

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 10, 2007
POSITION: Oppose

BILL NUMBER: SB 704
AUTHOR: D. Ducheny

BILL SUMMARY: New Construction Grants: Special Education Increase

This bill would require the Office of Public School Construction (OPSC) to study and recommend how to appropriately apply the new construction grant increases of seven and four percent, as required by Proposition 1D, to the per pupil grant amount for special education pupils. Additionally, this bill would require the State Allocation Board to implement the increases based on the recommendations of OPSC.

FISCAL SUMMARY

This bill would increase cost pressures on bond funds by millions of dollars while reducing the number of projects to be completed with current and future funding. Any adjustment to the new construction special education grant would likely be half of what the actual cost to the state will be because many special education facilities are operated by county offices of education that automatically qualify for financial hardship, with the state paying 100 percent of the facilities costs.

Any workload increases or costs to the Office of Public School Construction should be absorbable.

COMMENTS

Finance is opposed to this bill for the following reasons:

- There is no evidence that new construction grants for special education pupils are inadequate. Furthermore, although Proposition 1D provided specific negotiated increases for regular new construction grants, no additional funds were provided to increase special education grants. Any decision to do so should only be made within the context of future bond negotiations.
- Per pupil grants for severe and non-severe special education pupils are typically more than double the regular per pupil grant and are annually adjusted to reflect construction cost changes. The most recent adjustment, effective January 1, 2007, increased the severe per pupil grant from \$22,572 to \$24,066 and increased the non-severe per pupil grant from \$15,096 to \$16,095.
- Beyond the new construction grant, an additional grant is available for the area of special education therapy rooms, funded on a cost per square foot basis.

Analyst/Principal (0341) T. Todd	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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ANALYSIS**A. Programmatic Analysis**

Senate Bill 50 (Chapter 407, Statutes of 1998) established the Leroy F. Greene State School Facilities Program (SFP). The SFP requires the State Allocation Board to utilize a per-pupil formula to provide funding for school facilities new construction on a 50/50 state and local match basis. The new construction grant is based on the number of pupils in the project. Under the SFP, K-6 classrooms are loaded with 25 pupils, grades 7-12 are loaded with 27 pupils, severe special education classrooms are loaded with 9 pupils, and non-severe special education classrooms are loaded with 13 pupils. The special education grants are established at a higher level than regular new construction grants to provide enhanced electrical and plumbing fixtures, more accessible doors and grab bars, extra sinks, casework, restrooms, changing areas, living skills space, and other facilities for students with exceptional needs. Currently, the per pupil grant for severe special education pupils is \$24,066 and for non-severe special education pupils is \$16,095. In comparison, the regular per pupil grants for grades K-6 is \$8,081, for grades 7-8 is \$8,546, and for grades 9-12 is \$10,873.

In addition, there is a supplemental grant which provides additional funding for the area for special education therapy rooms, not to exceed 3,000 square feet, and an additional 750 square feet per additional classroom needed for severely disabled individuals with exceptional needs. This supplemental funding is based on a square foot amount which is currently \$252 per square foot for toilet facilities and \$139 per square foot for other facilities.

Proposition 1D (as specified in Education Code Section (ECS) 17072.11) provided an increase to the SFP new construction base grant of seven percent for elementary and middle school projects and four percent for high school projects. However, this increase did not apply to special education per-pupil grants.

This bill would do the following:

1. Require the Office of Public School Construction (OPSC) to study and recommend how to appropriately apply the new construction grant increases of seven and four percent, as required by Proposition 1D, to the per pupil grant amount for special education students.
2. Require the State Allocation Board to implement the increases based on the recommendations of the OPSC.

Simply increasing the special education grants by 7 percent for elementary and middle school pupils and 4 percent for high school pupils will not be achievable as the special education per pupil grants are based on the level of disability (non-severe vs. severe), not by grade level. Thus, requirement number one above is deemed necessary to determine an adequate method to apply the specified increases.

B. Fiscal Analysis

This bill would increase cost pressures on bond funds by millions of dollars. The current per pupil grant for a non-severe special education pupil is \$16,095. Assuming this grant is increased by 5.5 percent (midpoint between 4 percent and 7 percent), the grant would increase to \$16,980 ($\$16,095 * 1.055 = \$16,980$), a difference of \$885. There is approximately \$3.6 billion remaining in new construction bond funds. Assuming that 360 new construction projects are completed with the remaining funds, with 1 non-severe classroom for each project, the total increased cost due to this bill would be \$4.1 million ($[\$885 * \text{loading standard of } 13] * 360 \text{ projects} = \$4,141,800$). This number could represent half of the total cost to the state because many special education facilities are operated by county offices of education that automatically

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qualify for financial hardship, with the state paying 100 percent of the facilities costs. This estimate does not include any grants that may be provided for severe special education classrooms.

Any workload increases or costs to the Office of Public School Construction should be absorbable.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO RV	PROP 98	FC	2006-2007 FC	2007-2008 FC	2008-2009 FC			
6350/Facil Aid	LA	No			----- See Fiscal Analysis -----			6044	
6350/Facil Aid	LA	No			----- See Fiscal Analysis -----			6057	
6350/Facil Aid	SO	No			----- No/Minor Fiscal Impact -----			6044	
6350/Facil Aid	SO	No			----- No/Minor Fiscal Impact -----			6057	
<u>Fund Code</u>	<u>Title</u>								
6044	School Facilities Fund, 2004 State								
6057	School Facilities Fund, 2006 State								