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School Facility Program (SFP) Financial Hardship (FH) Program

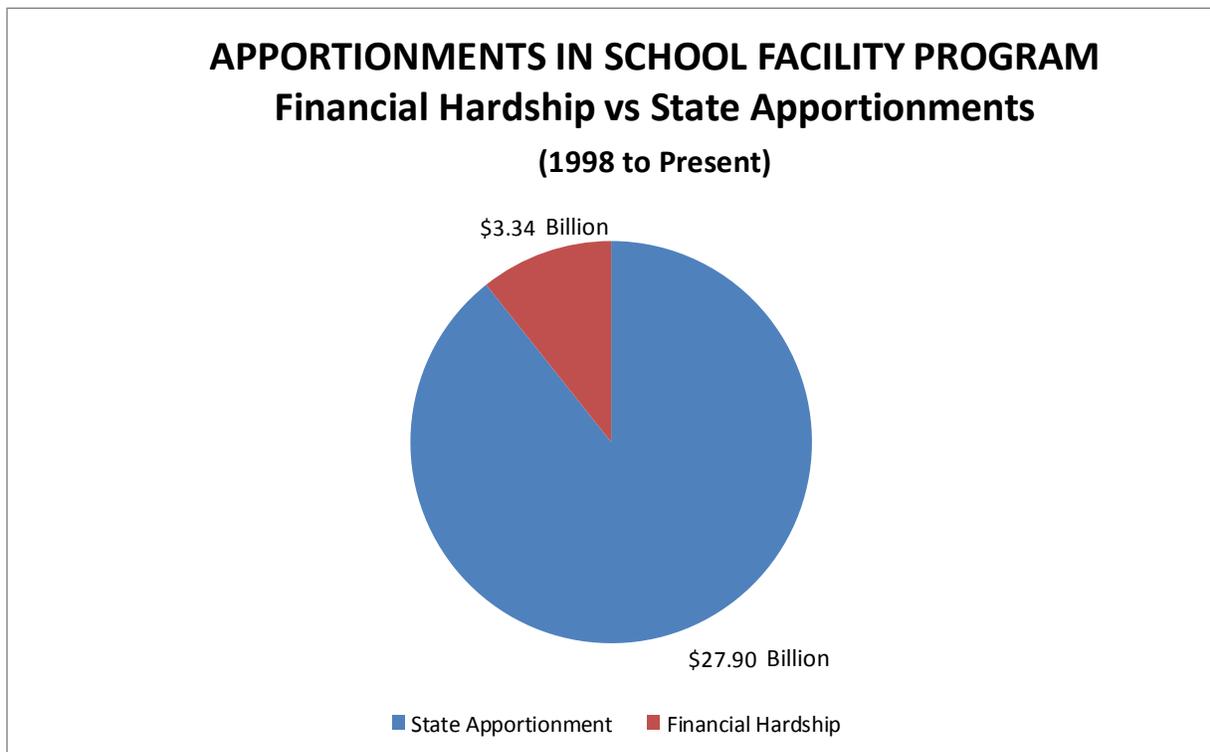
Overview

The SFP FH program assists school districts and County Offices of Education (COE) that cannot provide their matching share to an SFP new construction or modernization project.

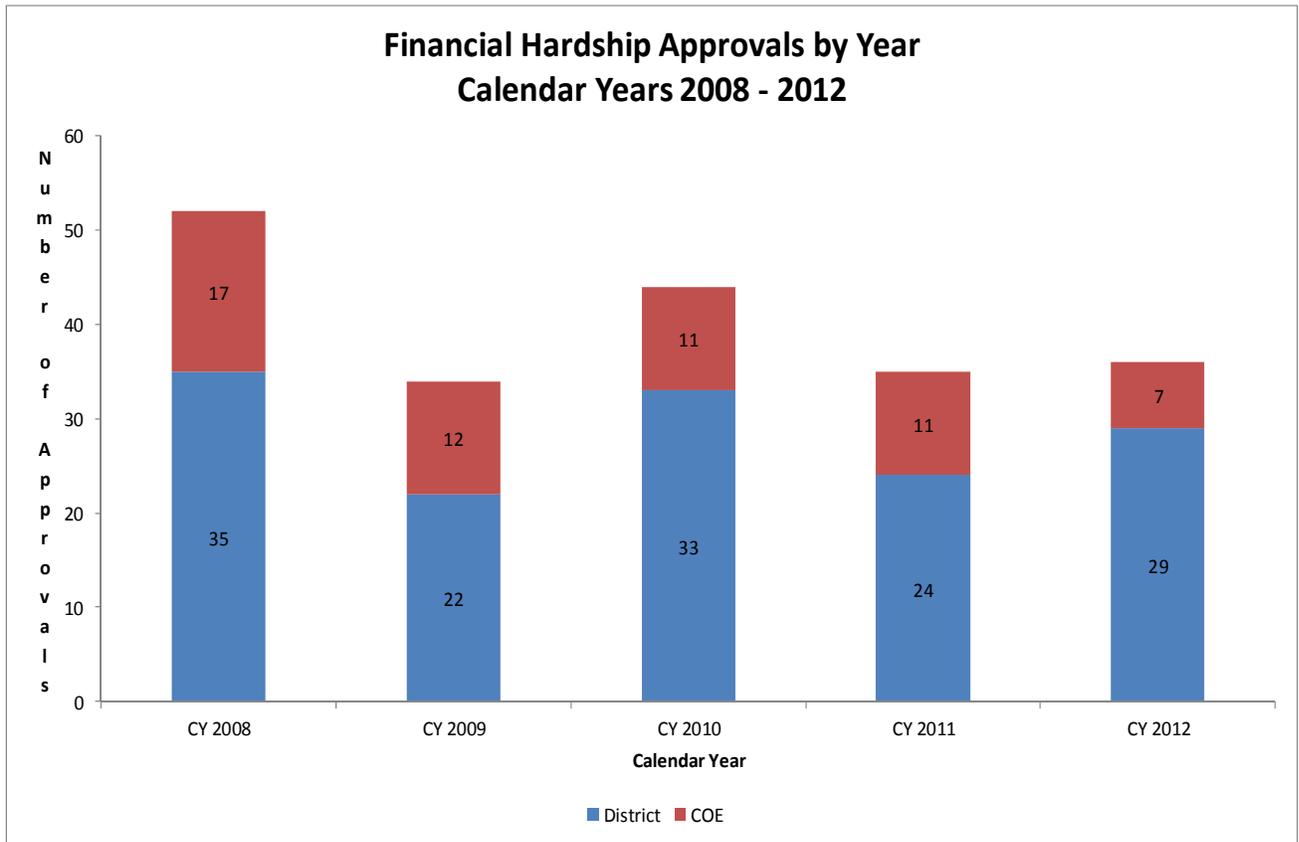
Authority

FH reviews are conducted per California Education Code Section(s) 17075.10 and 17075.15 (See Attachment A) and SFP Regulation Section 1859.81 (See Attachment B).

