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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

CALIFORNIA DEPARTMENT OF EDUCATION
1430 N STREET, ROOM 1101
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, APRIL 25, 2012
TIME: 4:10 P.M.

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APPEARANCES

MEMBERS OF THE BOARD PRESENT:

PEDRO REYES, Chief Deputy Director, Policy, designated representative for Ana Matosantos, Director, Department of Finance

ESTEBAN ALMANZA, Chief Deputy Director, Department of General Services, designated representative for Fred Klass, Director, Department of General Services

KATHLEEN MOORE, Director, School Facilities Planning Division, California Department of Education, designated representative for Tom Torlakson, Superintendent of Public Instruction.

SENATOR ALAN LOWENTHAL

SENATOR LONI HANCOCK

ASSEMBLY MEMBER JOAN BUCHANAN

ASSEMBLY MEMBER CURT HAGMAN

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer
BILL SAVIDGE, Assistant Executive Officer

REPRESENTATIVE OF THE DEPARTMENT OF GENERAL SERVICES, OFFICE OF LEGAL SERVICES PRESENT:

HENRY NANJO, Staff Counsel

P R O C E E D I N G S

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3 CHAIRPERSON REYES: We don't have a quorum yet,
4 but in the interest of time, I'd like to move forward with
5 as many items as we can. We are going to lose Senator
6 Lowenthal soon. He's got to go back and deal with issues on
7 the Senate and so I either hold to wait for other members
8 and then lose Senator Lowenthal or we get started as a sub
9 without taking any action until we have a quorum.

10 But I think in the interest and in fairness to
11 those folks who are already here, it would be best to go
12 ahead and get started unless there's an objection from any
13 of my Board members.

14 So having done so, we'll go ahead and start as a
15 sub. I put money that Buchanan will be the next one to join
16 us, but that's just me. We -

17 ASSEMBLY MEMBER HAGMAN: Mr. Chair, they are both
18 finished up on the last bill right before I came, so it
19 should be five minutes.

20 CHAIRPERSON REYES: I figured as much. I figured
21 as -

22 ASSEMBLY MEMBER HAGMAN: Education.

23 CHAIRPERSON REYES: Education but we also have
24 other conflicting issues going on. So Ms. Silverman.

25 MS. SILVERMAN: Yes. We can jump into the

1 **Executive Officer's Statement.**

2 CHAIRPERSON REYES: Let's go to the officer's
3 statement. Thank you.

4 MS. SILVERMAN: Okay. So we wanted to share some
5 great news. We were obviously recently notified that there
6 was a general obligation bond sale that the Treasurer
7 conducted and there was \$1.34 billion that was presented and
8 sold.

9 Part of the funds that was sold related to
10 refunding issues of bonds, but this program actually
11 received \$619.5 million. That's great news. We're excited
12 about that opportunity moving forward.

13 Now what staff is in the position to do is
14 obviously analyzing certification funding round that we just
15 closed in February, looking at that project list, matching
16 up that project list with the funds we received, and
17 obviously prioritizing that -- the funding apportionments
18 and bringing that to the Board as soon as possible.

19 Another item we wanted to share which is something
20 that's been the topic for quite some time is the transfer of
21 the critically overcrowded school bond authority to the New
22 Construction Program.

23 The deadline to submit the Proposition 55
24 critically overcrowded schools final apportionment
25 applications was April 4th and staff obviously did receive

1 one application and that has been recorded as \$11.7 million
2 in request for State share of funding.

3 There are many unconverted projects. Preliminary
4 apportionments have been automatically rescinded and there
5 is obviously another projects in-house that likely will
6 elevate to an appeal.

7 We didn't touch those reservations of funds
8 respectively, those two projects as I mentioned. So we are
9 obviously transferring over \$145 million from the COS funds
10 in Proposition 55 and converting that to the new
11 construction pot. So you'll see a contra-adjustment
12 movement going on on page 55 in the Status of Funds. So
13 that will increase the bond authority for new construction
14 up by 145 million.

15 And the other items, the outstanding items as I
16 mentioned earlier is we're going to be processing that
17 application in-house and obviously dealing with the issues
18 of an item that probably won't elevate to an appeal.

19 Once those issues have been ironed out and
20 whatever resolution we come forward with, there could be
21 potential additional funds move into new construction in the
22 future.

23 The next topic is the upcoming Rules/Procedures
24 Subcommittee. At the March Board, the Board did direct
25 staff to work on reconvening a meeting of the Subcommittee

1 group.

2 And so we have tentatively scheduled on May 30th a
3 meeting for the Rules Subcommittee and obviously the date
4 and time -- the date has been secured, but the time and
5 location will be determined and so we will be posting that
6 to our website as soon as we have that secured.

7 We also convened the Audit Subcommittee on
8 April 10th and we will continue discussions in the future
9 and we're also working on reconvening a work group meeting
10 as well. And that information will be made publicly and
11 obviously webcast and noticed in the future.

12 We want to give an update on the Aromas-San Juan
13 which was an item that was presented last month, the request
14 for seismic trenching funding.

15 At this point in time, staff is exploring issues
16 of how we can try to resolve the funding mechanism for this
17 geological fault. And so we're continuing to research this
18 issue and obviously will be bringing something forward in
19 June.

20 CHAIRPERSON REYES: Thank you.

21 MS. SILVERMAN: And there was a few other items.
22 As far as Compton Unified appeal request update, we did
23 receive a quite lengthy opinion or legal analysis from the
24 district and respectfully we did put in a request for the
25 Attorney General's office to review it.

1 That is still in their queue. So as soon as we
2 have an update, we'll be either updating the Board with that
3 progress and either bringing it to a resolution or bringing
4 that forward to the Board.

5 Santee Elementary School District fund release
6 update, that issue was a labor compliance issue that was
7 raised at a Board a few months ago on whether or not they
8 actually met certification.

9 They did meet the certifications for the program
10 and as a result, staff did release the funds on April 13,
11 2012.

12 And just lastly the reminder we are going
13 electronic. As a reminder to the Board members, as of
14 July 1st, again the goal is to transition into an electronic
15 agenda which we are conveniently using and so we'd be more
16 than happy to have conversations on how to use that and how
17 to navigate through the process.

18 So at this point in time, we've heard back from
19 most of the members and we have maybe two members
20 outstanding. We'd be happy to meet with them so they could
21 become acclimated with the use of this tool.

22 So with that, open up to any questions.

23 CHAIRPERSON REYES: Sounds good. Thank you.

24 MS. SILVERMAN: So moving on, we're not going to
25 take a vote on Consent, but we can certainly update the --

1 CHAIRPERSON REYES: Can we do **Status of Funds**?

2 MS. SILVERMAN: Yes, we'll do the financials.

3 So Tab 5 is the **Status of Fund Release Report**.

4 This report basically gives a synopsis of what funds that
5 we've disbursed over the last few weeks.

6 We actively have been disbursing the priorities in
7 funding since the December apportionments and so the
8 activity we're reporting for March is highlighted on
9 page 52. Trying to wait for my device to load as well.

10 So \$293.3 million was released for the month of
11 March. So we actually did disburse nearly all the funds for
12 the program in December priority apportionments.

13 There was five projects -- and I can direct you to
14 page 54a. Five projects unfortunately didn't make the
15 cutoff and submit a fund release request. Those five
16 projects which relates to \$13 million -- and that's the red
17 part -- and those projects, although they won't lose their
18 apportionment, they will lose their date in line and they
19 will be placed on the bottom of the unfunded list.

20 We do note that the \$2 million that's in blue
21 that's designates that the funds have been released and that
22 reflects the project that Santee released. So that's
23 \$2 million.

24 So if we have any other questions, we can move
25 forward to Tab 6, which is our financials on the **Status of**

1 **Funds** which is basically reconciling the bond authority for
2 the month.

3 CHAIRPERSON REYES: Hold on a sec. Any questions
4 from Board members? Any comments from the public on any of
5 the items we've discussed? Okay. Move forward. Yes.

6 MS. SILVERMAN: Page 55.

7 CHAIRPERSON REYES: Starting to -- oh, thank you.
8 Now you can hear me. Any comments from the public on any of
9 the items that we've discussed so far? Moving on. Thank
10 you.

11 MS. SILVERMAN: Okay. Page 55 is -- we've
12 added -- just wanted to highlight with the Board that we
13 actually added another column and we normally obviously
14 present the estimated unfunded approvals which is really
15 significant to the program.

16 We do have \$30.6 million that we're bringing
17 forward this month in estimated unfunded approvals, but we
18 also wanted to highlight a new column that we added to the
19 report. It's Miscellaneous Adjustment column and that
20 reflects some of the activity that relates to positive
21 adjustments going back to the program. Those are
22 rescissions, projects that didn't make it through the
23 program which we would credit back the authority and that
24 would again increase the authority.

25 But sometimes we have the activity of rescissions

1 or -- accounting for the preliminary apportionments going
2 back to the program. That number is quite and then offsets
3 the unfunded approvals. So if we had that married together,
4 we wouldn't be able to see some of the intricate approvals
5 or accounting transactions going in and out of the program.

6 So for the purposes of having ease of seeing
7 what's being unfunded and what's coming back to the program,
8 we created this other column.

9 So again I wanted to highlight \$13 million in
10 modernization applications were funded this month and that
11 represents six projects. \$1.2 million in high performance
12 was obviously funded as well. That was converted too.
13 So that related -- there's \$12 million -- excuse me --
14 \$14.2 million of unfunded approvals for the month in
15 Proposition 1D.

16 We have \$16.4 million of activity in
17 Proposition 55. That represented two projects. And there
18 was no activity in unfunded approvals for Proposition 47.

19 So in total we have \$30.6 million in unfunded
20 approvals.

21 And as I mentioned earlier, we were sharing a few
22 minutes ago about the \$145 million that was converted from
23 new construction to the critically overcrowded schools.

24 We had \$118.2 million that was originally reserved
25 and you'll in that miscellaneous adjustment column in the

1 green tabbed area of Proposition 55 -- those preliminary
2 reservations again were for projects for the Critically
3 Overcrowded School Program. They had five years to convert.
4 The Board obviously gave them some extension due to the
5 freeze that we had in place and they've plugged those
6 projects back in over the summer. So they had -- those
7 reservations 118.2 million plus we had a 15 percent reserve
8 on top of that. So that equates to 145 million that
9 actually is being moved or transferred over.

10 The other adjustments as you see in the column
11 actually represent some of the rescissions activities for
12 the month.

13 And so that positive adjustment to the bond
14 authority is also being reflected in this report.

15 And if there's no other questions, I'll open it
16 up.

17 CHAIRPERSON REYES: Ms. Moore.

18 MS. MOORE: Ms. Silverman, so now that we've
19 transferred the funds, do you have an estimation of when the
20 new construction funds would be -- would run out?

21 MS. SILVERMAN: So we actually -- I'm glad you
22 brought that up. We actually on page 61 -- 61 is the
23 summary of all the new construction bond authority we have
24 in play right now.

25 And so if you look at that yellow chart -- it may

1 not be yellow, may be beige on my iPad. But technically
2 there's about \$228 million in new construction bond
3 authority. This is absent of the seismic amount that's
4 reported there.

5 So if you take out that 422-, the seismic money
6 out of that -- out of play, we have about 228- in new
7 construction bond authority.

8 We had on our workload list projects that are
9 currently down the pipeline. So now that we've credited the
10 bond authority, I know we created a month ago or two months
11 ago a workload list because we had exhausted our authority
12 and I know the Implementation Group or Committee is having
13 discussions about where we go from there.

14 But that workload -- because we didn't have the
15 authority -- will be moved now forward to the processing
16 workload list. So there is about a hundred million dollars
17 I believe that is currently sitting on that authority --
18 workload list that we didn't have the authority for them.

