

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, April 26, 2006

ADEQUACY OF NEW CONSTRUCTION GRANTS

PURPOSE OF REPORT

To provide a status on the review of the adequacy of the new construction grant to build new schools under the School Facility Program (SFP).

BACKGROUND

The State Allocation Board (Board) directed Staff to form a committee to determine if the SFP new construction grants are adequate to build schools in California. Specifically, the Board requested that the committee address mainly two issues: the equitability of the SFP new construction base grant amount to the equivalent allowances provided under the Lease-Purchase Program (LPP) when the State converted programs in 1998; and, if the grants are sufficient to build a complete new school today.

STAFF COMMENTS

Establishment and Goals of the Committee

The Grant Adequacy Ad Hoc Committee (Committee) was assembled in December 2005 and is comprised of representatives from several school districts, architectural, construction and construction management firms, consultants, the California Building Industry Association, the Department of Finance, the California Department of Education (CDE), and Board Staff members. The Committee held its first of several meetings in December 2005, and devised goals and objectives for the Committee. The Committee decided on a two-step approach toward examining the Board's request. The initial step concentrated on the first objective, which was to determine if the SFP new construction base grant was equitable at the time of conversion from the LPP.¹ This objective is now complete. The second assignment, determining if the grants are sufficient to build new schools today, is still under development.

First Objective--- Methodology Employed to Conduct Analysis

The methodology the Committee used to determine the equivalence of the new construction base grant amount at the time of conversion from the LPP to the SFP was straightforward. The Committee compiled a list of 402 projects completed under the LPP over a five-year time span, from June 1995 to August 2000. Projects that were additions to existing sites and reconstructions were removed from the list, as they do not represent complete new schools. County office of education projects, continuation high schools, and non-traditional grade configurations were also stricken from the list, as they are non-traditional schools. This left a sample of 65 elementary, 33 middle, and 29 high new school projects to develop the comparison.

Since the allowances provided under the LPP are categorized differently than they are under the SFP, the Committee determined which LPP allowance categories are comparable to the SFP new construction base grant, enabling a like comparison to be made between the LPP and SFP.

¹ While only anecdotal, many districts believe the general site allowance (general site work is essentially fine grading of the site, landscaping, parking, and other items to develop a school site) is one of the missing links in the conversion of the LPP to the SFP. Under the LPP, general site work was a separate allowance.

STAFF COMMENTS (cont.)

A comparison was then made as to how much was allocated for a project under the LPP to what could have been allocated under the SFP for the same project based on the number of classrooms constructed. The percentage by which the SFP new construction base grant exceeded or was deficient compared to the LPP was then calculated.

First Objective--- Findings

The small data sets contributed to substantial variations in results. The data indicated some projects received up to 35 percent less, while others received up to 72 percent more funding under the SFP than the LPP. Therefore, the Committee decided to take a statistical approach to the data to reduce the data variances in a sound manner. As a result, when compared to the LPP, the percentage by which the SFP new construction base grant is deficient is estimated to be as follows:

Chart 1: Comparison of SFP Base Grant to LPP "Base Grant"

Description	Elementary	Middle	High
Percentage SFP Base Grant is Deficient	14.42%	27.63%	3.59%

During the analysis, the Committee was unable to definitively conclude whether the general site allowance was included in the SFP base grant at the time of the conversion. In March 2006, although not unanimous, the majority of the Committee agreed to these results.

While these resulting percentages reflect the request of the Board to determine the adequacy of the SFP new construction base per pupil grant specified in the law, the LPP and SFP consist of two vastly different funding models and the new construction base grant does not reflect the total funding that can be provided under the SFP. For example, while both the LPP and the SFP provide additional funds for building in urban or geographically remote locations, constructing multi-level facilities, or constructing small schools, the manner in which these additional funds are calculated differ significantly. While not easily described in a report, in summary, the additional grants provided under the SFP compensate for some of the deficiencies between the LPP and SFP new construction base grants. If these additional grants are considered when comparing the *total* SFP grant to the *total* LPP apportionment that can be provided for the same projects, the amount by which the SFP total funding model is deficient compared to the LPP decreases to the following:

Chart 2: Comparison of SFP Total Project Cost to LPP Total Project Cost

Description	Elementary	Middle	High
Percentage SFP Total Grant is Deficient	5.75%	13.07%	3.06%

