Observation:** Existing law permits school districts to garner SFP new construction eligibility based on augmentations to their enrollment projections. The anticipated pupils that will reside in dwelling units indicated on approved tentative subdivision maps are used for this augmentation. This ability allows schools districts to plan ahead and build schools before or in time of the students' arrival. Because the districts can file for eligibility before the housing units are built, their SFP funding application and financial hardship review precedes the collection of developer fees which occurs later as the construction permits are issued. This results in the OPSC not being able to recognize the developer fees that could be used for the districts' matching share of their SFP projects.

Potential Solutions: Based on comments from Implementation Committee and audience at the June 3, 2005 Implementation Committee meeting, staff offers the following suggestion for addressing this issue;

- A. Require financial hardship districts to remain under the financial hardship requirements until a 100 percent complete final expenditure report is submitted on their last SFP/Financial hardship project. To accommodate this new requirement, a review of a financial hardship district's finances will be performed by OPSC at time of project closeout. Note: A financial hardship review at time of project closeout might necessitate an adjustment to the financial hardship grant and an increase in the district contribution to a maximum of 50 percent of project costs.
3. **Observation:** One of the ways to qualify for financial hardship is to have a current school facility related indebtedness of at least 60 percent of a districts' total bonding capacity. It has become an apparent pattern that some districts are securing a COP or other debt instrument in order to just meet the 60 percent threshold

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and then encumber those funds before submitting a financial hardship request. It would appear that this is occurring so those districts can qualify for financial hardship under the SFP.

Potential Solutions: Based on comments from Implementation Committee and audience at June 3, 2005 Implementation Committee meeting, staff offers the following alternatives for potentially addressing this issue:

- A. Although there appeared to be little support at the meeting for raising the indebtedness threshold, Staff believes the threshold should be increased to 70 percent based on the previously suggested solutions and the low percentage of districts with indebtedness beyond 60 percent. Any COP's or other debt instruments utilized to meet the new 70 percent threshold would need to be available as district contribution for the SFP project and should not be encumbered for other purposes.

-or-

- B. Leave the current 60 percent indebtedness threshold in place, but require any COP's or other debt instruments utilized to meet the 60 percent threshold to be available as district contribution on the financial hardship projects.

Observations four and five will be presented and further discussed at the July Implementation Committee meeting.

4. **Observation:** At times when SFP funding is unavailable, districts are permitted to obtain temporary or so-called "bridge", financing to proceed with their building or modernization projects until State funds became available. The intent was to "bridge" the period of time without State funding and to retire the debt instrument once the districts receive reimbursement from the State. However, some districts are choosing to accept the reimbursement from the State but utilize the funds for other capital facilities purposes rather than retire the debt instrument used to fund the SFP project. The districts maintain the debt, so they continue to meet the 60 percent indebtedness and subsequently request financial hardship status for their other SFP projects without having to use the unpaid portion as district contribution.

Potential Measure: For purposes of determining eligibility for financial hardship funding, recognize the reimbursed amount as being applied to the debt and determine the corresponding revised percentage of indebtedness.

5. **Observation:** Districts control the timing for their initial financial hardship submittal in order to encumber available funds prior to their review. As a result, the OPSC cannot recognize these funds as available for contribution towards their SFP financial hardship projects. This permits the districts to utilize available funds for other district priorities and then receive up to 100 percent State funding for their SFP project.

Potential Measure: Do not recognize any capital project related encumbrances within one year of the initial financial hardship request. Require districts to produce contracts and/or invoices dated one year prior to the financial hardship review in order for funds to be considered encumbered.

The OPSC suggests further exploration into these areas to determine if process, regulatory and/or statutory modifications may be appropriate.