

MAINTENANCE FUNDING AND PROGRAMS 2009

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ROUTINE RESTRICTED MAINTENANCE ACCOUNT

- Education Code Section 17070.75 requires all school districts who receive State funds under the Lease-Purchase Program (LLP) or the School Facilities Program (SFP), to establish a 3% Routine Restricted Maintenance Account (RRMA) within the school district's general fund for the exclusive purchase or providing funds for ongoing and major maintenance of school buildings.



BRIEF HISTORY



1998-1999

- SB 50 increased the RRMA contribution requirement from 2% to 3% based on the recognition that 2% was inadequate to properly maintain school facilities. Requires that the contribution to be based on a school district's total general fund, and did not allow restricted accounts to be excluded from this calculation.

1999-2000

- County office restricted accounts were excluded from the 3% RRMA calculation, recognizing that these "flow through" accounts are intended to pass funds on to school districts, and not be retained by the county office.

BRIEF HISTORY



2002-2003

- Some school districts request that restricted accounts that *cannot be used for maintenance* be excluded from the calculation. Some school districts were advised that they could excluded *all* restricted accounts. SB 409 is introduced which would have specified that the deferred maintenance RRMA calculation be based on a district's general fund less any restricted accounts.

BRIEF HISTORY

2003-2004

- State Budget temporarily reduces the required contribution to the RRMA from 3% to 2%, but retained the policy that the calculation must be made on the whole general fund. The Legislative Counsel opines that the RRMA calculation must be made on the school district's total general fund without excluding restricted accounts.



BRIEF HISTORY

2004-2005

- In response to the Legislative Counsel's opinion, the State Allocation Board (SAB) directs the Office of Public School Construction (OPSC) to require all school districts to make their RRMA contribution based on the district's total general fund beginning July 1, 2004. SB 1035 is introduced which would allow up to one-third of the 3% contribution to the RRMA for custodial services.

2005-Current

- A host of legislative and budget proposals are introduced during this period which would reduce contributions to the RRMA and eliminate Deferred Maintenance Funding.



STATE BUDGET 2008-09



MAINTENANCE FUNDING AND PROGRAMS

- As a result of California's significant fiscal challenges and consequent protracted budget deliberations, school maintenance funding and programs were in various levels of jeopardy throughout 2008.
- Legislation and budget proposals were introduced which would have reduced the amount school districts are required to contribute to the RRMA, as were budget proposals to completely eliminate Deferred Maintenance Program funding.

STATE BUDGET 2008-09



CATEGORICAL FLEXIBILITY

- Throughout the budget discussions of 2008, the Governor and Legislature developed a "categorical flexibility" proposal which was intended to provide greater local flexibility for districts as compensation for deep funding cuts to education programs by allowing districts to move funding from one categorical program to fund another according to local priorities.
- Because the Deferred Maintenance Program is a categorical program, this funding is subject to this flexibility.

STATE BUDGET 2008-09



TWO APPROACHES

- The Legislature proposed targeted elimination of particular categorical programs with no flexibility, but proposed to eliminate the Deferred Maintenance Program funding altogether.
- The Governor proposed full funding of the Deferred Maintenance Program and across-the-board 15.4% cuts to categorical programs but did not eliminate programs, and included the flexibility provision.
- The Governor's approach won out and was included in the final version of the budget that was signed into law.

STATE BUDGET 2008-09



DEFERRED MAINTENANCE PROGRAM (DMP) FUNDING

- Includes \$234,722,000 in 2008-09 and \$250,806,000 in 2009-10 to fund the DMP
- These amounts reflect full funding of the DMP less the 15.4% reduction that all categorical programs received.

**STATE
BUDGET
2008-09**

**ROUTINE RESTRICTED
MAINTENANCE ACCOUNT
(RRMA)**

- Reduces the amount that school districts are required to set aside in the RRMA from 3% to 1% of the district General Fund.
- Establishes a funding baseline through 2012/2013 using the 2008/2009 funding amounts.
- This suspension will be in effect for 5 years beginning in 2008-09.



