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Proposed Recommendations to the State Allocation Board

Introduction

The purpose of the State Allocation Board Program Review Subcommittee (Subcommittee) was to discuss various aspects of the School Facility Program (SFP) and consider potential program-related improvements. Throughout the past year, the Subcommittee has completed both a broad overview of all programs, as well as the detailed mechanics of various aspects of the SFP. The Subcommittee then discussed potential options to incorporate into a future program bond program.*

This item outlines the areas of concern with the current program along with proposed solutions that Subcommittee members have recommended for presentation to the full State Allocation Board (Board) for consideration.

The topics have been organized into the following broad categories;

- New Construction
- Modernization
- Special Programs
- Statewide School Facilities Inventory
- Financial Hardship Program
- County Offices of Education

*For a more detailed review of all topics heard and discussed by the Subcommittee, Board members were previously provided copies of all Subcommittee meeting materials published.

Structure of Proposed Solutions

Throughout this item, the consensus recommendations of the Subcommittee are indicated under the "Proposed Solutions" headings. The representative for the Department of General Services abstained from voting since there has been no official position taken by the Administration.

New Construction

New Construction Eligibility

Areas of Concern

1. **Baseline eligibility information for new construction is outdated.**

As part of the overall discussion on new construction eligibility, Subcommittee members expressed a concern that the original new construction baseline eligibility may need to be re-established to account for changes over time, including the significant impact of the housing recession on future growth. Baseline eligibility is updated when school districts apply for funding. However, school districts not requesting funding are not required to update their eligibility. Some school districts do update periodically in the current program, but it is possible that not all changes that have occurred at the local level have been accurately captured as part of a school district's capacity. Subcommittee members agreed that the following solution should be presented to the Board for consideration:

PROPOSED SOLUTION

Require all districts to re-establish the new construction eligibility baseline to be eligible to receive funding under a new bond.

Program Changes Necessary

Education Code Regulations

2. **The current program model does not allow for flexibility in designing different types of learning areas.**

The Subcommittee discussed the current new construction eligibility calculation, including how classrooms and other facilities are identified in the SFP and the resulting pupil capacity calculation. The Subcommittee also discussed how the definition of a classroom for purposes of funding and the current state loading standards affect the types of learning areas that are currently eligible for new construction funding.

It was stated that the current method, which uses a standard 960 square foot classroom as a model, may not allow districts to create more flexible learning areas that are designed to meet 21st century learning goals. The California Department of Education provided examples where the same square footage allocated into different classroom configurations could generate different capacity calculations for the purposes of determining eligibility for funding. One example of an alternative design that may encounter this issue would be a large group area with smaller pull out areas for one-on-one or small group learning. Such a configuration may be designed to accommodate 75 students, but counted as one classroom under the current program with eligibility for 25 pupil grants.

As part of the discussion, Subcommittee members indicated a preference for allowing more flexibility in the types of learning areas that could be funded. However, members also wanted to balance flexibility with funding accountability for local decisions. They wanted assurances that the State would not use future funds to correct classroom designs decided upon by local districts that did not achieve the desired results.

Subcommittee members proposed the following solution for Board consideration:

PROPOSED SOLUTION

Align the SFP Regulations and the California Code of Regulations, Title 5 definition of a classroom for purposes of establishing a school district's Gross Classroom Inventory and providing new construction funding.

The definition of a classroom should be both flexible and structured in a way to hold districts accountable for local decisions for purposes of future funding requests.

Program Changes Necessary

Education Code Regulations

New Construction Funding - Portable Classrooms

Area of Concern

New construction funds are being used to pay for portable classrooms that are eligible for modernization funding at 20 years versus 30 years for stick built construction and often require replacement rather than modernization.

The SFP currently provides new construction funding for the purchase and installation of portable classrooms. Currently, EC Section 17070.15(j) states, "Portable classroom" means a classroom building of one or more stories that is designed and constructed to be relocatable and transportable over public streets, and with respect to a single story portable classroom, is designed and constructed for relocation without the separation of the roof or floor from the building and when measured at the most exterior walls, has a floor area not in excess of 2,000 square feet."

