

SCHOOL FACILITY PROGRAM OVERVIEW

The Leroy F. Greene School Facilities Act of 1998 (Senate Bill 50) was chaptered into law on August 27, 1998, establishing the School Facility Program (SFP). The legislation required that regulations be approved and in place for accepting and processing applications as soon as Proposition 1A was approved by the voters the following November.

In the SFP, state funding is provided on a matching basis in the form of pupil grants, with supplemental grants for site development, site acquisition, and other project-specific costs when necessary.

The SFP provides funding grants for school districts to acquire school sites, construct new school facilities, or modernize existing school facilities. The core programs of the SFP are new construction and modernization. However, as additional bonds have been passed over the years, the program has evolved to allow for funding for other types of school facility needs, including:

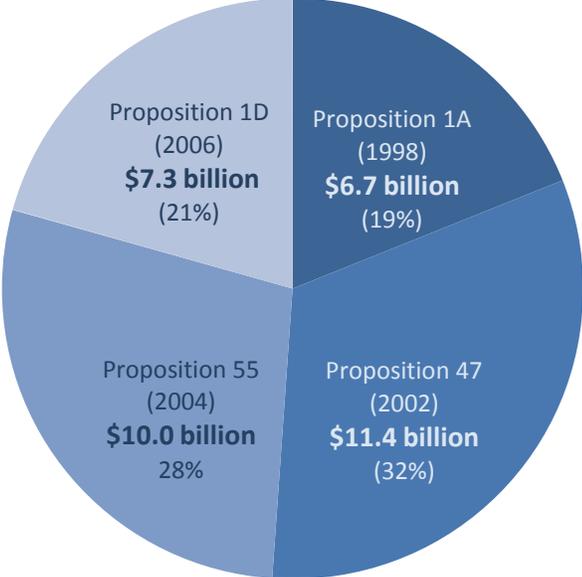
- facility hardship,
- seismic mitigation,
- charter school facilities,
- assistance in the relief of overcrowding,
- career technical education facilities,
- incentives for high performance attributes and energy efficiency (supplemental grants), and
- joint-use programs

Funding for the School Facility Program

Funding for projects approved in the SFP comes exclusively from statewide general obligation bonds approved by the voters of California. The first funding source for the program was from Proposition 1A, approved in November 1998. That bond for \$9.2 billion contained \$6.7 billion for K–12 public school facilities. The second funding source for the program was from Proposition 47, approved in November 2002. It was a \$13.2 billion bond, the largest school bond in the history of the State. It contained \$11.4 billion for K–12 public school facilities. In March 2004, a third bond was passed by California voters for another \$12.3 billion. Of the \$12.3 billion provided by Proposition 55, it contained \$10 billion for K–12 public school facilities. In November 2006, an additional \$10.416 billion was passed by the voters. Of the \$10.416 billion provided by Proposition 1D, \$7.3 billion was allocated to address overcrowding, provide career technical education facilities, accommodate future enrollment growth, renovate and modernize older school buildings and allow participation in community related joint-use projects.

K-12 Education Facilities Bond Totals Compared \$35.4 billion since 1998

The chart below shows the total SFP allocation by bond source:



Bond Authority by Program

The chart below provides a breakdown of the funding made available to specific programs through each bond source:

K-12 Education Facilities Bond Breakdowns (\$35.4 billion) Approved by Voters Since 1998

Program	Proposition 1A (1998)	Proposition 47 (2002)	Proposition 55 (2004)	Proposition 1D (2006)	Total by Program
New Construction	\$2,900,000,000	\$6,250,000,000	\$4,960,000,000	\$1,900,000,000 ^{2,3}	\$16,010,000,000
Modernization	\$2,100,000,000	\$3,300,000,000	\$2,250,000,000	\$3,300,000,000 ²	\$10,950,000,000
Charter Schools	—	\$100,000,000	\$300,000,000	\$500,000,000	\$900,000,000
Career Technical Education	—	—	—	\$500,000,000	\$500,000,000
Overcrowding Relief	—	—	—	\$1,000,000,000	\$1,000,000,000
High Performance Schools Critically Overcrowded Schools	—	—	—	\$100,000,000	\$100,000,000
Joint Use	—	\$1,700,000,000	\$2,440,000,000	—	\$4,140,000,000
Hardship	—	\$50,000,000	\$50,000,000	\$29,000,000	\$129,000,000
Hardship	\$1,000,000,000	—	—	—	\$1,000,000,000
Class Size Reduction	\$700,000,000 ⁴	—	—	—	\$700,000,000
Total by Bond	\$ 6,700,000,000	\$11,400,000,000¹	\$10,000,000,000¹	\$ 7,329,000,000	\$35,429,000,000

¹ Up to \$20 million was set aside in each bond for energy efficiency grants (\$40 million total).

