

*Yearly Report on the  
State General Obligation Bond Measure  
for the School Facility Program*

Report to the Legislature and Department of Finance  
January 2007

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## EXECUTIVE SUMMARY

Government Code 16724.4 (for full text see Attachment A) requires the Department of General Services (DGS) to provide to the Legislature and the Department of Finance a report that contains a list of all projects and their geographical location that have been funded with bonds approved after January 1, 2004.

Proposition 55 is the first bond measure subject to this requirement. Approved by California voters in March 2004, Proposition 55 allows the State to issue \$12.3 billion of General Obligation Bonds for construction and renovation of K–12 school facilities and higher education facilities. Of the \$12.3 billion provided by Proposition 55, \$10 billion is earmarked for K–12 school districts to address overcrowding, accommodate future enrollment growth, renovate and modernize older school buildings, and allow participation from the community through joint-use partnerships.

The State Allocation Board (SAB) is responsible for determining the allocation of General Obligation Bond funds for the new construction and modernization of public school facilities. The Office of Public School Construction (OPSC), within the DGS, is staff to the SAB and is responsible for the management of these funds and the expenditures made with them.

This report was prepared by the OPSC and includes a summary of Proposition 55 and a brief introduction to the SAB, the OPSC, and the School Facility Program (SFP). The main body of the report is the mandated listing of all districts and county offices of education that have been appropriated bond funds from Proposition 55 by program, county, school district, school/project name, OPSC application number, total funds apportioned including the State, financial hardship, and district contributions, and the date funds were last apportioned by the SAB.

As of December 6, 2006, the SAB has apportioned \$5.08 billion for new construction projects and \$2.23 billion for modernization projects. Approximately \$7.31 billion of the bond proceeds have been allocated representing more than 208,000 new seats for California's schoolchildren and 463,000 pupils have been provided safe, accessible, and updated school facilities.

## BACKGROUND

### Proposition 55

This bond measure was approved by California’s voters in March 2004 and is the third measure allowing the State to issue bonds for the SFP since its inception in 1998. The K–12 portion of the measure is summarized as follows:

Purpose	Bond Allocation
New Construction	\$ 5,260,000,000 <sup>1</sup>
Modernization	2,250,000,000
Critically Overcrowded Schools	2,440,000,000
Joint Use	50,000,000
	<hr/>
Total K–12	\$ 10,000,000,000

**New Construction:** A total of \$5.26 billion was made available to buy land and construct new school buildings. A district is required to pay for 50 percent of the costs with local resources unless it qualifies for State financial hardship funding. The measure also provides that up to \$300 million of these new construction funds is available for charter school facilities. Charter schools are public schools that operate independently of many of the requirements of regular public schools.

**Modernization:** The proposition makes \$2.25 billion available for the reconstruction or modernization of existing school facilities. A district is required to pay 40 percent of project costs from local resources unless it qualifies for State financial hardship funding.

**Critically Overcrowded Schools:** This proposition provides an additional \$2.44 billion to districts with schools which are considered critically overcrowded. These funds are for districts to construct new or additional classrooms at existing sites to relieve the overcrowded school sites.

**Joint-Use Projects:** The measure makes a total of \$50 million available to fund joint-use projects. These funds are available to encourage partnerships between school districts and local communities to share facilities such as libraries, gymnasiums, multi-purpose rooms, childcare, and teacher education facilities. Costs to build these facilities are shared by the State, school district, and the joint-use partner.

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<sup>1</sup> Includes \$20 million to increase the grants for projects with qualifying energy efficiency provisions for new construction.