The Subcommittee discussed the use of portable school facilities and whether it is a good use of bond funds to pay for this type of construction. The concern stated by some members was that the debt service on the bond funds may actually last longer than the portable classroom itself. The conversation also included a discussion on the various reasons school districts may have used this type of construction in the past (such as class size reduction requirements, prior requirements in the state funding programs that required a certain ratio of portable classrooms, feedback from school districts that budgetary concerns led to the use of portable classrooms, etc.). The Subcommittee heard a variety of options to incentivize the construction of permanent facilities and the replacement of existing portable facilities with permanent construction.

One method of incentivizing permanent construction is for the State to cease being a partner in portable construction by disallowing the use of new construction grants for the purchase and installation of portable classrooms, and only allow new construction funding to be used for the construction of permanent facilities (including permanent modular). Subcommittee members agreed that this approach would be a better use of bond funds and proposed the following change for full Board consideration:

PROPOSED SOLUTION

Disallow the use of new construction grants for the purpose of constructing portable classrooms (as defined above).

Program Changes Necessary

Education Code Regulations



New Construction Funding – Supplemental Grants

Area of Concern

The current program structure is complex, in part, because there are many supplemental or “add on” grants in addition to the base per pupil grant amount.

In the current SFP, the method for determining eligibility for SFP funding is a combination of a base per pupil grant amount and supplemental grants. Supplemental grants are used to provide funding for project specific expenses (site development costs, site acquisition costs) or factors that create excessive cost (such as a project’s geographic location or the size of the project). Supplemental grants increase the per pupil grant amount by 55 percent on average. This information is based on all new construction projects from 1998 to 2013.

In an effort to streamline the program, the Subcommittee discussed ways to consolidate the supplemental grants. After further review, it was determined that many supplemental grants were seen as too specific to individual circumstances to be considered for consolidation.

However, the grant for fire alarms and fire sprinklers was provided to the majority of projects due to the fire alarms and sprinklers being mandated by law for most projects. Subcommittee members agreed that these supplemental grants should be incorporated into the base grant.

PROPOSED SOLUTION

Combine supplemental grant amounts for fire alarms and fire sprinklers with the new construction base grant.

Program Changes Necessary

Education Code Regulations

Modernization

Modernization Eligibility

Area of Concern

1. Modernization eligibility is determined by the age of the buildings and the current enrollment of the site, as opposed to the capacity of the classrooms.

As part of the conversation on modernization eligibility, the Subcommittee considered whether improvements could be made to the current age-based method of calculating modernization eligibility. Currently, modernization eligibility is determined using the following factors:

- School buildings become eligible for modernization when a portable building is 20 years of age and when a permanent building is 25 years of age.
- Modernization eligibility is site specific.
- The enrollment of the site at the time modernization eligibility is established or updated is also taken into consideration. Under the current program, the eligibility is capped at either the capacity of the eligible facilities at the site or the enrollment at the site. School sites that are not operating at full capacity would not receive eligibility commensurate with the capacity of the classrooms of modernization age.

Subcommittee members discussed the basic concept of using age as a basis for eligibility and generally agreed to continue this method. However, members agreed that the current model could be improved, to account for school sites that operate near, but not at full capacity.

Members were concerned that in reality not all schools or programs operate at full capacity. For example, a special day class could have 10 students one year and 15 students the next. The current methodology makes it difficult to modernize because the cost of modernizing is the same regardless of the number of students in each classroom, and it is more cost effective to modernize all eligible classrooms under one contract.

Subcommittee also members expressed concern for modernizing facilities that may be underutilized when a school district could consider consolidating campuses. For example, if a district has many schools at 50 percent capacity, consolidation should be considered.

As a result of the discussion on this topic, Subcommittee members suggested the following change for full Board consideration.

