

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE

Pending Items List
September 5, 2008

A. Future Items

- Accessibility and Fire Code Requirements for Modernization Projects
Discussion of proposed regulatory changes to the Accessibility and Fire Code grant allowance
- Role of the Implementation Committee
- Alternative Education Loading Standards and Funding
Discussion on the loading standards and adequacy of the funding provided for continuation high, community day, and county community day schools under the School Facility Program

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE MEETING
September 5, 2008

FINANCIAL HARDSHIP PROGRAM REGULATORY AMENDMENTS

PURPOSE OF REPORT

To provide proposed regulation changes for the Financial Hardship (FH) program.

BACKGROUND

At the April 23, 2008 State Allocation Board (SAB) meeting, the SAB requested the Office of Public School Construction (OPSC) to bring back to the May 28, 2008 meeting proposed regulatory amendments to the FH program for the SAB's consideration. Revisions were requested due to issues disclosed from OPSC's recent FH reviews.

Staff met with representatives from County Offices of Education (COE) on May 9, 2008 and the FH Advisory Group on May 12, 2008 to discuss broad concepts for reforming the FH program. Meeting participants discussed program integrity and process improvement concepts. These concepts were then incorporated into draft regulations that were presented at the May 16, 2008 Implementation Committee meeting. Some Implementation Committee members expressed concern that the regulation changes were too broad to consider in one meeting. After a lengthy discussion, Staff committed to scaling back the regulations for consideration at the May 28, 2008 SAB meeting.

Proposed regulations were presented at the May 28, 2008 SAB meeting. Based on the discussion at the meeting, the SAB requested that Staff bring the proposed regulations to the June 2008 Implementation Committee meeting for further discussion and clarification before the Board takes any further action on these regulations.

Instead of immediately taking the item back to the June 2008 Implementation Committee meeting, staff formulated a group consisting of representatives from COEs, school districts, the California Association of School Business Officials (CASBO) and members of the Coalition for Adequate School Housing (CASH) to further develop and clarify proposed regulation changes. This group (FH Reform Group) has had numerous meetings during the summer, resulting in the proposed changes which are presented at today's meeting.

AUTHORITY

Education Code Section 17075.15 and the School Facility Program (SFP) Regulation Section 1859.81 outline the requirements of the FH program; Education Code Section 17070.63(c) and SFP Regulation Section 1859.103 outline savings, and Education Code Section 17076.10(a) and SFP Regulation Section 1859.104 outline the SFP reporting requirements.

STAFF COMMENTS

The OPSC has drafted proposed regulation changes for the FH program (proposed regulations attached). These regulatory changes will improve integrity, clarity, and uniformity to the program. An integral part of this comprehensive proposed regulatory "package" is to tie these changes with an extension of the FH initial approval period from 6 to 12 months. The following concepts summarize the proposed regulatory changes:

1. PROGRAM REPORTING REQUIREMENTS / CONDITIONS – Section 1859.104 and 1859.81 (stamped pages 18-19)

As a condition of receiving any SFP grant, all applicants must follow the California Department of Education (CDE) California School Accounting Manual and create and maintain a sub-fund account or unique account code for each

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STAFF COMMENTS (cont.)

1. PROGRAM REPORTING REQUIREMENTS / CONDITIONS – Section 1859.104 and 1859.81(cont.)

SFP project that accounts for all revenues and expenditures. In addition, as a condition of receiving FH status and funding approval, all applicants shall fully disclose all financial information and resources for capital facilities funding.

2. SAVINGS – Section 1859.103 (stamped page 18)

All FH project savings must be returned when the final expenditure report (Form 50-06) is due, or apply savings to reduce the SFP FH grant on another FH project currently on the OPSC workload.

3. INITIAL REVIEW – Section 1859.81(b)(1) (stamped page 21)

Revenues, encumbrances and expenditures allowed are defined. Revenues will include all current and projected capital facility funds. Projected revenue is defined to include all capital facility funds that will be received within six months of documentation submission date (must be reported to OPSC). For purposes of FH review, encumbrances and expenditures will only be allowed for purpose of constructing or modernizing classrooms and required school facilities. In addition, for purposes of FH review, no encumbrances will be allowed for the State share of any SFP project.

4. APPROVAL PERIOD EXTENDED / RENEWAL REVIEW – Section 1859.81(b)(2) (stamped pages 21-22)

The FH status will be extended from 6 to 12 months; a district will need to request to reestablish FH status at 12 months. Staff will validate that expenditures are liquidating the encumbrances. If there are no material expenditures against the encumbrances within a 12 month period, then the encumbrances will be disallowed and considered as available district contribution.

5. INTERIM REPORTING REQUIREMENT – Section 1859.81(e) (stamped page 24)

With the extension of the approval period from 6 to 12 months, interim reporting will be required while in FH status. During the period of FH status, the district shall submit 1st and 2nd interim financial reports, and year-end reports (as required by the Department of Education) and other documentation as determined by OPSC that includes revenues, encumbrances and expenditures. Review of this information by OPSC could result in additional funds being available as district contribution. Failure to comply with this requirement may result in termination of FH status, suspension of fund releases, or remission of FH apportionments back to OPSC.

6. THREE YEAR RULE – Section 1859.81(b)(2)(J) (stamped page 22)

The three-year period begins with the latest of the following: the date of the most recent financial hardship new construction or modernization adjusted grant funding, the date of the most recent financial hardship approval status, or the date the district elects to stay out of the financial hardship program per a School Facility Program (SFP) project audit finding. Each of these occurrences would restart the three year clock.

7. SMALL SCHOOL DISTRICTS – Section 1859.81(f) (stamped page 24)

For small school districts (with ADA less than 2500), the maximum district contribution from non-bond funds shall not exceed the minimum reserve balance for economic uncertainty during the 12 month FH status.

(Continued on Page Three)

STAFF COMMENTS (cont.)

8. QUALIFYING CRITERIA – Section 1859.81(a)(1) (stamped page 20)

For the 60% bonded indebtedness test, all debt issued for the purpose of constructing or modernizing classrooms and required school facilities will be used to determine if the district meets this criteria. The amount of debt used in the 60% calculation for other than constructing or modernizing any non required school facilities purposes issued prior to October 1, 2008, will be phased out between October 1, 2008 and January 1, 2013. Effective January 1, 2013, this portion of the debt will no longer be included in the calculation of the 60% bonded indebtedness test.

9. OTHER NON-SUBSTANTIVE CHANGES – Section 1859.81(d) (stamped page 23)

Interim housing language has been modified to reflect the restructuring of the regulation and striking out the reference to Emergency School Classroom Law in former section (d) of the Financial Hardship regulation.

Section 1859.103. Savings

(a) A district may expend the **non-FH** savings not needed for a project on other high priority capital facility needs of the district including the relocation of district facilities necessary as a result of Subdivision (b) of Education Code Section 17072.12. The grants for the projects funded pursuant to Section 1859.70.2 or Section 1859.180 shall be limited to eligible expenditures, up to the State Apportionment for the project. Savings may be declared by the district in writing to the OPSC any time after the release of all funds for the project. With the exception of savings attributable to a site apportionment made pursuant to Section 1859.74.5;

(b) ~~The State's portion of any FH savings **and interest** declared by the district **pursuant to Section 1859.104(a)** or determined by the OPSC by audit must be used to reduce the SFP financial hardship grant of that project or other financial hardship projects within the district for a period of three years from the date the savings were declared by the district or determined by the OPSC audit. **must be returned to the OPSC with the final expenditure report or used to reduce the SFP financial hardship grant on another financial hardship project that has been accepted to OPSC workload as of the date SAB Form 50-06 is accepted. The submittal of the savings does not preclude any additional adjustments based on the OPSC final audit determination.** Any interest earned on a financial hardship project not expended on eligible project expenditures will be treated as savings and will be used to reduce the SFP financial hardship grant for that project.~~

(c) The State's portion of any savings from a new construction project or a Joint-Use Project may be used as a district matching share requirement, only on another new construction project, and the State's share of any savings from a modernization project may be used as a district matching share requirement, only on another modernization project.