² No more than \$200,000,000 of the sum of the appropriations for new construction and modernization shall be used to fund the smaller learning communities and small high schools.

³ Up to 10½ percent (\$199.5 million) shall be available for purposes of seismic repair, construction, or replacement, pursuant to Education Code Section 17075.10.

⁴ Pursuant to Education Code Section 100420(a)(4)(B), the program was administered by the California Department of Education (CDE). CDE provided the State Allocation Board with updates on the drawdown of the funds.

Overview of Programs in the SFP

New Construction

The New Construction Program provides school districts with funding to add classroom capacity to meet future student housing needs. The funds can be used to construct new school campuses or to add classrooms to existing campuses.

The New Construction Program provides funds on a 50/50 State and local sharing basis. Funding is comprised of base grants per pupil, and districts may also qualify for various supplemental grants specific to the circumstances of each project.

Program eligibility is calculated by comparing the facility inventory available to house students to the projected future enrollment (typically this is a five year projection).

For purposes of the SFP, classrooms are loaded at 25 students for grades K-6, 27 students for grades 7-12, 13 students for non-severe special day classrooms, and 9 students for severe special day classrooms.

Modernization

Modernization funding is designed to extend the useful life of existing facilities, or to enhance the physical environment of a school. Modernization funding can also be used to demolish and replace existing facilities of like kind.

The Modernization program provides funding on a 60/40 State and local match basis. Prior to the passage of Proposition 55 in 2004, the matching share basis was 80/20.

Modernization eligibility is site-specific. Each school site has its own separate modernization eligibility based on the age of the facilities and the enrollment at the site. To qualify for funding, facilities must be at least 25 years old if permanent, or 20 years old if portable.

The modernization program provides funds on a 60/40 State and local sharing basis. Like new construction, funding is comprised of base grants per pupil, and districts may also qualify for various supplemental grants specific to the circumstances of each project.

Facility Hardship Program

The Facility Hardship Program uses bond authority made available for the purposes of new construction and modernization. There is not a separate source of funding.

This funding can be used for facility repair or replacement when it has been determined that the district has a critical need for pupil housing, because the condition of the facilities, or the lack of facilities, presents a health and safety threat to the pupils. The program provides funding for the minimum work necessary to mitigate the health and safety threat.

Funding for facility hardship projects can be used to either repair or replace the facilities. To determine whether or not a facility qualifies for replacement or repair funding, a cost benefit analysis is used.

Replacement projects are considered a type of new construction project. Therefore, funds are provided on a 50/50 State and local sharing basis. Rehabilitation projects are considered a type of modernization project. Therefore funds are provided on a 60/40 State and local sharing basis.

Seismic Mitigation Program

Proposition 1D provided up to \$199.5 million in new construction bond authority for the purposes of seismic mitigation.

The Seismic Mitigation Program is a sub-component of the Facility Hardship program that provides funding for seismic construction projects with buildings determined to have "most vulnerable California school facilities" status.

Eligible facilities for the program must be identified by the Division of the State Architect (DSA) as a qualifying Category 2 building and be designed for occupancy by students and staff.

Funding for Seismic Mitigation Program projects can be used to either repair or replace the facilities. The funding provided is the minimum necessary to mitigate the threat and obtain approval from DSA. To determine whether facility qualifies for replacement or repair funding, a cost benefit analysis is used.

Replacement and rehabilitation projects are both funded on a 50/50 State and local sharing basis.

As of November 25, 2014, \$142.4 million in available bond authority remains for the Seismic Mitigation Program.

Charter School Facilities Program

A total of \$900 million was provided for the Charter School Facilities Program (CSFP) through the passage of Proposition 47 (2002), Proposition 55 (2004), and Proposition 1D (2006).

This program provides eligible charter schools and school districts with funding to construct new charter school facilities and/or rehabilitate existing school district-owned facilities that are at least 15 years old for charter school use. It is not necessary for the school district to demonstrate unhoused pupil eligibility for CSFP new construction projects. Applications may be submitted by charter schools directly or through the school district where the projects will be physically located.

This program is administered by the State Allocation Board in partnership with the California School Finance Authority (CSFA). Prior to the award of funds, the CSFA makes a determination that the applicant is financially sound.

Funding for the CSFP is provided on a 50/50 State and local matching share basis, for both new construction and rehabilitation projects. As charter schools do not have the same ability as school districts to make a lump sum matching share contribution, there is an option to take a loan from the State for the local matching share amount. The loan term can last up to 30 years.

