

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, April 23, 2008

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 2008/09 and 2009/10 Fiscal Years (FY) and to consider transferring excess 2007/08 FY revenue.

BACKGROUND

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

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 and next two FY's (FY 2008/09 and FY 2009/10). 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 2008/09 and FY 2009/10 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 cost to administer the Program for the current FY (2007/08) is \$1,011,175 and is based on actual and projected costs. This is consistent with the expenditure authority authorized in the 2007 Budget Act. For this Fiscal Year, it is anticipated that the Program will have excess revenue than what is needed to run the Program. In this item, the Board is presented with options to transfer the excess 2007/08 FY revenue of \$13,993,000.

The estimated cost to administer the Program for FY 2008/09 is approximately \$2.5 million, and total revenues generated by the Program are estimated to be \$31 million. The projected cost to administer the Program for FY 2009/10 is approximately \$1.4 million, and the total revenues generated are estimated to be \$4.6 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. Since most of the relocatable classrooms will be sold by the end of FY 2008/09, there will be a significant decline in estimated revenue for FY 2009/10.

AUTHORITY

Education Code Section 17088.2. states in part that the Board may transfer any funds within the State School Building Aid Fund that are in excess of the amounts needed by the Board for the maintenance of portable buildings or for the purchase of new portable buildings, for that fiscal year, to any of the following as appropriate: the 1998, 2002, 2004 State School Facilities Fund or the State School Deferred Maintenance Fund for allocation by the Board for any purpose authorized pursuant to that fund.

STAFF COMMENTS

For this year, it is anticipated that the Program will have \$13,993,000 of revenue in excess of what is needed to operate the program and therefore available for other purposes. The statute states that the Board may elect to transfer

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STAFF COMMENTS (cont.)

any funds from the State School Building Aid Fund that are in excess of the amounts needed by the Board to be allocated for any purpose pursuant to that fund. Staff has verified that there is a sufficient amount of funds that can be made available without any impact to the Program.

Last year, approximately \$15.5 million in excess State School Building Aid Fund revenue was transferred to the SFP Joint-Use Program which resulted in a greater amount of SFP joint-use projects being apportioned. Staff is presenting options for the Board's consideration to transfer this year's (2007/08) excess revenue from the State School Building Aid Fund to the State School Deferred Maintenance Program (DMP) Fund and/or to the State School Facilities Fund for the purposes of the SFP Joint-Use Program, to allow additional projects to be funded.

Staff is proposing the following options for the allocation of the \$13,993,000 excess revenue:

Option #1

Transfer all excess revenue to the State School DMP Fund.

At the December 2007 SAB meeting, the Board was unable to fund all DMP Extreme Hardship projects and Extreme Hardship project increases. There are approximately \$14.9 million in DMP Extreme Hardship projects and project increases that are currently on the unfunded list. There is \$2.27 million remaining in the State School DMP Fund, and if combined with the nearly \$14 million in excess revenue, the entire current DMP unfunded list can be funded. This option will result in \$1.37 million remaining for future requests for DMP Extreme Hardship project increases.

Option #2

Transfer all excess revenue to the State School Facilities Fund for the purposes of the SFP Joint-Use Program.

The SFP Joint-Use Program has \$9.8 million in funds from prior SFP bonds available to fund this year's joint-use projects. In addition, there is approximately \$900,000 in prior Lease-Purchase Program bond funds that the Board has at its disposal that can be used for the SFP Joint-Use Program. To date, the Office of Public School Construction (OPSC) has received \$11.3 million in SFP joint-use project applications. This program is already oversubscribed for this year. The final filing date is May 30, 2008, and the OPSC anticipates that the majority of these project applications will be received at the end of May based upon historical past practice. The OPSC estimates a total of \$50 million in joint-use applications for this year's funding cycle.

Option #3

Transfer \$12.6 million of the excess revenue to the State School DMP Fund and approximately \$1.4 million of the remaining excess revenue to the State School Facilities Fund for the purposes of the SFP Joint-Use Program.

The \$12.6 million combined with remaining State School DMP funds of \$2.27 million will enable the SAB to fund all of the 2006/07 projects on the current DMP unfunded list. The remaining excess revenue of \$1.4 million can be used to fund some additional project(s) under the SFP Joint-Use Program.

Staff is recommending that the Board approve Option #3 which will enable all of the unfunded DMP Extreme Hardship projects to be funded. These projects have demonstrated a health and safety issue and the pupils are at risk.

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RECOMMENDATIONS

1. Approve Option #3 and request Staff to transfer \$12.6 million from the State School Building Aid Fund to the State School Deferred Maintenance Program Fund and \$1,393,000 to the 2004 State School Facilities Fund for SFP joint-use projects and to process consent items to the next available SAB meeting to fund the remaining DMP Extreme Hardship projects and project increases.
2. Request 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 2008/09 Budget.

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## State Relocatable Classroom Program Projected Costs

<b>Expenditure Authority Available</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>2009/2010</b>
6350-601-0739 Local Assistance	\$3,265,000.00	\$2,355,000.00	\$1,500,000.00
1760-001-0739 Support Operations	\$295,000.00	\$297,000.00	\$297,000.00
<b>Expenditure Authority Available</b>	<b>\$3,560,000.00</b>	<b>\$2,652,000.00</b>	<b>\$1,797,000.00</b>

<b>Revenue</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>2009/2010</b>
Lease Revenue	\$15,880,975.00	\$1,488,000.00	\$224,000.00
Sale of State Relocatables	\$3,260,084.00	\$29,512,000.00	\$4,424,000.00
Available for Transfer <sup>1</sup>	\$13,993,000.00	\$0.00	\$0.00
<b>Total Revenue</b>	<b>\$5,148,059.00</b>	<b>\$31,000,000.00</b>	<b>\$4,648,000.00</b>

<b>Estimated SRCP Costs</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>2009/2010</b>
Southern California Movers Contract (SCMC) <sup>2</sup>	\$709,395.00	\$1,500,000.00	\$0.00
Contract to Bid for Auction <sup>3</sup>	\$0.00	\$0.00	\$200,000.00
NCMC Reimbursement Costs <sup>4</sup>	\$0.00	\$312,725.00	\$312,725.00
SCMC Reimbursement Costs <sup>4</sup>	\$0.00	\$264,605.00	\$264,605.00
Moving Costs <sup>5</sup>	\$0.00	\$0.00	\$150,000.00
Disposal Costs	\$12,780.00	\$130,000.00	\$130,000.00
State Relocatable Classroom Program Staffing	\$289,000.00	\$297,000.00	\$297,000.00
	<b>\$1,011,175.00</b>	<b>\$2,504,330.00</b>	<b>\$1,354,330.00</b>

<sup>1</sup> Represents the amount that can be transferred from Lease Revenue and Sales Revenue pursuant to the Option adopted by the Board included in this item.

<sup>2</sup> Approximately \$1.5 million of the remaining mover's contract will be utilized, executing a one-year extension on the contract, during 2007/2008.

<sup>3</sup> Represents the amount needed to support a contract to auction surplus State Relocatable Classrooms.

<sup>4</sup> Represents the amount to reimburse districts that had moves pending prior to the Phase - Out.

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