

STATE ALLOCATION BOARD
NEW CONSTRUCTION SUBCOMMITTEE
February 14, 2012

PURPOSE

To discuss topics relating to School Facility Program (SFP) new construction bond authority.

DESCRIPTION

This meeting is to continue discussing the remaining SFP bond authority. This meeting is a continuation of the November 7, 2011 and January 11, 2012 New Construction Subcommittee (Committee) meetings. The information provided is intended to promote discussion on how to proceed with the program in the future. General information on the basic concepts of the program and fiscal statistics concerning the program's history can be found as part of the previous Committee items included in Tab 3.

AUTHORITY

See Attachment A.

BACKGROUND

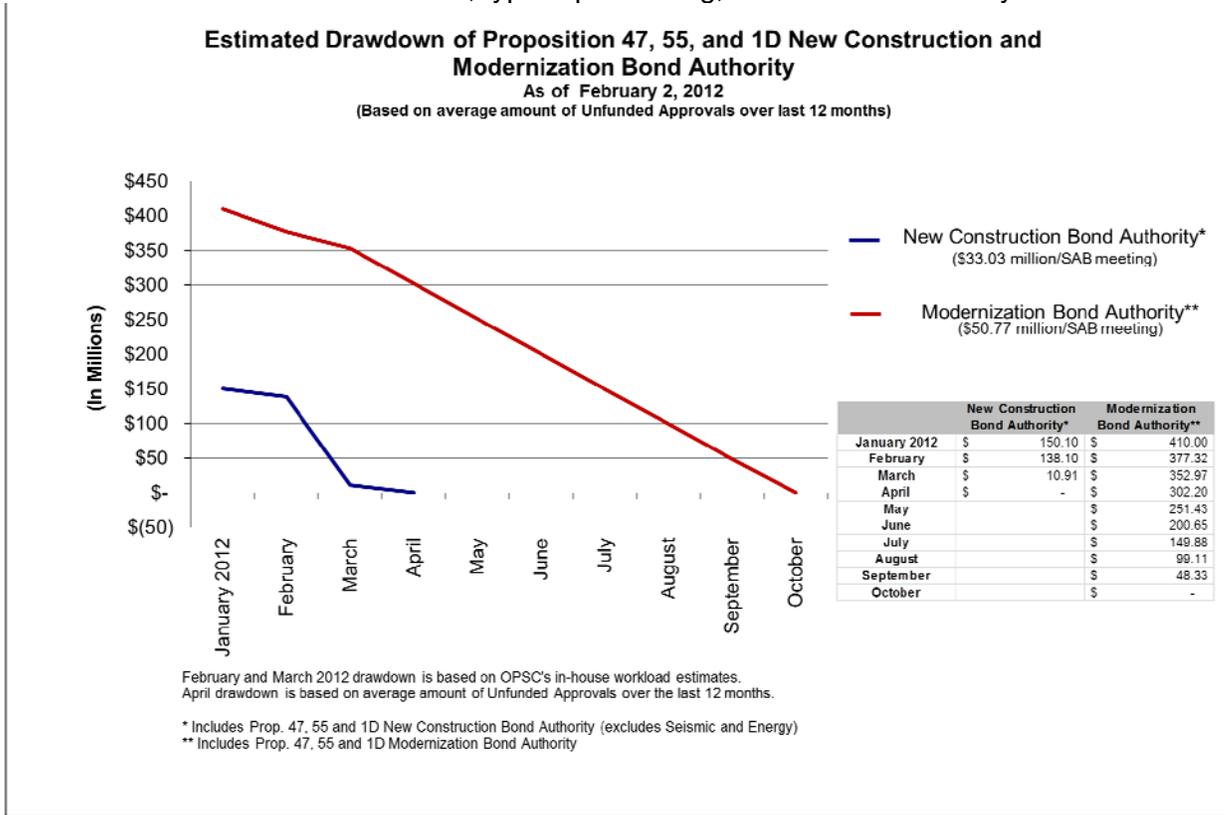
At the September 2011 State Allocation Board (Board) meeting, the members created a subcommittee to consider the future of the SFP. In particular, the members wished to take a look at where we stand with New Construction bond authority between now and the next potential school facilities bond that could be placed on the ballot.

On November 7, 2011 the Committee met to begin discussion on how to proceed with the SFP as the amount of remaining New Construction bond authority nears depletion. The Committee met to continue these discussions on January 11, 2012. At the conclusion of the meeting the committee directed Staff to schedule an additional meeting to continue discussions on extending available bond authority.

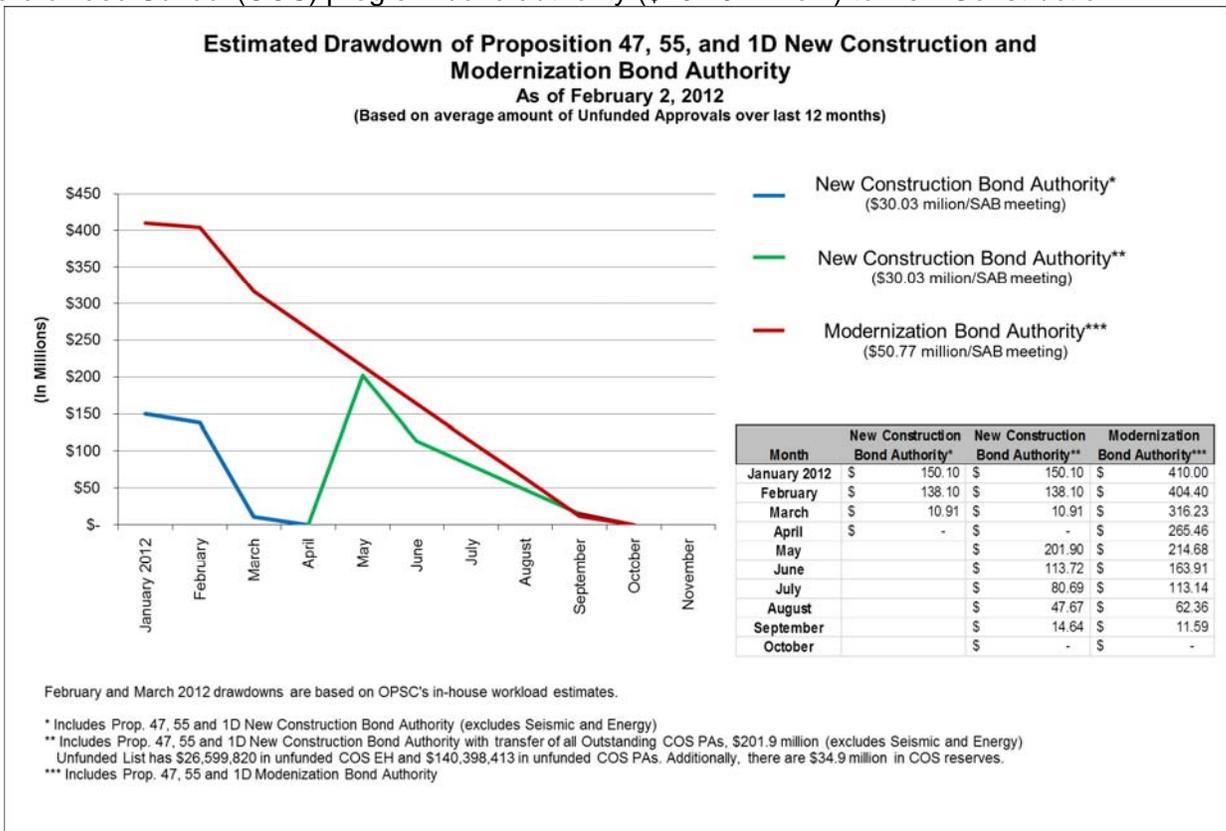
As of the January 2012 Board meeting, less than \$150.1 million remains in New Construction (NC) bond authority and \$410.0 million remains in Modernization (Mod) bond authority. Based on the typical processing timeline of applications and the average monthly drawdown on authority, New Construction bond authority will be exhausted in April 2012. Modernization bond authority is expected to be exhausted in October 2012.

Bond Authority Drawdown Scenarios

1. Drawdown based on in-house workload, typical processing, and no bond authority transfers.

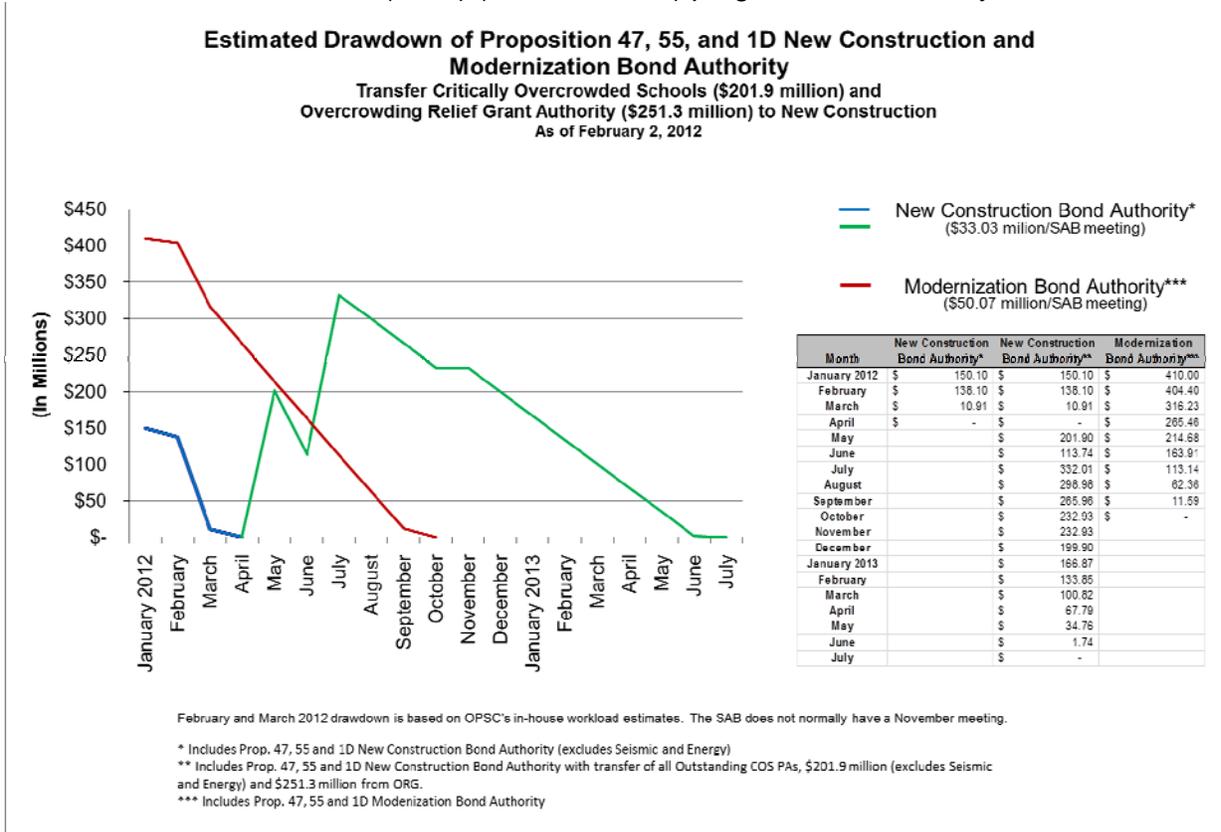


2. Drawdown based on in-house workload, typical processing, and transfer of Critically Overcrowded School (COS) program bond authority (\$201.9 million¹) to New Construction.



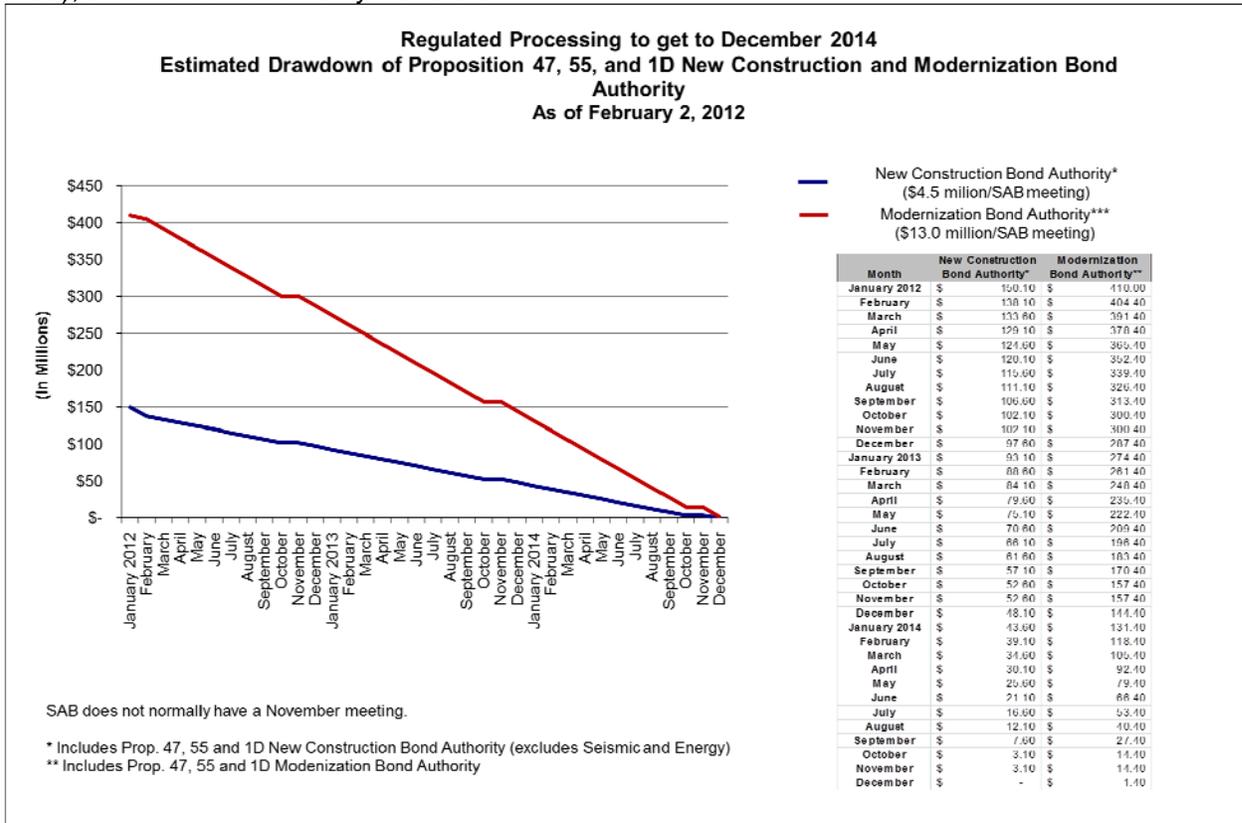
¹ One project has been received to convert to a final adjusted grant unfunded approval in the amount of \$12.8 million.

3. Drawdown based on in-house workload, typical processing, and transfer of COS (\$201.9 million) and of Overcrowded Relief Grant (ORG) (\$251.3 million[†]) program bond authority to New Construction.

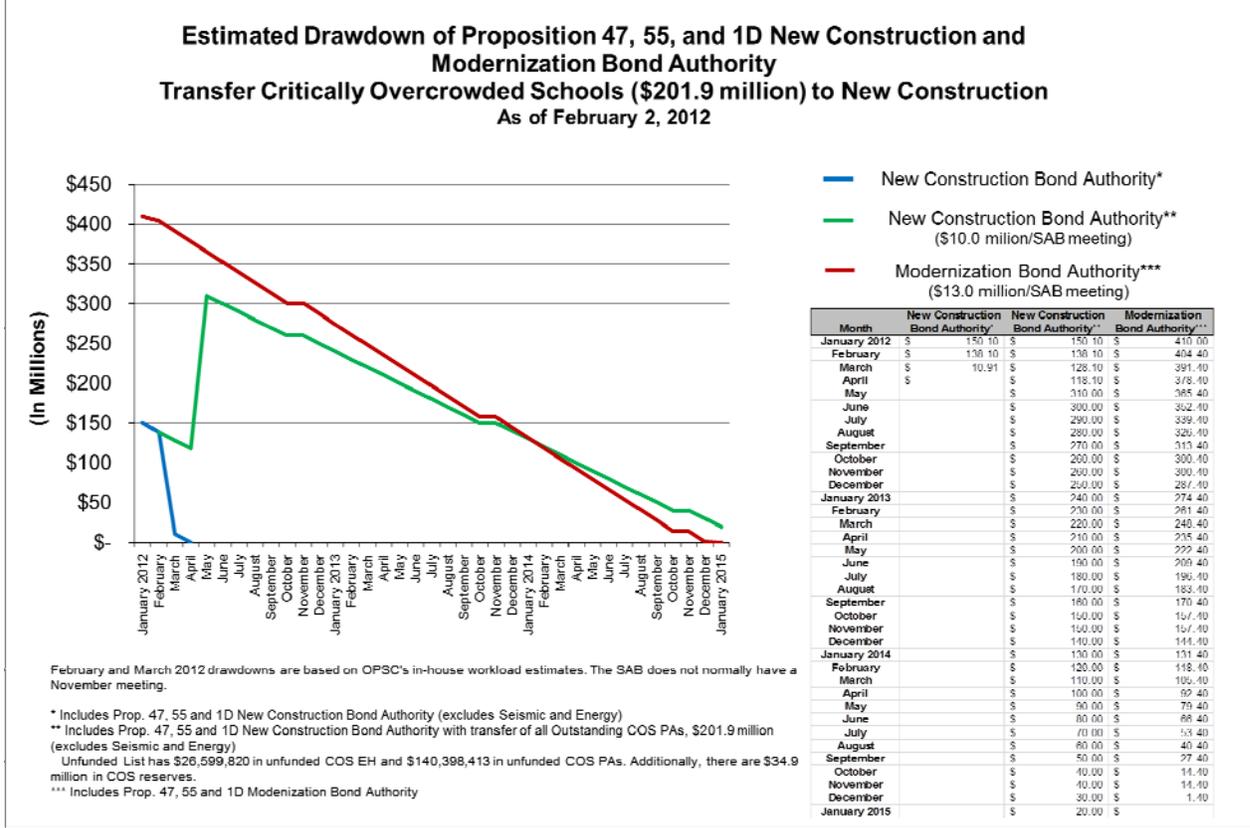


[†] Seven applications have been received for the ninth cycle that closed January 31, 2012 in the amount of \$23.5 million.

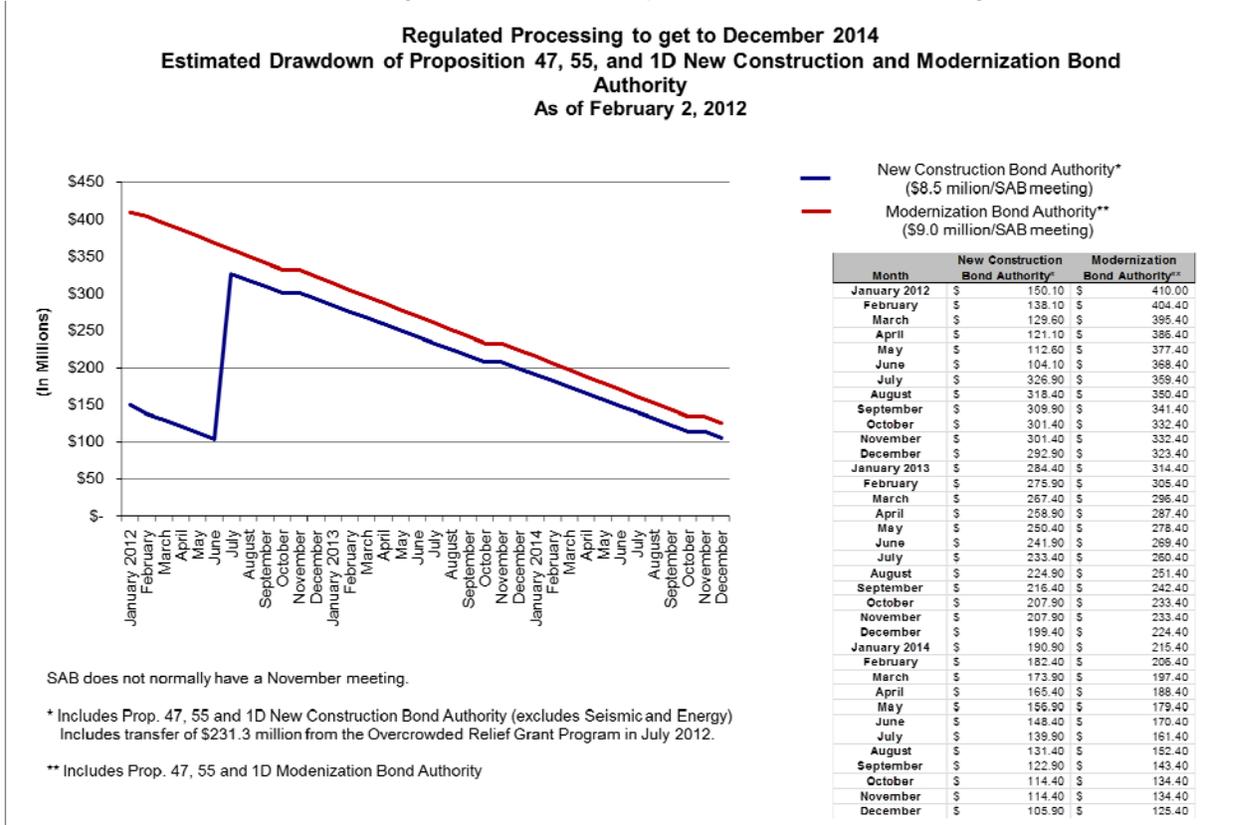
4. Drawdown based on in-house workload, regulated processing (propose \$4.5 million NC, \$13.0 Mod), and no bond authority transfers.