19 So now that will be migrated over to the true
20 workload list and we'll be processing those applications.

21 So we may have somewhere in the area of
22 \$65 million after you net those projects in-house to the
23 bond authority and that's the current status of where we're
24 at.

25 So technically that is where the target -- every

1 day it draws down. We just have some more projects walk
2 through the door over the last week or two and that again is
3 something that we're going to make very transparent about
4 what's in the pipeline.

5 MS. MOORE: So in summary it's 65 million after
6 the transfer and after the assumption on the workload list
7 becoming truly unfunded approvals at some point.

8 MS. SILVERMAN: Right.

9 MS. MOORE: We -- that's how much is available for
10 someone to walk through the door currently.

11 MS. SILVERMAN: Correct.

12 MS. MOORE: And do we do about 30 million a month
13 or has it been varied? So are we looking maybe two, three,
14 four months out?

15 MS. SILVERMAN: It could be a couple of months. I
16 mean this is just -- we're still working on the projects
17 that are in the pipeline currently. So if we had to
18 continue to project -- I mean we won't be taking those
19 projects tomorrow. I mean they obviously will still have to
20 go through the process of processing the application, but it
21 could be -- if we're doing 30 million a month, it could be
22 over the summer.

23 MS. MOORE: Thank you.

24 CHAIRPERSON REYES: Any questions? Any comments
25 from the public? Okay. All that remains are going to be

1 action items.

2 MS. SILVERMAN: We do have a Tab 10 which is the
3 report from the Department of Defense.

4 CHAIRPERSON REYES: Right. And I was going to get
5 to that.

6 MS. SILVERMAN: Oh, I'm sorry.

7 CHAIRPERSON REYES: So all we have remaining is
8 action items. So we can either start with the action items
9 and leave the roll open or we can go ahead and take the
10 Department of Defense presentation.

11 ASSEMBLY MEMBER HAGMAN: Either one, but I think
12 we could start as a subcommittee and when we get a quorum,
13 we could start voting on things.

14 CHAIRPERSON REYES: So is that -- do we want to --
15 what is -- so your suggestion, Mr. Hagman, would be to start
16 taking action items and wait for the Department of Defense
17 action later?

18 MS. MOORE: We're ready now --

19 SENATOR LOWENTHAL: We're ready --

20 MS. MOORE: -- for the report, if you would like
21 to proceed with that.

22 SENATOR LOWENTHAL: -- the defense. So why not.
23 And then --

24 MS. MOORE: It's not an action item.

25 ASSEMBLY MEMBER HAGMAN: Cool.

1 CHAIRPERSON REYES: Let's -- and I know that's an
2 area that Senator Lowenthal had expressed some interest as
3 well. So why don't we go ahead and do that and we have our
4 guests from the Department of Defense.

5 MS. MOORE: If they could come forward while I
6 maybe introduce the item.

7 CHAIRPERSON REYES: Please do, yes.

8 MS. MOORE: Is that as I indicated at the last
9 Board meeting, there is a Department of Defense School
10 Facilities Program and I have been acting as the State
11 liaison for that program.

12 There are seven projects in California that
13 potentially qualify and it represents about \$160 million
14 investment in base schools by the Department of Defense and
15 Congress.

16 I've asked our --

17 CHAIRPERSON REYES: Ms. Moore, one second.
18 Mr. Savidge, would you mind relinquishing your seat to our
19 guest for now. Since this is their presentation, it'd
20 probably be best if they're at the table. Anybody else
21 from -- okay. Thank you.

22 Thank you. That way we get to see you and hear
23 you. Thank you. Thank you, Bill.

24 MS. MOORE: And I would just like to introduce
25 Lisa Constancio from my office who works on the federal

1 issues and then Patrick O'Brien who is the Director of the
2 Department of Defense, Office of Economic Adjustment, and
3 the overall fiscal administrator of this program to advise
4 the Board concerning the program and some of its attributes.

5 So I'll ask Lisa to go first and then Mr. O'Brien.

6 MS. CONSTANCIO: Thank you, Kathleen. Yesterday
7 morning, State Superintendent of Public Instruction, Tom
8 Torlakson, hosted a very successful meeting at the
9 California Department of Education.

10 The meeting included all the school districts that
11 are involved, the Department of Defense, and representatives
12 from the California State agencies that are responsible for
13 school planning and construction in the State. So we had
14 representatives from the Department of Ed, from the Office
15 of Public School Construction, and also from the State
16 Architect.

17 The objective of the meeting was to introduce the
18 respective parties to each other, also to have the
19 Department of Defense talk about their processes and we also
20 had presentations from each of the school districts about
21 their specific projects.

22 Finally one of the objectives was to determine if
23 there was any State funding that may be available for the
24 match for these projects.

25 So at this time, I'm going to turn the microphone

1 over to Patrick O'Brien from the Department of Defense.
2 He's going to talk about basically the methodology of the
3 assessment. He'll go into the details about the program a
4 little bit more and also talk about the appropriations.

5 MR. O'BRIEN: Chair Member Reyes and members of
6 the Allocation Board, my name is Patrick O'Brien. I'm here
7 representing the Department of Defense and in that capacity,
8 I direct the Office of Economic Adjustment.

9 A little over a year ago this time, Secretary of
10 Defense Robert Gates visited Fort Riley, Kansas, and as you
11 know, we're involved in a number of conflicts
12 internationally and our troops and their families are under
13 a lot of pressure.

14 In the course of that visit, he held a townhall
15 with the spouses of our war fighters. In the course of that
16 townhall, one very dominant theme emerged and that was can
17 you do something about the schools on our military base.

18 And a number of people started scratching their
19 heads, oh, those are DOD schools. No, they're not DOD
20 schools.

21 And so Mr. Gates came back to the Pentagon and
22 caused a number of people to start looking at this and it
23 turns out that we have about 160 schools on our military
24 installations that are operated and maintained by the local
25 civilian school districts.

1 And it prompted the Department to go out and
2 conduct a facilities survey to look at condition and
3 capacity needs at these 160 schools across the country.

4 In the course of looking at those schools, the
5 Department ranked the schools from worse to best in terms of
6 condition and capacity. At the same time the Department was
7 doing this, Congress was starting to take an interest in
8 this and in the FY-11 Defense Appropriate Act, \$250 million
9 was appropriated for the Department to repair, rehab, or
10 replace schools on these military installations to improve
11 the situation for our war fighters and the civilian students
12 that attend these schools.

13 In the course of developing that program, the
14 Department came up with some criteria that we would apply
15 across the country and I want to emphasize a couple of those
16 criteria.

17 One is that this is federal money. It's the first
18 time the Federal Government was intervening in what is
19 typically a state and local issue for at least 30 plus years
20 and it was deemed to be enough of a serious situation that
21 they felt federal money was necessary.

22 In applying that federal money, however, the
23 Department was concerned that we not supplant what otherwise
24 would be invested in these facilities. So in the execution
25 of that money, it was determined that we need to make sure

1 that we are not supplanting what otherwise would be
2 available for these schools and would be available from the
3 predominant sources locally and at the state level.

4 Additionally, it was determined that there should
5 be some type of a local match and we engaged I think in the
6 same type of a deliberative issue or process that you would
7 do here.

8 What is an appropriate share for these local
9 school districts to be investing in these facilities. We
10 considered a 50 percent match requirement. We felt that
11 that was too great considering the fiscal constraints a
12 number of these school districts find themselves in, so we
13 settled on a 20 percent match requirement.

14 So in essence we -- as a result of the FY-11
15 Defense Appropriation Act, we had a \$250 million grant
16 program that would provide 80 percent of the local costs to
17 repair or replace these schools.

18 Congress, looking at that program, liked it and
19 appropriated an additional 250 million to the Department in
20 FY-12 and today we have a \$500 million program as designed
21 to pay roughly 80 percent of each dollar as necessary to
22 bring these schools away from the deficiencies that got them
23 on this list.

24 Why am I here today to talk to you. Well, a
25 couple reason.

1 The list that we came up with has seven California
2 schools in the top two dozen schools that need to be
3 repaired, replaced, or modified and in looking at those
4 seven schools, they represent roughly a little over
5 \$200 million in total costs.

6 And we've been working with each of these school
7 districts and I want to emphasize this: We did not take the
8 total number of schools and divide them by the 500 million
9 so each one gets a certain share. This is a much more
10 holistic and community-centered approach.

11 We actually went to each local school. We talked
12 to the school district. We asked them what would it take to
13 improve this facility to get it off the list.

14 So we have for each of the two dozen top schools
15 now a working budget and based on that budget, we have what
16 we think is a working estimate of the share.

17 And I would want to emphasize the reason why I'm
18 here today is we have a state evaluation team that goes out
19 and looks at these proposals. It's comprised of the
20 Department of Education in Washington, my office. The
21 Department of Defense has a few other offices and what we
22 have done is we have gone out and at each installation,
23 we've invited the state to work with the local installation,
24 to work with the local school district and come up with a
25 responsive program.

1 In doing so, we've also taken a look at the
2 ability to pay that local match requirement and in looking
3 at the ability to pay the local match requirement, we have
4 found a number of school districts in California that cannot
5 come up with that 20 percent local match.

6 And this is my second visit to Sacramento. We met
7 with the first dozen schools back in October, did a lot of
8 work with them and we found that a couple of the schools can
9 be addressed through the local school district coming up
10 with the match, but there are some that cannot.

11 We convened the second meeting back in Washington
12 for the second dozen schools earlier this spring and on the
13 basis of that meeting, we found that there are additional
14 school districts that cannot come up with the match and it's
15 going to make our job more difficult to provide those type
16 of funds to improve these schools.

17 So as a result of that, we believe there's
18 anywhere from 23- to \$25 million that local schools in
19 California could benefit from in terms of matching our
20 80 percent money in this program.

21 And I want to emphasize a couple other things.
22 This program is -- for the record, is presented in the
23 Federal Register on September 9th, 2011. It is referenced
24 also a list that the Department developed. It's a list that
25 ranks these schools from worse to best.

1 It is very much in the public record now what
2 schools are on that list and what we're trying to do quite
3 frankly is to enable these school districts with the benefit
4 of their states and military installations to improve them.

5 And I would like to just express our appreciation.
6 We typically work with base closures. We typically work
7 with growth expansions, et cetera, on these military bases.

8 This was an emergent requirement that came about
9 because of the Secretary had this townhall an Congress sat
10 up. This was not a vote that went along party lines. It
11 was a unanimous vote that this should be done for the kids
12 of the war fighters.

13 When we went out, we did not try to pick and
14 choose who was best or worst. We started at the top of the
15 list and we're working ourselves down this list.

16 So I come to you today to invite your
17 participation, your help if you can so that we can try to
18 help some of the schools in California be more responsive to
19 the needs that these kids are finding as they go to them.
20 Thank you.

21 CHAIRPERSON REYES: Thank you. You seem to have a
22 spreadsheet in front of you. Is there a chance that the
23 Board can receive a copy of that at some point?
24 Ms. Silverman, if you could make those arrangements --

25 MR. O'BRIEN: It should be in the --

1 CHAIRPERSON REYES: It's in -- oh.

2 MS. MOORE: It's in the item. It's Attachment B I
3 think.

4 CHAIRPERSON REYES: Okay. Thank you. Oh,
5 fantastic. Thank you.

6 Before we go any further, can we please establish
7 a quorum.

8 MR. YOUNG: Yes. Senator Lowenthal.

9 SENATOR LOWENTHAL: Here.

10 MR. YOUNG: Senator Hancock.

11 Senator Wyland.

12 Assembly Member Brownley.

13 Assembly Member Buchanan.

14 ASSEMBLY MEMBER BUCHANAN: Here.

15 MR. YOUNG: Assembly Member Hagman.

16 ASSEMBLY MEMBER HAGMAN: Here.

17 MR. YOUNG: Esteban Almanza.

18 MR. ALMANZA: Here.

19 MR. YOUNG: Kathleen Moore.

20 MS. MOORE: Here.

21 MR. YOUNG: Pedro Reyes.

22 CHAIRPERSON REYES: Present.

23 MR. YOUNG: We have a quorum.

24 CHAIRPERSON REYES: Thank you. Okay. Senator
25 Lowenthal.

1 SENATOR LOWENTHAL: Yeah. Let me see if I
2 understand and what -- as I understand now what our issues
3 are. The Department of Defense looked at their military
4 base schools. They have identified those most in need of
5 repair to those least in need -- having the least number and
6 that seven schools -- military base schools in California
7 have been identified as being in critical need of repair or
8 replacement. They're on the highest list of schools.

