

School Facility Program Update

County School Facilities Consortium

September 25, 2012

“To enrich the lives of California’s school children as stewards of the taxpayers’ commitment to education.”

Presenters:

Lisa Silverman, Executive Officer

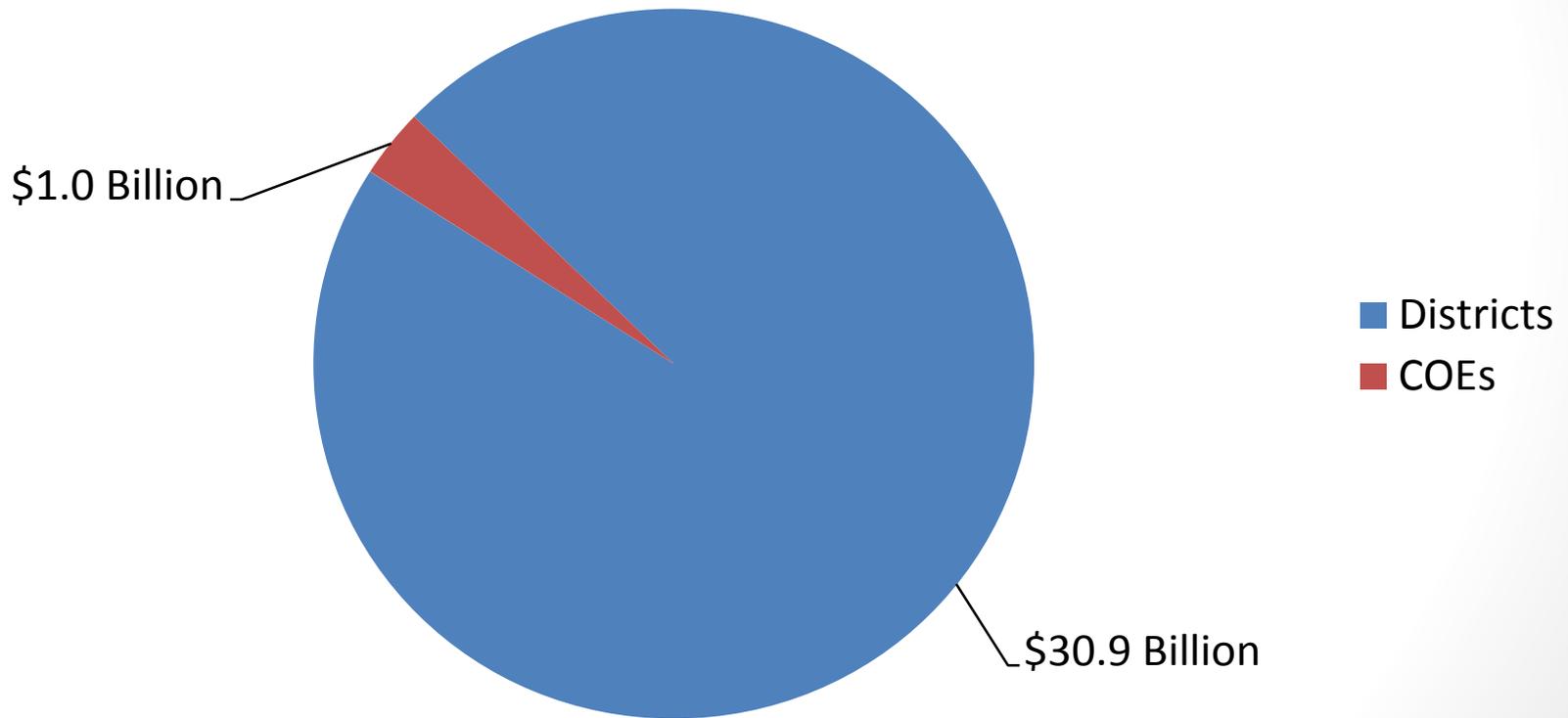
Rick Asbell, Chief of Fiscal Services

Today's Discussion

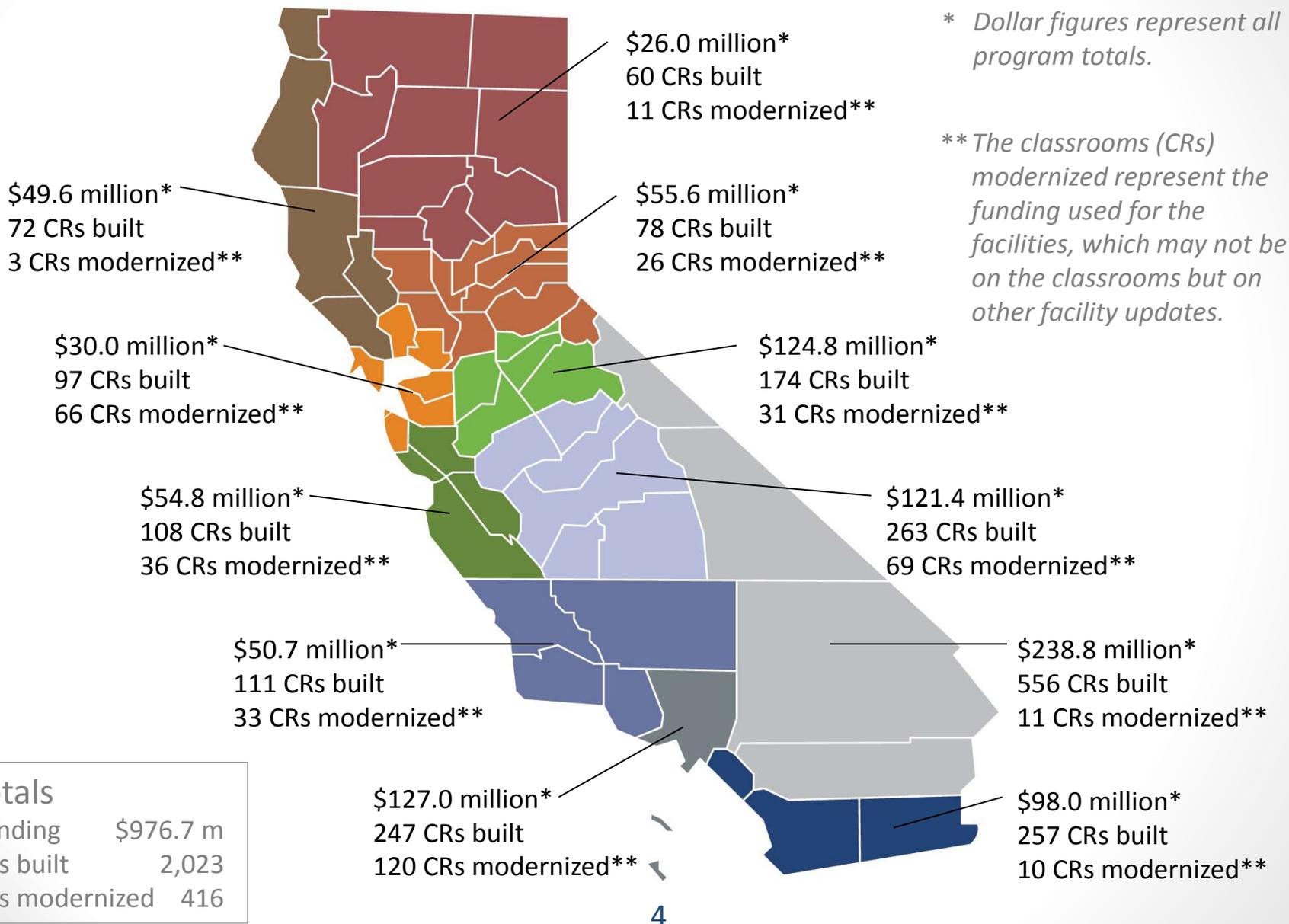
- COE Apportionments & Funding
- Priority Funding Round
- Financial Hardship Review (Process Improvements)
- Financial Hardship Re-Reviews
- Audit Subcommittee

COE Apportions

Total Amount Apportioned For the School Facility Program:
\$31.9 Billion



COE Funding by Region



Priority Funding: Background

State Allocation Board (SAB) approved regulations at the May 25, 2011 SAB Meeting to expedite funding for projects that are ready to begin construction.

