

California Association of
School Business Officials

*Find Your Way to
Successful
Facilities Funding*

San Diego, California
April 23, 2003

General Obligation Bonds

Proposition 39/AB 1908

- Proposition 39
 - Approved by voters in November, 2000
 - Reduced bond measure passage vote from 2/3 majority to 55% majority
 - Imposed several new controls on school districts
- Assembly Bill 1908
 - Legislation passed to implement Proposition 39
 - Attempt to defuse opposition arguments against 55% vote
 - Imposed tax vote maximum
 - Reduced number of dates to conduct Proposition 39 elections

General Obligation Bonds

Proposition 39/AB 1908 *(continued)*

Item	66.7% Vote	Proposition 39/AB 1908 55% Vote
Requirement to call for bond election	Simple majority vote of Board	2/3 majority vote of Board
Minimum affirmative votes	Two-thirds of votes cast	55% of votes cast
Facilities eligible to be financed with bonds	Purchase or improvement of real property (purchase of land, construction of buildings, and acquisition or construction of permanent improvements to land or buildings.)	Construction, reconstruction, rehabilitation, or replacement of school facilities, and the acquisition or lease of real property
Purchase of furniture and equipment	No	Yes
Election dates	Any Tuesday	Coincide with regularly scheduled local election in odd-numbered years or in even-numbered years <ul style="list-style-type: none"> ▪ First Tuesday in March ▪ First Tuesday after first Monday in November
Maximum annual tax per bond election	Not limited. Tax is determined annually based on bond payment and assessed value.	\$60 per \$100,000 of assessed valuation

General Obligation Bonds

Proposition 39/AB 1908 (continued)

Item	66.7% Vote	Proposition 39/AB 1908 55% Vote
Accountability Requirements	None except expenses limited to real property acquisitions and improvements	<ul style="list-style-type: none"> ✓ List of the specific projects to be funded from bonds ✓ An annual performance audit ✓ An annual financial audit
Citizens Oversight Committee	None Required	<ul style="list-style-type: none"> ✓ Independent committee appointed by the Governing Board ✓ Review and report on the expenditure of bond proceeds ✓ District to provide technical and administrative assistance ✓ Membership of at least seven members, representing business community, seniors, taxpayers, parents and PTA ✓ No committee membership for school employees, officials, vendors, contractors or consultants to school districts ✓ Public meetings subject to the Brown Act

General Obligation Bonds

Proposition 39/AB 1908_(continued)

Item	66.7% Vote	Proposition 39/AB 1908 55% Vote
Charter School Funding	None	✓ Make available facilities reasonably equivalent to district facilities for "in-district" students
Evaluate Safety, Class Size Reduction and Information Technology	None	✓ Board must certify that these issues were considered

General Obligation Bonds

Proposition 39/AB 1908 *(continued)*

■ Opportunities

- Lower Voter Approval Threshold (66.7% vs. 55%)
- Expanded Use of Proceeds (Furniture/Equipment)

■ Limitations

- Fewer Available Election Dates
- Restriction on Size of Bond Measure
- Identification of Specific Project List on Ballot Measure
- Formal Citizens Oversight Committee

School Facilities Improvement Districts

Opportunities

- The area of the election can exclude areas of the district
- An excluded area does not vote and is not taxed

Limitations

- Requires a 2/3 majority vote

Developer Fees

Opportunities

- Required for all new construction

Requirements

- Fee Justification Study
- Monteith Report

Community Facilities Districts

Opportunities

- May exceed the required mitigation level
- May improve the timing of funds

Limitations

- Can affect future elections

Parcel Tax

Opportunities

- Requires 50% majority
- May be used as specified

Limitations

- Can be difficult to pass

Redevelopment Area

Opportunities

- Can be used for district facilities
- Provides an income stream that can be bonded against

Limitations

- Starts out small and increases over time

State School Facilities Program

New Construction

Senate Bill 50 - November, 1998

■ Enrollment Certification

- Eligibility for new construction based on five-year projection -- no adjustment for ADA
- Funding
 - ✓ 50% by State
 - ✓ 50% by District
- Reporting Enrollment
 - ✓ Based on annual CBEDS
 - ✓ Continuation high school enrollment reported separately
 - ✓ Special day class enrollment reported separately
- Projection of Enrollment
 - ✓ Cohort survival method currently used in LPP
 - ✓ Housing development augmentation
 - Approved subdivision map
 - Valid tentative subdivision map
 - Additional students based on statewide average yield factor (.7) or district established yield