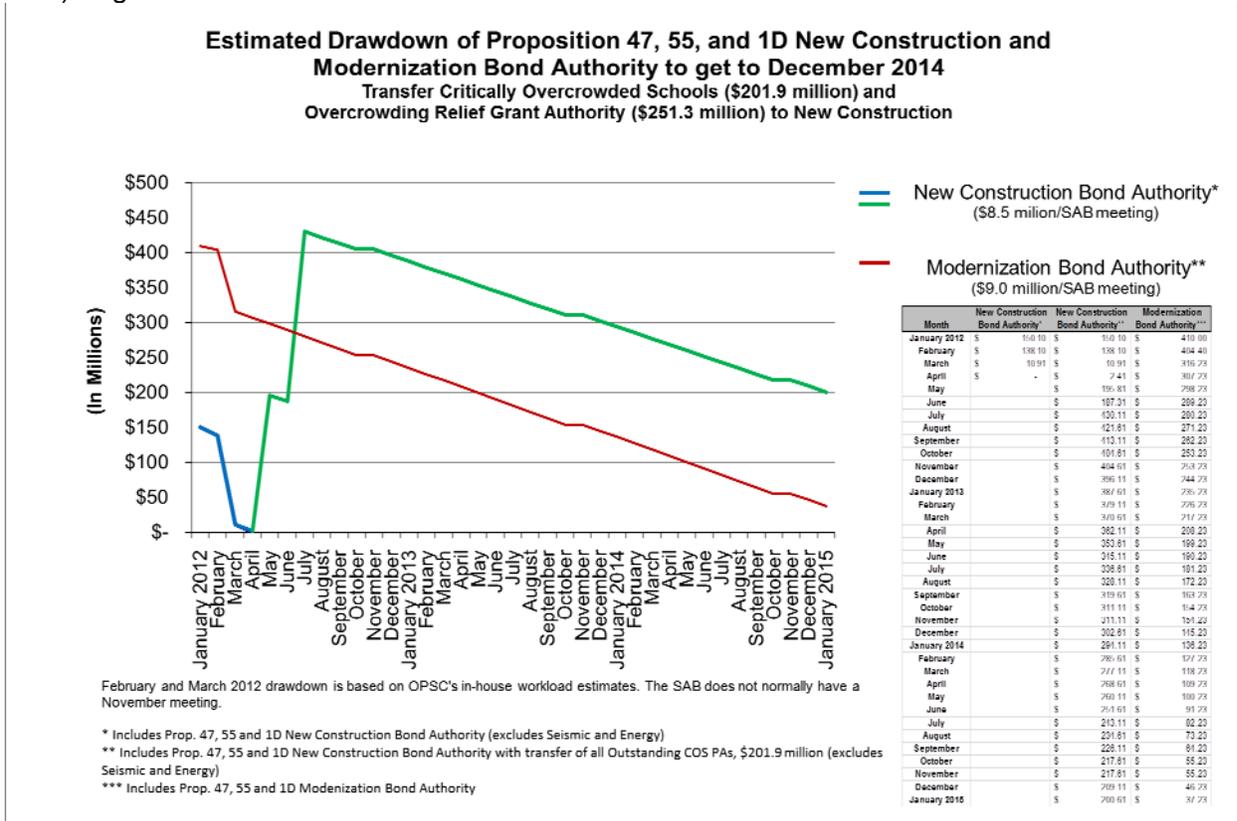
5. Drawdown based on in-house workload, regulated processing (propose \$10.0 million NC, \$13.0 Mod), and transfer of COS program bond authority to New Construction.



6. Drawdown based on in-house workload, regulated processing (propose \$8.5 million NC, \$9.0 Mod), and transfer of ORG program bond authority to New Construction to get to December 2014.



7. Drawdown based on in-house workload, and transfer of COS and ORG program bond authority to New Construction regulated processing after ORG transfer (propose \$8.5 million NC, \$9.0 Mod) to get to December 2014.



NEXT STEPS

The goal of this meeting is for the Committee to reach a consensus and direct Staff to present the Committee's recommendation to the full Board at the February 22, 2012 Board meeting.

ATTACHMENT A

STATE ALLOCATION BOARD
NEW CONSTRUCTION SUBCOMMITTEE
January 11, 2012

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OVERVIEW

PURPOSE

To discuss topics relating to School Facility Program (SFP) new construction bond authority.

DESCRIPTION

This meeting is to present additional data relating to remaining SFP bond authority as a result of the November 7, 2011 New Construction Subcommittee (Committee) meeting. This information is intended to promote discussion on how to proceed with the program in the future. The item will present information and options for the committee to discuss. General information on the basic concepts of the program and fiscal statistics concerning the program's history can be found as part of the November 7, 2011 Committee item included in Tab 4.

AUTHORITY

See Attachment A.

BACKGROUND

At the September 2011 State Allocation Board (Board) meeting, the members created a subcommittee to consider the future of the SFP. In particular, the members wished to take a look at where we stand with New Construction bond authority between now and the next potential school facilities bond that could be placed on the ballot.

On November 7, 2011 the Committee met to begin discussion on how to proceed with the SFP as the amount of remaining New Construction bond authority nears depletion.

The Committee discussed the following major topics:

- When the State expects to exhaust bond authority for New Construction, Modernization, the Overcrowding Relief Grant (ORG), and High Performance Incentive (HPI) grant;
- Returning bond authority due to rescissions and closeout adjustments;
- Developer fees; and
- New Construction funding process

Remaining Bond Authority

As of the December Board meeting there was approximately \$1.3 billion in remaining SFP bond authority. Based on in-house New Construction and Modernization workload data, Staff currently estimates the following bond authority exhaustion dates:

- New construction – April 2012
- Modernization – September 2012
- Overcrowded Relief Grant – June 2014
- High Performance Incentive Grant – Extend beyond December 2012
- Critically Overcrowded Schools - \$201.9 million is potentially available in May 2012

Additionally, assuming that \$201.9 million in outstanding Critically Overcrowded Schools (COS) projects do not convert their applications, the Board could transfer this unused authority to New Construction and the exhaustion of the authority in New Construction may be delayed until October 2012, depending on actual New Construction applications received.

Returning Bond Authority

Bond Authority returns to the SFP in three main forms including Time Limit on Fund Release (TLOFR) rescissions, rescissions and Reductions to Costs Incurred (RCI) and closeout adjustments.

At the last meeting Staff reported the following approximate totals are returned to the program on average each month:

- TLOFR
 - New Construction - \$595 thousand
 - Modernization - \$859 thousand
- Rescissions (due to lack of substantial progress)
 - Approximately one application per month returning \$2.1 million to the originating program
- RCI - Approximately three applications per month returning \$2.6 million to the originating program
 - New Construction - \$2.2 million
 - Modernization - \$412 thousand
- Closeout Adjustments - Net return is approximately \$1.3 million after both positive and negative adjustments have been taken into account
 - New Construction - \$1.1 million
 - Modernization - \$182 thousand

Developer Fees

Staff presented information on the three levels that may be levied for developer fees, the justification for each level and additional requirements that must be met to implement each level of developer fees.

The New Construction Funding Process

Staff presented an overview of the SFP New Construction funding process from eligibility determination to fund release including differences between the original 18-month funding method and the current 90-day funding method.

NEXT STEPS

At the November 7, 2011 meeting, the committee directed Staff to bring the following items to the next meeting for additional discussion:

- Options for extending available bond authority
- Additional information concerning SFP eligibility
- Historical information comparing the eligibility requirement between LPP and SFP

ITEM FORMAT

This item has been divided by topic. Behind each tab is a discussion item for the individual topic or sub-topic. The prior published Committee item can be found behind Tab 4.

OPTIONS TO EXTEND THE BOND AUTHORITY

PURPOSE

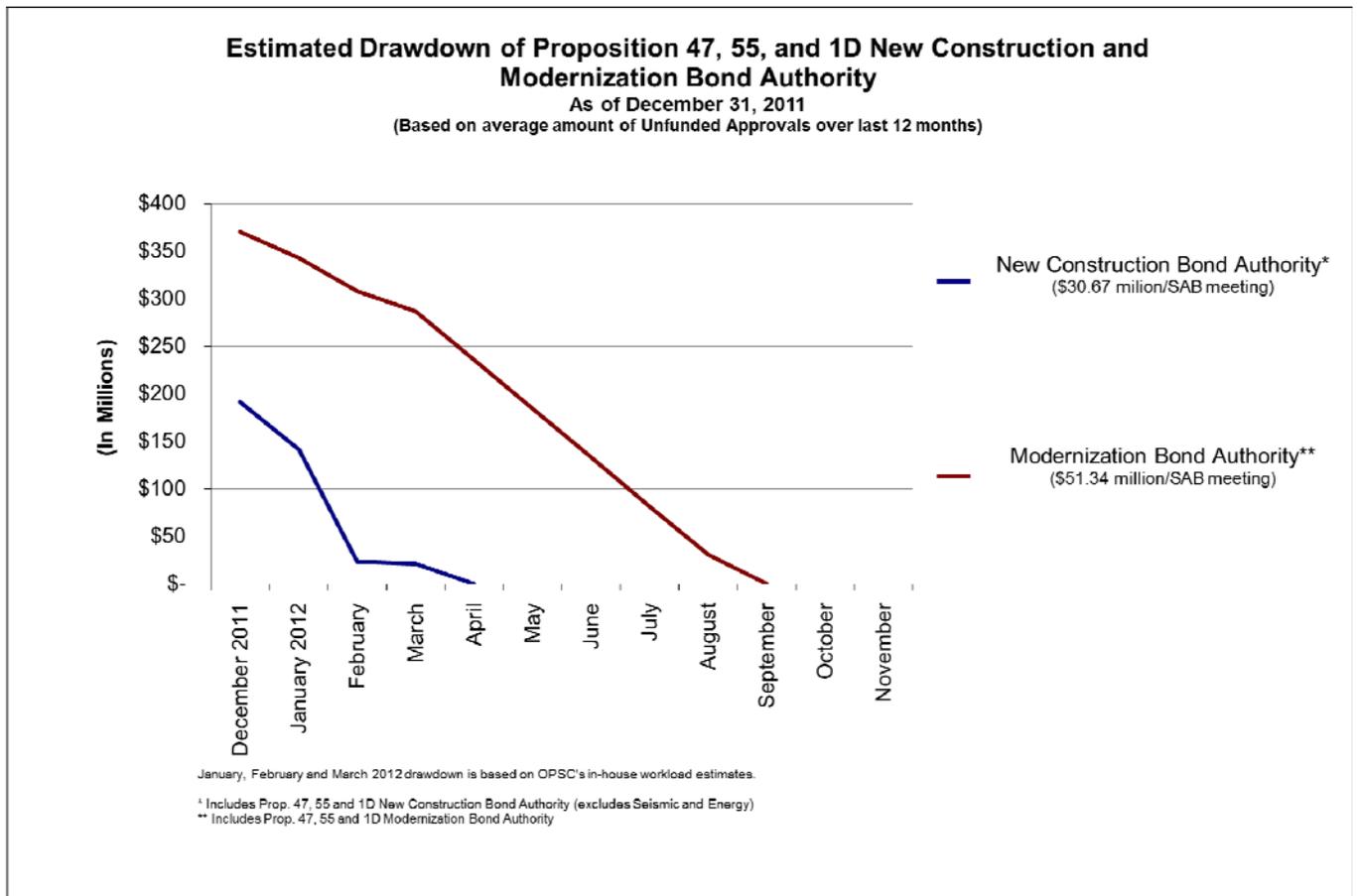
To present options to extend New Construction bond authority through 2012 and possibly 2014.

POLICY DISCUSSION QUESTION

Should the Board regulate the processing of applications to the Board to manage the remaining New Construction bond authority?

DESCRIPTION

Once all voter approved bond authority has been allocated and apportioned, the Board will be required to make a declaration of the lack of available funds. As a result, districts may impose Level III developer's fees up to 100 percent of the School Facility Program new construction project cost. As of December 31, 2011, the SAB had \$191.80 million remaining in New Construction bond authority and \$370.40 million in Modernization bond authority.

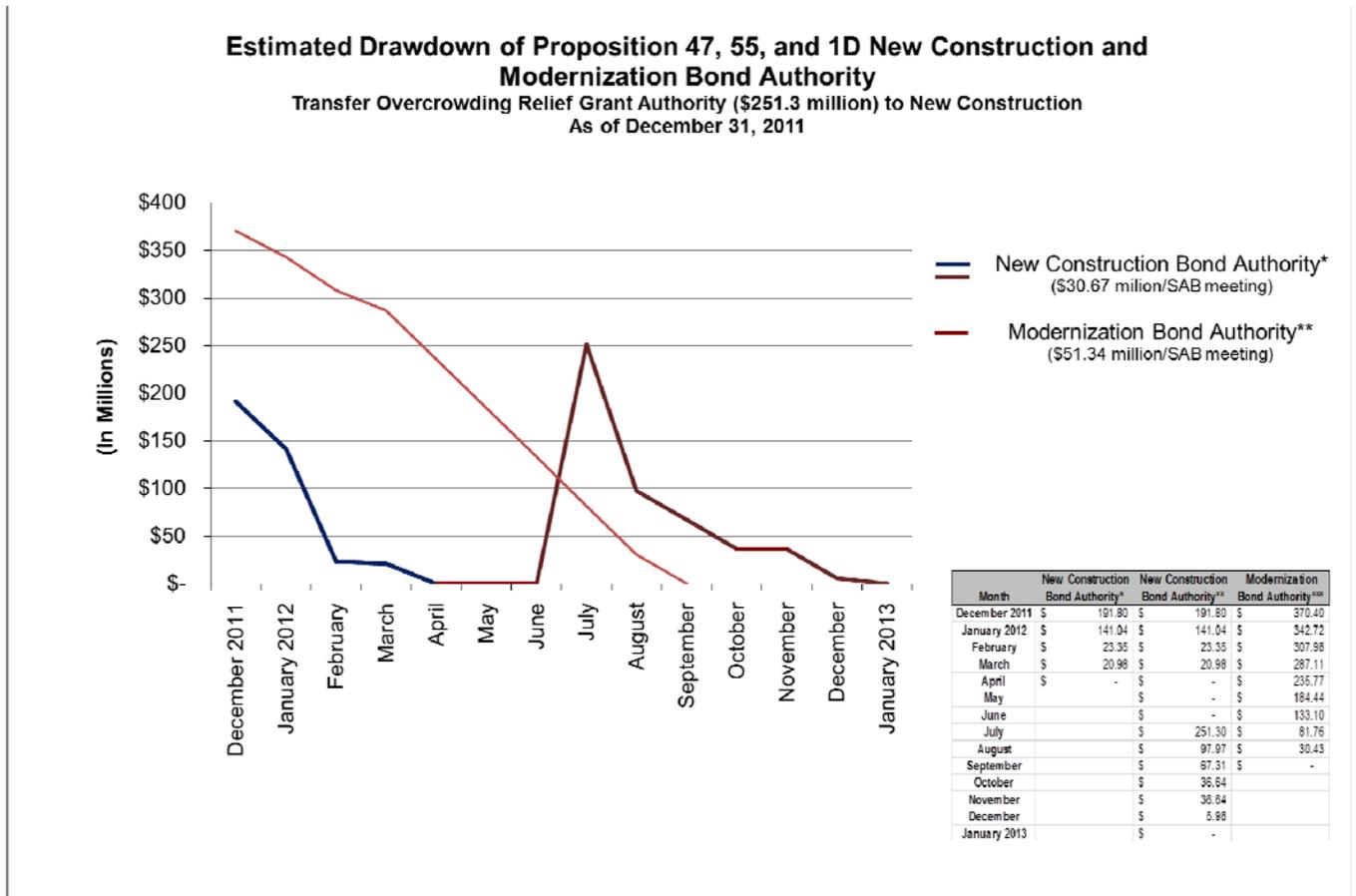


On January 5, 2012 the Governor released the proposed budget for the 2012/2013 Fiscal Year. The Governor has proposed to transfer all remaining Overcrowding Relief Grant (ORG) program authority to the New Construction Program. Additionally, the budget proposes the regulation of the allocation of new construction and modernization funds to delay local authority to impose Level III Developer Fees.

“K-12 School Facilities

Since 1998, voters have approved approximately \$35 billion in statewide general obligation bonds to construct or renovate public school classrooms used by the state’s 6.3 million elementary, middle and high school students. In addition to general obligation bonds, school districts may utilize developer fees, local bonds, certificates of participation and Mello-Roos bonds to construct additional classrooms or renovate existing classrooms. The Budget proposes to shift existing School Facilities Program bond authority from the Overcrowding Relief Grant Program to the New Construction program and to regulate the allocation of new construction and modernization funds to ensure continued construction of new classrooms and modernization of existing classrooms. This action will delay local authority to impose a third level construction fee while continuing construction of new classrooms using bond proceeds, fee revenues and local funds.”

Assuming the Budget Act is approved in June 2012 and ORG bond authority is transferred in July 2012, the following chart illustrates the drawdown on New Construction bond authority.



OPTIONS

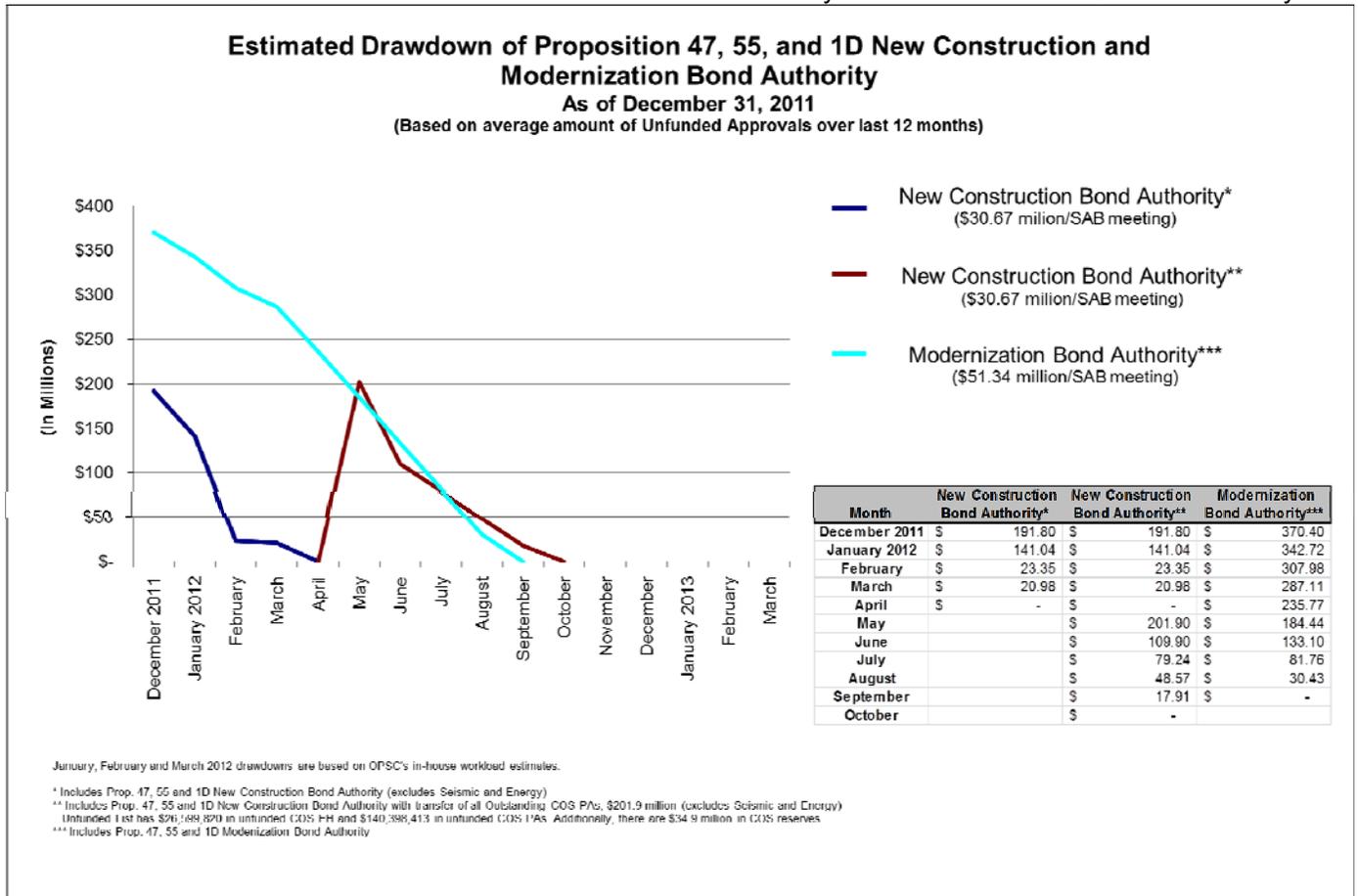
Option 1A: Extend New Construction bond authority - Transfer available Critically Overcrowded Schools (COS) authority to the New Construction Program

Historically, the Board has transferred unused bond authority from the COS Program to New Construction. Currently, there is \$201.9 million in outstanding COS preliminary apportionments for 33 COS projects. School districts have until April 2012 to request the conversion of preliminary apportionments to adjusted grant approvals. Assuming these projects do not convert and the Board transfers the authority to New Construction, the exhaustion of the authority in New Construction would be delayed until October 2012.

