

*Interim Report on the
Use of Surplus Site Sale Proceeds*

Report to the Legislature and State Allocation Board
January 2011

State of California

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OVERVIEW

Due to the present fiscal environment, school districts are faced with limited funding sources for their General Fund obligations. Chapter 2, Statutes of 2009 (Assembly Bill X4 2 – Evans) added Section 17463.7 to the Education Code (EC) to permit school districts to transfer surplus site sale proceeds into their general fund account from July 28, 2009 through January 1, 2012. Districts must meet certain conditions prior to transferring the funds. In addition, the surplus property must have been purchased entirely with local funds, and the proceeds must be used for a one-time general fund purpose. Pursuant to Section 1700 of Title 2 of the California Code of Regulations, “one time expenditures” are defined as costs paid by the general funds of a school district that are nonrecurring in nature and do not commit the school district to incur costs in the future, and are exclusive of ongoing expenditures.

EC Section 17463.7 requires the Office of Public School Construction (OPSC) to submit an interim report to the State Allocation Board (SAB) and the Budget, Education Policy, and Fiscal Committees of the Legislature by January 1, 2011 to identify school districts that have exercised the authority granted by this section, the amount of proceeds involved, and the purpose for which those proceeds were used.

Three school districts utilized the authority granted by EC Section 17463.7 between July 28, 2009 and October 1, 2010. The total amount of proceeds requested for transfer by the districts is approximately \$15.8 million. Uses of the proceeds range from updating school technology to paying out post employment benefits.

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USE OF SURPLUS SITE SALE PROCEEDS

The table below identifies the school districts that have exercised the authority granted by EC Section 17463.7, the amount of proceeds involved, and the purpose(s) for which those proceeds were used.

EXPENSES*:	Millbrae Elementary SD	Orchard Elementary SD	San Bruno Park Elementary SD
	San Mateo	Santa Clara	San Mateo
Post employment benefits	X	X	X
Materials/Supplies	X	X	
Non-capitalized equipment	X		X
Staff development	X		
Campus security monitors	X		
Professional consulting	X		
Non-capitalized improvements	X		
Technology upgrades		X	X
Textbooks			X
PROCEEDS AMOUNTS	\$3,137,430	\$565,650	\$12,129,933

TOTAL \$15,833,013

* Individual districts spending amounts in each category are not available.

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ATTACHMENT A

Education Code 17463.7

17463.7. (a) Notwithstanding any other law, a school district may deposit the proceeds from the sale of surplus real property, together with any personal property located on the property, purchased entirely with local funds, into the general fund of the school district and may use the proceeds for any one-time general fund purpose. If the purchase of the property was made using the proceeds of a local general obligation bond or revenue derived from developer fees, the amount of the proceeds of the transaction that may be deposited into the general fund of the school district may not exceed the percentage computed by the difference between the purchase price of the property and the proceeds from the transaction, divided by the amount of the proceeds of the transaction. For the purposes of this section, proceeds of the transaction means either of the following, as appropriate:

- (1) The amount realized from the sale of property after reasonable expenses related to the sale.
 - (2) For a transaction that does not result in a lump-sum payment of the proceeds of the transaction, the proceeds of the transaction shall be calculated as the net present value of the future cashflow generated by the transaction.
- (b) The State Allocation Board shall reduce an apportionment of hardship assistance awarded to the particular school district pursuant to Article 8 (commencing with Section 17075.10) by an amount equal to the amount of the sale of surplus real property used for a one-time expenditure of the school district pursuant to this section.
- (c) If the school district exercises the authority granted pursuant to this section, the district is ineligible for hardship funding from the State School Deferred Maintenance Fund under Section 17587 for five years after the date proceeds are deposited into the general fund pursuant to this section.
- (d) Before a school district exercises the authority granted pursuant to this section, the governing board of the school district shall first submit to the State Allocation Board documents certifying the following:
- (1) The school district has no major deferred maintenance requirements not covered by existing capital outlay resources.
 - (2) The sale of real property pursuant to this section does not violate the provisions of a local bond act.
 - (3) The real property is not suitable to meet projected school construction needs for the next 10 years.

(e) Before the school district exercises the authority granted pursuant to this section, the governing board of the school district at a regularly scheduled meeting shall present a plan for expending one-time resources pursuant to this section. The plan shall identify the source and use of the funds and describe the reasons why the expenditure will not result in ongoing fiscal obligations for the school district.

(f) The Office of Public School Construction shall submit an interim and a final report to the State Allocation Board and the budget, education policy, and fiscal committees of the Legislature that identifies the school districts that have exercised the authority granted by this section, the amount of proceeds involved, and the purpose for which those proceeds were used. The interim report shall be submitted by January 1, 2011, and the final report by January 1, 2012.

(g) This section shall remain in effect only until January 1, 2012, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2012, deletes or extends that date.