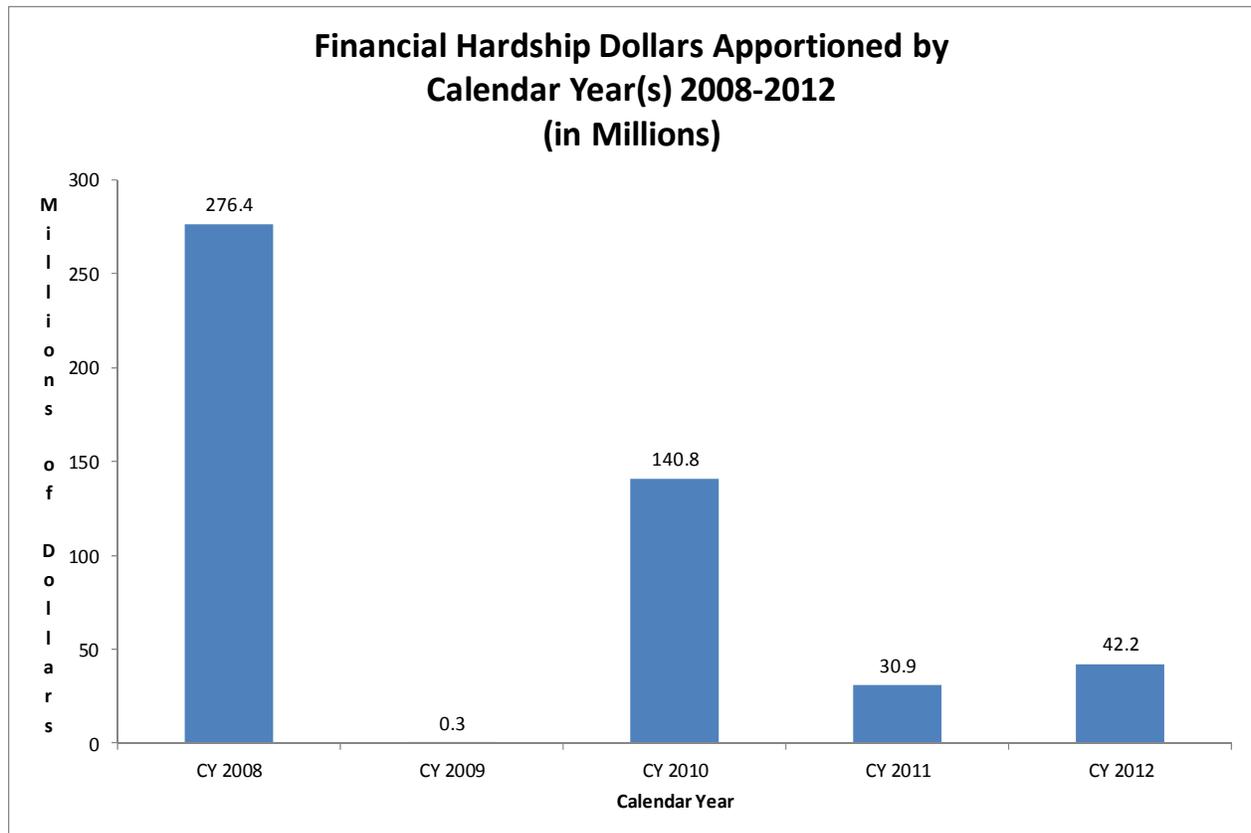
Program Statistics



Program Statistics (cont.)



Program Statistics (cont.)



For a breakout of how FH funding was distributed throughout the State from 1998 to the present please see Attachment C.

Eligibility

Currently, a District or COE is eligible for FH assistance after demonstrating: (1) It has made all reasonable efforts to fund its matching share of its project(s) and (2) The district is financially unable to provide all necessary matching funds for an eligible SFP project.

Qualifying Process

Both School Districts and County Office of Education start by submitting the Financial Hardship Checklist(s) and appropriate documentation.

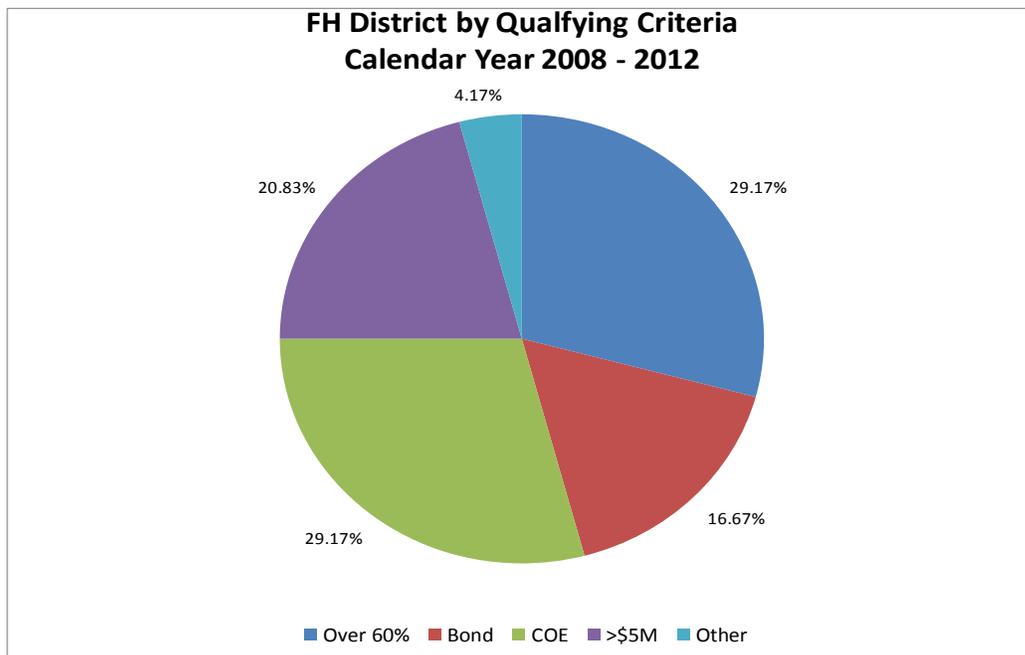
- The FH package is reviewed and then added to the FH workload once complete.
- FH review is assigned to an auditor and they review the documentation to determine if the district or COE meets one of the qualifying FH criteria per California Education Code Section 17075.15(d) (1-5) and the SFP Regulation Section 1859.81(c) (1-5). The criteria are listed in the table below.

Qualifying Process (cont.)

Financial Hardship Criteria	
In order to qualify for financial hardship, the district must be levying the developer fee ^a justified under law, AND meet <u>one</u> of the following criteria:	
1.	The district's current outstanding bond indebtedness ^b is at least 60 percent of the district's total bonding capacity ^c .
2.	The district has had a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years.
3.	The district is a County Superintendent of Schools (County Office of Education).
4.	The district's total bonding capacity is \$5 million or less.
5.	Other evidence of reasonable effort as approved by the State Allocation Board.

- a. School Districts are authorized to levy school impact fees or *developer fees* on residential and commercial/industrial development for the purpose of funding the construction or reconstruction of school facilities. The authority for the District's assessment of developer fees is set forth in Education Code Section 17620, pursuant to Government Code 65995.
- b. School District or COE's sell bonds or certificates of participation for capital facility construction or capital equipment purchases. The bonded indebtedness is a measurement of the level of debt issued for this purpose.
- c. A bonding capacity is a determination of how much total bond debt a District can issue in their community for financing facilities.

The graph below details by percentage the criteria in which Districts or COE's qualified for FH status during the calendar years 2008 through 2012.



Qualifying Process (cont.)

- The documentation reviewed includes:
 - Needs Analysis and Justification Study for developer fees
 - Letter from County Audit Controller stating assessed valuation
 - General Obligation (GO) Bond booklet(s)
 - Certificate of Participation booklet(s)
 - Copy of ballot issue for GO Bond
 - Certification from Registrar of Voters
 - Copy of most recent audited financial statement

- Once the OPSC has reviewed and made a determination that a district or COE has met the basic the eligibility requirement, the OPSC will review the District or COE's financial records to determine how much funding the district or COE has to contribute towards their SFP projects.

Review of Finances

The OPSC will review their financial records to make a determination of available funds. The review will not commence until the documentation is complete.