## OVERVIEW OF THE SAB AND OPSC

### State Allocation Board

Created in 1947 by the State Legislature, the SAB is responsible for determining the allocation of State resources including proceeds from General Obligation Bond issues and other designated State funds used for the new construction and modernization of public school facilities. The SAB is also charged with the responsibility for the administration of the Deferred Maintenance Program, Emergency Repair Program, State Relocatable Classroom Program, and several other facilities related programs. Handbooks on these programs may be found on the OPSC Web site at [www.opsc.dgs.ca.gov](http://www.opsc.dgs.ca.gov). Printed copies may be obtained by contacting the OPSC directly. The SAB typically meets monthly at the State Capitol. At each meeting, the SAB reviews and approves applications for eligibility and funding, acts on appeals, and adopts policies and regulations as they pertain to the programs that the SAB administers.

The SAB is comprised of the following ten members:

- » Michael Genest, Director, Department of Finance (Traditional SAB Chair)
- » Ron Joseph, Director, Department of General Services
- » Jack O'Connell, Superintendent of Public Instruction
- » Rosario Girard, Governor's Appointee
- » Alan Lowenthal, Senator
- » Bob Margett, Senator
- » Jack Scott, Senator
- » Vacant, Assembly Member
- » Vacant, Assembly Member
- » Vacant, Assembly Member

### Office of Public School Construction

The OPSC serves the 1,000 plus K–12 public school districts in California. As staff to the SAB, the OPSC is responsible for providing assistance necessary to carry out the law, regulations, policies, and programs of the SAB. The primary function of the OPSC is to administer the monetary resources available to the SAB from various sources. The SAB, in turn, is called upon to make funding apportionments.

The OPSC also advises the SAB on policy issues, legislative implementation, and the utilization of bond funds. In addition to this advisory role and carrying out the mandates of the SAB, the OPSC develops regulations to ensure the efficiency of apportionments and other processes associated

with SAB approval. At the direction of the SAB, OPSC staff processes applications, and prepares and distributes handbooks and other informational materials to assist school districts with the application processes for different programs. The OPSC also monitors school facilities legislation, performs onsite inspections, and conducts or participates in training and other school facilities seminars—all in an effort to ensure that as many school housing needs as possible are met.



## **SCHOOL FACILITY PROGRAM SUMMARY AND APPORTIONMENTS MADE FROM PROPOSITION 55**

Following is a brief overview of the new construction and modernization programs that constitute the major portion of the SFP. The Critically Overcrowded School Facilities Program, Joint-Use, and Charter Schools Facilities Program are programs within the SFP. More detailed descriptions and information on these programs is contained in the *School Facility Program Handbook* available on the OPSC Web site, [www.opsc.dgs.ca.gov](http://www.opsc.dgs.ca.gov).

### **New Construction and Modernization**

Chapter 407, Statutes of 1998 (Senate Bill 50 – Greene) established the SFP. The SFP began in late 1998 and is a significant change over previous State facilities programs. The State funding is provided in the form of per pupil grants, with supplemental grants for site development, site acquisition, and other project specific costs when warranted. This process makes the calculation of the State participation quicker and less complicated. In most cases, the application can be reviewed, the appropriate grants calculated, and SAB approval received within 120 days, regardless of project size. In addition to a less complicated application process, the SFP provides greater independence and flexibility to the school district to determine the scope of the new construction or modernization project. In return, the program requires a school district to accept more responsibility for the outcome of the project, while allowing the district to receive the rewards of a well-managed project. All State grants are considered to be the full and final apportionment by the SAB. Cost overruns, legal disputes, and other unanticipated costs are the responsibility of the district. On the other hand, all savings resulting from a district's efficient management of the project accrue to the district alone. In addition, interest earned on the funds, both State and local, belongs to the district. Savings and interest may be used by the district for any other high priority capital outlay project(s) in the district.

The SFP provides a funding source in the form of grants for school districts to acquire school sites, construct new school facilities, or modernize existing school facilities. The two major funding types available are "new construction" and "modernization". The new construction grant provides funding on a 50/50 State and local match basis. The modernization grant provides funding on a 60/40 basis. Districts that are unable to provide some or all of the local match requirement and are able to meet the financial hardship provisions may be eligible for additional State funding.