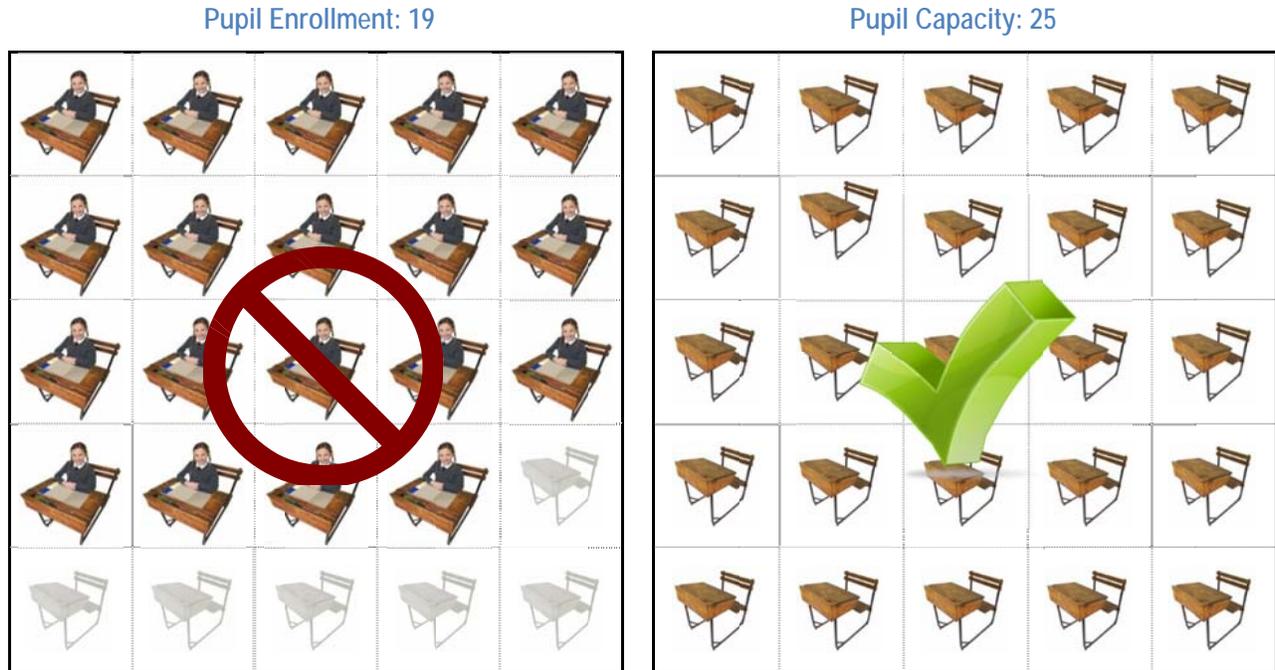
PROPOSED SOLUTION

Modernization eligibility should generally be calculated based on the capacity of the facilities on the site that are of modernization age, provided that enrollment at the site is at some threshold amount of the capacity (thresholds suggested were between 80 and 90 percent).

Program Changes Necessary

Education Code

Regulations



2. **Baseline eligibility information for modernization is outdated and/or not available.**

Like new construction eligibility, as part of the overall discussion on modernization eligibility Subcommittee members expressed a concern that the original modernization baseline eligibility may need to be re-established to account for changes over time. Baseline eligibility is updated when school districts apply for funding. However, school districts not requesting funding are not required to update their eligibility. Some school districts do update periodically in the current program, but it is possible that not all changes that have occurred at the local level have been accurately captured as part of a school district's capacity. Subcommittee members agreed that the following solution should be presented to the Board for consideration:

PROPOSED SOLUTION

Require all districts to re-establish the modernization eligibility baseline at each site in order to be eligible to receive funding under a new bond.

Program Changes Necessary

Education Code

Regulations

Modernization Funding- Portable Classrooms

Area of Concern

Bond funds with a 30 year repayment obligation are being used to modernize portable classrooms that become eligible at 20 years and the portables may not have a 20-25 year lifespan.

Under the current program, districts may use modernization funds within the confines of EC Section 17074.10(a), which provides a broad list of allowances. Districts may use these funds to either modernize existing buildings or replace them in like kind, whether the buildings are permanent or portable.

The Subcommittee considered whether or not modernization funds should be used to *modernize* portable buildings or whether the funds should be limited only to the *replacement* of portables with permanent construction.

Some concerns about the current program included whether a portable can be truly modernized, as well as the concern that was also expressed in the new construction section that 30 year funds were being spent on buildings that would not have a 30 year life span.

As a result of these conversations, Subcommittee Members recommend the following for full Board consideration:

PROPOSED SOLUTION

Incentivize the replacement of existing portable classrooms by limiting the use of modernization grants generated by portable buildings to the replacement of existing portable classrooms with permanent construction and provide funding equal to that of new construction dollars.