Capital facility funding sources that are reviewed include but are not limited to:

- Local General Obligation Bonds
- Certificates of Participation (COP)
- Developer Fees
- Sale of Surplus Property

The documents needed for the review of the financial records includes but is not limited to:

- Copy of the District or COE Capital Outlay plan for the next five years
- Financial Hardship Fund worksheets - for each fund that contain capital facility related funding
- General Ledger detail reports
- Copy of the latest two Independent Audit Reports
- Separate expenditure report (SAB 50-06) – for each project submitted for FH
- Documentation supporting reported encumbrances

Any capital facility related funds not encumbered or spent prior to the initial FH review will be deemed available as cash contribution towards a District or COE's construction project.

Only after both the review of the eligibility requirements and the review of the financial records for available funds are complete can a District or COE qualify for FH status.

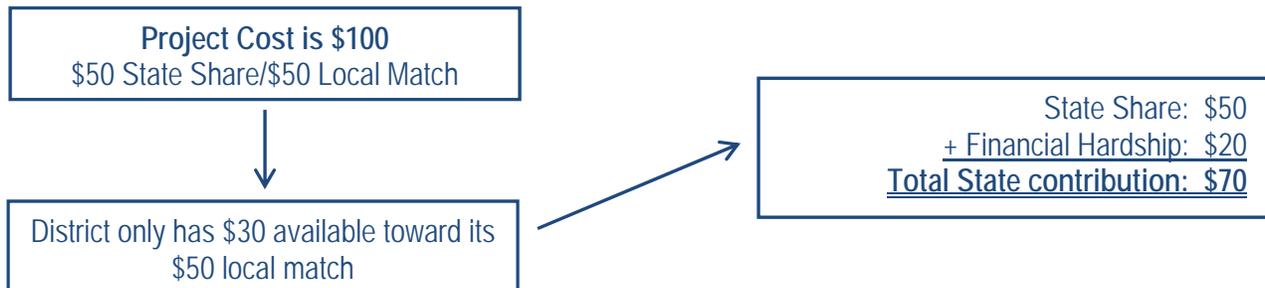
FH Approval Period

The OPSC makes a determination of available funds using the information provided by the District or COE. Once complete a Findings letter is issued with attached Fund worksheets detailing the amount of available funds that can be used as matching share by the District or COE.

- The District or COE concurs with the findings by signing and returning the Fund worksheets to the OPSC.
- When the OPSC receives the signed Fund worksheets a FH Approval letter is issued.
- FH approval is a pre-requisite for a District or COE to submit a request for funding.
 - Once received it allows a District or COE to submit their applications for funding.
 - The approval period is valid for six months.
- FH Status: Once a district is approved for a FH apportionment, the district has six months from the date of the approval letter to submit an application for funding for the projects and phases of projects listed on the FH approval. If no application is received within six months, the district is subject to another full FH review.
- If a district's project is on the unfunded list for more than 180 days, the district's financial records will undergo a re-review to determine whether additional funds have become available to offset the FH apportionment. The review will include the documents mentioned under the Review of Finances section. In this case, the basic eligibility review is not conducted.

Funding

- If an FH district meets the basic eligibility requirements, and local funds are less than the district's required contribution to the project, then the State will fund the difference between the available amount and the district match, up to 100 percent of a project.



- FH districts also have the added flexibility to request separate design and site funding prior to requesting full (construction) funding. This funding assists those applicants who may not have the funding available to begin their project.
 - However if a project does not move forward within the required timelines allowed by regulation then the project must be reduced to costs incurred or rescinded.
 - Statistics involving reduction to costs incurred or recessions includes:
 - 293 projects have been reduced to costs incurred or rescinded.
 - Separate Design grants in the amount of \$153,861,340 million.
 - Separate Site grants totaling \$28,592,762 million.

Funding (cont.)

- If a District or COE receives a separate design and/or site funding and does not move forward to the construction grant within the six month FH approval period then they will have submit a new FH package to re-qualify for FH status.
- Once granted FH status, a district's expenditures within capital facility related funds are limited to verifiable contracts and payables (encumbrances) entered into and approved by the OPSC prior to the initial FH application. Spending for other purposes will result in an offset to the FH apportionment equal to the ineligible amount during subsequent FH reviews.
- FH project savings must be applied to future SFP FH projects planned by the district or paid back to the State. After three years, any remaining savings plus interest must be returned to the State.

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Attachment A

EDUCATION CODE SECTION 17075.10-17075.15

17075.10. (a) A school district may apply for hardship assistance in cases of extraordinary circumstances. Extraordinary circumstances may include, but are not limited to, the need to repair, reconstruct, or replace the most vulnerable school facilities that are identified as a Category 2 building, as defined in the report submitted pursuant to Section 17317, determined by the department to pose an unacceptable risk of injury to its occupants in the event of a seismic event.

(b) A school district applying for hardship state funding under this article shall comply with either paragraph (1) or (2).

(1) Demonstrate both of the following:

(A) That due to extreme financial, disaster-related, or other hardship the school district has unmet need for pupil housing.

(B) That the school district is not financially capable of providing the matching funds otherwise required for state participation, 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, therefore, unable to participate in the program pursuant to this chapter except as set forth in this article.

(2) Demonstrate that due to unusual circumstances that are beyond the control of the district, excessive costs need to be incurred in the construction of school facilities. Funds for the purpose of seismic mitigation work or facility replacement pursuant to this section shall be allocated by the board on a 50-percent state share basis from funds reserved for that purpose in any bond approved by the voters after January 1, 2006. If the board determines that the seismic mitigation work of a school building would require funding that is greater than 50 percent of the funds required to construct a new facility, the school district shall be eligible for funding to construct a new facility under this chapter.

(c) The board shall review the increased costs that may be uniquely associated with urban construction and shall adjust the per-pupil grant for new construction or modernization hardship applications as necessary to accommodate those costs. The board shall adopt regulations setting forth the standards, methodology, and a schedule of allowable adjustments, for the urban adjustment factor established pursuant to this subdivision.

Attachment A

17075.15. (a) From funds available from any bond act for the purpose of funding facilities for school districts with a financial hardship, the board may provide other construction, modernization, or relocation assistance as set forth in this chapter or Chapter 14 (commencing with Section 17085) to the extent that severe circumstances may require, and may adjust or defer the local financial participation, as pupil health and safety considerations require to the extent that bond act funds are provided for this purpose.

(b) The board shall adopt regulations for determining the amount of funding that may be provided to a district, and the eligibility and prioritization of funding, under this article.

(c) The regulations shall define the amount, and sources, of financing that the school district could reasonably provide for school facilities as follows:

(1) Unencumbered funds available in all facility accounts in the school district including, but not limited to, fees on development, redevelopment funds, sale proceeds from surplus property, funds generated by certificates of participation for facility purposes, bond funds, federal grants, and other funds available for school facilities, as the board may determine.

(2) The board may exclude from consideration all funds encumbered for a specific capital outlay purpose, a reasonable amount for interim housing, and other funds that the board may find are not reasonably available for the project.

(d) Further, the regulations shall also specify a method for determining required levels of local effort to obtain matching funds. The regulations shall include consideration of at least all of the following factors:

(1) Whether the school district has passed a bond measure within the two-year period immediately preceding the application for funding under this article, the proceeds of which are substantially available for use in the project to be funded under this chapter, but remains unable to provide the necessary matching share requirement.