The Committee conducted its analysis with the understanding that it review the equivalence of the SFP new construction base grant to the like allowances provided under the LPP. However, increasing the SFP new construction base per pupil grant by the percentages noted in Chart 1 will more than compensate for the

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STAFF COMMENTS cont.

funding deficiencies between the SFP and LPP because of the differences in the funding models, as indicated in the chart below:

Chart 3: Percentage SFP over-funded if Base Grant Increased

Description	Elementary	Middle	High
Percentage SFP Total Grant <i>Exceeds</i> LPP Total Apportionment if Per Pupil Grants are Increased by Percentages in Chart 1	4.38%	4.05%	3.11%

The Committee only preliminarily discussed the total funding model. While it can be argued that the amount by which the SFP total grant exceeds the LPP total apportionment is reflective of the comparison of the two programs in 1998 and that the excess grants will be absorbed by the notable increases in construction costs since 1998, further analysis is warranted. In addition, in this study the Committee analyzed in depth the new construction base grant for only new school projects on new school sites, although additions to existing sites are funded using the same criteria and model as new school projects. These two additional issues have yet to be fully vetted in the Committee.

While the Office of Public School Construction recognizes the deficiency of the SFP new construction base grant compared to the LPP for new schools, and the need for additional funds in many cases today, the issues described above are highly complex that need to be collectively and successfully resolved to ensure that we can provide sufficient funds to build complete new schools while being prudent with the limited amount of State bond dollars. Therefore, these issues should be more thoroughly analyzed during the second phase.

Second Objective----Status

The Committee is continuing and focusing on the second part of the Board's request---to determine if the grants are sufficient to build new schools today. The Committee recently sent 231 surveys to school districts that have completed a construction project in the last several years. The Committee is comparing actual costs incurred on projects versus what is provided by the State, as well as exploring other contributing factors that may result in insufficient funding, such as:

- Determining if projects include excess building area (square footage) for classrooms, administrative offices, and/or core facilities than what is required or recommended by the CDE, or based on the number of pupils that will be utilizing the spaces, as the excess area most likely results in additional costs that should be borne by the district;
- Assessing if the annual inflation adjustment to the per pupil grant is keeping up with actual construction and material costs;
- Evaluating if large profit margins are being garnered as a result of the flooding of the market with public works projects and substantial bond dollars; and,
- Analyzing the supplemental grants (e.g. additional funding for constructing in urban areas with limited land, the construction of multi-level facilities, geographic differences, etc.) that are available to determine if they are sufficient.

The Committee expects to complete this second phase of the analysis in the next few months.

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NEXT STEPS

While the direction of the SAB was for Staff to determine if the SFP new construction grant is adequate to build new schools today, in order to make that determination, all portions of the funding model must be taken into consideration. The new construction funding model is now quite complex due to a number of excessive cost grants that have been added to the basic per pupil grant formula based on a variety of funding needs identified since the inception of the SFP. These changes were made to address the diversity of factors faced by California schools such as size, location (rural, urban, and suburban), geographic, and the limited number of firms participating in school construction. However, any change to the per pupil base grant amount now, in excess of the percentages identified in Chart #2, may result in a majority of SFP projects being over-funded.

RECOMMENDATIONS

1. Accept this report.
2. Direct Staff to report back to the Board when the analysis of the entire SFP new construction funding model has been completed.

BOARD ACTION

In considering this Item, the State Allocation Board on April 26, 2006 accepted the report and Staff's recommendation to bring a report back to the Board when the analysis of the entire funding model is complete.

In addition, the Board requested that a proposal and recommendations regarding general site additional grants be presented at the May SAB meeting.

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, April 26, 2006

RE-DESIGNATION OF ENERGY FUNDS

PURPOSE OF REPORT

To request:

1. Adoption of amendments to the School Facility Program (SFP) Regulations in order to redesignate modernization energy grants to the modernization fund and to redesignate new construction funds to the new construction energy grant fund.
2. Authorization to file the proposed regulations on an emergency basis with the Office of Administrative Law (OAL).