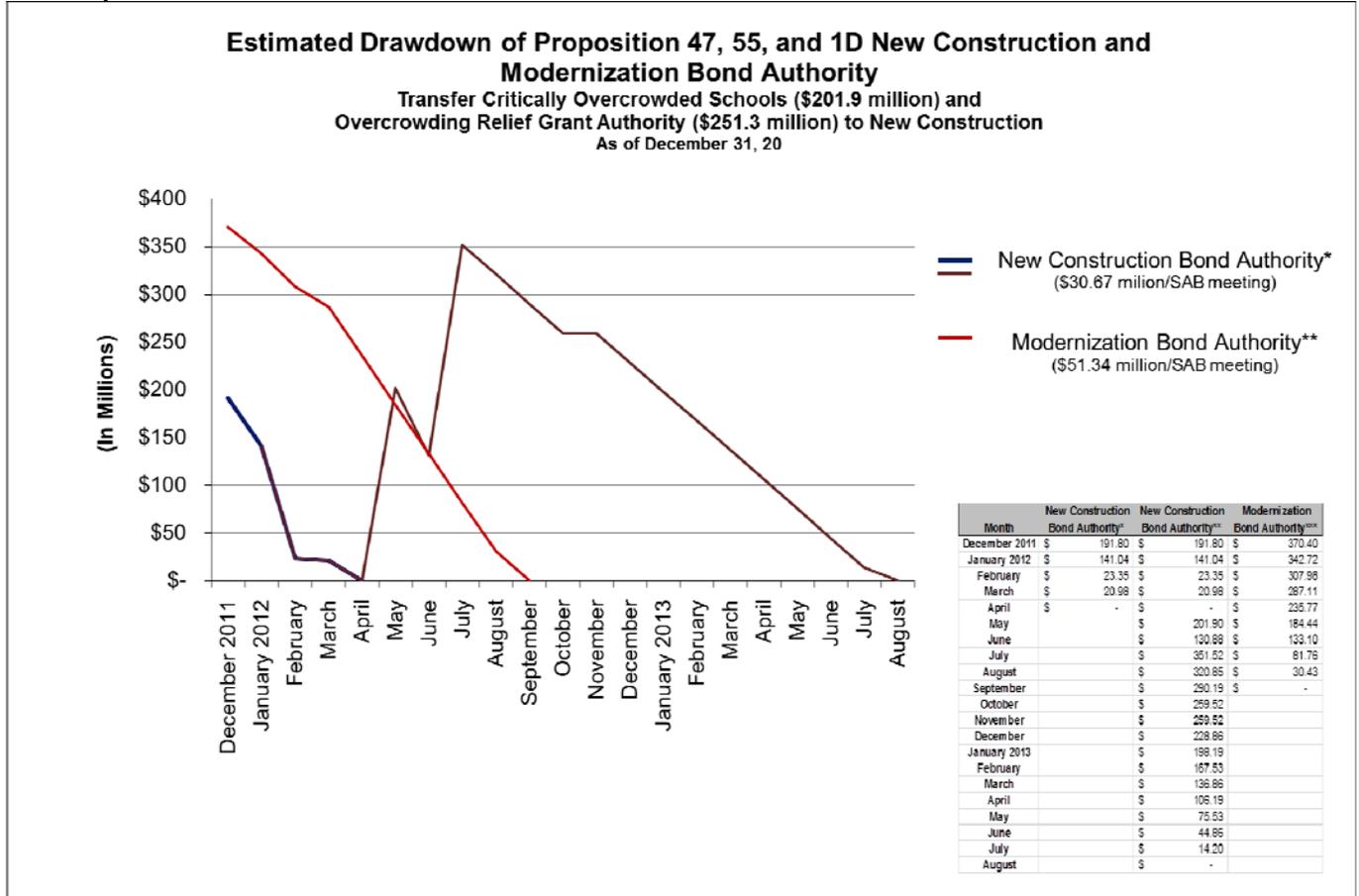
Pros:

- Extends the remaining available New Construction bond authority for future projects.

Drawdown of New Construction and Modernization bond authority after transfer of COS bond authority.



Drawdown of New Construction and Modernization bond authority after transfer of COS and ORG bond authority.



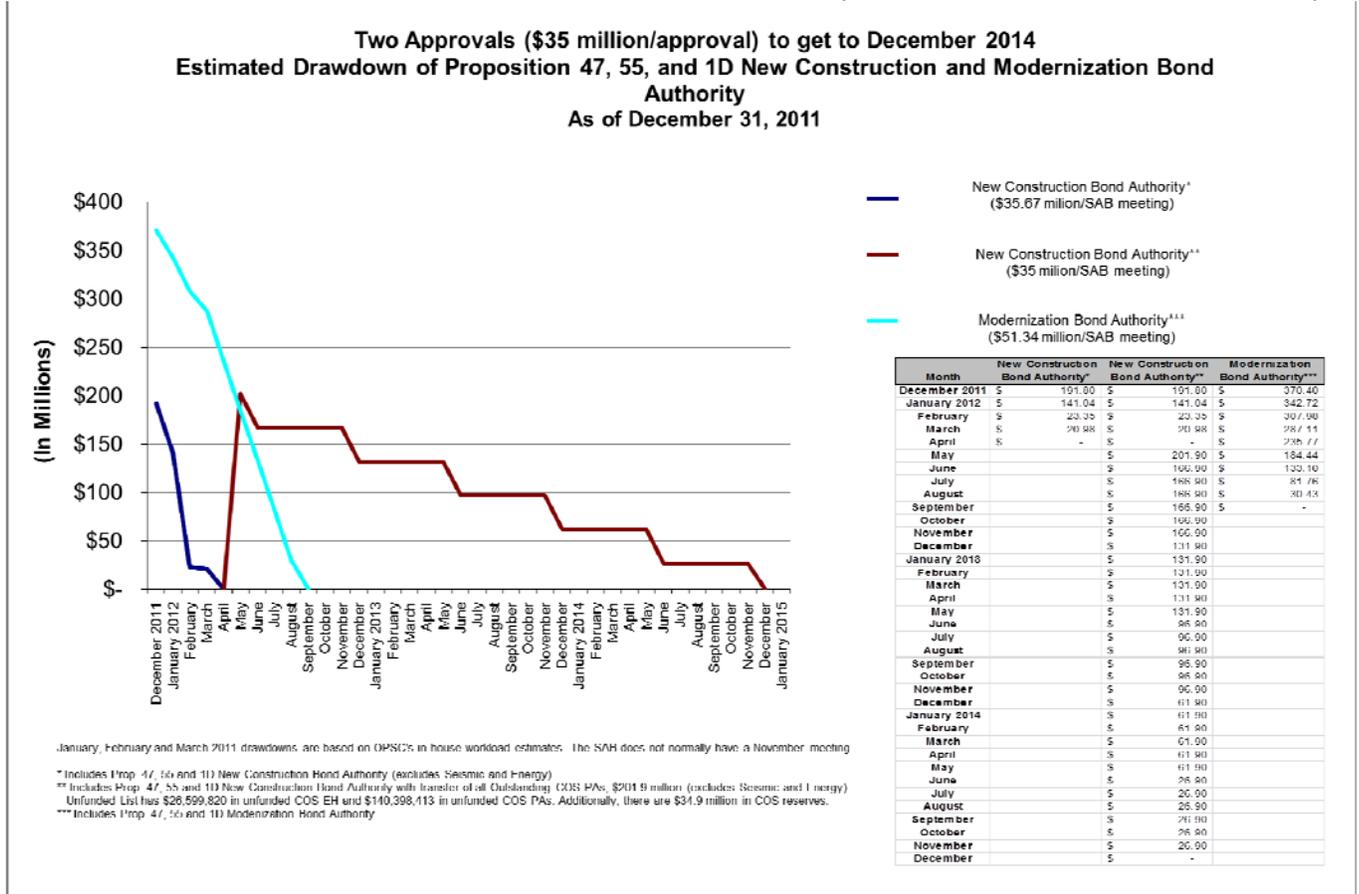
Option 1B: Extend New Construction bond authority - Transfer available COS authority to the New Construction Program and limit unfunded approvals to twice a year until 2014.

Under the SFP, the Board typically provides unfunded approvals or apportionments at each Board meeting. This practice has been consistent throughout the course of the SFP; however, the Board is not required to provide unfunded approvals at each meeting. In order to slow the rate at which available bond authority is being exhausted, the Board can elect to provide unfunded approvals on a periodic basis with the unfunded approval dates to be set by the Board. In order to reach December 2014 the Board could opt to approve only \$35 million in New Construction applications every six months. If the current remaining ORG bond authority is also transferred, the Board could approve up to \$75 million every six months.

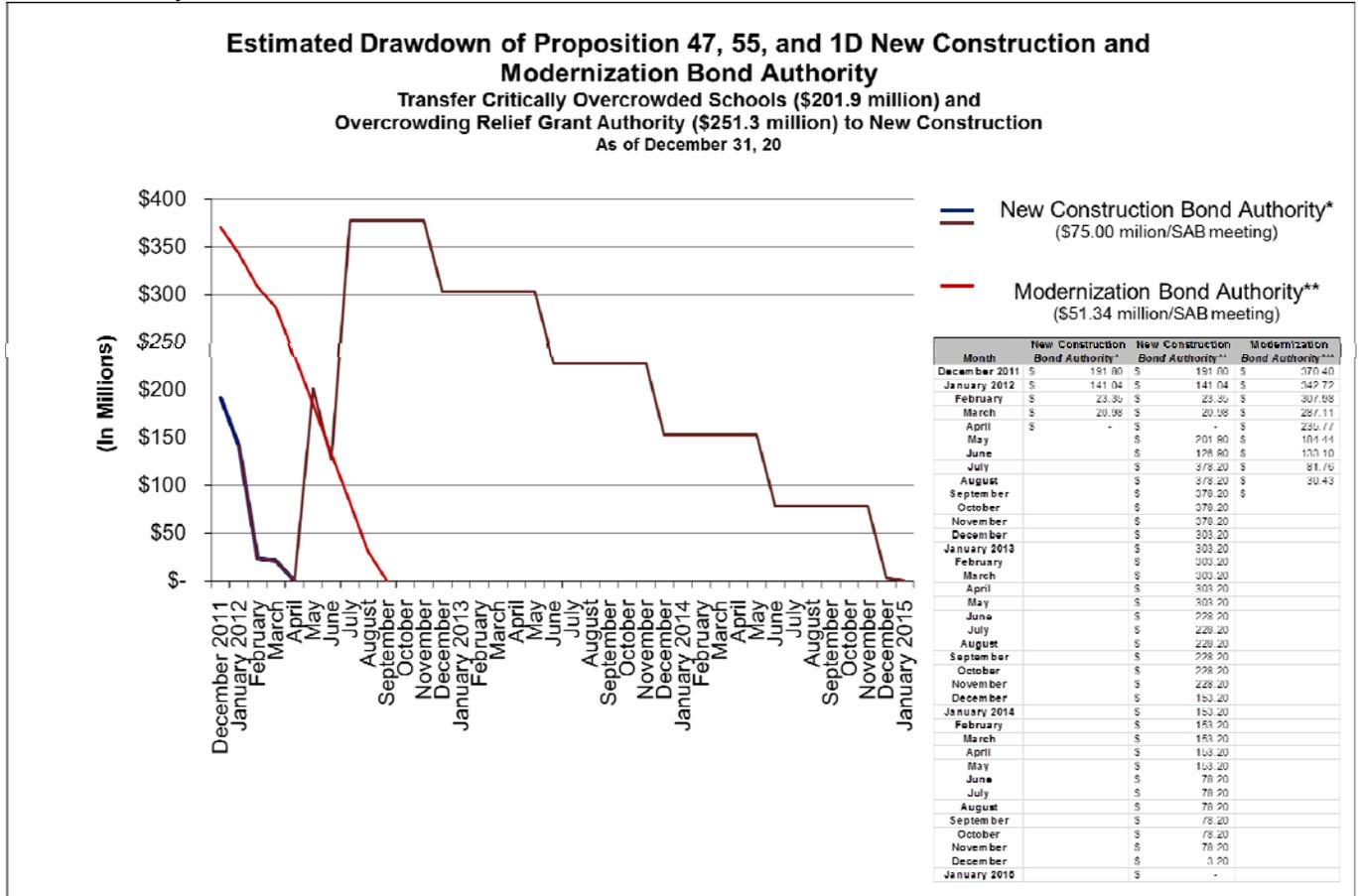
Pros:

- Extends the remaining available New Construction bond authority for future projects.
- The Board could align unfunded approval dates with the priority funding certification periods.
- Districts would be able to monitor available bond authority based on the published workload list.
- Date order of unfunded approvals will continue to be maintained.
- Allows additional time to determine if legislative changes should be sought to transfer authority from additional programs.

Drawdown of New Construction and Modernization bond authority after transfer of COS bond authority.



Drawdown of New Construction and Modernization bond authority after transfer of COS and ORG bond authority.



Other Considerations:

- **Keep a reservation of bond authority for project closeouts.**
- **Keep a reservation of bond authority for project closeouts facility hardship projects.**

The Board could keep a reserve of bond authority to provide projects already apportioned and completed the ability to receive grant increases for eligible adjustments such as site acquisition and hazardous waste clean-up.

The Board could also reserve bond authority for future facility hardship projects that have immediate health and safety issues. The Board has approved conceptual approval for three facility hardship projects that have not yet submitted an *Application for Funding (Form SAB 50-04)*.

School District	County	Application Number	School Site Name	SAB Approval Date	Funding Application Due Date	Estimated State Grant
Julian Union High	San Diego	51/68171-00-002	Julian High	5/26/2010	11/26/2012***	\$1,872,338
West Contra Costa	Contra Costa	51/61796-02-001	Portola Junior	3/23/2011	9/23/2012	\$14,302,996
Marysville Joint Unified	Yuba	51/72736-00-001	Alicia Middle School	5/25/2011	5/25/2013	\$7,882,440
Estimated Total Need (State Share)						\$24,057,774

On average, the Board has approved approximately \$31.8 million per year in unfunded approvals for facility hardship projects over the last three years.

Pros:

- Extends the remaining available New Construction bond authority for future projects.
- Bond authority would be reserved for facility hardship projects that have immediate health and safety issues.
- The Board could continue to process unfunded approvals until bond authority is exhausted.
- Allows additional time to determine if legislative changes should be sought to transfer authority from additional programs.

Cons:

- Reserved authority would not be available for New Construction projects that would provide facilities for unhoused pupils.

ELIGIBILITY

PURPOSE

At the November 7, 2011 meeting, the Committee requested that information concerning SFP Eligibility be brought back before the Committee. The concern was whether our current funding environment warranted a review of the funding process for SFP projects.

A regulation change would be required to amend the current funding process for SFP projects.

This section contains information regarding statewide enrollment, projected enrollment and actual enrollment trends and how these trends correlate to SFP eligibility. This section also highlights major difference between the eligibility under the Lease Purchase Program (LPP) vs. the SFP. For more information on the LPP vs. SFP eligibility process see Attachment B.

POLICY DISCUSSION QUESTIONS

1. Does the Committee wish to return to a multiple-step eligibility review process? (Design, Unfunded Approval, and Apportionment)
2. Does the Committee wish to bring forth a discussion, to the State Allocation Board, concerning eligibility requirements at the time of apportionment?

DESCRIPTION

The following data was compiled from enrollment data provided by the California Department of Education (CDE) and the Department of Finance (DOF). Overall, statewide enrollment has increased 8.6 percent over the last 13 years; however, as indicated in the last column, the amount of change varied widely statewide.

Actual Statewide Enrollment Details – 1997/1998 vs. 2010/2011

(Source: CA Department of Education, <http://www.cde.ca.gov/ds/>)

Largest enrollment decrease by a school district= 73.6%
Largest enrollment increase by a school district = 48.9%
Statewide Enrollment % Change = 8.6%
Average Enrollment change by County = -.5%

DOF Projected Enrollment Details from 2011/2012 to 2020/2021

(Source: CA Department of Finance, <http://www.dof.ca.gov/research/demographic/>)

Projected enrollment = 6,323,367
Projected pupil increase = 112,675*
Projected increase % = 1.8%

The 112,675 pupil increase over the next nine years and impacts ~1,000 school districts and equates to approximately 112 pupils per district. This average will vary depending on the areas impacted by growth over the next nine years.

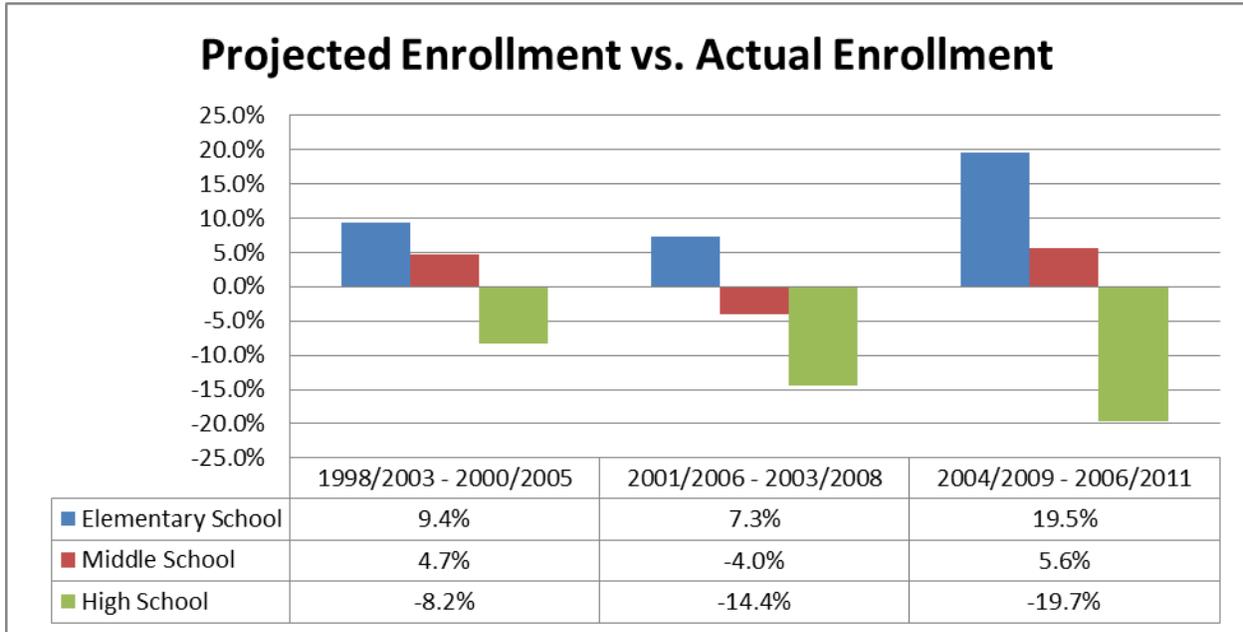
STATEWIDE ENROLLMENT BY COUNTY 1997/1998 – 2010/2011

(Source: CA Department of Education, <http://www.cde.ca.gov/ds/>)