(2) Whether the principal amount of the current outstanding bonded indebtedness issued for the purpose of constructing school facilities for the school district and secured by property within the school district or by revenues of, or available to, the school district, which shall include general obligation bonds, Mello-Roos bonds, school facility improvement district bonds, certificates of participation, and other debt instruments issued for the purpose of constructing school facilities for the school district and for which owners of property within the school district or the school district are paying debt service is at least 60 percent of the school district's total bonding capacity, as determined by the board.

(3) Whether the total bonding capacity, as defined in Section 15102 or 15106, as applicable, is five million dollars (\$5,000,000) or less, in which case, the school district shall be deemed eligible for financial hardship.

(4) Whether the application for funding under this article is from a county superintendent of schools.

(5) Whether the school district submits other evidence of substantial local effort acceptable to the board.

(6) The value of any unused local general obligation debt capacity, and developer fees added to the needs analysis to reflect the district's financial hardship, available for the purposes of school facilities financing.

Attachment B

School Facility Program Regulations Section 1859.81. Financial Hardship.

Except for Joint-Use Projects and Career Technical Education Facilities Projects, a district is eligible for financial hardship to fund all or a portion of its matching share requirement after demonstrating the requirements of (a), (c), and (d) below:

- (a) The district is financially unable to provide all necessary matching funds for an eligible project. To determine this, an analysis shall be made of the district's financial records by the OPSC including data and records maintained by the CDE and the County Office of Education. The analysis shall consist of a review of the district's latest Independent Audit regarding funds available from all capital facility accounts, including, but not limited to, developer fees, funds generated from capital facility certificates of participation, federal grants, redevelopment funds, sale proceeds from surplus property, the appraised value of facilities approved for replacement pursuant to Section 1859.82, bond funds either encumbered, unencumbered or authorized but unsold, and savings from other SFP projects. All funds thus identified that have not been expended or encumbered by a contractual agreement for a specific capital outlay purpose prior to the initial request for financial hardship status shall be deemed available as a matching contribution.

After the initial request for financial hardship status is granted, no further encumbrances will be approved by the OPSC and all prospective revenue made available to the district's capital facility accounts shall be deemed available as matching contribution on the subsequent financial hardship review, with the exception of:

- (1) Approved interim housing expenditures.
- (2) Funding to pay for previously recognized multi-year encumbrances approved at the initial financial hardship approval.
- (3) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the Federal Renovation Program when the amount expended out of that fund does not exceed the maximum Federal Renovation Grant amount.
- (4) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the School Facilities Needs Assessment Grant Program or Emergency Repair Program when the amount expended out of that fund does not exceed the maximum grant amount apportioned.
- (5) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the Career Technical Education Facilities Program when the amount expended out of that fund does not exceed the applicant's share of the maximum grant amount apportioned.
- (6) Funding that is transferred into a Special Reserve Fund and used for the express purpose of the Overcrowding Relief Grant when the amount expended out of that fund does not exceed the amount of the site acquisition and design costs of the project and the district has submitted an approved Form SAB 50-11.
- (7) Funding that is used for the express purpose of reimbursing the State a proportionate share of financial hardship received when there has been a transfer of a special education program and title to the facility. In addition, the funding was used within five years of the title transfer.
- (8) Funding to pay for obtaining a structural report pursuant to Section 1859.82 for an approvable and funded seismic mitigation project.
- (9) All other capital facility funding for a period of three years when no subsequent financial hardship request is made during this period, with the exception of the funding identified in (6). The three-year period begins with the date of the most recent financial hardship new construction or modernization adjusted grant funding apportionment.

When Overcrowding Relief Grant funding is set aside pursuant to (6) and the School District has not submitted, or the OPSC has not accepted, a Form SAB 50-04 for an Overcrowding Relief Grant within three years from the date of deposit into the Special Reserve Fund, or the School District has not met the requirements in Sections 1859.90 or 1859.105, remaining funds plus interest accrued at the Pooled Money Investment Board rate at that

Attachment B

time period shall be deemed available as matching contribution on a subsequent financial hardship project or be captured through an audit adjustment pursuant to Section 1859.106.

The financial hardship analysis is subject to approval by the Board.

- (b) From the funds deemed available as a matching contribution, the district may retain \$19,776 per classroom in each enrollment reporting period for the cost to provide interim housing for the currently unhoused pupils of the district. The amount shown shall be adjusted annually in the manner prescribed in Section 1859.71. The number of classrooms needed for interim housing for the currently unhoused pupils shall be the sum of the positive numbers determined in (b)(7) as follows:
- (1) Determine the current enrollment of the district by grade level as shown on the latest Form SAB 50-01.
 - (2) Determine the New Construction Grants apportioned by grade level for all SFP projects and LPP funded under the provisions of Sections 1859.12 or 1859.13 where the district has submitted Form SAB 50-06 indicating that the project is 100 percent complete.
 - (3) Subtract (b)(2) from (b)(1).
 - (4) Determine the number of classrooms by grade level reported in Part 1, Line 8 on Form SAB 50-02.
 - (5) Multiply the classrooms determined in (b)(4) by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe.
 - (6) Subtract the product determined in (b)(5) from the difference determined in (b)(3) by grade level.
 - (7) Divide the difference by grade level determined in (b)(6) by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number.

From the funds deemed available as a matching contribution, the district may also retain \$19,776 per portable toilet unit in each reporting period for the cost to provide necessary interim toilet facilities for the currently unhoused pupils of the district.

The amount shown shall be adjusted annually in the manner prescribed in Section 1859.71. The number of toilet facilities needed for interim housing shall be the sum of the positive numbers determined in (b)(7) divided by eight rounded up to the nearest whole number.

From the funds deemed available as a matching contribution, the district may also retain \$19,776 per classroom in each reporting period for the cost to provide necessary interim housing for the currently unhoused pupils displaced as a result of a SAB approved seismic mitigation project pursuant to Section 1859.82. The amount shown shall be adjusted annually in the manner prescribed in Section 1859.71. The number of classrooms needed for interim housing shall be the quotient of the displaced pupils by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number.

If the district's available funds, as determined by the OPSC analysis less costs for interim housing, is less than its matching share, the district will be deemed to have met the requirements of this Subsection.

- (c) The district has made all reasonable efforts to fund its matching share of the project by demonstrating it is levying the developer fee justified under law or an alternative revenue source equal to or greater than the developer fee otherwise justified under law at the time of request for hardship and the district meets at least one of the following:
- (1) The current outstanding bonded indebtedness of the district issued for the purpose of constructing school facilities in accordance with Education Code Section 17072.35 or 17074.25 as appropriate, at the time of request for financial hardship status, is at least 60 percent of the district's total bonding capacity. Outstanding bonded indebtedness includes that part of general obligation bonds, Mello-Roos Bonds, School Facility Improvement District Bonds and certificates of participation which the district is paying a debt service that was issued for capital outlay school facility purposes.

Attachment B

- (2) The district had a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of request for financial hardship status. The proceeds from the bond election that represent the maximum amount allowed under the provisions of Proposition 39 must be used to fund the district's matching share requirement for SFP project(s).
- (3) It is a County Superintendent of Schools.
- (4) The district's total bonding capacity at the time of the request for financial hardship status is \$5 million or less.
- (5) Other evidence of reasonable effort as approved by the SAB.