- Two certification filing periods per year
 - January and July
- Each period has a 30-day certification submittal window
- Projects on the Unfunded approvals list can participate
- At the June 27, 2012 SAB Meeting, new regulatory amendments to the Priority Funding Process were approved
 - Regulations are currently in the Public Comment Period with an end date of October 22, 2012

2013 Priority Funding Round Timelines

Once Office of Administrative Law approves regulations:

- First Filing Period:
 - Request Filing Period from 1/9/13 to 2/7/13
 - Eligible for Apportionments until 6/30/13
- Second Filing Period:
 - Request Filing Period from 5/8/13 to 6/6/13
 - Eligible for Apportionments from 7/1/13 to 12/31/13

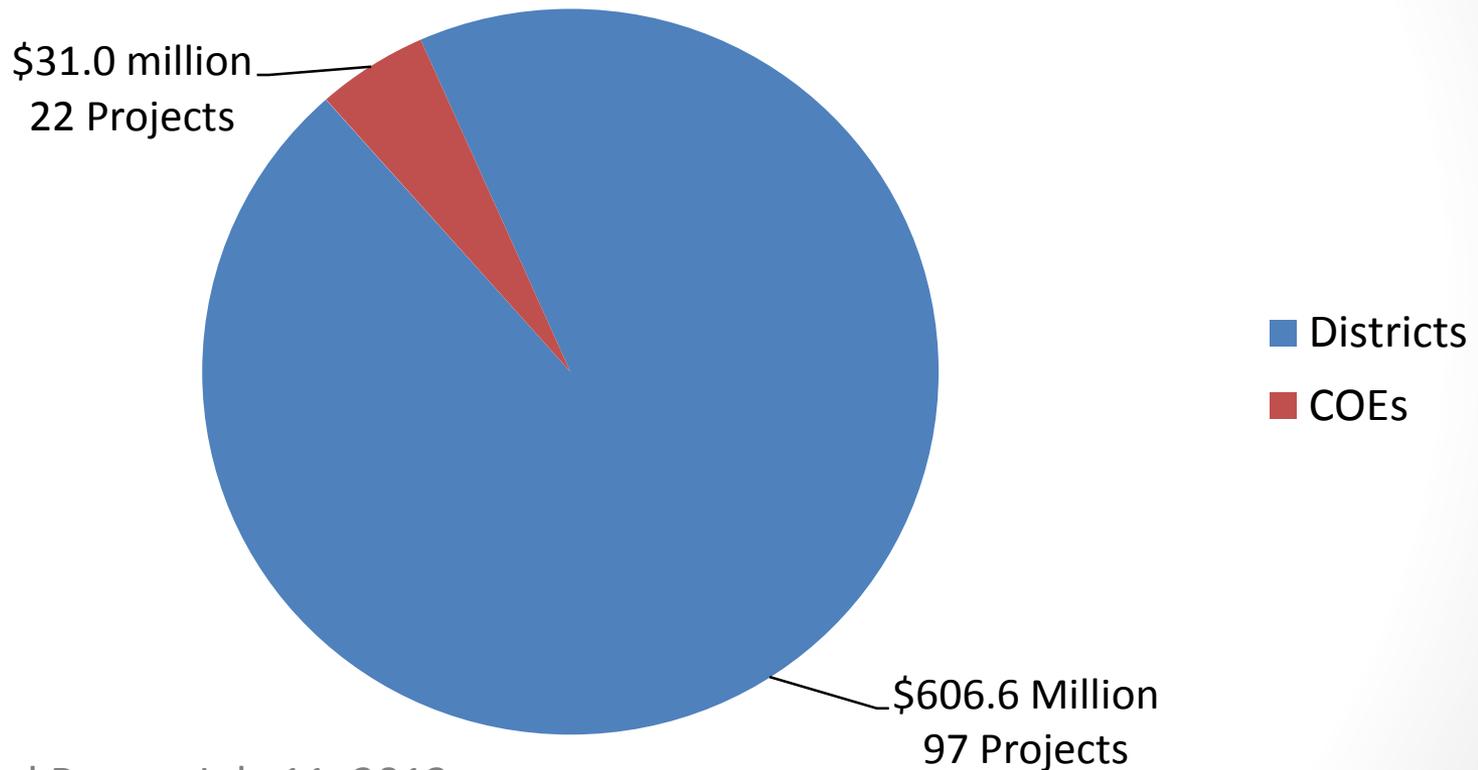
Priority Funding: What to Expect

Approximately \$1 billion in remaining Bond Authority. In order to get these funds out into the community:

- Sale of General Obligation Bonds by the State Treasurer's Office
 - Typically occurs in the Spring and in the Fall
 - Cash available for apportionment
 - September 25, 2012 Bond Sale
- Apportionment made by the State Allocation Board
 - Valid Priority Funding certification
 - Funded according to original received date
- *Fund Release Authorization* (Form SAB 50-05) must be submitted to the OPSC within 90 days
 - If a valid form is not submitted, the project will be placed at the bottom of the Unfunded List

Priority Funding: Current Round

Total Received: \$637.6 Million, 119 Projects



Filing Period Began: July 11, 2012
Filing Period Ended: August 9, 2012
Certifications Expire: January 8, 2013

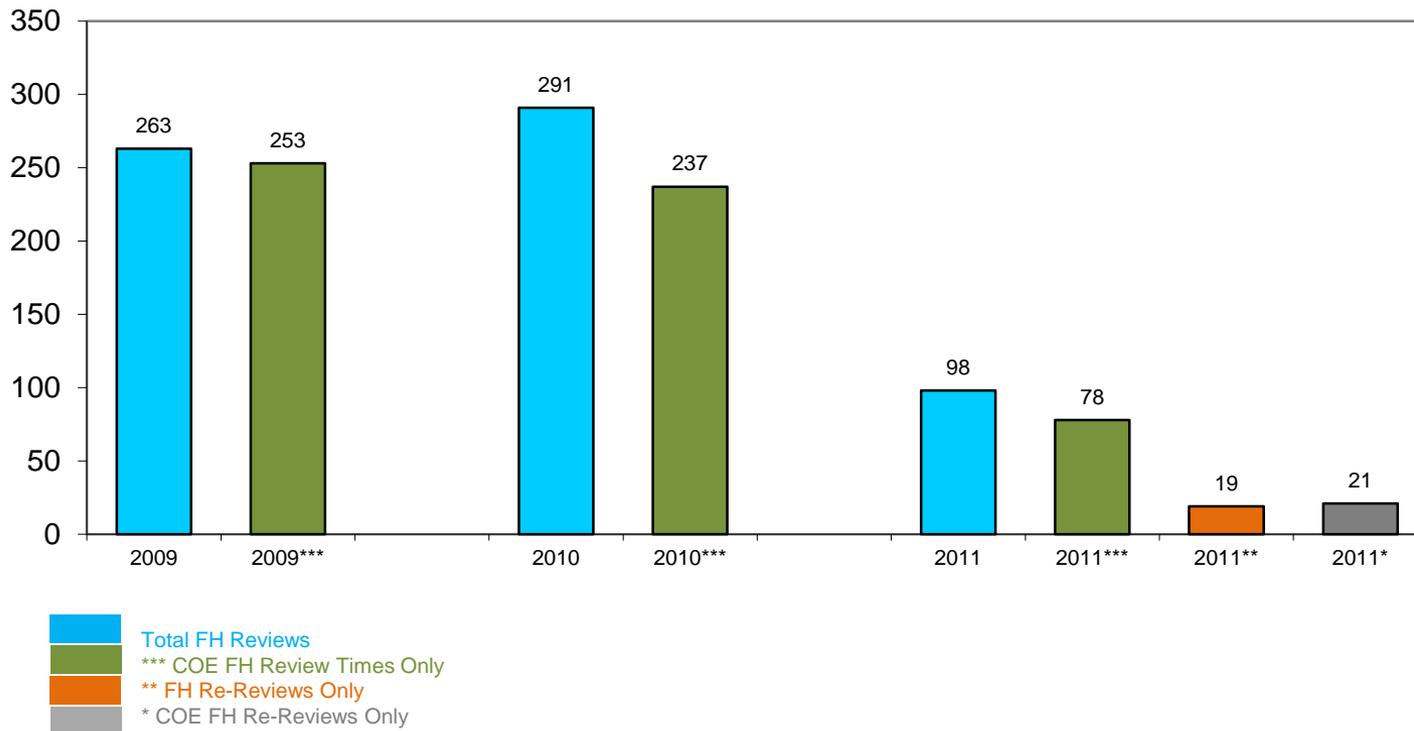
Financial Hardship Review – Process Improvements

