

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, March 28, 2007

IMPLEMENTATION OF SENATE BILL 1415  
PROPOSED REGULATIONS

PURPOSE OF REPORT

To request:

1. Adoption of the proposed regulations to implement how the site sale proceeds may be used as a result of Senate Bill (SB) 1415.
2. Authorization to file the proposed regulations with the Office of Administrative Law (OAL).

BACKGROUND

Prior to the recent code change, the proceeds from the sale of surplus property may be deposited in the General Fund of a school district for any General Fund purpose if the school district governing board and the State Allocation Board (SAB) determine that the district has no anticipated need for additional sites or building construction for the five-year period following the sale or lease, and the district has no major deferred maintenance needs. After the SAB determination and General Fund deposit, the school district may not apply for State funding for five years.

DESCRIPTION

SB 1415, Chapter 810, Statutes of 2006 (Scott) was chaptered on September 30, 2006 and amends Education Code (EC) Section 17462, which requires school districts to use the funds derived from the sale of surplus property for Capital Outlay purposes or maintenance of school district property.

SB 1415 modifies EC Section 17462 to extend the lock-out period to file applications for school funding, following the sale or lease of surplus property, from five years to ten years with regards to the district's anticipated need for additional sites, building construction, and major deferred maintenance requirements. It also limits the authority of a school district to use proceeds from the sale of surplus property for any General Fund purpose. It establishes the following requirements for the use of proceeds from the sale or lease with the option to purchase of school district property:

- Provides that the site sale proceeds be used for "One-time Expenditures."
- Prohibits the use of site sale proceeds for "Ongoing Expenditures."

STAFF COMMENTS

SB 1415 requires the SAB to adopt regulations that define "On-going Expenditures" for purposes of EC Section 17462(a). By utilizing the SAB's Implementation Committee meeting as a forum to gather input from interested parties, the Office of Public School Construction (OPSC), with input and concurrence from the California Department of Education, has developed proposed regulations contained in the Attachment to implement SB 1415. Upon adoption by the Board, the OPSC will submit these regulations to the OAL.

RECOMMENDATIONS

1. Adopt the proposed regulations as shown on the Attachment and begin the regulatory process.
2. Authorize the OPSC to file these regulations with the OAL.

BOARD ACTION

In considering this Item, the Board approved Staff's recommendation. In addition, Staff was requested to seek a legal opinion from the Attorney General whether the use of funds would be considered a one-time expenditure or an ongoing expenditure pursuant to these regulations if they were used for the fiscal solvency of a district's health and/or retirement program.

ATTACHMENT  
IMPLEMENTATION OF SENATE BILL 1415  
PROPOSED REGULATIONS  
State Allocation Board Meeting, March 28, 2007

Title 2: Administration  
Division 2: Financial Operations  
Chapter 3: Department of General Services  
Subchapter 4: Office of Public School Construction  
Group 1: State Allocation Board  
Subgroup 3.5. Regulations Relating to Surplus School Property; Use of Proceeds

Section 1700. Definitions.

For the purpose of the provisions of Education Code Section 17462, the terms set forth below shall have the following meanings, subject to the provisions of the Act:

"One-time Expenditures" means costs paid by the general funds of a school district that are nonrecurring in nature and do not commit the school district to incur costs in the future, and are exclusive of Ongoing Expenditures.

"Ongoing Expenditures" means costs paid by the general or special funds of a school district in support of employee salaries, benefits and other costs that are associated with ongoing and sustained operations and services.

Note: Authority cited: Section 17462, Education Code.

Reference: Sections 17462 and 17463.8, Education Code.