If the district's request for financial hardship status is denied by the Board, the district may be deemed eligible for rental payments of \$2,000 per year per classroom under the Emergency School Classroom Law of 1979 for a two year period when relocatable classroom buildings are available and the district provides financial documentation that it is unable to afford the full rental amount and any other information satisfactory to the Board that the rental reduction is necessary. The number of classrooms eligible for the \$2,000 rental payments shall be the sum of the numbers determined in (c)(5)(B) as follows:

- (A) Determine the number of pupils by grade level that the district requested a New Construction Grant on the Form SAB 50-04 that were denied financial hardship status.
- (B) Divide the number by grade level determined in (c)(5)(A) by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number.
- (d) The district has not signed a contract for acquisition or construction of classrooms that replace existing facility(ies), which were included in the determination of the district's new construction eligibility pursuant to Education Code Section 17071.75, in a locally funded project during the five-year period immediately preceding the district's application for financial hardship assistance. This restriction may be lifted if the Board finds that unforeseen and extenuating circumstances existed that required the district to use local funds to replace the facility(ies).
- (e) If the district meets the financial hardship requirements in this Section, the amount of financial hardship is equal to the district's matching share less funds deemed available in (a).
- (1) Once a district has been notified by the OPSC that it meets the requirements of financial hardship in this Section, the district may file Form SAB 50-04 under the provisions of financial hardship anytime within a period of 180 calendar days from the date of the OPSC notification.
- (2) If the district does not submit Form SAB 50-04 under the provisions of financial hardship within 180 calendar days of the OPSC notification of approval of financial hardship status, the district must re-qualify for financial hardship status under the provisions of this Section by submittal of a new request for financial hardship status.
- (3) If the district submits Form SAB 50-04 within 180 calendar days of the OPSC notification of approval of financial hardship and the project(s) has been included on an unfunded list for more than 180 calendar days, a review of the district's funds pursuant to (a) will be made to determine if additional district funds are available to fund the district's matching share of the project(s).

Financial hardship approval status by the OPSC for a separate design and/or site apportionment does not apply to any subsequent funding for the project(s).

- (f) If the district submits Form SAB 50-04 within 180 calendar days of the OPSC notification of approval of financial hardship and the project(s) has been included on the "Unfunded List (Lack of AB 55 Loans)" for more than 180 calendar days as a result of the State of California's inability to provide interim financing from the Pooled Money Investment Account (AB 55 loans), the Board may suspend the unfunded review requirement as defined in Regulation Section 1859.81(e). Projects added to any other unfunded list shall be subject to the review detailed in Regulation Section 1859.81(e). Regulation Section 1859.81(f) shall become inoperative July 1, 2011.
- (g) A project added to an unfunded list on or after July 1, 2011 will be subject to the review detailed in section (e)(3). For projects added to an unfunded list between February 25, 2009 and June 30, 2011, only the district's financial records on or after July 1, 2011 will be considered in calculating any adjustment to the district's matching share.

Note: Authority cited: Sections 17070.35, 17075.15, 17078.72 and 17592.73, Education Code.
Reference: Sections 17071.75, 17075.10, 17075.15, and 17079.20, Education Code.

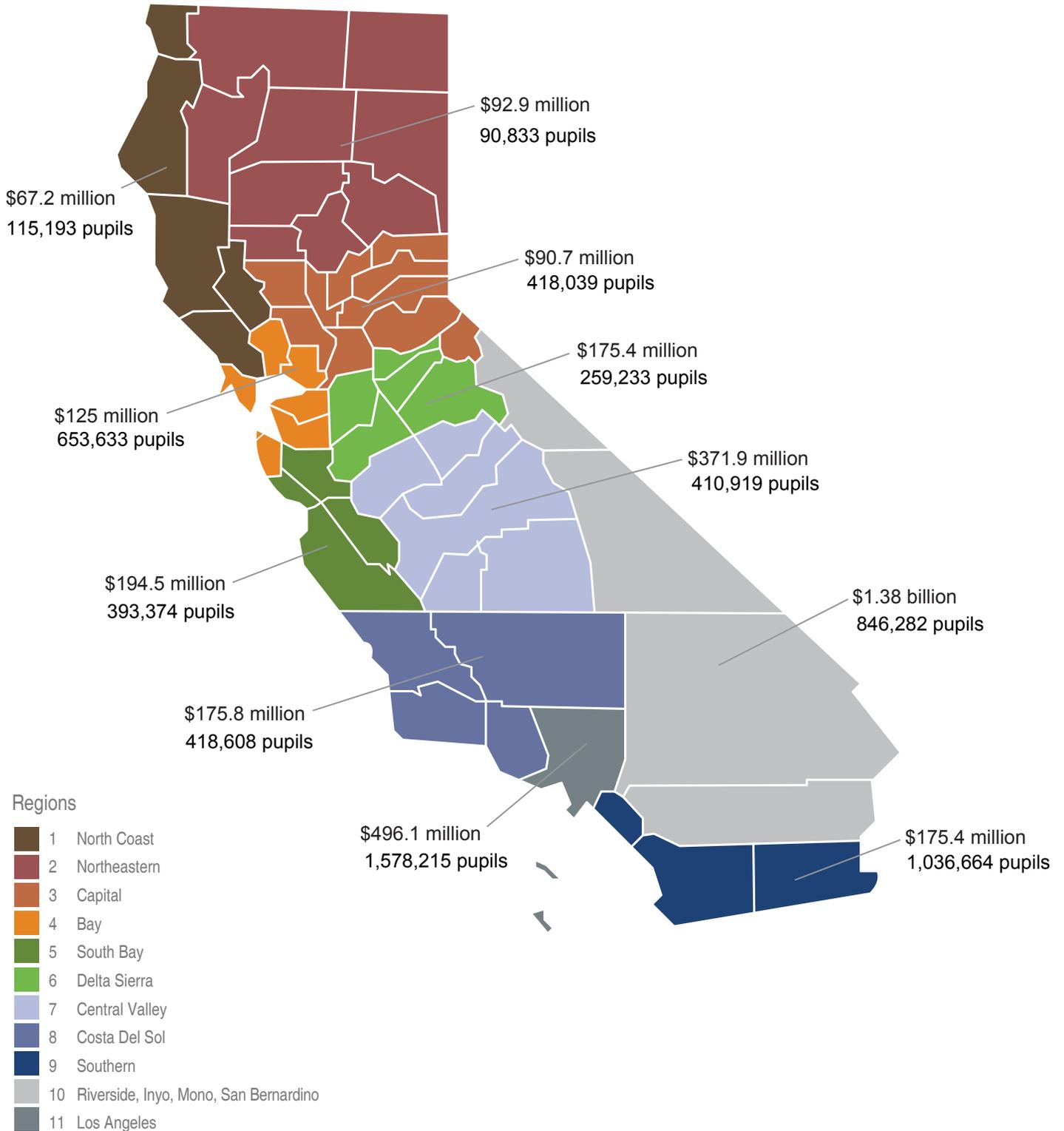
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SCHOOL FACILITY PROGRAM

School Facility Program Funding by Region

Financial Hardship Program

The below map illustrates the regional distribution of \$3.34 billion in Financial Hardship school facility funding awarded by the State Allocation Board from 1998 to present. The map also shows 2011/2012 enrollment.



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County Offices of Education

Overview

California's 58 County Superintendents of Schools and their respective County Offices of Education support the financial and academic stability of every district and school in the state. The primary aim of County Superintendents is to work collaboratively with school districts to ensure that every student benefits from a quality educational experience, regardless of their circumstances, including students with disabilities, juvenile offenders, students at risk of dropping out or who thrive in alternative classroom settings, and students in high-priority schools.

History

County Superintendents are state constitutional officers. The position was established in the original State Constitution in 1849 as a duty of the county assessor. In 1852, the office of county superintendent of schools was created by statute. The revised State Constitution of 1879 established the position as a constitutional office (Article IX, Section 3).

In 1976, Proposition 8 was approved by the electorate and made the following constitutional changes:

- Authorized county boards of education, instead of the Legislature, to set the salaries of county superintendents,
- Empowered the voters of each county to determine whether the county superintendent should be elected or appointed, and
- Empowered the voters of two or more counties to create joint superintendencies and joint county boards.

