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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL
ROOM 444
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, AUGUST 22, 2012
TIME: 4:03 P.M.

Reported By: Mary Clark Transcribing
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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

CESAR DIAZ, Appointee of Edmund G. Brown, Jr., Governor of the State of California

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

ASSEMBLYMEMBER JOAN BUCHANAN

ASSEMBLYMEMBER CURT HAGMAN

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer
BILL SAVIDGE, Assistant Executive Officer

REPRESENTATIVES OF THE DEPARTMENT OF GENERAL SERVICES, OFFICE OF PUBLIC SCHOOL CONSTRUCTION (OPSC) PRESENT:

LISA SILVERMAN, Executive Officer
JUAN MIRELES, Deputy Executive Officer

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

JONETTE BANZON, Staff Counsel

P R O C E E D I N G S

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3 CHAIRPERSON REYES: I've been informed that
4 Mr. Hagman's on his way. My understanding is the Senate
5 still had floor session going on, so we may get folks coming
6 in and out.

7 In the interest of time, I know some folks have to
8 fly out of here. Why don't we go get started with nonaction
9 items and Mr. Hagman will catch up and then go from there.
10 Once we have a quorum, we can then move back to action
11 items. Without objection? Okay. All right.

12 MS. SILVERMAN: So the **Executive Officer's**
13 **Statement** that we're presenting in Tab 3 is -- we have
14 several items to -- well, a few items actually. A little
15 leaner this month -- to update the Board.

16 We want to provide the Board an update on the
17 joint use funding. We actually presented an item and some
18 options to fund some additional joint use projects in June.

19 We had \$4.6 million available. We were able to
20 successfully allocate 4.1 million. We still have
21 \$536 million available for the next project in line and
22 Redondo Beach is the district that actually accepted the
23 funds. And that resulted in a reduced project. So we'll be
24 presenting that item as part of the consent agenda for
25 apportionment for that item.

1 And with respect to the applications, those
2 applications were returned.

3 CHAIRPERSON REYES: Okay.

4 MS. SILVERMAN: The next item is to provide the
5 Board an update on the priority of funding certification
6 period. We recently wrapped a 30-day filing period which
7 ended August 9th and with that 217 projects came in for 103
8 districts. That represented over \$534 million and that is
9 about 54 percent of a drawdown on what was available.

10 There was \$995 million that was available to
11 compete in the priority of funding process. However, we are
12 showing basically a lower draw since the last few funding
13 rounds and I just wanted to bring that to the Board's
14 attention.

15 CHAIRPERSON REYES: Mr. Almanza.

16 MR. ALMANZA: So how many projects didn't come in?
17 How many were eligible?

18 MS. SILVERMAN: There were 995 million that was
19 eligible, represents 402 projects. So 402 minus 217.

20 MR. ALMANZA: Hmm.

21 MS. SILVERMAN: So -- yeah. Short -- just
22 slightly over half that came in.

23 MR. ALMANZA: Yeah. That does raise a concern for
24 me given that we're running out of bond authority and just
25 having so many projects not participating. I request

1 that -- you know, through the Chair that may we bring this
2 back as an agenda item on the nonparticipation in priority
3 of funding report just to talk about as an action item to
4 address the projects that aren't coming in for funding.

5 CHAIRPERSON REYES: Any comments from Board
6 members? Is that -- Ms. Buchanan.

7 ASSEMBLYMEMBER BUCHANAN: Yeah. We started to
8 talk about this I know earlier this year or last year, but I
9 think, you know, the question is -- for projects that stay
10 on the list that may not have eligibility, the question is,
11 you know, we only have a certain amount of money left. So
12 how do we make sure that we're not precluding other projects
13 from moving on the list and getting done.

14 I mean we talked about -- and I know we -- I know
15 everyone's in favor of, you know, keeping as many projects
16 on as possible to show the need for the bond, but if you
17 have projects that don't have bonding capacity or have other
18 issues, I think we have to ask the question should those
19 projects be moved to a B list or how are we going to deal
20 with this to make sure we're getting out the money to
21 projects that are ready. I think it's worth at least a
22 discussion.

23 CHAIRPERSON REYES: So -- okay. So bring it up.
24 Ms. Moore.

25 MS. MOORE: And just are you suggesting that

1 projects that are outside bond authority be considered?

2 ASSEMBLYMEMBER BUCHANAN: Well --

3 MS. MOORE: Because everybody within bond
4 authority had the opportunity; right? So --

5 ASSEMBLYMEMBER BUCHANAN: Right.

6 MS. MOORE: -- 500 million of those within
7 authority had the opportunity to ask for funds.

8 MS. SILVERMAN: You have to have an unfunded
9 approval in order to compete, so --

10 CHAIRPERSON REYES: Um-hmm. To be on the list.

11 ASSEMBLYMEMBER BUCHANAN: The question is are all
12 those projects within authority real or not.

13 MS. MOORE: Okay. Then --

14 ASSEMBLYMEMBER BUCHANAN: And if they're not real,
15 I mean should there be a way that -- and I don't know how
16 many are and aren't, but should they be in a -- should we
17 have discussion on whether or not they should be moved to a
18 B list and other projects should be moved up and I think
19 it's worth asking the question.

20 CHAIRPERSON REYES: Having a conversation. Okay.
21 So it looks like there's an interest in bringing it up as a
22 decision item. Probably not September, October -- or I
23 don't know how soon you can bring it up, but go ahead bring
24 it up.

25 MS. SILVERMAN: Yeah. We can definitely bring it

1 back in October.

2 CHAIRPERSON REYES: Okay. Thank you. Thank you.

3 MS. SILVERMAN: And the last item on that
4 certification item is just those certifications are valid
5 until January 9th, 2013.

6 The next item is we wanted to provide the Board an
7 update. In June 2012, we actually provided \$637 million
8 with the funding apportionments for 196 projects.

9 And as of August 17th, we actually received
10 357 million in requests and we released \$268 million in
11 funds so far and just a reminder for a those folks who
12 actually have a funding apportionment. The deadline is
13 coming soon, September 25th, so we'd like to encourage you
14 all to come in with your necessary documentation plus your
15 fund release request. Physically we need to receive it by
16 September 25th.

17 CHAIRPERSON REYES: Okay.

18 MS. SILVERMAN: And the last item is just to
19 update the Board on some upcoming events. We have the Audit
20 Subcommittee on Monday. So we're prepared for that item and
21 the Implementation Committee meeting is going to be moved to
22 September 7th and the Board meeting is September 19th.

23 CHAIRPERSON REYES: Okay.

24 MS. SILVERMAN: And that's all I have.

25 CHAIRPERSON REYES: All right. Thank you. So now

1 that we have more members here, would you please establish a
2 quorum.

3 MS. JONES: Yes. Senator Lowenthal.

4 SENATOR LOWENTHAL: Yes. Here.

5 MS. JONES: Senator Hancock.

6 Senator Wyland.

7 Assemblymember Brownley.

8 Assemblymember Buchanan.

9 ASSEMBLYMEMBER BUCHANAN: Here.

10 MS. JONES: Assemblymember Hagman.

11 ASSEMBLYMEMBER HAGMAN: Here.

12 MS. JONES: Esteban Almanza.

13 MR. ALMANZA: Here.

14 MS. JONES: Kathleen Moore.

15 MS. MOORE: Present.

16 MS. JONES: Cesar Diaz.

17 MR. DIAZ: Present.

18 MS. JONES: Pedro Reyes.

19 CHAIRPERSON REYES: Present.

20 MS. JONES: We have a quorum.

21 CHAIRPERSON REYES: Okay. We do have a quorum.

22 Any public comments at this point?

23 Okay. We have **Minutes** from the last meeting.

24 MS. MOORE: Move approval.

25 ASSEMBLYMEMBER BUCHANAN: Second.

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

2 Are there any comments from the public on this?

3 All in favor say aye.

4 (Ayes)

5 CHAIRPERSON REYES: Opposed. Abstentions. Ayes

6 have it. Thank you.