~~Any interest earned on a financial hardship project not expended on eligible project expenditures will be treated as savings and will be used to reduce the SFP financial hardship grant for that project.~~

~~Note: Authority cited: Section 17070.35, Education Code.~~

~~Reference: Sections 17070.63, 17072.12, 17077.40 and 17079.20, Education Code.~~

Section 1859.104. Program Reporting Requirements.

As a condition of receiving any SFP grant, a school district must follow the CDE California School Accounting Manual and create and maintain a sub-fund account or unique account code for each SAB SFP project that accounts for all revenues and expenditures including, but not limited to, SFP grants and school district contributions.

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 two complete school years after the Occupancy of the approved project. The final report shall be due no later than two complete school years after the OPSC notifies the district of the Occupancy of the last approved project.

(f) If an Apportionment was made under the Overcrowding Relief Grant pursuant to Section 1859.180, the School District must provide a certification that the replaced portables were removed from the eligible site and from service pursuant to Education Code Section 17079.30.

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

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

Section 1859.81. Financial Hardship.

As a condition of receiving FH status and funding approval, all districts shall fully disclose all financial information and resources for capital facilities funding. In addition, districts must meet the program reporting requirements listed in regulation section 1859.104. Failure to meet this condition will result in the termination of the district's FH status. Upon proof of compliance with the condition, satisfactory to the OPSC, districts may reapply for FH status.

Except for Joint-Use Projects and Career Technical Educational Facilities Projects, a district is eligible for financial hardship to fund all or a portion of its matching share requirement after demonstrating the requirements of (a), (e)(b), and (e)(c) below:

(e) (a) The district has made all reasonable efforts to fund its matching share of the project by demonstrating it is levying the developer fee justified under law or an alternative revenue source equal to or greater than the developer fee otherwise justified under law at the time of request for hardship and the district meets at least one of the following:

(1) The current outstanding bonded indebtedness of the district issued for the purpose of constructing school facilities in accordance with Education Code Section 17072.35 or 17074.25 as appropriate, at the time of request for financial hardship status, is at least 60 percent of the district's total bonding capacity.

Outstanding bonded indebtedness includes that part of general obligation bonds, Mello-Roos Bonds, School Facility Improvement District Bonds and certificates of participation which the district is paying a debt service that was issued for capital outlay school facility purposes.

The district's total outstanding bonded indebtedness is at least 60 percent of the district's total bonding capacity. All current outstanding bonded indebtedness issued for the purpose of constructing or modernizing classrooms and school facilities listed in the table in Section 1859.82(b) will be used to determine if the district meets this criteria.

Current outstanding bonded indebtedness issued prior to October 1, 2008 for other capital outlay school facility purposes, used to determine if the district meets this criteria, will be phased out according to the following schedule:

(i) 100 percent will be included in the calculation of bonded indebtedness on all FH requests accepted to the OPSC FH workload prior to January 1, 2009.

(ii) 80 percent will be included in the calculation of bonded indebtedness on all FH requests accepted to the OPSC FH workload prior to January 1, 2010.

(iii) 60 percent will be included in the calculation of bonded indebtedness on all FH requests accepted to the OPSC FH workload prior to January 1, 2011.

(iv) 40 percent will be included in the calculation of bonded indebtedness on all FH requests accepted to the OPSC FH workload prior to January 1, 2012.

(v) 20 percent will be included in the calculation of bonded indebtedness on all FH requests accepted to the OPSC FH workload prior to January 1, 2013.

(vi) Beginning January 1, 2013 no allowance will be included in the calculation of bonded indebtedness.

Bonded indebtedness is described in Education Code Section 17075.15(d)(2).

(2) The district had a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of request for financial hardship status. The proceeds from the bond election that represent the maximum amount allowed under the provisions of Proposition 39 must be used to fund the district's matching share requirement for SFP project(s).

(3) It is a County Superintendent of Schools.

(4) The district's total bonding capacity at the time of the request for financial hardship status is \$5 million or less.

(5) Other evidence of reasonable effort as approved by the SAB.

(a) The district is financially unable to provide all necessary matching funds for an eligible project. To determine this, an analysis shall be made of the district's financial records by the OPSC including data and records maintained by the CDE and the County Office of Education. The analysis shall consist of a review of the district's latest Independent Audit regarding funds available from all capital facility accounts, including, but not limited to, developer fees, funds generated from capital facility certificates of participation, federal grants, redevelopment funds, sale proceeds from surplus property, the appraised value of facilities approved for replacement pursuant to Section 1859.82, bond funds either encumbered, unencumbered or authorized but unsold, and savings from other SFP projects. All funds thus identified that have not been expended or encumbered by a contractual agreement for a specific capital outlay purpose prior to the initial request for financial hardship status shall be deemed available as a matching contribution.

After the initial request for financial hardship status is granted, no further encumbrances will be approved by the OPSC and all prospective revenue made available to the district's capital facility accounts shall be deemed available as matching contribution on the subsequent financial hardship review, with the exception of:

(b) Review - The district is financially unable to provide all necessary matching funds for an eligible project. To determine this, a review of the school district's financial records will be performed by the OPSC, including, but not limited to, data and records maintained by the CDE and the County Office of Education and the school district's latest Independent Audit Reports.

(1) Initial Review shall include:

(A) Revenues – all capital facility funding that is designated for capital outlay purposes must include current and projected revenues. Projected revenues are those revenues that will be received within 6 months of the documentation submission date, including, but not limited to, apportioned state grants, developer fees, funds generated from capital facility certificates of participation, federal grants, redevelopment funds, sale proceeds from surplus property, the appraised value of facilities approved for replacement pursuant to Section 1859.82, bond funds either apportioned, in-excess of refinanced amounts, encumbered, unencumbered or authorized but unsold.

(B) Encumbrances allowed for purposes of FH review - for constructing or modernizing classrooms and school facilities listed in the table in Section 1859.82(b). The encumbrances must meet the definition as provided in the CDE California School Accounting Manual.

(i) Interim housing encumbrances will be allowed up to maximum allowance defined in subsection (f).

(ii) The district will provide evidence that expenditures are materially liquidating the encumbrances through the life of the project to OPSC's satisfaction. If there are no material expenditures against the encumbrances within a 12 month period, then the district will be required to unencumber the funds and the OPSC will consider the unencumbered funds as district contribution.

(iii) The amount of encumbrances allowed for any non-FH SFP project will be limited to district's share of the SAB approved total project costs. Any amount that is in excess of the SAB approved total project costs will be included as district contribution.

(iv) No encumbrances will be allowed for the State share of any project.

(C) Expenditures allowed - for constructing or modernizing classrooms and school facilities listed in the table in Section 1859.82(b). The expenditures must meet the definition as provided in the CDE California School Accounting Manual.