Elections were required in each "general law" county, to determine whether the county superintendent should be elected or appointed. (In "charter" counties, the county charter may provide for the election or appointment of county officials.) The elections were held in 1977 and 1978. In all cases, voters opted for elected county superintendents. Consequently, fifty-three (53) of the 58 County Superintendents are locally elected officials. In four charter counties, the county superintendent is appointed by the county board of education (Sacramento, San Diego, San Francisco and Santa Clara). In Los Angeles, the county board of supervisors appoints the county superintendent of schools. All county superintendents, whether elected or appointed, are required to hold a California administrative services credential.



McCollam County Annex, Santa Clara, SFP funded project, opened in 2012

Current Authority and Responsibilities

County Superintendents operate intermediate service agencies providing direct and regional support to school districts and serve as the primary implementation arm of the California Department of Education (CDE). Current responsibilities can be described in the following categories:

- Educating specific student populations
- Monitoring and oversight of student academic environment
- Monitoring and oversight for district fiscal stability
- Providing academic support and assistance
- Providing direct services to small school districts
- Implementing regional support activities to assist district and school staffs

Educating Specific Student Populations

County Superintendents provide direct services to many of the state's most vulnerable students and those with unique needs. County Superintendents provide instructional and related services to severely disabled special education pupils; adjudicated, incarcerated, and expelled students served through court and community schools; career technical education students through countywide regional occupational programs (ROPs); and migrant students. In addition, 3 out of 4 counties operate a wide range of state and federally-funded preschool, child care and child development programs and services, including after school programs. Nearly half of the County Superintendents provide hands-on outdoor science and environmental education programs to students in elementary schools.

Alternative Education

Many of the 1,000 school districts in the state serve these special populations of children and youth in need of program placements by partnering with the County Superintendent to provide those services directly, because it is more cost-effective. Moreover, the safe school movement begun in the 1990's specifically requires that students determined to be a threat to the safety of others on school campuses be removed from their "home" campuses; thus creating the need for court, community, and community day schools (aka "alternative" schools) operated by County Superintendents for students who have been expelled.

Special Education

In California, special education services - programs for severely and non-severely handicapped students - are administered and funded through a system of 120 Special Education Local Plan Areas (SELPA's) (Education Code 56195.1). County Superintendents in 52 counties manage SELPA's. In 57 counties, County Superintendents provide direct instructional services for the most severely handicapped students. In addition, they provide specialized services, such as speech and language therapy, to non-severely handicapped students not served by larger school districts.

Early Childhood Education

County Superintendents operate a variety of child care and child development programs which range from part-day preschool programs to full day child care programs in 45 counties. In addition, while not a direct service to children, county-based Local Planning Councils (LPC's) are responsible for assessing need, planning, and coordinating child care services within the county. In 46 counties, LPC's are administered by the County Superintendent.

How many County Superintendents educate students under these specialized programs?

- 57 of 58 operate one or more programs for special needs students
- 53 of 58 operate community or community day schools
- 49 of 58 operate juvenile court schools
- 45 of 58 operate one or more programs for early childhood

Please note that seven counties are single-district counties and the County Superintendent serves as both the county and the district superintendent educating all students in every educational setting countywide. Those counties are Alpine, Amador, Del Norte, Mariposa, Plumas, San Francisco, and Sierra.

Monitoring and Oversight of Student Academic Environment

Education Code section 1240 requires the County Superintendent to, among other duties, "Superintend the schools of his or her county." Until the 1990's, this provision defined those duties as enforcing the use of state textbooks, enforcing academic courses of study, and communicating all laws, reports, and information to school districts. Over the last several years, the Legislature has increasingly expanded County Superintendents' responsibilities for monitoring and oversight of the teaching and learning environment in all public schools with the goal of improving student achievement across the state.

Williams v. California Settlement

In the fall of 2004, the state settled the *Williams v. California* lawsuit related to equitable educational opportunities for all students. Legislation which codified the settlement created new standards for textbook sufficiency, teacher quality, and good repair of facilities for all California public schools. The settlement also required County Superintendents, as the monitoring agents, to ensure that these new standards were implemented. While all schools must comply with the requirements of the settlement, County Superintendents are required to annually visit schools performing in the lowest 30% on the state's Academic Performance Index (API) and prepare quarterly and annual reports to local district governing boards, county boards, and boards of supervisors on compliance with the *Williams* standards. In 2009, over 2,100 schools in 48 counties were identified to receive the additional oversight by County Superintendents.

California Teachers Association v. Schwarzenegger

In 2006, the state settled a \$3 billion lawsuit by enacting the Quality Education Investment Act (QEIA) with the goal of improving the quality of academic instruction and the level of pupil achievement in schools in which pupils have high levels of poverty and complex educational needs (defined as schools in the bottom third of the API). Funding is intended for school improvement activities – class size reduction, high quality staff development, equitable distribution of experienced teachers, and reduction of student-to-counselor ratios in high schools. The legislation creates new technical assistance and annual oversight responsibilities for County Superintendents in 42 counties in which 488 schools are participating in the program.

Valenzuela v. O'Connell Settlement

The *Valenzuela v. O'Connell* settlement established additional oversight and monitoring responsibilities relative to school districts' efforts to offer students intensive instruction and services for up to two additional years if they have not passed one or both parts of the California High School Exit Exam (CaHSEE) by completion of the 12th grade. The settlement and monitoring requirements include high schools in every county of the state.

Monitoring and Oversight for District Fiscal Stability

The Legislature has steadily increased statutory responsibilities of County Superintendents for fiscal oversight and monitoring of school districts since 1991. Under current law, each County Superintendent is responsible for reviewing and approving the annual budget for every school district within his or her county. In addition, County Superintendents must assess the financial reports for each district several times each year to ensure the district's fiscal solvency. The County Superintendent is also responsible for reviewing a district's annual audit to ensure audit resolution. The County Superintendent can authorize a review or audit of a district's expenditures and internal controls if the Superintendent has reason to believe that fraud, misappropriation of funds, or other illegal practices may have occurred. Since 2004 (Assembly Bill 2756), County Superintendents have additional authority to focus more attention on the financial obligations to districts created by collective bargaining agreements and the quality of school district audits performed by certified public accountants.

Providing Direct Services to Small School Districts

By statute, County Superintendents must provide a wide range of needed administrative and educational support services to 395 small school districts – defined as serving less than 901 average daily attendance (ADA) for elementary school districts, 301 ADA for high school districts, and 1,501 ADA for unified school districts. In 51 counties, these direct services include supervision of instruction, attendance and health services programs, guidance services, library services, and the training and education of prisoners. The school districts receiving direct services represent 40 percent of the districts statewide.

Implementing Regional Support Activities to Assist District and School Staff

Under current law, County Superintendents organize regionally to operate a variety of technical assistance projects for school districts on behalf of the state.

Examples of regional assistance efforts include, but are not limited to:

- Fiscal Crisis Management Assistance Team (FCMAT) Regional Teams - Education Code (EC) 42127.8
- Regional Occupational Programs - EC 52300, et seq.
- California Technology Assistance Program - EC 51871
- Migrant Education - EC 54444
- After School Programs Technical Assistance - EC 8483.55
- Title III English Learner District Assistance Projects - federal NCLB, Title III
- California Preschool Instructional Network (CPIN) – federal Child Care and Development Funds
- Beginning Teacher Support and Assessment (BTSA) Regional Centers – EC 44279.1

(The information in this section has been provided by the California County Superintendents' Educational Services Association)

County Office of Education Eligibility

What SFP programs do County Offices of Education qualify for?