**STATE
BUDGET
2008-09**

**SCHOOL DISTRICT
LOCAL MATCH**

- Suspends school district “local match” requirement.
- This suspension will be in effect for 5 years beginning in 2008-09.



STATE BUDGET 2008-09

REPORTING REQUIREMENTS

- Suspends the requirement for submitting a Five-Year Plan to the OPSC for five years.
- Suspends the requirement for school districts who do not make their match to submit a report to the Legislature.



STATE BUDGET 2008-09

USE OF NET ENDING BALANCES FOR MAINTENANCE FUNDING

- As part of the categorical flexibility provision, school districts are allowed to use restricted account balances as of June 30, 2008 for “any educational purpose” in 2008-09 and 2009-10, but specifies that that, “...even for included balances, *reserves committed for capitol outlay*, bond funds, sinking funds and federal funds are not available for this flexibility”
- For school maintenance, this means that unused maintenance funds cannot be “swept” and used for other educational purposes.



**STATE
BUDGET
2008-09**

**DEFERRED MAINTENANCE
EXTREME HARDSHIP**

- When the initial Deferred Maintenance Program Basic Grant amounts were calculated after approval of the budget and approved at the February 25, 2009 State Allocation Board meeting, the 10 percent reservation to fund Extreme Hardship projects was inadvertently not included.



**STATE
BUDGET
2008-09**

**DEFERRED MAINTENANCE
EXTREME HARDSHIP**

- After considering numerous options concerning how to fund Deferred Maintenance Extreme Hardship projects, on March 25, 2009 the State Allocation Board voted to distribute 92.7 percent of the Deferred Maintenance Program funding proportionately to all participating school districts and provide 7.3 percent for Extreme Hardship projects distributed at 21 percent of the project cost among all 126 Extreme Hardship projects.



**STATE
BUDGET
2008-09**

**DEFERRED MAINTENANCE
EXTREME HARDSHIP
USE OF FUNDING**

- The Office of Public School Construction states that, "...school districts have no obligation to expend Extreme Hardship funds on Extreme Hardship projects. The law, as amended, does not obligate the State to refund or repay a school district that decides to use the flexibility provision and disburse DMP funds for other educational purposes."



**STATE
BUDGET
2008-09**

**DEFERRED MAINTENANCE
EXTREME HARDSHIP
USE OF FUNDING**

- The State Allocation Board considers Extreme Hardship projects funded this year to be fully funded and will not consider any adjustments for these projects. Unless other specific funding becomes available to fund future Extreme Hardship projects, this law, in essence, suspends Extreme Hardship projects for the next four years.



**STATE
BUDGET
2008-09**

**EMERGENCY REPAIR
PROGRAM (ERP)**

- State Budget limits funding for the ERP to no more than \$101 million in 2008-09 and suspends any transfer of funds from the Prop. 98 Reversion Account into the ERP account for the 2009-10 fiscal year.
- Prohibits school districts from using ERP funds to supplant state funds provided for deferred maintenance, and from depositing these funds into a school district's deferred maintenance account.



**STATE
BUDGET
2008-09**

**EMERGENCY REPAIR
PROGRAM (ERP)
MATCHING REQUIREMENT**

- Current law requires school districts who apply for an Emergency Repair Program to have made their local half-percent match, yet the budget eliminates the requirement for school districts to make their local match – this has created some confusion.



STATE BUDGET 2008-09

EMERGENCY REPAIR PROGRAM (ERP) MATCHING REQUIREMENT

- Under the ERP regulations, school districts are still subject to the “Supplement not Supplant” provision; however, the ERP regulation section that specifies the enforcement of these requirements is essentially suspended by the budget trailer bill for 2008-09 – 2012.
- The result of these technical issues is that no deferred maintenance match is required in order to participate in the ERP for five years.



QUESTIONS?

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