

INITIAL STATEMENT OF REASONS

Section 1859.2. Definitions.

Specific Purpose of the Regulation

To define three new terms and a new form, to expand two existing definitions, and change the revision dates to three existing forms based on conforming regulatory amendments.

Need for the Regulation

Existing Regulation Section 1859.2 represents a set of defined words and terms used exclusively for these regulations. It was necessary to correct the revision dates of the Forms SAB 50-04, SAB 50-05, and the Grant Agreement [Proposition 2] as these forms have been amended that incorporate the Proposition 2 provisions relating to the Small School District Program (SSDP) contained in Education Code Sections 17078.35 through 17078.38.). It was also necessary to define the terms Final Small School District Program Apportionment, Preliminary Small School District Program Apportionment, Project and Construction Management Grant, and the Form SAB 50-12, *Application For Small School District Program Preliminary Apportionment*, so there is an understanding of how the terms and the form are applied in the SSDP.

Section 1859.18.1. Master Plan Submittal Time Frames.

Specific Purpose of the Regulation

To set forth the requirements for a complete and valid master plan.

Need for the Regulation

It was necessary to stipulate that Approved Applications submitted to the Office of Public School Construction (OPSC) on or after October 31, 2024, would require the submittal of a complete and valid master plan as a condition of participating in the School Facility Program (SFP) to align with Education Code Section 17070.54. This section also provides guidance to school districts on the length of time a master plan is valid and the conditions when a valid master plan must be updated, such as changes in enrollment, capacity, or other areas that have materially affected components of the master plan. Once the five years have expired, school districts shall submit an updated, complete and valid master plan reflecting a new five-year period as supported by a copy of the local governing board approval or board minutes. The proposed amendments set forth new subsection (f) to include SSDP projects in the submittal of master plans and specifically delineates when a master plan must be submitted or when a local governing board resolution is required. If a master plan is not submitted accordingly, the Apportionment may be rescinded for failure to submit this required document. This is in alignment with Education Code Section 17070.54. It was also necessary to add the word "Program" in the defined terms "Preliminary Small School District Program Apportionment" and Final Small School District Program Apportionment" as noted in subsections (f)(1) and (f)(2).

Section 1859.51. Adjustments to the New Construction Baseline Eligibility.

Specific Purpose of the Regulation

To make minor edits and non-substantive changes.

Need for the Regulation

Subsection (e): It was necessary to add “School” in front of districts and to capitalize the “D” in districts as this is a defined term. It was also necessary to add language “a complete and valid” in front of Form SAB 50-01 as it pertains to the submittal of information to the Office of Public School Construction (OPSC). Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Subsection (j)(1): It was necessary to add “Small School” in front of districts and to capitalize the “D” in districts for purposes of consistency throughout these regulations.

Section 1859.74.1. Site Acquisition Guidelines.

Specific Purpose of the Regulation

To inform school districts of the certification on the Form SAB 50-12 relating to the appraisal of the property based on specific criteria.

Need for the Regulation

Introductory paragraph, 2nd line: It was necessary to add “or Form SAB 50-12, as applicable” so small school districts can certify that the appraisal for the property complied with specific criteria, and request site acquisition funding pursuant to Regulation Section 1859.74. This is necessary in cases where small school districts already have the appraisal documents to substantiate the request for site acquisition funding at the Preliminary Small School District Program Apportionment stage. There are non-substantive changes throughout this Section such as adding “School” in front of district and capitalizing the “D” in the word district and capitalizing the “F” and “H” in the term financial hardship.

Section 1859.90.2. Priority Funding Process.

Specific Purpose of the Regulation

To specify that SSDP projects are included in the priority funding process.

Need for the Regulation

Introductory paragraph, 2nd line: It was necessary to add “Preliminary Small School District Program Apportionment” in this section as SSDP projects are subject to the priority funding process.

Subsection (a): It was necessary to clarify that school districts must participate in the priority funding process to be considered for approved advance release of design, project assistance, the Project and Construction Management Grant, and/or site acquisition funds. This is a consistent practice with other State Allocation Board-administered programs that require preliminary apportionments, such as the Charter School Facilities Program.

Subsection (a)(2): It was necessary to add the words “a complete and” in front of the word “valid” as it pertains to the submittal of information to OPSC. Also, the words “original signature”

and “physically” have been struck out as school districts are encouraged to submit information through the OPSC Online portal. In addition, there is a numbering edit from (a)(5) to (a)(6). Subsection (a)(6)(B) and subsection (b): It was necessary to add the words “a complete and” in front of the word “valid” as it pertains to the submittal of information to OPSC. Also, the words “original signature” and “physically” have been struck out as school districts are encouraged to submit information through the OPSC Online portal. Incomplete, blank, or forms with false or inaccurate information are not acceptable. Subsection (c): It was necessary to specify the requirements for participation in the priority funding process for school districts requesting an apportionment or approved advance release of funds resulting from a Preliminary Small School District Program Apportionment. There are minor edits throughout this section that add the word “School” in front of districts and capitalize the “D” in districts as this is a defined term, along with other minor changes that are considered non-substantive changes.

Section 1859.90.3. Participation in the Priority Funding Process.

Specific Purpose of the Regulation

To require the SSDP projects to participate in the priority funding process.

Need for the Regulation

Introductory paragraph, 3rd line: It was necessary to add “Small School District Program” in this section as SSDP applications are subject to participation in the priority funding process. It was also necessary to specify that the advance release of design, project assistance, the Project and Construction Management Grant, and any site acquisition funds from a Preliminary Small School District Program Apportionment are excluded from occurrences related to non-participation in the priority funding process. This is consistent with the Preliminary Charter School Preliminary Apportionment under the Charter School Facilities Program (CSFP).

Section 1859.106. Program Accountability Expenditure Audit.

Specific Purpose of the Regulation

To set forth an additional expenditure audit adjustment in the SSDP grant.

Need for the Regulation

Subsection (f): It was necessary to specify that if a school district requests the Project and Construction Management Grant and does not obtain project and/or construction management services as described in Education Code Section 17078.35, and does not expend any funds on these services, the total project cost will be reduced for the Project and Construction Management Grant along with the associated required matching share. This ensures a prudent use of bond funds and upholds the integrity of the SFP.

Section 1859.107. Amending and Withdrawal of Applications.

Specific Purpose of the Regulation

To make school districts aware of the number of applications that can be submitted to OPSC with the same scope of work for one or more State Allocation Board (SAB)-administered programs.

Need for the Regulation

Last paragraph above the authority and reference citations: It was necessary to delineate the process by which OPSC will use to address circumstances in which a school district submits to OPSC more than one application for the same scope of work under one or more SAB-administered programs. It is necessary to prevent duplicate funding for the same type of work and to ensure funding is not provided under more than one SAB-administered program as this would be considered a gift of public funds.