(2) Renewal Review is defined as a district's request to re-establish financial hardship status after their 12 months financial hardship approval has expired.

Revenues defined in subsection (1)(A) above shall be included in a renewal review.

After the initial request for financial hardship status is granted, no further ~~No additional~~ encumbrances will be approved by the OPSC beyond those approved at the initial FH approval. and all ~~All~~ prospective revenue as defined in subsection (d)(1) made available to the district's capital facility accounts project funds and/or capital facility funding designated for capital outlay purposes shall be deemed available as matching district contribution on the subsequent financial hardship review, with the exception of:

- (A) Approved interim housing expenditures up to maximum allowance defined in subsection (f).
- (B) Funding to pay for previously recognized multi-year encumbrances/contracts approved at the initial financial hardship approval. Expenditures that exceed the amount of the matching encumbrance approved at the initial FH approval will be disallowed and considered available as district contribution. The OPSC will validate the expenditures are materially liquidating the encumbrances through the life of the project. If there are no material expenditures against the encumbrances within 12 month period, then the encumbrances will be disallowed and considered as available district contribution.
- (C) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the Federal Renovation Program when the amount expended out of that fund does not exceed the maximum Federal Renovation Grant amount.
- (D) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the School Facilities Needs Assessment Grant Program or Emergency Repair Program when the amount expended out of that fund does not exceed the maximum grant amount apportioned.
- (E) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the Career Technical Education Facilities Program when the amount expended out of that fund does not exceed the applicant's share of the maximum grant amount apportioned.
- (G) Funding that is transferred into a Special Reserve Fund and used for the express purpose of the Overcrowding Relief Grant when the amount expended out of that fund does not exceed the amount of the site acquisition and design costs of the project and the district has submitted an approved Form SAB 50-11.
- (H) Funding that is used for the express purpose of reimbursing the State a proportionate share of financial hardship received when there has been a transfer of a special education program and title to the facility. In addition, the funding was used within five years of the title transfer.
- (I) Funding to pay for obtaining a structural report pursuant to Section 1859.82 for an approvable and funded seismic mitigation project.
- (J) All other capital facility funding for a period of three years when no subsequent financial hardship request is made during this period, with the exception of the funding identified in (6). The three-year period begins with the latest of the following: the date of the most recent financial hardship new construction or modernization adjusted grant funding apportionment.

(i) the date of the most recent financial hardship new construction or modernization adjusted grant funding apportionment,

(ii) the date of the most recent financial hardship approval status, or

(iii) the date the district agreed to stay out of the financial hardship program for three years per an SFP project audit findings.

When Overcrowding Relief Grant funding is set aside pursuant to (G) and the School District has not submitted, or the OPSC has not accepted, a Form SAB 50-04 for an Overcrowding Relief Grant within three years from the date of deposit into the Special Reserve Fund, or the School District has not met the requirements in Sections 1859.90 or 1859.105, remaining funds plus interest accrued at the Pooled Money Investment Board rate at that time period shall be deemed available as matching contribution on a subsequent financial hardship project or be captured through an audit adjustment pursuant to Section 1859.106.

The financial hardship analysis is subject to approval by the Board. This item has been moved to page 7.

~~(e)(c)~~ The district has not signed a contract for acquisition or construction of classrooms that replace existing facility(ies), which were included in the determination of the district's new construction eligibility pursuant to Education Code Section 17071.75, in a locally funded project during the five-year period immediately preceding the district's application for financial hardship assistance. This restriction may be lifted if the Board finds that unforeseen and extenuating circumstances existed that required the district to use local funds to replace the facility(ies). ~~If the district's request for financial hardship status is denied by the Board, the district may be deemed eligible for rental payments of \$2,000 per year per classroom under the Emergency School Classroom Law of 1979 for a two year period when relocatable classroom buildings are available and the district provides financial documentation that it is unable to afford the full rental amount and any other information satisfactory to the Board that the rental reduction is necessary. The number of classrooms eligible for the \$2,000 rental payments shall be the sum of the numbers determined in (c)(5)(B) as follows:~~

~~(A) Determine the number of pupils by grade level that the district requested a New Construction Grant on the Form SAB 50-04 that were denied financial hardship status.~~

~~(B) Divide the number by grade level determined in (c)(5)(A) by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number.~~

~~(b) From the funds deemed available as a matching contribution, the district may retain.~~

~~(d) For purposes of subsection (b) above, the maximum approvable encumbrance and matching expenditure amount for interim housing is limited to \$19,776 per classroom in each enrollment reporting period for the cost to provide interim housing for the currently unhoused pupils of the district. The amount shown shall be adjusted annually in the manner prescribed in Section 1859.71. The number of classrooms needed for interim housing for the currently unhoused pupils shall be the sum of the positive numbers determined in ~~(b)(d)(7)~~ as follows:~~

~~(1) Determine the current enrollment of the district by grade level as shown on the latest Form SAB 50-01.~~

~~(2) Determine the New Construction Grants apportioned by grade level for all SFP projects and LPP funded under the provisions of Sections 1859.12 or 1859.13 where the district has submitted Form SAB 50-06 indicating that the project is 100 percent complete.~~

~~(3) Subtract ~~(b)(d)(2)~~ from ~~(b)(d)(1)~~.~~

~~(4) Determine the number of classrooms by grade level reported in Part 1, Line 8 on Form SAB 50-02.~~

~~(5) Multiply the classrooms determined in ~~(b)(d)(4)~~ by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe.~~

~~(6) Subtract the product determined in ~~(b)(d)(5)~~ from the difference determined in ~~(b)(d)(3)~~ by grade level.~~

~~(7) Divide the difference by grade level determined in ~~(b)(d)(6)~~ by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number.~~

~~From the funds deemed available as a matching contribution, the district may also retain~~ **For purposes of subsection (b) above, the maximum approvable encumbrance and matching expenditure amount for a portable toilet is limited to \$19,776 per portable toilet unit in for each reporting period if the district has a minimum need of eight classrooms as determined above.** ~~for the cost to provide necessary interim toilet facilities for the currently unhoused pupils of the district. The amount shown shall be adjusted annually in the manner prescribed in Section 1859.71. The number of toilet facilities needed for interim housing shall be the sum of the positive numbers determined in ~~(b)(f)(7)~~ divided by eight rounded up to the nearest whole number.~~

If the district's available funds, as determined by the OPSC analysis less costs for interim housing, is less than its matching share, the district will be deemed to have met the requirements of this Subsection.

(e) The district shall submit certified 1st Interim Financial, 2nd Interim Financial, and Year End (YE) Financial reports as required by Ed Code sections 1240(1)(1)(A)&(B), 42130, and 42131 and other documentation as determined by OPSC that cover the full term of FH status that include revenues and expenditures as defined in subsections (d)(1) and (3) above to the OPSC on the following dates:

1st Interim Financial due December 15 (July 1 through October 31);

2nd Interim Financial due March 15 (November 1 through January 31);

YE Financial due September 15 (July 1 through June 30)

Any available revenues as a result of the 1st Interim Financial, 2nd Interim Financial, and YE Financial report reviews shall be considered available as district contribution. The district contribution will reduce the FH apportionment on SFP projects that have: (1) not been apportioned, (2) been apportioned and not received a fund release, and/or (3) declared/applied as savings for those projects that have received a fund release. The district contribution shall not exceed the state's share of FH assistance. The district will provide evidence that expenditures are materially liquidating the encumbrances through the life of the project to OPSC's satisfaction. If there are no material expenditures against the encumbrances within a 12 month period, then the district will be required to disencumber the funds and the OPSC will consider the disencumbered funds as district contribution.

