REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, December 11, 2018

SCHOOL DISTRICT DATA	
School District: ..... ROSS VALLEY	County:..... MARIN
Application Number:..... 50/75002-00-002	School Name: ..... WHITE HILL MIDDLE
Total District Enrollment:.....2,240	Project Grade Level: 6-8
Financial Hardship: ..... NO	

PURPOSE OF REPORT

To present the District's request to approve an application for funding based on eligibility generated from an enrollment period that differs from the enrollment period in which the application was processed.

DESCRIPTION

The District is requesting the Board's approval of a new construction project for approximately $3.3 million in State funding for placement on the Unfunded List (Lack of AB55 Loans). The District had sufficient new construction eligibility for the project at the time the funding application was submitted in October 2013, but did not have sufficient eligibility at the time of initial processing during the 2017/18 enrollment year. Thus the District is requesting to use its new construction eligibility that was available at the time of application submittal to support its request for new construction funding. If the first proposal is not granted, the District has requested to use projected enrollment for 2018/19 to generate the eligibility needed to fund the project.

AUTHORITY

See Attachment A.

BACKGROUND

Ross Valley School District is located in Marin County and based on its enrollment of less than 2,501 is considered a Small School District for purposes of the School Facility Program (SFP). In April 2010, the Board approved the establishment of New Construction eligibility for the District based on 2008/09 enrollment. The resulting new construction eligibility was as follows:

Ross Valley Established Eligibility (April 2010)				
K-6	7-8	9-12	Non-Severe	Severe
754	(-208)	0	19	0

As a Small School District, per SFP Regulation Section 1859.51, this eligibility was locked for three years until October 31, 2013. On October 28, 2013, the District submitted an *Application for Funding* (Form SAB 50-04) for the construction of nine classrooms using 189 K-6 pupils and 19 Non-Severe pupils. At the time, new construction bond authority was exhausted and the application was placed on the Applications Received Beyond Bond Authority (ARBBA) List. In accordance with SFP Regulations, the District submitted the required board resolution acknowledging the following along with its application for funding:

- That the remaining SFP bond authority is currently exhausted for the funds being requested on these applications.
- That the State of California is not expected nor obligated to provide funding for the projects and the acceptance of the applications does not provide a guarantee of future State funding.

BACKGROUND (cont.)

- That any future State bond measures for the SFP may not provide funds for the applications being submitted.
- That criteria under a future State school facilities program may be substantially different that the current SFP. The District's Approved Application(s) may be returned.
- That they are electing to commence any pre-construction or construction activities at the District's discretion and that the State is not responsible for any pre-construction or construction activities.

In November 2016 voters approved the Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (Proposition 51) which provided $3 billion for new construction.

Demonstration of Need for New Construction Projects
At the June 5, 2017 meeting the Board took action to move all projects from the ARBBA List to OPSC's workload list and require districts to update new construction eligibility for the enrollment year in which the application is processed by OPSC in order to demonstrate a current need for additional classrooms. The enrollment updates originally submitted with districts' funding applications represented eligibility or facility needs at that time. After Proposition 51 passed, the Board wanted to ensure that new bond funds were provided only for new construction projects with current eligibility needs. At the same meeting, the Board stated that it would consider appeals on a case-by-case basis for districts whose project(s) is deemed ineligible or eligible for less funding than originally requested due to updated eligibility information.

In accordance with the Board's action, districts are required to submit an *Enrollment Certification/Projection* (Form SAB 50-01) to update their eligibility within 90 days of receiving notification from OPSC that a project will be processed. On December 4, 2017, OPSC notified the District that its project was scheduled to be processed and a Form SAB 50-01 for the 2017/18 enrollment period must be submitted. OPSC received the District's Form SAB 50-01 on February 2, 2018. Upon processing, OPSC determined that the District could no longer demonstrate the eligibility to support its funding application, as there was no longer a projection of unhoused pupils that exceeded the District's facility capacity. In response, the District submitted a *School District Appeal Request* (Form SAB 189) for the Board's consideration.

During the appeal review process, the current year enrollment data for 2018/19 became available. To demonstrate a current need for facilities, the District submitted a 2018/19 enrollment projection that, if approved, would generate approximately 82 percent of the eligibility that was originally requested on the funding application for the project, which represents 155 K-6 and 15 Non-Severe pupil grants.

STAFF ANALYSIS/STATEMENTS

At the time of original submittal of the funding application in 2013, the District had sufficient new construction eligibility to support the project at White Hill Middle School. Because Ross Valley is a Small School District, the 2013 funding application was based on 2008/09 eligibility and was still available for the District to use for its funding application based on the statutory and regulatory provisions that allow Small School Districts to lock eligibility in place for up to 3 years. Although the enrollment update submitted to OPSC for the 2017/18 enrollment year reflects a negative amount of new construction eligibility, the District's enrollment has since increased and the District anticipates that it will continue to grow. Therefore, the District is requesting Board approval to use the eligibility it had in 2013 when OPSC received the funding application. The District and Staff Positions presented below include an overview and analysis of the factors related to the change in the District's eligibility for the Board's consideration.

STAFF ANALYSIS/STATEMENTS (cont.)

District Position

The full text of the District's request is included as Attachment B.

Staff Position

The District submitted a funding application for a new construction project on October 28, 2013 requesting to use 189 K-6 and 19 Non-Severe pupil grants for the construction of seven 7-8 classrooms and two non-severe special education classrooms. Because the District did not have new construction eligibility in the 7-8 grade level, it requested K-6 pupil grants as allowed by the program. On the submittal date, the District had the new construction eligibility necessary to support the project. In accordance with the Board's action on June 5, 2017, all new construction projects must be justified by a current enrollment projection in the same enrollment reporting year in which the application for funding is processed to ensure that the district is receiving funding based on a current need.

Since OPSC began reviewing the appeal, the 2018/19 enrollment period began on November 1, 2018. A review of the District's 2018/19 enrollment update demonstrates that the District would have approximately 82 percent of the eligibility and approximately 97 percent of the funding it would have received for the project if it had been funded in 2013. The following table presents a comparison of the funding options presented in this item.

White Hill Middle School Funding Comparison				
Enrollment Year	K-6 Pupil Grants	Non-Severe Pupil Grants	SFP Grant Amount	*Estimated State Share
2008/09	189	19	2013	$2,202,397
2018/19	155	15	2018	$2,131,460

If the SAB approves the District's Appeal Request, the District would receive $481,467 more than staff's supported Board Option #1 (not including site development grants).

District's Appeal Request				
Enrollment Year	K-6 Pupil Grants	Non-Severe Pupil Grants	SFP Grant Amount	*Estimated State Share
2008/09	189	19	2018	$2,612,927

*Site development grants will be updated as needed, depending on the action taken on this item and are not included in the table above. Staff will present the appropriate site development funding amounts at a future Board meeting, if necessary.

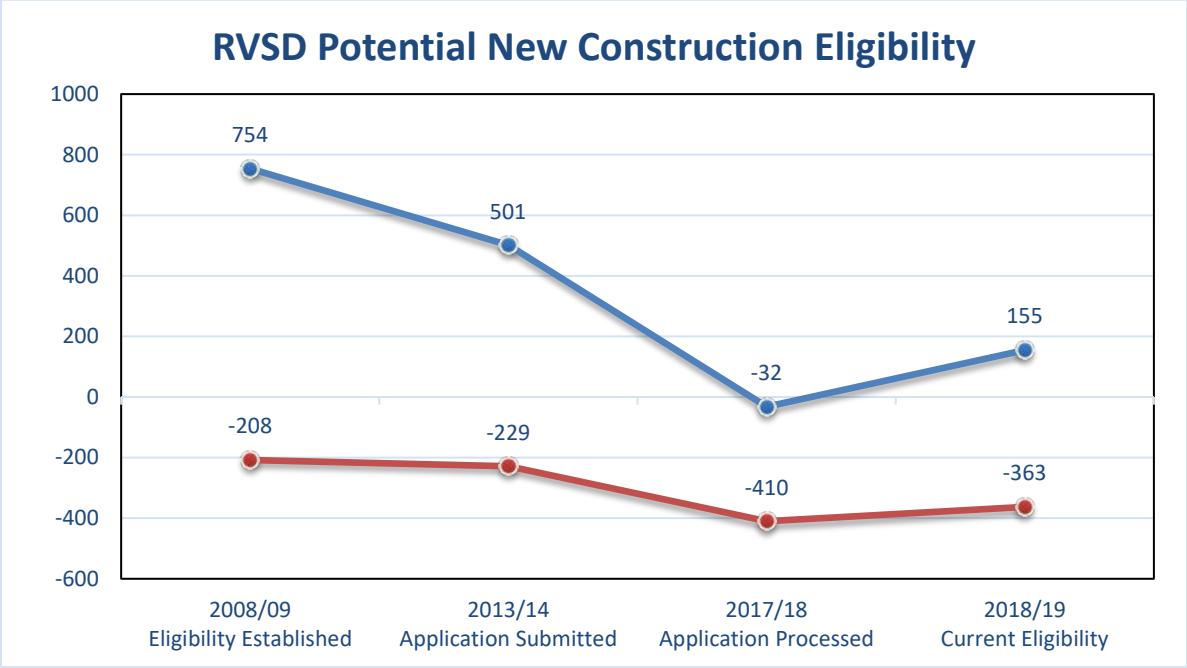
Enrollment Projections & Cohort Method

To determine new construction eligibility, a district must demonstrate that existing seating capacity within a district is insufficient to house the anticipated future enrollment generated by the enrollment projection on the Form SAB 50-01 using the Cohort Survival Enrollment Projection (Cohort) method. The Cohort is the mathematical means used to determine a district's enrollment projection. It estimates what a district's enrollment will be in five or 10 years by observing the trend of enrollment (increasing or decreasing) between grade levels, projecting that the same trend will continue for five or 10 years. This provides districts with the ability to plan future construction activities accordingly. If a district is experiencing a declining enrollment trend, any enrollment projections submitted during that time of decline would likely result in a downward projection of a district's future eligibility. If enrollment

STAFF ANALYSIS/STATEMENTS (cont.)

is trending upwards it is likely that a district's eligibility would increase to account for the projected number of additional pupils.

Analysis of the District's New Construction Eligibility
The District established eligibility in the 2008/09 enrollment period with a total of enrollment of 1,935 K-8 pupils. The District experienced enrollment growth until the 2016/17 enrollment period when it experienced declines for two consecutive years; a decline of 95 pupils the first year and 15 pupils the second year. Then in the 2018/19 enrollment period, the District experienced a 38 pupil increase. These enrollment fluctuations had corresponding impacts on the District's overall enrollment projection for each of those years. The graph below demonstrates that the District's resulting eligibility was declining and with two consecutive years of increased enrollment, the District's enrollment is now on an upward trend.



Alternative Request - Use of 2018/19 Enrollment
While the District has requested the Board to consider allowing it to use its eligibility at the time of the application submittal, as an alternative the District has also requested the Board to use the 2018/19 enrollment projection to generate the eligibility needed to qualify its project for SFP funding. At the time of processing in April 2018, the District submitted, and Staff processed, the District's 2017/18 enrollment projection, as required. As shown above, this resulted in a negative adjustment to the new construction eligibility baseline and the District no longer having sufficient eligibility to apply for SFP funding. As OPSC continued with the appeal process, the District's 2018/19 enrollment data became available on November 1. Thus, OPSC requested the data for comparison. The increased enrollment from 2017/18 to 2018/19 would result in positive new construction eligibility in the K-6 and Special Day Class grade levels. If approved, the District would have sufficient eligibility to justify 82 percent of the pupil grants originally requested as shown in the table below.

	Ross Valley Eligibility Comparison				
	K-6	7-8	9-12	Non-Severe	Severe
2008/09	189	(208)	0	19	0
2017/18	(32)	(410)	0	4	14
2018/19	155	(363)	0	15	31

STAFF ANALYSIS/STATEMENTS (cont.)

Status of the Project

The District's new construction project is complete and began housing students December 4, 2013 after the application was submitted to OPSC. To fund the project at White Hill Middle School, the District raised funds locally through a school district bond (Measure A) to cover the total cost of $24.4 million. The District states that if it does not receive this new construction funding it will not be able to complete other projects within the District that were part of its local bond.

Conclusion

Staff is providing the Board with options below to address the District's requests. Staff only supports Option 1 as it provides funding based on current enrollment (18/19) projections to generate the eligibility for facility needs using methodologies supported by SFP Regulations and Board action. This option conforms with the Board's intention of funding projects based on current facility needs at the time of application processing.

If action is not taken the Form SAB 50-04 would be returned/revoked without further Board action.

BOARD OPTIONS

Pursuant to the Rules and Procedures of the State Allocation Board, "Staff is providing the following options for the Board's consideration. A positive vote by six members is required for the Board to take action that is an alternative to Staff's administrative action. Absent a positive vote by six members of the Board, Staff's administrative action will stand and the school district's appeal will be considered closed."

Two options for the Board's consideration are presented on the following page.

BOARD OPTIONS (cont.)

Option 1
Approve the District's alternative request for use of pupil grant eligibility based on the current 2018/19 enrollment period for the New Construction funding application at White Hill Middle School.

Considerations:

- District would receive approximately $2,131,460, absent site development, if funded at 2018 per-pupil grant level.
- District would be funded based on current need and consistent with the Board's action taken on June 5, 2017.
- If the project were approved for placement on the Unfunded List (Lack of AB 55 Loans) in 2018 using currently available eligibility, the District would receive approximately $71,000 less than if it had been processed and funded in 2013.
- Appeal process resulted in a new enrollment period starting and 2018/19 enrollment data becoming available.