7 Senator Lowenthal.

8 SENATOR LOWENTHAL: Yes.

9 CHAIRPERSON REYES: I'm sorry. I want to
10 respectful of your time. I understand you have leave.

11 SENATOR LOWENTHAL: I have to leave exactly at
12 4:45 and then I'm coming back --

13 MS. JONES: Microphone.

14 SENATOR LOWENTHAL: -- I can be back later on.
15 The Senate is still in and they're placing all bills on call
16 for me until 4:45. I'm going to run downstairs, vote, and
17 then come back.

18 CHAIRPERSON REYES: Okay. Okay. Just in the
19 interest -- do you have anything on the 90 day that you have
20 concerns with? Tab 14? Everything okay for you on that?

21 SENATOR LOWENTHAL: No. I have some comments as
22 we go through, but nothing that I need to pull order.

23 CHAIRPERSON REYES: Okay. I just want to make
24 sure that we address that.

25 SENATOR LOWENTHAL: Thank you, Mr. Chair.

1 CHAIRPERSON REYES: Okay. All right. Moving on.
2 Consent Agenda.

3 MS. SILVERMAN: The **Consent Agenda** is ready for
4 your approval.

5 CHAIRPERSON REYES: Is there anything that we want
6 to add to the Consent Agenda?

7 ASSEMBLYMEMBER BUCHANAN: Move approval.

8 MR. DIAZ: Second.

9 MR. ALMANZA: I want to suggest that we move to
10 approve Tab 7 along with the Consent Agenda.

11 CHAIRPERSON REYES: That's the Washington Unified
12 School District appeal item.

13 MR. ALMANZA: Yes.

14 ASSEMBLYMEMBER BUCHANAN: I accept that.

15 CHAIRPERSON REYES: Okay. Objections to that?
16 All right. So that has been moved and second. Whoever made
17 the second, you accept that amendment too?

18 MR. DIAZ: Accepted.

19 CHAIRPERSON REYES: Okay. All in favor say aye.

20 (Ayes)

21 CHAIRPERSON REYES: Opposed. Abstentions. And --
22 Senator Hancock, we're voting on the Consent Agenda.

23 SENATOR HANCOCK: Okay. I'm an aye.

24 CHAIRPERSON REYES: Okay. Senator Hancock's an
25 aye as well. Thank you.

1 MS. SILVERMAN: So we can move onto Tab 5 which is
2 the **Financials**. Direct your attention to actually page 286
3 is a summary of what we've released so far this month.

4 The majority of the drawdown this month has been
5 related to the priorities in funding. We have released
6 \$213 million and \$181 million is attributed to that process.

7 So again the 90-day process does work.

8 And if I can direct your attention to page 288.
9 Again we put forward this chart just to kind of have a full
10 accounting of the projects that are coming due in September.

11 We have still \$299 million that are yet to access
12 the funds and that represents 66 projects and again like I
13 encouraged districts earlier that time is running out and we
14 need to have those projects with the fund release requests
15 by September 25th.

16 And then the following chart on page 289, it's
17 basically summarizing those projects that didn't perfect
18 within that 90-day process and we have nothing to report in
19 that category for the six month.

20 And the next item is **Status of Funds**.

21 CHAIRPERSON REYES: Are there any comments on any
22 of the items already spoken? Move on, please. Thank you.
23 Tab 6.

24 MS. SILVERMAN: Tab 6, in Proposition 1D, we
25 wanted to summarize to the Board that we are actually

1 processing \$89.4 million in unfunded approvals. A good
2 portion of that is occurring in the Proposition 1D category
3 representing the Modernization Program.

4 So we processed 166 applications. Likewise we
5 actually processed five applications in the high performance
6 are and a charter project to convert. So that represents
7 81 million for Proposition 1D.

8 And the middle category is Proposition 55. We are
9 processing three applications for 8.4 million in new
10 construction. Not a lot of activity this month in new
11 construction.

12 And we also -- corresponding column related to
13 miscellaneous adjustments. We actually have \$17.8 million
14 coming back to the program and that's a result of
15 rescissions.

16 And then on page 291, we wanted to summarize on
17 the lower category, the Emergency Repair Program. We
18 actually did process a number of projects in that area,
19 \$3.4 million of additional approvals provided this month and
20 absent of that, obviously we don't have cash to provide for
21 those projects at this point in time.

22 And we actually are in the -- \$1.7 million we are
23 bringing back to the program. Those are projects that have
24 savings. So we reconciled about eight projects in that
25 area.

1 And with that, I'll open up to any questions.

2 CHAIRPERSON REYES: Any questions? Comments from
3 the public? Seeing none, we'll move on. Tab 7 we dispensed
4 with. Tab 8.

5 MS. SILVERMAN: We're on Tab 9?

6 CHAIRPERSON REYES: Tab 9. All right. Tab 8 was
7 postponed. Tab 9. Okay.

8 MR. WATANABE: We're on Tab 9, page 309. The
9 purpose of this item is to present options to the Board for
10 **accepting and processing applications once we run out of**
11 **bond authority.**

12 February -- going back to the New Construction
13 Subcommittee which talked about continuing the program until
14 there was a future bond and desire continue accepting
15 applications to -- and develop a method for tracking these
16 projects.

17 At the February Board meeting, staff brought those
18 recommendations to the full Board and which the Board
19 requested us to take this item back to the Implementation
20 Committee to discuss ways to track projects once we run out
21 of bond authority.

22 Specifically the Board had concerns over what the
23 creation of this unfunded list would mean and the
24 possibility of creating liability on the Board.

25 At the Implementation Committee, we discussed a

1 variety of options which I'll go over in just a second, but
2 the primary reason the Implementation Committee -- majority
3 of the members expressed concerns over the need to continue
4 tracking projects and specifically on the bond, page 311,
5 the Implementation Committee thought it was valuable to
6 provide for review by OPSC staff so that they knew what
7 dollar amount they could potentially qualify for under the
8 current program and validation by the Board by actually
9 approving those items.

10 On page 315, I'll lay out kind of the options
11 presented to Imp that were discussed.

12 First off, I'd like to point out in the gray box
13 at the bottom of 315 is absent Board action. This is
14 currently what OPSC staff will do.

15 OPSC will continue to accept applications, process
16 them under the current program, and then move them to the
17 Board for approval and for placement on the unfunded list
18 and this unfunded list would be the unfunded list for lack
19 of authority.

20 The four options we're laying out for the Board:
21 Option 1 is what staff does currently in the report section
22 of our agenda and that's we accept applications in date
23 order and publish them with the amounts requested by the
24 school district, but it has not received any review by OPSC
25 staff.

1 What Option 2 does is it goes the next step where
2 we could -- staff could move that report and put it in the
3 action item section of the agenda where the Board actually
4 would formally acknowledge that workload list.