Eligibility for a new construction grant is based on a district's need to house pupils. The new construction grants are intended to provide the State's share for all necessary project costs which include, but are not limited to, funding for design, the construction of the building, education

technology, energy efficiency components, tests, inspections, and furniture/equipment. In addition, grants are available for site acquisition, utilities, off-site, general site, service site development, and other unique circumstances (e.g., multi-level or urban construction, geographic location, etc.).

Eligibility for a modernization grant is based on a district's need to house pupils in an existing safe, well-maintained, and modern facility. In order to qualify for modernization, a permanent school facility must be a minimum of 25 years old. The qualifying age factor for relocatable buildings is at least 20 years old. The modernization grant is intended to provide the State's share for all necessary project costs. A higher per pupil grant amount and a grant for utilities is available for pupils housed in permanent facilities 50 years or older. Districts that received apportionments for facilities at least 25 years ago for permanent facilities or 20 years ago for portable facilities may also qualify for an additional modernization apportionment. Additional grants are also available for accessibility requirements, automatic fire alarms, and other unique circumstances.

All new construction and modernization funding apportionments made by the SAB from the proceeds of Proposition 55 are listed on Attachments B and C, respectively.<sup>2</sup> As of the April 26, 2006, SAB meeting, all of the Proposition 55 funds for modernization have been essentially exhausted.

Definitions for terms found in the "Status" column of Attachments B and C are as follows:

<b>"Apportioned"</b>	The project has been apportioned, but the funds have not yet been released.
<b>"Funds Released"</b>	Funds have been released for the project; however, the district has not been required yet to submit an expenditure report, which is required one year after the funds have been released. In order to have the funds released, a district must certify that it has entered into a binding contract for at least 50 percent of the construction in the plans. Note that design funds are automatically released to the district within 30 days of the apportionment. For more information regarding which funds have been released for a specific project, please check project tracking on the OPSC Web site.

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<sup>2</sup> On the lists, the State share column represents 50 percent for new construction and 60 percent for modernization with the district share equaling 50 percent and 40 percent, respectively. The sum of the 'Financial Hardship' and 'District Contribution' columns represents the total district share. In some instances, the total district share may not equal the 50 percent or 40 percent value, depending on the program, as a portion of the project was apportioned with funds from previous bond measures. In addition, some of the modernization applications were received before April 29, 2002, and therefore, the State and district shares are 80 percent and 20 percent, respectively.

- “Percent Complete”** The district has submitted an expenditure report detailing the percentage of the project completed. The project currently is not closed.
- “Closed”** The project is complete and has been closed.

### **Joint-Use Program**

This program, created by Chapter 33, Statutes of 2002 (AB 16 – Hertzberg) allows a school district to partner with the local community to build a facility in which both entities can share in the costs as well as the use of the facility during the school days, evenings, and weekends. There are two types of joint-use projects that the district may apply for, which are referred to as Type I and Type II. A Type I joint-use project is part of a qualifying new construction project that will increase the size, include additional costs of enhancements, or does both beyond that necessary for school use of the following facilities:

- » Multipurpose room
- » Gymnasium
- » Childcare facility
- » Library
- » Teacher Education facility

A Type II joint-use project is a stand-alone project or part of a modernization project located at a school site that does not have the type of facility or the existing facility is inadequate and will reconfigure existing school buildings, construct new school buildings, or both to provide for the following facilities:

- » Multipurpose room
- » Gymnasium
- » Childcare facility
- » Library
- » Teacher Education facility
- » Pupil Academic Achievement facility if the plans are accepted by the Division of the State Architect for review and approval prior to January 1, 2004.

The funding for joint-use projects is provided in the form of grants and supplemental grants. The State share for a joint-use project is 50 percent of the eligible project costs, with the joint-use partner contributing a minimum of 25 percent of the eligible project costs and the district contributing 25 percent of the eligible project costs.