Option 2
Approve the District's request to use pupil grant eligibility available at the time of application submittal (2013) for the New Construction funding application at White Hill Middle School.

Considerations:

- District would receive approximately $2,612,927, absent site development, if funded at 2018 per-pupil grant level.
- Project would be funded based on facility needs from a 2008/09 enrollment projection as opposed to current facility needs, which would not comply with the action taken by the Board on June 5, 2017.
- If the project were approved for placement on the Unfunded List (Lack of AB 55 Loans) in 2018, the District would receive approximately $411,000 more than what it would have been eligible for in 2013.
- District would receive approximately $481,000 more than Staff's supported Option 1 above.

BOARD ACTION

In considering this Item, the Board approved Option #1, which approved the District's alternative request for use of pupil grant eligibility based on the current 2018/19 enrollment period for the New Construction funding application at White Hill Middle School.

ATTACHMENT A

AUTHORITY

Education Code (EC) Section 17071.75 states in part:
After a one-time initial report of existing school building capacity has been completed, the ongoing eligibility of a school district for new construction funding shall be determined by making all of the following calculations:
(a) A school district that applies to receive funding for new construction shall use the following methods to determine projected enrollment:
…
(g) For a school district with an enrollment of 2,500 or less, an adjustment in enrollment projections shall not result in a loss of ongoing eligibility to that school district for a period of three years from the date of the approval of eligibility by the board.

SFP Regulation Section 1859.2 *Definitions* states in part:
…
"Small School District" means a school district with current districtwide enrollment reported in Part A, the continuation high pupils reported in Part C, and the Special Day Class pupils reported in Part D on the latest Form SAB 50-01, used to determine or adjust the district's baseline eligibility pursuant to Sections 1859.50 and 1859.51 or submitted separately to the OPSC, that is 2,500 or less.

SFP Regulation Section 1859.51(j) *Adjustments to the New Construction Baseline Eligibility* states:
…
(j) For Small School Districts:
(1) Decreased by any reduction in projected enrollment that follows a three-year period after the district's eligibility was approved by the Board, and either (A) or (B), as applicable:
(A) Increased/decreased by changes in projected enrollment in the 2016/2017 enrollment year using a fifth-year projection or a tenth-year projection if the Form SAB 50-01 was received at OPSC by October 31, 2017.
(B) Increased/decreased by changes in projected enrollment in subsequent enrollment reporting years following 2016/2017 using a fifth-year projection or a tenth-year projection.
(2) If the Small School District does not submit an adjustment under (A) or (B) prior to OPSC notification of its schedule to begin processing the School District's request for new construction funding that was received by OPSC on or after November 1, 2012, then the requirements of (e) shall apply.

ATTACHMENT B

AF
6-7-18

STATE OF CALIFORNIA
SCHOOL DISTRICT APPEAL REQUEST

STATE ALLOCATION BOARD
OFFICE OF PUBLIC SCHOOL CONSTRUCTION

SAB 189 (REV 10/09)

SCHOOL DISTRICT	APPLICATION NUMBER
Ross Valley School District	50/75002-00-002
SCHOOL NAME	COUNTY
White Hill Middle School	Marin
DISTRICT REPRESENTATIVE	E-MAIL ADDRESS
Rick Bagley, Ed.D	rbagley@rossvalleyschools.org

Purpose of Request:

The Ross Valley School District is respectfully requesting the State Allocation Board to approve the District's application for funding.

Basis of Request:

- ☐ Law (Statute) _____
- ☐ Regulation _____
- ☒ Other (specify) _____

Description:

See attached.

SIGNATURE OF AUTHORIZED DISTRICT REPRESENTATIVE	DATE
	6/5/2018

ROSS VALLEY ELEMENTARY SCHOOL DISTRICT
ATTACHMENT TO APPEAL REQUEST
FORM SAB 189

REASON FOR APPEAL

On June 5, 2017, the State Allocation Board ("Board" or "SAB") amended policies to require certain schools districts to update their eligibility during the year their applications are processed, as opposed to the year of submission, as had been the past practice since 1998. The Board recognized that enrollment projections—especially in small school districts—fluctuate significantly, meaning some districts may lose eligibility, even if they have raised local funds to construct their facilities. As such, the Board specifically requested that any school district harmed by this new policy file an appeal to address the Board on a case-by-case basis.

In every way, the loss of eligibility at the Ross Valley School District's ("District") exemplifies the concerns raised by the Board. Ross Valley is a small school district that raised revenue locally to construct critically-needed facilities and, as promised to our community, subsequently applied for state matching funds in 2013. We understood there was no guarantee of a future state bond. But we could not have predicted the Board's policy change would coincide with an anomalous enrollment fluctuation, which has resulted in nearly three-million dollars of expected reimbursements vanishing.

For the reasons described herein, the Ross Valley School District respectfully requests the SAB provide an unfunded approval for the White Hill Middle School project, Office of Public School Construction ("OPSC") Application Number 50/75002-00-002, utilizing the eligibility in effect at the time we submitted our application for new construction funding or using the alternative as described below.

BACKGROUND

District determination of eligibility

On April 28, 2010, the SAB approved the request of Ross Valley School District, a small school district, to establish its baseline eligibility for new construction funds. The projection of enrollment is determined using the state's "cohort survival enrollment projection system."[1] The eligibility approved was:

Grade Category	Pupils
K to 6	754
7 to 8	(208)
Non-severe special education	19
Severe special education	0

1. SAB Program Review Subcommittee (Nov. 28, 2012), p. 4 (explaining the projection system in detail), available at: https://www.documents.dgs.ca.gov/opsc/SAB_Agenda_Items/SFP_Review_Sub-Comm/11282012_SFP_Review_SubComm_Agenda.pdf.

Based on the School Facilities Program ("Program") regulations in effect at that time, the District's eligibility was protected, or "locked-in," for a period of three years from that date since it was a small school district with an enrollment of 2,500 or fewer pupils.[2] The District retained its eligibility for any application filed on or before November 1, 2013.

District application for funding

On October 28, 2013, the District filed a request for $3.2 million in new construction funds, based on its locked-in eligibility, for the addition of nine classrooms at the White Hill Middle School. The request reflected 189 pupil grants in the K-6 category and 19 pupil grants for non-severe special education students. Since there was no new construction bond authority available at the time, the application was placed on the "Applications Received Beyond Bond Authority List," or "Acknowledged List," an informational list that is not processed for approval or apportionment by the OPSC.

Relevant changes to the School Facilities Program

Between the time the application for funding was filed in 2013 and when the OPSC began its review in 2018, two significant changes to the Program had occurred.

First, voters approved the Kindergarten Through Community College Public Education Facilities Bond Act of 2016 ("Proposition 51") to replenish the Program with $7 billion for K-12 school facilities projects. The Proposition required the apportionment of funds to be based on the laws in effect as they read on January 1, 2015.[3]

Second, on June 5, 2017, the Board approved changes to the Program by requiring districts on the Acknowledged List to reestablish their new construction eligibility "for the current enrollment year," rather than basing eligibility on the year in which the application is received by the OPSC.[4]

Importantly, the Board adopted a caveat to the above rule:

> [S]chool districts could address the SAB on a case-by-case basis based on OPSC's determination that a project is deemed ineligible or eligible for less funding than originally requested due to updated eligibility information. School districts would be able to appeal and have the SAB consider those issues.[5]

The SAB also approved some flexibility in the Program by allowing small school districts to reset the three-year lock using the 2016–2017 enrollment year, so long as the request was made by

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2. Education Code § 17071.75, subd. (g); 2 Cal. Code Regs § 1859.51, subd. (j) (Secretary of State filing of July 1, 2013).
3. See Education Code § 17070.41, subd. (b).
4. 2 Cal. Code Regs. §§ 1859.51 and 1859.70. These regulatory amendments were approved by the Board on June 5, 2017, adopted by the Board on January 24, 2018, and filed with the Office of Administrative Law on an emergency basis.
5. SAB Agenda (June 26, 2017), "Minutes" of June 5, 2017, Board Meeting, p. 4.

October 31, 2017, or, for subsequent years, requiring the request to lock to be made before the OPSC notifies the district that it will begin processing the application.

Effects of Program changes to District

On December 4, 2017, the OPSC notified the District that it would be processing the District's request for new construction funding. As part of the notification, and in accordance with the SAB's policy change, OPSC requested the District update its eligibility for new construction funds utilizing 2017–2018 enrollment data.

The District's updated enrollment projection eliminated approximately $3 million in state matching funding – nearly all of our $3.2 million in expected funding. This eligibility loss represents 12% percent of Ross Valley's General Fund and 10,000% percent of Ross Valley's Capital Facilities Funds.

DISTRICT POSITION

When the Board invited appeals from districts harmed by the new requirement for updated eligibility, it may well have imagined a response from a district just like Ross Valley. Our small school district's current and drastic loss of eligibility is a direct result of an enrollment decline that occurred between the 2015–2016 and 2016–2017 enrollment years. This drop was anomalous and inexplicable.

For the following reasons, we respectfully request the Board provide an unfunded approval for the White Hill Middle School project using the eligibility in effect at the time we submitted our application.

I. The District's 2017–2018 eligibility inaccurately reflects its actual need for pupil housing due to an anomalous enrollment drop that occurred in the 2016–2017 year.

II. The unique circumstances at Ross Valley exemplify the concerns that motivated the Board to allow districts to appeal if they were harmed by the policy change.

III. The Education Code and corresponding regulations require that Ross Valley be granted new construction funding based on its 2013 eligibility.

In the alternative, we respectfully request the Board to allow the District to use its 2018–2019 eligibility using the state's projection system which reflects the District's current-year need for pupil housing.

A more detailed explanation of our position follows.

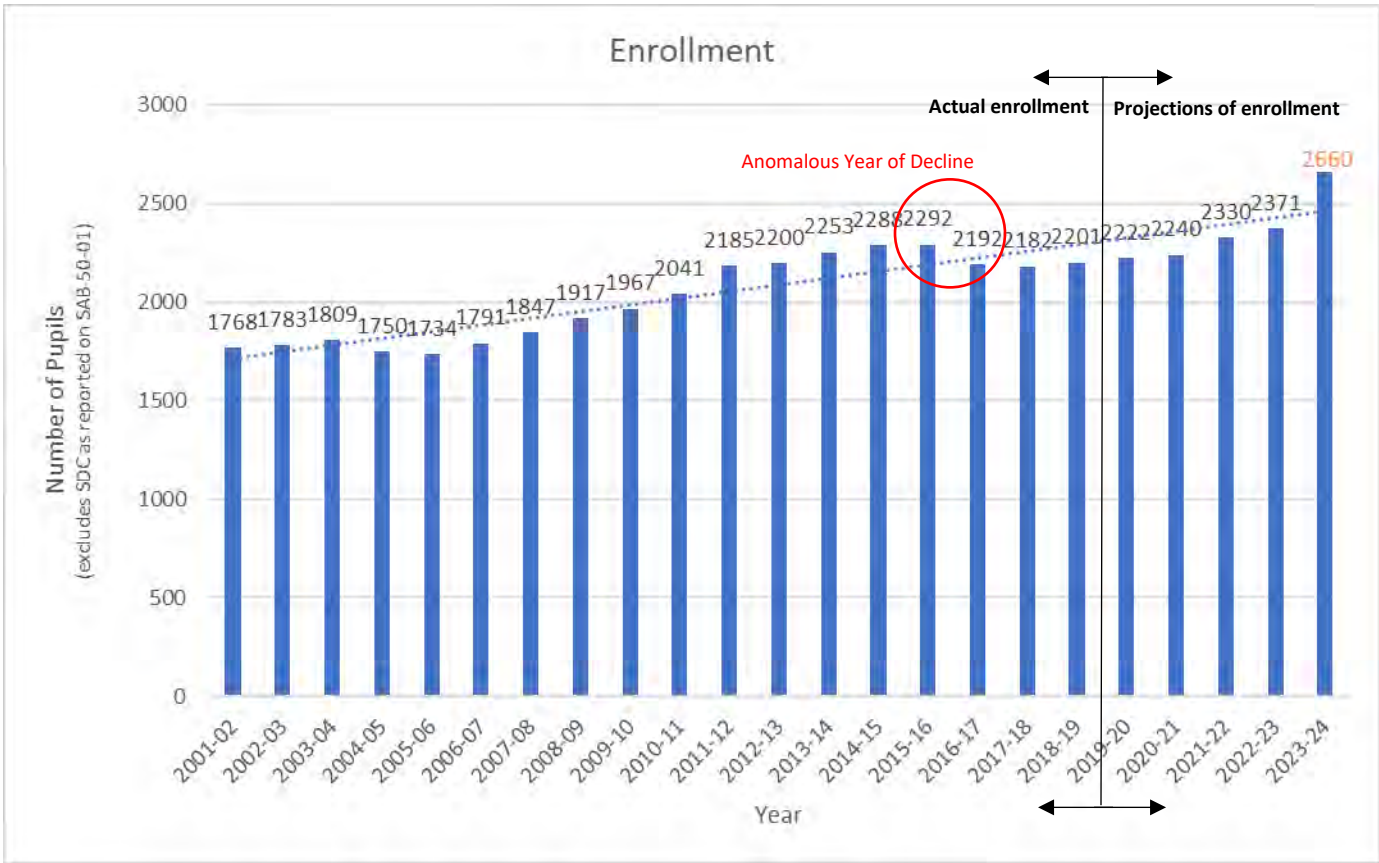
* * *

I. **The District's 2017–**2018 eligibility inaccurately reflects its actual need for pupil housing due to an anomalous enrollment drop that occurred in the 2016–2017 year.