5 Option 3, what happens in that case is once OPSC
6 receives the application, we would fully process it and do
7 our normal vetting with the district to arrive at a dollar
8 amount that we agree upon and that point, OPSC would create
9 a new list.

10 In this case, we -- for example, we called it
11 ready for SAB approval list. That list we would publish in
12 the report section each month, the agenda, but it would stop
13 short of the Board actually approving that list.

14 And the fourth option would be where the Board
15 actually takes action on that list. We would present it in
16 consent or an action item that we have these additional
17 projects for review and acceptance by the Board.

18 To alleviate concerns over the -- be calling the
19 list an unfunded list, we could name it project list or some
20 other name that the Board may desire.

21 Along with Option 4 or any of the options, it was
22 discussed the Board's concerns on liability and one of the
23 recommendations of the Committee would be maybe we increase
24 the self-certification process on the district to require
25 full self-certification by, say, the school board to

1 acknowledge that they are submitting an app knowing that the
2 program could change in the future, that they aren't
3 guaranteed any bond authority in the future, knowing there
4 might not be another bond or they aren't expecting any
5 funding.

6 So those are the options discussed. I could take
7 any questions.

8 CHAIRPERSON REYES: Any questions?

9 ASSEMBLYMEMBER HAGMAN: Well, comments more than
10 questions.

11 CHAIRPERSON REYES: Go ahead.

12 ASSEMBLYMEMBER HAGMAN: When I was looking at all
13 these different things, you know, one of the things that
14 school districts have to do to request these things is spend
15 a lot of time and effort to come up with their estimates and
16 that's part of maybe their five- or ten-year plan, but all
17 our forms also got to take a lot of time.

18 And then if we receive it, then obviously our
19 staff time is also taking up time and energy and resources
20 to process. As we go through things now, we go through the
21 funding round. If you're not funded, everything starts --
22 do a reset.

23 It's one thing to do a survey, which I'm not
24 opposed to at all, to find out, you know, and keep track of
25 demographics and try and get a handle on what we should be

1 proposing a year from now to go on the ballot in 2014.

2 But I don't think you have to make the school
3 districts go through all the same amount of paperwork and
4 work required to actually be on that list. If we're out of
5 money, we're out of money and I wouldn't be spending, you
6 know, my city or my previous job resources go apply for
7 funds that weren't there. The Federal Government neither
8 because it does take us money to do that or prepare for it.

9 But I think there's -- is there some Option 5 or 6
10 I guess that would allow our staff to almost send out a
11 survey, you know, keep track of your demographics over the
12 next year and let us know what you think is on the
13 horizon -- so many manhours and efforts into it to give us
14 some guidance but not going through the bureaucracy of the
15 forms that we have to do to actually physically apply and
16 see if you qualify and spend staff time on both sides to do
17 that.

18 I think the information's useful but not the
19 process, especially when we get maybe -- you know, January
20 2015, we put our first bond out. It's basically -- I would
21 assume that, you know, we're not going to take a list from
22 three years ago or three years from then to say we're going
23 to start funding now because those needs may change over
24 those three years, as we've found out before.

25 So thing are going to be pretty current, but we

1 just need our hands on the pulse but not necessarily this
2 official list that if I got it in now, spent all the
3 resources now, then I'm going to need the same thing three
4 years from now, I should be at the top.

5 That's just my two cents' worth.

6 CHAIRPERSON REYES: Ms. Buchanan and then Senator
7 Lowenthal.

8 ASSEMBLYMEMBER BUCHANAN: I'll defer.

9 CHAIRPERSON REYES: Okay. Senator Lowenthal.

10 SENATOR LOWENTHAL: Yeah. I'm not exactly the
11 same way, but regardless of whether we have another option
12 and what we do, I'm always concerned that school
13 districts -- we go through this process and I'm not really
14 sure what that new bond will look like, what the issues are.

15 So I would like at least something, maybe that
16 with any application regardless of which choice we do, that
17 they -- that local school board pass a resolution with it
18 saying that they acknowledge that there's no guarantee of
19 funding, you know, that they know that what they're getting
20 into, that there -- just because they've done this that they
21 are now acknowledging that with this process there is no
22 guarantee. So -- because there may not be any guarantee and
23 I don't want to get -- if we choose to have a list and put
24 them on, that it may not work out quite like that.

25 So I would just really like an additional --

1 regardless of which option that we put that in.

2 CHAIRPERSON REYES: Ms. Buchanan, do you want to
3 take your turn or want to --

4 ASSEMBLYMEMBER BUCHANAN: Well -- yeah. Well,
5 I -- you know, when people talk to me about past bonds,
6 they've said, you know, they continue to maintain the
7 unfunded list. One is to show demand for the bond and two
8 was to provide certainty and that if the program changed the
9 bond was bifurcated into so many dollars that paid for the
10 projects that were approved under the, quote, old program
11 and so many under the new program.

12 And I understand all of that. The problem is
13 we've never had this big of a lapse between when we had
14 money and when we didn't and we don't know what the
15 program's going to look like.

16 At the same time, I think school districts need
17 some level of certainty and so I would like to see us at a
18 minimum accept applications but not provide any particular
19 guarantee of funding under Program A or Program B until we
20 have a discussion on this Board in terms of what the program
21 might look like.

22 I mean we've -- I know we're hoping on
23 September 19th to begin that discussion, but I don't want a
24 district to go forward thinking they're going to get funds
25 when they may not.

1 At the same time, two years is a long time and if
2 people are going to embark on major projects, I think
3 they're going to need -- we can't go two years without
4 giving them some level of certainty.

5 So I would like to see us, you know, accept
6 applications until, you know, the Board has a chance to have
7 the more in-depth conversation and then we can decide if we
8 want to -- you know, what kind of action we want to take
9 moving forward.

10 CHAIRPERSON REYES: Ms. Moore.

11 ASSEMBLYMEMBER HAGMAN: Don't want to accept --
12 have some kind of parameters?

13 ASSEMBLYMEMBER BUCHANAN: All we're doing is
14 acknowledge receipt type of accepting, you know. I mean if
15 not you're going to -- in two years time if we don't do
16 anything, you're going to have a really mad rush when the
17 bond passes.

18 MS. MOORE: I'm going to speak from the other
19 perspective and that -- probably the school district
20 perspective.

21 Because we have had an unfunded list in the past
22 and you correctly express the reasons for that, it very much
23 helped with passage of a bond measure. My knowledge was
24 that it was never a guarantee. Districts always knew that
25 there was no guarantee on that and I think in fact the code

1 sections reflect that it was an unfunded list.

2 What it did provide districts was a certainty that
3 they had met the requirements of the program at that time
4 and oftentimes districts might then be able to go forward
5 with a project at the local level, which, you know, as we
6 all know creates that local infusion into the economy.

7 And so they've been able to proceed that way. But
8 full knowledge is that they may pick up the total cost of
9 that someday if there's another bond measure or another
10 program.

11 And I think it has been beneficial to school
12 districts. Completely understand the Board's -- you know,
13 the Board's concerns around this.

14 It seems like Option 4 might address those
15 concerns where it indicates that it would be an unfunded
16 list, but there's an additional requirement of school boards
17 to acknowledge that there is no funding.

18 School boards already have to approve the filing
19 of a project. I know a lot of school boards do that on an
20 annual basis and they put all their projects into it so that
21 that's the authority that they provide.