Program Changes Necessary

Education Code Regulations



Portable



Permanent

Modernization Funding – Supplemental Grants

Area of Concern

The current program structure is complex in part because there are many supplemental or “add on” grants in addition to the base per pupil grant amount.

The Subcommittee considered methods of streamlining the modernization funding process, which included reducing the number of supplemental grants by combining them into the base grant where possible. Like with new construction, many supplemental grants were seen as too project specific to accommodate combining into a base grant model. However, it was agreed that grants for fire alarms could be consolidated with the base grant.

Subcommittee members suggested the following change for full Board consideration:

PROPOSED SOLUTION

Combine supplemental grants for fire alarms into the modernization base grant.

Program Changes Necessary

Education Code Regulations

Consolidating Special Programs

Area of Concern

The SFP currently includes multiple special programs that have separate allocations of bond authority. Keeping this mechanism for certain programs may be of value, but unused bond authority that becomes “trapped” is an issue. In addition, multiple special programs add complexity to the SFP.

The Subcommittee considered whether there were ways to streamline the SFP by consolidating special programs. The discussion centered in part on whether the main programs of new construction and modernization could be broadened to address the facilities needs covered by the special programs. It was determined by Subcommittee members that some programs could be collapsed into the main programs, but that others were a better fit if left as a separate program.

As part of these discussions, the Subcommittee addressed the issue of bond funds that are allocated to a particular program that may go unused due to lack of demand or for other reasons. Currently, the bond authority allocations for most programs can only be amended by 2/3 vote of the Legislature. The Subcommittee members suggested a solution to allow the Board the flexibility to amend the bond authority allocations to address the areas of the program with the most need.

In addition, the Subcommittee discussed the Charter School Facilities Program (CSFP) at two meetings. Conversation focused on keeping the program separate.

Recommendations from Subcommittee Members related to special programs are listed below.

PROPOSED SOLUTIONS

- Maintain allocations of bond authority separate from new construction and modernization for the following programs under a new bond with a stipulation that after a specified amount of time the authority could be transferred to another program by vote of the Board:***

- Career Technical Education Facilities Program (CTE)
- Joint Use Program (JU)
- High Performance Incentive Grant. (HPI)

Program Changes Necessary

Education Code ☒ Regulations ☒

- Provide funding for qualifying Seismic Mitigation projects from new construction or modernization authority, as applicable under a new bond.***

Program Changes Necessary

Education Code ☒ Regulations ☒



3. *Continue the Charter School Facilities Program as a separate special program, with no option for the Board to transfer this bond authority to other programs.*

Program Changes Necessary – NONE

4. *If incentives for replacing portable facilities of modernization age with permanent facilities are provided in a new bond, do not continue the Overcrowding Relief Grant (ORG) program by allocating additional bond authority.*

Program Changes Necessary – NONE

5. *Since the last approved bond did not provide funding for the Critically Overcrowded Schools (COS) program, and remaining COS authority from Propositions 47 and 55 have been transferred to new construction, do not continue the COS program under a new bond.*

Program Changes Necessary– NONE

Statewide School Facilities Inventory

Area of Concern

California does not track the number of schools and classrooms available for use.

Subcommittee members expressed concern that decisions on future bonds were made without truly knowing the need for the State as a whole. Currently, data on the number of school sites and classrooms in the State is unknown. The Subcommittee considered whether a statewide facilities inventory database for all K-12 public school sites in California should be established.

Subcommittee members expressed a desire for the full Board to consider the following change:

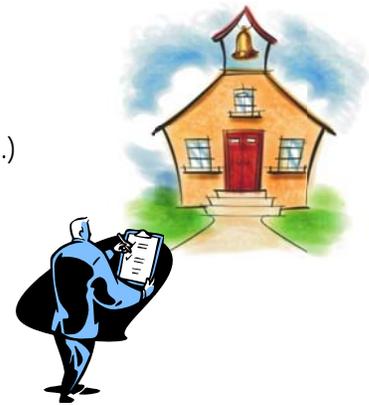
PROPOSED SOLUTION

A statewide school facilities inventory database for all K-12 public schools in California should be established.

A key consideration in this discussion was the amount of information that would be collected. The list below was presented as a potential starting point.