State School Facilities Program New Construction

Senate Bill 50 - continued

- Existing School Building Capacity
 - One-time report
 - Process for calculating existing capacity
 - ✓ Complete inventory of all permanent and portable classrooms
 - ✓ Select option to determine available classrooms
 - Option 1 - Inventory of classrooms less portables leased or lease/purchased less than 5 years
 - Option 2 - Inventory of classrooms less portables that exceed 25% of permanent classrooms
 - ✓ Loading factors
 - K-6 classrooms -- 25 students per classroom
 - 7-12 classrooms -- 27 students per classroom
 - Special education classrooms -- 25/27 students per classroom
 - Continuation classrooms -- 27 students per classroom
 - ✓ Adjustment for MTYRE

State School Facilities Program New Construction

Senate Bill 50 - continued

■ New Construction Grant Allowances

➤ Regular Grant

- ✓ \$5,840 per unhoused K-6 student
- ✓ \$6,177 per unhoused 7-8 students
- ✓ \$8,086 per unhoused 9-12 student
- ✓ Grants adjusted annually by State Allocation Board
- ✓ Grants augmented for special education classrooms
- ✓ Grants augmented for "sprinkler" or "alarm" requirement
- ✓ Urban adjusted calculation basis changed

➤ Augmentation to Grants for:

- ✓ Site acquisition
- ✓ DTSC Costs
- ✓ Off-Site costs
- ✓ Utilities including development fees
- ✓ Service site costs

State School Facilities Program Modernization

Senate Bill 50 - continued

■ Modernization

- Eligibility determined by school site capacity and enrollment
- Funding changed from
 - ✓ 80% by State to 60% by state
 - ✓ 20% by District to 40% by state
 - The state's share remained at the same dollar value, thus increasing the overall modernization project value.

State School Facilities Program Modernization

Senate Bill 50 - continued

■ Grant Amounts

- K-6 \$2,523 per pupil
- 7-8 \$2,669 per pupil
- 9-12 \$3,494 per pupil
- Grant amounts adjusted annually
- Additional grants for special education facilities
- Additional grant for alarm/detection system
- Funds can be spent on entire campus

State School Facilities Program & Other Issues

Senate Bill 50 - continued

- Liens
- Sale of Property
- Interest
 - ✓ Interest earned in SFP fund to remain in fund
 - ✓ Must be expended by district for SFP purposes
 - ✓ Applies to interest earned on both district and state funds
- Title to property funded with SFP grants shall be in name of district
- Project "savings" available for other capital projects
- Fund Releases
- Audits

State School Facilities Program

Assembly Bill 16

■ Funding Provisions

- November, 2002 Bond Measure (Proposition 47)
 - ✓ \$13.05 Billion allocated as follows:
 - \$11.4 Billion for K-12 and \$1.65 Billion for Higher Education
 - K-12 to be used as follows:
 - \$4.8 Billion for new construction and modernization projects approved by SAB before February 1, 2002
 - \$3.35 Billion for new construction growth
 - \$100 million for charter schools
 - \$1.4 Billion for modernization
 - \$1.7 Billion for Critically Overcrowded Schools (COS)

State School Facilities Program

Assembly Bill 16

■ Funding Provisions (continued)

➤ March, 2004 Bond Measure

✓ \$12.3 Billion allocated as follows:

- \$10 billion for K-12 and \$2.3 Billion for Higher Education
- K-12 to be used as follows:
 - \$4.96 Billion for new construction growth
 - \$300 Million for charter schools
 - \$2.25 Billion for modernization
 - \$2.44 Billion for Critically Overcrowded Schools (COS)
 - \$50 million for joint-use facilities

State School Facilities Program

Assembly Bill 16

■ Program Changes to SB 50

- Expands State Allocation Board from 7 to 10 members
 - ✓ 1 more member of Assembly appointed by Speaker
 - ✓ 1 more member of Senate appointed by Senate Rules Committee
 - ✓ 1 more member appointed by Governor
 - ✓ Requires 2 Senate and Assembly members to be from majority party
 - ✓ Requires 1 Senate and Assembly member to be from minority party