Ross Valley's updated eligibility has been distorted by a recent, anomalous decline between the 2015–2016 and 2016–2017 enrollment years which results in a lack of eligibility for nearly the entire project at White Hill Middle School. Ross Valley's 2017–2018 eligibility under the Board's new policy is dramatically smaller than the robust eligibility we expected when we submitted our application in 2013 using the 2008-2009 enrollment projections.

Grade Category	Prior Eligibility: 2010 (in pupils)	New Eligibility: 2017 (in pupils)
K to 6	754	8
7 to 8	(208)	(392)
Non-severe special education	19	5
Severe special education	0	14

The enrollment decline between 2015–2016 and 2016–2017 was the most dramatic swing in District enrollment projections on record. But the numbers have since stabilized, and as depicted below using the state's enrollment projection system for future years, the enrollment will continue to grow as the District has experienced in the almost last two decades.



In fact, the District is able to demonstrate eligibility for the entire project in the 2013-2014 year, as well as for a portion of the project using the current 2018–2019 enrollment, both using the state's enrollment projection system.

Grade Category	Prior Eligibility 2013 (in pupils)	**Last Year's** Eligibility: 2017-18 (in pupils)	Current Year Eligibility: 2018-19 (in pupils)
K to 6	501	(32)	155
7 to 8	(256)	(410)	(363)
Non-severe special education	33	4	15
Severe special education	10	14	31

The current 2018–2019 projections to determine the District's eligibility does not fully result in eligibility for all of the grants requested because the anomalous decline between the 2015–2016 and 2016–2017 enrollment years is still impacting the projections, albeit less so. However, if the anomalous decline between the 2015–2016 and 2016–2017 enrollment years is excluded from the projections as it is with the 2013-2014 projections, or by forecasting the 2019-2020 projections of eligibility, the District is able to justify almost the entire project because the anomalous enrollment decline is not factored into the projections. The exclusion of this anomalous decline demonstrates its enormous and negative impact on the District's eligibility.

The District is using its facilities to the fullest. A new charter school is housed within eight classrooms at the White Hill Middle School campus and it is experiencing enrollment growth, which will add to Ross Valley's enrollment totals. In the last decade, the school site's enrollment has mushroomed from 561 students to 904, a 61% increase. In the last five years alone, the school site's enrollment has grown from a total of 622 students to 904, a dramatic 45% increase.

II. The unique circumstances at Ross Valley exemplify the concerns that motivated the Board to allow districts to appeal if they were harmed by the policy change.

In almost every respect, Ross Valley's loss of eligibility is emblematic of the Board's apprehension regarding the updated eligibility requirement's potential to harm districts in unfair ways. Notwithstanding the new policy, the Board Chair and other Members urged the OPSC to provide "explicit directions" to ensure that the "projects that might be ineligible because the eligibility requirements would come to us on appeal at the next available meeting."[6] This caveat was inspired by a number of concerns, all of which apply to Ross Valley's appeal.

6. SAB Transcript (June 5, 2017), p. 74 (quoting Board Chair Eraina Ortega).

Board Concern #1:

Districts that prefunded their projects had "applied in good faith"[7] and "played by the rules,"[8] but, absent reimbursement, would be left "out in the wind."[9]

Even before Ross Valley submitted its application in 2013, we knew we needed to build critically-needed facilities, even if it meant waiting for a state reimbursement. We raised funds locally through "Measure A"[10] and prefunded construction at White Hills Middle School at a cost of $24.4 million. Our community fronted the costs on the fair assumption that the state would provide matching grants if the program were to continue. Under the Board's new rules, however, the District must now (somehow) find the means to pay for the loss in state funding.

In our small district, the lost funding (approximately $3 million) is equal to 12% of our General Fund and 10,000% of our Capital Facilities Funds with just $30,000 currently available. Our current outstanding bonded indebtedness is approximately 60% of our capacity, limiting our ability to attempt another bond. There is no way we will be able to carry out the other important projects listed in Measure A.

We are also concerned the new eligibility policy will cause the District to lose credibility and trust with our community, as our Measure A ballot summary stated we would qualify for state matching grants. While we were very clear in the supporting bond language[11] that completion of all projects would be affected by the District's receipt of state matching funds and subject to appropriation by the Legislature or approval of a statewide bond measure, we ultimately demonstrated our eligibility. Our bond language was based on laws and regulations that clearly announced our eligibility would be based on the date an application is filed, not when the application is processed.

Like any prudent district, we understood there was no guarantee of a future state bond. But we could not have predicted the Board's policy change would coincide with an anomalous enrollment fluctuation, which has resulted in nearly three-million dollars of expected reimbursements vanishing.

Board Concern #2:

The "unknown" number of districts that may be injured when required to update
their eligibility – particularly small school districts.[12]

The Board acknowledged their decision to require updated eligibility would adversely impact an unknown number of districts, so it left open the door to appeals. Ross Valley is one of those "unknown" districts adversely impacted by the new policy.

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7. SAB Transcript (June 5, 2017), p. 65 (quoting Senator Benjamin Allen).
8. SAB Transcript (June 5, 2017), p. 62 (quoting Assembly Member Patrick O'Donnell).
9. SAB Transcript (June 5, 2017), p. 63 (quoting Assembly Member O'Donnell).
10. Ross Valley School District Bond Measure A.
11. Ross Valley School District Bond Measure A.
12. SAB Transcript (June 5, 2017), p. 52 (quoting OPSC Deputy Executive Officer Barbara Kampmeinert); see also SAB Agenda (June 5, 2017), p. 558.

Like many small school districts, Ross Valley is susceptible to disproportionately large fluctuations in enrollment. When the SAB Program Review Committee studied the issue of new construction eligibility in 2012, they underscored the point: "It is possible that small school districts can be disadvantaged by their size when submitting enrollment projections. Even small fluctuations can cause a dramatic change in a district's projected enrollment and eligibility."[13] This potential for one unusual year to distort an enrollment forecast was the rationale for allowing small districts to lock in their eligibility for three years.

At the June 5, 2017, Board Meeting, the impact to small school districts was a natural issue for the Board, given our more limited resources and enrollment fluctuations. Ross Valley's circumstances bear out this legitimate concern.

Board Concern #3

A district's reasonable expectations of receiving funding based on the district's eligi-bility in the year of application.

Since the inception of the School Facilities Program in 1998, school districts have counted on the Program's long-standing policy of calculating district eligibility in the year an application is received.[14] The Board's past practices have consistently and reliably applied these statutory and regulatory requirements to district applications. But in June 2017, the SAB revised its policies by requiring districts to have eligibility for new construction funding at the time an application is processed. This could not have been predicted by Ross Valley.

School districts plan their projects years in advance, and unexpected changes, such as the inconsistent application of the law and regulations, create serious fiscal distress for districts. A major role of the SAB is to establish consistent and predictable practices that help school districts plan for their financial futures and facility needs.

III. The Education Code and corresponding regulations require that Ross Valley be granted new construction funding based on our 2013 eligibility.

When Ross Valley submitted its application in 2013, the Education Code and its corresponding regulations all pointed to the same fact: A district's eligibility for new construction funding is established at time the district *applies* for the funding, not at the time the district's application is processed. These rules were preserved by Proposition 51, which required its bond revenue to be apportioned based on the Chapter 12.5 statutory scheme "as it read on January 1, 2015."[15]

The Education Code's "year of application" methodology for determining eligibility arises in multiple times throughout the Chapter. For example, with respect to new construction eligibility projections, the Code mandates that a "school district shall calculate enrollment projections for the fifth year beyond the fiscal year *in which the application is made*."[16] Likewise, a "school district that *applies* to receive funding for new construction shall use the following methods to determine

13. SAB Program Review Subcommittee (Nov. 28, 2012), p. 9.
14. See SAB Transcript (June 5, 2017), p. 52.
15. Education Code § 17070.41, subd. (b).
16. Education Code § 17071.75 (emphasis added).

projected enrollment."[17] The enrollment projection is again a function of when the district "applies," not when its application is processed.

Proposition 51 prohibits the Board from redesigning eligibility rules in any way that differs from the Chapter 12.5 rules as of January 1, 2015. The appropriate enrollment projections were established when we demonstrated sufficient eligibility for new construction funding in 2013.

The Program's regulations also support our understanding of the Education Code, as it read on January 1, 2015. Any funding application that had not received an approval would "receive funding under the provisions of the regulations that were in effect when the application was submitted to the OPSC."[18] The regulations in effect (2 Cal. Code Regs. § 1859.51, subd. (j)) therefore preserved Ross Valley's eligibility status at the higher amounts.[19]

By incorporating previously established rules, Proposition 51 necessitates that Ross Valley be granted new construction funding based on its eligibility in 2013.

CONCLUSION

We are a small school district that raised revenue locally to construct critically-needed facilities, and to maximize its resources, applied for state funds in 2013 as promised to our community. The Board's June 5, 2017 decision to require school districts to reestablish their eligibility resulted in significant losses to our district. The losses arise from an anomalous decline in enrollment that has since corrected course. We request to use our previous eligibility for new construction because the Board's amended policy has had a deleterious effect on the ability of our district, and likely other small school districts, to plan for and count on state facility funding.

We, therefore, respectfully request the SAB provide an unfunded approval for our project utilizing the District's eligibility at the time we submitted our application to the OPSC for new construction funding.

In the alternative, we request the Board to allow the District to use its 2018–2019 eligibility using the state's projection system which reflects the District's current-year need for pupil housing.

17. Education Code § 17071.75 (emphasis added).
18. See 2 Cal. Code Regs. § 1859.107 (Secretary of State filing of Apr. 16, 2018).
19. The District's eligibility was approved by the SAB on April 24, 2010, allowing its eligibility for new construction funding to be locked in for three years or until October 31, 2013. The District submitted the application for funding for this project within the three-year period, on October 28, 2013.

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, December 11, 2018

SCHOOL DISTRICT DATA	
School District: .....ISLAND UNION ELEMENTARY	County:.....KINGS
Application Number:..... 50/63933-00-001, 002	School Name: .....ISLAND ELEMENTARY
Total District Enrollment:.....436	Project Grade Level: K-8

Financial Hardship: .....YES

Qualifying Financial Hardship Criteria:..... SFP Regulation Section 1859.81(c)(4)

The District qualifies for Financial Hardship pursuant to SFP Regulation Section 1859.81(c)(4). The District has demonstrated that it is financially unable to provide all or a part of the matching funds and is levying the developer fees or equal alternative revenue source justified by law. The District's bond capacity is less than $5 million as of March 28, 2018.

PURPOSE OF REPORT

To present the District's request to approve two applications for funding based on an enrollment period that differs from the enrollment period in which the application was processed.

DESCRIPTION

The District is requesting the Board's approval of a new construction project, that consists of two funding applications for the construction of 12 classrooms and a gymnasium for placement on the Unfunded List (Lack of AB55 Loans). The District had sufficient new construction eligibility for the project at the time the funding applications were submitted in April 2014, but did not have the eligibility required to qualify for SFP funding at the time the full funding applications were processed in April 2018. Thus, the District is requesting to use its new construction eligibility that was available at the time of application submittal to support its request for new construction funding.

AUTHORITY

See Attachment A.

BACKGROUND

Island Union Elementary is located in Kings County and based on its enrollment of less than 2,501 is considered a Small School District for purposes of the School Facility Program (SFP). In April 2011, the Board approved the establishment of New Construction eligibility for the District based on the 2010/11 enrollment period. As a Small School District, its eligibility (listed below) was locked for three years until October 31, 2014.

Island Union Elementary Established Eligibility (April 2011)				
K-6	7-8	9-12	Non-Severe	Severe
348	83	0	0	0

In August 2012, per the District's approved Financial Hardship status, design funding was apportioned in the amount of $1.6 million to plan for the construction of 18 classrooms. In April 2014, the District submitted two full funding applications for the project prior to the three-year lock expiring. The two funding applications were structured as follows: the first application included eight classrooms and a gymnasium using 236 K-6 and 81 7-8 pupil grants, and the second application included four classrooms using 100 K-6 pupil grants. Due to the District's Financial Hardship status and absent SFP funding, the District did not have the funds to continue with the project.

BACKGROUND (cont.)

At that time, new construction bond authority was exhausted and the applications were placed on the Applications Received Beyond Bond Authority (ARBBA) List. In accordance with SFP Regulations, the District submitted the required board resolution acknowledging the following along with its application for funding:

- That the remaining SFP bond authority is currently exhausted for the funds being requested on these applications.
- That the State of California is not expected nor obligated to provide funding for the projects and the acceptance of the applications does not provide a guarantee of future State funding.
- That any future State bond measures for the SFP may not provide funds for the applications being submitted.
- That criteria under a future State school facilities program may be substantially different that the current SFP. The District's Approved Application(s) may be returned.
- That they are electing to commence any pre-construction or construction activities at the District's discretion and that the State is not responsible for any pre-construction or construction activities.

In November 2016 voters approved the Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (Proposition 51) which provided $3 billion for new construction.