Section 1859.156. General.

Specific Purpose of the Regulation

To set forth the requirements for participating in the SSDP.

Need for the Regulation

It was necessary to establish requirements for this Section to ensure that only small school districts as defined participate in the SSDP and it was necessary to introduce the *Application For Small School District Program Preliminary Apportionment*, Form SAB 50-12, as this is the form that qualifying small school districts must use to apply for funding under the SSDP. This aligns with Education Code Sections 17078.35 through 17078.38. In addition, it was necessary to inform school districts that applications would be processed in order of receipt of a complete and valid Form SAB 50-12. This practice is consistent with the regular New Construction and Modernization programs under the SFP.

Subsection (a): It was necessary to separate the requirements for New Construction eligibility from Modernization eligibility as New Construction eligibility establishment and adjustments must be submitted with the Form SAB 50-12 using the current enrollment year.

Subsection (c): It was necessary to make school districts aware that the Form SAB 50-12 must be submitted prior to the date of occupancy for any classrooms.

Section 1859.157. Application Process.

Specific Purpose of the Regulation

To establish the dates for accepting applications under the SSDP.

Need for the Regulation

It was necessary to inform school districts of the date when OPSC would begin accepting applications (Form SAB 50-12) for Modernization and for New Construction under the SSDP. Because of the limited funding available for the SSDP of which \$330 million in bond authority was set aside by the SAB for New Construction and \$400 million in bond authority was set aside for Modernization, it was necessary to make school districts aware that a lottery system would be used for projects submitted on the same date than can be funded with available program authority. The lottery system is a consistent tool used for other programs under the SFP, such as the Charter School Facilities Program and for another SAB-administered program namely the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. It is important to note that once the funding set asides have been exhausted, the SAB

will not accept the Form SAB 50-12 and, any Forms SAB 50-12 that have not been apportioned due to insufficient funding being available, those Forms will be returned to the applicants.

Section 1859.157.1. Preliminary Apportionment Grant Determination for New Construction Applications.

Specific Purpose of the Regulation

To set forth the calculation for additional grants for New Construction applications.

Need for the Regulation

It was necessary to delineate the additional grants that will be provided in addition to the methodologies used for determining site acquisition and site development value calculations at the time of the Preliminary Small School District Program Apportionment for New Construction applications. In most cases, a site has not even been identified and is therefore nearly impossible to identify the costs associated with site acquisition and site development. This Section allows for averages of costs for similar projects or the use of historical data to determine these costs. This is in alignment with the Critically Overcrowded Schools (COS) regulatory framework (Education Code Section 17078.25). Education Code Section 17078.37 stipulates that the preliminary applications will be processed in a manner identical to that of the COS program, which is a prior SAB-administered program. It was also necessary to include the calculation for the inflator factor and specify that the Project and Construction Management Grant would be made after the inflator factor has been calculated for the Preliminary Small School District Program Apportionment. Under the COS program, the law prescribed that the amount to be provided in the preliminary apportionment would be inflated.

Section 1859.157.2. Preliminary Apportionment Grant Determination for Modernization Applications.

Specific Purpose of the Regulation

To set forth the calculation for additional grants for Modernization applications.

Need for the Regulation

It was necessary to delineate the additional grants that will be provided at the time of the Preliminary Small School District Program Apportionment for Modernization applications. The additional grants are consistent with what qualifying projects for the regular Modernization program receive. It was also necessary to include the calculation for the inflator factor and specify that the Project and Construction Management Grant would be made after the inflator factor has been calculated for the Preliminary Small School District Program Apportionment. As stated in the Section above, under the COS program, the law prescribed that the amount to be provided in the preliminary apportionment would be inflated. The inflator factor is based on an average of the Class B index adjustments that have been made in the past, times four, which is equal to the length of time prescribed in law (four years) for the Preliminary Small School District Program Apportionment to be converted to the Final Small School District Program Apportionment.

Section 1859.157.3. Preliminary Small School District Program Apportionment Fund Release.

Specific Purpose of the Regulation

To set forth the criteria for receiving an advance release of funds.

Need for the Regulation

It was necessary to inform applicants of the criteria to receive an advance release of funds at the time of the Preliminary Small School District Apportionment and the amount of advance funds that may be released.

Subsections (a) and (b): It was necessary to specify that applicants eligible for financial hardship assistance can receive an advance release of funds for design and/or site acquisition at the time of the Preliminary Small School District Program Apportionment. The percentages of the New Construction and Modernization Grants (40 and 25, respectively) are consistent with separate design and/or site acquisition projects in the regular New Construction and Modernization programs under the SFP.

Subsection (c): It was necessary to make applicants aware that an advance release of funds for environmental hardship site acquisition can be requested at the time of the Preliminary Small School District Program Apportionment.

It was necessary to specify that applicants who are not eligible for financial hardship assistance nor for an advance release of funds for environmental hardship site acquisition at the time of a Preliminary Small School District Program Apportionment are not eligible to receive funds until the Preliminary Small School District Program Apportionment has converted to a Final Small School District Program Apportionment and the school district submits the *Fund Release Authorization* (Form SAB 50-05) and the *Grant Agreement [Proposition 2]* for fund release. The submitted Form SAB 50-05 must contain all required information to be able to process the form. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Section 1859.157.4. Conversion of Preliminary Small School District Program Apportionment.

Specific Purpose of the Regulation

To set forth the parameters and criteria for requesting conversion of a Preliminary Small School District Program Apportionment.

Need for the Regulation

It was necessary to specify that in order to convert from a Preliminary Small School District Program Apportionment to a Final Small School District Preliminary Apportionment, the applicant would need to submit a complete and valid *Application For Funding* (Form SAB 50-04) and meet certain criteria.

Subsection (a): It was necessary to inform applicants that the total number of pupil grants requested on the Form SAB 50-04 must not exceed the number of pupil grants approved by the SAB on the Preliminary Small School District Apportionment. The total number of grants must be for at least 50 percent of the pupil grants for New Construction funding, or for Modernization funding, the number of pupil grants must be for at least 60 percent.

Subsection (b): It was necessary to make applicants aware that seeking financial hardship assistance while requesting to convert to a Final Small School District Program Apportionment

they would need to re-qualify by checking the box for Financial Hardship on the Form SAB 50-04.

Subsection (c): It was necessary to assure qualified applicants that received a Preliminary Small School District Program Apportionment that in cases where an applicant's current enrollment exceeds 2,500 pupils at the time of conversion, submittal of the Form SAB 50-04 is necessary to convert from a Preliminary Small School District Program Apportionment to a Final Small School District Program Apportionment.