9 Department of Defense will contribute 80 percent
10 of the cost. Some of the districts of these seven schools
11 can, but there is at least three -- four schools or four
12 that can't come up with a match.

13 So the first thing is it'd be interesting for us
14 to look at what you used as your facility condition index
15 that was used to assess the facilities to see why you came
16 up with, you know, these schools so we can understand more
17 what's going on.

18 And we may need to understand that and maybe it's
19 something that we could benefit by actually looking at this
20 when we deal with modernization. Because obviously there is
21 something going on. There's a disconnect between your
22 assessment and our assessment especially in the
23 modernization when in fact some of these schools who cannot
24 come up with a match and some that can have already used up
25 their eligibility because we have recently modernized them.

1 And so they have now been modernized and yet
2 they're in the worst condition in the nation. And so it
3 does tell us that there is a disconnect somewhere there.
4 Most likely that when modernization money is used it's used
5 just to deal with serious deferred maintenance and it really
6 doesn't get at the critical issues.

7 It keeps the lights on. It keeps the electricity
8 from having electrical fire maybe, but it doesn't really
9 deal with some of these issues.

10 So we really have to come to grips with that.

11 The issue is -- to me is that what we can do
12 especially in those that cannot come up with the match and
13 we need to identify who is eligible that we could help out
14 also, either through hardship or -- but the question is if
15 in fact some of these are not eligible because they've used
16 up their eligibility, we now have our U.S. veterans coming
17 back to California going to some of the worst schools in the
18 nation.

19 The Federal Government will put up 80 percent of
20 the money to modernize. They can't come up with anything.
21 What can we do about that is the issue. Can we deal with
22 this? Where are we? This is an opportunity without State
23 funds to really -- or much State -- to deal with --
24 hopefully the districts can come up with a match, but if
25 they can't and if we've modernized them, yet they're still

1 in horrendous condition, is there anything with the Federal
2 Government coming up when we have -- and this issue is going
3 to -- you know, when you think about it, with all those
4 returning veterans coming back from Afghanistan and Iran and
5 Iraq -- hopefully not Iran but Iraq -- who knows. With the
6 development of nuclear weapons out there, maybe there too.
7 Hopefully not. Hopefully that our embargo and our ability
8 to stop the development, it will not be a -- but it's a hot
9 bed and we know that we've lost many soldiers and it's been
10 difficult enough for soldiers having to do two and three
11 trips there.

12 So I'm just really concerned about what are we
13 going to do. It's a great opportunity. I don't want to
14 lose this opportunity. It's critically important. What
15 options do we have? And I'd love to hear from OPSC and
16 other members. You know, what can we do.

17 CHAIRPERSON REYES: Ms. Buchanan, Mr. Hagman
18 after.

19 ASSEMBLY MEMBER BUCHANAN: I apologize. I had
20 hoped to be here sooner and I wasn't here at the beginning
21 of the presentation, but I'm trying to understand why if in
22 the last 12 years they've gotten the modernization money
23 from the State, which they had to have a match -- what
24 happened to it and -- because it seems to me that you would
25 be able to use your 80 percent from the Federal Government

1 as your match for the State part and probably do a better
2 job of modernization than you could at other schools --

3 SENATOR LOWENTHAL: Right.

4 ASSEMBLY MEMBER BUCHANAN: -- unless the amounts
5 that we calculate is inadequate. So maybe we could have
6 staff come back to us with a report on the schools and find
7 out what condition they are in. I don't know how.

8 I mean I did reflect a little bit on our whole
9 seismic discussions that we had where I -- you know, one of
10 the districts and many of the schools highlighted were in my
11 school district where we had actually torn down and replaced
12 the schools and, you know, they were a few years old and
13 never should have been on the list but weren't taken off the
14 list.

15 So maybe staff could let us know -- you know, I'd
16 like to just have some kind of consensus on what the
17 condition is, what needs to be done, what was done, you
18 know, and a little bit more information because --

19 SENATOR LOWENTHAL: That's why I'd like to also
20 have staff use the Department of Defense's facility
21 condition index.

22 ASSEMBLY MEMBER BUCHANAN: Right.

23 SENATOR LOWENTHAL: They have an elaborate system
24 which they look at the condition and it'd be interesting to
25 see what that says versus the data that we use for

1 modernization.

2 CHAIRPERSON REYES: Hold on. Would that be a
3 separate request because I mean we can go with the
4 Department of Defense condition index on all schools in
5 California or do we want to just apply it to those on the
6 military bases, side by side comparison for our edification.

7 I think that if we start using the Department of
8 Defense index, then are we applying that index to all bonds
9 moving forward?

10 SENATOR LOWENTHAL: I was just thinking it'd be
11 nice, since they've used it on these schools, for us to just
12 see that index --

13 CHAIRPERSON REYES: Um-hmm. I don't know. Yeah,
14 I mean -- I'd like to see it on a -- as one vote --

15 SENATOR LOWENTHAL: Right.

16 CHAIRPERSON REYES: -- I would like to see a
17 comparing of the index generally speaking as opposed to as
18 it applies to specific schools so that we understand the
19 difference -- the different measuring tools they're using.

20 I'd be concerned that we embrace the index without
21 knowing what it is yet.

22 SENATOR LOWENTHAL: I agree.

23 ASSEMBLY MEMBER BUCHANAN: Yeah. I'm not
24 recommending we embrace the index.

25 CHAIRPERSON REYES: Right.

1 ASSEMBLY MEMBER BUCHANAN: I'd just like to know
2 from our staff, you know, okay, they were modernized. What
3 condition are they in, how do they compare to other schools
4 in the district.

5 Theoretically when you modernize, you're bringing
6 it all -- you're bringing, you know, your electrical, your
7 plumbing, your, you know, seismic -- all those things -- not
8 seismic -- yeah, I mean structurally you got the
9 inspections, your ADA. Theoretically you're bringing
10 schools up to the standards.

11 So if they were modernized in the last 12 years,
12 why aren't they up to the standard, what condition are they
13 in, and what do we -- if we do have to fix them, I mean I'd
14 like to have --

15 CHAIRPERSON REYES: Mr. O'Brien's dying to
16 respond, but I have Mr. Hagman and Ms. Moore in the queue.
17 So do we want to go ahead and give a chance --

18 ASSEMBLY MEMBER HAGMAN: Yeah. Let him respond.

19 CHAIRPERSON REYES: -- to Mr. O'Brien.

20 MR. O'BRIEN: I'm sorry. I just want to clarify
21 because this is a very important State and local issue. I
22 am representing a Federal Governmental presence and we are
23 looking to partner with a State and local presence.

24 What I want to stress are two things. Don't lose
25 sight of the fact that the evaluation that the Department

1 did did not just consider condition but also capacity.

2 Okay.

3 There are several portables at a few of these
4 locations where, you know, the existing physical plan is not
5 adequate to house the students and they've been bringing in
6 portables and portables and portables.

7 So this list per Congress's direction took a look
8 at both condition and capacity.

9 Secondly, it is attempting to norm everything to a
10 similar standard so we could evaluate everybody across the
11 country: California schools compared to Kansas schools
12 compared to Georgia Schools. And consequently, we have a
13 standard that was established that led to a ranking.

14 In executing these funds, we are attempting to
15 work with the local education agency to build to what those
16 local standards are. Not the federal standard, but to
17 respond and build to what would otherwise be done at the
18 local level.

19 So I think those are important caveats for you to
20 consider as you look at this.

21 CHAIRPERSON REYES: Mr. Hagman, then Ms. Moore.

22 ASSEMBLY MEMBER HAGMAN: Thank you, Mr. Chair.

23 And I think you're about to -- trying to do too much
24 speculation on this report without actually looking at the
25 schools and matching up apples and apples.

1 I mean doing enough with the federal agencies in
2 the past like I have, they may have, you know, the
3 requirement of so many light bulbs in the room versus so
4 many desks or portables versus structures. It could be
5 something that we're totally okay with in our schools, but
6 they're not with their facilities.

7 But it's not to say it's not a great opportunity
8 to take advantage of 80 percent leverage dollars.

9 My question is not so much of the ranking,
10 although I'm curious to see what it's like and to see if we
11 can match it with our standards, but let's say we can get
12 this 80 percent dollars for our schools -- for these
13 particular schools, do we need special legislation because
14 we're getting close in timelines or trailer bills, that kind
15 of thing, in order to be able to pull out some of this
16 money? Does it have to be general fund? Can we pull out of
17 the bonds?

18 Those kind of mechanics to come up with the
19 20 percent match for these schools are more I think when you
20 come back with the analysis of their list and they're
21 comparing apples and oranges and then where do we come up
22 with the 20 percent matching, what funds can we apply to
23 that, what do we need to do if any -- as a Legislature to
24 expedite that, assuming that's what the direction of the
25 Board wants to do.

1 I don't see why we wouldn't. This would be a
2 great opportunity for us. So that's I guess the next phase
3 two of the report, but I'm excited at the fact that the
4 Federal Government stepped up. Appreciate that they're
5 taking care of any way they can our troops coming back and I
6 think we should partner up with them the best way we can to
7 see how we could make this story go forward.

8 CHAIRPERSON REYES: Ms. Moore and then
9 Mr. Almanza.

10 MS. MOORE: Go ahead.

11 MR. ALMANZA: Mr. O'Brien, what's the government's
12 timeline on the award and spending of this money?

13 MR. O'BRIEN: The expectation is that we're
14 attempting to obligate these funds as quickly as possible to
15 have projects built.

16 So the first appropriation of 250 million which
17 occurred last April basically, we worked over last summer to
18 develop the program construct. We invited the top dozen
19 schools to Washington in October. They spent the winter
20 basically developing proposals and we anticipate starting to
21 announce awards out the first 250 million within the next
22 two to three weeks.

23 The important thing about the 250- and 250-,
24 before we can go to school two or three on the list, we have
25 to size the amount for school number one. So we're trying

1 to size the federal share working ourselves down this list
2 so each school above say number 24, which is Travis, make
3 sure that everyone is adequately taken care of before we get
4 to the next one in line.

5 So we're attempting to size these posthaste
6 because we're worried that as the money is available to
7 today, as you've had your dynamic fiscal situation here in
8 the State, we have a dynamic fiscal situation at the
9 national level. We want to try to get this behind those
10 schools as quickly as possible.

11 MR. ALMANZA: So how much time does California
12 have to get their applications in?

13 MR. O'BRIEN: Well, let me tell you we're working
14 very -- and I want to address one item here.

15 The school districts had an opportunity to respond
16 to the federal evaluation to make sure what we were
17 considering in the federal evaluation accurately reflected
18 what was going on locally and once these schools were on the
19 list, we actually started working with them on an
20 individualized basis and we've actually visited many if not
21 most of them.

22 I don't think you'll find that the school district
23 is in disagreement with what the findings are. So we're
24 actually working with them now on the design and costing of
25 the construction or the rehab at this time. So we're

1 actually sizing the projects as I speak to you today.

2 And, you know, it's our hope actually to obligate
3 all of that first 250 million, working ourselves down
4 through the first 250 million probably before the end of
5 this federal fiscal year and to start going into the next
6 250 million, working ourselves down through the second dozen
7 with the start of FY '13.