Demonstration of Need for New Construction Projects
At the June 5, 2017 meeting, the Board took action to move all projects from the ARBBA List to OPSC's workload list and require districts to update new construction eligibility for the enrollment year in which the application is processed by OPSC in order to demonstrate current need for additional classrooms. The enrollment updates originally submitted with districts' funding applications represented eligibility or facility needs at that time. After Proposition 51 passed, the Board wanted to ensure that new bond funds were provided only for new construction projects with current facility needs. At the same meeting, the Board stated that it would consider appeals on a case-by-case basis for districts whose project(s) is deemed ineligible or eligible for less funding than originally requested due to updated eligibility information.

In accordance with the Board's action, districts are required to submit an *Enrollment Certification/Projection* (Form SAB 50-01) to update their eligibility within 90 days of receiving notification from OPSC that a project will be processed. During the notification period for this project, the District submitted the Form SAB 50-01 for the 2017/18 enrollment period. Upon processing, OPSC determined that the District could no longer demonstrate sufficient eligibility to support the funding applications. In response, the District submitted a *School District Appeal Request* (Form SAB 189) to use the eligibility it had at the time the funding applications were submitted to OPSC.

During the appeal review process, the current year enrollment data for the 2018/19 enrollment period became available. To demonstrate a current need for facilities, the District submitted a 2018/19 enrollment projection that, if approved, would generate approximately 97 percent of the funding that could have been requested on the applications requesting full funding for the project.

STAFF ANALYSIS/STATEMENTS

When the District submitted its application for design funds, it had sufficient new construction eligibility to support the project at Island Elementary School. Because Island Elementary is a Small School District, the full funding applications submitted in 2014 were based on 2010/11 eligibility in accordance with the statutory Small School District three-year eligibility lock. The initial enrollment update submitted to OPSC for the 2017/18 enrollment period did not generate sufficient new construction eligibility to qualify the project for SFP funding. Therefore, the District is requesting the Board's approval to use the eligibility it had in 2014 when OPSC received the full funding

STAFF ANALYSIS/STATEMENTS (cont.)

applications. However, the 2018/19 enrollment has since become available and supports 97 percent of the funding the District could have requested when the full funding applications were submitted. The District and Staff Positions presented below include an overview and analysis of the factors related to the change in the District's eligibility for the Board's consideration.

District Position

The full text of the District's request is included as Attachment B.

Staff Position

In April 2014, the District submitted two funding applications for its project at Island Elementary School. The first application (50/63933-00-001) consisted of construction of eight classrooms and a gymnasium/multi-use facility requesting a total of 236 K-6 and 81 7-8 pupil grants. The second application (50/63933-00-002) consisted of construction of four K-6 classrooms requesting 100 K-6 pupil grants. OPSC has determined that the District's second application is ineligible for funding for reasons not associated with the new construction eligibility adjustment that is the topic of this appeal, therefore, the following analysis compares potential funding for the first project only.

OPSC began processing the District's applications in February 2018. The District submitted a 2017/18 enrollment adjustment which resulted in the District no longer qualifying for SFP funding. Since OPSC began reviewing the appeal, the 2018/19 enrollment period began on November 1, 2018. A review of the District's 2018/19 enrollment update demonstrates that the District would have 234 K-6 and 75 7-8 pupil grants available to use, which equates to approximately 97 percent of the total amount of funding the District is requesting in its appeal for application 50/63933-00-001 or up to 13 classrooms when comparing to SFP loading standards. The following table presents a comparison of the funding options presented in this item.

Island Elementary School Funding Comparison				
Enrollment Year	K-6 Pupil Grants	Non-Severe Pupil Grants	SFP Grant Amount	*Estimated State Share
2010/11	236	81	2014	$3,199,709
2018/19	234	75	2018	$3,635,867

If the Board approved the District's Appeal Request, the District would receive approximately $97,000 more than Staff's supported Board Option #1 (not including site development grants), as shown below.

District's Appeal Request				
Enrollment Year	K-6 Pupil Grants	Non-Severe Pupil Grants	SFP Grant Amount	*Estimated State Share
2010/11	236	81	2018	$3,732,683

*Site development grants will be updated as needed, depending on the action taken on this item and are not included in the tables above. Staff will present the appropriate site development funding amounts at a future Board meeting, if necessary.

STAFF ANALYSIS/STATEMENTS (cont.)

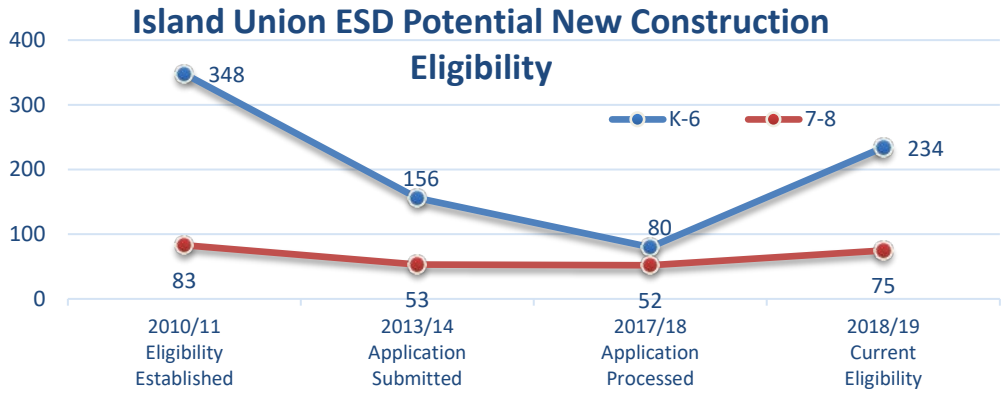
Enrollment Projections & Cohort Method

To determine new construction eligibility, a district must demonstrate that existing seating capacity within the district is insufficient to house the anticipated future enrollment generated by the enrollment projection on the Form SAB 50-01 using the Cohort Survival Enrollment Projection (Cohort) method. The Cohort is the mathematical means used to determine a district's enrollment projection. It estimates what a district's enrollment will be in five or 10 years by observing the trend of enrollment (increasing or decreasing) between grade levels, projecting that the same trend will continue for five or 10 years. This provides districts with the ability to plan future construction activities accordingly. If a district is experiencing a declining enrollment trend, any enrollment projections submitted during that time of decline would likely result in a downward projection of a district's future eligibility. If enrollment is trending upwards it is likely that a district's eligibility would increase to account for the projected number of additional pupils.

Analysis of the District's New Construction Eligibility

For grades K-5 the projection basis is the current kindergarten enrollment. Kindergarten is calculated by comparing the current kindergarten enrollment to the previous year's kindergarten enrollment, whereas all other grades compare to the previous year's enrollment of the grade level below. That is because there is no pre-school data to compare kindergarten enrollment to. In calculating the average change for each grade level the Cohort calculates and averages the enrollment, increased or decreased, based on weighting mechanisms. In the standard calculation, the most recent year is weighted the heaviest. Therefore, the prior year's kindergarten enrollment has a large impact on the enrollment projection and depending how much it increased or decreased from the prior year could determine if the if the district's enrollment projection results in a positive or negative outcome.

From the 2009/10 to the 2010/11 enrollment periods, the District's kindergarten enrollment increased from 30 to 48 pupils. While only increasing by 18 pupils overall, this represents a large percentage increase, which resulted in a ten-year projection of 598 K-6 and 137 7-8 pupils. Since that time the District's kindergarten grade level enrollment has fluctuated between 43-46 pupils until the 2018/19 enrollment period where the kindergarten enrollment increased to 53 pupils. The District is currently projected to have 484 K-6 and 129 7-8 pupils in ten years. Due to a lower ten-year projection, the District's resulting eligibility is much lower than what was approved by the Board in April 2011. These enrollment fluctuations had corresponding impacts on the District's overall enrollment projection for each of those years. The graph below demonstrates the District's resulting eligibility.



STAFF ANALYSIS/STATEMENTS (cont.)

Use of 2018/19 Enrollment

While the District has requested the Board to consider allowing it to use its eligibility at the time of application submittal, the Board could consider the District's current 2018/19 enrollment projection. At the time of processing in April 2018, the District submitted, and Staff processed the District's 2017/18 enrollment projection, as required. As shown above, this resulted in a negative adjustment to the new construction eligibility baseline and the District no longer having sufficient eligibility to apply for SFP funding. As OPSC continued with the appeal process, the District's 2018/19 enrollment data became available on November 1. Thus, OPSC requested the data for comparison. The increased enrollment from 2017/18 to 2018/19 would result in positive new construction eligibility in the K-6 and 7-8 grade levels. If approved, the District would have sufficient eligibility to justify 97 percent of the 236 K-6 and 81 7-8 pupil grants it could have requested.

Status of the Project

The District's new construction project has been designed, but the District has yet to sign contracts or begin construction. Because the SFP was absent a funding source for an extended period of time, the District's Division of the State Architect plan approval has expired and the District must obtain updated plan approval prior to receiving an Apportionment. The District qualifies for Financial Hardship. Absent State funding, the District has stated that it would not be able to move forward with its project as it is currently designed, as the District does not have/has limited local funds. If the project is approved, Staff will review the District's available contribution at the time of Apportionment.

Conclusion

Staff is providing the Board with options below to address the District's request. Staff only supports Option 1, as it provides funding based on a current enrollment (2018/19) projection to generate the eligibility for facility needs using methodologies supported by SFP Regulations and Board action. This option conforms with the Board's intention of funding projects based on current facility needs at the time of application processing.

If action is not taken the Form SAB 50-04 would be returned/revoked without further Board action.

BOARD OPTIONS

Pursuant to the Rules and Procedures of the State Allocation Board, "Staff is providing the following options for the Board's consideration. A positive vote by six members is required for the Board to take action that is an alternative to Staff's administrative action. Absent a positive vote by six members of the Board, Staff's administrative action will stand and the school district's appeal will be considered closed."

BOARD OPTIONS (cont.)

Option 1
Approve the District's use of pupil grant eligibility based on the current 2018/19 enrollment period for the New Construction funding application at Island Elementary School.

Considerations:

- District would receive approximately $3,635,867, plus site development, if funded at the 2018 per-pupil grant level.
- District would be funded based on current need, consistent with the Board's action taken on June 5, 2017.
- If the project were approved for placement on the Unfunded List (Lack of AB 55 Loans) in 2018 using current available eligibility, the District would receive approximately $97,000 less under the SFP than the District's request under Option 2.
- Appeal process resulted in a new enrollment period starting and 2018/19 enrollment data becoming available.
- Application number 50/63933-00-002 does not qualify for funding.

Option 2
Approve the District's request to use pupil grant eligibility available at the time of application submittal (2014) for the New Construction funding application at Island Elementary School.

Considerations:

- District would receive approximately $3,732,683, plus site development, if funded at the 2018 per-pupil grant level.
- Project would be funded based on facility needs from a 2010/11 enrollment projection as opposed to current facility needs, which would not comply with the action taken by the Board on June 5, 2017.
- If the project were approved for placement on the Unfunded List (Lack of AB 55 Loans) in 2018, the District would receive approximately $500,000 more than what it would have been eligible for in 2014.
- District would receive approximately $97,000 more than Staff's supported Option 1 above.
- Application number 50/63933-00-002 does not qualify for funding.

BOARD ACTION

In considering this Item, the Board approved Option #1, which approved the District's use of pupil grant eligibility based on the current 2018/19 enrollment period for the New Construction funding application at Island Elementary School. In addition, Application Number 50/63933-00-002 did not qualify for funding.

ATTACHMENT A

AUTHORITY

Education Code (EC) Section 17071.75 states in part:
After a one-time initial report of existing school building capacity has been completed, the ongoing eligibility of a school district for new construction funding shall be determined by making all of the following calculations:
(a) A school district that applies to receive funding for new construction shall use the following methods to determine projected enrollment:
…
(g) For a school district with an enrollment of 2,500 or less, an adjustment in enrollment projections shall not result in a loss of ongoing eligibility to that school district for a period of three years from the date of the approval of eligibility by the board.

SFP Regulation Section 1859.2 *Definitions* states in part:
…
"Small School District" means a school district with current districtwide enrollment reported in Part A, the continuation high pupils reported in Part C, and the Special Day Class pupils reported in Part D on the latest Form SAB 50-01, used to determine or adjust the district's baseline eligibility pursuant to Sections 1859.50 and 1859.51 or submitted separately to the OPSC, that is 2,500 or less.

SFP Regulation Section 1859.51(j) *Adjustments to the New Construction Baseline Eligibility* states:
…
(j) For Small School Districts:
(1) Decreased by any reduction in projected enrollment that follows a three-year period after the district's eligibility was approved by the Board, and either (A) or (B), as applicable:
(A) Increased/decreased by changes in projected enrollment in the 2016/2017 enrollment year using a fifth-year projection or a tenth-year projection if the Form SAB 50-01 was received at OPSC by October 31, 2017.
(B) Increased/decreased by changes in projected enrollment in subsequent enrollment reporting years following 2016/2017 using a fifth-year projection or a tenth-year projection.
(2) If the Small School District does not submit an adjustment under (A) or (B) prior to OPSC notification of its schedule to begin processing the School District's request for new construction funding that was received by OPSC on or after November 1, 2012, then the requirements of (e) shall apply.

