

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, January 22, 1997

APPROVALS WITHOUT APPORTIONMENTS

PURPOSE OF REPORT

To establish a policy regarding approval of projects without an apportionment for purposes of reimbursement eligibility when the State Allocation Board (SAB) is out of funds.

DESCRIPTION

After the two bond issues were exhausted in 1992, the SAB developed a "zero approval" policy which allowed the SAB to continue approving Lease-Purchase projects without allocating funds. This policy allowed districts to continue with projects using local funds and to be eligible for reimbursement by the SAB when funds became available provided:

1. The planning expenditures were made no more than four years prior to the initial approval of the project.
2. The site acquisition expenditures were made after the "zero approval" of Phase S by the SAB. The only exception is where the site is all or part of a district's contribution to a 50/50 project.
3. The expenditures for construction were incurred after the "zero approval" of Phase C by the SAB.

No "zero approval" policy was adopted for the Air-Conditioning Program.

STAFF COMMENTS

There was approximately \$1.4 billion in projects which received "zero approvals" for either a Phase P, S or C from 1992 through April 1996. The SAB took action in May 1996 to allocate the entire \$1.4 billion with bond funds available from Proposition 203. Of this amount, approximately \$300 million was used for reimbursement of expenditures made in accordance with the SAB reimbursement policy. Pros/cons of the "zero approval" policy are as follows:

Pros

1. Provides some protection to the districts as the "zero approval" indicates that the project is at least eligible for funding by the SAB if the district elects to go forward with the project with its own funds in anticipation of reimbursement by the SAB. Prior to Phase C "zero approval", an eligibility verification is made based on current data to assure that the project is still justified for funding.
2. Allows maximum deployment of construction dollars when funding becomes available to the SAB.
3. Allows all districts to know where its project(s) are on the funding list in relation to all others in the state.

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STAFF COMMENTS (con't)

Pros (con't)

4. Creates consistency and a natural order of processing within the Office of Public School Construction (OPSC).
5. Provides an excellent tool to gauge the need for additional funding of school facility needs in the state.
6. Enables the SAB to determine the appropriate amount of funds to reserve for specific programs when additional funding is available.

Cons

1. Gives the perception that projects on these lists will be funded first, when additional funding becomes available.
2. Districts anticipating reimbursement from the SAB may create local financial difficulties.
3. Creates a perception that there is a liability to the state and it is obligated to fund these projects, even if there are no future statewide bond issues.
4. They are a prerequisite for reimbursement of construction costs. The SAB may not wish to reimburse for construction expenditures in the future.

OPSC RECOMMENDATION

Do not consider "zero" approvals until the OPSC has essentially completed its workload of processing Proposition 203 requests (i.e. fund releases / bids) and appeals (approximately 300). Although the Proposition 203 bids are on-going, it is anticipated that the appeals will be "caught up" within the next four months.

SAB IMPLEMENTATION COMMITTEE RECOMMENDATIONS

1. Continue the "zero approval" policy for all priority one and two new construction and modernization Lease-Purchase projects.
2. Require that verification of eligibility at Phase C for new construction projects will only be made if the initial eligibility data is more than three years old.
3. Adopt the "zero approval" policy for the Air-Conditioning Program.

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## BOARD ACTION

In considering this Item, the Board adopted the SAB Implementation Committee recommendations with the following understanding:

Projects will be processed in accordance with the established workload priorities set by the Board at its October 23, 1996 meeting. Processing of the workload priorities are: 1) Release of Proposition 203 funds; 2) Bid approvals; 3) Appeals; 4) 60/40 projects; 5) Roofing; and 6) Regular Phase approvals.

The Board anticipates the processing of Phase "zero" approvals will commence at the April 30, 1997 State Allocation Board meeting.