DESCRIPTION

Assembly Bill 16 authorized the State Allocation Board (SAB) to set aside funds for new construction and modernization to provide supplemental funding to projects that meet energy efficiency criteria. Both Proposition 47 and 55 designated \$20 million, for a total of \$40 million, for this purpose. Through the regulation process it was determined that \$14.2 million would be assigned to new construction and \$5.8 million would be assigned to modernization from each bond.

As of the April 2006 SAB meeting, the modernization funds have been exhausted with the exception of \$5.9 million designated for supplemental energy funding remaining from Propositions 47 and 55. Since the SAB will be unable to fund any modernization projects after the April 2006 SAB meeting until a future bond is passed, the funds set aside for modernization energy purposes cannot be utilized; while there remains an ongoing need for new construction energy efficiency grants.

AUTHORITY

Regulation Section 1859.70.1 authorizes the Board to make a finding that if the funds are not needed for energy efficiency, the Board shall transfer the funds back to the original funding source(s).

STAFF COMMENTS

Originally, Staff prepared regulations that specified the amount to be designated to new construction and modernization based on a prorated basis. It was not anticipated that modernization funds would be exhausted prior to the full utilization of energy funds. However, Modernization funds will be exhausted at this board meeting and will leave an unused balance of \$5.9 million in modernization energy funds. New construction energy efficiency grants from Proposition 47 funds have been exhausted and over half of the Proposition 55 funds set aside for new construction have been apportioned. The Office of Public School Construction (OPSC) continues to receive applications for new construction projects which qualify for energy efficiency grants.

Staff recommends that the Board approve the attached emergency regulation amendment to remove the specific designation as to which fund the energy efficiency grants are to be paid. This change would increase the amount of existing new construction funding available to fund energy efficiency grants by \$5.9 million. This change would also make \$5.9 million available to fund projects on the existing Modernization "Unfunded List". This change is consistent with the original bond language that specified that a total of \$20 million of the funding created by Propositions 47 and 55 be made available to support energy efficiency grants.

The re-designation of the energy funding would be temporary. If and when additional bonds are approved by the voters, or funds are made available from rescinded or closed Proposition 47 or 55 projects and the Board is again able to fund modernization projects, the OPSC will ask the Board to re-designate funds for supplemental energy funding. Therefore, the ability to provide supplemental funding for energy efficient projects will continue uninterrupted. Staff has proposed an amendment to the regulations, per the Attachment, which will provide the SAB with flexibility in the distribution of energy funds.

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RECOMMENDATIONS

1. Adopt the proposed emergency regulations as shown on the Attachment and begin the regulatory process.
2. Authorize the OPSC to file these emergency regulations with the OAL.
3. Upon approval of the emergency regulations, authorize the re-designation of \$100 thousand in modernization energy funds to the modernization fund from Proposition 47 funds, and the re-designation of \$5.8 million from the modernization energy fund to the modernization fund from Proposition 55 funds.
4. Upon approval of the emergency regulations, authorize the re-designation of \$100 thousand in new construction funds to the new construction energy fund from Proposition 47 funds, and the re-designation of \$5.8 million in new construction funds to the new construction energy fund from Proposition 55 funds.
5. Direct Staff to present a proposal to redesignate available Propositions 47 and 55 funds as supplemental energy funding, when additional modernization funding is made available to the program.

This Item was approved by the State Allocation Board on April 26, 2006.

ATTACHMENT

PROPOSED AMENDMENTS TO THE
SCHOOL FACILITY PROGRAM REGULATIONS
State Allocation Board, April 26, 2006

Amend Regulation Section 1859.2 as follows:

...

~~"CEC" means the California Energy Resources, Conservation and Development Commission.~~

...

"EnergyPro 3.1" means a computer program approved by the ~~CEC~~ State Energy Resources Conservation and Development Commission that calculates energy efficiency standards.

...

"Proposition 55" means the Kindergarten-University Public Education Facilities Bond Act of 2004.

...

Note: Authority cited: Sections 17070.35 and 17078.64, Education Code.

Reference: Sections 17009.5, 17017.6, 17017.7, 17021, 17047, 17050, 17051, 17070.15, 17070.51(a), 17070.71, 17070.77, 17071.10, 17071.25, 17071.30, 17071.33, 17071.35, 17071.40, 17071.75, 17071.76, 17072.10, 17072.12, 17072.18, 17072.33, 17073.25, 17074.10, 17074.30, 17074.32, 17075.10, 17075.15, 17077.40, 17077.42, 17077.45, 17078.52, 17078.56, 17280, and 56026, Education Code; Section 53311, Government Code; and Section 1771.5, Labor Code.