ATTACHMENT B

STATE OF CALIFORNIA
SCHOOL DISTRICT APPEAL REQUEST

STATE ALLOCATION BOARD
OFFICE OF PUBLIC SCHOOL CONSTRUCTION

SAB 189 (REV 10/09)

SCHOOL DISTRICT	APPLICATION NUMBER
Island Union Elementary	50/63933-00-001 and 50/63933-00-002
SCHOOL NAME	**COUNTY**
Island Elementary	Kings
DISTRICT REPRESENTATIVE	**E-MAIL ADDRESS**
Charlotte Hines	charlottehines@island.k12.ca.us

Purpose of Request:

The District is requesting approval and funding for new construction projects 50/63933-00-001 and 50/63933-00-002.

Basis of Request:

☐ Law (Statute) _____

☐ Regulation _____

☒ Other (specify) Harmed by Revised Regulations

Description:

On April 20, 2018 the OPSC sent a letter stating these projects are being returned to the District due to lack of new construction eligibility. The District first established eligibility using the 2010/11 year data, at which time the District had 303 students, which was approved on 4/27/11 for 348 K-6 and 83 7-8 grants. Project 001 was submitted as a financial hardship project for a total of 317 grants and the design funds of $1,588,339 were approved on 12/14/11 and apportioned on 6/27/12.

At that time an architect was hired and the plans were drawn. This project plans included a Gym and 12 classrooms. The plans were approved by DSA on 3/5/14. The projects were submitted for construction funding on 4/24/14 which was within the 3 year window of when the original eligibility was approved. Project 001 is for the gym and 8 classrooms and Project 002 is for 4 classrooms.

The District now has 415 students (an increase of 112 since the process started) and has had to rent portables to house the students. However, the current 2017/18 SAB 50-01 only shows eligibility for 132 grants which resulted in the project being denied since the project has less than 50% of the eligibility originally requested. The district enrollment increased by 28 students just in the past year.

This project is critical for this small one school district. There are now 10 portables on the campus and only 9 permanent CR. The new classrooms are needed to provide adequate housing the students and the Gym/Cafeteria is needed as the school does not currently have indoor space for the PE program. Since this school is in the central valley, temperatures can be in excess of 100 degrees during the school year. The District is also in line for funding for modernization work on this campus that will update the older facilities and convert the small old cafeteria into classroom space. However, that project cannot move forward without the new construction project being funded.

Due to the growth that is occurring and the critical need for facilities, and the inability for the District to pay for its facility needs without State assistance, we respectfully request for approval of this project using the original eligibility which would have been allowed had OPSC been processing applications at the time this project was submitted.

SIGNATURE OF AUTHORIZED DISTRICT REPRESENTATIVE	DATE
Charlotte Hines	5/22/18

ATTACHMENT B

August 1, 2018

Tracy Sharp, Supervisor
OFFICE OF PUBLIC SCHOOL CONSTRUCTION
Department of General Services
707 3rd Street, 6th Floor
West Sacramento, CA 95605

Re: Island Union Elementary School District, Kings County
Appeal Request – Supplemental Information

Dear Mrs. Sharp:

The District has additional information in support of the appeal.

Eligibility
The District became a Charter District in 2000. This allowed students from outside the District to enroll if there was enough room. This has created a demand each year that the District has tried to accommodate with residents getting first priority. Growth has been steady and the District has had to lease five additional portables and convert the Music/Band Classroom and Computer Lab into classrooms to accommodate the growth. There is currently a waiting list for 17 kindergarteners and over the last seven years this list has contained between 14 and 20 which the District was unable to accommodate. The eligibility calculations do not reflect the actual growth needs of the District. 2018-19 enrollment increases should be enough to generate sufficient eligibility to allow this project to move forward. This information will be provided when it becomes available.

Existing Facilities
In addition to the requested classrooms the District needs a Gymnasium to provide space for the PE program and to help accommodate the lunch service needs. The existing Cafeteria cannot accommodate all students with three lunch periods a day; adding a fourth lunch period compounds curriculum and cost challenges due to growth. Inclement weather and hazardous air quality concerns require remaining students to eat in their classrooms during these times. The District also struggles to maintain adequate restroom facilities to accommodate the growth. The request for eight new classrooms is the minimum required to have two classrooms per grade level plus one TK Classroom and restore the Band/Music Classroom and Computer Lab.

Additional Costs
The District has incurred additional interim housing costs due to the delay in funding totaling $506,140 through 2018/19. The District has incurred additional design costs due to the delay in funding totaling $226,980. The District requests additional funding for these additional costs as they are a hardship district.

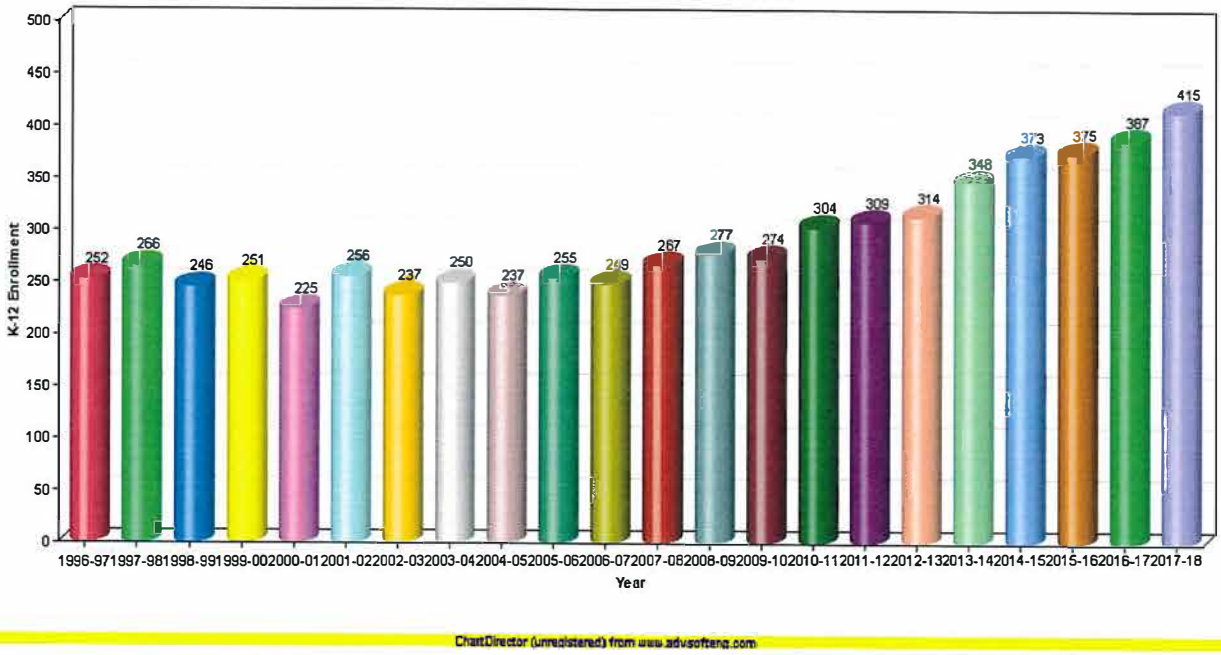
Modernization Project

- The Modernization project was tied to the New Construction projects due to school growth needs and its casual sequence on the remaining campus, beginning with the new Gymnasium building.

- The new Gym can be used for a larger cafeteria and includes a new kitchen that supports that population.
- The existing Cafeteria/Kitchen building can now be repurposed into the Administration Office/Library which needed to grow to support a larger student population.
- The existing Administration building accommodates new additional staff restrooms, a teacher work room and two pull-out rooms.

- Without the new Gymnasium Building, the entire Modernization project could not be built as currently designed.

Island Union Elementary Historical Enrollment



REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, December 11, 2018

SCHOOL DISTRICT DATA	
School District: .....CENTRAL UNION ELEMENTARY	County:.....KINGS
Application Numbers:…….....57/63883-00-001	School Names:……...AKERS ELEMENTARY
Total District	Grade Levels:……..……..……..……...K-6
Financial Hardship:.....TBD	
Last Approved Local Bond Measure:……..…….……..…N/A	
Qualifying Financial Hardship Criteria:……...……TBD	

PURPOSE OF REPORT

To present the District's requests for the following:

1. To receive an expedited Unfunded Approval for the Akers Elementary School Modernization project, and
2. Financial Hardship status based upon "other evidence of reasonable effort as approved by the State Allocation Board."

DESCRIPTION

Akers Elementary Modernization Project – Expedited Unfunded Approval

The District is requesting to receive an expedited Unfunded Approval outside of the normal processing timeline to reduce the timing necessary to access full funding for Application Number 57/63883-00-001. Due to the time limits involved with the Public School on Military Installations (PSMI) grant program, the District must submit verification to the Department of Defense (DOD), Office of Economic Adjustment (OEA), that local matching funds are available. Normal processing timelines would exceed the District's deadline to provide the necessary proof of matching funds and the ability to complete the construction of the project. The State's share of the Modernization project, excluding Financial Hardship funding, is $4.13 million.

The full text of the District's appeal request for an expedited Unfunded Approval is included as Attachment A.

Financial Hardship Status – Other Evidence

On October 17, 2018, the District submitted a request for Financial Hardship funding as part of their expedited Unfunded Approval request. The Office of Public School Construction (OPSC) reviewed the request and determined the District:

- Has long-term debt at 0% of debt capacity, which is below the 60% threshold,
- Has not passed a Proposition 39 bond measure within the last two years, and
- Has a debt capacity of $5,584,120 which is in excess of the $5 million threshold.
- Currently has a developer fee set at the Level 1 fee. Therefore, the District is considered to be levying the maximum developer fee under the law.

As a result, the District is not eligible for Financial Hardship assistance under standard criteria. The District is therefore requesting consideration for Financial Hardship status based on "other evidence". The District's share of the Modernization project is $2.76 million. If approved, the District would contribute $30,908 towards the project and the Financial Hardship grant would be $2.73 million.

The full text of the District's appeal request for Financial Hardship status is included as Attachment B.

AUTHORITY

See Attachment C.

BACKGROUND

In 2010, the DOD assessed the condition and capacity of 157 of the 160 public schools on military installations. Three of the 160 public schools were not included in the assessment because they were built within the last year. Based on the findings of the physical assessment, the DOD developed a priority list of public schools on military installations with the most serious condition and/or capacity deficiencies. In 2011, and after the DOD assessment of all schools serving or located on military bases throughout the nation, Akers Elementary was found to be the 25th school most in need of assistance. In April 2016, the District was awarded a DOD grant and began planning the federal project. Following plan approval, in July 2018, the District was awarded the remaining DOD grant to begin construction of the project.

At the April 2012 meeting, the State Allocation Board (Board) established the Department of Defense Sub-Committee. The purpose of the Board's Sub-Committee was to look at funding options to assist all California school districts with DOD schools in meeting their 20 percent matching share requirement. At the June 2012 DOD Sub-Committee meeting OPSC presented an analysis of the potential School Facility Program (SFP) funding options that all school districts could apply for use towards meeting the 20 percent match requirement. The recommendations of the sub-committee were presented to the Board at the August 2012 meeting. These recommendations included consideration of SFP Regulations changes for DOD projects to provide preliminary apportionments and recommending to the Legislature that future bond funds be made available specifically for DOD schools. In considering the recommendation, the Board elected to recommend to the State Legislature to provide funding for military base schools in California in the next bond proposal in order to cover the total need for these types of projects. Ultimately, bills proposed by legislative members failed to move forward.

The DOD grant for the District will address both condition and capacity issues identified by DOD at Akers Elementary School. Total project costs were estimated to be approximately $27.1 million with DOD providing $21.1 million with the District covering the difference, including cost overruns. In August 2018, the District solicited construction bids and held bid openings in early October. The lowest successful bid came in at $33 million for construction costs only; when accounting for other costs, the total estimated project cost has escalated to $36.6 million.

Initially, the District was able to cover the DOD matching share utilizing general fund monies until the state reimbursed the school district for the Modernization project; however, the higher bids leave the District with a shortfall of approximately $9.6 million. Expedited approval of the District's Modernization project, with financial hardship funding, will assist the District in meeting the shortfall. The District has requested and secured a written commitment from the low bidder that will secure and hold the submitted bid for 90 calendar days from the original bid date of October 11, 2018.

STAFF ANALYSIS/STATEMENTS

There are two topics for Board consideration. The first topic pertains to an expedited Unfunded Approval for the Akers Elementary Modernization application, with the second topic pertaining to the District's request for Financial Hardship status under "other evidence". Below is an analysis of the topics surrounding the District's request along with options for Board approval.

Topic 1 - Expedited Unfunded Approval

District's Position

In its *School District Appeal Request* (Form SAB 189) the District states, "The District holds a DSA approved project, has the Federal grant award, is poised to proceed with this 'shovel ready' project, and is prepared to enter into a contract with the low bidder to begin construction and modernization for this campus."

STAFF ANALYSIS/STATEMENTS (cont.)

"The Federal Government desires to infuse these constructions dollars into the California economy, while at the same time addressing needed facility issues for California school children. However, without consideration of advanced funding from the SAB, this project will not proceed, and the District stands to miss out on millions in Federal funding to address the concerns for the Akers facility."

The full text of the District's position can be found as Attachment A.

Staff's Position

Expedited Unfunded Approval for Modernization Project

As of October 31, 2018, there are 767 Modernization projects representing $1.65 billion that are in line to be processed ahead of the Akers Elementary Modernization project. Should the Board approve the District's request, it would be processed ahead of the above-mentioned projects that were submitted prior to OPSC receiving the District's application. All Facility Hardship projects will still be processed ahead of all Modernization projects. Sufficient modernization bond authority exists so that no school district with a project currently on OPSC's Workload List would lose the opportunity for bond authority as a result of expediting the approval of this application.