Subsection (d): It was necessary to allow Modernization supplemental grants funding be calculated using the enrollment within the Preliminary Small School District Program Apportionment for the Minimum Essential Facilities and Transitional Kindergarten supplemental grants. These two supplemental grants, Minimum Essential Facilities and Transitional Kindergarten, will be calculated as part of the Final Small School District Program Apportionment. The Form SAB 50-04 submitted must contain all required information to be able to process the form. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Section 1859.157.5. Time Limit on Preliminary Small School District Program Apportionment.

Specific Purpose of the Regulation

To set forth the criteria in which a Preliminary Small School District Program Apportionment does not convert to a Final Small School District Program Apportionment.

Need for the Regulation

It was necessary to inform applicants of the steps to take place when a Preliminary Small School District Program Apportionment does not convert to a Final Small School District Program Apportionment after four years, or in some cases, a fifth year (a one-year extension). Applicants must show progress on the project during the four years to maintain the reservation of funding as requested on the Preliminary Small School District Program Apportionment.

Subsections (a), (b), and (c): It was necessary to lay out the processes by which a Preliminary Small School District Program Apportionment would be rescinded in either case of inaction over the four year period or the advance release of funds; the return of New Construction or Modernization eligibility adjusted by the number of pupil grants not used; and for which funds were released, the projects will be reduced to costs incurred and closed out, with a corresponding adjustment of the pupil grants assigned to either the New Construction or Modernization Preliminary Small School District Program Apportionment. These processes are consistent with the practice for projects in the regular New Construction and Modernization programs. Any and all funding returned to the SSDP will return to either the New Construction or Modernization fund category. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Section 1859.157.6. Preliminary Small School District Program Time Limit Extension.

Specific Purpose of the Regulation

To set forth the criteria in which applicants can request a single one-year extension to convert a Preliminary Small School District Program Apportionment.

Need for the Regulation

Although the law allows for the additional one-year extension, it was necessary to set forth criteria as the law was silent as to how the SAB would determine the viability of an applicant's request for a one-year extension. Subsection (a) provides two criteria by which an applicant must provide evidence in order for the SAB to consider approval of the one-year extension. Subsection (b) instructed applicants to provide "other evidence" of which was open-ended with no indicators of what "other evidence" might be. OPSC recognized an opportunity to identify certain factors that the SAB will consider in determining whether to approve the one-year extension. Those regulatory amendments for certain factors were approved by the SAB at its August 5, 2026 meeting. The one-year extension provides the extra time for those applicants that have encountered challenges and need this time to convert their Preliminary Small School District Program Apportionment.

Section 1859.157.7. Final Small School District Program Apportionment Grant Determination.

Specific Purpose of the Regulation

To specify how the final amount is determined and the approval process for conversions from a Preliminary Small School District Program Apportionment to a Final Small School District Program Apportionment.

Need for the Regulation

It was necessary to be clear how the final amount for the project is determined once the project has converted to a Final Small School District Program Apportionment.

Subsection (a): If the amount of the Final Small School District Program Apportionment is less than or equal to the Preliminary Small School District Program Apportionment, the project will be funded in its entirety and will be considered the full and final amount, with any difference returning to the proper SSDP fund category (New Construction or Modernization).

Subsection (b): If the amount of the Final Small School District Program Apportionment is greater than the Preliminary Small School District Program Apportionment, the SAB shall approve an increase using any funds remaining in the SSDP fund category (New Construction or Modernization), subject to date order OPSC received a complete and valid Form SAB 50-04 or if multiple small school district program applications were received on the same date than can be funded with the remaining balance in the fund category, a lottery system will be used to determine the funding order. The use of a lottery system is the standard practice used in the CSFP under the SFP. The CSFP is also a preliminary apportionment to final apportionment-based program. The other SAB-administered program that uses a lottery system to determine the funding order of projects is the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

Section 1859.157.8. Final Small School District Program Apportionment Fund Release.

Specific Purpose of the Regulation

To inform applicants of the fund release process for a Final Small School District Program Apportionment.

Need for the Regulation

It was necessary to inform applicants of the two ways in which to request the release of funds; either through the direct apportionment process (General Fund monies) or through the priority funding process (unfunded approvals). The direct apportionment process is when projects receive actual cash right away, whereas the priority funding process means projects receive an unfunded approval then upon the successful passage of a bond sale by the State Treasurer's Office, and when cash is available, the unfunded approval converts to cash. The priority funding process is a much longer process since bond sales average two times a year and the cash is based on the SAB approval date of each project (oldest SAB approval date to most recent approval date).

Section 1859.158. Substantial Progress and Expenditure Reporting Timelines.

Specific Purpose of the Regulation

To specify the substantial progress and expenditure reporting timelines for SSDP projects.

Need for the Regulation

All SAB-administered programs have substantial progress and expenditure reporting timelines for projects. The SSDP is not any different. When allocating direct apportionments or bond funds, accountability is extremely important and as stewards of the taxpayers' dollars, applicants must provide progress reports in the form of a narrative and expenditure reports. These documents show progress on the projects and also ensure that expenditures have been spent appropriately and in accordance with the project scope. Subsections (a) through (d)(2) are in alignment with the existing New Construction and Modernization programs reporting requirements in SFP Regulation Section 1859.104.

OPSC performed a search on whether the proposed regulatory amendments were consistent and compatible with existing State laws and regulations and did not identify any inconsistent or incompatible existing State laws or regulations. The proposed regulatory amendments are consistent with and implement a provision of statutory changes enacted with the passage of Proposition 2. Proceeding with the implementation of the proposed regulations ensures the working framework for the SSDP and ensures school districts want the state be a partner in their projects. This provides a positive impact on the state's economy, as well as the creation of an unknown number of jobs in the school construction industry. Once small school districts request the release of state funds, manufacturing and construction-related industries such as architecture, engineering, trades and municipalities may expand based on the demand on these industries. The proposed regulations will maintain equity, consistency, and the integrity of the SSDP under the SFP.

SCHOOL FACILITY PROGRAM FORMS

Application For Funding, Form SAB 50-04 (Rev. 01/2602/26).

Specific Purpose of the Form

To provide instruction in determining the calculation for two modernization supplemental grants, and to provide clarifications and corrections on the Form.

