

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, March 11, 2009

SCHOOL FACILITY PROGRAM UNFUNDED APPROVALS

PURPOSE OF REPORT

To discuss unfunded project approvals.

BACKGROUND

On December 17, 2008, the Pooled Money Investment Board (PMIB) took action to halt disbursing cash from the State's Pooled Money Investment Account (PMIA) for capital projects, including the construction of public schools. On December 18, 2008, the Department of Finance issued Budget Letter #33 that directed all State entities that have expenditure control and oversight of General Obligation bond programs to cease authorizing any new grants for bond projects.

At the January 28, 2009 SAB meeting, the Board requested Staff to seek input from stakeholders and the school community at an Implementation Committee meeting and provide recommendations regarding the implementation of unfunded approvals.

DESCRIPTION

An item to discuss unfunded approvals was presented at the February 19, 2009 Implementation Committee meeting. Most Implementation Committee members were in favor of an unfunded list for projects up to and beyond the bond authority. Implementation Committee members and school district representatives highlighted the following advantages to having an unfunded approval by the SAB for a project:

- Unfunded approvals typically serve as valid collateral in securing interim financing.
- Once a project approval is received, the project's eligibility does not need to be re-justified and no new legislation or regulation will jeopardize the project's approval. This is especially important in the event of a new State-wide bond proposal which may result in new program requirements.

AUTHORITY

Regulation Section 1859.2 defines an Unfunded List as an information list of unfunded projects.

SFP Regulation Section 1859.95 states:

"When the Board has no funds to apportion ..., the Board will also accept and process applications for apportionment for purposes of developing an Unfunded List based on the date the application is ready for Apportionment, with the exception of New Construction funding applications that utilize eligibility generated by the Alternative Enrollment Projection.

An application for funding included on an Unfunded List is eligible for reimbursement subject to adjustments in the New Construction Grants amount pursuant to Section 1859.77."

STAFF COMMENTS

In the past when the SAB exhausted its bond authority, it established an unfunded list. Although receiving an unfunded approval did not constitute a guarantee of funding, the list established the need for State funding for school construction and modernization.

(Continued on Page Two)

STAFF COMMENTS (cont.)

Staff recommends that the Office of Public School Construction continue to process applications to the SAB for unfunded approval up to available bonding authority. At a later date, Staff recommends that the SAB consider an unfunded list once bonding authority is exhausted.

RECOMMENDATIONS

1. Request Staff to continue processing applications to the SAB on an unfunded list, up to the bonding authority. The inclusion of a project on an unfunded list would not be a guarantee of State funding.
2. Request Staff to bring a discussion item back to the SAB at a future date to address the continuance of an unfunded list beyond the bonding authority.