State School Facilities Program

Assembly Bill 16

■ Program Changes to SB 50

- Eliminates priority point system for all future bonds
- Multi-track year-round education "hit" eliminated for high school districts
- For "large" new construction and modernization projects, districts must certify that career/vocational facilities are adequately met
- Extends permanently the "small school district assistance" program
 - ✓ Eligibility remains in place for 3 years
 - ✓ For districts with less than 2,500 enrollment
 - ✓ Used mainly by rural school districts

State School Facilities Program

Assembly Bill 16

■ Program Changes to SB 50

➤ Modernization Program Changes

- ✓ Funding changes to 60/40 program for projects filed with OPSC after March 15, 2002
- ✓ State funding remains at existing per pupil grants
- ✓ Local funding increases
- ✓ Total project cost increases
- ✓ New modernization program established for schools older than 50 years
 - Increases the allowance
 - K-6 \$3,504 per pupil
 - 7-8 \$3,706 per pupil
 - 9-12 \$4,852 per pupil

State School Facilities Program

■ Financial Hardship

- Available to districts with 60% bonded indebtedness
- Eliminates district match
 - ✓ District must contribute any available funds
- Financial review by OPSC
- Subject to all the program and audit requirements of the regular programs

State School Facilities Program Critically Overcrowded Schools

- Program Established through Assembly Bill 16
 - New construction only
 - Provides districts additional time to file applications
 - Enrollment must exceed 210% of CDE acreage allowance to be eligible
 - Proposed new school must be within general vicinity (1 mile for elementary and 3 miles for middle/high school)
 - 75% of pupils in new school must come from overcrowded schools
 - Applicants have 4 years from application to complete application to receive final apportionment
 - Preliminary apportionment includes total estimated cost
 - Any remaining funds in set-aside transferred to new construction
 - Districts eligible for COS also eligible for regular new construction
- Program Funding
 - Proposition 47 \$1.7 Billion
 - March 2004 Bond \$2.44 Billion

State School Facilities Program Joint Use Projects

- Established through Assembly Bill 16
- Funding
 - \$50 Million available July 1, 2003 (Proposition 47)
 - \$50 Million available July 1, 2004 (March, 2004 Bond)
 - 50% funded by State
 - 50% funded by local partners

State School Facilities Program Joint Use Projects—3 Types

Eligibility requirements for Type I

- One of the Joint Use Partners is Higher Ed
- The Joint Use project is a part of a new construction
- The facility is located at the school site of the SFP project
- The project does one of three things:
 - ✓ Improves Pupil Academic Achievement
 - ✓ Provides Teacher Education
 - ✓ Provides Childcare Facilities
- There is an approvable Joint Use Agreement
- The project has square footage eligibility
- The contract was executed after April 29, 2002
- The project has DSA approved plans
- The project has CDE approval of plans

State School Facilities Program Joint Use Projects

Eligibility requirements for Type II

- One of the Joint Use Partners is a governmental agency, Higher Education or a nonprofit organization
- The Joint Use Project is part of a new construction application
- The facility is located at the school site of the SFP project
- The project increases the size, creates extra cost, or does both of the:
 - ✓ Multipurpose Room
 - ✓ Library
 - ✓ Gymnasium
 - ✓ Childcare Facility
- There is an approvable Joint Use Agreement
- The project has square foot eligibility except if the project is for extra cost
- The contract was executed after April 29, 2002
- The project has DSA approved plans
- The project has CDE approval of plans

State School Facilities Program Joint Use Projects

Eligibility requirements for Type III

- The facility does one of the following:
 - ✓ Improves Pupil Academic Achievement
 - ✓ Provides Teacher Education
 - ✓ It's a multipurpose room, gym, library or childcare facility
- The school does not have the type of facility or the existing facility is inadequate
- One of the Joint Use Partners is Higher Education if the project improves Pupil Academic Achievement or Provides Teacher Education
- One of the Joint Use Partners is a governmental agency, Higher Education, or a nonprofit organization if the project is a multipurpose room, gym, library or childcare facility
- The facility will be located on the public school site
- There is an approvable Joint Use Agreement
- The project has square footage eligibility
- The contract was executed after April 29, 2002
- The project has preliminary plans
- The project has CDE approval of the preliminary plans