Streamline the Financial Hardship (FH) Review process

- Created FH Checklists to standardized documentation requested in a FH review
- Two-tier FH review process
 - Phase 1 – Review of qualifying criteria for FH status (COEs automatically qualify)
 - Phase 2 – Review of available funds
- Reminder Letters are sent to District/COE of upcoming deadlines for document submittal
- On-Site and Conference Call outreach for District/COE is available

Financial Hardship Review Statistics

Average Review Time for Financial Hardship Packages (in days)



Financial Hardship Re-Review

Any SFP project on an unfunded list for more than 180 days must have a review conducted of a COE's financial records to determine if additional COE funds are available as contribution to their project.

- For the September 2012 Bond Sale, the OPSC will send letters to COEs who submitted a Certification Letter to participate in Priority in Funding
 - Letter will ask for Financial Information based on the ***potential*** funds will be made available from the Bond Sale to the School Facility Program
- FH Re-Review must be completed prior to a project receiving an apportionment.
- FH Re-Review is only a review for additional funds.
- The COE does not have to re-establish their FH status.
- The OPSC will contact the COE for all documents required in an Unfunded FH Re-Review.
- After a Re-Review is complete and the COE concurs with the finding they will be eligible to receive an apportionment.

Financial Hardship Webinars

Webinars to assist FH Districts and COEs

- May 2011
 - Overview of the FH review process
 - Walk through of the Phase 1 and Phase 2 review process
 - Discussed key documents needed: FH project worksheet, FH Fund Worksheets, and a worksheet breaking out RDA funds received by individual area
- October 2011
 - Background on FH Re-Reviews and Priority in Funding Rounds
 - Documents needed
 - Review of Available Funds
 - FH Re-Review Findings Letter
- Both webinars are available on the OPSC website.

Financial Hardship Team

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Audit Subcommittee

Last meeting on August 27, 2012 to discuss:

- Status Update from the Audit Work Group (AWG)
 - Review proposed process for SFP Review and Audits
 - Shorten Time to Closeout a Project
 - Certifications are Verified sooner
 - Ensure Increased Accountability
 - Seek Input and Direction from the Audit Subcommittee

Review of Proposed Process

- *Shorten the Lifecycle of a Project*—(Application submittal to Closeout)
 - Propose Regulation change to commence Final Review of a project from 2 years to 1 year
 - Explore a new “Trigger” for the Completion of a Project
- *Verify Certifications Earlier in the Lifecycle of a Project*
 - Consolidated Incremental Compliance Check at 18 months
 - Verify Certain *Application for Funding* Certifications (SAB Form 50-04)
 - Verify Certain *Fund Release Authorization* Certifications (SAB Form 50-05)
 - Substantial Progress Check
- *Ensure Increased Accountability*
 - Use of External Entity to Perform Audits
 - Yearly 50-06 Reports would be verified for internal controls and sampling of expenditures on 50-06
 - Additional Audit Scope to be determined by Education Audit Appeals Panel Audit Guide/Regulations