22 ASSEMBLYMEMBER BUCHANAN: Right. So I just -- so
23 what kind of -- is it an unfunded approval list? Is it just
24 an unfunded list having accepted applications? What kind of
25 unfunded list are you --

1 MS. MOORE: What it -- and staff can comment. The
2 unfunded list is a list that indicates that the project came
3 forward to the State Allocation Board and is -- meets all
4 the criteria to be a funded project. However, there is no
5 funding.

6 ASSEMBLYMEMBER BUCHANAN: And --

7 MS. MOORE: So -- and there's --

8 ASSEMBLYMEMBER BUCHANAN: And if the --

9 MS. MOORE: -- no guarantee that there will be
10 funding.

11 ASSEMBLYMEMBER BUCHANAN: And what if the criteria
12 changes from --

13 MS. MOORE: And you are correct that -- I mean if
14 you want my perspective, I thought how the Board handled it
15 in 1998 and in 2004 was beneficial to the State and to
16 school districts and how they handled it was they gave a
17 choice. You had a choice to move into the program or stay
18 where you were.

19 And the legislators and others that considered the
20 bond measure had created that possibility of, you know,
21 here's -- the list is a billion dollars long. The billion
22 dollars could stay where they -- you know, in the old
23 program or they could go into whatever we consider --

24 ASSEMBLYMEMBER BUCHANAN: But we had a really
25 short period of time. What do you do when you've got two

1 plus years? Does that change --

2 MS. MOORE: I think we had -- what's the longest
3 period we had? A year and a half before there was a bond
4 measure the last time? Do you know?

5 MS. SILVERMAN: That's probably correct.

6 MS. MOORE: I'm not positive. It was -- this
7 probably is the longer time. So I think, you know, the
8 deliberations on the Board are very appropriate.

9 It's just the possibility to keep work moving at
10 the local level also knowing that you have -- you've met the
11 criteria -- and we deliberate up here all the time on
12 appeals of people that -- you know, the different
13 interpretations of things.

14 Just the general program of people feel that by
15 sanction of OPSC -- I mean CDE, DSA that they've met the
16 requirements at the time that they filed that application.

17 The other problem that I think we have and we
18 should consider as we deliberate this is that these projects
19 are probably, you know, anywhere between two and five years
20 in the making right now and they hit the board right now,
21 the hundred million that just is beyond capacity in
22 modernization right now and what are we, 15 million in new
23 construction.

24 Those projects started planning two to five years
25 ago and under those circumstances. So it's not like we say

1 today, look, all bets off. Well, two to five years ago,
2 people started that. And so I think it's fair -- a hard
3 term to use -- but that there's a transition period for
4 those folks that begin this process many years ago and that
5 transition process in the past has been this choice.

6 If there's a better way to do it, I understand.
7 You know, and if there isn't the will of the Board, I
8 understand that as well.

9 Coming from the school district trenches, I do
10 think it's been very helpful and beneficial and it keeps --
11 it can keep projects moving at the local level with all
12 ability -- with all knowledge that it might be all on you
13 someday.

14 ASSEMBLYMEMBER HAGMAN: Can I -- from a historical
15 perspective, as far as the qualifications for a district
16 qualify, has that -- the mechanics may have changed, but
17 have the qualifications changed much over the bond cycles?

18 MS. MOORE: Well, the qualifications changed
19 substantially in 1998. We -- it was the new program and
20 we've been ostensibly operating -- or not -- ostensible is
21 the wrong word. We've been operating under that program
22 since that time.

23 We had one other pretty substantial change. We
24 had additions of some programs so they were brand new that
25 came in and then we also had the -- Modernization went from

1 an 80-20 split to a 60-40 split.

2 So there was that piece which was, you know, tough
3 as well, but in 1998 is when the program changed and what we
4 did in 1998, we also were out of funds prior to 1998.

5 And in the reform movement that went forward, it
6 was -- that's when the choice was given. It was -- they
7 said there are projects on the list. The Legislature
8 considered what that was. They put it into the bond. They
9 gave districts a choice. You could either move forward
10 under that old system or you could move into the new system.

11 ASSEMBLYMEMBER HAGMAN: I get that. I guess -- my
12 thought is if we start working on it, we'll have the
13 parameters of -- the pros and cons of everything, the
14 historical perspective to put into maybe a package next
15 year, you know, that we put a vehicle -- may not get to it
16 till the summer, but, you know, by then our funds will be
17 exhausted and then that will still leave a year for people
18 to actually see, okay, here's the -- whatever the
19 possibility of new criteria may be for them to start
20 submitting.

21 If they did it now and if I was the school
22 district and I knew I had to, you know, bond out or
23 something like that, I'd start -- things out there and find
24 out the whole, you know, chest board has been shaken up and
25 then different parameters, that's a lot of expense and a lot

1 of cost and a lot of heartache.

2 It also ties the hands of the Legislature what
3 direction we may go to put the bond. I'm just stating the
4 timing may be -- you know, let's have a goal maybe to try to
5 get some -- something out, at least our review process done
6 by March or April of next year to try to fit in a vehicle at
7 the end of the session and then everyone kind of knows what
8 that language is.

9 Then it could open up for people to submit a year
10 before it goes to the ballot. And then at least they know
11 they're working on the same -- hopefully the same general
12 rules that their expectations would be before they go
13 through the time and the expense -- the resources to go
14 through the process and our folks then to process them as
15 well.

16 I'd just hate to be in that position where, well,
17 these 50 projects came in, but they don't qualify and they
18 spent all that time and effort and bonded out and whatever
19 else they did to do it. You know, it really kind -- I'd
20 hate to change the rules at that point.

21 CHAIRPERSON REYES: Senator -- if I may, couple of
22 comments. I guess my concern is the providing a view that,
23 as you point out, met the requirement of the program at that
24 time because the program may change and given the time lag
25 between now when we're running out of money and the next

1 bond, I think there may be some interest in reforming the
2 program somehow and we don't know what that will be.

3 We will have our own conversation, but at the end
4 of the day, it's what ends up in the bond that sets the
5 program.

6 While some folks would like this to occur to
7 provide that certainty, we're sort of saying both things.
8 We would like to provide that certainty, but on the other
9 hand, you have to acknowledge that there might not be the
10 funds for it.

11 So since you have to acknowledge that there's no
12 funds, there's really no certainty either. And so it's sort
13 of a moot point when you try to make that as a criteria of,
14 you know, do the package, do the work you need to do, and
15 acknowledge that the money may not be there for you because
16 we don't know what the program will be, what the funds will
17 be, but, boy, this provides you with certainty. I think
18 that doesn't sort of -- and I concur with you, Mr. Hagman,
19 in terms of the cost associated with the district, but I
20 think Ms. Moore is correct that the work's going to have to
21 get done anyway because it's not like the schools stop
22 thinking of construction.

23 I mean the fact of the matter, they have pupils
24 that they need to address, housing, and whether there's this
25 fund or another fund, the work will continue.

1 So I'm sort of struggling with this even as I
2 prepared for this because on the one hand, a lot of the work
3 needs to be done, but I certainly do not want to presuppose
4 that the bond, whatever it is, is going to set X billions of
5 dollars to effectively continue the current program because
6 that doesn't make any sense to me.

7 Otherwise we just issue bonds again to continue
8 the current program, but we would have done that and we
9 haven't.

10 And then the new bond we've set aside some money
11 for is seismic. We've done stuff with joint use. We've
12 done other stuff that doesn't just sit there and frankly
13 given the fiscal situation that the State looks itself, you
14 know, there will be things on reform. I mean it's
15 inevitable.