Deferred Maintenance Program

- Definition
 - Repair/replacement work on school facility components
 - Not annual or on-going repairs
- Funding
 - 50/50 Match
 - Maximum State contribution --.5% of General Fund Expenses
 - State share normally deficiated
 - State funding sources
 - ✓ Excess repayments on State School Building Loans
 - ✓ State Budget Act
- Typical DMP projects
 - Roofing, Plumbing, Heating, Air Conditioning
 - Electrical systems, Wall systems, Floor systems
 - Painting

Deferred Maintenance Program

- Five Year DMP Plan Requirements
 - Must be updated annually
 - Requires review at public Governing Board meeting
 - Due date—last working day in June
- Extreme Hardship Funding
 - Usually applicable to small districts
 - Project cost must exceed basic State grant plus district contribution
 - Requires additional oversight by OPSC and cost estimates, architect/engineer reports, etc.
 - Additional audit requirements

Facilities Hardship

- For facilities that are no longer usable
 - Health and Safety
 - Catastrophic failure
- Replacement or rehabilitation
- SFP eligibility waived - all other program requirements apply

Pre-School Modernization

- CDE program
- Submit budget for project
- Verify expenditures by budget category

Library Bonds

- Having school participation enhances the library's chance of funding
- May use each other's state programs as match
- Requires joint project with all the challenges of designing and managing a joint facility

Federal Funding Sources

Qualified Zone Academy Bonds (QZAB's)

- What is a QZAB?
 - Approved by Congress in 1997
 - Must be used for equipping/renovating school facilities
 - Interest free loan
 - Buyer receives tax credits
- Who Qualifies?
 - Eligibility criteria based on school-by-school basis
 - School must meet at least one of the following
 1. Located in enterprise zone
 2. Located in empowerment community
 3. At least 35% eligible for free/reduced lunch
 - Public-private partnership for curriculum development
 - Private business support equal to 10% of QZAB

Federal Funding Sources

Qualified Zone Academy Bonds (QZAB's)

- How does it work?
 - QZAB allocations distributed to States
 - School districts submit applications to State
 - QZAB purchased by financial institutions, banks or insurance company
 - Buyer receives tax credit
 - District makes payment to buyer at end of amortized period
- California Programs
 - \$56 Million available annually
 - Administered by CDE
 - Simple Application
 - Small district allocation
 - Maximum allocation of \$5 Million
 - Charter Schools eligible
 - Lottery process used to make awards

Federal Funding Sources

Federal Renovation Grant Program

- Description of Program
 - Included in 2001 Federal Budget
 - Provided \$1.2 Billion for:
 - ✓ Urgent school renovation
 - ✓ Activities related to Individuals with Disabilities Act (IDEA)
 - ✓ Technology
 - ✓ Charter School facilities
 - California Received \$138 Million
 - ✓ \$103 Million for renovation (OPSC)
 - ✓ \$35 Million for technology (CDE)

Federal Funding Sources

Federal Renovation Grant Program

- Distribution of Funds (OPSC)
 - Eligibility Categories
 - ✓ High Priority LEA's
 - ✓ Rural LEA's
 - ✓ All Other LEA's
 - ✓ Funds distributed by SAB in June, 2002
- Distribution of Funds (CDE)
 - Ratio of students to computers (grades 4-8)
 - Awarded in January, 2003
- Program no longer funded by Congress

Federal Funding Sources

Universal Services Program (E-Rate)

- What is E-Rate?
 - Approved by Federal Communications Commission (FCC) in 1997
 - Schools and libraries are eligible
 - \$2.25 Billion annually
 - Access to telecommunication / information
- How does it work?
 - Discounts applied to service providers
 - Discounts range from 20% to 90%
 - Discount based on economic need and location
 - Need based on free/reduced price eligibility
- Services eligible for discount
 - Telecommunications services
 - Internet Access
 - Internal connections

Federal Funding Sources

Universal Services Program (E-Rate)

- Allocation of current funds
 - Priority I
 - ✓ Telecommunication / Internet Services
 - ✓ Current demand -- \$1.745 Billion
 - ✓ Fully funded
 - Priority II
 - ✓ Internal connections
 - ✓ Funding down to 81%
- Issues related to E-Rate program
 - 30 current federal/state investigations of abuse
 - HR 1252 would "kill" the program