Failure to comply with the 1st Interim Financial, 2nd Interim Financial, and YE Financial reporting requirements may terminate the district's FH status and may suspend any fund releases. In addition, the district may be required to remit any FH apportionment(s) to the OPSC.

(f) For small school districts (with ADA less than 2500) the maximum district contribution from non-bond funds (bonds as defined in E.C. Section 17075.15(d)(2)) shall not exceed the minimum reserve balance for economic uncertainty (as defined in CCR, Title 5, Div. 1, Ch. 14, Subch. 8, Art. 1, Sec. 15443) during the 12 month FH status.

If the district meets the financial hardship requirements in this Section, the amount of financial hardship is equal to the district's matching share less funds deemed available in (a)(b).

The financial hardship analysis is subject to approval by the Board.

Once a district has been notified by the OPSC that it meets the requirements of financial hardship in this Section, the district may file Form SAB 50-04 under the provisions of financial hardship anytime within a period of 12 months from the date of the OPSC notification. If the district does not submit Form SAB 50-04 under the provisions of financial hardship within 12 months of the OPSC notification of approval of financial hardship status, the district must re-qualify for financial hardship status under the provisions of this Section by submittal of a new request for financial hardship status.

If the district submits Form SAB 50-04 within 12 months of the OPSC notification of approval of financial hardship and the project(s) has been included on an unfunded list for more than 12 months a review of the

district's funds pursuant to (a) (b) will be made to determine if additional district funds are available to fund the district's matching share of the project(s). Financial hardship approval status by the OPSC for a separate design and/or site apportionment does not apply to any subsequent funding for the project(s).

Note: Authority cited: Sections 17070.35, 17075.15, 17078.72 and 17592.73, Education Code.

Reference: Sections 17071.75, 17075.10, 17075.15, and 17079.20, Education Code.

Draft

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
September 5, 2008

MATERIAL INACCURACY - LOSS OF SELF-CERTIFICATION PENALTIES

PURPOSE

To finalize the discussion of the methodology used to determine Staff's recommendations to the State Allocation Board (SAB) regarding the loss of self-certification in association with a Material Inaccuracy due to a premature or invalid fund release.

BACKGROUND

An item was presented at the June 6, 2008 Implementation Committee meeting which captured the work group discussions between the Office of Public School Construction (OPSC) and committee members regarding the recommended length of time for the loss of self-certification privileges. The Discussion section of this item contains the suggestions agreed on by Staff and the work group. Also, the section contains alternative suggestions and comments made by the audience at the meeting.

AUTHORITY

Material Inaccuracy is defined by the School Facility Program (SFP) Regulation Section 1859.2 as any falsely certified application that allowed the district an advantage in the funding process. Education Code (EC) Section 17070.51 requires the OPSC to notify the SAB if any such certifications have been found. This EC Section also provides the SAB with the authority to impose penalties if a finding of Material Inaccuracy has been made by the SAB. The penalties to the district discussed in this item pertain to the prohibition of self-certification for a period of up to five years.

For a complete list of Authority citations for loss of self-certification in association with a Material Inaccuracy, please see bolded section of Attachment A.

DISCUSSION

The following are suggestions agreed on by Staff and committee members as a result of the work group discussions regarding loss of self-certification recommendations to the SAB:

Example A

- The district did not meet the 18-month time limit on fund release

Modifications to Staff Recommendation for Example A

The Staff's current recommendation to the Board (as outlined on Attachment B) would be to rescind the project and impose a five-year loss of self-certification. As a result of work group discussions, Staff has agreed to recommend a loss of self-certification period of up to five years (as outlined on Attachment B-1). The rationale by committee members was that phrasing the recommendation in this manner would encourage the Board to exercise their own authority to impose a loss of self-certification period.

Another suggestion was to consider the percentage of compliance when recommending loss of self-certification. Although, Staff asserts that there is no ambiguity in regards to the percentage that must be under contract prior to the submittal of the *Fund Release Authorization* form, an agreement was reached that Staff would indicate on future SAB items the percentage of construction expenditures under contract. The Board may take into account the percentage of compliance when considering the recommendation for the loss of self-certification of up to five years.

DISCUSSION (cont.)

Example B

- The district did meet the 18-month time limit on fund release
- The district does have prior rescission(s) associated with invalid fund releases

Modifications to Staff Recommendation for Example B

The Staff's current recommendation to the Board (as outlined on Attachment B) would be a five-year loss of self-certification. As a result of work group discussions, Staff has agreed to recommend a loss of self-certification period of up to five years (as outlined on Attachment B-1).

The following are comments made by the audience at the meeting regarding loss of self-certification recommendations to the SAB:

- For Example A, Staff should not recommend a loss of self-certification period as the rescission and corresponding recovery of interest is enough of a penalty. Staff response was that a rescission is not a penalty in cases of modernization projects since the district is able to re-apply.
- SFP Regulation Section 1859.104 omits a section of EC Section 17070.51(b)(2) which states that the self-certification prohibition period could end when the district repays the amount owed. Staff informed the audience that legal counsel opined that the regulation is not in violation of the statute.
- The first finding of Material Inaccuracy for a district should not be presented to the Board. Instead Staff should implement an informal period in which it requests documentation from the district to substantiate a fund release request. Staff contended that per statute OPSC is required to notify the Board if a Material Inaccuracy has occurred.

Another audience member referenced Attachment B stating that the Material Inaccuracy regulation was not adopted until sometime near July 2002. This audience member was questioning whether a retroactive application of the regulation was appropriate. Staff consulted with legal counsel who stated that to date the OPSC has not applied statutes regarding Material Inaccuracy retroactively. The Material Inaccuracy regulations were established to further clarify the statute; however, the existing statute already provided a framework in which the SAB could require the following:

- Repayment by the district of additional funding received as a result of a material inaccuracy including interest;
- Prohibition of self-certification by the district for a period of up to five years;
- Establishment of an alternative method for state or independent certification of compliance by the Board; and,
- Payment by the district of any increased costs associated with the alternative certification process due to the loss of self-certification.

ATTACHMENT A

AUTHORITY

EDUCATION CODE SECTION 17070.51

17070.51. (a) If any certified eligibility or funding application related information is found to have been falsely certified by school districts, architects or design professionals, hereinafter referred to as a material inaccuracy, the Office of Public School Construction shall notify the board.

(b) The board shall impose the following penalties if an apportionment and fund release has been made based upon information in the project application or related materials that constitutes a material inaccuracy.

(1) Pursuant to a repayment schedule approved by the board of no more than five years, the school district shall repay to the board, for deposit into the 1998 State School Facilities Fund, an amount proportionate to the additional funding received as a result of the material inaccuracy including interest at the rate paid on moneys in the Pooled Money Investment Account or at the highest rate of interest for the most recent issue of state general obligation bonds as established pursuant to the Chapter 4 (commencing with Section 16720), of Part 3 of Division 4 of Title 2 of the Government Code, whichever is greater.

(2) The board shall prohibit the school district from self-certifying certain project information for any subsequent applications for project funding for a period of up to five years following the date of the finding of a material inaccuracy or until the district's repayment of the entire amount owed under paragraph (1). Although a school district that is subject to this paragraph may not self-certify, the school district shall not be prohibited from applying for state funding under this chapter. The board shall establish an alternative method for state or independent certification of compliance that shall be applicable in these cases. The process shall include, but shall not be limited to, procedures for payment by the school district of any increased costs associated with the alternative certification process.