Amend Regulation Section 1859.70.1 as follows:

Section 1859.70.1. Available Funding for Energy Efficiency.

- (a) The Board shall set aside \$20 million pursuant to Education Code Section 100620(e) and \$20 million pursuant to Education Code Section 100820(e) for energy conservation adjustments authorized by Education Code Section 17077.35. The \$20 million from each set aside shall be transferred to the Energy Efficiency Account from the following sources:
- (1) ~~\$14.2 million each from~~ The funds made available by Education Code Section 100620(a)(1) and 100820(a)(1), as appropriate.
- (2) ~~\$5.8 million each from~~ The funds made available by Education Code Section 100620(a)(2) and 100820(a)(2), as appropriate.
- (b) The funds from each set aside in (a) shall be apportioned for either of the following:
- (1) ~~\$14.2 million for a~~ New Construction Additional Grants for Energy Efficiency authorized by Section 1859.71.3.
- (2) ~~\$5.8 million for a~~ Modernization Additional Grants for Energy Efficiency authorized by Section 1859.78.5.

If the Board makes a finding that the funds are not needed for the purposes of Sections 1859.71.3 or 1859.78.5, the Board shall transfer the funds back to the original funding source(s) identified in (a)(1) and (a)(2) above.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17077.35, 100620 and 100820, Education Code.

Amend Regulation Section 1859.71.3 as follows:

Section 1859.71.3. New Construction Additional Grant for Energy Efficiency.

- (a) In addition to any other funding authorized by these Regulations, the Board shall provide the grant amounts identified in (b) if all the following are met:
- (1) The project includes energy efficiency components that conform to Subdivision (b) of Education Code Section 17077.35.

- (2) The average energy efficiency score of all the buildings in the project, as determined by EnergyPro 3.1 or a similar computer program approved by the CEC State Energy Resources Conservation and Development Commission, exceeds the nonresidential building energy efficiency standards specified in Part 6 of Title 24 of the California Code of Regulations by at least 15 percent.
- (3) The DSA has reviewed the proposed project and concurs with the percentage of energy efficiency that exceeds the nonresidential building energy efficiency standards specified in Part 6 of Title 24 of the California Code of Regulations.
- (4) No portion of the project will be funded with funds made available from the Renewable Energy Program administered by the CEC State Energy Resources Conservation and Development Commission.
- (5) There are funds remaining in the Energy Efficiency Fund as prescribed in Section 1859.70.1 to apportion some or the entire additional grant provided in (b).
- (b) An amount equal to the lesser of the following:
 - (1) The New Construction Grant multiplied by one percent if the percentage of energy efficiency as concurred by the DSA in (a)(3) is 15 percent, or by one percent plus 0.04 percent for each 0.1 percent increment of increased energy efficiency up to 25 percent. The multiplier may not exceed five percent.
 - (2) The funds available in the Energy Efficiency Account set aside for this Section.

If there are no funds remaining in the Energy Efficiency Account or the funds remaining in the Energy Efficiency Account are insufficient to fully fund the additional grant authorized in (b)(1), the district may either withdraw its application and resubmit it when additional funds are available in the Energy Efficiency Account or continue with the new construction project and accept a full and final apportionment without the additional grant authorized by (b)(1) or the lesser apportionment authorized by (b)(2).

Note: Authority cited: Section 17070.35, Education Code.

Reference: Section 17077.35, Education Code.

Amend Regulation Section 1859.78.5 as follows:

Section 1859.78.5. Modernization Additional Grant for Energy Efficiency.