16 So I'm a little bit concerned about providing a
17 State Allocation approved project list when, you know, the
18 odds are that it may not be the same list. I'm also taken
19 back by some of the certification that occurs and time
20 changes.

21 You know, we were hit with an issue of a school
22 that we approved and they wanted to transfer that authority
23 to something else and we said no, that other project needs
24 to come back. And so they said okay, then we'll build a
25 school where there are no houses because that's what you

1 approved.

2 And so things change and that's -- you know, in
3 two years, things will change. I don't know for the good or
4 for the worse, but things will change.

5 Can I go to Senator Hancock and then Senator
6 Lowenthal.

7 SENATOR HANCOCK: Yeah. I'm trying to think how
8 we would put this together in a motion.

9 I think I tend to favor Option 2 at this point
10 because we acknowledge the current applications that are
11 here but with no promises.

12 I really like Senator Lowenthal's suggestion that
13 we would ask schools to certify that they understand that
14 there may not be a bond at all or there may be a very
15 changed bond.

16 SENATOR LOWENTHAL: That there's no guarantee.

17 SENATOR HANCOCK: Yes.

18 ASSEMBLYMEMBER BUCHANAN: So they would understand
19 that there --

20 SENATOR HANCOCK: Wait a minute. Let me just say
21 the whole thing; okay? Because people interrupt on this
22 Board which makes it difficult.

23 ASSEMBLYMEMBER BUCHANAN: I apologize.

24 SENATOR HANCOCK: Okay. But I do think it's
25 incumbent on us in the next six months or so to come up with

1 the parameters of what may be in another bond and as many of
2 you know, I personally think that we need to expect much
3 greater compliance with high energy standards and some of
4 the CHPS standards that basically indicate -- that help kids
5 learning and also our energy efficient are really going to
6 be the schools of the future.

7 I think joint use, we have to have some incentives
8 for joint use because if they're all public facilities, then
9 it's the way to go, and seismic. Like we've said we know
10 that we're asking schools to do seismic. We ought to build
11 that in so that schools aren't just basing things on the old
12 parameters, coming up with something that we could change on
13 them.

14 And I don't think -- I like section 2 because it
15 says applications won't be fully processed. It seems to me
16 we're making double workload if we process applications when
17 the criteria may change and then it's also double work for
18 the applicant.

19 So I would like to see us adopt some variation on
20 that theme I guess and then begin to look concretely, as I
21 think Assemblymember Hagman suggested, on what kinds of
22 parameters this Board would be interested in laying out,
23 whether or not anybody else would.

24 CHAIRPERSON REYES: Okay.

25 SENATOR HANCOCK: Put before the Legislature I

1 guess.

2 CHAIRPERSON REYES: Senator Hancock, you've
3 mentioned putting it together as a motion. Are you prepared
4 to have a motion or do you want to hear other Board members
5 also speak and then members of the public speak? Senator
6 Lowenthal's --

7 SENATOR HANCOCK: I'd be interested in hearing
8 other Board members and members of the public.

9 I could move Option 2 simply as the focus of
10 discussion because I'd like to know how -- precisely what
11 people would change or like or don't like about Option 2.

12 CHAIRPERSON REYES: To clarify your motion though,
13 you would like motion 2 plus Senator Lowenthal's
14 clarification of certification that they would not -- you
15 know, there's no guarantees of that.

16 SENATOR HANCOCK: Right.

17 CHAIRPERSON REYES: Okay.

18 SENATOR HANCOCK: What I'm trying to get at is
19 that if people have been working on an application for three
20 to five years or even one to two years and they've done
21 plans and designs, they may want to have it in there, but
22 since things may change, I don't think we should do a full
23 workup on it because I would be very angry if I did that at
24 the district and then found out there were going to be other
25 requirements that I hadn't expected.

1 CHAIRPERSON REYES: Well, but isn't that risk
2 though when you take -- you have them apply under the
3 current program and the program that comes in and the bond
4 is two years from now?

5 SENATOR HANCOCK: Yeah, and I don't like that.

6 CHAIRPERSON REYES: That's -- okay. That's part
7 of what -- okay. Senator Lowenthal and then Mr. Hagman.

8 SENATOR HANCOCK: Okay. Well, tell me how you'd
9 change it because I feel we're circling around the same set
10 of ideas. But how do we get a motion that we can vote on.

11 CHAIRPERSON REYES: Well, at this point, I don't
12 have a motion. I mean I'm just listening to your motion and
13 I just want to seek that clarification that you wanted
14 Senator Lowenthal's certification in it.

15 SENATOR LOWENTHAL: Resolution.

16 CHAIRPERSON REYES: Resolution in there. So I
17 have Senator Lowenthal, I have Mr. Hagman, and then I have
18 Ms. Moore

19 SENATOR LOWENTHAL: I just want to reiterate. I
20 just like the fact that whether -- and I too would prefer
21 Option 2. I could live with Option 3 or Option 4, but I
22 really want that board to have a resolution that came along
23 that they understand that there's no guarantee of funding,
24 that they're affirmatively stating that so that we really
25 are clear in our communication.

1 We're expecting that they understand that and
2 that's good. But I think that I would like them to actually
3 do that.

4 ASSEMBLYMEMBER BUCHANAN: Could I ask a clarifying
5 question?

6 CHAIRPERSON REYES: Yes.

7 ASSEMBLYMEMBER BUCHANAN: So when you say no
8 guarantee of funding, are you saying no guarantee that we'll
9 pass a bond or no guarantee of program --

10 SENATOR LOWENTHAL: We don't know whether -- okay.
11 We don't know -- you know, I certainly support a bond, but
12 there's no guarantee that there will be a bond. There's no
13 guarantee that it will follow the same parameters that we
14 have.

15 These are all the issues that we're going to be
16 struggling with.

17 ASSEMBLYMEMBER BUCHANAN: So I think we're on the
18 same page.

19 SENATOR LOWENTHAL: Right.

20 CHAIRPERSON REYES: Okay. All right. Okay. So
21 there's no guarantee of funding meaning that the program for
22 which you have applied may not be in existence.

23 SENATOR LOWENTHAL: That's right.

24 CHAIRPERSON REYES: Okay. Mr. Hagman.

25 ASSEMBLYMEMBER HAGMAN: I propose a hybrid of all

1 these things. I guess it's a matter of timing to me.

2 Between now and the end of the year, I would
3 suggest that staff just kind of does a survey. Real simple.
4 Well, how's your demographics changing, how you look at it
5 right now. Here's the basic current programs as they exist
6 and so, one, we're going to need that as a Legislature
7 anyway to figure out what size and scope and things we're
8 looking at.

9 During that time period between now and the end of
10 the year, there's no reason to have all these applications
11 coming in under the current program, but we could be working
12 up our issues that we've all expressed support and problems
13 with over the last two years and we start working between
14 now and March.

15 We cut ourselves off by March, April, whatever
16 next year that we'll have the data from the school districts
17 then. We'll have all of our discussions over any tweaks we
18 may want to have, and that we hopefully set our goal to come
19 up by that time period with workshops and work with the
20 folks who do the work in the field, everything from green
21 energy to solar to how to streamline the regulations.

22 We could have all those discussions between now
23 and then and come up with a list of framework by March or
24 April, try to get in some language, and hopefully out by the
25 legislative year.

