

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, May 25, 2005

FINANCIAL HARDSHIP PROJECTS BIDDING ISSUES

PURPOSE OF REPORT

To present a report to the Board on findings from the survey of School Facility Program financial hardship projects and the bid environment.

DESCRIPTION

At the January 2005 State Allocation Board (SAB) meeting, the Board directed Staff to research how many financial hardship districts have eliminated minimum essential facilities from their project due to high bids. Previously, the Office of Public School Construction (OPSC) has had several discussions with the Board regarding the high bid climate and the impact on an increased Construction Cost Index (CCI). Effective January 2005, the Board increased the CCI in response to increased construction costs within the State. The OPSC in conjunction with the California Coalition for Adequate School Housing has conducted a survey of districts (see Attachment) that had a School Facility Program financial hardship project that had a fund release or apportionment in 2004. This timeframe was used because it was during this period that an increased number of concerns were raised regarding increased construction costs.

The survey requested information regarding the districts' financial hardship projects and how the bid environment has impacted these projects. There were 153 projects surveyed, of which only 66 surveys were returned, representing 20 school districts and county offices of education (COE). Even though COE's were sent a survey, they should not be included in the survey since they typically do not build complete schools with complementary core facilities. From the 66 returned surveys, six surveys were not included in the results because the project had not been bid yet, and 37 surveys were for COE's and were excluded for the reasons previously mentioned. Of the remaining 23 surveys returned, only ten surveys represented complete new school projects. Nine of the ten new school projects appeared to be impacted by the bid environment, in that districts were forced to eliminate or modify the core facilities.

The nine remaining districts contend that the grant funds are insufficient to build core facilities and classrooms. The districts also state that they had to reduce or eliminate their original scope of the work because of the bid environment and lack of funds. Some districts intend to use other funding opportunities to acquire the eliminated facilities, such as developer fees, local bonds or Mello-Roos.

STAFF COMMENTS

The survey results indicate that a limited number of financial hardship projects represented complete new school construction projects. Of the financial hardship districts funded in 2004 that were surveyed, Staff is aware of nine that were affected by the bid environment. The breakdown of those nine schools is as follows:

STAFF COMMENTS (cont.)

School District	Project Grade Level	County	Impacted Facilities	Modified	Eliminated
A	K-8	Kern	Multi-Purpose, Library and Administration	X*	
B	K-6	Stanislaus	Multi-Purpose, Library and Administration		X
B	K-6	Stanislaus	Multi-Purpose, Library and Administration		X
B	K-6	Stanislaus	Multi-Purpose, Library and Administration		X
B	K-6	Stanislaus	Multi-Purpose, Library and Administration		X
B	K-6	Stanislaus	Multi-Purpose, Library and Administration		X
C	7-8	Los Angeles	Gymnasium		X
D	7-12	Sacramento	Multi-Purpose, Library, Gymnasium and Administration	X**	
E	K-8	Butte	Multi-Purpose, Library, Gymnasium and Administration		X

* Modular Construction instead of Permanent Construction.

** Eliminated covered walkways, covered stairways, and reduced some construction to relocatables to provide funds for the gymnasium and multipurpose room.

Of the districts surveyed, five districts were affected by the bid environment. These results appear to indicate the high bidding climate may not be a pervasive problem affecting financial hardship districts throughout the State, but rather isolated to a small number of projects.

RECOMMENDATION

Accept this report.

BOARD ACTION

In considering this Item, the State Allocation Board accepted the report on May 25, 2005 and requested Staff to work with the SAB Implementation Committee to determine if financial hardship districts are building complete schools. The concern that was raised is that districts that are financially capable of funding their share and more are building complete schools, while financial hardship districts are not. In addition, Staff was directed to contact the districts that did not respond to the survey to assure that the report is reflective of the current bid climate for financial hardship districts.