County Offices of Education (COE) are considered districts for the purposes of the School Facility Program (SFP). Any time the word "district" or "local educational agency" is used in regulation it includes COE. They are eligible to participate in any program for which they qualify for funding. It is important to note that while a COE provides many services for the districts and the pupils within the county, district pupils are not counted when determining a COE's eligibility for any program within the SFP. These pupils are served directly by their respective district and generate SFP eligibility specifically for that district. A COE's eligibility is determined using the pupils that are only served by the COE and do not attend district schools.

COE use the same methods as a district for determining eligibility. For new construction eligibility, a COE would submit an *Enrollment Certification/Projection* (Form SAB 50-01), *Existing School Building Capacity* (Form SAB 50-02), and *Eligibility Determination* (Form SAB 50-03). For modernization eligibility, a COE would submit a site map and a Form SAB 50-03 on a site specific basis. For all other programs, a COE must meet the same eligibility requirements as a district.

SELPA Transfers

There are additional reporting requirements when a Special Education Local Plan Area (SELPA) is transferred after new construction eligibility was established. SELPA facilities can be transferred either from a district to a COE or from a COE to a district. In these cases, each entity's new construction baseline will be adjusted commensurate with the capacity of the facilities, and the entity relinquishing the facilities shall also have their enrollment projection adjusted to remove the pupils served in the facility. Additionally, if the facilities were funded through the SFP and had financial hardship assistance, and if the receiving entity would not have qualified for financial hardship at the time the facilities were funded by the State, the receiving entity shall provide to the State a proportionate share of any financial hardship assistance provided.

COE Participation in the SFP

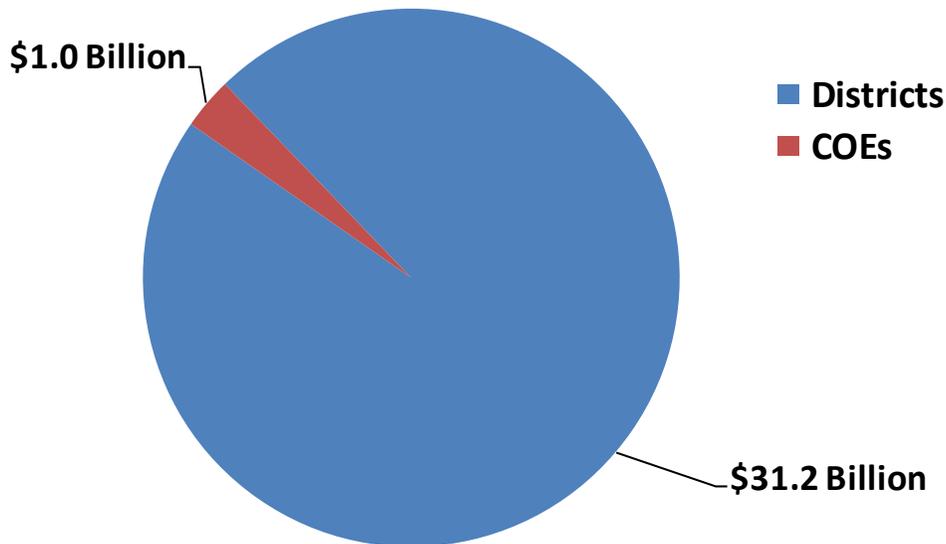
COE can participate in any program within the SFP for which it meets the program criteria. Here is a breakdown of COE apportionments and unfunded approvals since the inception of the SFP in 1998:

Project Type	Number of Projects	Total Apportionments / Unfunded Approvals	Average Number of Classrooms
New Construction	551	\$988,474,617	4
Modernization	78	\$41,485,125	6
Facility Hardship	5	\$2,558,827	1
Joint-Use Program	2	\$1,846,784	0*
Career Tech Program	5	\$3,598,427	2
TOTALS	641	\$1,037,963,780	4

*The Joint-Use Program provides funding for the construction of a multipurpose room, gymnasium, Childcare facility, library, or Teacher Education Facility, not classrooms. The two COE Joint-Use projects each built a Teacher Education Facility.

When counting both apportionments and unfunded approvals since the inception of the SFP, COE projects account for approximately 3 percent of total allocations.

Comparison of COE versus District Participation in the SFP



Overall, COE have submitted more new construction projects than any other type of project. Additionally, COE projects are typically small in scope, averaging approximately four classrooms per project. Since the OPSC began tracking the types of sites being used for SFP new construction projects in 2003, new sites account for 65 percent of the 287 tracked COE new construction projects, existing COE owned sites account for 21 percent, and sites leased by the COE from another entity account for 14 percent.

Type of Site	Percentage of New Construction COE Projects
New Site	65%
Existing Site	21%
Leased Site	14%

Of the 237 SFP projects that have received HPI funding, seven were COE projects.

Applicant	Number of Projects Receiving HPI	Total HPI Grant Amount Allocated	Percentage of HPI Grant Amounts
District	230	\$56,267,657	98.8%
COE	7	\$689,892	1.2%

Sources of Revenue

COE and local school districts have similar sources of revenue. The different types of revenue are summarized below.

- ❖ *Site Sale Proceeds*
COE and local school districts can generate revenue through the sale of surplus sites.
- ❖ *Federal Grants*
If the COE/district has received facilities related grants from the federal government, this may be viewed as revenue that could be put toward an SFP project.
- ❖ *Interest from Holdings*
Whenever a COE/district has funds in a non-reserved account such as a Capital Project Account, interest is generated from those funds. The interest is considered revenue.
- ❖ *Developer Fees - Districts Only*
When a community experiences growth through new housing developments, a need for new schools arises. The developer of the housing is required to provide funding to build schools to accommodate the projected new student population. These funds are distributed to the local school district.

Other sources of funds available to a COE that may not be considered revenue, but could be used for funding a project include the following:

- *Financial Hardship Program*
COE automatically qualify for Financial Hardship funding, pursuant to SFP Regulation Section 1859.81(c)(3). The Financial Hardship program provides State funding for the local matching share minus any revenue the COE is deemed to have. Financial Hardship is discussed in detail in the next section.
- *Savings from prior SFP projects*
If a COE or a district has project savings from a previous SFP project for which they received Financial Hardship funding, they have the option of either returning the savings to the State or using the savings on a future SFP Financial Hardship project within three years. If the funds are not used within the three year period, they then must be returned to the State.

Revenue and Other Funding Sources for Districts and COE

Source	COE	District
Site Sale Proceeds	X	X
Federal Grants	X	X
Interest from Holdings	X	X
Developer Fees	No	X
SFP Financial Hardship	X	X
Savings from prior SFP projects	X	X
Issuance of Bonds	?	X