County	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	% of Change	Net Change
Riverside	285,516	295,229	307,055	319,910	333,330	349,607	364,857	380,964	395,183	413,059	421,642	420,159	423,412	425,019	48.9	139,503
Placer	49,102	52,306	54,079	55,531	58,228	60,716	61,718	62,666	63,742	64,401	65,708	67,088	67,966	68,278	39.1	19,176
Sutter	15,589	15,724	15,840	16,091	16,233	16,528	16,976	17,435	17,770	19,137	19,599	20,020	20,466	20,652	32.5	5,063
Madera	24,016	24,343	24,465	24,780	25,560	26,420	27,188	27,821	28,229	29,071	29,394	29,409	29,643	29,993	24.9	5,977
San Joaquin	110,587	114,141	117,382	122,349	127,354	128,363	131,769	135,262	136,254	136,739	136,694	135,508	135,788	136,303	23.3	25,716
Kern	141,619	143,671	146,097	147,988	150,790	154,913	160,157	165,817	170,362	171,585	174,180	174,132	174,099	173,733	22.7	32,114
San Bernardino	356,204	364,942	373,896	380,830	394,096	407,228	419,084	423,780	427,631	427,583	428,142	420,323	417,533	417,202	17.1	60,998
Tulare	83,875	84,723	84,938	85,664	86,952	88,341	90,230	92,126	93,424	94,407	95,310	96,376	96,949	97,889	16.7	14,014
Kings	24,799	25,018	25,155	25,364	25,820	26,354	26,846	27,080	27,330	27,984	28,277	28,354	28,599	28,941	16.7	4,142
Sacramento	205,000	209,598	213,713	222,224	228,122	232,612	235,269	238,385	239,026	238,233	238,346	237,722	237,916	237,567	15.9	32,567
Stanislaus	91,612	93,426	95,090	97,297	100,536	103,992	104,697	106,043	106,767	106,994	107,743	105,678	105,165	104,802	14.4	13,190
Merced	49,068	49,732	50,549	51,595	53,062	53,833	54,541	55,615	56,521	56,743	57,122	56,153	56,258	55,563	13.2	6,495
Imperial	32,394	32,898	33,004	33,216	33,781	34,420	35,115	35,720	36,057	36,293	36,340	36,268	36,338	36,427	12.4	4,033
Contra Costa	150,534	154,019	156,743	159,714	161,742	164,545	165,571	166,067	165,816	166,102	166,772	166,958	166,519	168,228	11.8	17,694
Yolo	26,442	26,946	28,117	28,646	29,099	29,466	29,321	29,429	29,460	29,493	29,507	29,591	29,440	29,366	11.1	2,924
Inyo	3,500	3,426	3,350	3,404	3,371	3,365	3,265	3,265	3,112	3,047	2,932	3,059	3,475	3,878	10.8	378
Fresno	174,924	177,213	178,962	181,110	185,790	187,697	190,744	191,464	192,528	193,544	192,892	193,838	191,640	193,671	10.7	18,747
Orange	458,489	471,404	483,360	494,178	503,351	512,105	515,464	513,744	510,114	503,955	503,225	504,136	502,239	502,895	9.7	44,406
Marin	28,179	28,793	28,789	28,703	28,709	28,597	28,506	28,429	28,764	29,081	29,100	29,615	30,140	30,574	8.5	2,395
Napa	18,977	19,303	19,381	19,341	19,461	19,673	19,765	19,654	19,908	20,087	20,108	20,370	20,520	20,582	8.5	1,605
Ventura	130,954	134,535	137,410	140,156	142,664	144,352	145,316	144,585	143,533	142,488	141,260	141,641	141,325	141,610	8.1	10,656
San Diego	460,949	470,494	480,017	488,377	494,588	499,750	499,356	498,186	495,228	493,699	495,689	496,702	496,918	497,916	8.0	36,967
San Benito	10,479	10,912	11,135	11,501	11,549	11,678	11,674	11,737	11,607	11,576	11,466	11,383	11,378	11,199	6.9	720
Santa Clara	252,207	253,367	254,782	254,004	248,777	250,435	251,198	253,065	254,622	255,722	259,116	261,945	265,543	266,256	5.6	14,049
Yuba	13,326	13,173	15,804	13,547	14,141	14,512	14,786	15,031	15,350	14,559	14,463	14,341	14,030	13,923	4.5	597
Monterey	68,265	69,534	71,186	72,529	73,416	73,812	73,863	71,971	70,374	69,851	69,828	70,523	70,949	71,232	4.3	2,967
Santa Barbara	63,322	64,500	65,429	66,012	66,489	67,089	67,517	67,551	67,225	66,501	66,223	65,920	65,960	66,048	4.3	2,726
Colusa	4,327	4,288	4,344	4,275	4,353	4,403	4,384	4,478	4,504	4,578	4,534	4,507	4,496	4,486	3.7	159
El Dorado	29,006	28,864	28,602	28,795	29,104	29,147	29,072	29,368	29,332	29,417	29,662	29,336	29,601	29,972	3.3	966
Alameda	209,801	214,301	217,080	218,992	217,591	218,041	216,822	215,801	214,271	213,497	213,483	214,626	212,800	216,194	3.0	6,393
Los Angeles	1,583,283	1,617,764	1,650,948	1,681,787	1,711,034	1,736,338	1,742,873	1,734,125	1,708,064	1,673,257	1,648,102	1,631,883	1,574,150	1,589,390	0.4	6,107
Sonoma	70,967	71,644	72,034	73,689	72,867	72,964	72,799	72,295	71,868	71,412	70,994	71,049	71,010	70,867	(0.1)	(100)
San Mateo	92,763	92,901	92,285	91,205	89,415	88,991	88,477	88,273	88,350	88,479	88,974	89,971	91,371	92,097	(0.7)	(666)
Santa Cruz	39,707	40,512	40,706	40,462	39,954	39,427	39,140	38,358	38,555	38,062	38,132	38,279	38,502	38,974	(1.8)	(733)
Nevada	13,456	13,280	13,749	14,272	14,611	14,749	15,119	14,797	14,691	14,243	14,070	13,448	13,299	13,164	(2.2)	(292)
Tehama	11,038	10,952	10,889	10,786	10,989	11,019	11,083	11,075	11,149	11,212	11,054	11,017	10,710	10,786	(2.3)	(252)
San Luis Obispo	36,369	37,126	37,622	37,561	37,693	37,395	36,804	36,361	35,971	35,618	35,256	34,707	34,619	34,299	(5.7)	(2,070)
Glenn	6,167	6,215	6,234	6,167	6,055	6,103	6,063	5,977	5,945	5,907	5,934	5,790	5,672	5,664	(8.2)	(503)
San Francisco	61,950	62,101	62,041	61,766	60,894	59,991	59,414	58,735	57,703	57,347	56,222	56,454	56,299	56,758	(8.4)	(5,192)
Solano	70,465	71,610	72,575	73,061	73,310	72,788	71,737	71,489	70,424	69,048	68,267	67,117	65,674	64,494	(8.5)	(5,971)
Shasta	30,769	30,484	30,272	30,440	30,552	30,234	29,689	29,455	29,357	28,908	28,438	28,348	27,753	27,392	(11.0)	(3,377)
Calaveras	6,882	6,876	7,003	6,967	6,886	6,927	6,843	6,913	6,861	6,828	6,756	6,500	6,317	6,122	(11.0)	(760)
Butte	35,304	35,290	35,083	34,433	34,454	34,260	33,768	33,385	33,192	32,827	32,559	32,069	30,978	31,226	(11.6)	(4,078)
Lassen	5,530	5,518	5,331	5,335	5,214	6,857	6,754	5,849	5,690	5,225	5,136	5,022	4,846	4,888	(11.6)	(642)
Amador	4,948	5,691	5,617	5,526	5,535	5,445	5,357	5,356	5,303	5,201	5,007	4,944	4,465	4,307	(13.0)	(641)
Lake	10,069	9,911	9,950	10,163	10,451	10,443	10,416	10,325	10,224	10,091	9,804	9,663	8,857	8,734	(13.3)	(1,335)
Mono	1,948	2,109	2,070	2,140	2,257	2,284	2,233	2,235	2,312	2,517	1,930	1,709	1,681	1,688	(13.3)	(260)
Humboldt	21,878	22,209	21,127	21,195	20,569	20,678	20,220	19,814	19,244	19,230	18,821	18,355	18,196	18,113	(17.2)	(3,765)
Mendocino	15,920	15,800	15,659	15,358	15,172	14,908	14,679	14,407	14,068	13,688	13,620	13,305	12,955	12,992	(18.4)	(2,928)
Del Norte	5,275	5,274	5,093	4,834	5,005	5,147	5,434	5,209	5,042	4,642	4,522	4,575	4,374	4,276	(18.9)	(999)
Mariposa	2,779	2,807	2,733	2,619	2,704	2,630	2,561	2,491	2,417	2,374	2,313	2,255	2,173	2,118	(23.8)	(661)
Siskiyou	8,277	7,939	7,586	7,423	7,156	6,942	6,852	6,932	6,480	6,357	6,275	6,183	6,042	5,996	(27.6)	(2,281)
Trinity	2,387	2,298	2,227	2,204	2,150	2,112	2,101	2,004	2,007	1,936	1,888	1,785	1,711	1,729	(27.6)	(658)
Tuolumne	8,484	8,219	8,079	7,947	7,722	7,709	7,601	7,669	7,733	7,535	7,174	6,977	6,528	6,141	(27.6)	(2,343)
Modoc	2,241	2,098	2,046	2,255	2,360	2,303	2,302	2,237	2,146	2,148	2,199	1,812	1,655	1,568	(30.0)	(673)
Plumas	3,630	3,540	3,471	3,406	3,380	3,238	3,156	3,086	2,905	2,755	2,641	2,529	2,393	2,305	(36.5)	(1,325)
Alpine	140	125	123	150	163	143	148	141	133	138	127	129	112	88	(37.1)	(52)
Sierra	1,615	2,995	3,305	1,621	764	713	669	609	558	532	497	473	461	427	(73.6)	(1,188)
Total State Enrollment	5,727,303	5,844,111	5,951,612	6,050,895	6,147,375	6,244,732	6,298,783	6,322,141	6,312,436	6,286,943	6,275,469	6,252,029	6,189,908	6,217,002	8.6	489,699

Enrollment Projections vs. Actual Enrollment

The chart below compares projected enrollment as calculated by school districts to actual reported enrollment over specific five year periods. Staff looked at all of the available districts that submitted enrollment updates at both the beginning and the end of each five year period.



Projected/Actual(years)	Districts Reporting	Increase/Decrease by Grade Level			% of Change by Grade Level		
		K-6	7-8	9-12	K-6	7-8	9-12
1998/2003 - 2000/2005	263	134,735	19,070	(61,516)	9.4%	7.3%	(8.2%)
2001/2006 - 2003/2008	212	97,005	(17,612)	(129,734)	7.3%	(4.0%)	(14.4%)
2004/2009 - 2006/2011	36	66,875	7,685	(65,945)	19.5%	5.6%	(19.7%)

The information shown on the charts above highlight a small sample of the District's throughout the State. The Data is comprised only of districts that submitted an eligibility update during both the projection year and actual reporting year listed above (ex. 1998/2003). Districts are only required to submit eligibility updates during years in which they submit a funding application. As a result not all districts update their eligibility yearly.

Under this system the only enrollment check the State has available is when a funding application is submitted. Districts are not required to have their eligibility re-checked prior to the conversion of an unfunded approval to an apportionment. While a project is sitting on the unfunded approvals list, a district's enrollment and classroom need may change; however; this information is not taken into account as the pupil grants associated with a specific project remain with that project until an apportionment is received or the application is rescinded.

Lease Purchase Program (LPP) vs. School Facility Program (SFP) Eligibility

The primary difference in eligibility funding between the two programs are that in the LPP the apportionment was primarily driven by a dollar per square foot basis that was derived from the square footage assigned to an “unhoused” pupil. The square footage was then used to determine the apportionment amount based on the function of the area. The per pupil base grant in the SFP replaces the dollar per square foot in the LPP and the apportionment is determined directly by the number of “unhoused” pupils multiplied by the dollar value associated with the grade level they are in.

Under the LPP each stage of the funding process included a review of a district’s enrollment and capacity to determine if changes in “unhoused” pupils negatively impacted housing capacity. LPP Districts submitted applications in three phases including planning, site acquisition and construction. The program provided the State with a much more “hands on” approach to project funding. Prior to receiving the final construction apportionment and/or fund releases the apportionment would be reduced if it was determined that the number of “unhoused” pupils decreased. In cases of unfunded approvals, eligibility was also reviewed and adjusted prior to final apportionment and subsequent fund release.

Under the SFP, districts submit complete funding applications that comprise all three stages. The number of “unhoused pupils” is verified and the district may only request funding commensurate with the number of “unhoused pupils” in their baseline eligibility. A major difference between the LPP and the SFP is that “unhoused pupils” are not re-reviewed once a project receives an unfunded approval. This allows school districts that receive an unfunded approval to retain future project funding, even in times of declining enrollment.

The chart below highlights some of the differences in the allowances for each program:

PROGRAM FEATURES	LEASE PURCHASE PROGRAM	SCHOOL FACILITY PROGRAM
SUMMARY OF PROGRAM	<ul style="list-style-type: none"> • Grants derived from square footage of project • Up-front controls set for each phase of the project. • Very minimum self-certifications; rigidly controlled • Every phase of project required review and approval to gain funding. • Program to construct and modernized schools • Project savings returned to the State 	<ul style="list-style-type: none"> • Pupil grant driven program • Limited controls after project apportionments made. • Self-certifications to provide applicants funding to the program • Program certifications and expenditures verified at closeout audit. • Allows for multiple program types including but not limited to Charter Schools and Career Technical Education • Districts allowed to retain savings on non-Financial Hardship (FH) projects

For additional information concerning the LPP vs. SFP comparison see Attachment B.

ATTACHMENT A
AUTHORITY

Education Code (EC) Section 17070.35(a) states, "In addition to all other powers and duties as are granted to the board by this chapter, other statutes, or the California Constitution, the board shall do all of the following:

- (1) Adopt rules and regulations, pursuant to the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, for the administration of this chapter...
- (2) Establish and publish any procedures and policies in connection with the administration of this chapter as it deems necessary..."

EC Section 17075.10(B) requires that the district has made all reasonable efforts to impose all levels of local debt capacity and development fees, and that the school district is unable to participate in the program pursuant to this chapter except as set forth in this article.

EC Section 17076.10(d) states, "If a school district has received an apportionment, but has not met the criteria to have funds released pursuant to Section 17072.32 or 17074.15 within a period established by the board, but not to exceed 18 months, the board shall rescind the apportionment and deny the district's application.

EC Section 17620 states "(a) (1) The governing board of any school district is authorized to levy a fee, charge, dedication, or other requirement against any construction within the boundaries of the district, for the purpose of funding the construction or reconstruction of school facilities, subject to any limitations set forth in Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code. This fee, charge, dedication, or other requirement may be applied to construction only as follows:

(A) To new commercial and industrial construction. The chargeable covered and enclosed space of commercial or industrial construction shall not be deemed to include the square footage of any structure existing on the site of that construction as of the date the first building permit is issued for any portion of that construction.

(B) To new residential construction.

(C) (i) Except as otherwise provided in clause (ii), to other residential construction, only if the resulting increase in assessable space exceeds 500 square feet. The calculation of the "resulting increase in assessable space" for this purpose shall reflect any decrease in assessable space in the same residential structure that also results from that construction. Where authorized under this paragraph, the fee, charge, dedication, or other requirement is applicable to the total resulting increase in assessable space.

(ii) This subparagraph does not authorize the imposition of a levy, charge, dedication, or other requirement against residential construction, regardless of the resulting increase in assessable space, if that construction qualifies for the exclusion set forth in subdivision (a) of Section 74.3 of the Revenue and Taxation Code.

(D) To location, installation, or occupancy of manufactured homes and mobilehomes, as defined in Section 17625.

(2) For purposes of this section, "construction" and "assessable space" have the same meanings as defined in Section 65995 of the Government Code.

(3) For purposes of this section and Section 65995 of the Government Code, "construction or reconstruction of school facilities" does not include any item of expenditure for any of the following:

(A) The regular maintenance or routine repair of school buildings and facilities.

(B) The inspection, sampling, analysis, encapsulation, or removal of asbestos-containing materials, except where incidental to school facilities construction or reconstruction for which the expenditure of fees or other consideration collected pursuant to this section is not prohibited.

(C) The purposes of deferred maintenance described in Section 17582.

(4) The appropriate city or county may be authorized, pursuant to contractual agreement with the governing board, to collect and otherwise administer, on behalf of the school district, any fee, charge, dedication, or other requirement levied under this subdivision. In the event of any agreement authorizing a city or county to collect that fee, charge, dedication, or other requirement in any area within the school district, the certification requirement set forth in subdivision (b) or (c), as appropriate, is deemed to be complied with as to any residential construction within that area upon receipt by that city or county of payment of the fee, charge, dedication, or other requirement imposed on that residential construction.

(5) Fees or other consideration collected pursuant to this section may be expended by a school district for the costs of performing any study or otherwise making the findings and determinations required under subdivisions (a), (b), and (d) of Section 66001 of the Government Code, or in preparing the school facilities needs analysis described in Section 65995.6 of the Government Code. In addition, an amount not to exceed, in any fiscal year, 3 percent of the fees collected in that fiscal year pursuant to this section may be retained by the school district, city, or county, as appropriate, for reimbursement of the administrative costs incurred by that entity in collecting the fees. When any city or county is entitled, under an agreement as described in paragraph (4), to compensation in excess of that amount, the payment of that excess compensation shall be made from other revenue sources available to the school district. For purposes of this paragraph, "fees collected in that fiscal year pursuant to this section" does not include any amount in addition to the amounts specified in paragraphs (1) and (2) of subdivision (b) of Section 65995 of the Government Code.

(b) A city or county, whether general law or chartered, or the Office of Statewide Health Planning and Development shall not issue a building permit for any construction absent certification by the appropriate school district that any fee, charge, dedication, or other requirement levied by the governing board of that school district has been complied with, or of the district's determination that the fee, charge, dedication, or other requirement does not apply to the construction. The school district shall issue the certification immediately upon compliance with the fee, charge, dedication, or other requirement.

(c) If, pursuant to subdivision (c) of Section 17621, the governing board specifies that the fee, charge, dedication, or other requirement levied under subdivision (a) is subject to the restriction set forth in subdivision (a) of Section 66007 of the Government Code, the restriction set forth in subdivision (b) of this section does not apply. In that event, however, a city or county, whether general law or chartered, shall not conduct a final inspection or issue a certificate of occupancy, whichever is later, for any residential construction absent certification by the appropriate school district of compliance by that residential construction with any fee, charge, dedication, or other requirement levied by the governing board of that school district pursuant to subdivision (a).

(d) Neither subdivision (b) nor (c) shall apply to a city, county, or the Office of Statewide Health Planning and Development as to any fee, charge, dedication, or other requirement as described in subdivision (a), or as to any increase in that fee, charge, dedication, or other requirement, except upon the receipt by that city, county, or the Office of Statewide Health Planning and Development of notification of the adoption of, or increase in, the fee or other requirement in accordance with subdivision (c) of Section 17621."

EC Section 100420 states, "(a) Of the proceeds from the sale of bonds, issued and sold pursuant to this chapter, as specified in subdivision (a) of Section 100410, not more than three billion three hundred fifty million dollars (\$3,350,000,000) shall be allocated beginning in the 1998-99 fiscal year in accordance with the following schedule:

(1) Not less than one billion three hundred fifty million dollars (\$1,350,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12 and Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than eight hundred million dollars (\$800,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12 and Chapter 12.5.

(3) Not more than five hundred million dollars (\$500,000,000) shall be deposited in the Public School Critical Hardship Account, which is hereby established in the 1998 State School Facilities Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in

Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(4) (A) Not more than seven hundred million dollars (\$700,000,000) may be allocated to assist school districts with site acquisition and facilities-related costs of kindergarten and grades 1 to 3, inclusive, that are in the Class Size Reduction Program contained in Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10, and to assist districts with the restoration of facilities that previously accommodated other programs and were displaced as a result of the implementation of class size reduction. On and after July 1, 2000, if applications for the total funds available under this paragraph have not been filed with the State Allocation Board, the funds for which applications have not been received may be allocated by the board to other high priority needs as the board determines. On and after July 1, 2003, any funds not allocated are available for other high priority needs.

(B) The funds allocated in subparagraph (A) shall be allocated to the State Department of Education to provide class size reduction facilities grants necessary to implement the K-3 Class Size Reduction Program established pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10. The department shall certify to the State Allocation Board the amount of funds needed for this purpose. The board shall transfer the amount of funds needed to the department. From these funds, the department shall award eligible districts forty thousand dollars (\$40,000) for each new option one class established for class size reduction for which the district had not previously received funding under class size reduction facilities programs.

(C) The remaining funds provided pursuant to subparagraph (A) shall be to provide funding for schoolsites that were eligible to receive a class size reduction land-locked waiver pursuant to Section 52122.6. The funds may be provided to districts to provide 50 percent of the cost of funding a facilities mitigation plan developed for the impacted site pursuant to Section 52122.7.

(D) Any funds not expended pursuant to subparagraphs (A), (B), or (C) may be allocated to districts that request funding of forty thousand dollars (\$40,000) for each teaching station that (1) was displaced as a result of the implementation of class size reduction and (2) received less than forty thousand dollars (\$40,000) per teaching station in 1996-97 pursuant to Chapter 19 (commencing with Section 17200) of Part 10. Programs for which teaching stations may be restored may include child care, extended day care, school libraries, computer labs, and special education classrooms.

(b) Of the proceeds from the sale of bonds issued and sold pursuant to this chapter, as specified in subdivision (b) of Section 100410, not more than three billion three hundred fifty million dollars (\$3,350,000,000) shall be allocated beginning in the 2000-01 fiscal year in accordance with the following schedule:

(1) Not less than one billion five hundred fifty million dollars (\$1,550,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than one billion three hundred million dollars (\$1,300,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12.5.

(3) Not more than five hundred million dollars (\$500,000,000) shall be deposited in the Public School Critical Hardship Account in the 1998 State School Facilities Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(c) Districts may use funds allocated pursuant to paragraph (2) of subdivision (a) and paragraph (2) of subdivision (b) for one or more of the following purposes in accordance with Chapter 12.5:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other renovation or modernization of facilities pursuant to Chapter 12.5.

(d) Funds allocated pursuant to paragraph (1) of subdivision (a) and paragraph (1) of subdivision (b) may be utilized to provide new construction grants, without regard to funding priorities, for applicant county boards of education under Chapter 12.5 that are eligible for that funding or classrooms for severely handicapped pupils and funding for classrooms for county community school pupils.

(e) (1) The Legislature may amend this section to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (a) and the maximum funding amounts specified in paragraphs (3) and (4) of subdivision (a), and to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (b) and the maximum funding amount specified in paragraph (3) of subdivision (b), by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) or paragraphs (1) to (3), inclusive, of subdivision (b) or both, but may not increase or decrease the total amount to be expended pursuant to either subdivision.

EC Section 100620 states, "(a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of three billion four hundred fifty million dollars (\$3,450,000,000) for new construction of school facilities of applicant school districts under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for those school districts that file an application with the Office of Public School Construction after February 1, 2002, including, but not limited to, hardship applications.

(A) Of the amount allocated pursuant to this paragraph, up to one hundred million dollars (\$100,000,000) shall be available for providing school facilities to charter schools pursuant to a statute enacted after the effective date of the act enacting this section.

(B) If the Housing and Emergency Shelter Trust Fund Act of 2002 is submitted to the voters at the November 5, 2002, general election and fails passage by the voters, of the amount allocated pursuant to this paragraph, twenty-five million dollars (\$25,000,000) shall be available for the purposes of Sections 51451.5, 51453, and 51455 of the Health and Safety Code.

(2) The amount of one billion four hundred million dollars (\$1,400,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 for those school districts that file an application with the Office of Public School Construction after February 1, 2002, including, but not limited to, hardship applications.

(3) The amount of two billion nine hundred million dollars (\$2,900,000,000) for new construction of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 for those school districts that have filed an application with the Office of Public School Construction on or before February 1, 2002, including, but not limited to, hardship applications. If the amount made available for purposes of this paragraph is not needed and expended for the purposes of this paragraph, the State Allocation Board may allocate the remainder of these funds for purposes of paragraph (1).

(4) The amount of one billion nine hundred million dollars (\$1,900,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10, for those school districts that have filed an application with the Office of Public School Construction on or before February 1, 2002, including, but not limited to, hardship applications. If the amount made available for purposes of this paragraph is not needed and expended for the purposes of this paragraph, the State Allocation Board may allocate these funds for purposes of paragraph (2).

(5) The amount of one billion seven hundred million dollars (\$1,700,000,000) for deposit into the 2002 Critically Overcrowded School Facilities Account established within the 2002 State School Facilities Fund pursuant to subdivision (e) of Section 17078.10, for the purposes set forth in Article 11 (commencing with Section 17078.10) of Chapter 12.5 of Part 10 relating to critically overcrowded

schools, including, but not limited to, hardship applications, and any other new construction or modernization projects as authorized pursuant to Section 17078.30.

