

Facility Maintenance Accounts

I. OVERVIEW

Two facility maintenance programs, deferred maintenance and ongoing and major maintenance, have been established by legislation. These programs involve the action of county offices to certify that restricted amounts have been set aside in local educational agency (LEA) budgets and that the required funds have been deposited or transferred to these accounts.

II. THE DEFERRED MAINTENANCE PROGRAM

A. The State provides matching funds to LEAs on a dollar-for-dollar basis up to a maximum state aid amount to assist school districts with expenditures for major repair or replacement of existing school building components so that the educational process may safely continue. This is the State's deferred maintenance program.

B. There are two types of deferred maintenance grants.

1. Basic grant: Education Code Sections 17584 and 17585

2. Extreme hardship grant: Education Code Section 17587

- The State provides funding for critical hardship projects if the LEA has certain types of critical health and safety or structural work that it needs to complete within one year.

C. Prerequisites to receiving a grant include:

1. The entity must operate:

- a. A K-12 public elementary, unified, or high school district that serves any combination of kindergarten through twelfth grade pupils; or
- b. As a county superintendent of schools (CSS) that serves any combination of kindergarten through twelfth grade pupils; or
- c. A regional occupational center as identified in Education Code Section 17592.5.
or
- d. An all charter district that is funded through the revenue limit.
 - Assembly Bill 740 (Chapter 359, Statutes of 2005) included the Deferred Maintenance program on the list of ineligible programs that Charters participating in the Charter School Categorical Block Grant Program could apply.

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2. That the governing board of the applicant school district has established a deferred maintenance fund (fund14) for the purposes specified in Education Code Section 17582(a) and any regulations.
 3. That the applicant LEA has submitted and has received State Allocation Board approval of their five-year deferred maintenance plan (SAB 40-20).
- D. The California Department of Education (CDE) computes the maximum amounts that eligible LEAs may receive.
1. The calculation is based on Education Code Section 17584(b). The funding for the deferred maintenance program is allocated through the Office of Public School Construction (OPSC) based on the calculation provided by the CDE and the available funds.
 2. LEAs may receive less than 100% of the maximum amount calculated depending on the amount of funds available in the State School Deferred Maintenance Fund.
 - a. For example, for the 2003-04 fiscal year, the State funded the deferred maintenance apportionment at 97.97% of the maximum amount that was calculated by the CDE.
 - b. LEAs may also choose to receive a lesser amount by matching less than the state maximum.
 - c. If the LEA does not match the full maximum they are required to submit a report to the legislature by March 1st (EC 17584.1(c)) explaining how the governing board of the LEA plans to meet its current year facilities deferred maintenance needs without setting aside the funds set forth by Education Code Section 17584.
- E. Unmatched Carryover
1. If the state funds are insufficient to fund 100% of the amount calculated by the CDE, the district may transfer the excess local funds (the unmatched carryover) to the other funds of the district (Education Code Section 17583).
 2. Education Code Section 17583 requires the LEA's governing board to pass a school board resolution approving the transfer of the unmatched carryover by a two-thirds vote,
 - a. The LEA is required to file a copy of this resolution with the county superintendent and county auditor (Education Code Section 17583).

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- b. If this withdraws funds that were used to meet the LEA maximum under Education Code 17584, the transfer would initiate the need for a report to the legislature by March 1st providing the explanation of how the LEA does not require these funds to meet its deferred maintenance needs. (*Deferred Maintenance Program Handbook*)
3. If the district chooses not to transfer the excess funds (unmatched carryover) to another fund, the district may use the unmatched carryover to offset some or all of the district's match in the subsequent fiscal year. (*Deferred Maintenance Program Handbook*).
 - a. One half of any interest earned on the deferred maintenance program grant funds may be applied towards the district match in any given fiscal year.
 - b. Carryover that has been reported on the *Certification of Deposits* (Form SAB 40-21) is considered matched and therefore cannot be applied as carryover in subsequent fiscal years.