8 ASSEMBLY MEMBER HAGMAN: Are you just going to
9 take an IOU for 20 percent.

10 MR. ALMANZA: September? So we're talking
11 September?

12 MR. O'BRIEN: Or we're really trying to do this as
13 quickly as possible, you know.

14 ASSEMBLY MEMBER HAGMAN: So is there any way to
15 assign someone on our staff to work with this operation,
16 with the schools on the list, come back with agreement what
17 the cost is and we have to start thinking of how -- which
18 vehicle, if we agree to do this, which I assume we're all in
19 agreement here.

20 Can we take it out of existing bounds without
21 making a whole bunch of people unhappy here who are waiting
22 in line for money or do we have to go back to legislation
23 and do it out of the general fund or someplace else. I
24 don't know what you do, so --

25 CHAIRPERSON REYES: Senator Lowenthal.

1 SENATOR LOWENTHAL: Yeah. Maybe you could explain
2 also -- you said that, you know, some of the school
3 districts, I think there are three of the seven schools, can
4 actually do the match, you know. The four -- I think
5 there's four that cannot do the match and you did mention
6 that the Federal Government might be in a position also to
7 help in some cases when school districts can't do the match.

8 Can you explain that a little bit and where we
9 are? If we're limited in terms of -- because we've used our
10 own eligibility and they can't do the match and without
11 legislation, we can't provide the match, what can -- how can
12 we work together on that.

13 MR. O'BRIEN: Sure. As I said there are seven
14 California schools in the top two dozen. Of those seven
15 schools, school districts representing three of those
16 schools -- San Diego has one and folks at China Lake have
17 two. Those two school districts are evidencing to us an
18 ability to cover the match requirement.

19 We have on the other hand schools at Edwards Air
20 Force Base, Camp Pendleton, and Travis Air Force Base and
21 three installations but four schools: one at Edwards.
22 There were two schools that were combined at Edwards into
23 one. We have two schools at Camp Pendleton and we have one
24 school at Travis.

25 Those school districts, by nature of what they are

1 and how they are situated, have a very difficult time
2 generating any kind of a bond issue or any other type of an
3 opportunity to do something. In fact one of the school
4 districts covers a 500 square mile area, which is not
5 unheard of given some of the dynamics that we find at our
6 military installations.

7 So we do have some flexibility to look at the
8 local match and in certain instances to waive a portion of
9 that local match.

10 The situation though that we're finding with all
11 the schools here -- and I'll just say as I've mentioned, we
12 have underwritten projects at the majority of the first
13 dozen and we're going to the second dozen now. We're not
14 really looking at a waiver except for the California schools
15 at this time and possibly one other location.

16 And the preponderance of the need in California is
17 such that we can add some flexibility, but I'll just tell
18 you, you know, candidly speaking, we're working with school
19 districts representing all these areas. A couple of these
20 school districts are just ill equipped to handle the fiscal
21 responsibility of capital improvements on these sites and
22 it's putting the kids in a very difficult situation and our
23 understanding is, okay, let's have the Federal Government
24 step up with 80 percent and see what else we can get out of
25 the other state and local interests on these properties.

1 And so we're willing to sit down and work with
2 them on a case-by-case basis, but as I said, some of
3 these -- you know, if you have four or five schools that
4 cover a 500 mile radius and the population is barely there
5 to support a bond let alone something else, you're not going
6 to get anything out of that local school district.

7 CHAIRPERSON REYES: Ms. Buchanan.

8 ASSEMBLY MEMBER BUCHANAN: I almost feel like
9 we're talking in code here. I mean what I'd like to know is
10 we know what the districts are, what's been done or is being
11 done, how much -- you know, what improvements are needed,
12 how much is it going to cost, what is the Federal Government
13 willing to contribute on that, and what would be the State's
14 obligation. Because right now, you know, you've identified
15 districts, but I don't -- those numbers, I don't know if
16 those numbers mean that half the buildings need to be
17 modernize or a third of them, if it means as you were
18 talking about with portables, you need to replace a dozen
19 portables with permanent construction.

20 MR. O'BRIEN: It's a different situation at each
21 site.

22 ASSEMBLY MEMBER BUCHANAN: Are these -- so is
23 there any way of getting information to us on --

24 CHAIRPERSON REYES: So I think it'd be good --

25 ASSEMBLY MEMBER BUCHANAN: -- all of that so we

1 can actually make some real decisions?

2 MS. MOORE: Why don't I --

3 CHAIRPERSON REYES: I think that's where we were
4 going. I think -- where I was going to go, if I may, is
5 basically direct staff to work to identify what the
6 recognized needs are or what is being presented as the needs
7 for purposes of qualifying for these.

8 I mean when we look at 500 million, the 20 percent
9 or this is 80 percent, you're looking at an additional
10 125 million.

11 ASSEMBLY MEMBER BUCHANAN: That's not all for
12 California though, the 500 million.

13 MR. O'BRIEN: We expect --

14 CHAIRPERSON REYES: That'd be total. That'd be
15 total.

16 SENATOR LOWENTHAL: No, that's total.

17 ASSEMBLY MEMBER BUCHANAN: That's nationwide.

18 MR. O'BRIEN: We expect out of a \$500 million
19 program California accounts for about 200 million of that.

20 ASSEMBLY MEMBER BUCHANAN: So 20 percent --

21 ASSEMBLY MEMBER HAGMAN: So 40 million --

22 CHAIRPERSON REYES: So 40 --

23 MR. O'BRIEN: And of that 40 million, as I said,
24 we have three schools where we think we can have some kind
25 of a match that we could work with and we really feel the

1 need is between 23- and \$25 million.

2 CHAIRPERSON REYES: All right. So I think we need
3 information. We need -- and if staff could work with you --
4 and, Board members, please jump in -- to identify the --
5 what would be good to know is what you were talking about
6 earlier in terms of what we spent on eligibility already.

7 You talked about the portables. We funded many of
8 those portables as an action item. So the fact that they
9 have portables, we may not be viewing it as the same issue
10 as you have.

11 So it would be good to know what we're talking
12 about and to identify that we're -- you know, you put on
13 your top two dozen, would we put them in our top two dozen
14 as well statewide.

15 MS. MOORE: If I may after you're done.

16 CHAIRPERSON REYES: We are -- yeah. And so I
17 think it would be important to know on those districts what
18 are we talking about dollars and what are we talking about
19 in terms of the project.

20 Go ahead, Ms. Moore.

21 MS. MOORE: Well, as I brought this item forward
22 to the Board and as I have been functioning as the liaison
23 in this kind of unique situation with the Federal Government
24 and the Department of Defense and the local school
25 districts, I have reviewed the information that they have

1 and I'll offer these two things.

2 One, the U.S. Department of Education, when
3 Department of Defense went about this in a very different
4 manner than we and the State of California go about
5 modernization. So you will be comparing apples to oranges.

6 The issue for the Department of Defense is they
7 went out to the sites, they looked at systems, and they
8 looked at capacity. So, for instance, if the electrical
9 system is in need of replacement, they quantified that and
10 put it into a report and established a dollar value of it.

11 If there were, you know, 25 portables on the site
12 and the multipurpose room was built for a school that didn't
13 have 25 portables, they quantified the need to expand the
14 multipurpose room to be able to serve that -- to serve a
15 greater population and they put that into an estimated cost.

16 They also had an educational specification that
17 they did their index against and so, for instance, if they
18 were missing a library or some important facility on the
19 campus, they quantified that and also put it into the cost.

20 So they established through this assessment that
21 was done by a third party independent, if I'm correct --
22 they established each of the schools, what was needed at the
23 school.

24 We in California actually do it differently. We
25 say if you are eligible, we will provide you with X amount

1 of dollars for your -- for the students that are attending
2 that school and we establish a total dollar value and we
3 give that funding to the school district, you say match it
4 40 percent and do your project. Do whatever you can with
5 your project and do what you determine you should do.

6 So I think where the difference is, it's that the
7 Federal Government looked at the projects and said this is
8 what this school needs to come back up to base zero. So
9 that going forward in the future you simply need to maintain
10 this facility and maybe two years from now, you need to do
11 capital renewals again.

12 In some cases for the Federal Government, they are
13 demolishing the school and building anew. They have
14 determined that with the local authorities that it is a
15 better investment of the dollars to actually tear down what
16 exists and build a new school.

17 We have a program similar to that in our Facility
18 Hardship Program where we say if you have 50 percent of --
19 if it costs more than 50 percent of the project, we'll look
20 at the demolition. Am I being correct in that piece?

21 MR. MIRELES: That's correct. If there's an
22 imminent health and safety issue.

23 MS. MOORE: So there's some perhaps apples to
24 apples, but it's mainly apples to oranges. So your -- we at
25 the State never rank anybody and we at the State never tell

1 a district actually what to do with the dollars that we
2 provide to them. We don't rank the issues at their site and
3 say you must fix X first or not. That we leave as a local
4 decision.

5 So I think what is probably a -- and they
6 certainly -- it's all public information. All that can be
7 shared with the Board and probably should be because it's a
8 very different approach than what we do in -- what we have
9 done in California around our modernization and
10 rehabilitation of facilities.

11 But if you're looking for a -- how to compare
12 those two, you're not going to be able to. Very different
13 approaches.

14 But what I think is the opportunity here in
15 California is that, you know, the Federal Government is
16 willing to put 80 percent into projects that we, you know,
17 could match 20 percent for a few cases and have some really
18 amazing things happen for these districts that serve our
19 military students.

20 So -- and I think the question to be asked and
21 it's the easy question is -- we already know. It's not
22 easily done. They're not ready to go with modernization so
23 that they can get their match and they could use and they
24 could use that into this fund. They're not at that place
25 because they just started with these projects.

1 Our program is you don't get your money till the
2 end of the program. Their program is they school it, then
3 they establish the budget, and then they go with their
4 program.

5 Ours, we give them the money at the end. They
6 give it at the beginning. So our opportunity is there any
7 possibility of some type of special consideration for this
8 because I don't think it fits into the normal box of how we
9 do business here in California.

10 CHAIRPERSON REYES: Mr. Hagman, then Ms. Buchanan.

11 ASSEMBLY MEMBER HAGMAN: Thank you, Mr. Chair. I
12 see three different issues. One, we got to understand match
13 what their needs are with our funds. Two, we need to set
14 basically an expedited process in order for us to let other
15 schools down the list make it happen and kind through the
16 will plus the mechanics of what would happen if we were to
17 do this.

18 A suggestion versus all debating out here is to
19 get another special subcommittee but one that can really
20 expedite the process, work hand in hand with staff, you
21 know, delays -- Ms. Moore's leap years ahead of all of us
22 would definitely be on it, but at some point come back as
23 quickly as we can with a recommendation, looking at where
24 the funding could possibly come from, if it's possible, does
25 it even qualify for our bond funding and if so, in what

1 ways.

2 We don't know the legalities of it. If it's
3 legal, what the mechanics would be because there's always
4 going to be winners and losers on the list to do that, and
5 then also whether or not we could fund these type of
6 projects with the different funds that we have.

7 So there's at least those three barriers that I
8 see that we really need grind into with staff to figure out
9 what's needed and then come back to the full Board and say
10 we could do it and this is the way we could do it or we
11 can't, this is what we're missing and this is what we need
12 to make it happen.

13 But that's my suggestion. That way it will go
14 quicker versus slower -- maybe get that going.

15 CHAIRPERSON REYES: Ms. Buchanan.

16 ASSEMBLY MEMBER BUCHANAN: Yeah. That's fine with
17 me and I think staff could probably outline those options
18 for me because right now I don't -- I think all of us -- if
19 we could take advantage of an 80 percent or a hundred
20 percent grant from the Federal Government, all of us want
21 the best facilities possible for the students in this State.

22 But right now what we know is you've identified
23 some schools. You think it might be as much as \$200 million
24 worth of improvements. You know, I don't know what's
25 involved in the projects, what the cost is, where you are

1 working with the schools, whether any of them have
2 architects or in the process of drawing up plans or doing
3 any kind of master plans or there's other kinds of support
4 to need to give them.