(6) The amount of fifty million dollars (\$50,000,000) for the purposes set forth in Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10 relating to joint-use projects, including, but not limited to, hardship applications.

(b) School districts may use funds allocated pursuant to paragraphs (2) and (4) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(c) Funds allocated pursuant to paragraphs (1) and (3) of subdivision (a) may, also, be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) (1) The Legislature may amend this section to adjust the funding amounts specified in paragraphs (1) to (6), inclusive, of subdivision (a), only by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (6), inclusive, of subdivision (a), but may not increase or decrease the total amount to be expended pursuant to that subdivision.

(e) From the total amounts set forth in paragraphs (1) to (6), inclusive, of subdivision (a), a total of no more than twenty million dollars (\$20,000,000) shall be used for the costs of energy conservation adjustments authorized pursuant to Section 17077.35.

(f) Funds available pursuant to this section may be used for acquisition of school facilities authorized pursuant to Section 17280.5.”

EC Section 100820 states “(a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of five billion two hundred sixty million dollars (\$5,260,000,000) for project funding for new construction of school facilities of applicant school districts under Chapter 12.5 (commencing with Section 17070.10) of Part 10, including, but not limited to, hardship applications.

(A) Of the amount allocated pursuant to this paragraph, up to three hundred million dollars (\$300,000,000) shall be available for providing school facilities to charter schools pursuant to a statute enacted after the effective date of the act enacting this section.

(B) If the Housing and Emergency Shelter Trust Fund Act of 2002 is submitted to the voters at the November 5, 2002, general election and fails passage by the voters, of the amount allocated pursuant to this paragraph, twenty-five million dollars (\$25,000,000) shall be available for the purposes of Sections 51451.5, 51453, and 51455 of the Health and Safety Code.

(2) The amount of two billion two hundred fifty million dollars (\$2,250,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10, including, but not limited to, hardship applications.

(3) The amount of two billion four hundred forty million dollars (\$2,440,000,000) for deposit into the 2004 Critically Overcrowded School Facilities Account established within the 2004 State School Facilities Fund pursuant to subdivision (e) of Section 17078.10 for the purposes set forth in Article 11 (commencing with Section 17078.10) of Chapter 12.5 of Part 10 relating to critically overcrowded

schools, including, but not limited to, hardship applications, and any other new construction or modernization projects as authorized pursuant to Section 17078.30.

(4) The amount of fifty million dollars (\$50,000,000) for the purposes set forth in Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10 relating to joint-use projects, including, but not limited to, hardship applications.

(b) School districts may use funds allocated pursuant to paragraph (2) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(c) Funds allocated pursuant to paragraph (1) of subdivision (a) may, also, be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) (1) The Legislature may amend this section to adjust the funding amounts specified in paragraphs (1) to (4), inclusive, of subdivision (a), only by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), but may not increase or decrease the total amount to be expended pursuant to that subdivision.

(e) From the total amounts set forth in paragraphs (1) to (4), inclusive, of subdivision (a), a total of no more than twenty million dollars (\$20,000,000) shall be used for the costs of energy conservation adjustments authorized pursuant to Section 17077.35.

(f) Funds available pursuant to this section may be used for acquisition of school facilities authorized pursuant to Section 17280.5.”

EC Section 101012 states, “(a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of one billion nine hundred million dollars (\$1,900,000,000) for new construction of school facilities of applicant school districts under Chapter 12.5 (commencing with Section 17070.10) of Part 10. Of the amount allocated under this paragraph, up to 10.5 percent shall be available for purposes of seismic repair, reconstruction, or replacement, pursuant to Section 17075.10.

(2) The amount of five hundred million dollars (\$500,000,000) shall be available for providing school facilities to charter schools pursuant to Article 12 (commencing with Section 17078.52) of Chapter 12.5 of Part 10.

(3) The amount of three billion three hundred million dollars (\$3,300,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(4) The amount of five hundred million dollars (\$500,000,000) for the purposes set forth in Article 13 (commencing with Section 17078.70) of Chapter 12.5 of Part 10, relating to facilities for career technical education programs.

(5) Of the amounts allocated under paragraphs (1) and (3), up to two hundred million dollars (\$200,000,000) for the purposes set forth in Chapter 894 of the Statutes of 2004, relating to incentives for the creation of smaller learning communities and small high schools.

(6) The amount of twenty-nine million dollars (\$29,000,000) for the purposes set forth in Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10, relating to joint use projects.

(7) The amount of one billion dollars (\$1,000,000,000) shall be available for providing new construction funding to severely overcrowded schoolsites pursuant to Article 14 (commencing with Section 17079) of Chapter 12.5 of Part 10.

(8) The amount of one hundred million dollars (\$100,000,000) for incentive grants to promote the use of designs and materials in new construction and modernization projects that include the attributes of high-performance schools, including, but not limited to, the elements set forth in Section 17070.96, pursuant to regulations adopted by the State Allocation Board.

(b) School districts may use funds allocated pursuant to paragraph (3) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high-priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(c) Funds allocated pursuant to paragraph (1) of subdivision (a) may also be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) (1) The Legislature may amend this section to adjust the funding amounts specified in paragraphs (1) to (8), inclusive, of subdivision (a), only by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (8), inclusive, of subdivision (a), but may not increase or decrease the total amount to be expended pursuant to that subdivision.

(e) Funds available pursuant to this section may be used for acquisition of school facilities authorized pursuant to Section 17280.5.”

Budget Letter 10-09 requires that if there are insufficient bond proceeds, departments and agencies are responsible for prioritizing the projects that will be funded consistent with the prioritization criteria outlined (including job creation). It also indicates that if bond proceeds are not managed efficiently, additional bonds may not be sold for the program.

Government Code (GC) Section 15503 states, “Whenever the board is required to make allocations or apportionments under this part, it shall prescribe rules and regulations for the administration of, and not inconsistent with, the act making the appropriation of funds to be allocated or apportioned. The board shall require the procedure, forms, and the submission of any information it may deem necessary or appropriate. Unless otherwise provided in the appropriation act, the board may require that applications for allocations or apportionments be submitted to it for approval.”

GC Section 65995(b)(3) requires the maximum square footage assessment for development be “increased in 2000 and every two years thereafter, according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the State Allocation Board at its January Board meeting...effective as of the date of that meeting.”

CG Section 65995.7 states, “(a) (1) If state funds for new school facility construction are not available, the governing board of a school district that complies with Section 65995.5 may increase

the alternative fee, charge, dedication, or other requirement calculated pursuant to subdivision (c) of Section 65995.5 by an amount that may not exceed the amount calculated pursuant to subdivision (c) of Section 65995.5, except that for the purposes of calculating this additional amount, the amount identified in paragraph (2) of subdivision (c) of Section 65995.5 may not be subtracted from the amount determined pursuant to paragraph (1) of subdivision (c) of Section 65995.5. For purposes of this section, state funds are not available if the State Allocation Board is no longer approving apportionments for new construction pursuant to Article 5 (commencing with Section 17072.20) of Chapter 12.5 of Part 10 of the Education Code due to a lack of funds available for new construction. Upon making a determination that state funds are no longer available, the State Allocation Board shall notify the Secretary of the Senate and the Chief Clerk of the Assembly, in writing, of that determination and the date when state funds are no longer available for publication in the respective journal of each house. For the purposes of making this determination, the board shall not consider whether funds are available for, or whether it is making preliminary apportionments or final apportionments pursuant to, Article 11 (commencing with Section 17078.10).

(2) Paragraph (1) shall become inoperative commencing on the effective date of the measure that amended this section to add this paragraph, and shall remain inoperative through the earlier of either of the following:

(A) November 5, 2002, if the voters reject the Kindergarten University Public Education Facilities Bond Act of 2002, after which date paragraph (1) shall again become operative.

(B) The date of the 2004 direct primary election after which date paragraph (1) shall again become operative.

(b) A governing board may offer a reimbursement election to the person subject to the fee, charge, dedication, or other requirement that provides the person with the right to monetary reimbursement of the supplemental amount authorized by this section, to the extent that the district receives funds from state sources for construction of the facilities for which that amount was required, less any amount expended by the district for interim housing. At the option of the person subject to the fee, charge, dedication, or other requirement the reimbursement election may be made on a tract or lot basis. Reimbursement of available funds shall be made within 30 days as they are received by the district.

(c) A governing board may offer the person subject to the fee, charge, dedication, or other requirement an opportunity to negotiate an alternative reimbursement agreement if the terms of the agreement are mutually agreed upon.

(d) A governing board may provide that the rights granted by the reimbursement election or the alternative reimbursement agreement are assignable.”

School Facility Program (SFP) Regulation Section 1859.90 states, “With the exception of an apportionment made pursuant to Sections 1859.81.1(e) or 1859.81.2, or of an Inactive Apportionment subject to Section 1859.96, the OPSC will release State funds that the Board has apportioned to the district after submittal, by the district, of the Form SAB 50-05, subject to the availability of financing provided by the Pooled Money Investment Board for bond-funded projects. With the exception of an apportionment made for a Type II Joint-Use Project, not part of a qualifying SFP Modernization project, pursuant to Article 12 of these Regulations, a district must submit the Form SAB 50-05, within 18 months of the Apportionment of the SFP grant for the project or the entire New Construction Adjusted Grant, Modernization Adjusted Grant or Type I or II, part of a qualifying SFP Modernization project, Joint-Use Project apportionment shall be rescinded without further Board action, and the pupils housed in the project, if applicable, will be added back to the district’s baseline eligibility. The district may refile a new application for the project subject to district eligibility and priority funding at the time of resubmittal.

If the apportionment was made for a Type II Joint-Use Project, not part of a qualifying SFP Modernization project, pursuant to Article 12 of these Regulations, the district must submit Form SAB 50-05 within 18 months of the date the plans and specifications for the Joint-Use Project that have been approved by the DSA and the CDE are submitted to the OPSC or the apportionment shall be rescinded without further Board action.

Subject to the availability of financing provided by the Pooled Money Investment Board for bond-funded projects, the OPSC will release State funds that have been apportioned by the Board pursuant to Section 1859.81.1(e) to the district within 30 calendar days of the apportionment.”

SFP) Regulation Section 1859.90 states, “The priority funding process allows the Board to distribute available funds to districts or charter schools who request an Apportionment or an advance release of funds from a Preliminary Apportionment or Preliminary Charter School Apportionment during specific 30-calendar day filing periods beginning with July 27, 2011 and continuing with the 2nd Wednesday of January and the 2nd Wednesday of July each calendar year. Certifications are valid until the next filing period begins. Requests must be physically received by the OPSC by the 30th calendar day to be considered valid. During any priority funding process a district or charter school must submit the Form SAB 50-05 within a specified time period of the Apportionment or approved advance release of funds request, pursuant to (a)(2) or (b)(2) of this section. Projects receiving an apportionment as part of the priority funding process for which the OPSC does not physically receive an original signature copy of the Form SAB 50-05 within the appropriate time limit shall be rescinded without further Board action.

(a) In order to be considered for an Apportionment, approved advance release of design funds from a Preliminary Charter School Apportionment, or approved advance release of environmental hardship site acquisition funds from a Preliminary Apportionment, the district or charter school must provide a written statement signed by an authorized representative that includes each of the project application numbers, and the type of apportionment request (e.g., Apportionment, separate apportionment for design or site acquisition), within the 30 calendar day filing period that contains all of the following:

- (1) Request to convert the unfunded approval to an Apportionment or to receive an approved advance release of funds; and
- (2) Concurrence with a 90 calendar day time limit on fund release; and
- (3) Acknowledgement that a valid, original signature Form SAB 50-05 must be submitted and physically received by the OPSC within the 90 calendar day time limit and failure to do so will result in the rescission of the Apportionment or approved advance release of funds request without further Board action; and
- (4) For those receiving an Apportionment, acknowledgement that by participating in the priority funding process, the district or charter school is waiving its right to a standard 18 month timeline for fund release submittal.

(b) In order to be considered for an approved advance release of site acquisition funds from a Preliminary Charter School Apportionment, the district or charter school must provide a written statement signed by an authorized representative within the 30 calendar day filing period that contains all of the following:

- (1) Request to convert the advance release of funds to an approved advance release of funds request; and,
- (2) Concurrence with a 180 calendar day time limit on fund release; and
- (3) Acknowledgement that a valid, original signature Form SAB 50-05 must be submitted and physically received by the OPSC within the 180 calendar day time limit and failure to do so will result in the rescission of the approved advance release of funds request without further Board action; and
- (4) Acknowledgement that it must provide evidence that it has entered into the Charter School Agreements within 90 calendar days of approval of the advance release of funds request and failure to do so will result in the rescission of the approval without further Board action.

In the event that the amount of requests received during a specific 30-day filing period exceeds the funds available, the Board shall apportion based on the unfunded approval date and the application received date up to the available cash from each bond source. Projects that have requested to participate in the priority funding process for which an Apportionment cannot be provided shall retain their date order position on the Unfunded List. Request letters of projects not converted to

apportionments will not be returned to the district or kept by the Office of Public School Construction.

For purposes of this section “rescinded” or “rescission” shall mean that the apportionment or approved advance release of funds request returns to unfunded approval status with a new unfunded approval date. The new unfunded approval date will be 90 calendar days after the apportionment date. The district or charter school will not be required to re-submit the application and no further application review will be required.

ATTACHMENT B

STATE FACILITY FUNDING HISTORY

PURPOSE

To highlight differences in the Lease Purchase Program and the School Facility Program. This information was requested by the Committee following public comment on the subject at the November 7, 2011 meeting.

DESCRIPTION

The Lease Purchase Program (LPP) preceded the School Facility Program and was in effect from approximately 1976 through November of 1998. The main goal of each program is to assist school districts in funding school facility projects, however the programs have some significant differences.

Lease Purchase Program

The guidelines established for the processing of an application from a school district for a lease-purchase project are under the provisions of the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (commencing with Education Code Section 17700), referred to the Act and implemented by regulations of the State Allocation Board. The Act specified that school facilities reconstructed, replaced, or acquired with State funds may not exceed allowances set forth in State Allocation Board Regulations. To achieve this objective, projects were subject to maximum building areas per pupil (square footage) and to maximum cost standards for buildings, furniture and equipment and general site development. Other project costs were subject to administrative control to ensure reasonableness and economy.

Under this Program, the State provided per-square footage funding for school districts to buy land and to construct, reconstruct, or modernize school buildings in the K-12 system. In order to receive funding, districts must have met certain eligibility requirements and contributed matching funds. Districts received a higher priority for State funding of a project if they provided 50 percent of the project cost with local funds. School districts could provide matching funds from any revenue source available to them. The amount of the required match was based on the maximum amount of developer fees, which school districts collected from developers. The State also funded the construction of new facilities and rented them, for a nominal fee, to local school districts under a long-term lease. Title to the facility was subsequently transferred to the district no later than 40 years after the rental agreement had been executed. In addition, the lease-purchase agreement was entered into by the school districts (as agents of the Board) for \$1.00 per year and the agreement was certified through the Division of the State Architect (DSA).

The LPP provided districts with project funding under three distinct phases: planning, site, and construction. Districts received an apportionment for each phase of the project

The primary basis for funding the building costs of a project was based on the eligible area generated for a project from a "Justification document". Each building component in the plans (i.e. administration, classrooms, restrooms etc.) was measured to determine the square footage and the appropriate dollar multiplier to determine the building allowance for that facility. The total building allowance were then added together with the Utility, Offsite Development, Service Site Development allowance et al to determine the approvable construction costs for that project. After a district's project was apportioned for Phase C (construction) an Authorization to Bid Letter was prepared and sent to the district. When a project was bid it had to meet the allowances established by the Board. Once the project was complete and audited, if any funds remained, they had to be returned to the State.

School Facility Program

The School Facility Program (SFP) was implemented in late 1998 and is a significant change from the previous State facilities program. The State funding is provided in the form of per pupil grants, with supplemental grants for site development, site acquisition, and other project specific costs when warranted. This process makes the calculation of the State participation quicker and less complicated. In most cases, the application can be reviewed, the appropriate grants calculated, and the Board could make an approval in 90–120 days, regardless of project size.

The SFP provides greater independence and flexibility to school districts to determine the scope of new construction or modernization projects. There is considerably less project oversight by the Board than in the LPP. In return, the program requires the school district to accept more responsibility for the outcome of the project, while allowing the district to receive the benefits of a well-managed project. All State grants are considered to be the full and final apportionment by the Board. Cost overruns, legal disputes, and other unanticipated costs are the responsibility of the district. On the other hand, all savings resulting from the district's efficient management of the project accrue to the district alone. Interest earned on the funds, both State and local, also belongs to the district. A district may use savings and interest for any high priority capital outlay project in the district.

There are two primary funding programs under the SFP: New Construction and Modernization. The New Construction grant provides State funds on a 50/50 State and local matching basis for public school capital facility projects in accordance with statute. Eligibility for State funding is based on a district's need to house pupils and is determined by criteria set in statute. The new construction grant amount provides the State's share for necessary project costs. Additional grants are available for site acquisition, utilities, off-site, service site, and general site development. The necessary project costs include, but are not limited to, funding for design, the construction of the building, tests, inspections, and furniture and equipment.

The Modernization grant provides State funds on a 60/40 State and local matching basis for improvements to enhance and extend the use of school facilities. Projects eligible under this program include such modifications such as air conditioning, plumbing, lighting, and electrical systems. Site acquisition may not be included in modernization applications. The modernization grant amount is intended to provide the State's share for necessary project costs. The necessary project costs include, but are not limited to, funding for design, the modernization of the building, tests, inspections, and furniture and equipment.

Program Comparison

The primary difference in eligibility funding between the two programs are that in the LPP the apportionment was primarily driven by a dollar per square foot basis that was derived from the square footage assigned to an "unhoused" pupil. Other costs were added to this such as offsite development, service site development and utilities. Overall these additional allowances remain the same in the SFP. The base grant in the SFP replaces the dollar per square foot in the LPP and is derived by the "unhoused" pupils multiplied by the dollar value associated with the grade level they are in. Another difference in the programs is that in the LPP a district must return any unspent apportionment. Whereas in the SFP, a district (that is a non- financial hardship) may retain any unspent grant and use it to fund "high priority capital outlay projects."

LEASE PURCHASE PROGRAM vs. SCHOOL FACILITY PROGRAM

PROGRAM FEATURES	LEASE PURCHASE PROGRAM	SCHOOL FACILITY PROGRAM
SUMMARY OF PROGRAM	<ul style="list-style-type: none"> • Grants derived from square footage of project • Up-front controls set for each phase of the project. • Very minimum self certifications; rigidly controlled • Every phase of project required review and approval to gain funding. • Program to construct and modernized schools • Project savings returned to the State 	<ul style="list-style-type: none"> • Pupil grant driven program • Limited controls after project apportionments made. • Self certifications to provide applicants funding to the program • Program certifications and expenditures verified at closeout audit. • Allows for multiple program types including but not limited to Charter Schools and Career Technical Education • Districts allowed to retain savings on non-Financial Hardship (FH) projects
PHASES OF PROGRAM	<ul style="list-style-type: none"> • Planning (P) • Site (S) • Construction (C) • Each phase reviewed – No certifications and approvals prior to funding 	<ul style="list-style-type: none"> • District apportionment based on a complete application • Only FH projects can receive advance fund releases for design and site acquisition
SET OR CAPPED ALLOWANCES	<ul style="list-style-type: none"> • All allowances calculated; • DSA/CDE fees; • Architect Allowances; • Building Costs; • Energy; • Inspectors; • Furniture & Equipment; • Square footage allowances- percentage of the building cost; and • Change Orders could not exceed 10% of the total contract. 	<ul style="list-style-type: none"> • Grants based on pupils assigned to the project • Additional grants available based on specific project type • No controls on how overall grant is expended; • FH projects - controls exist if expended beyond the grant.
PROGRAM REQUIREMENTS	<ul style="list-style-type: none"> • Eligibility documents & property checks – rigidly reviewed; • CEQA (California Environment Quality Act) – rigidly reviewed/approved by OPSC; • Unconventional energy- rigidly reviewed/approved by OPSC (must complete life cycle analysis); • Bid approval (construction allowance set by OPSC – required review/approval); • Fund Release at each phase – rigid control/required documents to be reviewed or no fund release; • Change orders were rigidly reviewed/approved by OPSC/DSA/CDE. If exceeded allowances, then disallowed. 	<ul style="list-style-type: none"> • Eligibility – self certifications; • CEQA – self certified (not verified at audit); • High Performance (unconventional energy) – verify at close-out audit that change order or addendums did not remove that component of the project; • Site grant – verified with an appraisal or purchase agreement; • Adjusted grant (phase C or “Adjusted G”) – approved with 50-04 funding applications via self certified, and DSA/CDE approved plans; • No bid approvals; • Fund Release (FR) based on self-certifications. Change Orders – reviewed at closeout audit. Not to approve but to verify that facilities were not removed from the scope of the original project approved by the SAB.

Lease Purchase Program vs. School Facility Program
BOND AUTHORITY ALLOCATION

Prior to the passage of Proposition 13 in 1978, school districts could fund facilities projects by either passing a local bond to finance their projects, or obtain a loan from the State. Following the enactment of Proposition 13 in 1978 the State Legislature revised the State's school building program. As a result, General Obligation Bond initiatives became the primary funding source for school facility construction. Since 1982 following General Obligation Bonds have been approved for school facility funding:

Lease Purchase Program

Bond, Year	Total Allocation
Prop 1 (1982)	500,000,000
Prop 26 (1984)	450,000,000
Prop 75 (1988)	800,000,000
Prop 79 (1988)	800,000,000
Prop 123 (1990)	800,000,000
Prop 146 (1990)	800,000,000
Prop 152 (1992)	1,900,000,000
Prop 155 (1994)	900,000,000
Prop 203 (1996)	2,025,000,000
Total	\$ 8,975,000,000

School Facility Program

Bond, Year	Total Allocation
Prop 1A (1998)	6,700,000,000
Prop 47 (2002)	11,400,000,000
Prop 55 (2004)	10,000,000,000
Prop 1D (2006)	7,329,000,000
Total	\$ 35,429,000,000

ATTACHMENT C

STATE ALLOCATION BOARD
NEW CONSTRUCTION SUBCOMMITTEE
November 7, 2011

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OVERVIEW

PURPOSE

To present data relating to School Facility Program (SFP) bond authority.