III. THE BASIC GRANT

To receive the basic grant, the LEA must:

- A. Submit a five-year deferred maintenance plan to the OPSC by the last working day of June for the current fiscal year.
 1. LEAs submit their five-year plan to OPSC on the *Five Year Plan*, Form SAB 40-20.
 2. On the *Five Year Plan*, LEAs list eligible items of major repair or replacement.
 3. The *Five Year Plan* is required by Education Code Section 17591.
 - OPSC does not fund the items listed on the plan, but approves the items on the *Five Year Plan* as eligible for expenditure from the LEA's deferred maintenance fund.
 4. The Five Year Plan may remain in effect for five years unless the LEA makes changes.
 - a. Revised plans are due the last working day of June for revisions that have affected the current year.
 - b. The annual auditors may test expenditures made in the deferred maintenance fund against the projects in the approved plan.

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5. When the plan is submitted, the LEA certifies that the governing board discussed the proposals and plans for the expenditure of deferred maintenance funds at a regularly scheduled public hearing.
- B. Deposit the LEA's match into the deferred maintenance fund by the date specified by the State Allocation Board (SAB) when the funding is authorized.
1. Deposits must be made prior to the certification made by the county offices of education on the *Certification of Deposits* (Form SAB 40-21), which is due to OPSC 60 days after the funding is authorized. Funds have typically been authorized in November or in December and a few times in January.
 2. The LEA may choose to use a portion of their restricted maintenance account (amounts in excess of 2 ½%) toward the LEA's matching requirement for deferred maintenance (EC17070.75).

IV. EXTREME HARDSHIP GRANT

- A. OPSC allocates extreme hardship funding to LEAs based on criteria established for funding and an application submitted by the LEA.
- B. LEAs must submit the application for extreme hardship funding prior to the start of construction and before the end of the fiscal year. Requests for extreme hardship funding are submitted on form SAB 40-22, *Extreme Hardship Application*.

V. RESTRICTED MAINTENANCE ACCOUNTS

LEAs are required to establish a restricted ongoing and major maintenance account in the general fund if they participate in the State School Building Programs.

- A. Education Code 17014 (b)(2): LEAs participating in only the Leroy Greene Lease-Purchase Program Law of 1976 are required to establish a restricted routine repair and regular maintenance fund (RRRMF) account (SACS Resource 8100) and must annually deposit a minimum of at least 2% of the LEA's total general fund adopted budget.
- A contribution to the RMA may be provided in lieu of meeting the ongoing requirements for the RRRMF per EC 17070.75(b)(2)(c).
- B. Education Code 17070.75: LEAs in the 1998 School Facility Grant Program (SFP) must annually deposit at least 3% of the LEA's total general fund adopted budget into an ongoing and major maintenance account called the RMA (SACS Resource 8150).
1. The RMA must be set up for the fiscal budget year following the fiscal year any SFP project(s) receives full grant funding.

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2. The district must make the first deposit that fiscal year and make additional deposits each fiscal year for 20 years.
- C. There are exceptions for both of the restricted maintenance programs.
1. Small school districts are exempted from meeting the annual minimum contribution requirement; that is, elementary districts under 901 ADA, high school districts under 301 ADA, and unified school districts under 1,201 ADA. These districts still need to establish the fund and certify that they can adequately maintain their facilities, but the dollar amount the district is required to transfer is based on the need of the district and not the percentage established in the Education Code.
 2. County offices are allowed to calculate the percentage based on the unrestricted expenditures. This exemption does not apply to the Lease Purchase program.
 3. Districts that are the administrative unit for a special education SELPA are allowed to exclude the pass through funds from the expenditures when making the calculation.
- D. The LEA may count deposits to the RMA account in excess of 2 ½% toward the LEA's matching requirement for deferred maintenance. That is, the LEA may record a transfer of the excess amount out of the ongoing and major maintenance account and into the deferred maintenance fund.
- E. LEAs annually certify that they are maintaining the restricted routine repair and regular maintenance fund (RRRMF) on the form SAB 270, *Routine Restricted Maintenance Account Certification*.
- F. County offices of education collect the following information for the *Certification of Deposits* (form SAB 40-21).
- a. Unmatched carryover,
 - b. Annual deposits in the ongoing and major maintenance account (RMA),
 - c. Transfers into the deferred maintenance fund,
 - d. Total general fund budget for the current year,
 - e. Three percent of the general fund budget required to be earmarked for the RMA,
 - f. Amount budgeted in the RMA for the current year, and
 - g. The actual amount expended in the RMA for the prior year.
 - h. The state budget software *Criteria and Standards* will validate that 3% of the LEA's adopted budget has been set aside in the RMA account.

