

Final Report on the
USE OF SURPLUS SITE PROCEEDS

Report to the Legislature and State Allocation Board

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EXECUTIVE SUMMARY

Pursuant to Education Code (EC) Section 17463.7(f), the Office of Public School Construction (OPSC) is submitting this final report to the State Allocation Board (Board) and the budget, education policy, and fiscal committees of the Legislature by January 1, 2026, that identifies the school districts that have exercised the authority to deposit proceeds from the sale or lease of surplus real property, as specified, into the general fund of the school district and use the proceeds for any one-time general fund purpose. To date, four school districts have used the authority on six occasions.

BACKGROUND

In March 2020, Governor Newsom issued Executive Order N-25-20, which proclaimed that a state of emergency existed in California as a result of the threat of the coronavirus (COVID-19) pandemic. Many school districts switched to online distance learning which impacted school districts' ability to maintain normal operations.

Senate Bill (SB) 98 (Committee on Budget and Fiscal Review, Chapter 24, Statutes of 2020) was chaptered on June 29, 2020. SB 98 was an education omnibus budget trailer bill that provided schools with the resources and flexibility necessary to provide quality public education during the COVID-19 pandemic. In part, SB 98 added EC Section 17463.7, which was amended shortly after by SB 820 (Committee on Budget and Fiscal Review, Chapter 110, Statutes of 2020), chaptered on September 18, 2020.

EC Section 17463.7(a) expanded, until July 1, 2024, the purposes for which a school district may deposit the proceeds from the sale or lease of surplus real property – together with any personal property located on the property, purchased with nonstate funds – into the general fund of the school district and may use the proceeds for any one-time general fund purpose, as provided. EC Section 17463.7(c) required a school district to submit a certification to the State Allocation Board before it exercised the authority granted in the section, indicating that the sale of the real property does not violate provisions of a local bond act and that the real property is not suitable to meet projected school construction needs for the next 10 years.

EC Section 17463.7(g) provides that, for any transaction for the sale or lease of surplus property a school district initiated pursuant to this section before June 30, 2024, the proceeds from the transaction that are received after June 30, 2024, shall be considered proceeds that can be deposited in accordance with this section. This subdivision is operative until EC Section 17463.7 is repealed as of January 1, 2027.

EC Section 17463.7(f) requires OPSC to submit an interim report by June 1, 2022 and a final report by January 1, 2026 to the Board and the budget, education policy and fiscal committees of the Legislature identifying the school districts that exercised the authority

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granted by this section, the amount of proceeds involved, and the purposes for which those proceeds were used.

SCHOOL DISTRICTS USING EC SECTION 17463.7

To date, four school districts have used the authority granted by EC Section 17463.7 on six occasions:

- April 2021: A district requested \$3.0 million to be used for the school district's general fund stabilization plan and for interfund support of the fee-based childcare program (to supplement loss of revenue due to COVID-19).
- January 2024: A district requested \$14.6 million to fund an early retirement incentive, textbook adoption, computer purchases, technology infrastructure, vehicles, and green initiatives.
- February 2024: A district requested \$10.1 million to be used for a stabilization plan, student textbooks, capital outlay projects, technology infrastructure, and certification of participation Series 2010A.
- March 2025: A district requested \$26.6 million to be used for early retirement and hiring incentives, textbook adoption, computer purchases, technology infrastructure, green initiatives, a special reserve for capital expenditures, and safety and security investments.
- October 2025: A district requested \$11 million to be used for early retirement incentives, textbook adoption, computer purchases, school bus and van purchases, and the school district's general fund stabilization plan.
- October 2025: A district requested \$4.2 million to be used for AB 218 settlement payments.

The following table outlines these requests.