DESCRIPTION

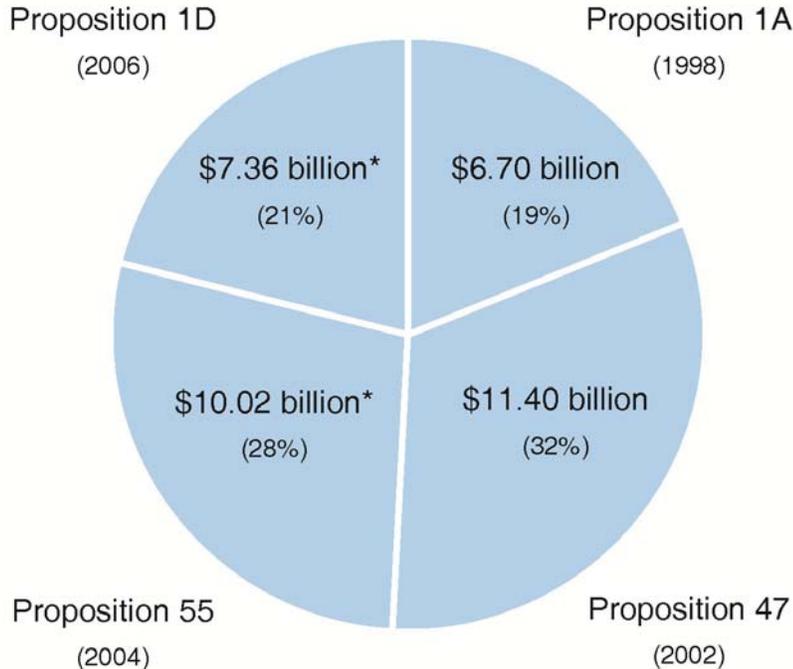
The purpose of this meeting is to present data relating to remaining SFP bond authority. This information is intended to promote discussion on how to proceed with the program in the future. This item will present general information on the basic concepts of the program and fiscal statistics concerning the program's history.

BACKGROUND

At the September 2011 State Allocation Board (Board) meeting, the members created a subcommittee to consider the future of the SFP. In particular, the members wished to take a look at where we stand with new construction dollars between now and the next potential school facilities bond that could be placed on the ballot.

The majority of available SFP funding has been allocated to school districts across the state. As a result, available funds from the four voter approved school facility bond measures that have been approved since the inception of the SFP are close to depletion.

Voter Approved General Obligation Bonds for School Facilities Total Approved: \$35.48 billion



*Approximate

Each approved bond provides authority to allocate funding to school facility projects through various programs. Each bond allocates authority specifically to programs, such as new construction, modernization, Charter Schools, Career Technical Education Facilities and programs to relieve overcrowding.

Given the recent fiscal crisis and scarce remaining bond authority the Board has taken steps to determine the best possible ways to extend the life of many vital school facility programs. For example, unused funding in the Critically Overcrowded Schools (COS) program was transferred to the new construction program, as allowed by statute. Furthermore, the Board's Priorities in School Construction Funding Cash Management subcommittee (Committee) met multiple times in 2011 to discuss priority funding and other topics concerning remaining bond authority.

Education Facilities Bond Breakdown

Program	Bond 1998 \$9,200,000,000	Bond 2002 \$13,050,000,000	Bond 2004 \$12,300,000,000	Bond 2006 \$10,416,000,000	Transfer
New Construction	\$2,900,000,000	\$ 3,350,000,000 ¹	\$4,960,000,000	\$1,900,000,000 ^{4,5}	2/3 Legislative vote
Modernization	2,100,000,000	1,400,000,000 ²	2,250,000,000	3,300,000,000 ⁴	2/3 Legislative vote
Charter Schools	-	100,000,000	300,000,000	500,000,000	2/3 Legislative vote
Career Technical Ed.	-	-	-	500,000,000	2/3 Legislative vote
Overcrowding Relief	-	-	-	1,000,000,000	2/3 Legislative vote
High Performance	-	-	-	100,000,000	2/3 Legislative vote
New Construction Backlog	-	2,900,000,000	-	-	2/3 Legislative vote
Modernization Backlog	-	1,900,000,000	-	-	2/3 Legislative vote
Critically Overcrowded Schools	-	1,700,000,000	2,440,000,000	-	SAB Action
Joint Use	-	50,000,000	5,000,000	29,000,000	2/3 Legislative vote
Hardship	1,000,000,000	-	-	-	SAB Action
Class Size Reduction	700,000,000	-	-	-	SAB Action
Total K - 12	\$6,700,000,000	\$11,400,000,000	\$ 10,000,000,000 ³	\$7,329,000,000	

1 - \$14.2 million – energy efficiency.

2 - \$5.8 million – energy efficiency.

3 - \$20 million total – energy efficiency set aside for new construction and modernization.

4 - No more than \$200,000,000 of the sum of the appropriations for new construction and modernization shall be used to fund the smaller learning communities and small high schools.

5 - Up to 10½ percent (\$199.5 million) shall be available for purposes of seismic repair, construction, or replacement, pursuant to Education Code Section 17075.10

ITEM FORMAT

This item has been divided by topic. Behind each tab is a discussion item for each topic.

BOND AUTHORITY

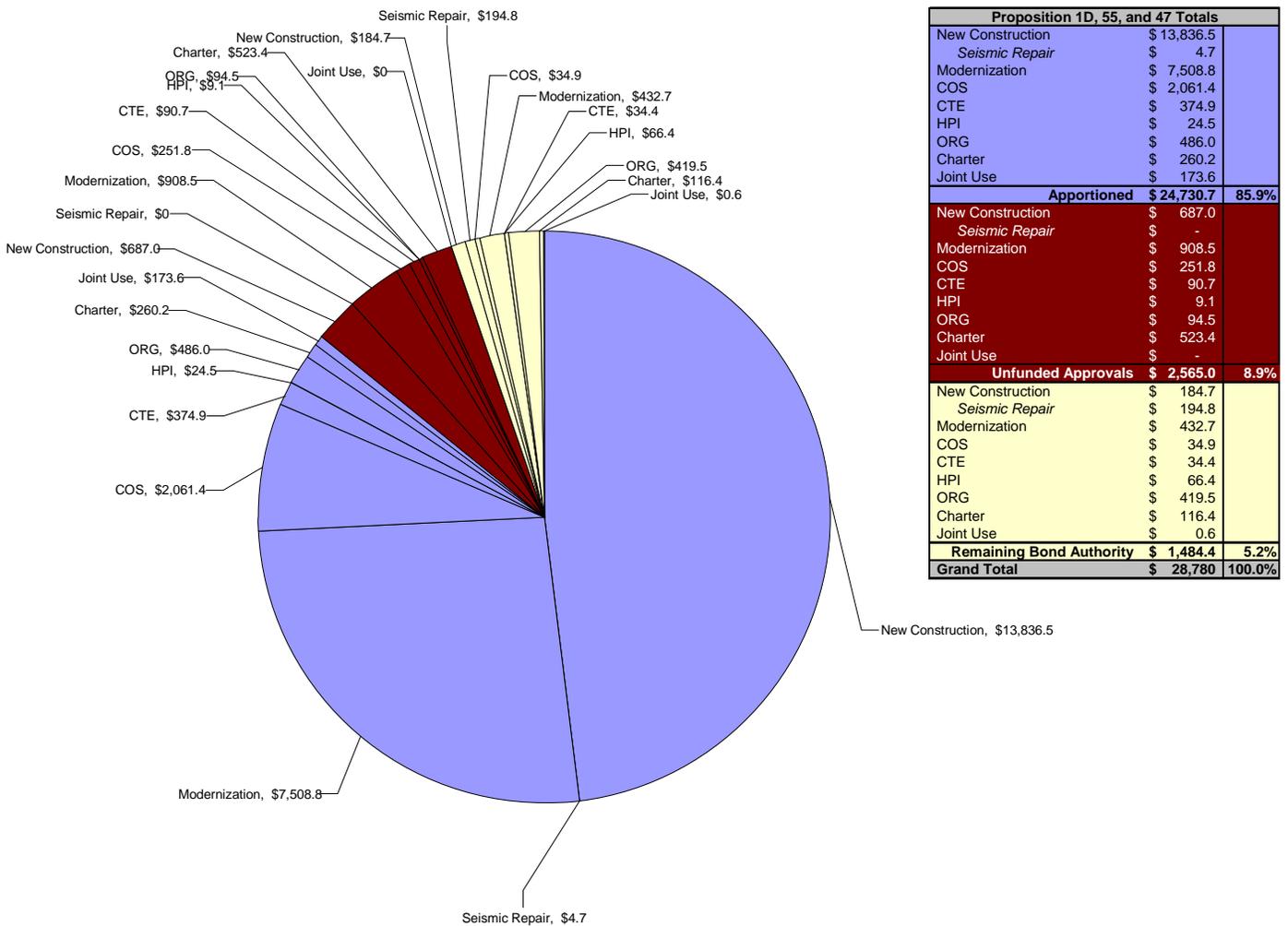
PURPOSE

To discuss the remaining bond authority in the School Facility Program.

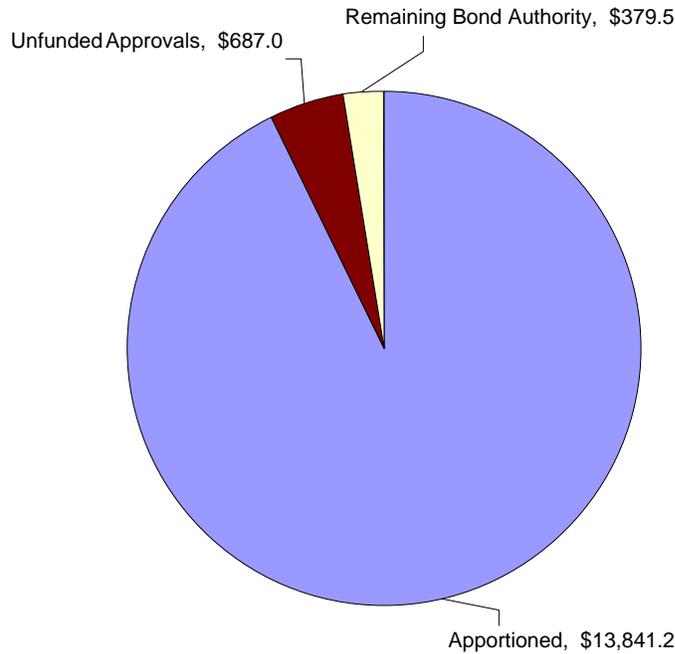
DESCRIPTION

As of October 26, 2011 there is approximately \$1.49 billion in remaining bond authority of the \$28.7 billion originally authorized by Propositions 47, 55 and 1D. The chart below provides a detailed breakdown of the remaining authority:

Proposition 1D, 55 and 47 Bond Authority - \$28.780 billion (in millions)



Propositions 1D, 55 & 47
New Construction Bond Authority - \$14.908 billion*
(in millions)



New Construction Totals		
Prop 1D	\$ 1,668.2	
<i>Seismic Repair</i>	\$ 4.7	
Prop 55	\$ 5,264.8	
Prop 47	\$ 6,903.5	
Apportioned	\$ 13,841.2	92.8%
Prop 1D	\$ 32.1	
<i>Seismic Repair</i>	\$ -	
Prop 55	\$ 561.0	
Prop 47	\$ 93.9	
Unfunded Approvals	\$ 687.0	4.6%
Prop 1D	\$ 0.2	
<i>Seismic Repair</i>	\$ 194.8	
Prop 55**	\$ 163.8	
Prop 47	\$ 20.7	
Remaining Bond Authority	\$ 379.5	2.5%
Grand Total	\$ 14,907.7	100.0%

*Includes Energy Efficiency, Small High Schools, Seismic Repair, and the transfer of Critically Overcrowded School Facilities Program Funds to New Construction (\$700 million and \$68.1 million from Prop. 47; \$268.8 million, \$318.3 million, \$225 million, and \$211.7 million from Prop. 55)"

** Includes \$5.8 million from the Lease Purchase Program on October 6, 2010.

BURN RATES

PURPOSE

To discuss projected “burn rates” of School Facility Program bond authority.

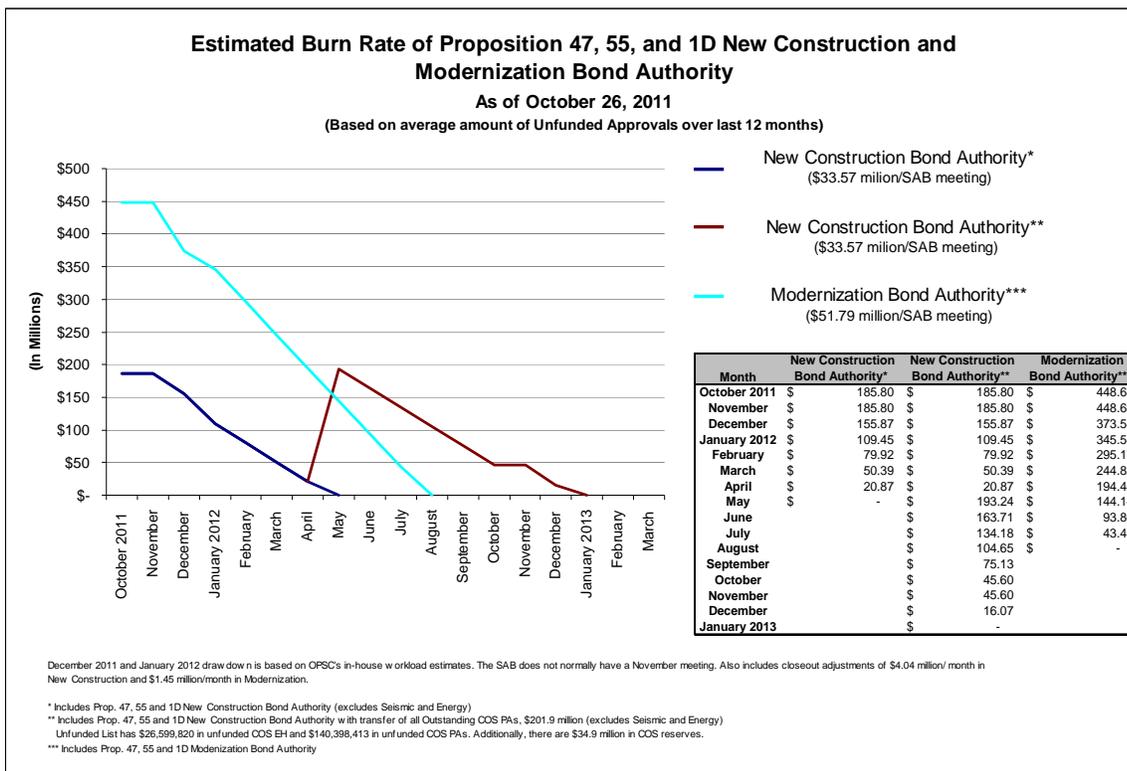
DESCRIPTION

Burn rates are used to determine the amount of time remaining before all available bond authority is exhausted. By looking at historical data, Staff has estimated the timeframe in which the remaining bond authority in several major programs may be exhausted.

New Construction and Modernization

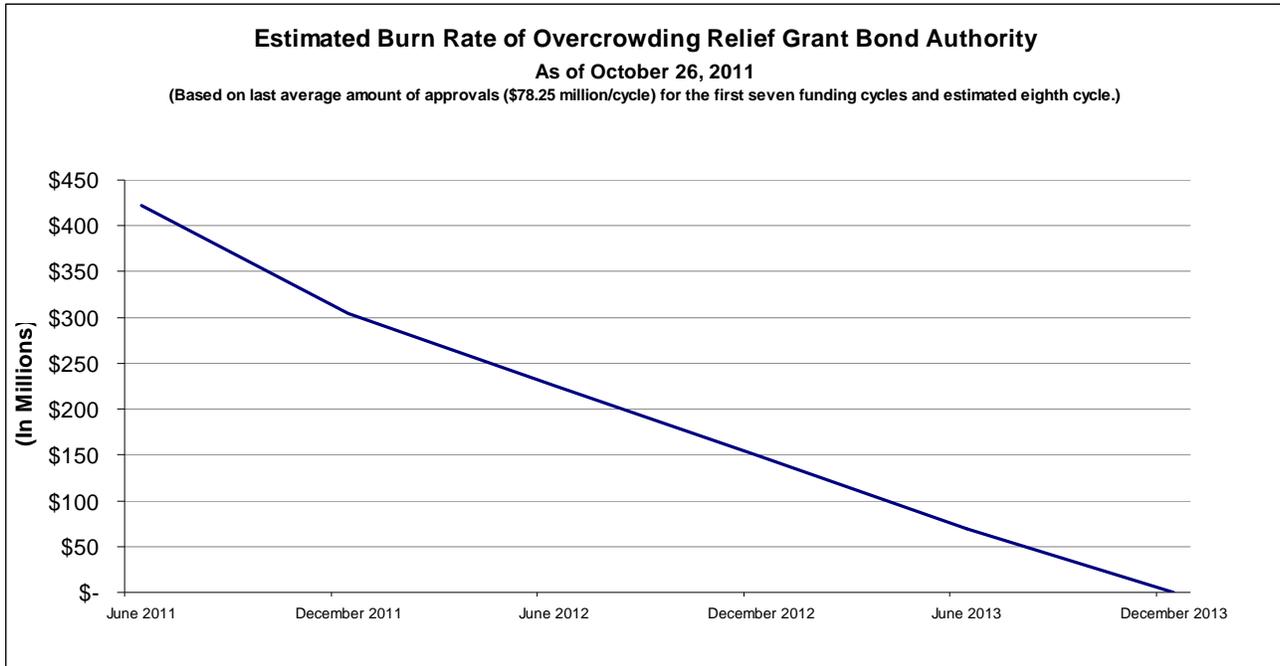
Staff has included the new construction and modernization workload numbers for unfunded approvals scheduled to be presented in December 2011 and January 2012. These numbers, in conjunction with the prior approvals for the past 10 months, have been used to generate average monthly unfunded approval totals of **\$33.57** million for new construction and **\$51.79** million for modernization. This information was used to create the burn rate chart below for these programs. Staff is estimating that new construction bond authority will be exhausted in **May** 2012 and modernization bond authority will be exhausted in August 2012.

Historically, the Board has transferred unused bond authority from the Critically Overcrowded Schools (COS) Program to New Construction. Currently, there is \$201.9 million in outstanding COS preliminary apportionments for 33 COS projects. School districts have until April 2012 to request the conversion of preliminary apportionments to adjusted grant approvals. Assuming these projects do not convert and the Board transfers the authority to New Construction, the exhaustion of the authority in New Construction would be delayed until **January 2013**.



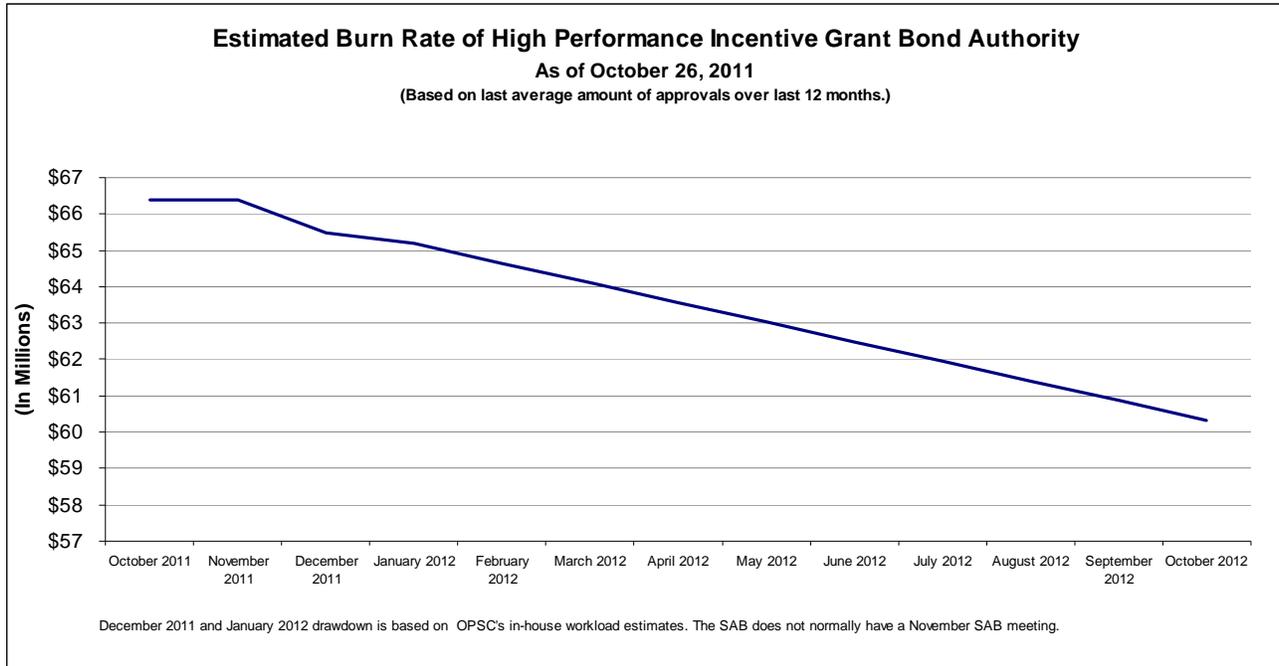
Overcrowding Relief Grant (ORG)

To date, the Board has approved seven ORG funding cycles totaling approximately \$507.7 million. The current workload for the eighth funding cycle is approximately \$118.2 million. Based on the first seven funding cycles and the estimated eighth funding cycle total, the average amount of approvals per cycle is approximately \$78.25 million. Based on this average, Staff is estimating that ORG bond authority will be exhausted in December 2013.