Need for the Form

It was necessary to provide specific instruction to applicants in determining the calculation for additional funding for the Minimum Essential Facilities and Transitional Kindergarten modernization supplemental grants. When converting the Preliminary Small School District Program Apportionment to a Final Small School District Program Apportionment, the qualifying enrollment that was used to determine the Preliminary Small School District Program Apportionment shall be used in the calculation of these two modernization supplemental grants. This aligns with Regulation Section 1859.157.4(d)(1) and (d)(2). The additional clarifications and corrections on this Form were approved by the SAB at its August 5, 2026 meeting, and are specified by page number as follows:

- Page 3, 2nd column, 3 bullet: It was necessary to clarify that the “number assigned to the project . . .” means the number of pupils and that by adding the language “calculations in Sections 1859.78.7.1(b), (c), and (d)” is necessary to derive a number rather than a percentage factor.
- Page 4, 1st column, d.: It was necessary to add this language so school districts can request this grant by checking the box on page 8 of this Form. With the addition of “d.” the existing numbering changes.
- Page 4, 2nd column, b.: It was necessary to add this language so school districts can request this grant by checking the box on page 8 of this Form. With the addition of “b.” the existing numbering changes.
- Page 12, 2nd column, last bullet: It was necessary to add this certification to ensure applicants understand that the total approved project cost will be reduced for failure to comply with this requirement. This is in alignment with the Form SAB 50-12.

Fund Release Authorization, Form SAB 50-05 (Rev. 08/2502/26).

Specific Purpose of the Form

To add a new part that recognizes Preliminary Small School District Program Apportionment projects.

Need for the Regulation

It was necessary to add the new Part III for Preliminary Small School District Program Apportionments so applicants know how to request the release of funds for a design and/or separate site apportionment. This is also necessary to comply with specific legal and SFP requirements. With the new Part III, renumbering edits throughout this Form are necessary, along with other non-substantive changes.

Application for Small School District Program Preliminary Apportionment, Form SAB 50-12 (New 02/26).

Specific Purpose of the Form

To introduce a new form that must be submitted by applicants to request funding for Preliminary Small School District Program Apportionments for either New Construction or Modernization school facilities.

Need for the Regulation

It was necessary to introduce this Form as the mechanism by which applicants will submit requests for Preliminary Small School District Program Apportionments. The grants that can be reserved at the Preliminary Small School District Program Apportionment stage are 50 years or older pupil grants; 75 years or older facilities replacement funding; all New Construction and Modernization funding supplemental grants; the Project and Construction Management Grant; and excessive cost hardship grants. Most of this Form mirrors the existing Form SAB 50-04, both in the form itself, instructions and certifications. There were additional clarifications and corrections made on this Form that were approved by the SAB at its August 5, 2026 meeting, and are specified by page number as follows:

- Page 2, 2nd column, d., 3rd bullet: It was necessary to add the language “calculations in Sections 1859.78.7.1(b), (c), and (d)” in order to derive a number rather than a percentage factor. This corresponds to the fields for “d.” on page 6 of this Form.
- Page 4, 1st column, i.: It was necessary to include the option for five percent of the Modernization grant. It is included in Regulation Section 1859.78.10(b) but was inadvertently omitted from being included on page 7 of this Form.

Grant Agreement [Proposition 2] (New 03/25 Rev. 04/26).

Specific Purpose of the Form

To provide guidance to applicants that apply under the SSDP.

Need for the Regulation

The *Grant Agreement [Proposition 2]* templates are necessary and used for projects submitted to OPSC on or after October 31, 2024. The *Grant Agreement [Proposition 2]* incorporates the provisions of Proposition 2 as well as for the SSDP. They are entered into for every future funding application that is processed; therefore, each Grant Agreement will contain the relevant program's sections. The Grant Agreements were developed to address the Office of Statewide Audits and Evaluation's audit findings by improving program oversight and expenditure accountability. The Grant Agreements serve as binding documents and key resources that define the responsibilities of the state and school districts from the determination of the amount of eligible state funding to the reporting of all project funds, including any savings achieved. This ensures transparency and accountability for the program grants being awarded under the SFP. The proposed amendments align with the proposed regulations for the SSDP and include the clarifying language components for Common Eligible Project Expenditures and Common Ineligible Project Expenditures that were adopted by the SAB at its April 29, 2026 meeting.

Anticipated Benefits and Economic Impact of the Proposed Regulations

There are benefits associated with the proposed regulations in that there is statutory authority for the SAB to implement the SSDP. This program is strictly designed for small school districts to request Preliminary Small School District Program Apportionments for New Construction and/or Modernization funding. The SSDP helps to ensure small school districts have the time to design and construct the project over time without the risk of designing a project for which there is no bond authority available for construction.

In addition, the proposed regulations may have a positive impact on the state's economy, as well as the creation of an unknown number of jobs in the school construction industry, by

facilitating funding for school construction. Once [small] school districts request the release of state funds, manufacturing and construction-related industries such as architecture, engineering, trades and municipalities may expand based on the demand on these industries.

The proposed regulations are therefore determined to be consistent and compatible with existing laws and regulations. These proposed regulations will not negatively impact the creation of jobs, the creation of new businesses, and the expansion of businesses in California. It is not anticipated that the proposed regulations will result in the elimination of existing businesses or jobs within California. Additionally, the proposed regulations expand the SFP while maintaining program integrity and equity amongst school district projects.

Technical Documents Relied Upon

- The SAB's Action Item, dated February 25, 2026, REPORT OF THE EXECUTIVE OFFICER, entitled "Proposed Emergency Regulatory Amendments for the School Facility Program."
- The SAB's Action Item, dated April 29, 2026, REPORT OF THE EXECUTIVE OFFICER, entitled "Proposed Regulatory Amendments for the School Facility Program."
- The SAB's Action Item, dated August 5, 2026, REPORT OF THE EXECUTIVE OFFICER, entitled "Proposed Regulatory Amendments for the School Facility Program."

Alternatives to the Proposed Regulatory Action that would be as Effective and Less Burdensome to Private Persons

The SAB finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations or would be as effective and less burdensome to affected private persons than the proposed regulations or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law. The alternative to these proposed regulatory amendments would be the SAB take no action, thereby violating the provisions contained in AB 247 (Muratsuchi, Chapter 81, Statutes of 2024). The SAB is charged with ensuring that the provisions of Proposition 2 are implemented in the SFP in a timely manner.

Alternatives to the Proposed Regulatory Action that would Lessen any Adverse Economic Impact on Small Business

The SAB has determined that the proposed regulations will not have a negative impact on small businesses.

Finding of Significant Adverse Economic Impact on Businesses

The SAB has determined that the adoption of the proposed regulations will not have a negative economic impact on businesses/small businesses because they are not required to directly comply with or enforce the regulations, nor will they be disadvantaged by the regulations. Proceeding with the implementation of the proposed regulations will not negatively impact the creation of jobs, the creation of new businesses, and the expansion of businesses in California. It is not anticipated that the proposed regulations will result in the elimination of existing businesses or jobs within California. Further, the proposed regulations maintain equity amongst school district projects and the integrity of the SFP funding process.