5 You've sort of alluded to the fact that some
6 districts are better with their facility planning than
7 others. So, you know, if we could just get some more
8 information, I think --

9 CHAIRPERSON REYES: I think that's a statewide
10 comment --

11 ASSEMBLY MEMBER BUCHANAN: -- we'd be able to make
12 a rational decision about this.

13 CHAIRPERSON REYES: I kind of like the idea of,
14 Mr. Hagman, where you're going with the small committee to
15 kind of work out the issues with staff. I think --
16 Ms. Moore, I think you would like to chair that because
17 you've put a lot of effort into this already.

18 MS. MOORE: Thank you. Certainly.

19 CHAIRPERSON REYES: And then if you have
20 interest -- Senator Lowenthal, do you have any interest? I
21 don't know.

22 SENATOR LOWENTHAL: Sure.

23 MS. MOORE: Okay.

24 CHAIRPERSON REYES: And I know Mr. Hagman does. I
25 know Ms. Buchanan does and I know that Esteban does too. So

1 that's the subcommittee.

2 SENATOR LOWENTHAL: I think we're all -- I mean I
3 think we understand that if there's an opportunity to know
4 what --

5 CHAIRPERSON REYES: Yeah.

6 SENATOR LOWENTHAL: -- the issues are --

7 CHAIRPERSON REYES: I think at 200 million the
8 maximum exposure is going to be 50 million. That would be
9 the 20 percent/80 percent --

10 SENATOR LOWENTHAL: No. He said 23 million is
11 what --

12 MR. O'BRIEN: Usually it's between 23- and 25-.

13 ASSEMBLY MEMBER BUCHANAN: Right.

14 CHAIRPERSON REYES: 23- and 25-; okay.

15 ASSEMBLY MEMBER BUCHANAN: Right.

16 SENATOR LOWENTHAL: Some of them have the match
17 already.

18 CHAIRPERSON REYES: So we will need to find out,
19 you know, the potential funding sources for this because
20 I'll be blunt and candid with you. General fund is pretty
21 much out of the question.

22 SENATOR LOWENTHAL: Really.

23 CHAIRPERSON REYES: But, you know --

24 ASSEMBLY MEMBER HAGMAN: Start taking out the gold
25 bars in the basement.

1 CHAIRPERSON REYES: But, you know, we'll just --
2 you know, wearing the finance hat and looking at the May
3 revision budget right now, like looking at it and saying
4 wow, so but, you know, I don't get to vote. I just --
5 raising the issue.

6 But if there are other funding sources and some
7 eligibility issues and some of the obstacles are out there
8 right now for the school districts, it'd be good to flush
9 those out and see what's out there.

10 SENATOR LOWENTHAL: And we may find that the
11 Federal Government can help us even more. We need to
12 understand --

13 CHAIRPERSON REYES: But, yeah -- so anyway, so is
14 that --

15 ASSEMBLY MEMBER HAGMAN: One Republican of the --

16 CHAIRPERSON REYES: So we have -- Senator
17 Lowenthal, would you like to be on the committee or you go
18 ahead and acquiesce to the other members? I'm okay. I
19 just -- I can't put more than five in. So at this point, I
20 have Ms. Moore, I have Mr. Almanza, and Ms. Buchanan and
21 Mr. Hagman. I just want to go public --

22 SENATOR LOWENTHAL: That's fine. Just let the
23 four. That's fine.

24 CHAIRPERSON REYES: That's fine. Okay. The four.
25 So there's only four. And they'll work with Mr. O'Brien and

1 staff and try and resolve and try to see what the options
2 are to bring up to the Board. So thank you, sir. Thank you
3 for the information.

4 MR. O'BRIEN: We appreciate your consideration of
5 this --

6 CHAIRPERSON REYES: Okay.

7 MR. O'BRIEN: -- on all of your behalf.

8 CHAIRPERSON REYES: Great. Thank you. Okay.

9 With that, we go back to our prior --

10 ASSEMBLY MEMBER HAGMAN: Move the Minutes.

11 CHAIRPERSON REYES: Okay. Can we move the
12 **Minutes.**

13 SENATOR LOWENTHAL: Move the Minutes.

14 CHAIRPERSON REYES: Move the Minutes. They're
15 moved. Is there a second?

16 MS. MOORE: Second.

17 CHAIRPERSON REYES: There's been a second. Of one
18 note as we trying to be a little bit briefer on the Minutes,
19 so if anybody has issues with that, let me know, but at this
20 point, that's sort of the direction of staff to try to not
21 bring in and point out the color of my tie at the meeting,
22 that'd be helpful.

23 All right. So all in favor say aye.

24 (Ayes)

25 CHAIRPERSON REYES: Ayes have it. And we'll --

1 MR. MIRELES: How about moving the Consent
2 Calendar.

3 CHAIRPERSON REYES: Move the **Consent Calendar** and
4 I think we have -- if we could add the additional --
5 Ms. Silverman, we want to add the --

6 MS. SILVERMAN: Tab 7 which is **Eastside Union**
7 **Facility Hardship**.

8 CHAIRPERSON REYES: Is it okay if we add that to
9 the Consent?

10 ASSEMBLY MEMBER HAGMAN: Wait a minute, wait a
11 minute. I got to see which one.

12 MS. MOORE: Yes.

13 ASSEMBLY MEMBER HAGMAN: Mr. Chair, I do have one
14 concern.

15 CHAIRPERSON REYES: Yes, sir.

16 ASSEMBLY MEMBER HAGMAN: This seems like a repair
17 thing even though it's a very small amount of money what
18 they're asking for. I'm not concerned about the money
19 thing. But we're using 30-year bond money to fix a \$16,000
20 beam. Is that part of normal maintenance or is that part --
21 would you consider that facility upgrades on this --

22 CHAIRPERSON REYES: I look to Mr. Mireles.

23 MR. MIRELES: In this particular case because it
24 was damage to the beams, it affected the structural
25 integrity of the building. The Division of State Architect

1 did consider this to be a health and safety issue and that's
2 why they qualified under the Facility Hardship Program.

3 ASSEMBLY MEMBER HAGMAN: Okay.

4 CHAIRPERSON REYES: Okay. Okay.

5 ASSEMBLY MEMBER HAGMAN: Moved.

6 CHAIRPERSON REYES: It's been moved and seconded
7 then.

8 MS. MOORE: I moved it, so --

9 CHAIRPERSON REYES: It would be -- with the
10 additional of the --

11 MS. MOORE: Yeah.

12 CHAIRPERSON REYES: -- of the other item.

13 ASSEMBLY MEMBER BUCHANAN: Second. I second.

14 CHAIRPERSON REYES: It's been seconded. All in
15 favor say aye.

16 (Ayes)

17 CHAIRPERSON REYES: Okay. Next item -- is that it
18 for the action items then?

19 ASSEMBLY MEMBER HAGMAN: No. We got 8, 9.

20 MS. SILVERMAN: We have Tab 8.

21 CHAIRPERSON REYES: Tab 8.

22 MS. SILVERMAN: Tab 9.

23 ASSEMBLY MEMBER HAGMAN: Mr. Chair, I'll move
24 Tab 8 which is the **technical regs.**

25 CHAIRPERSON REYES: It's been moved. Is there a

1 second?

2 ASSEMBLY MEMBER BUCHANAN: Second.

3 CHAIRPERSON REYES: It's been moved and second.

4 All in favor say aye.

5 (Ayes)

6 CHAIRPERSON REYES: Senator Lowenthal, aye?

7 SENATOR LOWENTHAL: Aye.

8 CHAIRPERSON REYES: All right. Thank you.

9 ASSEMBLY MEMBER BUCHANAN: Let's move Tab 9
10 quickly.

11 CHAIRPERSON REYES: Move Tab 9.

12 ASSEMBLY MEMBER HAGMAN: I just have one question
13 on that too, Mr. Chair.

14 CHAIRPERSON REYES: Yes.

15 ASSEMBLY MEMBER HAGMAN: If we do transfer this
16 out, which I'm still confused, the 16.34 million versus the
17 131- cash on hand, the authority versus cash on hand, that
18 will not trigger anything we don't want to trigger at this
19 point if we move this money over; right?

20 CHAIRPERSON REYES: Okay. Tab 9 we have to have a
21 longer conversation, so I'm glad Senator Hancock was able to
22 join us.

23 SENATOR HANCOCK: I just had to present a bill in
24 health committee.

25 CHAIRPERSON REYES: Thank you.

1 SENATOR HANCOCK: I'm sorry to be late.

2 CHAIRPERSON REYES: Before we get started, Senator
3 Hancock, are you okay with the Minutes -- approving the
4 Minutes and the Consent item? Can we add you on that?

5 SENATOR HANCOCK: Yes, I am.

6 CHAIRPERSON REYES: Okay. Do you have everybody
7 on? Is there anything that's still open that needs to be
8 added?

9 MR. YOUNG: No.

10 CHAIRPERSON REYES: Okay. Thank you. On Tab 9.
11 I think on Tab 9 the purpose of the report it should draw up
12 the **Lease-Purchase Program** and she's referred to it as joint
13 facilities. Go ahead, Senator.

14 SENATOR HANCOCK: Well -- okay. Let me -- you
15 know, thank you for keeping this item on the agenda. I
16 guess where we are now is that we continue to wait for a
17 response from the Attorney General on whether the State
18 Allocation Board -- and this is a quote from our request to
19 the Attorney General which is identical to the request that
20 we made to Leg. Counsel -- about whether the State
21 Allocation Board can apportion the proceeds of bonds issued
22 pursuant to the Class Size Reduction, Kindergarten,
23 University, Public Education Facilities Bond Act of 1998 to
24 a school district for joint use facilities projects
25 constructed pursuant to the Leroy F. Greene School

1 Facilities Act of 1998 and approved during a later funding
2 cycle.

3 This was actually done in 2010 when I requested to
4 do something similar. These residual funds can no longer be
5 used for the Bond Act of 1998 because the particular
6 Lease-Purchase Program is a defunct program. So these are
7 residual funds. These are not funds that could be allocated
8 to their former use.

9 Initially, OPSC had asked the question -- had
10 said -- well, in 2010 when this was done, I gather nobody
11 asked anybody. It was just done and the funds had been
12 used.

13 When I asked this question last year in July, it
14 was decided that we had to have an AG's opinion prior to
15 doing that and it took quite a long time to get the AG's
16 opinion and in the meantime, my office asked Leg. Counsel.

17 Leg. Counsel opined that it could be done.
18 However, the question was asked in a different way to the
19 AG's office who opined that it could not be done.

20 This would imply of course that both the 2010
21 actions taken by this Board were illegal and/or that money
22 will sit in this residual fund forever and not be able to be
23 used for any purpose unless there is -- we go back to the
24 voters and get the bond voted on again for use of these
25 residual funds.

1 This seems to be quite cumbersome, expensive, and
2 given the small amount of money, not cost effective. So we
3 have a conundrum.

4 In the interim, OPSC asked the identical question
5 that I had asked Leg. Counsel to the AG. They asked it,
6 however, as one of three questions and the AG has so far
7 answered two of the questions in the negative. They have
8 not yet asked -- answered the question that we asked Leg.
9 Counsel to clarify.

10 So we are still waiting for an answer from the AG
11 and I just wanted to share with the Board my real sadness.
12 It's even more than frustration at this point and I don't
13 know about the other joint use projects that are in line
14 waiting for funds. I know there are a number of them, but
15 there is a project in Alameda County, the City of Alameda,
16 that represents the best of what joint use projects are
17 meant to be.

18 The Alameda Boys and Girls Club partnering with
19 Alameda Unified School District have collaborated to build a
20 facility that is used by the Boys and Girls Club for
21 community and after school activities and used every day by
22 the school district by two schools that are adjacent to the
23 Boys and Girls Club.