1 That gives from April 2013 till January 2015. So
2 Mr. Lowenthal and Senator Hancock can have the projects
3 actually apply, but they know with better certainty that at
4 least if a bond does pass that it does fit the new program
5 criteria.

6 It starts letting them do the two- or three-year
7 planning out ahead of time. It gives us some scoping
8 documents, so to speak, as far as numbers and those type of
9 things. It's more of a timeline than a this is the way it's
10 going to be today because there's a lot of discovery, but at
11 least it gives the idea to everyone else that we're on the
12 same page of music.

13 If you came to me and said we want to put a bond
14 out, I would have no idea how much bond to put out right
15 now. And what for? Modernization or whatever, so that's at
16 least a process to go I think that would get us there.

17 CHAIRPERSON REYES: Okay. We're coming on 4:45
18 and I'm going to lose Senator Lowenthal. Am I also losing
19 Senator Hancock? Am I losing you at 4:45 as well?

20 SENATOR HANCOCK: Yeah.

21 SENATOR LOWENTHAL: I believe they're lifting
22 calls and --

23 CHAIRPERSON REYES: Okay. Lifting calls. So you
24 a motion. Do you have a substitute motion then?

25 ASSEMBLYMEMBER HAGMAN: Yes. That would be it.

1 CHAIRPERSON REYES: That would be a substitute
2 motion. Is there -- go ahead.

3 MR. DIAZ: Mr. Chair, I'd like to hear from
4 stakeholders before moving on.

5 CHAIRPERSON REYES: Okay. All right.

6 MR. DIAZ: Or do you prefer to -- because we made
7 a motion here that --

8 CHAIRPERSON REYES: The process at one point we
9 will have public testimony at some point.

10 MR. DIAZ: Okay.

11 MS. MOORE: I just have two comments and I'll be
12 quick. One we did do an analysis of potential need and
13 published that in a report and we would love to be part of
14 this -- that discussion at the Department of Education as
15 well as any survey that might go out to school districts to
16 be included in that if we move forward with that because
17 that was one of the recommendations of the report.

18 On the issue of only doing, you know, Option 2
19 hybrid, I do want to point out what might happen for a
20 school district that I think we should really consider and
21 that is let's say green. We come up that we want all
22 schools to meet CHPS standards.

23 Those projects that are on the list right now, the
24 hundred -- you know, whatever, 15 million are out of the
25 Division of State Architect. They have essentially

1 contractual ready plans.

2 If we -- and they would then be not -- they would
3 have to go back to DSA.

4 ASSEMBLYMEMBER HAGMAN: Um-hmm.

5 MS. MOORE: They would have to revise their
6 project, if it could be revised. There are some, you know,
7 standards, you know, what, you didn't put in the right roof
8 system. It's really difficult maybe to do that.

9 So those are the impacts that might happen to a
10 district when we would say all bets are off essentially.

11 ASSEMBLYMEMBER HAGMAN: And then if I may follow
12 up.

13 MS. MOORE: And no transition period.

14 ASSEMBLYMEMBER HAGMAN: So if you make this list
15 any longer and you're giving that hope to the school
16 districts that whenever that bond comes out and that
17 15 million turns into 150- or 750 million, that's what I'm
18 saying I don't want all that work to be and then us unline
19 the box.

20 Let's figure out the process first before you make
21 them go through all that and if you already have the surveys
22 great. Then they don't have to wait for us to come up with
23 our ideas of how we want to change it.

24 MS. MOORE: And I understand. I'm just saying I
25 think we should have a transition period for districts. I

1 think that in the throes of this there needs to be a
2 transition that acknowledges five years ago, I started my
3 project.

4 MR. DIAZ: Mr. Chair, if I may ask a question
5 here.

6 CHAIRPERSON REYES: Yes.

7 MR. DIAZ: Is that sort of like a grandfathering
8 type of period that you're looking at as well for --

9 MS. MOORE: You could call it --

10 CHAIRPERSON REYES: That's what it does, yeah.

11 Ms. Buchanan.

12 ASSEMBLYMEMBER BUCHANAN: I sort of have a third
13 hybrid type. I agree with Senator Lowenthal in terms of
14 accepting applications at this point in time, having
15 districts acknowledge that the funding may not be there, the
16 program and eligibility may change.

17 The problem with not accepting applications is
18 that districts want to know where they are in line and if
19 you say, you know, you hold off for six months or nine
20 months or whatever, you know, if you go on -- you talk about
21 districts that are three to five years in -- I don't -- you
22 know, whatever they are, they want to be able to submit.
23 They want to know where they're going to be in line when
24 money does become available.

25 So I think you've got to accept and they do need

1 to know where they are in line.

2 The reason I suggested though the time out is I do
3 believe it's important for this Board to have the
4 discussion. We're planning to start the discussion on
5 September 19th and we all have our lists.

6 I mean people have heard some of the things
7 we're -- you know, I'd like to streamline a project. I
8 could give you my list just like Senator Hancock gave her
9 list.

10 I think as part of that discussion there has to
11 be -- you know, I mean if part of the discussion is you
12 should have green building, there has to be -- we're going
13 to have discuss how do you transition to that. What are the
14 costs.

15 I mean those are things that I think all of us
16 should be able to bring up whatever we want and discuss it.
17 But I have a hard time making a hard guarantee of funding
18 right now before we have those discussions.

19 So, you know, my preference would be to, you know,
20 accept the applications. You know, date them so districts
21 know where they are, make sure that there's no guarantee.

22 But to have that discussion and then hopefully
23 then be able to let districts know as soon as we can, you
24 know, what to expect because people -- whether they're
25 school districts, developers, or whoever, they're all --

1 we're all talking about money that they're going to tie up
2 and they should have then some, you know, reasonable
3 expectation.

4 If they still -- you know, who knows what happens
5 with the bond. I mean we don't know whether there'll be
6 appetite for a \$2 billion bond or a \$10 billion bond. So
7 there's a whole lot there that will go forward, but in terms
8 of at least taking a timeout and taking a look at the
9 program, I don't think that that hurts.

10 CHAIRPERSON REYES: Thank you. So should we go
11 ahead and invite folks -- interested parties to come up.
12 Lyle, you can sit next to Tom for now.

13 MR. SMOOT: You'll stop him from biting me, won't
14 you, Pedro.

15 CHAIRPERSON REYES: Absolutely not.

16 MR. DUFFY: Mr. Chairman, members, Tom Duffy for
17 the Coalition for Adequate School Housing.

18 I'm a bit troubled by the discussion. Certainly
19 we've read the document that's in your agenda and we do have
20 the letter that we have filed with you that basically
21 supports continuing the existing process where the Board
22 receives projects that have been processed by OPSC and the
23 Board approves them as unfunded.

24 And one of the options there is certainly to
25 continue that.

1 CHAIRPERSON REYES: Are you talking Option 1?

2 MR. DUFFY: The -- is it Option 1? The
3 original -- I was confusing with -- in a conversation with
4 Ms. Moore earlier two different items.

5 The current program -- or the current process of
6 the Board does several things. Well, let me state why I was
7 troubled first.

8 We filed the letter with you, but listening, I'm
9 troubled because I'm not sure what the objective,
10 Mr. Chairman and members of the Board, of the discussion.

11 If the objective is to identify the State of
12 California has limited resources in the future and we can't
13 necessarily promise, you can promise funding and bonds. You
14 can certainly do that by continuing what you're currently
15 doing.