Impact on Local Agencies or School Districts

The SAB has determined that the proposed regulations do not impose a mandate or a mandate requiring reimbursement by the State pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code. It will not require local agencies, school districts, or charter schools to incur additional costs in order to comply with the proposed regulations.

Office of Administrative Law Regulations, Title 1, Section 20(c)(1)

Because the State Allocation Board's SFP Forms are cumbersome documents, it would be unduly expensive and otherwise impractical to publish the Forms in the California Code of Regulations. Therefore, it is not necessary to publish the Forms in the California Code of Regulations.

Office of Administrative Law Regulations, Title 1, Section 20(c)(2)

The State Allocation Board's SFP Forms are made available upon request and through our website and continue to be made available upon request and through our website.

ECONOMIC IMPACT ASSESSMENT OF REGULATIONS

“Proposed Emergency Regulatory Amendments for the School Facility Program” and “Proposed Regulatory Amendments for the School Facility Program”

Proposed State Allocation Board Regulations

On November 5, 2024, a majority of California’s voters approved the Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (Proposition 2). In addition to providing \$8.5 billion in bond authority for public Transitional Kindergarten through grade 12 school facilities, there are many provisions contained in Proposition 2 that require interpretation and inclusion in the existing School Facility Program (SFP) Regulations. Voter approval of Proposition 2 made provisions of Assembly Bill (AB) 247 (Muratsuchi, Chapter 81, Statutes of 2024) operative.

Between February 2025 and January 2026, OPSC held six stakeholder meetings to inform the development of proposed regulations implementing Article 11.5, Assistance to Small School Districts, Education Code Sections 17078.35 through 17078.38. OPSC refers to this provision as the Small School District Program (SSDP). At its meeting on February 25, 2026, the SAB adopted proposed regulatory amendments, on an emergency basis, that implement this provision of Proposition 2. Under this Program, small school districts that have an enrollment of 2,501 or fewer pupils will submit preliminary applications for New Construction or Modernization and must meet all applicable eligibility requirements for the SSDP. The proposed regulations were approved by the Office of Administrative Law (OAL) and filed with the Secretary of State on June 15, 2026 [OAL File #2026-0605-01E].

Background and Problem Being Resolved

A series of stakeholder meetings were held between February 2025 through January 2026. Once stakeholders had the opportunity to provide input and feedback on the SSDP, OPSC presented proposed regulatory changes to the SAB for consideration as formal regulations and then those regulations were submitted to OAL and subsequently approved. There was one instance in which OPSC presented an additional board item to the SAB specifying factors for the SAB’s consideration in cases where an applicant is requesting a single one-year extension of time for their Preliminary Small School District Program Apportionment (Regulation Section 1859.157.6). The SAB approved the clarifying language at its August 5, 2026 meeting.

The problem being resolved is specificity, consistency, and accountability mechanisms to implement the SSDP into the SFP. As noted above, Education Code Sections 17078.35 through 17078.38 set forth the authority for the SAB to provide 1) preliminary applications; 2) Preliminary Apportionments; 3) apportionment of site/design grants, project assistance grants, and Project Construction and Management Grants to qualifying financial hardship applicants as part of the Preliminary Apportionment; 4) substantial progress requirements on apportionments for site/design grants that mirror existing substantial progress regulations in the SFP; and 5) requirements for a Final Apportionment for the project in the manner substantially identical to the requirements for the Critical Overcrowded Schools program, which a prior SAB-administered program (Education Code Section 17078.25). The accountability mechanisms also include fund release requirements, the *Grant Agreement [Proposition 2]*, and other reporting requirements to facilitate compliance with statutory provisions under the SFP.

Small school districts are defined as those with an enrollment of fewer than 2,501 pupils, and they face additional challenges in navigating the school construction and facility funding processes. Small school districts may not have a dedicated facility staff person to take on the

role of managing school construction projects. In many small school districts, facilities may be handled by the district superintendent, who may also be the principal of a school. The funding for the SSDP provides advance funding for design/site and provides small school districts with an opportunity to reserve eligible funds and extra time (up to four years, with a possible one-year extension) to develop the project, including receiving the necessary approvals from the various agencies.

OPSC performed a search on whether the proposed regulatory amendments were consistent and compatible with existing State laws and regulations and did not identify any inconsistent or incompatible existing State laws or regulations. The proposed regulatory amendments are consistent with and implement the SSDP provision enacted with the passage of AB 247 and Proposition 2. Proceeding with the implementation of the proposed regulations will provide a positive impact on the state's economy, as well as the creation of an unknown number of jobs in the school construction industry. Once small school districts request the release of state funds, manufacturing and construction-related industries such as architecture, engineering, trades and municipalities may expand based on the demand on these industries. The proposed regulations maintain equity, consistency, and the integrity of the SFP.

Description of Regulations to Implement Law

The Leroy F. Greene School Facilities Act of 1998 established, through Senate Bill 50, Chapter 407, Statutes of 1998, the SFP. The SFP provides a per-pupil grant amount to qualifying school districts for purposes of constructing school facilities and modernizing existing school facilities. The SAB adopted regulations to implement the Leroy F. Greene School Facilities Act of 1998, which were approved by the OAL and filed with the Secretary of State on October 8, 1999.

Between February 2025 and January 2026, OPSC held six stakeholder meetings to inform the development of proposed regulations implementing Article 11.5, Assistance to Small School Districts, Education Code Sections 17078.35 through 17078.38. OPSC refers to this provision as SSDP. At its meeting on February 25, 2026, the SAB adopted proposed regulatory amendments, on an emergency basis, that implement this provision of Proposition 2. Under this Program, small school districts that have an enrollment of 2,501 or fewer pupils will submit preliminary applications for New Construction or Modernization and must meet all applicable eligibility requirements for the SSDP. The proposed regulations were approved by OAL and filed with the Secretary of State on June 15, 2026 [OAL File #2026-0605-01E].

Anticipated Benefits of the Proposed Regulations

There are benefits associated with the proposed regulations in that there is statutory authority for the SAB to implement the SSDP. This program is strictly designed for small school districts to request Preliminary Apportionments for New Construction and/or Modernization funding. The SSDP helps to ensure small school districts have the time to design and construct the project over time without the risk of designing a project for which there is no bond authority available for construction.

In addition, the proposed regulations may have a positive impact on the state's economy, as well as the creation of an unknown number of jobs in the school construction industry, by facilitating funding for school construction. Once [small] school districts request the release of state funds, manufacturing and construction-related industries such as architecture, engineering, trades and municipalities may expand based on the demand on these industries.