High Performance Incentive Grant (HPI)

Staff currently has the estimated HPI workload numbers for unfunded approvals to be presented in December 2011 and January 2012. These totals, in conjunction with prior approvals for the past 10 months, have been used to generate average monthly unfunded approvals of approximately \$540,000. This information was used to create the burn rate chart below. Currently staff is estimating that HPI bond authority will extend well beyond October 2012. *



*In May 2010, the Board approved changes to the High Performance Rating Criteria (HPRC) adding 16 additional credits and increasing the percentage increases associated with corresponding HPRC points attained in the design. Other changes included updating the HPRC in line with the 2009 California Collaborative for High Performance Schools (CHPS) Criteria and the incorporation of 2008 California Energy Code requirements. Also, in November of 2010, the SAB approved changes to the HPI regulations to include California Green Code requirements. All of these changes were approved by the Office of Administrative Law and became effective on January 25, 2011.

RETURNING BOND AUTHORITYPURPOSE

To discuss project milestones that return bond authority to the School Facility Program.

DESCRIPTION

OPSC staff regularly presents projects to the Board in the Consent Agenda that return bond authority and cash proceeds to the SFP.

Time Limit On Fund Release (TLOFR) Rescissions

Statute requires school districts to meet the fund release requirements within 18 months of receiving an apportionment.

Over the past 18 months 38 projects totaling \$40,985,544 have been rescinded due to TLOFR. On average, over the past 18 months two applications are rescinded per month for reaching the TLOFR, returning \$2.3 million to the originating programs.

Approximately \$594,523 in New Construction projects is rescinded each month. For Modernization projects, approximately \$859,438 is rescinded each month.

Rescissions and Reductions to Costs Incurred (RCI)

There are circumstances when a school district is unable to proceed with the project after it has requested fund release. In this case, the district may either request the project be rescinded or reduced to costs incurred. In addition, the OPSC may administratively request the Board rescind the project if the district is unable to provide evidence that it has made Substantial Progress on the project within 18 months from the release of funds.

Over the past 18 months 22 projects totaling \$38,366,848 have been rescinded due to lack of substantial progress. On average, over the past 18 months one application is rescinded per month for lack of substantial progress, returning approximately \$2.1 million to the originating program.

Over the past 18 months 49 projects totaling \$46,336,242 have received RCI adjustments. On average, over the past 18 months approximately three applications per month have been subject to an RCI adjustment, returning approximately \$2.6 million to the originating program.

In New Construction specifically, approximately \$2,314,967 is rescinded or reduced to costs incurred each month. In Modernization, approximately \$412,173 is rescinded or reduced to costs incurred each month.

Closeout Adjustments

Over the past 18 months 17 projects have received additional funding totaling \$3,663,772 during closeout reviews. On average, increases occur for approximately one application totaling approximately \$200,000 per month during closeout reviews.

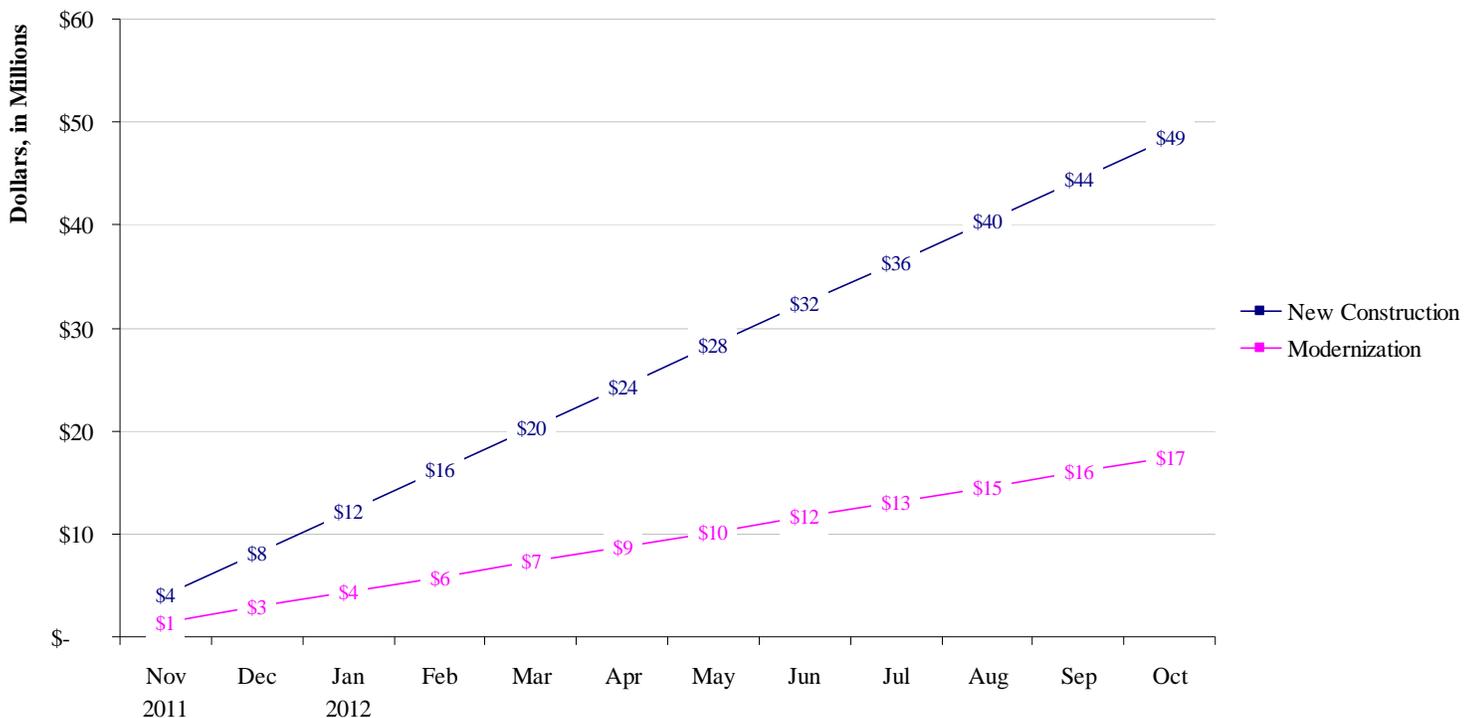
Over the past 18 months 257 projects have received decreased funding totaling \$27,337,075 during closeout reviews. On average, decreases occur for approximately 14 applications totaling \$1.6 million per month during closeout review

The net return to the program is approximately \$1.4 million after both positive and negative closeout audits have been taken into account. Approximately \$1,133,441 is adjusted each month for New Construction projects. For Modernization projects, approximately \$181,743 is adjusted each month.

Based on the average amounts outlined above, the following table outlines the cumulative projected bond authority returned to the SFP over the next 12 months.

Month and Year	New Construction	Modernization
Nov 2011	\$ 4,042,930	\$ 1,453,354
Dec 2011	\$ 8,085,860	\$ 2,906,707
Jan 2012	\$ 12,128,790	\$ 4,360,061
Feb 2012	\$ 16,171,719	\$ 5,813,414
Mar 2012	\$ 20,214,649	\$ 7,266,768
Apr 2012	\$ 24,257,579	\$ 8,720,122
May 2012	\$ 28,300,509	\$ 10,173,475
Jun 2012	\$ 32,343,439	\$ 11,626,829
Jul 2012	\$ 36,386,369	\$ 13,080,183
Aug 2012	\$ 40,429,299	\$ 14,533,536
Sep 2012	\$ 44,472,228	\$ 15,986,890
Oct 2012	\$ 48,515,158	\$ 17,440,243

12-Month Projection for Funds Returned to New Construction and Modernization



DEVELOPER FEES

PURPOSE

To discuss Level III developer fees.

AUTHORITY

See attached.

DESCRIPTION

There are three levels that may be levied for developer's fees. The Level I fee is assessed if the district conducts a Justification Study that establishes the connection between the development coming into the district and the assessment of fees to pay for the cost of the facilities needed to house future students. The Level II fee is assessed if a district makes a timely application to the State Allocation Board for new construction funding, conducts a School Facility Needs Analysis pursuant to Government Code Section 65995.6, and satisfies at least two of the requirements listed in Government Code Section 65995.5(b)(3). The Level III fee is assessed when State bond funds are exhausted; the district may impose a developer's fee up to 100 percent of the School Facility Program new construction project cost.

In order to implement Level III developer fees the Board must make a declaration of a "lack of funds" to provide apportionments to school facilities projects. In February 2002 the Attorney General, at the request of the Board, opined that the Board couldn't make a declaration of a lack of funds until all voter authorized bond authority has been exhausted.

Developer Fee Requirements

Circumstances	Level I	Level II	Level III
Developer Fee Rate	Price statute per construction permit set in statute	The calculations in the School Facility Needs Analysis determines the amount of the Level II fee.	District may impose developer fee up to 100% of the SFP new construction cost
Justification	Justification Study Required	School Facility Needs Analysis Required	School Facility Needs Analysis Required
Additional Requirements		Must satisfy at least 2: <ol style="list-style-type: none"> 1) 30% of pupils must be multi-track year round if unified or elementary district 2) In the previous 4 years, a local GO bond must have received at least 51% of the votes must have been on the ballot 3) District has bond indebtedness of at least 15% of total bond indebtedness 4) At least 20% of teaching stations within district are relocatable 	<ol style="list-style-type: none"> 1) State must no longer have funds available to apportion projects 2) SAB must notify the Secretary of the Senate and Chief Clerk of the Assembly in writing of the determination

THE NEW CONSTRUCTION FUNDING PROCESS

PURPOSE

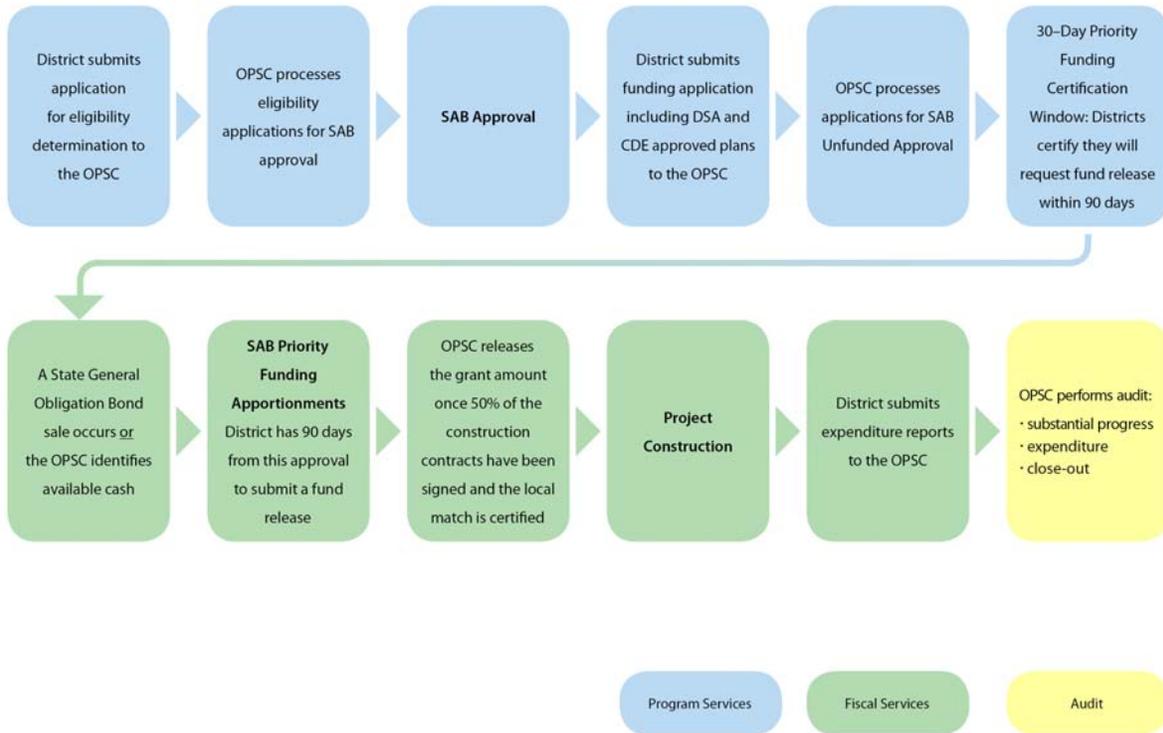
To discuss the past and present New Construction funding process.

DESCRIPTION

The process for accessing the State assistance for this funding is divided into three steps: an application for eligibility, an application for funding and an application for fund release.

State School Building Funding Process

New Construction and Modernization



Eligibility

The underlying concept behind eligibility for new construction is very straightforward: a district must demonstrate that the existing seating capacity is insufficient to house the pupils anticipated in the district using a five-year projection of enrollment.

To make an initial eligibility determination Staff looks at two types of information:

- (1) Enrollment projections; and
- (2) Existing school building capacity.

This information is gathered on specific forms described below.

1. *Enrollment Projections*

It may take several years to take a new construction project from the initial determination of need to final completion of construction and occupancy. Because of this, the SFP provides a *projection* of enrollment five years into the future to determine eligibility for funding. The *Enrollment Certification/Projection* (Form SAB 50-01) is used to make this projection. This form assists the district with determining future needs, planning, arranging State and local funding, and constructing the project before the children to be served arrive. The method of projecting enrollment into the future involves using current and historical California Basic Educational Data System (CBEDS) enrollment data for the district. The data collected is then projected into the future for five years using a method known as a Cohort Survival Projection. A district can obtain CBEDS data from the California Department of Education (CDE).

On June 25, 2008 the Board approved regulations for the implementation of Assembly Bill 1014. The bill authorized the Board to modify the enrollment projection calculation through the use of modified weighting mechanisms, birth rate augmentations, a ten-year projection (as opposed to the standard 5 year projection), and the use of pupil residence for High School Attendance Area reporting.

2. *Capacity*

The second part in determining the district's eligibility for new construction assistance is to document the capacity of the school district at the time the first application for eligibility is filed under the SFP. This capacity calculation is done only once.

The *Existing School Building Capacity* (Form SAB 50-02) is used to capture the information needed for the calculations. On the Form SAB 50-02, a district reports a gross inventory of all spaces constructed or reconstructed to serve as an area to provide pupil instruction. The grade level of each classroom is also identified. The gross inventory is then adjusted by excluding spaces that are not considered available teaching stations under law or regulation.

The last part in the new construction eligibility determination process is done on the *Eligibility Determination* (Form SAB 50-03). The existing school building capacity calculated is subtracted from the enrollment projection determined and the numbers of pupils left, if any, are considered "unhoused" for the purposes of the SFP. They represent the district's eligibility for new construction grant funding.

Example:

Un-housed Pupil Need

- District has 300 (K-6) students, would like to build 10 classrooms
- Based on the K-6 loading standard;
10 classrooms x 25 pupils = 250 pupils.
- 300 pupils minus 250 pupils = 50 pupils
- Therefore, the District would have an un-housed pupil need for 50 students

Once the new construction eligibility is determined, a "baseline" is created that remains in place as the basis of all future funding applications. The baseline is adjusted for changes in enrollment and for facilities added, and may be adjusted for other factors such as errors and omissions or amendments to the SFP Regulations.

Eligibility: Then vs. Now

The original SFP funding method used a set timeframe of 18-months to request funds. Under this system there was never a large gap between CDE enrollment reporting periods. If a district waited the full 18 months to request funds, the time period would most likely have only spanned two (CDE) enrollment periods. As a result there was a limited window for district enrollment, and district housing needs to change.

With the inception of the unfunded approvals list there is the possibility that a project can sit on the unfunded approvals list for years before requesting funding. Once a District receives an unfunded approval the application is placed on the unfunded approvals list based on the unfunded approval date.

In May of 2010, the priority funding system was implemented. The system has undergone a few changes; however, most details have remained the same. Once a district receives an unfunded approval, the district has the option to submit a priority funding certification during a priority in funding (PIF) period. If the district elects not to request PIF the application remains on the unfunded approvals list. Currently there is no mechanism requiring districts to submit PIF certifications. As a result, applications can sit on the unfunded approvals list indefinitely. If an application sits on the list for multiple years, there is the possibility that a district's enrollment and housing needs could change dramatically. Currently the oldest new construction application on the unfunded approvals list received its approval on August 26, 2009.

While the method for calculating new construction eligibility has undergone a few changes, the eligibility system has remained intact throughout the history of the SFP. Once a district establishes eligibility, the eligibility only needs to be updated when a district requests additional new construction funding in a new enrollment year, as a result of a reorganization election that affects either the district's enrollment or existing school building capacity, or as a result of a special education program transfer.

Under the SFP districts are not required to have their eligibility re-checked prior to the conversion of an unfunded approval to an apportionment. While a project is sitting on the unfunded approvals list, a district's enrollment and classroom need may change; however, this information is not taken into account as the pupil grants associated with a specific project remain with that project until an apportionment is received or the application is rescinded.

The Financial Hardship program provides 100 percent State funding for Districts those districts that cannot provide all or part of their funding share of a School Facility Program (SFP) project. The Financial Hardship program requires the re-review of a district's financial hardship status prior to receiving an apportionment for applications that have been placed on the unfunded approvals list. Similar to standard SFP projects, Financial Hardship projects must have eligibility to submit a funding application are not required to have their eligibility re-checked prior to the conversion of an unfunded approval to an apportionment.

Funding

After a district has established eligibility for the new construction they may request funding for the design and construction of the facility.

The application for new construction funding is made on a single form, the *Application for Funding* (Form SAB 50-04). The form serves as a vehicle to collect the information necessary to calculate the amount of grants applicable to the project, and also is a certification from the district regarding compliance with requirements of the law and the SFP Regulations. The district may submit the Form SAB 50-04 after the district has received approval by the CDE and the DSA of the proposed new construction project and the project site when applicable. In most cases, the district has

determined its eligibility for new construction grants on the *Eligibility Determination* (Form SAB 50-03) before applying for funding. However, if the district has not established eligibility for the project previously, it may submit the eligibility package with the funding package.

Funding applications are driven by pupil grants. District(s) submit applications based on the size of the project (number of classrooms) and the pupil grants needed (based on State loading standards) to build those classrooms.

For example, the state-loading standard for an elementary school classroom is 25 pupils. A district wishing to build a four-classroom project has the ability to request one hundred pupil grants for the specific project.

In order to request these pupil grants, the district must have enough pupil grant eligibility. Once the Board approves the funding application, the number of pupil grants requested on the application reduces a district's eligibility. These pupil grants are then permanently removed from the district's baseline eligibility, permanently assigned to the specific funding application for which they were requested and are only returned to the districts baseline eligibility if the application is rescinded or withdrawn. Once a funding application is approved and the pupil grants have been removed from the district's baseline eligibility they cannot be affected by decreasing enrollment or decreased housing need within the district.

Fund Release

After the funding application is apportioned, the next step in the process is the actual fund release to the County School Facilities Fund for use by the district. The SFP grant is processed for release when the district submits a *Fund Release Authorization* (Form SAB 50-05).

Fund Release Process (pre-PIF)

Under the old fund release process, pursuant to Education Code Section 17076.10(d) and SFP Regulation Section 1859.90, districts had up to 18 months from the Board approved apportionment date to submit a Form SAB 50-05. At this time the Board had cash readily available to disburse to districts receiving an apportionment.

PIF

On December 17, 2008, the Pooled Money Investment Board (PMIB) took action to temporarily halt disbursing funds from the State's Pooled Money Investment Account for capital projects, including the construction of public schools. As a result, the OPSC was restricted from releasing funds for projects that have been previously apportioned by the Board.

As a result of the PMIB action, the Board instituted the unfunded approvals list in March 2009. This allowed Staff to continue processing funding applications despite the absence of available cash. The pre-PIF fund release process gave no consideration to whether or not a school district was actually ready or able to proceed with the construction of the project. As cash was readily available districts received cash regardless of their readiness to proceed. The PIF system requires an accelerated timeline and allows districts ready to proceed with their projects, the ability to receive cash prior to those that are not ready to move forward regardless of placement of the unfunded approvals list.

In May of 2010 the Board approved the first PIF round and made the first priority funding apportionments on August 4, 2010.

In May 2011 the Board approved regulations to create two certification-filing periods per year in order for projects on the unfunded approvals list to receive apportionments. Each period will have a 30-day certification submittal window. Certification filing periods will begin

the second Wednesday in January and the second Wednesday in July each year. Certifications will be valid until the next filing period begins. As bond sales take place or cash becomes available, districts that have submitted a certification within the appropriate six-month window will be eligible for priority funding apportionments.

The priority funding process requires districts to submit a certification that, if apportioned, the district will be able to submit a fund release request within 90 days of apportionment. If a fund release request is not submitted within 90 days the application is rescinded without further Board approval.

ATTACHMENT A
AUTHORITY

Education Code (EC) Section 17070.35(a) states, "In addition to all other powers and duties as are granted to the board by this chapter, other statutes, or the California Constitution, the board shall do all of the following:

- (1) Adopt rules and regulations, pursuant to the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, for the administration of this chapter...
- (2) Establish and publish any procedures and policies in connection with the administration of this chapter as it deems necessary..."

EC Section 17075.10(B) requires that the district has made all reasonable efforts to impose all levels of local debt capacity and development fees, and that the school district is unable to participate in the program pursuant to this chapter except as set forth in this article.