16 If your objective is to continue to recognize that
17 school districts will, as you mentioned, Ms. Moore, have to
18 continue the process of dealing with old roofs and repairing
19 those and dealing with needs to upgrade because upgrades are
20 needed or -- and I think this was mentioned some change by
21 Ms. Moore -- some change in law not having to do directly
22 with this program but dealing with what school districts
23 must do, then districts are going to have to respond to
24 that.

25 The Building Standards Commission meets yearly and

1 considers changes in code. Those codes frequently affect
2 school districts and it means that they must comply with
3 them especially if they deal with things with access for
4 disabled individuals.

5 So separate and apart from the process here, work
6 is going to be done in school districts. Districts have
7 local bonds as you well know. They have developer fees and
8 other resources but mainly bonds -- to deal with their needs
9 and they will be spending those dollars.

10 Under the current program, you allow them to spend
11 those dollars and to identify them as something that could
12 be a match with State funds for any of the programs that are
13 there.

14 And I think you would want to continue that. We
15 want this economy in California to continue to grow,
16 continue to develop, and school construction funding has
17 been a main part of the infrastructure work that's going on
18 in California.

19 We know in conversations that we've had, Mr. Diaz,
20 in conversations we've had, Mr. Hagman -- we know that
21 school construction is a big part of the economy here
22 especially because it's been the only gain in town for
23 construction.

24 Do we really want to do anything to diminish that.
25 I think not. I think we want to encourage it.

1 With your current program, the currently receiving
2 applications, processing them, and saying you are in line
3 and by the way, you could -- there could be money available
4 under a future bond, but there isn't a guarantee is
5 something that actually was done in the past.

6 In 1988 under the old program, the Board had more
7 applications in-house than the bond that was passed in
8 November. The Board at that time prorated applications, said
9 we'll give you about 75 percent and if you sign off that you
10 will understand that you may not get the rest of that money
11 and boards did that -- my district did that.

12 So in the past, what you've discussed did occur.
13 It kept the program going.

14 In 1994, we had a failure of a bond. So you were
15 talking about when did we have a lapse. We had a lapse from
16 1992 to 1996 where there was no bond funding. We had an
17 enormous need that was demonstrated by the bond that was
18 passed in March of 1996, Proposition 203.

19 And so the fact that the Board at that time
20 continued to receive applications, put them on an unfunded
21 list, basically encouraged districts to continue to I think
22 fuel us out of that recession which was not as deep as this
23 one, but it was an important recession to deal with, and in
24 1996, we have a major bond that I think was probably a
25 harbinger to what happened in 1998 because it was so

1 successful.

2 And I don't want to just dwell on the past and the
3 successes, but they were certainly there.

4 But I would caution that there are statutory
5 provisions that in the discussion I think you are touching
6 on that would need to be change and we're not talking about
7 regulation. I'm talking about statutory provisions.

8 So if indeed you were to change how you accepted
9 applications for new construction, what you would be doing
10 is basically denying a district to potentially move from
11 level one to level two because under level two law, a
12 district must, one, have eligibility, so your staff would
13 confirm that, and, two, to be able to move a project and to
14 move it into a funding round.

15 So that's a statutory provision that would I think
16 trouble this. There are others and I think Mr. Smoot may
17 note those and I don't want to take up all of this time, but
18 we believe that if -- and one thing back to what you were
19 saying, Mr. Hagman, school districts do not mind processing
20 this work and coming to you because they believe in the
21 Allocation Board and what you've done.

22 This is a longstanding Board that's made a
23 commitment to making sure we have safe schools in California
24 and districts believe in what you do. They believe that you
25 will make good decisions in the future and if the program

1 needs to change, okay, the program needs to change.

2 We'll be adroit about that. Ms. Moore mentioned
3 what happened in 1998. Many of us were there and made those
4 changes in 1998.

5 So just in summation, doing what you're
6 suggesting, Mr. Hagman, surveying is certainly not a bad
7 idea, but what is the demonstrator of our need in
8 California. It's going to be districts filing for
9 applications even in this downturn economy and identifying
10 that they do have modernization and new construction needs.

11 I think asking them is a fair question to ask them
12 as a board of education, would you recognize for us by a
13 sign-off that indeed we may not have funds for this program
14 and this program may change. That's fair. You were a board
15 member and you I think would consider that to be a fair
16 thing for the State to ask.

17 And so in looking at anything that you would
18 change here, I would say do not change anything major. If
19 it's what you would ask of a district and if it'd be,
20 Mr. Hagman, what you'd ask of your staff to query districts,
21 that's certainly not a bad thing at all, but I think it
22 would dismantle and would cause great angst for districts if
23 you were to do a lot of what I've heard you talking about
24 doing in terms of trying to really shut the program down
25 because that's the question. You know, what is the

1 objective. Is the objective to keep the program going not
2 knowing what the future may bring.

3 You will meet on the 19th of September. I know
4 it's probably going to be a short meeting, but hearing from
5 districts as to many of the comments that I've offered you
6 and maybe asking some district -- some key districts to say
7 what will you do over the next years.

8 We're used to 5- and 10- and 15- and 20-year
9 master plans. So for districts to share those kinds of
10 things with you I think would be fair.

11 Thank you for your time. I appreciate your
12 patients with me.

13 ASSEMBLYMEMBER BUCHANAN: Can I ask a question?

14 MR. DUFFY: Yes.

15 ASSEMBLYMEMBER BUCHANAN: This is my question. I
16 agree we should, you know, keep accepting or processing,
17 whatever. You seem to agree that districts should
18 acknowledge that we don't know if there will be in funding
19 and we don't know what the program will be.

20 So if we're in agreement on that, what -- I mean
21 what if we get an application for say modernization for a
22 project that was done five years ago and we decide in the
23 new bond, we're not going to have that kind of
24 retroactivity. Is that -- I mean so what -- I mean I'm just
25 saying I mean I'm giving you that as an example.

1 So what exactly -- what happens there in that
2 situation in terms of what we've accepted in an application?

3 MR. DUFFY: I don't know that I can give you an
4 adequate answer, but if there would be an enormous number of
5 projects that were in that circumstance, I think it would be
6 worthy of consideration for some kind of grandfathering --
7 use the term that Mr. Diaz used.

8 We certainly did grandfather in the past. If it
9 would be an outlier, something really unusual, I would think
10 that the Board could handle that in a --

11 ASSEMBLYMEMBER BUCHANAN: I just want to know
12 what --

13 MR. DUFFY: -- in some other manner.

14 ASSEMBLYMEMBER BUCHANAN: I just want to know in
15 your mind what does it mean. Does it mean we're giving a
16 guarantee of funding if funds become available based on the
17 current program or does it mean we're accepting the
18 application. The district understands that -- you know,
19 that we still have to pass a bond. The district understands
20 that the program may change.

21 I mean what if the mod program was -- and I'm not
22 personally proposing this change. Just hypothetical went
23 from 60-40 to 50-50. I mean what are we leaving the
24 district with because I don't -- I think it's really
25 important that, you know, everyone have a clear

1 understanding and have some certainty.

2 MR. DUFFY: If you say this is the program today
3 that you applied for. Our rules and regs are in place.
4 Apply and you apply with the recognition that things may
5 change in the future and we'll try to sort things out in the
6 future because I think that's the only thing you really can
7 say. I think that that -- districts are going to have to
8 maintain their facilities. They're going to have to
9 modernize. They're going to have to build.