(c) For school districts found to have provided material inaccuracies when a funding apportionment has occurred, but no fund release has been made, the board shall direct its staff to reduce the apportionment as necessary to reflect the actual nature of the project and to disregard the inaccurate information or material, and paragraph (2) of subdivision (b) shall apply.

(d) For those school districts found to have provided material inaccuracies when no funding apportionment or fund release has been made, the inaccurate information or materials shall not be considered, and paragraph (2) of subdivision (b) shall apply. The project may continue if the application, minus the inaccurate materials, is still complete.

AUTHORITY REGARDING PREMATURE FUND RELEASE AND RESCISSION

Fund Release Criteria

EC Section 17072.32 in part states that the essential element necessary to meet the criteria of a fund release is to have "...a binding contract for the completion of the approved project".

SFP Regulation Section 1859.90 states, "...the OPSC will release State funds that have been apportioned by the Board to the district after submittal, by the district, of the Form SAB 50-05."

Form SAB 50-05, incorporated by reference in SFP Regulation Section 1859.90, requires the district, as a condition of funding, to certify that it has entered into a binding contract(s) for at least 50 percent of the construction included in the plans applicable to the state funded project.

EC Section 17072.32(a) states, "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."

Material Inaccuracy

SFP Regulation Section 1859.2 (Definition of Material Inaccuracy), "Means any falsely certified eligibility or funding application related information submitted by the school districts, architects or other design professionals that allowed the school district an advantage in the funding process."

AUTHORITY REGARDING PREMATURE FUND RELEASE AND RESCISSION (cont.)

Material Inaccuracy (cont.)

To make a finding of Material Inaccuracy, EC Section 17070.51(a) states, "If any certified eligibility or funding application related information is found to have been falsely certified by school districts, architects or design professionals, hereinafter referred to as a Material Inaccuracy, the OPSC shall notify the Board."

Material Inaccuracy Penalties

EC Section 17070.51(b) states that, "The board shall impose the following penalties if an apportionment and fund release has been made based upon information in the project application or related materials that constitutes a Material Inaccuracy."

EC Section 17070.51(b)(1) states that, "Pursuant to a repayment schedule approved by the board of no more than five years, the school district shall repay to the board...an amount proportionate to the additional funding received as a result of the Material Inaccuracy including interest at the rate paid on moneys in the Pooled Money Investment Account..."

Repayment of Material Inaccuracy Interest Penalty

SFP Regulation Section 1859.104.1(c)(1) states the district "must repay the additional funding received beyond the amount the district was entitled to for the project with interest within five years from the date the Board made the finding of Material Inaccuracy. Interest shall be assessed as prescribed in Education Code Section 17070.51(b)(1)."

Rescission of Project Apportionment

EC Section 17076.10(d) states, "If a school district has received an apportionment, but has not met the criteria to have funds released pursuant to Section 17072.32 or 17074.15 within a period established by the board, but not to exceed 18 months, *the board shall rescind the apportionment* and deny the district's application."

SFP Regulation Section 1859.90 states, "...a district must submit the Form SAB 50-05, within 18 months of the Apportionment of the SFP grant for the project or the entire...apportionment shall be rescinded without further Board action, and the pupils housed in the project, if applicable, will be added back to the district's baseline eligibility. The district may re-file a new application for the project subject to district eligibility and priority funding at the time of resubmittal."

AUTHORITY REGARDING LOSS OF SELF-CERTIFICATION

EC Section 17070.51(b)(2) states that, "The board shall prohibit the school district from self-certifying certain project information for any subsequent applications for project funding for a period of up to five years following the date of the finding of a Material Inaccuracy or until the district's repayment of the entire amount owed under paragraph (1)." The statute further states, "...The board shall establish an alternative method for state or independent certification of compliance that shall be applicable in these cases. The process shall include, but not be limited to, procedures for payment by the school district of any increased costs associated with the alternative certification process."

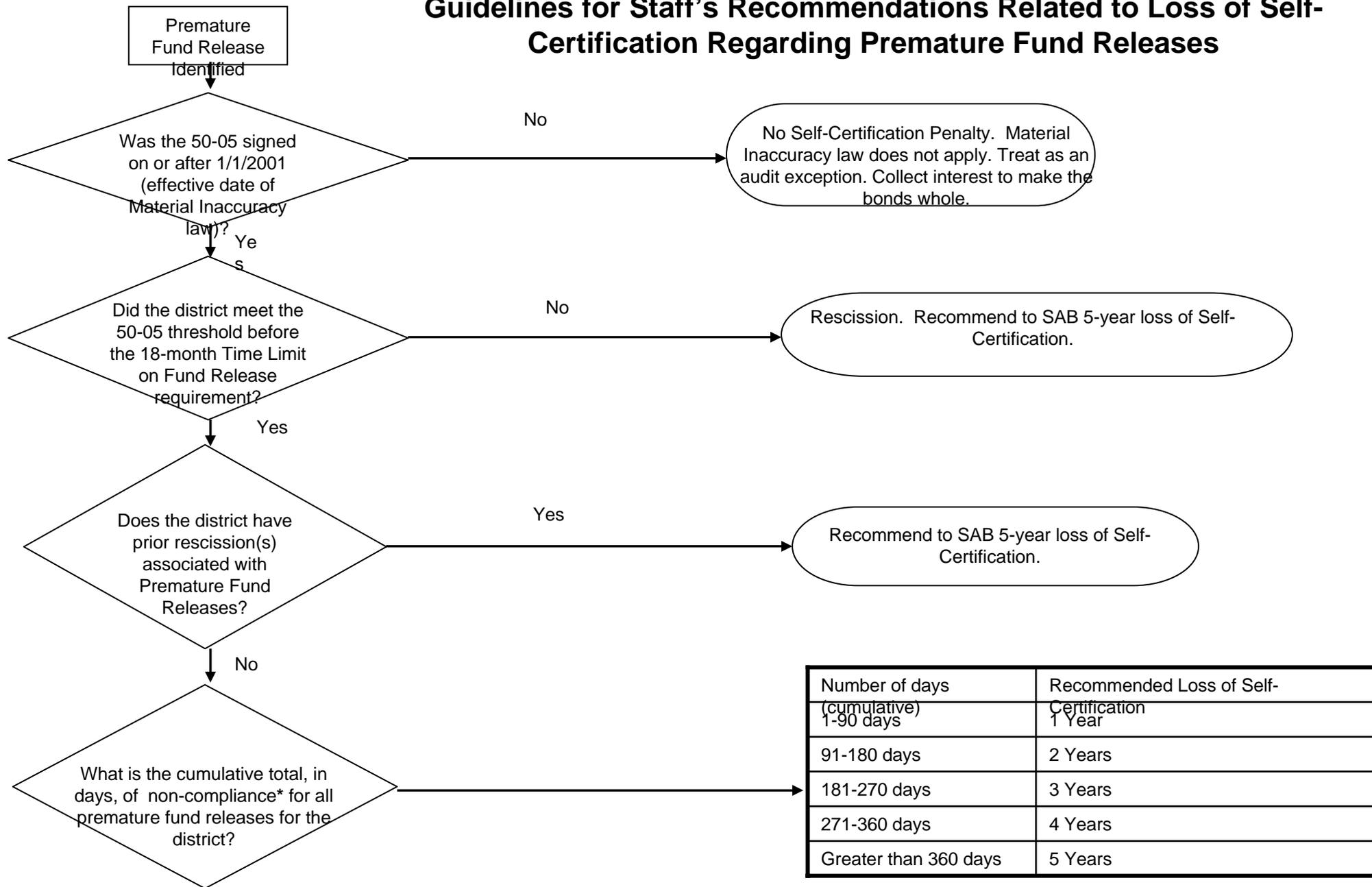
SFP Regulation Section 1859.104.1(c)(2) further clarifies EC Section 17070.51(b)(2) and requires that the district "shall be prohibited from self-certifying project information for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project. A prohibition from self-certification of project information may be less than five years as determined on a case-by-case basis by the Board."

