

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, May 23, 2007

FINANCIAL NEEDS OF THE STATE RELOCATABLE CLASSROOM PROGRAM

PURPOSE OF REPORT

To present the estimated financial needs to operate the State Relocatable Classroom Program (Program) for the 2007/08 and 2008/09 Fiscal Years (FY).

BACKGROUND

At the August 2005 State Allocation Board (SAB) meeting, the Board requested Staff to report back on the projected annual financial needs for the Program before the end of each fiscal year.

DISCUSSION

At the request of the Board, Staff has prepared the Attachment which summarizes the estimated financial needs to operate the Program for the current (FY 2006/07) and next two fiscal years (FY 2007/08 through FY 2008/09). All Program operating cost estimates are based on the assumption that the implementation of the Phase-Out Plan and the systematic disposal of relocatable classrooms are proceeding as approved by the Board. As of December 1, 2005, the Program stopped accepting new applications from school districts to lease relocatable classrooms from the State. In doing so, the State will no longer be obligated to pay for such items as transportation costs, set up costs, and other reimbursable allowances. However, some of the operating costs estimated for the current and budget years include transportation and set-up costs for moves that were on the Program workload list prior to the Board's approval of the Phase-Out Plan. Staff anticipates the only moves that will be paid for by the Board in FY 2007/08 and FY 2008/09 will be remaining moves approved prior to the approval of the Phase-Out Plan and State owned relocatables that lie within the footprint of a School Facility Program (SFP) new construction project.

The estimated cost to administer the Program for the current fiscal year (FY 2006/07) is \$6,464,700 and is based on both actual and projected costs. This is consistent with the expenditure authority authorized in the 2006 Budget Act. For this Fiscal Year, the Office of Public School Construction is making a one time transfer of \$15,547,233 from the State School Building Aid fund to the SFP Joint Use fund, pursuant to the SAB action at its February 2007 meeting.

The estimated cost to administer the Program for FY 2007/08 is approximately \$1.9 million. This cost is approximately \$2.7 million less than the expenditure authority proposed in the 2007/08 Governor's Budget. The projected cost to administer the Program for FY 2008/09 is approximately \$1.8 million and the total revenues generated by the Program are estimated to be \$14.7 million. The administrative costs for the current and budget years continue to decrease as the relocatable classrooms are sold and there are fewer buildings to move or demolish.

RECOMMENDATION

Direct Staff to submit to the Department of Finance appropriate budget documents to update Program revenue and expenditure estimates consistent with this item, to be reflected in the May Revision update for the FY 2007/08 Budget.

This Item was approved by the State Allocation Board on May 23, 2007.

ATTACHMENT
State Allocation Board, May 23, 2007

State Relocatable Classroom Program Projected Costs

Expenditure Authority Available	2006/2007	2007/2008	2008/2009
6350-601-0739 Local Assistance	\$7,631,302.00	\$4,417,000.00	\$0.00
1760-011-0739 ¹	\$1,510,000.00	\$0.00	\$0.00
1760-001-0739 Support Operations ²	\$248,000.00	\$322,000.00	\$331,000.00
Expenditure Authority Available	\$9,389,302.00	\$4,739,000.00	\$331,000.00

Revenue	2006/2007	2007/2008	2008/2009
Lease Revenue	\$19,400,000.00	\$14,800,000.00	\$6,700,000.00
Sale of State Relocatables	\$14,000,000.00	\$4,000,000.00	\$8,000,000.00
Transfer to Joint Use Program ³	-\$15,547,233.00	\$0.00	\$0.00
Total Revenue	\$17,852,767.00	\$18,800,000.00	\$14,700,000.00

Estimated SRCP Costs	2006/2007	2007/2008	2008/2009
Northern California Movers Contract (NMC)	\$1,911,000.00	\$0.00	\$0.00
Southern California Movers Contract (SCMC) ⁴	\$3,003,000.00	\$1,500,000.00	\$0.00
NMC Reimbursement Costs	\$284,000.00	\$0.00	\$0.00
SCMC Reimbursement Costs	\$822,000.00	\$0.00	\$0.00
Moving Costs ⁵	\$0.00	\$0.00	\$1,350,000.00
Disposal Costs	\$196,700.00	\$131,000.00	\$130,000.00
State Relocatable Classroom Program Staffing	\$248,000.00	\$322,000.00	\$331,000.00
Total	\$6,464,700.00	\$1,953,000.00	\$1,811,000.00

¹ One time transfer from Fund 0739 to Fund 6036 to repay prior year School Facility Program bond fund expenditures for operating costs associated with staffing the State Relocatable Classroom Program.

² Includes \$33,000 in excess of the budgeted amount in the 2007/08 and 2008/09 Fiscal Years to cover the OPSC administrative and technology overhead costs not appropriately distributed amongst the various OPSC programs.

³ One time transfer from Fund 0739 to Fund 6044 to apportion School Facility Program Joint Use Projects pursuant to the State Allocation Board action at the February 28, 2007 meeting.

⁴ Approximately \$1.5 million of the remaining mover's contract will be utilized, executing a one-year extension on the contract, during 2007/2008.

⁵ Represents the expenditure authority required to reimburse school districts for moving State Relocatable Classrooms out of the footprint for new construction and/or modernization.