- (a) In addition to any other funding authorized by these Regulations, the Board shall provide the grant amounts identified in (b) if all the following are met:
 - (1) The project includes energy efficiency components that conform to Subdivision (b) of Education Code Section 17077.35.
 - (2) The average energy efficiency score of all the buildings in the project, as determined by EnergyPro 3.1 or a similar computer program approved by the CEC State Energy Resources Conservation and Development Commission, exceeds the nonresidential building energy efficiency standards specified in Part 6 of Title 24 of the California Code of Regulations by at least 10 percent.
 - (3) The DSA has reviewed the proposed project and concurs with the percentage of energy efficiency that exceeds the nonresidential building energy efficiency standards specified in Part 6 of Title 24 of the California Code of Regulations.
 - (4) No portion of the project will be funded with funds made available from the Renewable Energy Program administered by the CEC State Energy Resources Conservation and Development Commission.
 - (5) There are funds remaining in the Energy Efficiency Fund as prescribed in Section 1859.70.1 to apportion some or the entire additional grant provided in (b).
- (b) An amount equal to the lesser of (b)(1) or (b)(2):
 - (1) The Modernization Grant multiplied by one percent if the percentage of energy efficiency as concurred by the DSA in (a)(3) is 10 percent, or by one percent plus 0.1 percent for each 0.1 percent increment of increased energy efficiency up to 14 percent. The multiplier may not exceed five percent.
 - (2) The remaining funds available in the Energy Efficiency Account set aside for this Section.

If there are no funds remaining in the Energy Efficiency Account or the funds remaining in the Energy Efficiency Account are insufficient to fully fund the additional grant authorized in (b)(1), the district may either withdraw its application and resubmit it when additional funds are available in the Energy Efficiency Account or continue with the modernization project and accept a full and final apportionment without the additional grant authorized by (b)(1) or the lesser apportionment authorized by (b)(2).

Note: Authority cited: Section 17070.35, Education Code.

Reference: Section 17077.35, Education Code.

STATE SCHOOL CONSTRUCTION FUNDING REQUIREMENTS

PURPOSE OF REPORT

To clarify the State school construction funding requirements relative to the Division of the State Architect (DSA) plan approval date.

DESCRIPTION

It has come to the attention of the Office of Public School Construction (OPSC) that districts may be misinterpreting the timing of the DSA approvals relative to the district entering into a construction contract. Staff has prepared this report to clarify this requirement and to recommend remedial action.

AUTHORITY

Education Code (EC) Section 17307 cites that no contract for the construction of any school building is valid and no public money shall be paid for any work done under a contract unless the plans and specifications and estimates comply with the provisions and requirements of the DSA, as representative of the Department of General Services, and that approval has first been obtained in writing.

EC Section 17267 requires that the governing board of a school district shall, before letting any contract for the construction of a school building as defined in EC Section 17283 according to the plans and specifications, submit a file set of the plans and specifications with the DSA, accompanied by the remaining fee which is due according to the amount fixed by EC Section 17300.

EC Section 17297 states that "...before letting any contract for any construction or alteration of any school building, the written approval of the plans, as to safety of design and construction, by the Department of General Services (as represented by the DSA) shall be first had and obtained."

LEGAL ANALYSIS

Two provisions of the School Facilities Program (SFP) apply to this issue. EC Section 17072.30 requires the State Allocation Board (SAB) to apportion funds to an eligible school district only upon the approval of the project by the Department of General Services (DSA) pursuant to the Field Act. SAB and OPSC procedures require evidence of DSA approval prior to bringing apportionments to the SAB for approval. EC Section 17072.32 further provides that once an apportionment has been made, funding shall be released in amounts equal to the amount of the local match upon certification by the district that the district has entered into a binding contract for completion of the approved project. SAB and OPSC procedures require a district to provide this certification prior to obtaining a fund release. Current processes ensure that no apportionments are made and no State bond funds are released unless DSA approval has been given, unless DSA approval is not otherwise required.

STAFF COMMENTS

Prior to the inception of the Labor Compliance Program, the OPSC was not aware of the date construction contracts were signed when a district submitted an *Application for Funding*. Staff's recent revisions to the *Application for Funding* required that districts provide increased project data, which led to the OPSC becoming aware that districts were signing contracts prior to receiving the DSA approval. Prior to this, Staff was not able to make this determination until the close-out phase. The OPSC recently reviewed a sampling of applications (see Attachments) which further confirmed that some confusion exists regarding the timing for contract signature dates.

STAFF COMMENTS (cont.)

This review also indicated, overall, that the discrepancy of the signature dates relative to the DSA approval appears to be minimal. The total number of applications which may be affected cannot be readily determined as they range from those currently being received through those in the close-out audit phase.