An expedited Unfunded Approval will result in the District qualifying to participate in the current Priority Funding filing period which began November 14, 2018, and will close December 13, 2018. Upon receipt of the Priority Funding request letter, the District will then be eligible to receive an Apportionment contingent on a spring bond sale.

Due to the unique circumstances of this project and the need to provide verification to the DOD of available matching funds, Staff is recommending that the District receive an expedited Unfunded Approval for full funding for the Modernization project, included as Attachments D1 and D2. This action would be consistent with the Board's May 2018 approval of Muroc Unified School District's SFP projects on Edwards Air Force Base in Kern County.

Topic 2 – Financial Hardship Qualification

District's Position

In its *School District Appeal Request* (Form SAB 189), the District states that the purpose of its request is as follows:

> The Central Union Elementary School District is seeking Financial Hardship status under "other evidence". The District's unique community includes two federal properties and the remaining rural unincorporated other areas within the District Boundaries significantly limit the district's financial options for facility modernization.

To support the request, the District provided a detailed narrative to describe their circumstances and additional relevant information which is included as Attachment B

The main points of the District's request for Financial Hardship under Other Evidence are as follows:

- The District has not previously attempted a bond because prior to and including the 2016/2017 fiscal year (the year in which the design funding application was submitted for this project), the District would have qualified for Financial Hardship assistance as the total bonding capacity was under $5 million. The current bonding capacity is $5.6 million, which is just slightly over the threshold.

STAFF ANALYSIS/STATEMENTS (cont.)

- The $5 million threshold for Financial Hardship was set in 1998 and has remained unadjusted for inflation or for changes in statewide assessed valuation over the past 20 years.

- It would not be reasonable for the District to attempt a bond that would address all four schools in the District. Two schools are on the Naval Air Station, and one is adjacent to tribal land. 82% of the student population lives in non-taxable areas (either federal property or outside the District boundaries, but attending schools in district using the employment residency option allowed under Education Code). For the remaining 18% of the District which is located in the town of Stratford, the median household income is $24,167 which is less than the median annual income of the United States.

- The District cannot afford to take on debt, as "Maintaining the district reserves is also key to moving forward on the facility projects, as the Federal PSMI grant is a reimbursement program. Thus, the district must have sufficient cash on hand to avoid borrowing and to make timely payments while awaiting reimbursements and avoiding construction delays."

- The District is levying the maximum developer fees, but this amounts to only $8,166 per year.

In summary, "All of the information within this brief overview confirms and underscores the District's challenges with school construction funding. Central Union's smaller size, rural location, substantial impact of the federal presence, and the disadvantaged community precludes the standard district facility funding mechanisms."

Staff's Position

Financial Hardship Qualification
School districts may qualify for the Financial Hardship program by levying the maximum developer fees allowed by law and by meeting one of the following criteria:

- A successful Proposition 39 bond measure approved for the maximum amount allowed within the two previous years,
- Total district bonding capacity of less than $5 million, or
- A bonding indebtedness of at least 60 percent of the district's total bonding capacity,
- Other evidence as approved by the Board.

Local Bond Measure
The District has not passed a local bond measure in the last two years. According to the District, 82 percent of the students either live on the military installation, reservation, or reside in other communities outside the District boundaries. Consistent with information from other school districts with schools on military installations, the local bond measure debt would fall primarily upon a small percentage of the overall student population.

Total Bonding Capacity
Staff has confirmed that the District's total bonding capacity is $5,584,120 million which is in excess of the $5 million threshold set in statute. The $5 million threshold has existed since the inception of the SFP and cannot be adjusted by the Board as it would require a statutory change.

STAFF ANALYSIS/STATEMENTS (cont.)

Debt Capacity
The District's current bonded indebtedness is at 0 percent, below the 60 percent requirement of SFP Regulation Section 1859.81(c)(1). The District has stated that maintenance of General Fund reserves is key to moving forward on the PSMI facility project and they avoid borrowing to ensure cash is on hand to make timely payments while awaiting reimbursements. The District shares that the budget is limited which is further demonstrated by the fact that 30 percent of the budget is subsidized through the Federal Impact Aid program. Staff would note that most districts that qualify for Financial Hardship using the criteria for 60% bonded indebtedness achieve this through the issuance of local bonds; the District is challenged in issuing local bonds as noted above.

Developer Fees
The District currently charges developers the lowest fee, Level I, which will provide an average of $8,166 per year. It does not charge Level II fees because it does not meet the criteria in the statute to do so. A district may only charge the Level II fee when it makes a timely application to the Board for new construction funding, conducts a School Facility Needs Analysis pursuant to Government Code, and satisfies other statutory requirements. Therefore, at this time the District is collecting the maximum amount of developer fees possible, as is required per SFP Regulation to qualify for Financial Hardship status.

Other Evidence as Approved by the State Allocation Board
The District has requested consideration under the "other evidence" of reasonable effort provision, which requires Board approval. Staff has provided an overview of the District's financial condition for the Board's consideration of its request. While there are no set criteria to qualify for Financial Hardship status under "other evidence", the Board has considered the following circumstances in the past:

- The district's level of financial indebtedness. For example, a loss of previous revenue streams such as the loss of federal funding when a local army base closed.
- If the district is in jeopardy of becoming financially insolvent; for instance, when a district receives a qualified or negative certification by its local county office of education.
- The inability to pass a local bond measure.

Qualification Status
Because the District is appealing the decision of the initial Financial Hardship review, Staff proceeded with the phase two of the Financial Hardship review to proactively determine the amount of local funds that would be potentially available for the project, and the amount of Financial Hardship assistance necessary should the Board grant the District's appeal. Staff has confirmed that the District has only $30,908 to contribute towards the project.

Based on the above criteria, OPSC has determined that the District does not meet the minimum qualifications for Financial Hardship status under the standard provisions in SFP Regulation Section 1859.81. If the Board granted Financial Hardship approval status under "other evidence" then the State will fund the District's share, up to 100 percent of the total eligible project costs.

There have been ten prior requests for Financial Hardship status under "other evidence" considered by the Board. Each district presented unique circumstances surrounding its request. Of these, three were approved as requested and three partially approved. The remaining four were not approved. A summary of these items and the outcome is included as Attachment E.

STAFF ANALYSIS/STATEMENTS (cont.)

Conclusion
Staff is unable to administratively approve either of the District's requests.

Due to the unique circumstances associated with the limited timeframe to provide DOD with proof of matching funds, Staff supports the District's request for both an expedited Unfunded Approval and Financial Hardship status under "other evidence".

Typically, Staff only supports an accelerated timeline to process an Application in the most severe circumstances. An expedited Unfunded Approval for the Akers Elementary Modernization project would commit bond authority to the project and would assist the District in meeting its matching obligation for the DOD project. Staff also supports the District's request for Financial Hardship status under "other evidence". The ability of the District to leverage DOD funding is consistent with the Board's prior action for Muroc Joint Unified School District in May 2018.

BOARD OPTIONS

Pursuant to the Rules and Procedures of the State Allocation Board, "Staff is providing the following options for the Board's consideration. A positive vote by six members is required for the Board to take action that is an alternative to Staff's administrative action. Absent a positive vote by six members of the Board, Staff's administrative action will stand and the school district's appeal will be considered closed."

Accelerated processing of the Akers Elementary School Modernization Project, Application Number 57/63883-00-001.

Request to expedite processing the District's Application ahead of 767 Modernization projects.

Option 1 – Grant the District's appeal and approve the District's request for Financial Hardship status based on "other evidence". Approve the Unfunded Approval for this application, in the amount of $6,857,604, as shown on Attachment D1.

Option 2 – Grant the District's appeal and deny the District's request for Financial Hardship status based on "other evidence". Approve the Unfunded Approval for this application, in the amount of $4,133,107, as shown on Attachment D2.

BOARD ACTION

In considering this Item, the Board approved Option #1, which granted the District's appeal and approved the District's request for Financial Hardship status based on "other evidence." This action also includes an Unfunded Approval in the amount of $6,857,604, as shown on Attachment D1.

ATTACHMENT A

CENTRAL UNION SCHOOL DISTRICT
15783 18th Avenue • Lemoore, CA 93245
(559) 924-3405 • FAX (559) 924-6983
www.central.k12.ca.us

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Thomas Addington, M.A., Superintendent

BOARD OF EDUCATION

Trustee Area 1
Dale Davidson

Trustee Area 2
Jeff Gilcrease

Trustee Area 3
- Vacant -

Trustee Area 4
Casey Fisher

Trustee Area 5
Ceil Howe, III

October 28, 2018

MAIL ROOM

Michael Watanabe
Chief, Program Services
Chief, Administrative Services
Office of Public School Construction
State of California » Department of General Services
707 Third Street, West Sacramento, CA 95605

via electronic mail

Dear Mr. Watanabe,

Please find enclosed in this correspondence Central Union Elementary School District's official appeal for financial hardship consideration as well as consideration for acceleration on the unfunded approval list. Central Union Elementary has recently received a Federal funding award under the Public Schools on Military Installation grant, however, construction bids have exceeded both District and Federal allocation levels. With OPSC assistance, the District should be positioned to continue with the project and modernize the Admiral Akers School for the benefit of the students and the community for many years to come.

Should additional information from the District be necessary, please do not hesitate to contact me.

I appreciate the expeditious processing of our request and look for to additional communication from your department.

Most Sincerely,

Thomas Addington, M.A.
Superintendent

ATTACHMENT A

Email Attachments:

1) SAB 189 Central Union Appeal – Other Evidence Financial Hardship
2) SAB 189 Central Union – Unfunded Approval Information
3) Sub folder: Financial Hardship Checklist I
    a) Checklist I
    b) Developer Fee Board Resolution
    c) OPSC Phase I Fail letter

4) Subfolder: Financial Hardship Checklist II
    a) Checklist II
    b) Section I-G Funding
    c) Section I-H Interfund Schedule
    d) Section I-H Interfund Transfer
    e) Section II-C Financial Hardship Project Worksheet
    f) Section II-D Fund Worksheet
    g) Section II-E Trial Balance
    h) Section II-F General Ledger
    i) Section II-I SFP Project List
    j) Section II-J List of Expenditures
    k) Section II-K Encurmbrances
    l) Section II-K SIMPBK contract
    m) Section II-K VANIR contract
    n) Section II-M 2015-16 Audit Report
    o) Section II-M 2016-17 Audit Report

ATTACHMENT A

STATE OF CALIFORNIA
SCHOOL DISTRICT APPEAL REQUEST

SAB 189 (REV 10/09)

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STATE ALLOCATION BOARD
OFFICE OF PUBLIC SCHOOL CONSTRUCTION

SCHOOL DISTRICT Central Union Elementary School District	APPLICATION NUMBER 57/63883-00-001
SCHOOL NAME Admiral Akers Elementary School	COUNTY Kings
DISTRICT REPRESENTATIVE Thomas Addington, Superintendent	E-MAIL ADDRESS taddingt@central.k12.ca.us

Purpose of Request:

Basis of Request:

☐ Law (Statute) _____

☐ Regulation _____

☒ Other (specify) Unfunded Approval Request

Description:

The Admiral Akers project has received a preliminary federal funding for 80% of the construction funds under the Department of Defense (DOD) grant program, Public Schools on Military Installations (PMSI), administered by the Office of Economic Adjustment (OEA); as a requirement the school District is to provide 20% matching funds. Central Union Elementary School District is in a rural location in Central California, and is constrained with the ability to secure local funds based upon having two federal non-taxable properties within District boundaries. Central Union Elementary has a limited ability to provide the matching funds based upon situational circumstances. The only viable realistic option is to request supportive funds from state programs. For this request, that includes the School Facility Program (SFP) along with an aforementioned Financial Hardship Waiver Request. The District has already received confirmation of OEA funding, however, recent construction bids which have been received were substantially over the budget estimation based upon present construction market factors. The scope of the District project is within the requirements of the Federal DOD Facility Condition Assessment Report, and has not exceeded the scope of that analysis. The District is also diligently working with the Federal Government to secure funding assistance beyond the original offering, in order to complete this project for the community of NASL and to address the areas of school facility deficiency which were highlighted in that report. Critical to the District's position is the fact that the PMSI grant program is time sensitive and requires available matching funds in order for the OEA to approve the DOD grant. Without immediate attention and assistance, the timing to secure the necessary funds from the SFP will far exceed the District's ability to provide the necessary grant match, thus forfeiting millions in school facility construction which is being offered by the Federal Government. Central Union Elementary School District is requesting an immediate Unfunded Approval in order to proceed with the approved project to address condition and capacity issues at Admiral Akers School, and to quantify the state funds in order to provide proof of match funds to the OEA.

SIGNATURE OF AUTHORIZED DISTRICT REPRESENTATIVE	DATE 10/28/18

Priority Unfunded Approval Consideration - OPSC

The priority funding process was created to allow projects that receive unfunded approval by the State Allocation Board (SAB) and are placed on the Unfunded List (Lack of AB 55 Loans) to obtain an apportionment with accelerated timelines.

In 2010, Admiral Akers Elementary School was one of 160 schools evaluated and rated by the Department of Defense (DoD). Subsequently, on April 15, 2011, Public Law 112-10, Section 8109, DoD Full-Year Appropriations Act was signed into law.