SFP Regulation Section 1859.104.1(c)(3) states the district shall file all projects pursuant to Section 1859.104.2 for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project.

SFP Regulation Section 1859.104.1(c)(4) states the district shall be subject to the fee prescribed by Section 1859.104.3, which states if the SAB has made a finding of Material Inaccuracy, the SAB shall charge the district an amount of \$100 per hour for the additional hours to process and review the district's applications submitted during the timelines prescribed in Section 1859.104.1(c)(2).

ATTACHMENT B

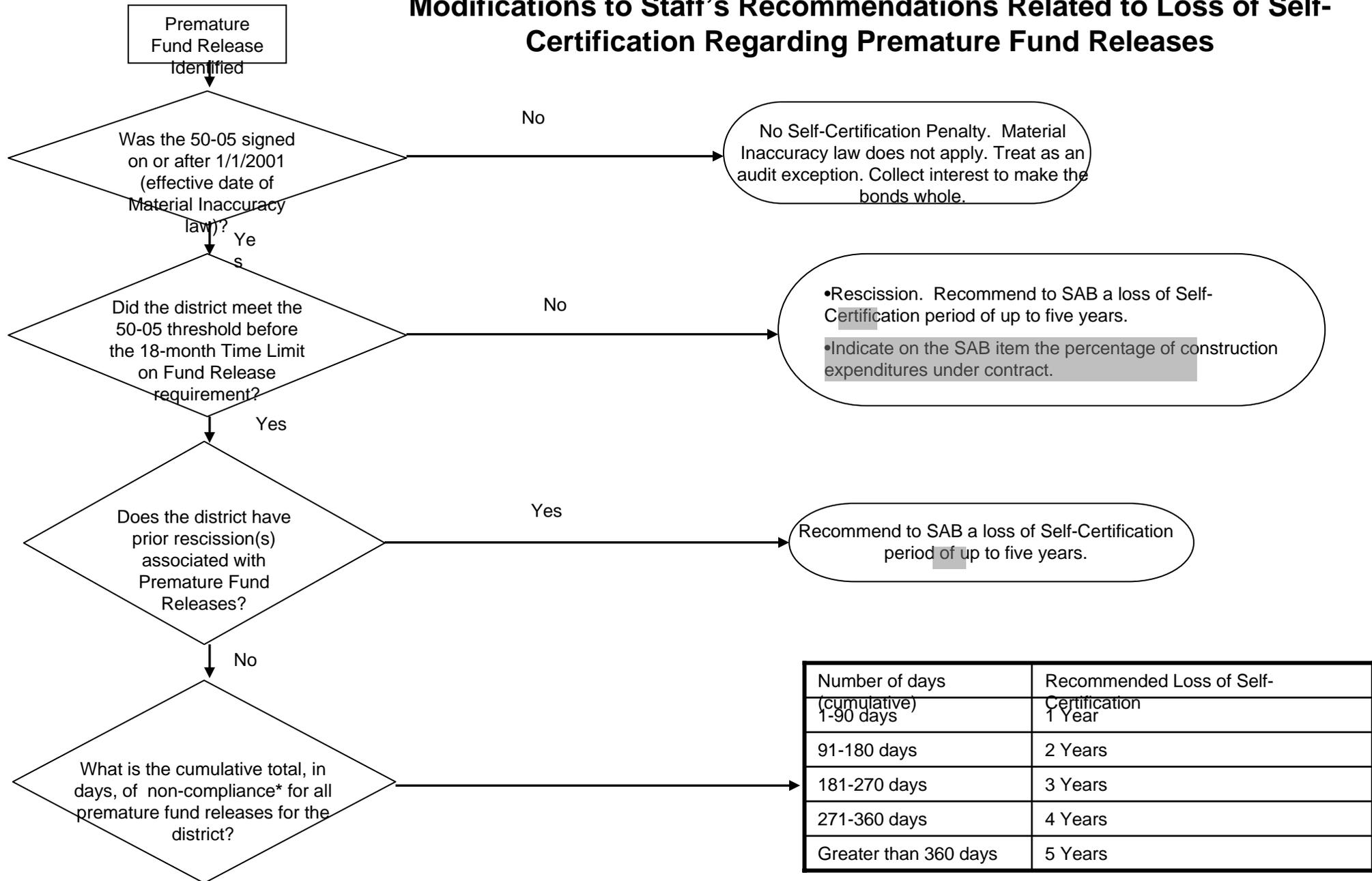
Guidelines for Staff's Recommendations Related to Loss of Self-Certification Regarding Premature Fund Releases



*Non-compliance refers to the period from warrant release date to the date the district met the 50-05 threshold for past and current items.

ATTACHMENT B-1

Modifications to Staff's Recommendations Related to Loss of Self-Certification Regarding Premature Fund Releases



*Non-compliance refers to the period from warrant release date to the date the district met the 50-05 threshold for past and current items.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
September 5, 2008

MATERIAL INACCURACY - RECOVERY OF INTEREST

PURPOSE

To continue the discussion of the methodology used to determine Staff's recommendations to the State Allocation Board (SAB) regarding the recovery of interest lost by the State as a result of a Material Inaccuracy due to a premature or invalid fund release.

BACKGROUND

An item was presented at previous Implementation Committee meetings regarding the practices used by the Office of Public School Construction (OPSC) to determine the methodology in which interest lost by the State is recovered. After the presentation of this item at the meetings, the Staff met with interested committee members to discuss alternatives, and took the members suggestions into consideration. The recommendations made by the work group are captured in the Discussion section of this item.

AUTHORITY

Material Inaccuracy is defined by the School Facility Program (SFP) Regulation Section 1859.2 as any falsely certified application that allowed the district an advantage in the funding process. Education Code (EC) Section 17070.51 requires the OPSC to notify the SAB if any such certifications have been found. This EC Section also provides the SAB with the authority to impose penalties if a finding of Material Inaccuracy has been made by the SAB. The penalties to the district discussed in this item pertain to the recovery of interest lost by the State.

For a complete list of Authority citations for recovery of interest in association with a Material Inaccuracy, please see the bolded sections of Attachment A.