To facilitate the processing of construction funding applications, Staff recommends that a grace period be provided that would allow applications where contracts were signed no later than April 26, 2006 to be considered for funding as long as the districts have received DSA approval of the plans and the school district has received written confirmation by the DSA which verifies that the approved plans accurately represent what was actually constructed.

To ensure that districts fully understand the requirement for receipt of the DSA final plan approval letter prior to entering into a construction contract, a letter of clarification will be mailed to all school districts and county offices of education. Additionally, an article detailing the requirement has been published in both the *Advisory Action Newsletter* and the bi-annual publication, *Breaking Ground*. Staff will also include this information in upcoming workshops.

The DSA has provided a letter, included as Attachment A, which verifies that the five projects included as a part of this item have constructed facilities in compliance with the DSA approved plans and specifications. Attachment B lists five current funding requests where contracts were signed outside of the required timelines. Staff includes a recommendation for each request.

RECOMMENDATIONS

1. Provide that all State school funding applications where contracts were signed on or prior to April 26, 2006 without written approval from the DSA, would still be considered for funding as long as the districts have received DSA approval of the plans and the school district has received written confirmation by the DSA verifying that the approved plans accurately represent what was actually constructed.
2. Provide that State school funding applications will not be approved for State funding where those contracts are signed after April 26, 2006, and have not secured written approval by the DSA prior to the contract signature date.
3. Provide that future applications considered for funding based on Recommendation Number 1 will be placed in the Consent section of the agenda with the DSA confirmation letter attached, and will be identified by a special condition included on the funding shell.

This Item was approved by the State Allocation Board on April 26, 2006.

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, April 26, 2006

STATE RELOCATABLE CLASSROOM PROGRAM
CHARGEABILITY

PURPOSE OF REPORT

To present a proposal that will address the chargeability of State Relocatable Classrooms that are purchased by school districts.

BACKGROUND

At the October 2005 Board meeting, the Board approved the Phase-Out Plan (Plan) that would dispose of the State's relocatable classrooms (Relocatables). The Plan details the systematic disposal of Relocatables through various means, including the sale of these classrooms to school districts. Initially, the Plan was developed with a provision that would allow school districts to purchase a Relocatable without being charged additional capacity to their School Facility Program (SFP) new construction eligibility baseline. However, an alternative approach was deemed necessary as current statute requires school districts to adjust their existing classroom capacity to reflect any additional classrooms provided after the school districts have established their initial SFP baseline eligibility.

AUTHORITY

Education Code (EC) Section 17071.75(b) – Add the number of pupils that may be adequately housed in the existing school building capacity of the applicant school district as determined pursuant to 17071.10 to the number of pupils for which facilities were provided from any State or local funding source after the existing school building capacity was determined. For the purposes of this section, the total number of pupils for which facilities were provided shall be determined using the pupil loading formula set forth in Section 17071.25.

EC Section 17071.25 establishes a loading formula that determines the amount of students that can be housed in each classroom. The formula shall be 25 pupils for each classroom used in kindergarten or grades 1 to 6, inclusive, and 27 pupils for each classroom used for grades 7 to 12, inclusive. EC Section 17071.30 further defines which portable buildings shall be included in the classroom count to which the loading formula is applied.

EC Section 17094 permits the Board to dispose of a relocatable classroom to the public or private entity in any manner that it deems to be in the best interest of the State, if the Board deems there is no longer a need for the relocatable classroom.

EC Section 17089.2 – Any portable classroom that is leased from the Board by a school district or county superintendent of schools under this chapter on or prior to December 1, 1991, may be purchased by the district or county superintendent of schools for an amount equal to the purchase price paid by the Board, including the purchase costs specified in subdivision (c) of Section 17088.7, less the amount of any rent already paid to the Board by the district or county superintendent of schools for that classroom.

DISCUSSION

The SFP is designed as a "per pupil" grant program where each pupil receives a specific grant amount based upon the grade level of the pupil. The per pupil grants are to provide the State's share (50 percent) for necessary project costs and to provide school districts with sufficient funding to construct permanent facilities based on the pupil loading standards. For example, the State provides \$6,769 per pupil to construct classrooms for an elementary school.

