

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, April 26, 2006

STATE RELOCATABLE CLASSROOM PROGRAM
CHARGEABILITY

PURPOSE OF REPORT

To present a proposal that will address the chargeability of State Relocatable Classrooms that are purchased by school districts.

BACKGROUND

At the October 2005 Board meeting, the Board approved the Phase-Out Plan (Plan) that would dispose of the State's relocatable classrooms (Relocatables). The Plan details the systematic disposal of Relocatables through various means, including the sale of these classrooms to school districts. Initially, the Plan was developed with a provision that would allow school districts to purchase a Relocatable without being charged additional capacity to their School Facility Program (SFP) new construction eligibility baseline. However, an alternative approach was deemed necessary as current statute requires school districts to adjust their existing classroom capacity to reflect any additional classrooms provided after the school districts have established their initial SFP baseline eligibility.

AUTHORITY

Education Code (EC) Section 17071.75(b) – Add the number of pupils that may be adequately housed in the existing school building capacity of the applicant school district as determined pursuant to 17071.10 to the number of pupils for which facilities were provided from any State or local funding source after the existing school building capacity was determined. For the purposes of this section, the total number of pupils for which facilities were provided shall be determined using the pupil loading formula set forth in Section 17071.25.

EC Section 17071.25 establishes a loading formula that determines the amount of students that can be housed in each classroom. The formula shall be 25 pupils for each classroom used in kindergarten or grades 1 to 6, inclusive, and 27 pupils for each classroom used for grades 7 to 12, inclusive. EC Section 17071.30 further defines which portable buildings shall be included in the classroom count to which the loading formula is applied.

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.

EC Section 17089.2 – Any portable classroom that is leased from the Board by a school district or county superintendent of schools under this chapter on or prior to December 1, 1991, may be purchased by the district or county superintendent of schools for an amount equal to the purchase price paid by the Board, including the purchase costs specified in subdivision (c) of Section 17088.7, less the amount of any rent already paid to the Board by the district or county superintendent of schools for that classroom.

DISCUSSION

The SFP is designed as a "per pupil" grant program where each pupil receives a specific grant amount based upon the grade level of the pupil. The per pupil grants are to provide the State's share (50 percent) for necessary project costs and to provide school districts with sufficient funding to construct permanent facilities based on the pupil loading standards. For example, the State provides \$6,769 per pupil to construct classrooms for an elementary school.

DISCUSSION (cont.)

Under the SFP, school districts seeking State funding to construct one permanent classroom are required to request 25 pupils for an elementary school and 27 pupils for middle and high school schools for each classroom. A district constructing one elementary classroom would receive a minimum \$169,225 in State funding, and the district's eligibility baseline is reduced by the 25 pupils being requested. However, school districts seeking State funding to construct relocatable classrooms are permitted to limit the number of pupil grants requested on their funding application commensurate to the value of the relocatable classroom since the cost to construct a relocatable classroom is much less expensive than that of a permanent facility. This provides for a more prudent use of State funds and the districts' SFP eligibility considering otherwise, if a district requested 25 or 27 pupils grants to build a relocatable classroom, a district will receive nearly 100 percent State funding to construct facilities of significantly lesser value.

Staff is proposing to implement a similar method as part of the SRCP Phase-Out Plan. This process will comply with the statutory requirement that school districts adjust their classroom capacity for additional classrooms provided after the school districts have established their SFP baseline eligibility. When a Relocatable is purchased by a school district, there would be a minimal adjustment to the school district's eligibility baseline commensurate with the purchase price paid for the Relocatable under the Plan, as illustrated in the following table:

Year Built	Purchase Prices	Number of Pupil Grants Charged to the SFP Eligibility Baseline and Corresponding Pupil Dollar Value *					
		K – 6 Grade		7 -8 Grade		9 - 12 Grade	
		Pupils	Dollar Value	Pupils	Dollar Value	Pupils	Dollar Value
Prior to 1996	\$4,000.00	1	\$6,769.00	1	\$7,159.00	1	\$9,372.00
1996	\$6,000.00	1	\$6,769.00	1	\$7,159.00	1	\$9,372.00
1997	\$9,000.00	1	\$6,769.00	1	\$7,159.00	1	\$9,372.00
1998	\$12,000.00	2	\$13,538.00	1	\$7,159.00	1	\$9,372.00
1999	\$15,000.00	2	\$13,538.00	2	\$14,318.00	1	\$9,372.00
2000	\$18,000.00	3	\$20,307.00	2	\$14,318.00	2	\$18,744.00
2001	\$21,000.00	3	\$20,307.00	3	\$21,477.00	2	\$18,744.00
2002	\$24,000.00	4	\$27,076.00	3	\$21,477.00	3	\$28,116.00
2003	\$27,000.00	4	\$27,076.00	4	\$28,636.00	3	\$28,116.00

* Pupil Grants and Purchase Price are based on 2005 figures. Purchase Price includes 2005-06 lease payments.

The Purchase Price represents the dollar value in which the State recoups all Program expenses such as the purchase price, transportation costs and set-up costs. The pupil grants shown in the Table represent the nearest whole pupil grant that equates to the purchase price to be paid by a school district.

STAFF COMMENTS

Over the years, many school districts have opted not to purchase eligible Relocatables because the dollar value offset from their SFP new construction eligibility baseline would be significantly higher than the value of the purchased Relocatable. The pupils charged in excess of the value of the Relocatable would then be lost to a school district that could have used those pupil grants towards a future project to provide additional classrooms. Incorporating a process that would allow school districts to purchase a Relocatable with no or a minimal impact to their SFP new construction eligibility baseline is necessary to phase out the Program. Without such a process, the State would be liable for any additional costs resulting from the surplus of facilities that will be returned to the State at the conclusion of the lease term. These costs would include such things as transportation costs, storage costs, and disposal fees for those Relocatables that are no longer usable.

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STAFF COMMENTS (cont.)

Even with a minimal adjustment to a school district's eligibility baseline, it is not certain how many Relocatables will be purchased by school districts. To avoid this uncertainty and the potential additional costs associated with Relocatables being returned to the State, it would be in the State's best interest to develop legislation that would permit school districts to purchase a Relocatable with no charge to its SFP new construction eligibility baseline. However, knowing that a legislative solution could take a significant amount of time to procure, and the needs of the Program are immediate, staff recommends that the Board approve a minimal chargeability proposal that would allow the phase-out plan to proceed immediately.

RECOMMENDATION

Approve the chargeability proposal as outlined above.

This Item was approved by the State Allocation Board on April 26, 2006.