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VI. COUNTY OFFICE OF EDUCATION RESPONSIBILITIES

A. Legal Responsibilities of the County Office of Education

- Section 1866.4.6 of Title 2 of the California Code of Regulations requires the county superintendent of schools to report the district's deferred maintenance deposits on the form SAB 40-21, *Certification of Deposits*.

B. Forms and Current Information

- The forms referred to in this procedure and other deferred maintenance information is available at the OPSC Web site. <http://www.opsc.dgs.ca.gov/SAB+Forms/Default.htm>

C. Calendar

Month Activity

July

- Confirm as disclosed in the district budget criteria and standards that adequate contributions have been budgeted for deferred maintenance and the ongoing and major maintenance account.

August/September

- Confirm data in maximum deferred maintenance funding letter from CDE.
- Send copy of CDE letter to all LEAs.

October

- Prepare the SAB 40-21, *Certification of Deposits*.
- Send a copy of the worksheet to all LEAs listed on the worksheet to allow the LEA to confirm the calculation.

60 days after the SAB apportions the Basic Grant

- Mail the SAB 40-21, *Certification of Deposits*.

Note: CCR, Title 2, Section 1866.4.6 states that forms received after 60 days will be brought to the board on a case-by-case basis to determine if the funds will be released.

D. Maximum State Match

1. In August or September of each year, the CDE will send the county a letter and a list of the calculated amounts for the maximum deferred maintenance funding for each LEA in the county.

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2. This list from the CDE represents the amounts that the CDE has certified to OPSC as the maximum amounts eligible for funding.
 3. OPSC is responsible for determining whether or not the LEA is eligible for funding and officially certifying the deferred maintenance entitlement.
 4. OPSC will annually determine the funding level to participating LEAs based on the funds available in the State School Deferred Maintenance Fund.
 5. The letter from the CDE includes the second prior year unaudited actual amounts and the prior year P-2 ADA that the CDE used in calculating the maximum amounts for each LEA.
 6. The county staff may want to verify that the unaudited actual amounts (for the county office of education) and the ADA (for school districts) in the CDE letter are correct. The ADA used by the CDE is the revenue limit ADA including adult education, ROC/P, and all charter district ADA funded through the revenue limit (effective 2006/07 supplemental hours are no longer converted to ADA and used in calculation).
 - a. The CDE will use the latest prior year revenue limit ADA that they have available (the Annual Principal Apportionment certified in February or the R-1 Principal Apportionment certified the first week in July will be used), if the ADA is amended after the CDE has calculated the maximum entitlement, the maximum amounts are not recalculated.
 - b. If the county staff verifies the ADA, the county staff should report any errors noted in the letter to the CDE and follow-up on the error to ensure that CDE has corrected it and issued a revised letter.
 7. The county staff should send the CDE letter to all LEAs in the county once the information has been verified.
- E. Form SAB 40-21 – *Certification of Deposits*
1. The county is responsible for certifying that the LEAs made their required deferred maintenance deposits (LEA match) by the certification due date. This certification is done on the SAB 40-21 – *Certification of Deposits*.
 2. The county staff must mail the SAB 40-21 no later than 60 days after the State Allocation Board (SAB) apportions the Basic Grant. If the deposits are not certified by the due date, the LEAs may not receive their deferred maintenance apportionment.

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3. The mailing address for the SAB 40-21 is:
Office of Public School Construction
Attention: Accounting Unit
1130 K Street, Suite 400
Sacramento, CA 95814

VI. LEGAL CITATIONS

A. Education Code

- Sections 17582 through 17592.5

B. California Code of Regulations

- CCR Title 2 Sections 1866 through 1866.10

VII. WHERE TO GO FOR HELP

The Deferred Maintenance Handbook

This handbook is revised periodically by the Office of Public School Construction (OPSC) and is available on the OPSC website. All of the OPSC forms are also available at this site.