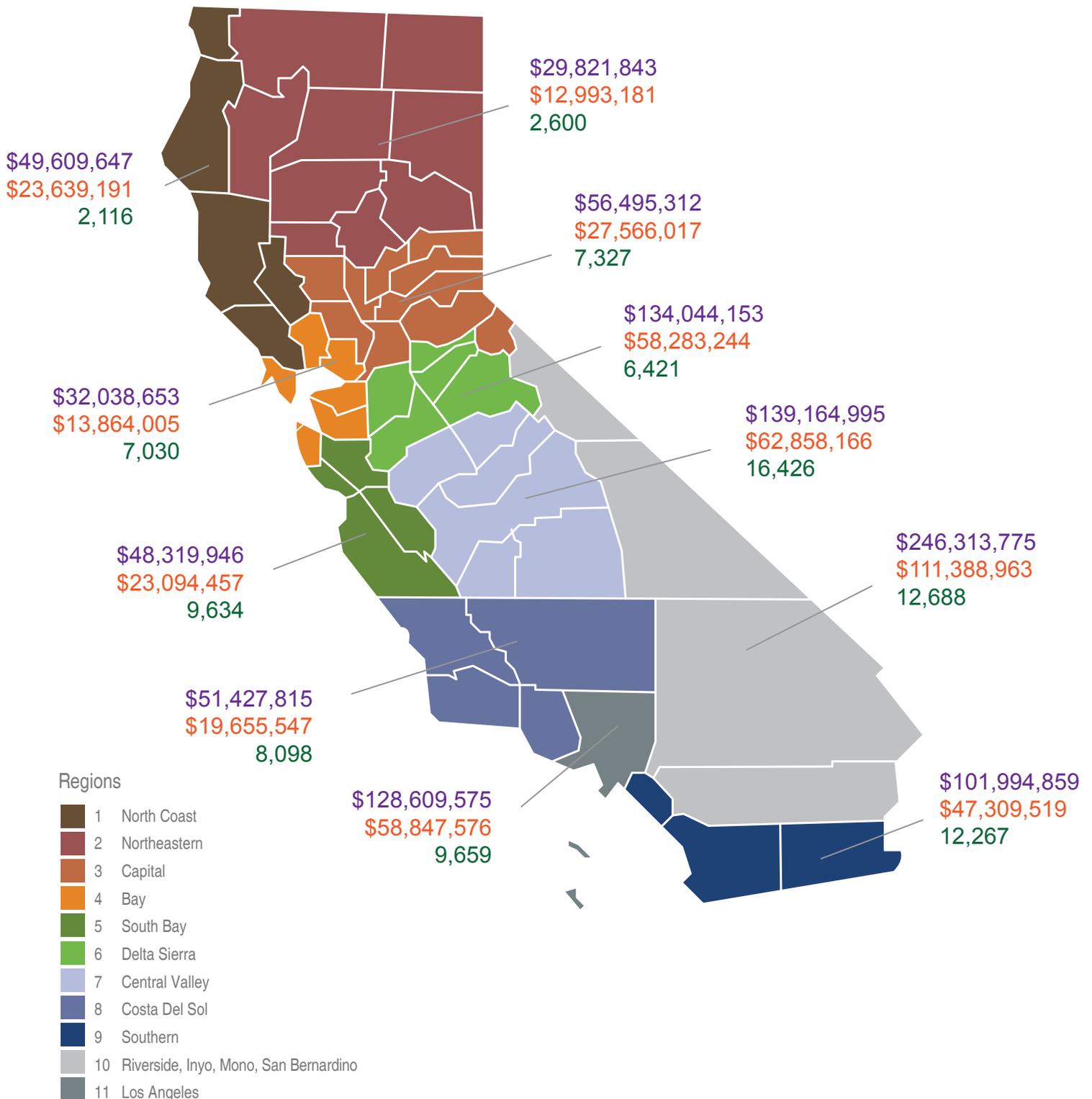
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COE Funding & Enrollment by Region

Total Apportionments/Unfunded Approvals (1998 - Present)

Total Financial Hardship (1998 - Present)

Total Enrollment (2011/2012)



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County Office of Education	Apportionments/ Unfunded Approvals	Financial Hardship	Enrollment
Region 1			
DEL NORTE	\$6,244,077	\$3,063,449	547
HUMBOLDT	\$4,141,193	\$1,971,086	467
MENDOCINO	\$25,886	\$0	158
LAKE	\$8,970,441	\$4,318,602	49
SONOMA	\$30,228,050	\$14,286,054	895
Regional Totals	\$49,609,647	\$23,639,191	2,116
Region 2			
SISKIYOU	\$0	\$0	445
MODOC	\$929,896	\$464,948	50
TRINITY	\$0	\$0	26
SHASTA	\$6,388,762	\$3,069,609	416
LASSEN	\$482,025	\$172,765	44
TEHAMA	\$3,183,209	\$0	187
PLUMAS	\$0	\$0	29
BUTTE	\$6,873,611	\$3,327,136	1,085
GLENN	\$11,964,340	\$5,958,723	318
Regional Totals	\$29,821,843	\$12,993,181	2,600
Region 3			
COLUSA	\$18,019,639	\$8,536,626	24
YOLO	\$0	\$0	331
SUTTER	\$12,180,926	\$6,090,463	425
YUBA	\$0	\$0	583
SIERRA	\$0	\$0	2
NEVADA	\$0	\$0	3,475
PLACER	\$12,335,246	\$6,214,956	548
EL DORADO	\$5,951,782	\$2,975,891	1,052
SACRAMENTO	\$8,007,719	\$3,748,081	887
ALPINE	\$0	\$0	0
Regional Totals	\$56,495,312	\$27,566,017	7,327
Region 4			
MARIN	\$630,516	\$0	389
NAPA	\$194,041	\$0	162
SOLANO	\$8,381,120	\$3,986,234	536
CONTRA COSTA	\$19,158,109	\$8,872,041	1,346
ALAMEDA	\$2,011,460	\$1,005,730	3,553
SAN FRANCISCO	\$0	\$0	561
SAN MATEO	\$1,663,407	\$0	483
Regional Totals	\$32,038,653	\$13,864,005	7,030
Region 5			
SANTA CLARA	\$32,359,953	\$15,822,890	6,789
SANTA CRUZ	\$6,268,288	\$3,134,144	1,166
SAN BENITO	\$0	\$0	107
MONTEREY	\$9,691,705	\$4,137,423	1,572
Regional Totals	\$48,319,946	\$23,094,457	9,634
Region 6			
AMADOR	\$1,205,950	\$0	284
SAN JOAQUIN	\$45,142,318	\$20,813,351	3,221
CALAVERAS	\$14,974,802	\$7,487,401	548
TUOLUMNE	\$34,779	\$17,389	176
STANISLAUS	\$72,686,304	\$29,965,103	2,192
Regional Totals	\$134,044,153	\$58,283,244	6,421
Region 7			
MERCED	\$64,549,641	\$28,996,417	1,541
MARIPOSA	\$0	\$0	76
MADERA	\$18,112,780	\$8,919,827	857
FRESNO	\$20,659,977	\$9,953,100	2,128
KINGS	\$11,024,871	\$3,990,833	9,838
TULARE	\$24,817,726	\$10,997,989	1,986
Regional Totals	\$139,164,995	\$62,858,166	16,426
Region 8			
SAN LUIS OBISPO	\$30,912,293	\$15,187,344	641
KERN	\$10,792,728	\$0	4,251
SANTA BARBARA	\$647,155	\$0	666
VENTURA	\$9,075,639	\$4,468,203	2,540
Regional Totals	\$51,427,815	\$19,655,547	8,098
Region 9			
ORANGE	\$63,609,259	\$29,897,217	7,635
SAN DIEGO	\$9,889,261	\$4,016,746	4,073
IMPERIAL	\$28,496,339	\$13,395,556	559
Regional Totals	\$101,994,859	\$47,309,519	12,267
Region 10			
RIVERSIDE	\$80,963,446	\$39,135,387	7,745
INYO	\$5,496,853	\$2,747,917	1,450
MONO	\$2,266,107	\$0	212
SAN BERNARDINO	\$157,587,369	\$69,505,659	3,281
Regional Totals	\$246,313,775	\$111,388,963	12,688
Region 11			
LOS ANGELES	\$128,609,575	\$58,847,576	9,659
Regional Totals	\$128,609,575	\$58,847,576	9,659
GRAND TOTALS	\$1,017,840,573	\$459,499,866	94,266

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