Applicants receive a preliminary apportionment in advance of a final apportionment of funds. A preliminary apportionment is a set aside of bond authority for a project that has not yet received all necessary approvals for full State Allocation Board approval. Preliminary apportionments must convert to final apportionments within 4-5 years. Once a CSFP preliminary apportionment is provided, applicants may draw down advance funding for the purposes of designing the project and purchasing a site. Currently there are 26 preliminary apportionments remaining, totaling approximately \$420 million that are working towards submitting a full application for funding. Of this amount, six full funding applications have been submitted to OPSC for processing.

Critically Overcrowded Schools

Through Proposition 47 (2002) and Proposition 55 (2004) \$4.14 million was made available for the Critically Overcrowded Schools Program.

The program allowed school districts with critically overcrowded school facilities to apply for funding to construct new campuses, or add classrooms to school sites in order to relieve overcrowding at impacted campuses.

To participate, a school district must have been able to demonstrate either new construction eligibility to support the project or use an "alternative eligibility method" to justify the project. The project also needed to relieve the overcrowding for a source school identified as critically overcrowded on the California Department of Education's (CDE) Source School List, which identified schools with qualifying densities.

The program was designed to allow districts to apply for a preliminary apportionment (reservation of bond authority) in advance of meeting the full criteria necessary for the State Allocation Board to grant a final apportionment of funds. School districts had four years (with a possible one year extension) to convert the preliminary apportionment into a final apportionment.

Funding was based on a 50/50 State and local match.

Overcrowding Relief Grant

Proposition 1D (2006) provided \$1 billion for the Overcrowding Grant Program.

The Overcrowding Relief Grant Program (ORG) replaces portable classrooms with permanent classrooms on overcrowded school sites. Projects must reduce overcrowding at each site that eligibility is drawn from by increasing useable outdoor space for play areas, green space, or outdoor lunch areas. Projects may include construction of a new school or replacement of classrooms at an existing school (the existing school site must not be overcrowded).

Eligibility is calculated on a school site-specific basis by the CDE. Eligible ORG school sites must have a population density equal to or greater than 175 percent of CDE's recommended population density. Population density is based on the 2005/2006 academic year enrollment.

The ORG provides funding on a 50/50 State and local match basis.

Career Technical Education Facilities Program

With the passage of Proposition 1D in 2006, \$500 million was made available for the Career Technical Education Facilities Program.

This program provides funding to school districts and joint powers authorities (JPA) for the construction of new Career Technical Education (CTE) facilities, modernization of existing CTE facilities, and/or purchase of equipment for the CTE program.

To be eligible for the program, the district must have an active career technical advisory committee. The application process was competitive due to limited funding. CTE program plans were reviewed and scored by the California Department of Education. Scores were based on the overall CTE plan for each course of study within the approved industry sector, enrollment projections, identification of feeder schools and industry partners, approval of the plan by these entities, outcome accountability, coordination with other area schools, and evidence that the district will meet all statutory obligations relating to CTE. Scores were used in the funding process when applications exceeded available funds.

Funding was provided on a 50/50 State and local match basis. Districts had the opportunity to request a loan for the local matching share amount. The loan term is up to 10 years.

The maximum grant amount was \$3 million for new construction and \$1.5 million for modernization projects.

Energy Efficiency (Supplemental Grant)

A total of \$20 million in bond authority was provided for Energy Efficiency in both Proposition 47 and Proposition 55.

The Energy Efficiency supplemental grant solely focused on providing funding for energy-saving features.

The average energy efficiency score of all buildings in the project had to exceed the nonresidential building energy efficiency standards specified in Part 6 of Title 24 of the California Code of Regulations by at least:

- 10% for Modernization
- 15% for New Construction

Energy efficiency components that could be included as part of the project include the following:

- Conservation
- Load reduction technology
- Peak-load shifting
- Solar water heating technology
- Ground source heating and cooling
- Photovoltaics
- Other technologies that meet emerging technology eligibility criteria

Districts were eligible to receive a graduated percentage (up to five percent of the project's base grant) based on their energy efficiency score.

High Performance Incentive Grant (Supplemental Grant)

\$100 million in bond authority was made available from Proposition 1D for purposes of the High Performance Incentive Grant.

This grant provided additional funds to New Construction, Modernization, Overcrowding Relief Grant, Critically Overcrowded Schools, Charter and Career Technical Education projects as an incentive to include *high performance* attributes in the project. High Performance attributes included project design that promotes energy and water efficiency, maximizes the use of natural lighting, improves indoor air quality, utilizes recycled materials, and materials that emit a minimum of toxic substances, and employs acoustics that are conducive to teaching and learning.

