

PROGRAM CHALLENGES



Central Region ES #21



South Region ES #9



Valley Region Bellingham ES Addition



Valley Region Span K-8 #1

The passage of SB 658 and successful extension of COS eligibility make it possible to file state match applications through October 2009. The projects shown above are four that previously would have been unable to apply.

Ability to Sell School Construction Bonds – Local and State

The current fiscal crisis in California may affect the New School Construction Program. Both LAUSD and the State of California are dependent on the market for municipal bonds. If the current financial market turmoil continues or worsens, there is a risk that public entities will not be able to sell voter-approved bonds when cash is needed. Although there is significant cash on-hand today to pay projected Program expenditures through mid-2009, inability to issue bonds would impact LAUSD's continued execution of the Program as forecast. Depletion of capital program cash balances would cause significant negative impacts to the cost and timely delivery of projects.

Project Completion Schedules

The majority of the K-12 projects scheduled for occupancy in September 2012 are on tight schedules. Proactive measures are being taken to mitigate any potential school opening delay. Factors that could impact the schedule for completion of selected schools include:

- Anticipated State fiscal shortfalls could limit State agencies from providing their respective approvals of each project in a timely manner. Approvals from the California Department of Education, the Department of Toxic Substances Control and the Division of the State Architect are all required prior to the start of construction
- Delays in approval of Environmental Impact Reports could delay the start of construction
- Unanticipated soil remediation issues could adversely impact timely project completion

Eligibility for State Funds

The current New School Construction Program scope and associated budget is predicated on the ability to qualify for state matching funds for relevant projects. Applications for State funded grants require State funds eligibility, which is generated when enrollment projections exceed the current State-recognized capacity. If the District's eligibility is not sufficient to enable future projects to apply for State funds, then the anticipated Program sources of funds would decrease. A reduction in State funding would very likely necessitate a reduction in Program scope unless other funding sources are identified.

The New School Construction Program generally operates within the guidelines of the State's School Facilities Program (SFP). State legislation and administrative regulations define the programs and policies that affect funds available for building schools. In 2008, the most significant piece of legislation affecting the New School Construction Program was SB 658 - Multi-Track Year-Round Education (MTYRE) Operational Grant Funding Programs.

SB 658 was signed by the Governor on September 24, 2008. As signed, this bill will allow a school district to file for MTYRE operational grant funding even if that District is maintaining eligibility for School Facilities Program new construction funding, provided the District filed for the operational grant funding during the 2007-08 school year. In return for maintaining new construction eligibility, the level of operational grant funding received by the school district shall be reduced each year by 20%, at which point the operational grant funding program will be phased out. The LAUSD currently receives approximately \$88 million in operational grants.

The passage of SB 658 was the first of two steps required for the extension of Critically Overcrowded Schools (COS) eligibility from October 2008 to October 2009. The second step, approval by the State Allocation Board of the District’s request for a one-year extension, took place on December 10, 2008. As a result, new construction projects that have not yet filed for state funds and are expected to meet the filing requirements before October 2009 can successfully apply. Total potential state match for these applications is approximately \$290 million, however due to tight project schedules, we are anticipating filing applications for a minimum \$190 million.

After new construction funding applications are submitted in fall 2009, all remaining COS eligibility expires. However, there is an additional Proposition 1D state match program which could potentially be available for new construction projects called Overcrowding Relief Grant (ORG). This allocation of Proposition 1D is drawn down on a first-come, first-served basis until exhausted. Since ORG is a statewide program, all school districts in the State can qualify for this grant. Based on projected applications, at this time we do not have any certainty that ORG funding will be available by the time new construction projects are ready to file. Therefore, as a result of project schedule challenges and possible lack of remaining ORG funding, approximately \$140 million of state matching funds remain inaccessible to LAUSD for planned new construction program scope.

The District is not sponsoring any legislation for the 2009 session at this time.



Photo taken on September 2, 2008 , the first day of school at Richard E. Byrd MS, previously known as East Valley Area New HS #1A