Summary of the Proposed Regulations

A summary of the proposed regulations is as follows:

Existing Regulation Section 1859.2 represents a set of defined words and terms used exclusively for these regulations. The proposed amendments define additional terms and expand existing definitions that align with Education Code Sections 17078.35 through 17078.38. In addition, there are three associated forms; two are being revised which changes their revision dates and one is being introduced to align with carry out the requirements of the SSDP.

Existing Regulation Section 1859.18.1 establishes the required time frames by which school districts submit a complete master plan and applies to applications submitted to OPSC on and after October 31, 2024. The proposed amendments include the time frames by which small school districts must submit a local governing board resolution or a complete master plan in order to comply with Education Code Section 17070.54.

Existing Regulation Section 1859.51 outlines the criteria for adjusting a school district's new construction baseline eligibility. The proposed language of "a complete and valid" pertains to the submittal of information to OPSC. There are minor edits that are considered non-substantive changes but intended to clarify that the Form SAB 50-01 submitted must contain all required information to be able to process the form. Incomplete, blank, or form with false or inaccurate information is not acceptable.

Existing Regulation Section 1859.74.1 establishes the criteria for site appraisals that a school district must meet before an application for the funding of site acquisition costs can be approved. The proposed amendments include certification information on the Form SAB 50-12 in order for small school districts to request site acquisition funding authorized by Section 1859.74. This would be necessary in cases where small school districts already have the appraisal documents to substantiate the request for site acquisition funding at the Preliminary Apportionment stage. Also, there are minor edits that are considered non-substantive changes.

Existing Regulation Section 1859.90.2 authorizes the SAB to establish 30-calendar day application filing periods for school districts and charter schools to apply for apportionments of available State school bond funds. Projects under the Charter School Facilities Program may apply for an advance release of design funds from a Preliminary Charter School Apportionment. School districts and Charter Schools wishing to participate must provide a written statement signed by the authorized district representative within the 30-calendar day filing period that contains specific information and acknowledge that certain documents must be submitted to OPSC. The proposed amendments add 1) a reference to "Preliminary Small School District Program Apportionment" in the introductory paragraph to delineate what type of Apportionments are included in the priority funding process for funding distribution; 2) a reference to "approved advance release of design, project assistance, the Project and Construction Management Grant, and/or any site acquisition funds from a Preliminary Small School District Program Apportionment" is added in subsection (a) for purposes of providing a priority funding request to be considered for an apportionment; 3) new subsection (c) is added to describe the requirements for participation in the priority funding process for school districts to request an apportionment or approved advance release of funds resulting from a Preliminary Small School District Program Apportionment; 4) the proposed language of "a complete and valid" pertains to the submittal of information to OPSC; and 5) minor edits that are considered non-substantive changes, including the renumbering of subsections due to new subsection (c) being added to this section.

Existing Regulation Section 1859.90.3 applies to new construction, modernization, facility hardship and rehabilitation pursuant to Section 1859.82.1. This Section provides for the rescission of an Apportionment and/or unfunded approval for SFP projects on the Unfunded List (Lack of AB 55 Loans) that twice choose not to participate in or not request State apportionments through the Priority Funding process. The proposed amendments specify that the advance release of design, project assistance, the Project and Construction Management Grant, and any site acquisition funds from a Preliminary Small School District Apportionment are excluded from occurrences related to non-participation in the priority funding process. There is a minor edit that is considered a non-substantive change.

Existing Regulation Section 1859.106 requires that expenditures for SFP program projects be made in accordance with certain Education Code sections and that an adjustment be made in the SFP grant for specific factors, including, but not limited to the difference in the value of the site, relocation costs, Department of Toxic Substances Control fees, and hazardous waste/materials removal costs that were used to determine the New Construction Adjusted Grant and the actual amount paid by the school district or insurance proceeds collected by a school district for displaced facilities, to name a few. This section allows for the adjustment in the SFP grant for insurance proceeds or other government disaster assistance collected by the school district for any project that received funding for interim housing assistance following a natural disaster or other assistance following a natural disaster. The proposed amendment adds new subsection (f) as another adjustment in the SFP grant if a school district requests and receives the Project and Construction Management Grant but does not obtain project and/or construction management services pursuant to Education Code Section 17078.35, and does not expend funds on these services, the grant will be reduced for the Project and Construction Management Grant for the state's share and the associated local matching share.

Existing Regulation Section 1859.107 provides for the withdrawal and re-submittal of applications in order to benefit from changes in the law or regulations. The proposed amendments add a new paragraph at the end of the section that delineates the process by which OPSC will use to address circumstances in which a school district submits to OPSC more than one application for the same scope of work under one or more SAB-administered programs. This is necessary to prevent duplicate funding for the same type of work and to ensure funding is not provided under more than one SAB-administered program as this would be considered a gift of public funds. There are minor edits that are considered non-substantive changes.

Proposed adoption of Regulation Section 1859.156 introduces the *Application For Small School District Program Preliminary Apportionment* (New 02/26) [Form SAB 50-12], which is incorporated by reference, and for which school districts wishing to participate in the SSDP must submit to OPSC. The applications will be processed in order of receipt of a complete and valid Form SAB 50-12. This section also sets forth the separate requirements for New Construction and Modernization eligibility: New Construction eligibility establishments and adjustments must be submitted with the Form SAB 50-12 using the current enrollment year; Modernization eligibility must be established prior to or concurrent with the submittal of the Form SAB 50-12. The Form SAB 50-12 must be submitted prior to the date of occupancy for any classroom in the project as specified in Regulation Section 1859.70(a). The Form SAB 50-12 submitted must contain all required information to be able to process the form. Incomplete, blank, or form with false or inaccurate information is not acceptable.

Proposed adoption of Regulation Section 1859.157 sets forth the dates by which applications will be submitted to OPSC; November 2, 2026 for Modernization applications and January 15,

2027 for New Construction applications. This section specifies that complete and valid applications will be processed and funded in date order received and, in the event that there are more applications submitted on the same date then can be funded with available SSDP authority, a lottery system will be used to select the project(s) to be funded. Further, this section also stipulates that once the SSDP set asides are exhausted, OPSC (on behalf of the SAB) will stop accepting the Form SAB 50-12 and return any Form SAB 50-12 submittals that were not approved due to insufficient funds for the SSDP. The Form SAB 50-12 submitted must contain all required information to be able to process the form. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Proposed adoption of Regulation Section 1859.157.1 sets forth the calculation for the Preliminary Apportionment for New Construction by delineating the additional grants that will be provided in addition to methodologies for determining site acquisition and site development value calculations at the time of the preliminary apportionment. This is in alignment with the Critically Overcrowded Schools regulatory framework (Education Code Section 17078.25). This section also sets forth the calculation for the inflator factor and specifies the Project and Construction Management Grant will be made after the inflator factor has been calculated for the Preliminary Apportionment.