This provision provided the DoD special authorization and appropriated "funds to construct, renovate, repair, or expand elementary and secondary public schools located on military installations in order to address capacity or facility condition deficiencies" to ensure the children of service members are learning in safe, modern, and efficient facilities that meet the local standard. The Secretary of Defense identified the Office of Economic Adjustment (OEA) to administer the grant funding under the Public School on Military Installations (PSMI). OEA developed a prioritized list, approved by the Deputy Secretary of Defense in 2011 (2011 Priority List), which assigned priorities to those schools on military installations that have the most serious capacity or facility condition deficiencies. That 2011 Priority List combined with appropriations received in Fiscal Years 2011, 2012, 2013, 2015, and 2018).

Admiral Akers Elementary School is ranked twenty-fifth (No. 25) on the "Public Schools on Military Installations Priority List," approved by the Secretary of Defense. Of all the schools in the DOD Public Schools on Military Installations Program, Admiral Akers Elementary School had the fifth most severe student capacity condition. The original Admiral Akers Elementary School was designed for a smaller enrollment, but over the years the enrollment has increased and continued to grow.

Under the PSMI program, approved projects are funded at 80% from the Federal Government, and the approved LEA is required to contribute the remaining funds for project completion. As part of the PSMI program, LEAs have the duty to provide a matching share equal to not less than twenty (20) percent of the total project cost. For the matching contribution, LEAs may use other non-Federal funds (State, local or private contributions) committed to or available for the project to meet the matching share requirement.

An additional variable in the Admiral Akers project is the fact that Naval Air Station Lemoore was selected for expansion to the air wing. After more than three years of scrutiny and analysis, the Navy announced in October 2014 that Naval Air Station Lemoore will be the master jet base installation for West Coast operations and will be

the permanent home to the F-35C Joint Strike Fighter aircraft. According to the environmental study, the new jet squadrons will bring 751 military and civilian personnel, plus about 1,569 dependents – a total of around 2,320 people – to the Lemoore area by 2025. The installation is undergoing a standup with their facilities as these service member population increase. The District is presently experiencing a modest growth to enrollment, which further exacerbates the capacity issues on the Akers campus.

In April 2015, the District received an invitation to apply for grant consideration through the PSMI program operated under the Office of Economic Adjustment. The District submitted an application for $1,6696,618 ($1,335,694/Federal, $333,924/LEA) for pre-construction design activities to address the overall deficiencies and needs described in the DoD report project to renovate and modernize Admiral Akers Elementary School. The District compiled and submitted an application, and was awarded design funding in April 2016. For the past two years, the District developed the plans and scope of the project based upon the initial DoD deficiency findings. All aspects of the project (design and bid documents) are finalized, and the District holds a DSA approved plan ready to commence.

Following plan approval, Central Union submitted the subsequent grant application from OEA for construction funding. The District filed a successful Federal application under the PSMI program for construction and was awarded this grant on July 27, 2018.

The budget for the Admiral Akers School project was estimated at $27.1 million. As noted previously, the PSMI program stipulates that the funding will be provided at an 80% (OEA)/20% (LEA) ratio. The District was awarded $21.1 million in federal financing under the OEA grant to apply toward the overall cost, and the District is required to contribute the remaining cost of the project budget at $5.4M. Additional grant requirement stipulations indicate that any additional expense beyond the 80% funding agreement which may be incurred related to the project rests with the responsibility of the LEA. The Federal Project terms and agreements contain a specific reference that any project cost overruns which exceed the estimated total project cost are the responsibility of the grantee to provide the additional funding needed to complete the project. The allocation from the Federal Government is limited and bound by the grant agreement.

The District solicited construction bids in August 2018 and held bid openings in early October. Each submitted proposed bid was significantly outside the estimated budget for the project. The lowest successful bid came in at $33 million for construction costs only. When adding in the remaining project costs associated with the overall budget, the total program cost has escalated to $36.7M. Under the PSMI

program, the stipulated agreement requires the District to cover any excess cost beyond the OEA contribution. The District has already committed 20% of the project at $5.4M. Under the OEA rules, the District must cover the cost escalation of the project with an additional $9.6M.

As a result of the cost of bids received, and the budget override, the District is presently in a holding pattern while investigating other funding options for consideration so that this project may continue.

The District holds a DSA approved project, has the Federal grant award, is poised to proceed with this 'shovel ready' project, and is prepared to enter into a contract with the low bidder to begin construction and modernization for this campus. The Federal Government desires to infuse these constructions dollars into the California economy, while at the same time addressing needed facility issues for California school children. However, without consideration of advanced funding from the SAB, this project will not proceed, and the District stands to miss out on millions in Federal funding to address the concerns for the Akers facility.

The District has requested and secured a written commitment from the low bidder that they will secure and hold the submitted price for 90 calendar days from the original bid date of October 11, 2018. The construction market continues to be volatile with unpredictable pricing fluctuations according to several sources affiliated with public school construction. The low bid company urged the District to resolve the budgetary challenges for timely resolution in order to avoid continued cost escalation.

With the assistance of the SAB and granting the District immediate Unfunded Approval status to secure the modernization eligibility funding, the District will be able to proceed with this project, secure millions of Federal construction dollars, resolve the school facility needs, and provide the necessary improvements to this campus for years to come. The Central Union District is requesting the SAB consider an immediate and accelerated Unfunded Approval for the District for this project to proceed.

ATTACHMENT B

STATE OF CALIFORNIA
SCHOOL DISTRICT APPEAL REQUEST

RECEIVED
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STATE ALLOCATION BOARD
OFFICE OF PUBLIC SCHOOL CONSTRUCTION

SAB 189 (REV 10/09)

2018 NOV -5 PM 12:51

SCHOOL DISTRICT	APPLICATION NUMBER
Central Union Elementary School District	57/63883-00-001
SCHOOL NAME	COUNTY
Admiral Akers Elementary School	Kings
DISTRICT REPRESENTATIVE	E-MAIL ADDRESS
Thomas Addington, Superintendent	taddingt@central.k12.ca.us

MAIL ROOM

Purpose of Request:

Basis of Request:

- ☐ Law (Statute) _____
- ■ Regulation 1859.51 - other evidence
- ☐ Other (specify) _____

Description:

The Central Union School district is seeking Financial hardship approval from the Office of Public School Construction for modernization/construction of a project to commence at Admiral Akers Elementary School located on Naval Air Station Lemoore. Within the boundaries of the Central Union School District are two federal properties, the Santa Rosa Rancheria and NAS Lemoore, creating challenges with the District's ability to seek local bond pursuits for the purposes of facility modernization. The District is seeking funding for this project through the State modernization program. This state program and the associated financial hardship waiver request will assist the District in meeting the match requirement of 20% under the Public Schools on Military Installations Federal grant program operated under the Office of Economic Adjustment.

SIGNATURE OF AUTHORIZED DISTRICT REPRESENTATIVE	DATE
	10/29/18

Financial Hardship Waiver – OPSC

The Central Union Elementary School District is seeking financial hardship status under other evidence. The District's unique community includes two federal properties and the remaining rural unincorporated other areas within the District Boundaries significantly limit the district's financial options for facility modernization.

The Central Union School District is situated in the heart of the San Joaquin Valley, in rural Kings County, one of the nation's most fertile agricultural areas and the home of two federal properties, the Lemoore Naval Air Station and the Santa Rosa Rancheria. The District is roughly 45 miles southwest of Fresno. We serve TK – 8th-grade students, and have four school sites, two located on the Naval Air Station, one situated adjacent to the Tribal Lands, and the last school in the small community of Stratford. Enrollment of Central Union hovers close to 1800 students and we employ 262 staff members. Admiral Akers School was built in 1963 and R.J Neutra Elementary was built in 1960. Central Union Elementary is a rural school with over 70 years of serving our local families. Stratford School, established in 1921, is located in the town of Stratford, six miles south of Lemoore. Except for the community of Stratford, the majority of our students live on federal property, with a small group of students residing in the unincorporated areas of Lemoore.

During the 2016-17 school year, the District commissioned a comprehensive facility needs assessment, which subsequently led to the development and adoption of the facility master plan. This document provides District's path for facility refurbishment and is the guiding document for facility needs. During the development of this plan, the review of the Admiral Akers School site was not included, as this site had a comprehensive review and determination of areas of deficiency under the scope of the PSMI program, and the District held an understanding of the costs at that time for prospective site upgrades. For the other three sites (Central, Neutra, and Stratford), the Facilities Master Plan identified a total of $48 million in District-wide facilities needs over the next five to nine years, including rehabilitation of existing permanent buildings; replacement of aging portable classrooms with permanent structures; addressing ADA issues; and evaluating the need for additional new facilities construction at selected sites. Like many other small size school districts with aging school buildings in the Central Valley, Central Union has more identified facilities needs than currently available funding sources.

The District collects the maximum developer fees from the construction of residential and commercial/ industrial projects within our area to provide funding for the impacts on school facilities. In April of the current year, the District adopted the developer fee resolution consistent with the State Allocation Board rates of $3.79 per square foot for residential development and $0.61 for commercial/industrial development. The District anticipates developer fee revenues to average around $8,166 per year, based upon these rates. While the district maintains developer fees at the maximum allowable level, the lack of development in rural areas of Lemoore combined with NAS Lemoore and the Santa Rosa Rancheria not contributing to any local taxes, creates limited usable funds available in developer fees.

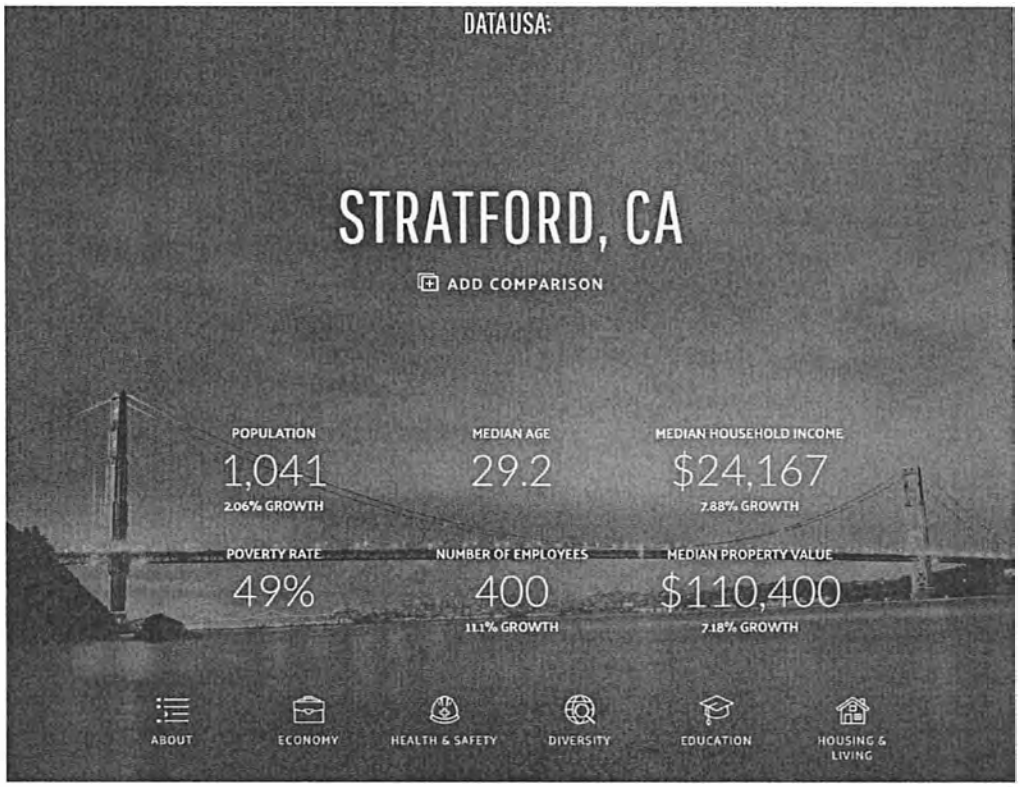
For several years, the District's assessed valuation (AV) level and bonding capacity were under the $5 million threshold for consideration of financial hardship. Only recently has the District's AV risen above the 2018-19 AV resulted in a bonding capacity of just slightly over the $5M threshold.

Within the District's population makeup, 80% of our students either live on the installation, reservation, or reside in other communities outside of the standard district boundaries, but choose to attend

Central Union under the residency based upon employment provision. Thus, 80% of our student population would generate zero bonding capacity for the District, or have no financial accountability for a local school bond.

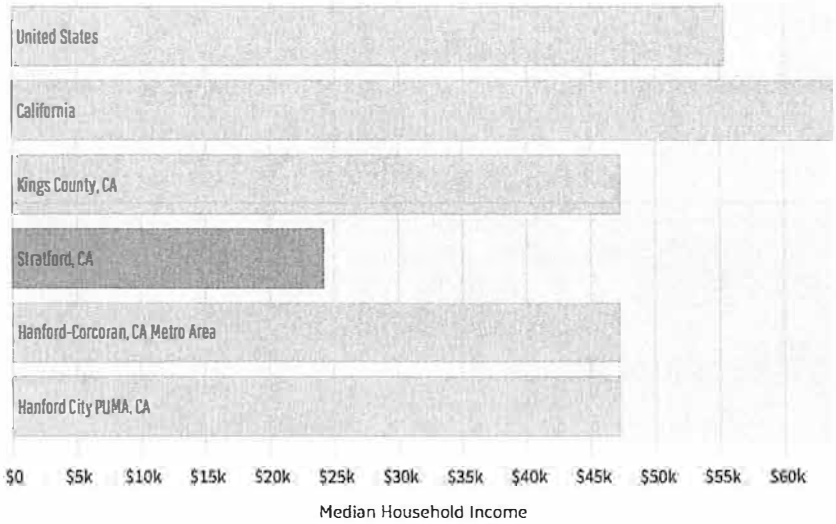
Conversely, 20% of the families in the Central Union School District would be held responsible for the cost of a bond measure. Any attempt by the District to seek a local bond measure would fall primarily upon the community of Stratford and the rural residents in the unincorporated areas of the District who represent a small percentage of the overall student population.