24 And they actually have a shared property line.
25 And because, although cleared for funding, the Alameda Boys

1 and Girls Club could not get the money they needed to
2 complete the project, they took out a bridge loan, completed
3 the project which is now being used on our assurances that
4 the money will be coming.

5 And -- because a similar transfer had been done in
6 2010 and in the meantime, they are now paying 5,000 to
7 \$7,000 a month in interest for every month that goes by on
8 this loan that they took out to finish the project -- bridge
9 loan.

10 So the longer it takes our State government to
11 come forward and help them by giving them the money to pay
12 off the bridge loan, the longer this little non-profit
13 organization spends money that could be used for other
14 purposes for the school district, for the schools, and the
15 more -- honestly what I feel so bad about is I just feel
16 that makes State government look bad, that we're not able to
17 help in a timely way.

18 I guess, Mr. Chairman, I don't know if we just
19 continue this item waiting and hoping for an AG opinion, but
20 we have a larger issue which is in future school bonds if
21 there are any or -- what do we do about the fact that
22 there's about \$12 million sitting in this fund that
23 apparently cannot be -- unless we have the AG give us an
24 opinion, cannot be used as they have been in the past to
25 fund other bond projects.

1 CHAIRPERSON REYES: But before -- I think there's
2 a couple clarifications I'd like to pursue. One is let the
3 record show that this Chair was not here back in 2010 -- no,
4 I'm kidding.

5 SENATOR HANCOCK: Neither was I.

6 CHAIRPERSON REYES: I want to make sure we're
7 talking about the right amount with the right pot of money
8 though because when I look at -- and I'm looking at page 56
9 in our book.

10 SENATOR HANCOCK: In this book?

11 CHAIRPERSON REYES: In either your iPad or the --

12 SENATOR HANCOCK: Well, it's page 82 I think in
13 my --

14 CHAIRPERSON REYES: I'm looking at Tab --

15 MS. SILVERMAN: Tab 6.

16 CHAIRPERSON REYES: Tab 6.

17 SENATOR HANCOCK: Oh, Tab 6.

18 CHAIRPERSON REYES: Tab 6 in your iPad or in the
19 book -- in the hard book. And it's my understanding from
20 having conversation with your staff that we're talking about
21 the blue box in the top, which that only has 4.5 million not
22 12 million.

23 SENATOR HANCOCK: Okay.

24 CHAIRPERSON REYES: So are we talking 4 and a half
25 million or are we talking 12 million?

1 SENATOR HANCOCK: We're talking the 4 and a half
2 million.

3 CHAIRPERSON REYES: Okay. So it's 4 and a half
4 million. When you --

5 SENATOR HANCOCK: For the Leg. Counsel opinion.

6 CHAIRPERSON REYES: Okay.

7 SENATOR HANCOCK: Right.

8 CHAIRPERSON REYES: And so then the question is
9 when assurances were made to this group that funding would
10 be provided, assurances were made by whom since the Board
11 had not quite taken an action yet?

12 SENATOR HANCOCK: Pardon? I'm sorry.

13 CHAIRPERSON REYES: When assurances were made to
14 this group --

15 SENATOR HANCOCK: Yeah.

16 CHAIRPERSON REYES: -- that the money was
17 forthcoming and they went and did this financing where
18 they're paying 5- to 7,000 a month in interest, assurances
19 were made by whom that -- because my understanding is the
20 Board had not taken an action yet.

21 SENATOR HANCOCK: No. I think that's right. The
22 district was actually offered a choice. They could take
23 less money and then they'd have to pay it all out of their
24 own pocket, which would have finished the joint use account,
25 or they could wait until we got this resolved in which case

1 they would be first in line for the money and there were
2 four or five other projects that could also -- not in
3 Alameda County, actually down south -- that could be funded
4 as well.

5 CHAIRPERSON REYES: Okay.

6 SENATOR HANCOCK: Yeah. Yeah. And they chose
7 to --

8 CHAIRPERSON REYES: Right. So because 600,000
9 would be available to them -- would have been under the
10 modernization; is that correct, staff? Am I looking at the
11 right table?

12 MS. SILVERMAN: It's actually about 600,000
13 that -- or excuse me -- the Joint Use Program --

14 CHAIRPERSON REYES: Right.

15 MS. SILVERMAN: -- Proposition 1D is available and
16 there was --

17 CHAIRPERSON REYES: Okay.

18 MS. SILVERMAN: -- obviously 12 projects -- or
19 excuse me -- \$12 million in projects in line --

20 CHAIRPERSON REYES: Oh, I'm sorry. That's where
21 the 600- comes in. The other -- on page 55.

22 MS. SILVERMAN: Correct.

23 CHAIRPERSON REYES: So I guess the reason why I'd
24 like to keep this item for discussion is I know we're
25 waiting for the AG's opinion as to whether or not this can

1 be done because that's what the Treasurer has requested of
2 us, that they're of the opinion that it cannot be done
3 because of the covenants in the bond.

4 My layman's understanding of the issue -- and I
5 apologize if I butcher things up. And so we're waiting for
6 that opinion to give us the green light.

7 But I think more fundamental than that as we wait
8 for that, I think this Board has to take an affirmative
9 action to in fact transfer those funds.

10 If the AG says yes, we can do it, then we as a
11 Board also have to vote to do it. And I just want to make
12 sure that while everybody seems supportive of you getting
13 the AG's opinion, we frankly have never taken up the issue
14 for a vote.

15 And so I wanted to leave it here for conversation
16 so the Board members could express whether or not this is
17 something that they want to support because at this point,
18 we're beating up the AG to get this and we can get it to the
19 Treasurer and if those votes aren't there to provide this,
20 then it's probably good to know that as well, I think.

21 Ms. Moore.

22 MS. MOORE: Well, if you're asking, the Department
23 of Education strongly supports joint use and would strongly
24 support moving forward with securing the opinion and having
25 the item come back before us for possible consideration to

1 fund down the list of joint use projects that exist.

2 So I'm strongly in support of it.

3 CHAIRPERSON REYES: Okay. Okay. Ms. Buchanan.

4 ASSEMBLY MEMBER BUCHANAN: What do we have in
5 outstanding joint use projects where they've actually --

6 MS. SILVERMAN: We actually have -- about a year
7 and a half ago when we were going through this discussion,
8 there were a number of projects that came in in the joint
9 use filing round and -- I believe in March 2010 and there
10 were, like I said, several projects at various stages. The
11 top few projects represent Redondo Beach and then Alameda
12 Boys and Girls Club.

13 So that was a challenge -- was hoping to get the
14 authorization to move the cash and potentially the
15 authority -- decreed authority for the Joint Use Program
16 because at that point in time, we presented options on
17 whether or not any project on that list -- the top of the
18 list first -- wanted to take what we call a haircut, a
19 reduced project because we were only limited to the 600,000
20 authority.

21 So these projects haven't been presented for any
22 unfunded approvals at this point in time.

23 ASSEMBLY MEMBER BUCHANAN: And I don't remember --
24 because I remember we -- Senator, we talked about this. So
25 of the projects, how many are either -- are in construction?

1 I mean how many --

2 CHAIRPERSON REYES: Of the joint use, everything
3 is being -- can be rescinded at some point in the future.
4 You kind of --

5 ASSEMBLY MEMBER BUCHANAN: And what I'm saying is
6 if a project hasn't started -- I mean I think clearly the
7 projects that are in construction I would say let's fund
8 those. The remainder given where we are with new
9 construction, I wouldn't necessarily say allocate the whole
10 21 million to joint use, but I would say of those projects
11 that are, you know, like the Alameda, let's fund those.

12 I would suggest we consider putting the rest into
13 new construction because we know that's going to be in
14 demand --

15 CHAIRPERSON REYES: It's only 4.5 million in
16 question.

17 ASSEMBLY MEMBER BUCHANAN: Right. And then, you
18 know, after that we're going to have to determine where we
19 go with a project list or unfunded list or whatever we're
20 going to do. But I don't -- I wouldn't be encouraging
21 someone to go out there now. I would take care of those
22 projects that are in line and transfer the rest to new
23 construction.

24 CHAIRPERSON REYES: Right. Right. Mr. Hagman.

25 ASSEMBLY MEMBER HAGMAN: Well, there's two

1 different issues for me too. It's like when this has been a
2 couple years now since this list has been reviewed and kind
3 of organized like the other funding stream. If we did have
4 money in there, then I think you would start there and start
5 the process over again.

6 But secondly, I'm with the Senator, is why can't
7 we get a response out of our Attorney General's office and
8 is there any way we can maybe invite them for our next
9 meeting to explain why they're not performing their duties
10 in getting us a response. Because I think there are some
11 issues there that it's a little frustrating on our side,
12 that we need to move forward and we need to have direction
13 and if they're supposed to be giving us legal counsel on our
14 issue -- an opinion on this, I'd like to see that as well
15 before we make any other decisions.

16 ASSEMBLY MEMBER BUCHANAN: And my other
17 question's --

18 MR. NANJO: Mr. Chair, if I --

19 ASSEMBLY MEMBER BUCHANAN: -- can we get it with a
20 two-thirds vote of the Legislature if we don't have
21 authority as a Board.

22 CHAIRPERSON REYES: That's the issue that -- it's
23 my understanding -- I'll go to Henry next. As I understand
24 it, it's a bond covenant issue and that's why as Senator
25 Hancock pointed out that in order to -- in the AG's write-up

1 at this point is that we would have to put this before the
2 voters again to essentially amend initiative. I think folks
3 would look at this and question the authority that this
4 Board had back in 2010 and actually transfer those funds.
5 And that's all I'm going to say about that issue. Henry.

6 ASSEMBLY MEMBER BUCHANAN: To transfer them to
7 joint use or to --

8 CHAIRPERSON REYES: To a more --

9 ASSEMBLY MEMBER BUCHANAN: -- transfer them to the
10 same use?

11 CHAIRPERSON REYES: To joint use. AB127 speaks to
12 transferring a specified amount or it's up to a specified
13 amount to the joint use. And so some would argue that what
14 the voters voted on was to transfer that amount and do not
15 leave it open.

16 The Leg. Counsel's opinion says yes, it's open.
17 It's just an amount to be transferred. It doesn't preclude
18 anything else. The AG's opinion at this point as I
19 understand it is saying because the amount was specified, it
20 hindered you from transferring additional resources.

21 But, Henry, why don't you take this legal side of
22 the issue.

23 MR. NANJO: Yeah. That -- Mr. Chair, members of
24 the Board, that's correct and I do need to make a comment
25 here in fairness to the Attorney General's office.

1 Due to the large number of issues this Board has,
2 at one time high water mark was we had six opinions
3 pending -- opinion requests pending -- informal opinion
4 requests pending from the AG's office. We still currently
5 have four opinion requests pending.

6 With regards to this one, Senator Hancock, we have
7 been stressing to the AG's office that this was a high
8 priority, that it was a matter of urgency to the Board.
9 They had it as a priority. I actually have been calling
10 them probably at least once a week if not several times a
11 week to check on status and kind of keep them working on it.

12 Originally we were advised that they were planning
13 to combine the opinion that they gave us with a specific
14 opinion regarding the Leg. Counsel opinion. Apparently -- I
15 don't know if somebody's minds were changed or what have
16 you, but in our last conversation with them, we've been told
17 that that's going to be coming as a separate opinion and
18 it's the next one in the queue. So they are going to be
19 working on it.

20 I asked them if they would be able to have by this
21 meeting. They told me that they're -- because of the press
22 of business, they would not be able to, but they would make
23 it a priority.