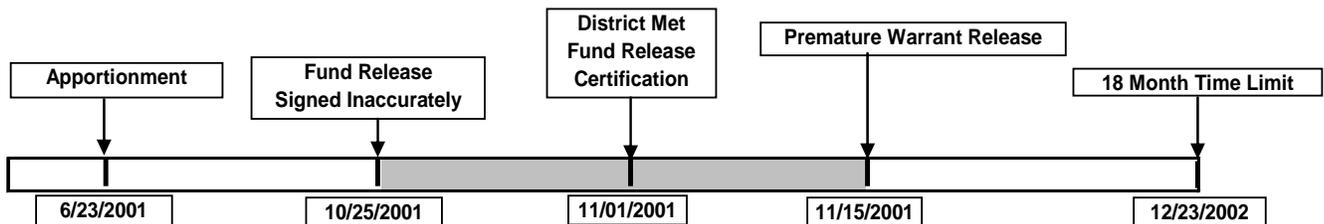
DISCUSSION

The following are suggestions made by committee members during work group discussions regarding recovery of interest recommendations to the SAB:

SCENARIO 1

PREMATURE FUND RELEASE
(NO FUNDING ADVANTAGE, NO MATERIAL INACCURACY)

- The District prematurely certified on 10/25/2001 (i.e., did not have at least 50 percent of the work in the plans and specifications under contract).
- The district met the *Fund Release Authorization* certification on 11/1/2001, before the warrant was released and therefore received no interest or funding advantage.



Committee Member Suggestions for Scenario 1

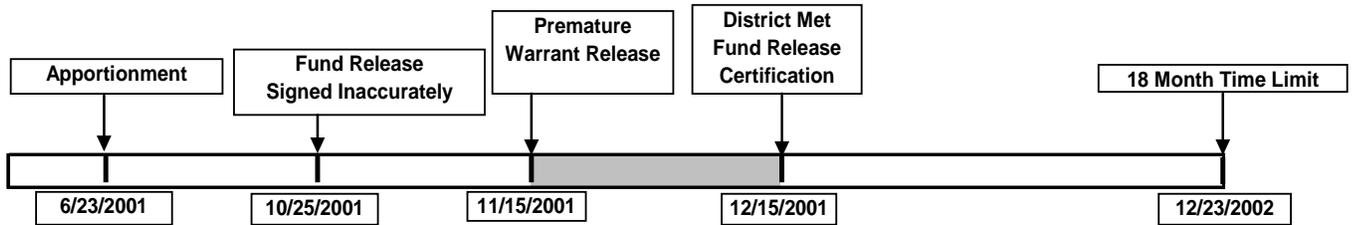
There were no suggestions from the work group for this scenario.

DISCUSSION (cont.)

SCENARIO 2

PREMATURE FUND RELEASE
(FUNDING ADVANTAGE, MATERIAL INACCURACY)

- The District prematurely certified on 10/25/2001 (i.e., did not have at least 50 percent of the work in the plans and specifications under contract).
- The district met the *Fund Release Authorization* certification on 12/15/2001, after the warrant was released on 11/15/2001 and therefore received interest and a funding advantage.



Staff Recommendation for Scenario 2

In this example, the interest is calculated from the date the warrant was released on 11/15/2001 to when the district met the *Fund Release Authorization* requirements on 12/15/2001.

Committee Member Suggestions for Scenario 2

The work group agreed with the calculation of interest for this scenario.

SCENARIO 3

INVALID FUND RELEASE
(FUNDING ADVANTAGE, MATERIAL INACCURACY COMBINED WITH
VIOLATION OF LAW REQUIRING RESCISSION)

- The District inaccurately certified on 10/25/2001 (i.e., did not have at least 50 percent of the work in the plans and specifications under contract).
- The 18-month time limit expired on 12/23/2002.
- The district had a binding contract(s) for at least 50 percent of the construction included in the plans on 1/22/2003.
- The project was required by law to be rescinded, and the project approval was no longer valid.
- The district did not and does not qualify to receive a fund release. The fund release that occurred is invalid.
- The district received a funding advantage (shaded area in Figure A), and the State lost interest on these funds during the period of time that the funds should have remained in the State bond fund earning interest.

Staff Recommendation for Scenario 3

In previous items, the Staff's recommendation for this scenario was to calculate interest from the date of the invalid warrant release on 11/15/2001 to the date the district concurred with the contract audit finding, or the date the item is presented to the SAB, whichever occurs first. Concerns were expressed at the Implementation Committee and work group meetings that the date of the district's concurrence is arbitrary and does not establish a concrete timeline for the calculation of interest. Also, it does not facilitate the recovery of interest to make bond funds whole since in this scenario it does not capture the total period of time that the funds should have remained in the State bond fund. After taking these

DISCUSSION (cont.)

SCENARIO 3 (cont.)

Staff Recommendation for Scenario 3 (cont.)

comments into consideration, the recommendation was modified to calculate interest from the date of the invalid warrant release on 11/15/2001 to the date the item is presented to the SAB.

Committee Member Suggestions for Scenario 3

Some of the work group members proposed that the period for the interest calculation for this scenario should be from the invalid warrant release date to the date the district had 50 percent of construction under contract. However, these members also suggested that if it appears that the district did not make any substantial progress payments with respect to construction, then the interest should be calculated from the date of the invalid warrant release to the date the audit finding is presented to the SAB. Staff would like to reiterate that in this scenario the project approval and subsequent fund release are invalid. The district is not entitled to the funds. Since the funds had been released to the district, the SAB has the fiduciary responsibility to recover the interest lost by the State during the period of time that the funds should have remained in the State bond fund earning interest.

Another member agreed with Staff's recommendation for this scenario stating that since the district did not meet the 18-month time limit on fund release the project is invalid and there is no certification to be met.

MODERNIZATION REIMBURSEMENT

In this scenario, when a modernization project is rescinded, and if the district wishes a new apportionment, the district is required to file a new *Funding Application* Form SAB 50-04. The project is assigned a new application number and is given a new apportionment date. The 18 month time limit on fund release is now based on the new apportionment date. Since the district, in this example, had binding contract(s) for at least 50 percent of the construction included in the plans on 1/22/2003, it can sign the *Fund Release Authorization* form immediately following the new apportionment. In this instance, the certification made on this form would be valid since the district meets the criteria to have funds released. The district obtains a new fund release date. This process is illustrated on Figure B.

Staff Recommendation for Modernization Reimbursement

Allow the district to re-file the application with the condition that the apportionment will not exceed the amount originally funded for the project.

Committee Member Suggestions for Modernization Reimbursement

A work group member proposed that if a modernization project is rescinded as a result of an invalid fund release, the SAB should require the district to repay the apportionment, however; the district should be eligible for funding at the new per pupil grant at the time of re-filing. Staff has conferred with legal counsel regarding this issue, and the legal counsel opined that this methodology would invalidate the purpose of the Material Inaccuracy provisions by providing the school district with a reward for having inaccurate certifications.

DISCUSSION (cont.)

SCENARIO 3 (cont.)