School Site Information

1. CDS Code – County, District, School basic identifier.
2. School Name
3. School Location (street address, city)
4. School Type: Elementary, Middle, High, other (Continuation, etc.)
5. Grades
6. Enrollment
7. Area of Site (acres)
8. Number of Buildings on Site
9. Total Area of All Buildings on Site (square feet)
10. Status – Open, Closed, Leased, Surplus, other
11. Site Energy Use



Individual Building Information

1. Building name or numeric designation – "Jones Hall" "G Building" "Building 1"
2. Building Use - Classrooms, Library, Admin, Gym, Multi-purpose, Toilets, etc.
3. Building Area (square feet)
4. Number of stories
5. Year Built
6. Number of Classrooms/Teaching Stations
7. Grade Levels
8. Type of Construction

Program Changes Necessary

Education Code Regulations

Financial Hardship Program

Areas of Concern

1. **The current criteria to qualify for financial hardship assistance allow for districts to receive funds without first using other local options. This may lead to inequities across districts. The financial hardship program should be structured so that it is available after all other options for funding have been exhausted.**

As part of the overall discussion on financial hardship, Subcommittee members discussed the criteria a district may use to qualify for financial hardship status. The qualifying criteria for a review include the following:

- Bonded indebtedness 60 percent or greater of total bonding capacity
- Successful Proposition 39 bond passed for the maximum amount allowed within the two previous years
- Total bonding capacity of less than \$5 million
- Other evidence as supported by the SAB

Members felt that there will always be a need for the program. However, there was concern expressed that the qualification process needs to be updated. Amongst other concerns, Subcommittee members stated that the level of bonded indebtedness should be raised. The Subcommittee objected to the inequity that leads to some communities continuing to pass local bonds to provide their matching share for projects to the maximum extent possible, while other districts may reach the 60% threshold and then seek assistance from the state program by submitting a financial hardship request. Subcommittee members expressed a desire for the program to ensure that local communities were making the maximum effort to fund projects.

In making changes to the level of bonded indebtedness, Members also wanted to ensure that if the threshold was raised, the program also consider that the requirement be reasonable. For example, it may not be reasonable for a small district to pay the cost of an election if it has a very low bonding capacity, i.e. \$100,000, and project needs that exceed that amount.

Members were also concerned that the current program allows for districts to take actions that make it appear as though financial hardship assistance is needed when other local funds may have been available, and expressed a desire to review the entire financial hardship program to make it consistent with the goal of financial hardship assistance being provided only as an option after local communities have made the maximum effort to fund projects.

Overall, Members wanted to ensure that a future financial hardship program is truly a program for districts that have exhausted all other options to fund their projects. To achieve this purpose, the Subcommittee recommended the following:

PROPOSED SOLUTION

- *Review the requirements/criteria of the Financial Hardship program to ensure it provides funds only after other options have been exhausted.*
- *Consider changing the criteria for the financial hardship program by increasing the level of bonded indebtedness a school district must reach before qualifying for financial hardship status to 100%, but in doing so, consider whether 100% is practical and reasonable.*

Program Changes NecessaryEducation Code Regulations

2. **Not all projects that receive design and site acquisition funds in advance of having a full construction project move forward and result in the construction of facilities.**

Subcommittee members raised concerns with another area of the financial hardship program. Members were concerned with the aspect of the program that allows applicants to receive planning money to design a project as well as advance funds for site acquisition purposes. Sometimes, applicants receive these funds but do not ultimately construct any facilities. If the site is sold, the district currently keeps all the proceeds, including the SFP funds.

Subcommittee members proposed the following for full Board consideration:

PROPOSED SOLUTION

Review the requirements of the Financial Hardship program to ensure the following:

- *Projects that receive funds move forward to construction and completion.*

Program Changes Necessary - Undetermined

County Offices of Education*Areas of Concern*

1. **Districts still have an obligation to house students served by the COE, but the current program does not provide mechanisms for districts to take financial responsibility. This structure can lead to lack of coordination between districts and COEs which may result in special needs students not being housed in the least restrictive environment possible.**

The Subcommittee had several discussions on how best to provide facilities under the SFP to the students that County Offices of Education (COE) typically serve. It was stated that COEs cannot pass local bonds to provide matching funds for their projects. COEs automatically qualify for a financial hardship review under the current program and often qualify for full or partial funding of their local match. However, the topic of who is responsible for housing the students (district or COE) was also discussed. Members stated that school districts were ultimately responsible and should share in the financial cost of housing the students. It was noted that the current program provides no incentives for a district to do so.