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School Districts Using EC Section 17463.7

June 29, 2020 to October 22, 2025

School District	County	Books and Supplies	Capital Outlay	Employee Benefits	Other Expenses	Reserves	Services and Other Operating Expenses	Proceeds Amount
Charter Oak Unified	Los Angeles					✓	✓	\$3,000,000.00
Oak Grove Elementary	Santa Clara	✓	✓	✓	✓			\$14,641,932.33
Charter Oak Unified	Los Angeles	✓	✓		✓	✓		\$10,100,000.00
Oak Grove Elementary	Santa Clara	✓	✓	✓	✓			\$26,625,000.00
Pleasanton Unified	Alameda	✓		✓	✓	✓		\$11,000,000.00
Carpinteria Unified	Santa Barbara				✓			\$4,200,000.00

Grand Total \$69,566,932.33

EDUCATION CODE SECTION 17463.7

- (a) Notwithstanding any other law, a school district may deposit the proceeds from the sale or lease of surplus real property, together with any personal property located on the property, purchased with nonstate funds, into the general fund of the school district and may use the proceeds for any one-time general fund purpose. If the purchase of the property was made using the proceeds of a local general obligation bond or revenue derived from developer fees, the amount of the proceeds of the transaction that may be deposited into the general fund of the school district may not exceed the percentage computed by the difference between the purchase price of the property and the proceeds from the transaction, divided by the amount of the proceeds of the transaction. For purposes of this section, proceeds of the transaction means either of the following, as appropriate:
- (1) The amount realized from the sale of property after reasonable expenses related to the sale.
 - (2) For a transaction that does not result in a lump-sum payment of the proceeds of the transaction, the proceeds of the transaction shall be calculated as the net present value of the future cashflow generated by the transaction.
- (b) The State Allocation Board shall reduce an apportionment of hardship assistance awarded to the particular school district pursuant to Article 8 (commencing with Section 17075.10) of Chapter 12.5 of Part 10, except an apportionment of hardship assistance awarded pursuant to paragraph (2) of subdivision (b) of Section 17075.10, by an amount equal to the amount of the sale of surplus real property used for a one-time expenditure of the school district pursuant to this section.
- (c) Before a school district exercises the authority granted pursuant to this section, the governing board of the school district shall first submit to the State Allocation Board documents certifying both of the following:
- (1) The sale of real property pursuant to this section does not violate the provisions of a local bond act.
 - (2) The real property is not suitable to meet projected school construction needs for the next 10 years.
- (d) Before the school district exercises the authority granted pursuant to this section, the governing board of the school district shall adopt a plan at a public meeting for expending one-time resources pursuant to this section. The plan shall identify the source and the intended use of the surplus property proceeds and describe the reasons why the expenditure will not result in ongoing fiscal obligations for the school district.
- (e) (1) Except for the sale or lease of surplus real property that has previously operated, or was constructed to be operated, as an early childhood education facility or a school for elementary and secondary instruction, the governing board of a school district shall not be required to appoint a school district advisory committee pursuant to Article 1.5 (commencing with Section 17387).

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- (2) It is the intent of the Legislature to allow a school district to meet the requirements to offer surplus properties set forth in the Education and Government Codes by making an offer simultaneously to all applicable entities.
- (f) The Office of Public School Construction shall submit an interim and a final report to the State Allocation Board and the budget, education policy, and fiscal committees of the Legislature that identifies the school districts that have exercised the authority granted by this section, the amount of proceeds involved, and the purposes for which those proceeds were used. The interim report shall be submitted by June 1, 2022, and the final report shall be submitted by January 1, 2026.
- (g) For any transaction for the sale or lease of surplus property a school district initiates pursuant to this section before June 30, 2024, the proceeds from the sale or lease transaction that are received after June 30, 2024, shall be considered proceeds that can be deposited in accordance with this section.
- (h) Subdivisions (a) to (e), inclusive, shall become inoperative on July 1, 2024, subdivision (f) shall become inoperative on January 15, 2026, and this section as of January 1, 2027, is repealed.

*(Amended by Stats. 2021, Ch. 124, Sec. 17. (AB 938) Effective January 1, 2022.
Repealed as of January 1, 2027, by its own provisions.)*