24 ASSEMBLY MEMBER HAGMAN: So it should be by next
25 meeting, so --

1 CHAIRPERSON REYES: It should be. Mr. Almanza.

2 MR. ALMANZA: Now as I understand it the only
3 reason we're asking for an AG opinion is because the State
4 Treasurer told us they would not transfer the funds unless
5 the AG said --

6 ASSEMBLY MEMBER BUCHANAN: Right.

7 MR. ALMANZA: -- he could.

8 MS. SILVERMAN: That's correct.

9 ASSEMBLY MEMBER HAGMAN: So Mr. Chair, I'd just to
10 move to put it on till next meeting. Maybe we'll get our
11 opinion at least.

12 SENATOR HANCOCK: It's like the bin time problem
13 again.

14 CHAIRPERSON REYES: Yeah. Part of the reason why
15 I wanted to leave it on is so we could have a conversation
16 and Senator Hancock get a sense of whether or not there's an
17 issue that the Board currently supports.

18 If the Board was not going to be supportive --

19 SENATOR HANCOCK: Okay.

20 CHAIRPERSON REYES: -- of this transfer --

21 SENATOR HANCOCK: Rebecca, come -- I'm sorry, Mr.
22 Chairman.

23 CHAIRPERSON REYES: It's okay, Senator. Go ahead.

24 SENATOR HANCOCK: This is so technical, you almost
25 have to be a lawyer. I have to apologize, but I'd like my

1 staff member to come here. She has just told me and it's
2 playing telephone for me to then tell you and --

3 CHAIRPERSON REYES: Um-hmm.

4 SENATOR HANCOCK: -- we go around -- that we're
5 talking about different pots. The Leg. Counsel opinion
6 relates to the blue pot. The AG letter relates to the pink
7 pot --

8 CHAIRPERSON REYES: Pink pot.

9 SENATOR HANCOCK: -- at the bottom of the page
10 and --

11 CHAIRPERSON REYES: You're interested in the blue
12 pot.

13 SENATOR HANCOCK: We're interested in the blue
14 pot.

15 CHAIRPERSON REYES: I think I said that at the
16 beginning, that that's the 4.5 million and then you would
17 have the 600,000 available from the -- what is it, the
18 orange or green pot? The orange pot.

19 ASSEMBLY MEMBER BUCHANAN: Yeah.

20 CHAIRPERSON REYES: Ms. Moore, you have your mic
21 up.

22 MS. MOORE: Is it -- so the 36 million in the
23 Lease-Purchase Program is the part of the AG's opinion that
24 we already have that we cannot spend --

25 CHAIRPERSON REYES: That's not the issue. That's

1 not --

2 MS. MOORE: But we can't spend that money.

3 CHAIRPERSON REYES: Right.

4 MS. MOORE: So -- but that is --

5 MS. SILVERMAN: That's correct.

6 MS. MOORE: -- an issue in that are they saying
7 that we have to go back to the vote of the Legislature for
8 two-thirds to spend money that we have in the fund?

9 CHAIRPERSON REYES: We have to go back to the vote
10 of the people not Legislature.

11 ASSEMBLY MEMBER BUCHANAN: So have we even
12 exercised that bond authority yet? Is that just unused
13 authority or is that bonds?

14 CHAIRPERSON REYES: It expires -- it's cash
15 sitting there. So technically --

16 MS. SILVERMAN: The program sunsetted.

17 CHAIRPERSON REYES: So what we should do --

18 ASSEMBLY MEMBER BUCHANAN: You can't have
19 arbitrage, so you got to either --

20 CHAIRPERSON REYES: What we should do -- it's --
21 and Senator Hancock should hear this part. Technically what
22 we ought to do with the pink money is drop the pink box and
23 use that money to diffuse the bonds that -- from where it
24 came because we can't touch it anyway, unless we want to go
25 back to the vote of the people.

1 SENATOR HANCOCK: So -- right. So we basically
2 can't do anything with this -- with the pink pot.

3 CHAIRPERSON REYES: We can't do anything with it.
4 So can we just drop that box and work with the Treasurer's
5 office to see if we can use that money to diffuse the
6 existing bond because it's really -- it's misleading to have
7 that pot there because it's not really -- am I off, Henry?

8 MR. NANJO: No, that's correct.

9 ASSEMBLY MEMBER BUCHANAN: So there are no
10 projects under this program that we can fund?

11 CHAIRPERSON REYES: That is correct.

12 MR. NANJO: Yeah. Because that money is trapped
13 basically, based on the AG's opinion, the only thing we
14 could use it for is diffusing the bonds.

15 CHAIRPERSON REYES: And there are no projects for
16 which you have checks outstanding against this money.

17 MR. NANJO: Correct.

18 MS. SILVERMAN: There is no outstanding money --

19 CHAIRPERSON REYES: No outstanding.

20 MS. SILVERMAN: -- in the Lease-Purchase Program.

21 MR. NANJO: Right.

22 CHAIRPERSON REYES: So it's just sitting there and
23 might as well diffuse and stop paying interest. That would
24 make sense. Okay.

25 Then the next issue is then back to your blue pot,

1 4.5 million, and that's the one that we have before the AG's
2 office and, Senator Hancock, if I may suggest that if a
3 letter comes to you that is not consistent with the Leg.
4 Counsel opinion, would you mind calling in the AG attorney
5 and the Leg. Counsel attorney to your office so they could
6 translate their opinions into English to you so that you can
7 tell us what happened and what we can't do; otherwise we'll
8 find ourselves in the same situation.

9 And if you want to drag Henry with you --

10 SENATOR HANCOCK: I was going to see if I could
11 drag you with me too.

12 CHAIRPERSON REYES: Oh -- I will not be of any
13 help on legalese. I can run numbers with you, but on the --
14 if they say we can't do it -- if the Attorney General's
15 saying we can't do it because of bond restrictions --
16 covenants of the bond and the Treasurer's saying we need
17 that clearance from the AG, my hands will be tied.

18 With all due respect to Leg. Counsel, I have to go
19 with that authority. But there's nothing to prevent you
20 from having those attorneys in your office and I'll be happy
21 to supply the gloves and then they can figure out who is
22 what and who's wrong.

23 SENATOR HANCOCK: Yes. And I will do everything I
24 can to follow up on this because I think --

25 CHAIRPERSON REYES: It's -- no doubt that it's a

1 very important issue, Senator. I don't want to --

2 SENATOR HANCOCK: Yes. Yes. And I hope that we
3 will -- but the AG's opinion will come to Ms. Silverman,
4 will it not?

5 CHAIRPERSON REYES: But they'll also know that
6 Ms. Silverman will also share that with you as soon as it's
7 made available.

8 MS. SILVERMAN: That's correct.

9 CHAIRPERSON REYES: And I think the Board will
10 give that direction. Am I seeing Board members saying yes?
11 Ms. Silverman, would you please provide that to --

12 MS. SILVERMAN: Of course.

13 CHAIRPERSON REYES: -- the Senator as soon as it
14 gets -- Henry?

15 MR. NANJO: Absolutely.

16 CHAIRPERSON REYES: Okay.

17 MR. NANJO: Yep.

18 CHAIRPERSON REYES: So --

19 SENATOR HANCOCK: And so is there anything that
20 you think we should do today, Mr. Chairman, in terms of
21 assuming that since the AG has not opined on the blue pot --

22 CHAIRPERSON REYES: Well --

23 SENATOR HANCOCK: -- at all and we've now taken
24 the opinions that it has made off the table and we have the
25 Leg. Counsel opinion that we can use the blue pot --

1 ASSEMBLY MEMBER BUCHANAN: But the Treasurer won't
2 transfer the funds.

3 CHAIRPERSON REYES: The Treasurer will transfer
4 the --

5 ASSEMBLY MEMBER BUCHANAN: We can't get -- even if
6 we decide to go on that, we can't because the Treasurer --

7 CHAIRPERSON REYES: So can -- what if we do this.
8 What if we do this. And I hate to be, you know, putting --
9 acting four steps ahead, but this issue has been before us
10 for ten months now.

11 So what if we -- the Chair's willing to entertain
12 a motion that says something like this. We will -- the
13 Board will authorize the transfer of the funds from the 4.5
14 identified from the 1A pot -- the residual to the Joint Use
15 Program when and if the green light is given by the Attorney
16 General to the State Treasurer and the State Treasurer takes
17 the appropriate action to transfer the funds.

18 So that if the AG's opinion comes out tomorrow and
19 the Treasurer can be satisfied tomorrow, then staff would go
20 through the list and start providing those resources as to
21 the tune of about \$5.1 million?

22 MS. MOORE: I'll second your motion.

23 CHAIRPERSON REYES: No, you need to make it
24 because I said I'll entertain a motion.

25 MS. MOORE: I would so move.

1 MR. ALMANZA: I'll second.

2 ASSEMBLY MEMBER BUCHANAN: Second.

3 CHAIRPERSON REYES: So it's been moved and second.

4 And this is really -- just for folks in the audience, these
5 are really extenuating circumstances. It is not the comfort
6 level for this member to entertain a motion that looks into
7 if the sky is blue on Wednesday and the red van goes by and
8 the -- I don't want to go into those kinds of motions in the
9 future. So please do not use this as precedent setting.

10 Does anybody have any questions or comments on
11 this issue? Are there any comments from the public on this
12 issue?

13 Hearing none -- yes, Mr. Hagman.

14 ASSEMBLY MEMBER HAGMAN: This kind of open-end
15 thing. I'm just going to lay off on that if you don't need
16 my vote on this because I would like to see what the
17 opinions are and what options we have. If I don't have a
18 list, then I don't have anything else to say yeah, fund it
19 as soon as we go through. This wasn't really agendized as
20 that, so I have not studied that and feel very uncomfortable
21 making -- you know, following through with that, especially
22 it's been an ongoing issue for ten months.

23 CHAIRPERSON REYES: Yeah.

24 ASSEMBLY MEMBER HAGMAN: I think I'd rather wait
25 until we get a response.

1 CHAIRPERSON REYES: Okay. It needs six votes, so
2 the motion would fail.

3 SENATOR HANCOCK: If you could give a courtesy
4 vote assuming that our other members -- if somebody else had
5 been here, we might have a shot.

6 ASSEMBLY MEMBER HAGMAN: Okay. It's bad precedent
7 to start, but --

8 CHAIRPERSON REYES: This whole thing, it just
9 makes me uncomfortable. I hear what you're saying, sir. I
10 totally appreciate, but in my conversations with staff, we
11 know that there's -- the first one on the list is
12 Oceanside -- Ocean --

13 MS. SILVERMAN: Redondo Beach.

14 CHAIRPERSON REYES: Redondo. I know it was down
15 in the ocean someplace -- Redondo to the tune of 1 and a
16 half million.

17 MS. SILVERMAN: That's correct.

18 CHAIRPERSON REYES: And then the next one is --

19 MS. SILVERMAN: The Alameda Boys and Girls Club.

20 CHAIRPERSON REYES: -- the Alameda to the tune of
21 about 1 and a half also?

22 MS. SILVERMAN: 2 million.

23 CHAIRPERSON REYES: 2 million. So that's 3 and a
24 half right there. Who's third on line; do you know?

25 MS. SILVERMAN: We actually have a note that some

1 of the projects are at their final stages. So you can
2 definitely prioritize some of the projects that we have on
3 the list.

4 ASSEMBLY MEMBER HAGMAN: Going back to the
5 original thing, generally if you have six months or more
6 between for issuance, you go to the list to find out they're
7 still priority, they still meet the qualifications. You do
8 all this stuff and here you're saying, well, there's not
9 much money, it's only 4 and a half million, so let's just
10 push it out because we can. Is that the policy --

11 CHAIRPERSON REYES: No. I don't want to look at
12 it that way.

13 ASSEMBLY MEMBER HAGMAN: You should have a funding
14 round and the commitments that were made we should keep, but
15 if there weren't, then you should go through that round
16 again just like you would in any other program we do, even
17 if it's a very small pot of money.