Review of Proposed Process

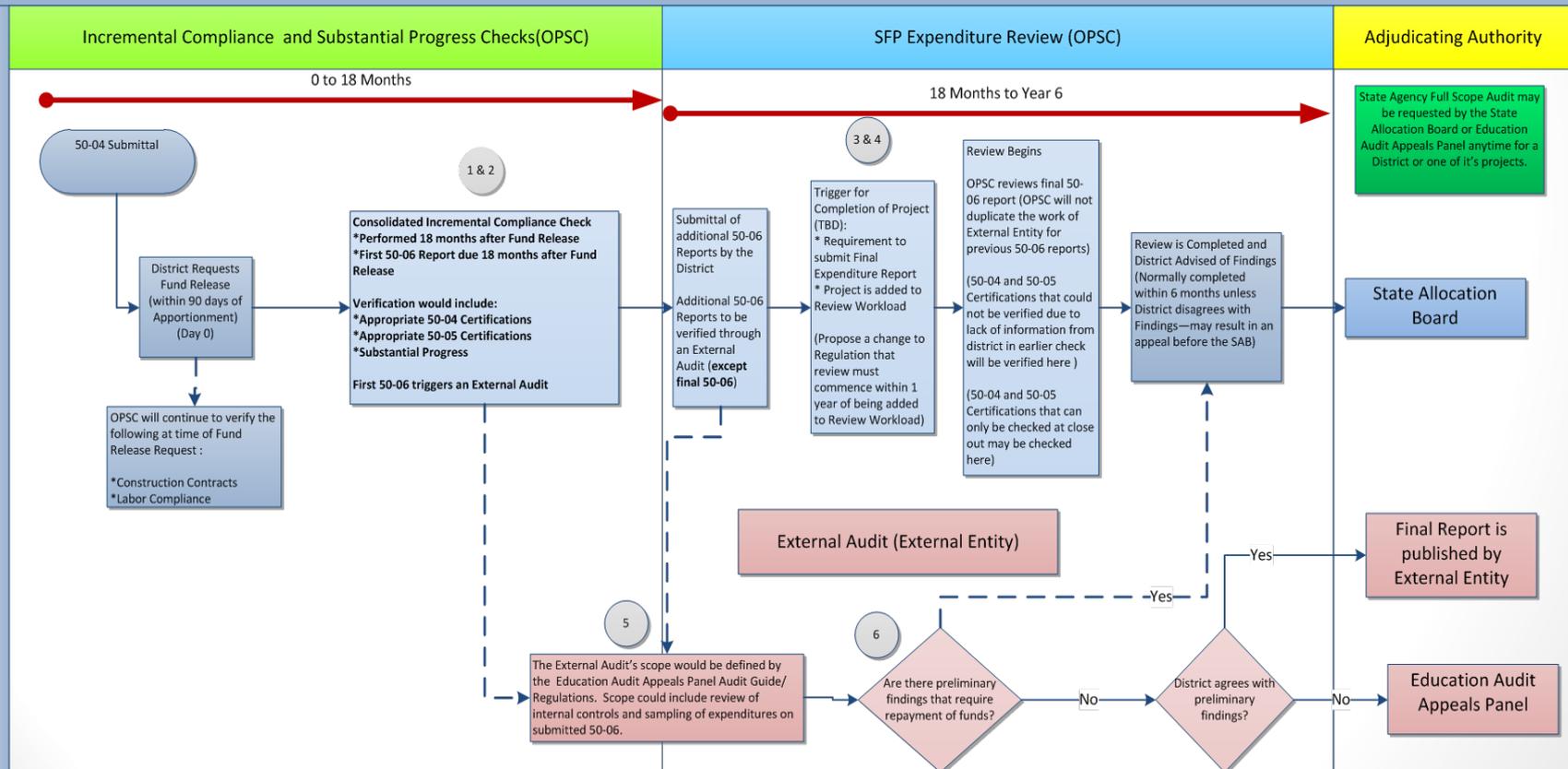
Proposed Process for SFP Review and Audits Consolidated Incremental Compliance Check

Assumptions:

Consolidated Incremental Compliance Check occurs 18 months after Fund Release (will require statute and regulation change).

First 50-06 Report would be due 18 months after Fund Release and subsequent 50-06 Reports would be due each year thereafter (will require statute and regulation change).

An External Audit will be triggered by the first 50-06 Report and subsequent 50-06 Reports but not the Final 50-06 Report (will require statute and regulation change).



Next Steps

Audit Subcommittee referred the following issues back to the AWG for further discussion:

- 12 months vs. 18 months for Incremental Compliance Check
- Identify “Important” 50-04 and 50-05 Certifications that would be verified by OPSC
- “Trigger” for the Completion of a Project
- External Audits
 - Evaluate the Use of Proposition 39 Audits

Questions?