STATE OF CALIFORNIA

Arnold Schwarzenegger, *Governor*

STATE ALLOCATION BOARD
1130 K Street, Suite 400
Sacramento, CA 95814
http://www.dgs.ca.gov/opsc

Mailed
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March 5, 2009

Dear Members of the Pooled Money Investment Board:

The State Allocation Board (SAB) respectfully requests the Pooled Money Investment Board (PMIB) release funds **first** for school construction and modernization projects caught in the PMIB infrastructure freeze when funds become available. The California Constitution guarantees a free public education to all students; safe school buildings deliver this guarantee together with school operational funds and administration.

The SAB apportioned approximately $2.4 billion for 849 school construction projects in 250 school districts across California for which funds have not been released. As a result, projects are on hold, contracts have been cancelled, work has been stopped, workers have been idled, and school districts risk substantial financial penalties and even insolvency.

Of the 849 school construction projects, 88 projects representing a total of $439 million have financial hardship status, meaning that the State is responsible for 100 percent of the funding. In addition, five of the 849 projects, representing a total of $22 million, have serious health and safety issues that pose an immediate risk to school children.

We recognize that the members of the PMIB were forced by fiduciary duty to take this drastic action. The State's fiscal situation is more certain with the recent enactment of a State Budget. We must now urge you, in the strongest possible terms, to expedite bond sales so that school districts can remain financially solvent and students can be housed in safe buildings.

We further recognize the State's ability to access the capital markets is yet to be tested, and the free flow of funds that we grew accustomed to may not materialize. In the event that the State's bond sales fall short of the need, we ask that the PMIB consider committing to a six, nine, and twelve month schedule of fund availability so that the SAB can provide school districts with a date certain for receiving State funds.

This approach will enable school districts to go directly to the capital markets for bridge financing to provide new or modernized classrooms for our children and a needed boost to our economy.

Sincerely,

JACK O'CONNELL
State Superintendent of Public Instruction
California Department of Education

Loni Hancock, Senator, 9th District

Alan Lowenthal, Senator, 27th District

Mark Wyland, Senator, 38th District

Julia Brownley, Assembly Member, 41st District

Jean Fuller, Assembly Member, 32nd District

Tom Torlakson, Assembly Member, 11th District