18 ASSEMBLY MEMBER BUCHANAN: So which two are
19 approved for funding?

20 CHAIRPERSON REYES: Ms. Silverman, how many of
21 those are approved for funding?

22 MS. SILVERMAN: None of these projects have been
23 approved.

24 CHAIRPERSON REYES: Because we do not have the
25 funding.

1 MS. SILVERMAN: Because we don't have the
2 authority to cover the projects.

3 CHAIRPERSON REYES: Right.

4 MS. SILVERMAN: So the cash that could be used
5 could create authority for these projects. What the Board
6 has exercised in the past is create the authority plus they
7 also created the mechanism to give these projects the cash
8 immediately or they could create the authority and let them
9 compete like everybody else and then give the cash to the
10 next projects on the unfunded list.

11 Again this is kind of --

12 ASSEMBLY MEMBER BUCHANAN: So my next question is
13 if the AG said yes, you can transfer the money, what has to
14 happen to actually effect that transfer? Would we have to
15 wait for the next bond sale? Is the money there? Because
16 this says it's remaining bond authority. Does that -- is
17 that money -- where are we with --

18 MS. SILVERMAN: The cash is in the program. The
19 cash is sitting there.

20 ASSEMBLY MEMBER BUCHANAN: Okay.

21 ASSEMBLY MEMBER HAGMAN: I would be happy to
22 call -- I don't know if this is on or not -- be happy to do
23 a special SAB Board meeting if we got the thing this week
24 and say three days' notice to the public, let's go, put this
25 mechanism, but I'm just saying this is old projects. I

1 understand what's going on with -- I definitely do, but how
2 is that fair to people we said it was gone and all of a
3 sudden, well, we have a couple that we would like to get out
4 at the last second like that.

5 MS. MOORE: Could I just ask a clarifying question
6 that might help with that. The list that you have of joint
7 use projects, no date order; correct?

8 MS. SILVERMAN: That's correct.

9 MS. MOORE: So if we were to establish authority
10 and appropriation at the same time, that list wouldn't
11 change at all; correct?

12 MS. SILVERMAN: We would just go down the list.
13 That's correct.

14 MS. MOORE: So there is an established list.

15 ASSEMBLY MEMBER HAGMAN: But is that the normal
16 process for all the rest of the bond fees. Usually you do a
17 funding round and then you start over. Do a funding round;
18 then you start over.

19 This is basically creating a funding round but
20 taking an old list that we had from a while ago and saying
21 we're taking that same priority and putting it in a funding
22 round. Hence, it's only the 4 and a half million dollars,
23 doesn't get very far, but still that's -- you're completely
24 diverting from the path that's normally taken. I'm just
25 wondering do you want to set that precedent going forward.

1 CHAIRPERSON REYES: Your point's well taken. I
2 think the exception for the only reason why I'm willing to
3 go outside of the norm -- that normal process is that this
4 issue has been pending since July of last year.

5 Had this issue not been pending since July and the
6 AG had made the -- I'm assuming the AG says go move forward.
7 If the AG says don't move forward, then the next item I'm
8 going to suggest is that we take this money and do the same
9 thing that we're doing with the pink stuff and say -- and
10 find out whether or not we have anything against this money
11 and diffuse whatever's left over. No sense on paying
12 interest on cash sitting there.

13 ASSEMBLY MEMBER HAGMAN: So just so I clarify,
14 we've been asking the AG's opinion since July --

15 CHAIRPERSON REYES: We've been trying to address
16 this issue since July.

17 ASSEMBLY MEMBER HAGMAN: -- last year?

18 MS. SILVERMAN: We've been working actively to
19 resolve this issue since July.

20 CHAIRPERSON REYES: Yeah.

21 ASSEMBLY MEMBER HAGMAN: And we've asked the
22 Attorney General for an opinion since July?

23 CHAIRPERSON REYES: We've asked the Attorney --

24 MS. SILVERMAN: Informal conversations and
25 conversations with the Treasurer's office to try to get this

1 resolved and then we've elevated to requests for a written
2 opinion because we were --

3 ASSEMBLY MEMBER HAGMAN: How long -- just out of
4 curiosity, how long have we been waiting for that opinion?

5 MS. SILVERMAN: We've had --

6 ASSEMBLY MEMBER HAGMAN: Since we gave the written
7 request.

8 MS. SILVERMAN: We had -- November was -- the
9 legal written request in November, but like I said, dialogue
10 that's been going on for four months prior to that.

11 CHAIRPERSON REYES: And then we also changed the
12 flavor of the legal opinion just for clarifying and for
13 fairness.

14 MS. SILVERMAN: That's correct.

15 ASSEMBLY MEMBER HAGMAN: Well, Senator, I'll give
16 you that courtesy motion. I would like to request and then
17 we move this to the joint -- audit committee and find out
18 what's going on with the Attorney General and why it takes
19 them five or six months to come back with an opinion.

20 CHAIRPERSON REYES: That would be a different
21 body --

22 ASSEMBLY MEMBER BUCHANAN: Then we're going to
23 spend a lot of money on an audit. So the question is do we
24 have authority and if we don't have authority for joint use
25 because we have authority to spend it on other projects and

1 if not, I agree with you, then we shouldn't be paying
2 interest on it. We should diffuse the bonds. So --

3 CHAIRPERSON REYES: Assuming we don't have any
4 checks against it, which we don't because obviously we'd be
5 making this money.

6 So --

7 ASSEMBLY MEMBER HAGMAN: It's been moved/second.

8 CHAIRPERSON REYES: Second -- call the roll.

9 MR. YOUNG: Senator Lowenthal.

10 Senator Hancock.

11 SENATOR HANCOCK: Aye.

12 MR. YOUNG: Senator Wyland.

13 Assembly Member Brownley.

14 Assembly Member Buchanan.

15 ASSEMBLY MEMBER BUCHANAN: Aye.

16 MR. YOUNG: Assembly Member Hagman.

17 ASSEMBLY MEMBER HAGMAN: Aye.

18 MR. YOUNG: Esteban Almanza.

19 MR. ALMANZA: Aye.

20 MR. YOUNG: Kathleen Moore.

21 MS. MOORE: Aye.

22 MR. YOUNG: Pedro Reyes.

23 CHAIRPERSON REYES: Before I vote, I just want to
24 make sure people understand that this is not a precedent
25 setting. This is very, very unique circumstances here.

1 Aye.

2 MR. YOUNG: Measure passes.

3 CHAIRPERSON REYES: Thank you. Ms. Silverman,
4 where do we go next?

5 MS. SILVERMAN: Now we go to the **workflow list**.
6 Tab 11, that's page 92. And if there are no questions on
7 that, then meeting's adjourned I guess.

8 CHAIRPERSON REYES: Next. Any public comments --
9 public comments on anything we've discussed? Sorry, I sort
10 of got -- I just want to go on the record.

11 I want to thank LA Unified for working with us
12 behind the scenes to take one of the appeal items off the
13 table. So thank you, Eric. Mr. Hagman.

14 ASSEMBLY MEMBER HAGMAN: Mr. Chair, I have one
15 thing maybe to agendize for the future.

16 As we're running out of money here, one of the
17 things I've been working on in the Legislature is I would
18 call modernization but technology improvements for schools
19 and I don't want to spend 30-year dollars -- or 30-year bond
20 money on 5-year old technology only lasts, but is there a
21 mechanism as we look toward 2014 or beyond, can we get
22 something, maybe short-term bonds or something like that,
23 for -- because we have to be digital by 2014. We're
24 supposed to be taking tests by 2014. I want all of these in
25 our little kids' hands by 2014.

1 So what can we do or should we do anything as the
2 State Allocations Board to foster that?

3 So I don't know if there's any information or not,
4 but maybe open for discussion in the future, love to have
5 it.

6 CHAIRPERSON REYES: Thank you. Ms. Buchanan.

7 ASSEMBLY MEMBER BUCHANAN: Yeah. And I have two
8 comments. One is a result of a couple issues that have come
9 up.

10 I've had -- met with staff asking some audit
11 questions, and I don't know if there's room to add anyone to
12 the Audit Committee --

13 CHAIRPERSON REYES: Yes. In fact that's a good
14 point. Thank you.

15 ASSEMBLY MEMBER BUCHANAN: I do -- I'd love -- if
16 it's okay, I'd love to join that committee.

17 CHAIRPERSON REYES: Love to have you join that
18 committee. Thank you.

19 ASSEMBLY MEMBER BUCHANAN: And then secondly, you
20 know, as we move forward over the next two years, we talked
21 about keeping a -- you know, basically date stamp and
22 keeping a list of projects that are coming in, but clearly,
23 you know, school districts are going to need some greater
24 assurance and at the same time, all of us have talked at
25 different times about changes to the program we'd like to

1 see.

2 And so -- you know, Assembly Member Hagman has
3 talked about should we give the same grants for portables as
4 we do for permanent construction. I have a long list that I
5 could go through and I'm not going to bore you now, but I
6 would just like to throw it out as to maybe some of us could
7 come up with our own list --

8 ASSEMBLY MEMBER HAGMAN: Workshops?

9 ASSEMBLY MEMBER BUCHANAN: -- and whether we have
10 a workshop and then a committee or whatever, but I do think
11 there are things we need to discuss and probably now is the
12 time to do that.

13 CHAIRPERSON REYES: Assembly Member Buchanan,
14 that's a very good point and I would like to have that
15 conversation as a large group. The issue becomes of us
16 having to meet outside of the norm to accomplish that
17 because we sit here and we go through the appeal, the action
18 item, the consent and this and that and two hours go by
19 relatively quick.

20 I mean we did start shortly after 4:00, but it's
21 almost 6:00 and we really did not have any -- other than the
22 Department of Education presentation and back and forth, but
23 we really seem to run out of time very quickly.

24 ASSEMBLY MEMBER BUCHANAN: Well, we have -- I mean
25 we have the month of July coming up and I don't know how

1 everyone's schedule is, but if we each give up half a day or
2 a day, by that time the budget will have been passed and
3 maybe we could have a workshop on what they are and, you
4 know, have our own laundry list but maybe, you know, discuss
5 some of these.

6 CHAIRPERSON REYES: Is that amenable, Senator
7 Hancock? I mean Ms. Moore is saying yes.

8 MS. MOORE: Yes.

9 SENATOR HANCOCK: It would be amenable. I
10 actually think I'm not going to be here very many days
11 during July.

12 CHAIRPERSON REYES: Okay.

13 SENATOR HANCOCK: I don't know if anyone else is
14 in that situation, but it -- if you guys -- I think the idea
15 is excellent, that we don't want to move ahead without
16 really looking at how far we've come and how we might want
17 to reconfigure or what we might want to do the same or
18 differently -- what the need is even.

19 MS. MOORE: I've said a couple of times too that
20 we have a policy report coming from the U.C. Center for --
21 that could probably be a part of that discussion as well.

22 CHAIRPERSON REYES: So we ask staff -- if you can
23 try to see if we can look in to calendar -- people's
24 calendar and find some time. I mean the alternative would
25 be to take a Board meeting and do nothing but that,

1 recognizing we're not going to take any issues but have the
2 Board meeting just as a workshop and, you know, just have a
3 conversation. I think there's a lot of stuff out there that
4 we need to talk about in terms of, you know, giving the
5 Implementation Committee some work to go and flush some
6 things through.

7 SENATOR HANCOCK: I think that's a good idea too
8 and if we're running out of money, what else are we --

9 CHAIRPERSON REYES: Yeah. So -- okay. So let's
10 talk, staff, and see if we can come up with something in
11 July. If not, then perhaps instead of having a full Board
12 meeting like this, we have a meeting where we can just have
13 a conversation and not take any other item -- action items.

14 MS. SILVERMAN: That's something we can work on
15 for sure.

16 CHAIRPERSON REYES: Okay. Thank you. All right.
17 Thank you, everybody. Much appreciated. Meeting adjourned.

18 (Whereupon, at 5:45 p.m. the proceedings were recessed.)

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REPORTER'S CERTIFICATE

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STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

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