

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, December 15, 2005

DEFERRED MAINTENANCE PROGRAM FUNDING

PURPOSE OF REPORT

To apportion funds for the Deferred Maintenance Program (DMP).

DESCRIPTION

The State Allocation Board (SAB) apportions funds annually for the DMP. The funding for the program is made available by the following funding sources: the Budget Act, any excess repayments from the former State School Building Aid Program (SSBAP), State School Site Utilization funds, and unallocated DMP funds from the previous year. The chart on the following page will provide more detail regarding these funding sources.

BACKGROUND

The DMP provides State matching funds on a dollar-for-dollar basis and on a prorated basis when funding is insufficient. These funds provide assistance to school districts for major repair or replacement of existing school building components. An annual apportionment is provided to districts for work on their deferred maintenance five-year plan, which is a projection of deferred maintenance work to be performed on a district wide basis over the next five years. The SAB may also reserve up to ten percent of the funds available in the Deferred Maintenance Fund (DMF) to fund extreme hardship projects. An extreme hardship apportionment is provided if the district has a critical project on the five-year plan that must be completed within one year due to health and safety reasons.

The DMP receives its funding annually and in recent years the program funding has mainly relied on the funds provided through the Budget Act. In addition, funds made available as a result of close outs or unmatched DMP basic apportionments are included in the annual apportionment. The amount of funding each district receives is based on a calculation detailed in Education Code (EC) Section 17584(a). Districts that are approved for an extreme hardship project will receive 100 percent of their maximum basic apportionment.

AUTHORITY

EC Section 17584(c) requires the SAB to apportion specified funds for the DMP after December 1 of each fiscal year. EC Section 17080 provides that the SAB shall direct the State Controller to transfer the excess repayments from SSBAP to either the DMF or the Lease-Purchase Fund. EC Section 17584(a) specifies the calculation which is used by CDE to determine the amount of funding for each school district. EC Section 17587 provides the SAB an option to reserve up to ten percent of the total DMP funds for extreme hardship projects and that the apportionments will be made at the same time as the basic apportionments.

STAFF COMMENTS

Based on current funding available to the DMP and the amount of funds requested by school districts for extreme hardship projects, Staff is recommending that each district receive 100 percent of their maximum basic apportionment. The remaining \$21,206,540 is available for extreme hardship projects leaving a balance of \$408,447 in reserve to provide adjustments to extreme hardship projects. Funding available for the DMP for the 2004/2005 Fiscal Year is as follows:

	<u>Amount Available for Basic Apportionments</u>	<u>Amount Available for Extreme Hardships</u>	<u>Total Amount Available for Apportionment</u>
2005/2006 Budget Act	\$ 267,909,000		
Excess Repayments (State School Building Aid Program)	8,002,169		
Site Utilization	2,157,262		
Carryover from Previous Year	6,334,006		
Less Extreme Hardships (7.63%)	<u>(21,206,540)</u>	\$ 21,206,540	
Total Available	<u>\$ 263,195,897</u>	<u>\$ 21,206,540</u>	<u>\$ 284,402,437</u>

Staff is recommending that each district receive 100 percent of their apportionment as detailed below for the amounts as calculated by CDE and represented on the attached list.

	<u>Available</u>	<u>Funding Requests</u>	<u>Balance</u>
Basic Apportionment	\$ 263,195,897	\$ 263,195,897	\$ 0
Extreme Hardship	<u>\$ 21,206,540</u>	<u>\$ 20,798,093</u>	<u>\$ 408,447</u>
Total	<u>\$ 284,402,437</u>	<u>\$ 283,993,990</u>	<u>\$ 408,447</u>

RECOMMENDATIONS

1. Direct the State Controller to transfer excess repayments of \$8,002,169 to the DMF pursuant to EC Section 17080.
2. Approve the transfer of the unallocated carryover funds from last year of \$6,334,006 for allocation in the basic apportionment funding.
3. Approve and apportion the basic apportionment amount of \$263,195,897 as shown on the Attachment.
4. Approve and apportion the extreme hardship amount of \$20,798,093 as shown on the Attachment.
5. Approve a reservation of \$408,447 for future extreme hardship projects.