As stated, the boundaries of the Central Union School District contain two federal properties, the Santa Rosa Rancheria, and Naval Air Station Lemoore. The remaining areas of the District boundaries are unincorporated. Households in Stratford, CA have a median annual income of $24,167, which is less than the median annual income in the United States. The charts below provide a brief overview of the median household income of residents in Stratford, CA compares to that of others in our location (Dataset: American Community Survey (ACS) 5-year Estimate Census Bureau - 60 months of collected data between January 1, 2013 and December 31, 2017)



Median Household Income in Stratford

The closest comparable data for the census place of Stratford, CA is from the public use microdata area (



Dataset: ACS 5 year Estimate
Source: Census Bureau

DATA USA:

(source: https://datausa.io/profile/geo/stratford-ca/)
(source: http://www.city-data.com/city/Stratford-California.html)

Maintaining the district reserves is also key to moving forward on the facility projects, as the Federal PSMI grant is a reimbursement program. Thus, the district must have sufficient cash on hand to avoid borrowing and to make timely payments while awaiting reimbursements and avoiding construction delays. Correspondingly, 30% of the District's budget is subsidized through the Federal Impact Aid (IA) program. Due to the significant presence of the Federal properties in the District area, the IA program was established in 1950 by the Federal Government to supplant the loss of local revenue that is available to other school districts, because the Federal property is exempt from local property taxes.

It should also be noted that the present bond threshold for financial hardship was set in statute in 1998, under the Leroy F. Greene School Facilities Act of 1998. Additionally, this state level has remained unadjusted for inflation or any accounted for changes in statewide assessed valuation over the past twenty years.

All of the information within this brief overview confirms and underscores the District's challenges with school construction funding. Central Union's smaller size, rural location, substantial impact of the federal presence, and the disadvantaged community precludes the standard district facility funding mechanisms.

The District appreciates the State Allocation Board's thoughtful review of our circumstances and for the consideration of utilizing other evidence in order to qualify the District for Financial Hardship Status in the State Building Program.

ATTACHMENT C

AUTHORITY

Education Code Section 17075.10(b)(1)(B) states that "…the school district has made all reasonable efforts to impose levels of local debt capacity and developer fees, and that the school district is, therefore, unable to participate in the program pursuant to this chapter except as set forth in this article."

EC Section 17075.15(d) states:

> Further, regulations shall also specify a method for determining required level of local effort to obtain matching funds. The regulations shall include consideration of at least all of the following factors:
> (1) Whether the school district has passed a bond measure within the two-year period immediately preceding the application for funding under this article, the proceeds of which are substantially available for use in the project to be funded under this chapter, but remains unable to provide the necessary matching share requirement.
> (2) Whether the principal amount of the current outstanding bonded indebtedness issued for the purpose of constructing school facilities for the school district and secured by property within the school district or by revenues of, or available to, the school district, which shall include general obligation bonds, Mello-Roos bonds, school facility improvement district bonds, certificates of participation, and other debt instruments issued for the purpose of constructing school facilities for the school district and for which owners of property within the school district or the school district are paying debt service is at least 60 percent of the school district's total bonding capacity, as determined by the board.
> (3) Whether the total bonding capacity, as defined in Section 15102 or 15106, as applicable, is five million dollars ($5,000,000) or less, in which case, the school district shall be deemed eligible for financial hardship.
> (4) Whether the application for funding under this article is from a county superintendent of schools.
> (5) Whether the school district submits other evidence of substantial local effort acceptable to the board.
> (6) The value of any unused local general obligation debt capacity, and developer fees added to the needs analysis to reflect the district's financial hardship, available for the purposes of school facilities financing."

School Facility Program (SFP) Regulation Section 1859.81(c) states

> (c) "…The district has made all reasonable efforts to fund its matching share of the project by demonstrating it is levying the developer fee justified under law or an alternative revenue source equal to or greater than the developer fee otherwise justified under law at the time of request for hardship and the district meets at least one of the following:
> (1) The current outstanding bonded indebtedness of the district issued for the purpose of constructing school facilities in accordance with Education code Section 17072.35 or 17074.25 as appropriate, at the time of request for financial hardship status, is at least 60 percent of the district's total bonding capacity. Outstanding bonded indebtedness includes that part of general obligation bonds, Mello-Roos Bonds, School Facility Improvement District Bonds and certificates of participation which the district is paying a debt service that was issued for capital outlay school facility purposes.
> (2) The district had a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of request for financial hardship status. The proceeds from the bond election that represent the maximum amount allowed under the provisions of Proposition 39 must be used to fund the district's matching share requirement for SFP project(s).
> (3) It is a County Superintendent of Schools.
> (4) The district's total bonding capacity at the time of the request for financial hardship status is $5 million or less.
> (5) Other evidence of reasonable effort as approved by the SAB.

SFP Regulation Section 1859.90 states that "a district must submit the Form SAB 50-05 and a Grant Agreement, within 18 months of the Apportionment of the SFP grant for the project or the entire…apportionment shall be rescinded without further Board action…."

SAB Meeting: **December 11, 2018** **Modernization - Adjusted Grant Approval**

SCHOOL DISTRICT DATA

Application No:	57/63883-00-001	**County:**	Kings
School District:	Central Union Elementary	**School Name:**	Akers Elementary

PROJECT DATA

Type of Project:		Elementary School	**Application Filing Basis:**		Site Specific
Pupils Assigned Under 50 Yrs:	**K-6:**	126	**Pupils Assigned Over 50 Yrs:**	**K-6:**	349
	7-8:	51		**7-8:**	143
	9-12:			**9-12:**	
	Non-Severe:	1		**Non-Severe:**	4
	Severe:			**Severe:**	
Financial Hardship Requested:		Yes	**Recommended Acres:**		16.5
Alternative Education School:		No	**Existing Acres:**		25.44

ADJUSTED GRANT DATA

Modernization Grant - Under 50 Yrs	$	801,853.00
Modernization Grant - Over 50 Yrs		3,113,048.00
Project Assistance		3,772.00
Fire Detection Alarm		96,987.00
Accessibility/Fire Code Req.		117,447.00
Total State Share (60%)		4,133,107.00
District Share (40%)		2,755,405.00
Total Project Cost	$	**6,888,512.00**

PROJECT FINANCING

State Share		
This Project	$	4,133,107.00
District Share		
Cash Contribution		30,908.00
Financial Hardship		2,724,497.00
Total Project Cost	$	**6,888,512.00**

HISTORY OF PROJECT COST AND APPORTIONMENT

	Fund Code	Proposition	Previously Authorized	Authorized This Action	Unfunded Approval This Action
State Share					
Modernization/Additional Grant	**951-570**	**51**	$	$ 4,133,107.00	$ 4,133,107.00
District Share					
Cash Contribution				30,908.00	
Financial Hardship	**951-570**	**51**		2,724,497.00	2,724,497.00
Total			$	$ **6,888,512.00**	$ **6,857,604.00**

Funding Source: Proposition 51 Bonds/2016-Nov.

Pursuant to the Board's action on March 11, 2009, this application has been approved and placed on the Unfunded List. This approval does not constitute a guarantee or commitment of future State funding.

Amounts shown for financial hardship assistance are subject to adjustment as a result of a review of the District's financial records pursuant to Regulation Section 1859.81(a) at the time of apportionment.

Based on the Board's action on June 5, 2017, this project is subject to the Grant Agreement submittal pursuant to School Facility Program Regulation Section 1859.90.4.

The District shall ensure that it is in compliance with all applicable laws, regulations and certifications it made on the program forms.

The District qualifies for financial hardship pursuant to SFP Regulation Section 1859.81(c)(5). The District has demonstrated it is financially unable to provide all or a part of the matching funds and is levying the developer fees or equal alternative revenue source justified by law. The District qualifies for financial hardship using "other evidence of reasonable effort as approved by the SAB" on December 11, 2018.

SAB Meeting: **December 11, 2018** **Modernization - Adjusted Grant Approval**

SCHOOL DISTRICT DATA

Application No:	57/63883-00-001	**County:**	Kings
School District:	Central Union Elementary	**School Name:**	Akers Elementary

PROJECT DATA

Type of Project:		Elementary School	**Application Filing Basis:**		Site Specific
Pupils Assigned Under 50 Yrs:	**K-6:**	126	**Pupils Assigned Over 50 Yrs:**	**K-6:**	349
	7-8:	51		**7-8:**	143
	9-12:			**9-12:**	
	Non-Severe:	1		**Non-Severe:**	4
	Severe:			**Severe:**	
Financial Hardship Requested:		No	**Recommended Acres:**		16.5
Alternative Education School:		No	**Existing Acres:**		25.44

ADJUSTED GRANT DATA

Modernization Grant - Under 50 Yrs	$	801,853.00
Modernization Grant - Over 50 Yrs		3,113,048.00
Project Assistance		3,772.00
Fire Detection Alarm		96,987.00
Accessibility/Fire Code Req.		117,447.00
Total State Share (60%)		4,133,107.00
District Share (40%)		2,755,405.00
Total Project Cost	$	**6,888,512.00**

PROJECT FINANCING

State Share		
This Project	$	4,133,107.00
District Share		
Cash Contribution		2,755,405.00
Financial Hardship		0.00
Total Project Cost	$	**6,888,512.00**

HISTORY OF PROJECT COST AND APPORTIONMENT

	Fund Code	Proposition	Previously Authorized	Authorized This Action	Unfunded Approval This Action
State Share					
Modernization/Additional Grant	**951-570**	**51**	$	$ 4,133,107.00	$ 4,133,107.00
District Share					
Cash Contribution				2,755,405.00	
Financial Hardship	**951-570**	**51**			
Total			$	$ **6,888,512.00**	$ **4,133,107.00**

Funding Source: Proposition 51 Bonds/2016-Nov.
Pursuant to the Board's action on March 11, 2009, this application has been approved and placed on the Unfunded List.
This approval does not constitute a guarantee or commitment of future State funding.

Amounts shown for financial hardship assistance are subject to adjustment as a result of a review of the District's financial records pursuant to Regulation Section 1859.81(a) at the time of apportionment.

Based on the Board's action on June 5, 2017, this project is subject to the Grant Agreement submittal pursuant to School Facility Program Regulation Section 1859.90.4.

The District shall ensure that it is in compliance with all applicable laws, regulations and certifications it made on the program forms.

ATTACHMENT E

District's Seeking Financial Hardship Status – Other Evidence

District	District FH Request	Unique Situation	SAB Meeting Date	Board Action
Monterey Peninsula	New construction project – full construction funding	• Closure of Fort Ord • Loss of $10 million in annual federal aid	January 23, 2003	Approved
Mariposa County Unified	Three modernization projects – full construction funding	• No bonded Indebtedness • Never attempted prop. 39 bond	February 26, 2003	FH Status not approved
Galt Joint Union High	Two new construction projects – full construction funding	• Three Failed bond measures • Levying max. developer fees • In danger of becoming AB 1200[1] district	August 25, 2004	Approved
Needles Unified	New construction project – full construction funding	Facility Hardship project, school needed to be relocated because of hazardous transportation route to site and remote location.	October 26, 2005	• Approved Design grant only • Board directed District to pass local bond before seeking FH for construction phase
Acton-Aqua Dulce Unified	New construction project – full construction funding	• Previously under State receivership • Gym was non-Field Act compliant & shut down by DSA • No cafeteria	October 26, 2005	• Board seeking further information • Item was scheduled again for 3/22/06 SAB meeting • District withdrew appeal with understanding that they needed to first seek a local bond measure
Needles Unified	New construction project & two modernization projects – full construction funding	Facility Hardship project, entire school was relocated because of hazardous transportation route to site and remote location	January 27, 2007	• Approved new construction Parker Dam project only • Modernization projects not approved
Biggs Unified	New construction project – full construction funding	• Lacked matching funds to move forward • Instability of District's fiscal situation	January 27, 2010	• Approved for Design grant only • Board directed District to seek local funding sources prior to requesting FH for construction phase
Aromas- San Juan Unified	Facility Hardship project-Design Funding with Advance Funding for Evaluation and RA	Facility Hardship project involves buildings defined as "Most Vulnerable Category 2 Building	March 28, 2012	• Board took no action • FH status not approved
Sierra Plumas Joint Unified	Facility Hardship project- full construction funding	• Unable to pass a bond due to county demographics and history • Requesting funding for health and safety related rehabilitation work	March 20, 2013	FH status not approved

District's Seeking Financial Hardship Status – Other Evidence

Mountain Valley Unified	Two facility Hardship projects- full construction funding	Facility Hardship project, portions of a remotely located school were closed for mold mitigation.	August 23, 2017	• FH status approved • Approved for immediate Apportionment

[1]AB 1200 District – Law passed in 1991 that defined fiscal accountability for school districts and county offices of education to prevent bankruptcy. Districts are required to submit interim reports of their financial health to their County offices.