The Subcommittee also discussed how districts must comply with laws which require that special needs students be integrated into school campuses in the least restrictive environment possible. It was stated that the best time to accomplish this goal is during construction of a new school or during larger modernization projects. It was stated that the current program may not provide enough of an incentive for COEs and districts to work together to achieve these goals. It was noted that there are challenges to complying with these requirements because it requires more coordination between COEs and districts.

The Subcommittee proposed the following for full Board consideration:

PROPOSED SOLUTION

- *A future bond program should include policy which requires full coordination between school districts and COEs in developing facilities plans to meet the requirements of special needs students-including integrating special needs students into campuses in the least restrictive environment possible.*
- *For those programs where districts and COEs have shared responsibility for the students, a future bond program should incorporate requirements that districts who are members of a multi-district SELPA have the same obligation as a single district SELPA to provide facilities funding for the students that they are responsible for, even if the educational program is provided by the COE.*

Program Changes Necessary

Education Code Regulations

2. The current program uses the same loading standard for community day students as other K-12 students, but COEs load the classes with fewer students due to the unique needs of this student population.

The Subcommittee discussed that students served by community day programs have unique needs. The practice of COEs is to load fewer than the standard 25 or 27 students into a classroom in order to have an effective program. The Subcommittee discussed that a new program may want to take into account how most COEs are running programs that serve these students when determining an appropriate loading standard.

PROPOSED SOLUTION

The loading standards for community day school classrooms should be more closely aligned with how COEs are loading the classrooms now.

Program Changes Necessary

Education Code Regulations

Future School Facility Needs

Areas of Concern

What are the future new construction and modernization funding needs for the School Facility Program?

The Subcommittee discussed future funding needs of the School Facility Program. As a preface to the discussion, OPSC staff presented background information and the Assistant Executive Officer presented estimates of future school facility funding needs.

Staff's presentation included historical information on the School Facility Program, the amount of remaining new construction and modernization eligibility, and the potential dollar value of the eligibility. Staff cautioned that the remaining eligibility information is not a reliable estimate of future funding needs. The remaining eligibility does not capture needs of districts and sites that have not established eligibility, or changes in new construction and modernization eligibility that may have occurred after the last update which could have

occurred from one to 15 years ago. The potential value of the remaining new construction eligibility is \$12.6 billion (State share). The potential value of the remaining modernization eligibility is nearly \$4.4 billion.

The Assistant Executive Officer presented several estimates of new construction and modernization funding needs using different methodologies. He noted that assessment of school facilities needs vary widely, and the methodologies presented highlight the need for a statewide school facilities inventory.

New Construction

- For one new construction estimate which totaled \$12.3 billion, the remaining new construction eligibility was multiplied by the average 2012 apportionment per pupil by grade category.
- A second new construction estimate used the total K-12 enrollment increases by county in the next ten years, as projected by the California Department of Finance. Then, the cost to house the projected 282,096 additional pupils was determined using average new school construction costs from a sample of Project Information Worksheet data. The second estimate of new construction funding need was \$6.6 billion.
- The third estimate of new construction funding need also used the projected K-12 enrollment increases, but multiplied the number of additional pupils by the average 2012 state apportionment per pupil. The estimated need was \$5.9 billion.

Modernization

The Assistant Executive Officer presented one estimate of modernization funding need. The remaining modernization eligibility was multiplied by the average 2012 apportionment per pupil, for a total of \$4.7 billion.

The Subcommittee did not reach a consensus on the amount of funding needed for a future bond. One member felt that the program has not truly funded modernization, and asked whether the future program policy should be to fund fewer modernization projects at a greater level, or fund widely at a lower level. The member also requested future discussion on school districts' ability to raise the local contribution at the current levels. The Subcommittee members asked whether there were estimates of funding needs for areas such as Career Technical Education Facilities, Charter School Facilities, Joint-Use, or technology upgrades. One member asked whether a future bond should have requirements for facility maintenance standards. Another member felt that the funding need for building replacement was underestimated and merits further exploration.

Several Subcommittee members reiterated a desire to implement a statewide school facilities inventory determine statewide funding needs and to add flexibility to transfer unused funds between programs.