



March 17, 2022

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The Honorable Connie Leyva
Chair, Senate Education Committee
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The Honorable John Laird
Chair, Senate Budget Subcommittee No. 1
on Education
1020 N Street, Room 502
Sacramento, CA 95814

The Honorable Patrick O'Donnell
Chair, Assembly Education Committee
1020 N Street, Room 159
Sacramento, CA 95814

The Honorable Kevin McCarty
Chair, Assembly Budget Subcommittee No. 2
on Education Finance
State Capitol, Room 6026
Sacramento, CA 95814

Dear Senators and Assembly Members:

The County School Facilities Consortium (CSFC), an organization representing 25 county offices of education (COEs) statewide with a focus on school facilities and construction, appreciates the opportunity to provide feedback on ways to improve the School Facility Program for school districts and COEs that lack local funds to build school facilities. We hope this is helpful as you consider funding opportunities for the School Facility Program (SFP) in the 2022-23 budget.

In January 2022, the California State Auditor issued a report titled, "*School Facilities Program: California Needs Additional Funding and a More Equitable Approach for Modernizing its School Facilities.*" The State Auditor raised concerns that financially-challenged school districts that are unable to advance their projects with local funds while waiting for State funding are disadvantaged in the SFP Modernization program.

COEs face significant facilities funding challenges, in part because they do not have the authority to pass local bonds. They are often dependent on the State to assist in meeting their facilities needs for vulnerable and at-risk students. As identified by the State Auditor, this often means they wait years between bond authorizations to receive funding for critical facility projects – and sometimes those funds are exhausted by the time they are ready to move from project design to construction.

The Financial Hardship program is a powerful tool that helps equalize funding gaps for districts and COEs that lack access to local property wealth. Under the Financial Hardship program, lower-wealth districts and COEs can receive up to 100% of a project's funding from the State. They can access these funds when they lack capacity to house anticipated future enrollment (New Construction), or when their buildings reach a certain age (Modernization).

We offer these suggestions for additional improvement to the Financial Hardship program, to ensure financially-challenged districts and COEs have equitable access to the School Facility Program.

Reserve Bond Authority for Financial Hardship Design Applications

Under the current Financial Hardship program, an applicant may first request and receive funds to plan the project (Separate Design Apportionment). They submit a subsequent application requesting construction funds (Adjusted Grant Apportionment) once plans are approved by the Division of the State Architect and other planning is complete. Because it can take a year or more to complete the design, bond authority may not be available when their construction application is submitted. When this happens, Financial Hardship applicants are left with no way to construct a project that has been designed with State support until a future bond is authorized by voters. This can add years of delay, exacerbating the facilities gap between those with local bonds and those dependent on State funding.

This can be addressed by providing an up-front reservation of bond authority for all eligible Financial Hardship applications. When an eligible applicant receives Separate Design funding, the State could reserve bond authority to ensure funds are available when planning is complete and the project is ready to move to the construction phase.

Provide a Financial Hardship Funding and Processing Pool

The State Auditor's report focused on the disparity created when Financial Hardship applicants must wait for State funds to proceed with constructing a project, while districts with local bonds can move forward with construction on their own timeline and await reimbursement from the State. This disadvantage can be addressed by expanding upon the reservation concept identified above, dedicating a percentage of total New Construction and Modernization funds to Financial Hardship applications. These projects would have their own processing "lane" within their own pool, effectively creating a priority designation and allowing for quicker review of Financial Hardship applications.

Adjust the Treatment of Savings for Financial Hardship Projects

When a typical project has savings, the district or COE may use the funds for other high-priority capital outlay projects. This encourages prudent use of State and local resources, rewarding those who are able to streamline their projects and achieve cost savings. Financial Hardship projects are not permitted to retain savings for New Construction and Modernization projects. Not only that, when savings is returned to the State, Financial Hardship applicants do not receive a proportional return of eligibility. This means that pupil grant eligibility was spent to access State funds that were ultimately returned to the State, reducing the applicant's ability to construct future projects.


Options to address this include:

- Allow the district/COE to retain savings for use on other high-priority capital outlay projects.
- If required to return savings, then the Financial Hardship district/COE should receive a proportional return of pupil grant eligibility.

CSFC believes that the Financial Hardship program has been a lifeline for COEs and their school district partners. Further improvement will ensure that Financial Hardship applicants are able to access State funds to construct and modernize critical school facility projects.

Thank you for your consideration.

Regards,



Rebekah Cearley
CSFC Legislative Advocate

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