Proposed adoption of Regulation Section 1859.157.2 sets forth the calculation for the Preliminary Apportionment for Modernization by delineating the additional grants that will be provided at the time of the Preliminary Apportionment. This section also sets forth the calculation for the inflator factor and specifies the Project and Construction Management Grant will be made after the inflator factor has been calculated for the Preliminary Apportionment.

Proposed adoption of Regulation Section 1859.157.3 sets forth the criteria for an applicant to receive an advance release of funds at the time of a Preliminary Apportionment and the amount of advance funds that may be released. Subsections (a) and (b) specify that applicants eligible for financial hardship assistance can receive an advance release of funds for design and/or site acquisition at the time of a Preliminary Apportionment. Subsection (c) provides that any applicant can receive an advance release of funds for environmental hardship site acquisition at the time of a Preliminary Apportionment. This section also specifies that applicants who are not eligible for financial hardship assistance nor for an advance release of funds for environmental hardship site acquisition at the time of a Preliminary Apportionment are not eligible to receive funds until the Preliminary Apportionment has converted to a Final SSDP Apportionment and the school district submits the Form SAB 50-05 and the Grant Agreement [Proposition 2] for fund release. The Form SAB 50-05 submitted must contain all required information to be able to process the form. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Proposed adoption of Regulation Section 1859.157.4 sets forth the parameters and criteria for requesting conversion of a Preliminary Apportionment to a Final SSDP Apportionment. Subsection (a) specifies that the total number of pupil grants requested on the Form SAB 50-04 cannot exceed the number of pupil grants approved on the Preliminary Apportionment. The total number of pupil grants on the Form SAB 50-04 must be for at least 50 percent of the pupil grants approved by the SAB on the Preliminary Apportionment for New Construction funding, or for Modernization funding, the number of pupil grants on the Form SAB 50-04 must be for at least 60 percent of the pupil grants approved by the SAB on the Preliminary Apportionment. Subsection (b) provides that applicants seeking financial hardship assistance while requesting to convert to a final small school district program Apportionment must re-qualify using the Form SAB 50-04 at the time of conversion. Subsection (c) ensures that applicants who received a Preliminary Apportionment can convert to a Final SSDP Apportionment even if the applicant's

current enrollment exceeds 2,500 students at the time the applicant submits the Form SAB 50-04. Subsection (d) allows for Modernization supplemental grants funding to be calculated using the enrollment within the Preliminary Apportionment for purposes of the Minimum Essential Facility and Transitional Kindergarten supplemental grants. The Form SAB 50-04 submitted must contain all required information to be able to process the form. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Proposed adoption of Regulation Section 1859.157.5 sets forth the criteria that allows conversion from a Preliminary Apportionment to a Final SSDP Apportionment plus one year. This section also specifies that if the Preliminary Apportionment does not convert within the four or five year time frame, the Preliminary Apportionment will be rescinded without further SAB action and the funds will be returned to the SSDP fund categories (New Construction or Modernization). This section further provides that if a school district received an advance release of funds then: 1) the Preliminary Apportionment will be rescinded without further SAB action and the funds not released to the applicant will be returned to the SSDP fund categories (New Construction or Modernization); 2) New Construction or Modernization eligibility shall be adjusted by the number of pupil grants not used, equal to the number requested on the Form SAB 50-12, less the pupil grants equivalent to the total amount of State funding retained by the applicant; and 3) funds released pursuant to Section 1859.157.3(a) or (b) shall be reduced to costs incurred and closed out pursuant to Section 1859.106, with a corresponding New Construction or Modernization baseline eligibility adjustment for the pupil grants assigned to the preliminary application. The funds shall be returned to the SSDP fund categories (New Construction or Modernization). The Form SAB 50-04 submitted must contain all required information to be able to process the form. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Proposed adoption of Regulation Section 1859.157.6 instructs school districts on the process for requesting a one-year extension to the time limit as specified in Section 1859.157.5, provided the school district has met specific criteria. This section also stipulates that OPSC must receive the one-year extension request from the applicant on or prior to the lapsing deadline. OPSC presented an item to the SAB, at its August 5, 2026 meeting, that specified factors for the SAB's consideration in cases where a small school district may need to request a single one-year extension of time for their Preliminary Apportionment. This would be necessary in cases where the small school district has encountered challenges and requires more time to convert the application.

Proposed adoption of Regulation Section 1859.157.7 specifies how the amount of the final grant is determined and the process for SAB approval of conversions from Preliminary Apportionments to Final SSDP Apportionments. Subsection (a) provides that if the Final SSDP Apportionment is equal to or less than the Preliminary Apportionment, the Final SSDP Apportionment shall be funded in its entirety, with any difference being returned to the SSDP fund category (New Construction or Modernization), noting that the Final SSDP Apportionment is full and final. Subsection (b) provides that if the Final SSDP Apportionment is greater than the Preliminary Apportionment, the SAB shall approve an increase using the remaining balance in the SSDP fund category (New Construction or Modernization), subject to certain criteria such as 1) the remaining balance shall be prioritized in date order that OPSC received a complete and valid Form SAB 50-04; and 2) in the event there are more applications submitted on the same date than can be funded with the remaining balance, a lottery system will be used to determine the funding order. The Form SAB 50-04 submitted must contain all required information to be able to process the form. Incomplete, blank, or forms with false or inaccurate information are not acceptable.

Proposed adoption of Regulation Section 1859.157.8 allows applicants to request a release of the remaining funds after conversion of the Preliminary Apportionment to a Final SSDP Apportionment pursuant to Sections 1859.90 (Fund Release process) or 1859.90.2 (Priority Funding process).

Proposed adoption of Regulation Section 1859.158 sets forth the substantial progress and expenditure reporting timelines for small school districts receiving funds through the SSDP. Subsection (a) through subsection (d)(2) are in alignment with the existing program reporting requirements in SFP Regulation Section 1859.104.

Existing Form SAB 50-04, *Application for Funding*, (Rev. ~~01/26~~ 02/26), (incorporated by reference) is submitted by school districts to apply for State funding for new construction and modernization projects. The proposed amendments provide specific instruction to applicants in determining the calculation for additional funding for the Minimum Essential Facilities and Transitional Kindergarten modernization supplemental grants. When converting Preliminary Apportionments to a Final SSDP Apportionment, the qualifying enrollment that was used to determine the Preliminary Apportionment shall be used in the calculation for these two modernization supplemental grants. This aligns with proposed Regulation Section 1859.157.4(d)(1) and (d)(2).