FIGURE A

Invalid Fund Release for Application Number 57/12345-00-001 (XYZ School)

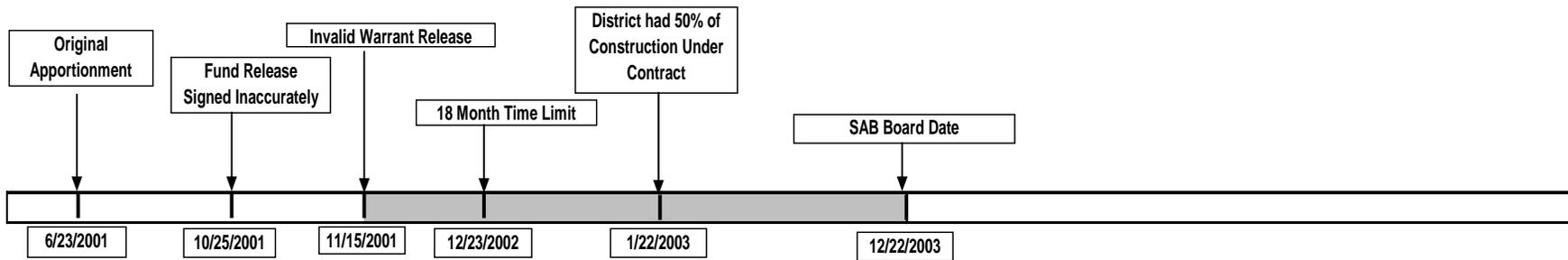
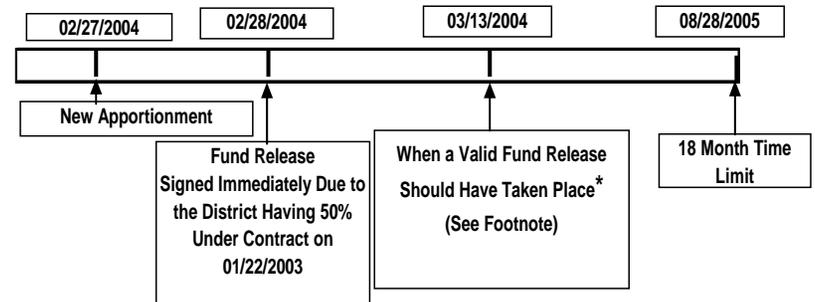


FIGURE B

Valid Fund Release for Application Number 57/12345-00-058 (XYZ School)
(Separate New Application and Apportionment)



* Instead of going through the cumbersome process of requiring the district to remit the original apportionment and then require that the State issue a warrant back to the district, the Board has authorized Staff to streamline the process and make the appropriate accounting entries to reconcile the rescission and to facilitate the new apportionment and new fund release date.

ATTACHMENT A

AUTHORITY

EDUCATION CODE SECTION 17070.51

17070.51. (a) If any certified eligibility or funding application related information is found to have been falsely certified by school districts, architects or design professionals, hereinafter referred to as a material inaccuracy, the Office of Public School Construction shall notify the board.

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AUTHORITY REGARDING PREMATURE FUND RELEASE AND RESCISSION

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AUTHORITY REGARDING PREMATURE FUND RELEASE AND RESCISSION (cont.)

Material Inaccuracy (cont.)

To make a finding of Material Inaccuracy, EC Section 17070.51(a) states, "If any certified eligibility or funding application related information is found to have been falsely certified by school districts, architects or design professionals, hereinafter referred to as a Material Inaccuracy, the OPSC shall notify the Board."

Material Inaccuracy Penalties

EC Section 17070.51(b) states that, "The board shall impose the following penalties if an apportionment and fund release has been made based upon information in the project application or related materials that constitutes a Material Inaccuracy."

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Repayment of Material Inaccuracy Interest Penalty

SFP Regulation Section 1859.104.1(c)(1) states the district "must repay the additional funding received beyond the amount the district was entitled to for the project with interest within five years from the date the Board made the finding of Material Inaccuracy. Interest shall be assessed as prescribed in Education Code Section 17070.51(b)(1)."

Rescission of Project Apportionment

EC Section 17076.10(d) states, "If a school district has received an apportionment, but has not met the criteria to have funds released pursuant to Section 17072.32 or 17074.15 within a period established by the board, but not to exceed 18 months, *the board shall rescind the apportionment and deny the district's application.*"

SFP Regulation Section 1859.90 states, "...a district must submit the Form SAB 50-05, within 18 months of the Apportionment of the SFP grant for the project or the entire...apportionment shall be rescinded without further Board action, and the pupils housed in the project, if applicable, will be added back to the district's baseline eligibility. The district may re-file a new application for the project subject to district eligibility and priority funding at the time of resubmittal."

AUTHORITY REGARDING LOSS OF SELF-CERTIFICATION

EC Section 17070.51(b)(2) states that, "The board shall prohibit the school district from self-certifying certain project information for any subsequent applications for project funding for a period of up to five years following the date of the finding of a Material Inaccuracy or until the district's repayment of the entire amount owed under paragraph (1)." The statute further states, "...The board shall establish an alternative method for state or independent certification of compliance that shall be applicable in these cases. The process shall include, but not be limited to, procedures for payment by the school district of any increased costs associated with the alternative certification process."

SFP Regulation Section 1859.104.1(c)(2) further clarifies EC Section 17070.51(b)(2) and requires that the district "shall be prohibited from self-certifying project information for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project. A prohibition from self-certification of project information may be less than five years as determined on a case-by-case basis by the Board."

SFP Regulation Section 1859.104.1(c)(3) states the district shall file all projects pursuant to Section 1859.104.2 for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project.

SFP Regulation Section 1859.104.1(c)(4) states the district shall be subject to the fee prescribed by Section 1859.104.3, which states if the SAB has made a finding of Material Inaccuracy, the SAB shall charge the district an

AUTHORITY REGARDING LOSS OF SELF-CERTIFICATION (cont.)

amount of \$100 per hour for the additional hours to process and review the district's applications submitted during the timelines prescribed in Section 1859.104.1(c)(2).

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE MEETING
September 5, 2008

SCHOOL FACILITY PROGRAM JOINT-USE PROJECTS

PURPOSE

To discuss project funding cap amounts in the SFP Joint-Use Program.

BACKGROUND

Under the current SFP Joint-Use Program, a joint-use project may consist of a multipurpose room, gymnasium, childcare facility, library, and/or teacher education facility beyond that necessary for school use. A school district must partner with a local entity to build either a Type I or a Type II joint-use facility.

- A Type I facility must be part of a qualifying SFP new construction project. The proposed facility must include an increased square footage amount and/or increased eligible costs that are greater than that applied to a standard like-project under the SFP.
- A Type II facility is created by constructing new school buildings and/or reconfiguring existing school buildings located at a school that does not have the type of facility or the existing facility is inadequate.

A local financial contribution towards the cost of the joint-use project must be at least equal to the State's share (50/50). If the school district has passed a local bond which specifies that such funds are to be used for that joint-use project, then the school district may opt to provide up to the full 50 percent local share of eligible costs. In lieu of local bond funding, the contribution made by the joint-use partner(s) must be no less than 25 percent of the eligible project costs. The remaining local contribution may come from any other district source that would not otherwise be available to the SAB. The State share of a joint-use project will be the lesser of 50 percent of the eligible project costs or \$1 million if the Joint-Use project will be located on a school site that is or will be serving a Elementary (E) School Pupil(s), \$1.5 million if the Joint-Use project will be located on a school site that is or will be serving a Middle (M) School Pupil(s), \$2 million if the Joint-Use project will be located on a school site that is or will be serving a High (H) School Pupil(s).

Since the SFP Joint-Use Program was adopted, funding the joint-use projects has been provided in the form of grants which is made up of a base grant and a number of supplemental grants. At the July 2008 State Allocation Board (SAB) meeting, the Board requested Staff to analyze the Joint-Use Program cap amounts to determine whether a modification is necessary to the SFP Regulations. Staff is proposing to use the following methodology to analyze the current cap amounts:

- Review all prior apportionments based on total estimated project costs (audited data is not currently available as these projects have not been closed out)
- Separate Type I and Type II projects
- Review different facility types
- Review square footage (eligible vs. built)
- Analyze trends

DISCUSSION

Request input from the Committee and audience on proposed methodology.