A High Performance Rating Criteria (HPRC) was established to determine the high performance attributes in a project, and assign each application a score that will directly correlate to the amount of additional funding a project receives. The Division of the State Architect reviewed the plans using the HPRC to determine the number of High Performance Credits attained in the project design and points were assigned. Points were converted to a percentage following criteria specified in SFP Regulations. The SFP Base Grant was increased from 2% to just over 11%, depending on the number of points achieved.

In addition, the program was modified to allow for a High Performance Base Incentive grant to cover additional costs associated with incorporating these attributes. The HPI Base grant was equal to \$150,000 for a new school and \$250,000 for a modernization project or a new construction project at an existing site.

Joint-Use Program

A total of \$129 million was provided through Proposition 47 (2002) and Proposition 55 (2004).

The Joint-Use Program allows school districts to use funds from a Joint-Use partner to build a Joint-Use project the district would not otherwise be able to build due to lack of financial resources.

Each project requires a Joint-Use partner that is a government agency, higher education provider, or non-profit organization.

School districts could apply for two types of Joint-Use projects: Type I and Type II. For both types, the district must have executed its construction contract after April 29, 2002, and enter into a Joint-Use Agreement with a Joint-Use partner.

Type I Project

- The project must increase the size, create extra cost, or do both for a multipurpose room, gymnasium, childcare facility, library, or teacher education facility.
- The Joint-Use project must be part of an SFP New Construction application.

Type II Project

- The project must reconfigure existing school buildings; construct new buildings, or both, to provide for a multipurpose room, gymnasium, childcare facility, library, or teacher education facility.
- The Joint-Use project must be part of an SFP modernization application, or it may be a stand-alone project.
- The school site cannot have the type of facility planned in the project or the existing facility must be inadequate.

The Joint-Use grant provides State funds on a 50/50 State and local sharing basis. The Joint-Use partner must provide a minimum of 25 percent of the eligible project costs.

Status of the SFP

Currently, bond authority for the core programs and most other programs under the SFP has essentially been exhausted.

- Bond authority for new construction was originally exhausted on 7/13/2012.
- Bond authority for modernization was originally exhausted on 5/4/2012.

The one area with bond authority remaining is the Seismic Mitigation Program. Other programs show small amounts of bond authority still available, but the majority of that authority will be allocated by the Board at its next meeting in February 2015.

Remaining Bond Authority – as of November 25, 2014

Remaining Bond Authority (in millions)	
Seismic Repair	\$ 142.4
Career Technical Education	\$ 0.5
Hardship	\$ 1.3
Modernization	\$ 1.4
Overcrowding Relief	\$ 3.0
New Construction	\$ 6.5
Charter School	\$ 9.0
High Performance Schools	\$ 32.2
Grand Total	\$ 196.3

Please note, pursuant to Education Code Sections 17070.965, 17078.73, and 101012, amounts in the High Performance or Career Technical Education accounts unallocated by the Board on or before December 31, 2014 shall be transferred to the new construction and modernization accounts (half to new construction, half to modernization).

Recent Program Changes

In response to a changing environment first due to the State's fiscal crisis and then due to a lack of bond authority, the State Allocation took several actions and made regulation changes to the way funding applications are accepted and processed. The result is seen in three different lists that are used to reflect changes to applications for SFP funds. The lists are as follows:

- Unfunded List (Lack of AB 55 Loans)
- "True" Unfunded List
- "Acknowledged" List

Of these three lists, only the first one – **Unfunded List (Lack of AB 55 Loans)** – represents projects that have bond authority available to them. This list was created to allow the Board a mechanism to provide approvals that would then become apportionments once general obligation bonds were sold to provide the cash associated with the bond authority that was for SAB approved projects. Prior to the use of this list, the Board made apportionments and cash was provided through the use of loans from the Pooled Money Investment Account. This practice ceased in December 17, 2008 in response to the State's fiscal crisis. Hence, the mechanism to provide cash to the projects with an unfunded approval was established and would occur twice a year (generally in Spring and Fall General Obligation Bond Sales).

To make the best use of limited cash from bond sales, the Board also adopted regulations that provided priority funding status to projects that could quickly begin construction within 90 days if an apportionment was provided. With the regulation change, this changed the process of allowing districts 18 months to access cash down to 90 days.

As bond authority dwindled, the Board took further action by approving regulations on January 23, 2013 to rescind bond authority from projects that failed to request their cash two times in the priority funding process. These regulations became effective on March 25, 2013.