DISCUSSION (cont.)

Under the SFP, school districts seeking State funding to construct one permanent classroom are required to request 25 pupils for an elementary school and 27 pupils for middle and high school schools for each classroom. A district constructing one elementary classroom would receive a minimum \$169,225 in State funding, and the district's eligibility baseline is reduced by the 25 pupils being requested. However, school districts seeking State funding to construct relocatable classrooms are permitted to limit the number of pupil grants requested on their funding application commensurate to the value of the relocatable classroom since the cost to construct a relocatable classroom is much less expensive than that of a permanent facility. This provides for a more prudent use of State funds and the districts' SFP eligibility considering otherwise, if a district requested 25 or 27 pupils grants to build a relocatable classroom, a district will receive nearly 100 percent State funding to construct facilities of significantly lesser value.

Staff is proposing to implement a similar method as part of the SRCP Phase-Out Plan. This process will comply with the statutory requirement that school districts adjust their classroom capacity for additional classrooms provided after the school districts have established their SFP baseline eligibility. When a Relocatable is purchased by a school district, there would be a minimal adjustment to the school district's eligibility baseline commensurate with the purchase price paid for the Relocatable under the Plan, as illustrated in the following table:

Year Built	Purchase Prices	Number of Pupil Grants Charged to the SFP Eligibility Baseline and Corresponding Pupil Dollar Value *					
		K – 6 Grade		7 -8 Grade		9 - 12 Grade	
		Pupils	Dollar Value	Pupils	Dollar Value	Pupils	Dollar Value
Prior to 1996	\$4,000.00	1	\$6,769.00	1	\$7,159.00	1	\$9,372.00
1996	\$6,000.00	1	\$6,769.00	1	\$7,159.00	1	\$9,372.00
1997	\$9,000.00	1	\$6,769.00	1	\$7,159.00	1	\$9,372.00
1998	\$12,000.00	2	\$13,538.00	1	\$7,159.00	1	\$9,372.00
1999	\$15,000.00	2	\$13,538.00	2	\$14,318.00	1	\$9,372.00
2000	\$18,000.00	3	\$20,307.00	2	\$14,318.00	2	\$18,744.00
2001	\$21,000.00	3	\$20,307.00	3	\$21,477.00	2	\$18,744.00
2002	\$24,000.00	4	\$27,076.00	3	\$21,477.00	3	\$28,116.00
2003	\$27,000.00	4	\$27,076.00	4	\$28,636.00	3	\$28,116.00

* Pupil Grants and Purchase Price are based on 2005 figures. Purchase Price includes 2005-06 lease payments.

The Purchase Price represents the dollar value in which the State recoups all Program expenses such as the purchase price, transportation costs and set-up costs. The pupil grants shown in the Table represent the nearest whole pupil grant that equates to the purchase price to be paid by a school district.

STAFF COMMENTS

Over the years, many school districts have opted not to purchase eligible Relocatables because the dollar value offset from their SFP new construction eligibility baseline would be significantly higher than the value of the purchased Relocatable. The pupils charged in excess of the value of the Relocatable would then be lost to a school district that could have used those pupil grants towards a future project to provide additional classrooms. Incorporating a process that would allow school districts to purchase a Relocatable with no or a minimal impact to their SFP new construction eligibility baseline is necessary to phase out the Program. Without such a process, the State would be liable for any additional costs resulting from the surplus of facilities that will be returned to the State at the conclusion of the lease term. These costs would include such things as transportation costs, storage costs, and disposal fees for those Relocatables that are no longer usable.

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STAFF COMMENTS (cont.)

Even with a minimal adjustment to a school district's eligibility baseline, it is not certain how many Relocatables will be purchased by school districts. To avoid this uncertainty and the potential additional costs associated with Relocatables being returned to the State, it would be in the State's best interest to develop legislation that would permit school districts to purchase a Relocatable with no charge to its SFP new construction eligibility baseline. However, knowing that a legislative solution could take a significant amount of time to procure, and the needs of the Program are immediate, staff recommends that the Board approve a minimal chargeability proposal that would allow the phase-out plan to proceed immediately.

RECOMMENDATION

Approve the chargeability proposal as outlined above.

This Item was approved by the State Allocation Board on April 26, 2006.