Existing Form SAB 50-05, *Fund Release Authorization*, (Rev. ~~08/25~~ 02/26), (incorporated by reference), is used by school districts and Charter Schools to request the release of State funds that have been apportioned by the SAB, upon the school district's and Charter School's certification of compliance with specific legal and SFP requirements. The proposed amendments add a new Part III recognizing the SSDP Preliminary Apportionment and instructing applicants how to request the release of funds for a design and/or separate site apportionment. Because of the new Part III, there are renumbering edits throughout the form and the addition of the word "School" in front of the word "District." There are also edits to the instructions of "Part X. Career Technical Education Facilities Projects" and "Part XI. Natural Disaster Assistance Projects" where "Part IX" should be "X" and "Part X" should be "XI," respectively. These edits are considered non-substantive changes.

Proposed adoption of Form SAB 50-12, *Application for Small School District Program Preliminary Apportionment*, (New 02/26), (incorporated by reference), is used by small school districts to request funding for Preliminary Apportionments for either New Construction or Modernization of school facilities. The type of grants that can be reserved at the Preliminary Apportionment stage are pupil grants; 50 years or older pupil grants; 75 years or older facilities replacement funding; all New Construction and Modernization funding supplemental grants; the Project and Construction Management Grant; and excessive cost hardship grants. Most of this form mirrors the existing Form SAB 50-04, both in the form itself, instructions and certifications.

Existing *Grant Agreement [Proposition 2]*, (~~New 03/25~~ Rev. 04/26), (incorporated by reference), templates are used for projects submitted to OPSC on or after October 31, 2024 and incorporate the new provisions of Proposition 2. They are entered into for every future funding application that is processed; therefore, each Grant Agreement will contain the relevant program's sections. The Grant Agreements were developed to address the Office of Statewide Audits and Evaluation's audit findings by improving program oversight and expenditure accountability. The Grant Agreements serve as binding documents and key resources that define the responsibilities of the state and school districts from the determination of the amount of eligible state funding to the reporting of all project funds, including any savings achieved. This ensures transparency and accountability for the program grants being awarded under the SFP. The proposed amendments align with the proposed regulations for the SSDP and include the

clarifying language components relating to Common Eligible Project Expenditures and Common Ineligible Project Expenditures adopted by the SAB at its April 29, 2026 meeting.

Statutory Authority and Implementation

Education Code Section 17070.35. (a) In addition to all other powers and duties as are granted to the board by this chapter, other statutes, or the California Constitution, the board shall do all of the following: (1) Adopt rules and regulations, pursuant to the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, for the administration of this chapter.

Government Code Section 15503. Whenever the board is required to make allocations or apportionments under this part, it shall prescribe rules and regulations for the administration of, and not inconsistent with, the act making the appropriation of funds to be allocated or apportioned. The board shall require the procedure, forms, and the submission of any information it may deem necessary or appropriate. Unless otherwise provided in the appropriation act, the board may require that applications for allocations or apportionments be submitted to it for approval.

Determination of Inconsistency or Incompatibility with Existing State Regulations

Education Code Sections 17078.35 through 17078.38 set forth the authority for the SAB to provide 1) preliminary applications; 2) Preliminary Apportionments; 3) apportionment of site/design grants, project assistance grants, and Project Construction and Management Grants to qualifying financial hardship applicants as part of the Preliminary Apportionment; 4) substantial progress requirements on apportionments for site/design grants that mirror existing substantial progress regulations in the SFP; and 5) requirements for a Final Apportionment for the project in the manner substantially identical to the requirements for the Critical Overcrowded Schools program, which a prior SAB-administered program (Education Code Section 17078.25). The accountability mechanisms also include fund release requirements, the *Grant Agreement [Proposition 2]*, and other reporting requirements to facilitate compliance with statutory provisions under the SFP.

Small school districts are defined as those with an enrollment of fewer than 2,501 pupils and face additional challenges in navigating the school construction and facility funding processes. Small school districts may not have a dedicated facility staff person to take on the role of managing school construction projects. In many small school districts, facilities may be handled by the district superintendent, who may also be the principal of a school. The funding for the SSDP provides advance funding for design/site and provides small school districts with an opportunity to reserve eligible funds and extra time (up to four years, with a possible one-year extension) to develop the project, including receiving the necessary approvals from the various agencies. As construction costs continue to escalate, small school districts are presented with financial challenges; many of which may potentially qualify for financial hardship assistance which could cover up to 100 percent of the school district's contribution for the project. OPSC has tracked over the last ten years that construction costs increase an average of 4.5 percent per year.

After conducting a review, the SAB has concluded that these are the only regulations on this subject, and therefore, the proposed regulations are neither inconsistent nor incompatible with existing State laws and regulations. The proposed regulations are within the SAB's authority to enact regulations for the SFP under Education Code Section 17070.35 and Government Code Section 15503.

Impact to California Businesses and Jobs

The proposed regulations promote transparency because school districts and the school district community have been collaborating on the proposed regulations through a series of stakeholder meetings held between February 2025 and January 2026. OPSC held six stakeholder meetings to inform the development of proposed regulations implementing Article 11.5, Assistance to Small School Districts, Education Code Section 17078.35 through 17078.38. Small school districts are defined as those with an enrollment of fewer than 2,501 pupils. The SSDP is strictly designed for small school districts to request Preliminary Small School District Program Apportionments for New Construction and/or Modernization funding. The SSDP helps to ensure small school districts have the time to design and construct the project over time without the risk of designing a project for which there is no bond authority available for construction.

In addition, the proposed regulations will not negatively impact the creation of jobs, the creation of new businesses, and the expansion of businesses in California. It is not anticipated that the proposed regulations will result in the elimination of existing businesses or jobs within California. Additionally, the proposed regulations expand the SFP while maintaining program integrity and equity amongst school district projects.

Benefits to Public Health and Welfare, Worker's Safety, and the State's Environment

- The proposed regulations promote transparency because school districts and the school district community have been collaborating on the proposed regulations through a series of stakeholder meetings.
- There are continued benefits to the health and welfare of California residents and worker safety. School districts, charter schools, and local educational agencies utilize construction and trades employees to work on school construction projects and although this proposed regulation does not directly impact worker's safety, existing law provides for the availability of a skilled labor force and encourages improved health and safety of construction and trades employees through proper apprenticeship and training. Further, public health and safety is enhanced because a properly paid and trained workforce will build school construction projects that are higher quality, structurally code-compliant and safer for use by pupils, staff, and other occupants on the site.
- There is no impact to the State's environment from the proposed regulations.

The SAB finds the proposed regulations fully consistent with the stated purposes and benefits.