

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, September 24, 2008

PRIOR BOND FUNDS AVAILABLE FOR TRANSFER

PURPOSE OF REPORT

To present a report on the anticipated Lease-Purchase Program (LPP) bond fund balances that may be available to transfer to the School Facility Program (SFP).

BACKGROUND

At the July 2008 State Allocation Board (SAB) meeting, the Board transferred \$7.6 million from prior bonds to the Proposition 1D SFP Joint-Use Program. This transfer enabled the funding of all eligible joint-use projects in this funding cycle. The Board requested Staff to report back on potential future moneys that could be made available for the Joint-Use Program.

AUTHORITY

Section 20 of Assembly Bill (AB) 127, Chapter 35, Statutes of 2006 (Pereta/Nunez) states that:

"(a) Up to twenty-one million dollars (\$21,000,000) of any funds that are required to be made available for rehabilitation or construction of joint-use facilities for public schools and ***that result or are derived from the sale of bonds issued on or before January 1, 2006***, shall be transferred to the State Allocation Board and may be apportioned by that board for the purposes of Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10 of the Education Code.

(b) *Any funds remaining after the transfer required under subdivision (a) that conform to the description set forth in that subdivision shall be transferred to the State Allocation Board and may be apportioned by that board for any of the purposes of Chapter 12.5 (commencing with Section 17070.10) of Part 10 of the Education Code.*" [Emphasis added.]

Although this section authorizes the transfer of prior bond funds that have previously been issued or sold for any Chapter 12.5 purposes, it does not authorize the sale of prior bonds, and the bond funds that have not been issued or sold cannot be transferred.

STAFF COMMENTS

There is approximately \$5.0 million in cash available from prior bonds. In addition, Staff projects that \$1.6 million may become available for transfer in the next six months totaling \$6.6 million. Beyond the \$6.6 million account receivable amounts, Staff does not anticipate any substantial additional funding that will be made available to the prior bond fund balance since there are very few LPP close-outs that remain to be completed and none are currently in process.

School districts have until March 1, 2009 to submit their SFP joint-use application to the Office of Public School Construction (OPSC) for the next SFP Joint-Use Program funding cycle. To date, the OPSC has received only one SFP Joint-Use Program application. Should the Board transfer the \$6.6 million available in prior bond funding to the Joint-Use Program, Staff estimates based on the historical average of \$850,000 funding per project, that potentially between seven and eight SFP Joint-Use Program projects could be funded at the next funding cycle.

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STAFF COMMENTS (cont.)

Current law authorizes the Board to transfer available money to essentially any active SFP program. However, Staff believes that with new construction and other program fund balances rapidly declining, and the possibility of the funds being exhausted, the SAB may wish to consider reserving these funds for other high priority needs such as health and safety projects.

If the Board elects to reserve funds for any purpose, it is critical that districts understand that these estimates of funding would not constitute a commitment or obligation on behalf of the SAB, and that potential applicants would be solely responsible for any local decisions and investments.

RECOMMENDATION

Accept this report.

BOARD ACTION

In considering this item, the Board accepted the report and requested Staff to present recommendations at the October 2008 SAB meeting.