The SAB accepts applications for funding from June through May of each year based on the application filing timelines prescribed in law. For the 2004/2005 funding cycle, \$16.8 million of the \$50 million available was allocated to districts across the State. For the 2005/2006 funding cycle, the remaining \$35.4 million was allocated to districts throughout the State.

All apportionments made by the SAB from the proceeds of Proposition 55 for the joint-use program are listed on Attachment D. The definitions for terms found in the "Status" column of Attachments B and C also applies to Attachment D. All Proposition 55 bond funds for the joint-use program were exhausted at the August 23, 2006, SAB meeting.

### **Critically Overcrowded School Facilities Program**

The Critically Overcrowded School Facilities Program was established under Chapter 33, Statutes of 2002 (AB 16 – Hertzberg), within the SFP, for the construction of K–12 school facilities. The Critically Overcrowded School Facilities Program is unique in that it permits school districts with critically overcrowded school facilities, as determined by the California Department of Education, to apply for a preliminary apportionment for new construction projects to relieve overcrowding in advance of meeting all of the SFP requirements. The Critically Overcrowded School Facilities Program's preliminary apportionment supplements the new construction provisions of the SFP and serves only as a reservation of funds for future State assistance in the form of grants. A preliminary apportionment for a Critically Overcrowded School Facilities Program project must be converted within a four-year period to a final adjusted grant apportionment. This apportionment must meet all the SFP New Construction Program criteria required for a construction apportionment. A single one-year extension may be granted.

All Critically Overcrowded School Facilities Program preliminary apportionments made by the SAB with funds from Proposition 55 are listed on Attachment E. The "Status" column of Attachment E notes, "In Development," which indicates that a Critically Overcrowded School Facilities Program project has not yet converted from a Preliminary Apportionment to a Final Apportionment.

### **Charter Schools Facilities Program**

Chapter 935, Statutes of 2002 (AB 14 – Goldberg), established a pilot program known as the Charter Schools Facilities Program to provide charter schools with funding to construct new facilities. Proposition 55 allocated \$300 million, allowing for another round of funding for the construction of charter school facilities in addition to \$100 million provided for under Proposition 47.

Charter schools are able to access State facility funding directly or through the school district where the charter school is physically located. Applicants receive a preliminary apportionment from the SAB, which reserves funding for the charter school while the project is designed and the necessary State approvals are received. The OPSC works closely with the California School Finance Authority, which is responsible for determining the financial viability of each applicant. To qualify for funding, a charter must be deemed financially sound by the California School Finance Authority. The preliminary apportionment for a Charter Schools Facilities Program project must be converted within a four-year period to a new construction adjusted grant apportionment, meeting all the SFP new construction program criteria required for such an apportionment, unless a single one-year extension is granted.

The need for charter school funding proved to be greater than the amount available. In February 2005, the SAB approved apportionments for 28 projects totaling \$276.8 million. All charter school preliminary apportionments made by the SAB with funds from Proposition 55 are listed on Attachment F. The "Status" column of Attachment F notes one of two circumstances; either: "In Development," which indicates that a Charter Schools Facilities Program project has not yet converted from a Preliminary Apportionment to a Final Apportionment; or, "Funds Released," which indicates that funds have been released; however, the district has not submitted an expenditure report for the project.

## **ATTACHMENT A – GOVERNMENT CODE**

**16724.4.** Any state bond measure approved by the voters on or after January 1, 2004, shall be subject to an annual reporting process, as follows:

- (a) The head of the lead state agency administering the bond proceeds shall report to the Legislature and the Department of Finance no later than January 1, 2005, or the January 1 of the second year following the enactment of the bond measure, whichever is later, and at least once a year thereafter. The annual report shall contain all of the following:
  - (1) A list of all projects and their geographical location that have been funded or are required or authorized to receive funds.
  - (2) The amount of funds allocated on each project.
  - (3) The status of any project required or authorized to be funded.
- (b) Costs of the report may be included in the cost of administering the bond measure unless the measure specifically prohibits those expenses.