The second list, the **"True" Unfunded List**, is a result of regulations that were still in effect at the time that bond authority was exhausted for new construction and modernization projects. The SFP regulations originally allowed for a creation of the Unfunded List where projects would be fully processed and approved by the Board. This list reflects projects received from May 10, 2012 through October 31, 2012 prior to new regulations adopted by the Board on September 19, 2012 that went into effect on November 1, 2012.

On September 19, 2012, the Board approved regulations creating the **"Acknowledged" List** (an informational list) and ceasing the use of the "True" Unfunded List. The Board determined that it was appropriate to stop fully processing applications when no bond authority is available. These regulations went into effect on November 1, 2012. The "Acknowledged" List regulations put forth the following:

- OPSC will not determine if the application is ready for apportionment by the Board
- The application must include a School Board Resolution that states the following:
 - Acknowledgment that the remaining SFP authority is currently exhausted for the funds requested on the application
 - Acknowledgement that the State of California is not obligated to provide funding for the project and acceptance of the application is not a guarantee of future State funding
 - Acknowledgement that any potential future bond measures for the SFP may not provide funds for the application being submitted

- Acknowledgement that criteria under a future State school facilities program may be substantially different from the current SFP and that the application may be returned
- Acknowledgement that election to commence pre-construction or construction activities is at the school board's discretion and that the State is not responsible
- If applicable, acknowledgement that if bond authority becomes available the district must apply for financial hardship status

In the event that bond authority becomes available from project rescissions, projects are able to move onto the Unfunded List (Lack of AB 55 Loans). This is first available to health and safety projects and then to projects on the other lists.

Unfunded List (Lack of AB 55 Loans)

New Construction
Applications Received
Prior to October 9, 2012

Modernization
Applications Received
Prior to May 10, 2012

"True" Unfunded List ¹

New Construction
Applications Received
October 9, 2012 to October 31, 2012

Modernization
Applications Received
May 10, 2012 to October 31, 2012

**"Acknowledged" List ^{1,2,3}
SFP Regulation Section 1859.95.1,
approved by SAB 9/19/12**

New Construction
Applications Received from
November 1, 2012

Modernization
Applications Received from
November 1, 2012

Unfunded List (Lack of AB 55 Loans)

- Fully processed by OPSC
- SAB Approved - Bond Authority
- Waiting for an Apportionment through Priority Funding round - no guarantee of future funding.

"True" Unfunded List

- Fully processed by OPSC
- SAB Approved - no Bond Authority
- No guarantee of future funding or bond authority.
- Could be placed on "Lack of AB 55 Loans" List if bond authority becomes available under current program.

"Acknowledged" List

- Informational List
- Accepted but not processed by OPSC.
- SAB acknowledges but does not approve.
- No guarantee of future funding or bond authority.
- School board resolution required with submittal of application. (See full language in footnote 3 below.)

¹ Applications on this List have no Bond Authority or guarantee of future funding.
² If a school facilities program is approved in the future, it is unknown whether these projects will be processed or eligible for funding under the new criteria.
³ Pursuant to Regulation Section 1859.95.1, adopted by the State Allocation Board on 9/19/12, to submit an application to the "Acknowledged" List, a school district must provide a school board resolution certifying that the school board makes several acknowledgements, as follows:
 "(b) A resolution from the governing board of the school district shall be submitted with the Form SAB 50-04 prior to the Approved Application being placed on the Applications Received Beyond Bond Authority List, pursuant to paragraph (a) of this Regulation. A School District's governing board resolution shall include paragraphs (b)(1) through (b)(5) or, if applying for financial hardship funding, paragraphs (b)(1) through (b)(6).
 (1) The school board acknowledges that the remaining School Facility Program bond authority is currently exhausted for the funds being requested on this application.
 (2) The school board acknowledges that the State of California is not expected nor obligated to provide funding for the project and the acceptance of the application does not provide a guarantee of future State funding.
 (3) The school board acknowledges that any potential future State bond measures for the School Facility Program may not provide funds for the application being submitted.
 (4) The school board acknowledges that criteria (including, but not limited to, funding, qualifications, and eligibility) under a future State school facilities program may be substantially different than the current School Facility Program. The district's Approved Application(s) may be returned.
 (5) The school board acknowledges that they are electing to commence any pre-construction or construction activities at the district's discretion and the State is not responsible for any pre-construction or construction activities.
 (6) The school board acknowledges that, if bond authority becomes available for the Board to provide funding for the submitted application, the School District must apply for financial hardship status." (for financial hardship funding only)

As of January 27, 2015.