EC Section 17076.10(d) states, "If a school district has received an apportionment, but has not met the criteria to have funds released pursuant to Section 17072.32 or 17074.15 within a period established by the board, but not to exceed 18 months, the board shall rescind the apportionment and deny the district's application.

EC Section 17620 states "(a) (1) The governing board of any school district is authorized to levy a fee, charge, dedication, or other requirement against any construction within the boundaries of the district, for the purpose of funding the construction or reconstruction of school facilities, subject to any limitations set forth in Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code. This fee, charge, dedication, or other requirement may be applied to construction only as follows:

(A) To new commercial and industrial construction. The chargeable covered and enclosed space of commercial or industrial construction shall not be deemed to include the square footage of any structure existing on the site of that construction as of the date the first building permit is issued for any portion of that construction.

(B) To new residential construction.

(C) (i) Except as otherwise provided in clause (ii), to other residential construction, only if the resulting increase in assessable space exceeds 500 square feet. The calculation of the "resulting increase in assessable space" for this purpose shall reflect any decrease in assessable space in the same residential structure that also results from that construction. Where authorized under this paragraph, the fee, charge, dedication, or other requirement is applicable to the total resulting increase in assessable space.

(ii) This subparagraph does not authorize the imposition of a levy, charge, dedication, or other requirement against residential construction, regardless of the resulting increase in assessable space, if that construction qualifies for the exclusion set forth in subdivision (a) of Section 74.3 of the Revenue and Taxation Code.

(D) To location, installation, or occupancy of manufactured homes and mobilehomes, as defined in Section 17625.

(2) For purposes of this section, "construction" and "assessable space" have the same meanings as defined in Section 65995 of the Government Code.

(3) For purposes of this section and Section 65995 of the Government Code, "construction or reconstruction of school facilities" does not include any item of expenditure for any of the following:

(A) The regular maintenance or routine repair of school buildings and facilities.

(B) The inspection, sampling, analysis, encapsulation, or removal of asbestos-containing materials, except where incidental to school facilities construction or reconstruction for which the expenditure of fees or other consideration collected pursuant to this section is not prohibited.

(C) The purposes of deferred maintenance described in Section

17582.

(4) The appropriate city or county may be authorized, pursuant to contractual agreement with the governing board, to collect and otherwise administer, on behalf of the school district, any fee, charge, dedication, or other requirement levied under this subdivision. In the event of any agreement authorizing a city or county to collect that fee, charge, dedication, or other requirement in any area within the school district, the certification requirement set forth in subdivision (b) or (c), as appropriate, is deemed to be complied with as to any residential construction within that area upon receipt by that city or county of payment of the fee, charge, dedication, or other requirement imposed on that residential construction.

(5) Fees or other consideration collected pursuant to this section may be expended by a school district for the costs of performing any study or otherwise making the findings and determinations required under subdivisions (a), (b), and (d) of Section 66001 of the Government Code, or in preparing the school facilities needs analysis described in Section 65995.6 of the Government Code. In addition, an amount not to exceed, in any fiscal year, 3 percent of the fees collected in that fiscal year pursuant to this section may be retained by the school district, city, or county, as appropriate, for reimbursement of the administrative costs incurred by that entity in collecting the fees. When any city or county is entitled, under an agreement as described in paragraph (4), to compensation in excess of that amount, the payment of that excess compensation shall be made from other revenue sources available to the school district. For purposes of this paragraph, "fees collected in that fiscal year pursuant to this section" does not include any amount in addition to the amounts specified in paragraphs (1) and (2) of subdivision (b) of Section 65995 of the Government Code.

(b) A city or county, whether general law or chartered, or the Office of Statewide Health Planning and Development shall not issue a building permit for any construction absent certification by the appropriate school district that any fee, charge, dedication, or other requirement levied by the governing board of that school district has been complied with, or of the district's determination that the fee, charge, dedication, or other requirement does not apply to the construction. The school district shall issue the certification immediately upon compliance with the fee, charge, dedication, or other requirement.

(c) If, pursuant to subdivision (c) of Section 17621, the governing board specifies that the fee, charge, dedication, or other requirement levied under subdivision (a) is subject to the restriction set forth in subdivision (a) of Section 66007 of the Government Code, the restriction set forth in subdivision (b) of this section does not apply. In that event, however, a city or county, whether general law or chartered, shall not conduct a final inspection or issue a certificate of occupancy, whichever is later, for any residential construction absent certification by the appropriate school district of compliance by that residential construction with any fee, charge, dedication, or other requirement levied by the governing board of that school district pursuant to subdivision (a).

(d) Neither subdivision (b) nor (c) shall apply to a city, county, or the Office of Statewide Health Planning and Development as to any fee, charge, dedication, or other requirement as described in subdivision (a), or as to any increase in that fee, charge, dedication, or other requirement, except upon the receipt by that city, county, or the Office of Statewide Health Planning and Development of notification of the adoption of, or increase in, the fee or other requirement in accordance with subdivision (c) of Section 17621."

EC Section 100420 states, "(a) Of the proceeds from the sale of bonds, issued and sold pursuant to this chapter, as specified in subdivision (a) of Section 100410, not more than three billion three hundred fifty million dollars (\$3,350,000,000) shall be allocated beginning in the 1998-99 fiscal year in accordance with the following schedule:

(1) Not less than one billion three hundred fifty million dollars (\$1,350,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12 and Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than eight hundred million dollars (\$800,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12 and Chapter 12.5.

(3) Not more than five hundred million dollars (\$500,000,000) shall be deposited in the Public School Critical Hardship Account, which is hereby established in the 1998 State School Facilities

Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(4) (A) Not more than seven hundred million dollars (\$700,000,000) may be allocated to assist school districts with site acquisition and facilities-related costs of kindergarten and grades 1 to 3, inclusive, that are in the Class Size Reduction Program contained in Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10, and to assist districts with the restoration of facilities that previously accommodated other programs and were displaced as a result of the implementation of class size reduction. On and after July 1, 2000, if applications for the total funds available under this paragraph have not been filed with the State Allocation Board, the funds for which applications have not been received may be allocated by the board to other high priority needs as the board determines. On and after July 1, 2003, any funds not allocated are available for other high priority needs.

(B) The funds allocated in subparagraph (A) shall be allocated to the State Department of Education to provide class size reduction facilities grants necessary to implement the K-3 Class Size Reduction Program established pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10. The department shall certify to the State Allocation Board the amount of funds needed for this purpose. The board shall transfer the amount of funds needed to the department. From these funds, the department shall award eligible districts forty thousand dollars (\$40,000) for each new option one class established for class size reduction for which the district had not previously received funding under class size reduction facilities programs.

(C) The remaining funds provided pursuant to subparagraph (A) shall be to provide funding for schoolsites that were eligible to receive a class size reduction land-locked waiver pursuant to Section 52122.6. The funds may be provided to districts to provide 50 percent of the cost of funding a facilities mitigation plan developed for the impacted site pursuant to Section 52122.7.

(D) Any funds not expended pursuant to subparagraphs (A), (B), or (C) may be allocated to districts that request funding of forty thousand dollars (\$40,000) for each teaching station that (1) was displaced as a result of the implementation of class size reduction and (2) received less than forty thousand dollars (\$40,000) per teaching station in 1996-97 pursuant to Chapter 19 (commencing with Section 17200) of Part 10. Programs for which teaching stations may be restored may include child care, extended day care, school libraries, computer labs, and special education classrooms.

(b) Of the proceeds from the sale of bonds issued and sold pursuant to this chapter, as specified in subdivision (b) of Section 100410, not more than three billion three hundred fifty million dollars (\$3,350,000,000) shall be allocated beginning in the 2000-01 fiscal year in accordance with the following schedule:

(1) Not less than one billion five hundred fifty million dollars (\$1,550,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than one billion three hundred million dollars (\$1,300,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12.5.

(3) Not more than five hundred million dollars (\$500,000,000) shall be deposited in the Public School Critical Hardship Account in the 1998 State School Facilities Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(c) Districts may use funds allocated pursuant to paragraph (2) of subdivision (a) and paragraph (2) of subdivision (b) for one or more of the following purposes in accordance with Chapter 12.5:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other renovation or modernization of facilities pursuant to Chapter 12.5.

(d) Funds allocated pursuant to paragraph (1) of subdivision (a) and paragraph (1) of subdivision (b) may be utilized to provide new construction grants, without regard to funding priorities, for applicant county boards of education under Chapter 12.5 that are eligible for that funding or classrooms for severely handicapped pupils and funding for classrooms for county community school pupils.

(e) (1) The Legislature may amend this section to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (a) and the maximum funding amounts specified in paragraphs (3) and (4) of subdivision (a), and to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (b) and the maximum funding amount specified in paragraph (3) of subdivision (b), by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) or paragraphs (1) to (3), inclusive, of subdivision (b) or both, but may not increase or decrease the total amount to be expended pursuant to either subdivision.

EC Section 100620 states, "(a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of three billion four hundred fifty million dollars (\$3,450,000,000) for new construction of school facilities of applicant school districts under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for those school districts that file an application with the Office of Public School Construction after February 1, 2002, including, but not limited to, hardship applications.

(A) Of the amount allocated pursuant to this paragraph, up to one hundred million dollars (\$100,000,000) shall be available for providing school facilities to charter schools pursuant to a statute enacted after the effective date of the act enacting this section.

(B) If the Housing and Emergency Shelter Trust Fund Act of 2002 is submitted to the voters at the November 5, 2002, general election and fails passage by the voters, of the amount allocated pursuant to this paragraph, twenty-five million dollars (\$25,000,000) shall be available for the purposes of Sections 51451.5, 51453, and 51455 of the Health and Safety Code.

(2) The amount of one billion four hundred million dollars (\$1,400,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 for those school districts that file an application with the Office of Public School Construction after February 1, 2002, including, but not limited to, hardship applications.

(3) The amount of two billion nine hundred million dollars (\$2,900,000,000) for new construction of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 for those school districts that have filed an application with the Office of Public School Construction on or before February 1, 2002, including, but not limited to, hardship applications. If the amount made available for purposes of this paragraph is not needed and expended for the purposes of this paragraph, the State Allocation Board may allocate the remainder of these funds for purposes of paragraph (1).

(4) The amount of one billion nine hundred million dollars (\$1,900,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10, for those school districts that have filed an application with the Office of Public School Construction on or before February 1, 2002, including, but not limited to, hardship applications. If the amount made available for purposes of this paragraph is not needed and expended for the purposes of this paragraph, the State Allocation Board may allocate these funds for purposes of paragraph (2).

(5) The amount of one billion seven hundred million dollars (\$1,700,000,000) for deposit into the 2002 Critically Overcrowded School Facilities Account established within the 2002 State School Facilities Fund pursuant to subdivision (e) of Section 17078.10, for the purposes set forth in Article

11 (commencing with Section 17078.10) of Chapter 12.5 of Part 10 relating to critically overcrowded schools, including, but not limited to, hardship applications, and any other new construction or modernization projects as authorized pursuant to Section 17078.30.

(6) The amount of fifty million dollars (\$50,000,000) for the purposes set forth in Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10 relating to joint-use projects, including, but not limited to, hardship applications.

(b) School districts may use funds allocated pursuant to paragraphs (2) and (4) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(c) Funds allocated pursuant to paragraphs (1) and (3) of subdivision (a) may, also, be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) (1) The Legislature may amend this section to adjust the funding amounts specified in paragraphs (1) to (6), inclusive, of subdivision (a), only by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (6), inclusive, of subdivision (a), but may not increase or decrease the total amount to be expended pursuant to that subdivision.

(e) From the total amounts set forth in paragraphs (1) to (6), inclusive, of subdivision (a), a total of no more than twenty million dollars (\$20,000,000) shall be used for the costs of energy conservation adjustments authorized pursuant to Section 17077.35.

(f) Funds available pursuant to this section may be used for acquisition of school facilities authorized pursuant to Section 17280.5.”

EC Section 100820 states “ (a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of five billion two hundred sixty million dollars (\$5,260,000,000) for project funding for new construction of school facilities of applicant school districts under Chapter 12.5 (commencing with Section 17070.10) of Part 10, including, but not limited to, hardship applications.

(A) Of the amount allocated pursuant to this paragraph, up to three hundred million dollars (\$300,000,000) shall be available for providing school facilities to charter schools pursuant to a statute enacted after the effective date of the act enacting this section.

(B) If the Housing and Emergency Shelter Trust Fund Act of 2002 is submitted to the voters at the November 5, 2002, general election and fails passage by the voters, of the amount allocated pursuant to this paragraph, twenty-five million dollars (\$25,000,000) shall be available for the purposes of Sections 51451.5, 51453, and 51455 of the Health and Safety Code.

(2) The amount of two billion two hundred fifty million dollars (\$2,250,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10, including, but not limited to, hardship applications.

(3) The amount of two billion four hundred forty million dollars (\$2,440,000,000) for deposit into the 2004 Critically Overcrowded School Facilities Account established within the 2004 State School Facilities Fund pursuant to subdivision (e) of Section 17078.10 for the purposes set forth in Article 11 (commencing with Section 17078.10) of Chapter 12.5 of Part 10 relating to critically overcrowded

schools, including, but not limited to, hardship applications, and any other new construction or modernization projects as authorized pursuant to Section 17078.30.

(4) The amount of fifty million dollars (\$50,000,000) for the purposes set forth in Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10 relating to joint-use projects, including, but not limited to, hardship applications.

(b) School districts may use funds allocated pursuant to paragraph (2) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(c) Funds allocated pursuant to paragraph (1) of subdivision (a) may, also, be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) (1) The Legislature may amend this section to adjust the funding amounts specified in paragraphs (1) to (4), inclusive, of subdivision (a), only by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (4), inclusive, of subdivision (a), but may not increase or decrease the total amount to be expended pursuant to that subdivision.

(e) From the total amounts set forth in paragraphs (1) to (4), inclusive, of subdivision (a), a total of no more than twenty million dollars (\$20,000,000) shall be used for the costs of energy conservation adjustments authorized pursuant to Section 17077.35.

(f) Funds available pursuant to this section may be used for acquisition of school facilities authorized pursuant to Section 17280.5.”

EC Section 101012 states, “(a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of one billion nine hundred million dollars (\$1,900,000,000) for new construction of school facilities of applicant school districts under Chapter 12.5 (commencing with Section 17070.10) of Part 10. Of the amount allocated under this paragraph, up to 10.5 percent shall be available for purposes of seismic repair, reconstruction, or replacement, pursuant to Section 17075.10.

(2) The amount of five hundred million dollars (\$500,000,000) shall be available for providing school facilities to charter schools pursuant to Article 12 (commencing with Section 17078.52) of Chapter 12.5 of Part 10.

(3) The amount of three billion three hundred million dollars (\$3,300,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(4) The amount of five hundred million dollars (\$500,000,000) for the purposes set forth in Article 13 (commencing with Section 17078.70) of Chapter 12.5 of Part 10, relating to facilities for career technical education programs.

(5) Of the amounts allocated under paragraphs (1) and (3), up to two hundred million dollars (\$200,000,000) for the purposes set forth in Chapter 894 of the Statutes of 2004, relating to incentives for the creation of smaller learning communities and small high schools.

(6) The amount of twenty-nine million dollars (\$29,000,000) for the purposes set forth in Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10, relating to joint use projects.

(7) The amount of one billion dollars (\$1,000,000,000) shall be available for providing new construction funding to severely overcrowded schoolsites pursuant to Article 14 (commencing with Section 17079) of Chapter 12.5 of Part 10.

(8) The amount of one hundred million dollars (\$100,000,000) for incentive grants to promote the use of designs and materials in new construction and modernization projects that include the attributes of high-performance schools, including, but not limited to, the elements set forth in Section 17070.96, pursuant to regulations adopted by the State Allocation Board.

(b) School districts may use funds allocated pursuant to paragraph (3) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high-priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(c) Funds allocated pursuant to paragraph (1) of subdivision (a) may also be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) (1) The Legislature may amend this section to adjust the funding amounts specified in paragraphs (1) to (8), inclusive, of subdivision (a), only by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (8), inclusive, of subdivision (a), but may not increase or decrease the total amount to be expended pursuant to that subdivision.

(e) Funds available pursuant to this section may be used for acquisition of school facilities authorized pursuant to Section 17280.5.”

Budget Letter 10-09 requires that if there are insufficient bond proceeds, departments and agencies are responsible for prioritizing the projects that will be funded consistent with the prioritization criteria outlined (including job creation). It also indicates that if bond proceeds are not managed efficiently, additional bonds may not be sold for the program.

Government Code (GC) Section 15503 states, “Whenever the board is required to make allocations or apportionments under this part, it shall prescribe rules and regulations for the administration of, and not inconsistent with, the act making the appropriation of funds to be allocated or apportioned. The board shall require the procedure, forms, and the submission of any information it may deem necessary or appropriate. Unless otherwise provided in the appropriation act, the board may require that applications for allocations or apportionments be submitted to it for approval.”

GC Section 65995(b)(3) requires the maximum square footage assessment for development be “increased in 2000 and every two years thereafter, according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the State Allocation Board at its January Board meeting...effective as of the date of that meeting.”

School Facility Program (SFP) Regulation Section 1859.90 states, “With the exception of an apportionment made pursuant to Sections 1859.81.1(e) or 1859.81.2, or of an Inactive

Apportionment subject to Section 1859.96, the OPSC will release State funds that the Board has apportioned to the district after submittal, by the district, of the Form SAB 50-05, subject to the availability of financing provided by the Pooled Money Investment Board for bond-funded projects. With the exception of an apportionment made for a Type II Joint-Use Project, not part of a qualifying SFP Modernization project, pursuant to Article 12 of these Regulations, a district must submit the Form SAB 50-05, within 18 months of the Apportionment of the SFP grant for the project or the entire New Construction Adjusted Grant, Modernization Adjusted Grant or Type I or II, part of a qualifying SFP Modernization project, Joint-Use Project apportionment shall be rescinded without further Board action, and the pupils housed in the project, if applicable, will be added back to the district's baseline eligibility. The district may refile a new application for the project subject to district eligibility and priority funding at the time of resubmittal.

If the apportionment was made for a Type II Joint-Use Project, not part of a qualifying SFP Modernization project, pursuant to Article 12 of these Regulations, the district must submit Form SAB 50-05 within 18 months of the date the plans and specifications for the Joint-Use Project that have been approved by the DSA and the CDE are submitted to the OPSC or the apportionment shall be rescinded without further Board action.

Subject to the availability of financing provided by the Pooled Money Investment Board for bond-funded projects, the OPSC will release State funds that have been apportioned by the Board pursuant to Section 1859.81.1(e) to the district within 30 calendar days of the apportionment.”

SFP) Regulation Section 1859.90 states, “The priority funding process allows the Board to distribute available funds to districts or charter schools who request an Apportionment or an advance release of funds from a Preliminary Apportionment or Preliminary Charter School Apportionment during specific 30-calendar day filing periods beginning with July 27, 2011 and continuing with the 2nd Wednesday of January and the 2nd Wednesday of July each calendar year. Certifications are valid until the next filing period begins. Requests must be physically received by the OPSC by the 30th calendar day to be considered valid. During any priority funding process a district or charter school must submit the Form SAB 50-05 within a specified time period of the Apportionment or approved advance release of funds request, pursuant to (a)(2) or (b)(2) of this section. Projects receiving an apportionment as part of the priority funding process for which the OPSC does not physically receive an original signature copy of the Form SAB 50-05 within the appropriate time limit shall be rescinded without further Board action.

(a) In order to be considered for an Apportionment, approved advance release of design funds from a Preliminary Charter School Apportionment, or approved advance release of environmental hardship site acquisition funds from a Preliminary Apportionment, the district or charter school must provide a written statement signed by an authorized representative that includes each of the project application numbers, and the type of apportionment request (e.g., Apportionment, separate apportionment for design or site acquisition), within the 30 calendar day filing period that contains all of the following:

- (1) Request to convert the unfunded approval to an Apportionment or to receive an approved advance release of funds; and
- (2) Concurrence with a 90 calendar day time limit on fund release; and
- (3) Acknowledgement that a valid, original signature Form SAB 50-05 must be submitted and physically received by the OPSC within the 90 calendar day time limit and failure to do so will result in the rescission of the Apportionment or approved advance release of funds request without further Board action; and
- (4) For those receiving an Apportionment, acknowledgement that by participating in the priority funding process, the district or charter school is waiving its right to a standard 18 month timeline for fund release submittal.

(b) In order to be considered for an approved advance release of site acquisition funds from a Preliminary Charter School Apportionment, the district or charter school must provide a written statement signed by an authorized representative within the 30 calendar day filing period that contains all of the following:

- (1) Request to convert the advance release of funds to an approved advance release of funds request; and,
- (2) Concurrence with a 180 calendar day time limit on fund release; and
- (3) Acknowledgement that a valid, original signature Form SAB 50-05 must be submitted and physically received by the OPSC within the 180 calendar day time limit and failure to do so will result in the rescission of the approved advance release of funds request without further Board action; and
- (4) Acknowledgement that it must provide evidence that it has entered into the Charter School Agreements within 90 calendar days of approval of the advance release of funds request and failure to do so will result in the rescission of the approval without further Board action.

In the event that the amount of requests received during a specific 30-day filing period exceeds the funds available, the Board shall apportion based on the unfunded approval date and the application received date up to the available cash from each bond source. Projects that have requested to participate in the priority funding process for which an Apportionment cannot be provided shall retain their date order position on the Unfunded List. Request letters of projects not converted to apportionments will not be returned to the district or kept by the Office of Public School Construction.

For purposes of this section “rescinded” or “rescission” shall mean that the apportionment or approved advance release of funds request returns to unfunded approval status with a new unfunded approval date. The new unfunded approval date will be 90 calendar days after the apportionment date. The district or charter school will not be required to re-submit the application and no further application review will be required.