10 ASSEMBLYMEMBER BUCHANAN: Sure.

11 MR. DUFFY: They're going to have to levy
12 developer fees and they're going to have use the construct
13 in law to do that because that's --

14 ASSEMBLYMEMBER BUCHANAN: Right.

15 MR. DUFFY: -- the only thing we have.

16 ASSEMBLYMEMBER BUCHANAN: Well, let's -- I mean if
17 I were on a school board now, if you were and we had just
18 passed a bond, we would be funding a hundred percent with
19 the assumption that two years from now we'd have our
20 applications in and whatever the program is, we would --
21 we'd be in line and when they sold it, we'd get reimbursed.

22 So where the decision gets really difficult is
23 when you're down to the very end of that bond and now you've
24 been waiting on reimbursements and you don't know if you're
25 going to get it.

1 So I agree with you that it's going to go on.
2 It's going to have to go on. I'm just trying to get in
3 your -- I may have gotten a real clear answer in terms of
4 when we accept it, what in your mind is -- I don't -- are
5 districts assuming they will get if for some -- I expect
6 modernization to continue. I expect new construction and
7 that sort of thing.

8 But what in your mind are we -- are you
9 recommending? Because it sounds to me that on the other
10 hand you're saying that you recognize the program might
11 change. Other the other hand, you're saying, you know,
12 accept them and give the approvals under the old program and
13 have a bifurcation and -- in the new bond.

14 MR. DUFFY: Well, I'm saying that because it's in
15 place and we're certainly used to it and we don't know if we
16 were to make some change today or some change in some future
17 time, Mr. Hagman, we don't know -- we're still shooting in
18 the dark.

19 But it would seem to me that if indeed I'm in the
20 Chair's role in Finance, I'm probably going to think I'd
21 like to have districts pay more than the 40 percent on
22 modernization. I'd like this to be a 50-50 program. Well,
23 if that's the case, then we will deal with that and maybe
24 that's an easier one to deal with than some structural
25 change in the program.

1 The questions that I've been asked to answer and I
2 certainly can conjecture is will we indeed have a program --
3 and you talked about this. Will we have a program for
4 seismic safety or will we not. Will that be something
5 that's part of a regular program. Can we make those
6 adjustments. I think that we can.

7 But the -- I think it will be more what kinds of
8 programs than what are the entrails of the program because
9 we know that we will anticipate that we cannot sign a
10 contract until we have DSA approval.

11 So we're going to get DSA approval and we'll build
12 according to that standards. We've already met the criteria
13 under the law. That's one of the criteria under this
14 program, just to mention that one piece.

15 But -- and I apologize. I can't effectively maybe
16 crystal-ball as much as I'd like to, but I believe that if
17 you hold this program intact and you move forward, we'll
18 resolve the issues that we need to resolve, recognizing that
19 we have to pass a bond and that's going to be a tough thing
20 and we have to have the Governor and Finance and other
21 support for whatever that is going to be.

22 CHAIRPERSON REYES: Mr. Hagman -- Ms. Buchanan, I
23 don't think I got an answer to you question, but Mr. Hagman.

24 ASSEMBLYMEMBER BUCHANAN: I --

25 ASSEMBLYMEMBER HAGMAN: Well, I -- you know, to me

1 this is a basic fundamental maybe difference of opinion or
2 different thought process.

3 For me this is our taxpayers' dollars and we have
4 now know that by 2014, one of two things is going to happen.
5 Either we're going to get a bond or we're going to let the
6 local districts hit level three and do whatever they do but
7 locally.

8 Besides that, there's no guarantee. And what I'm
9 hearing is you want these projects to go forward and pay me
10 back later when you get this bond passed and that's
11 different than my thought is.

12 Once we run out of money, we're out of money and I
13 don't think we get at government. And I know these are big
14 trains. We build this huge train of building throughout the
15 state now for schools. We spent more money in the last ten
16 years than we have all the rest of the years combined on
17 schools.

18 But that reality for the districts to say, well,
19 I'm going to charge up the credit card and get reimbursed
20 from the State two years from now may not be a real reality.
21 And I don't want to sit there and pretend like everything's
22 going along smoothly. We're going to accept these things.
23 We're going to bond out. You're going to start building.
24 I'm halfway through my project lists on my bonds, but I
25 spent all my bond money and now the State's going to come

1 back and reimburse me when that may not be reality -- may
2 not even be the program would go.

3 That's what we have to discuss here, what kind of
4 fundamental changes are we going to do.

5 You're obviously correct. As need of schools
6 grow, they're going to need to build new schools. As
7 schools start crumbling, they're going to need to fix them.

8 Is that totally on the locals right now? I don't
9 know, but that's the impression I don't want to give is like
10 the program is completely going forward and if we spend, you
11 know, \$5 billion in the next two years waiting for the next
12 bond to come that that money's going to come back to them.

13 And I don't know if that's the impression we want
14 to give and I'm just throwing it out there.

15 MR. DUFFY: If I am superintendent of a school
16 district and I'm facing a board and the board says we have
17 needs and answers. Yes, we have to go to the public for a
18 local bond. I will identify in that local bond what those
19 needs are.

20 One of the questions will be -- it has been in the
21 past -- do you have eligibility for State funding. The
22 answer after now would have to be we may have eligibility if
23 indeed there is a State program to support it.

24 But that's the answer that I would have to give at
25 the local level. Is the alternative to say we're not sure

1 that we'll have a program at all and simply use -- other
2 than applications for the program, use some other means of
3 trying to assess need? Because at the local level when I
4 process a bond and I begin to plan that 5-year, 10-year,
5 15-, 20-year plan, I'm identifying what my needs are and I'm
6 going to apply to this program to demonstrate that for you
7 as a member of the Legislature and this Board.

8 That's the current process. If we stopped that at
9 the local level, I would simply have to say we don't have a
10 State program that I can apply to. There may be one in the
11 future.

12 So is there --

13 ASSEMBLYMEMBER HAGMAN: I guess that's the answer
14 I'm looking for though. If you portray that we may qualify
15 because SAB Board accepted it and processed it and you
16 qualify it on these terms we're out of money, that gives the
17 false sense that there will be money and that locks our
18 hands in a future bond, where we do -- saying we have to
19 fund these.

20 We already processed them. We already guaranteed
21 it. They already spent the money so to speak or they
22 already started the project versus saying right now we don't
23 know what the new qualifications are. We can go forward and
24 process a bond. I don't know if we could say we definitely
25 qualified under the program, but you're taking that risk

1 about the new parameters coming out and what the new program
2 may or may not look like and none of us knows.

3 What the appetite may be for the public as well to
4 pass whatever new conditions they want -- whatever the case
5 may be or green energy or all the rest of it, those new
6 qualifications, if we have a bunch that are processed,
7 stamped, you qualify, and we have, you know, a \$5 million
8 bond and we have \$3 million used, do we grandfather
9 3 billion in?

10 To me I'm giving a false sense to the public of
11 the bond I'm promoting too because, you know, half the
12 money's going to be spent before we even get the bond out.

13 So those are things I think -- that's the exact
14 phrase that you said. When you approach that school board
15 and give them that answer, that's the one that's going to
16 give them the sense that either (A) you qualify and we just
17 don't have a money -- get the money in the future or we
18 don't know what the new qualifications going to be. You're
19 taking that risk to go forward right now which was their
20 decision to do and hopefully that they will qualify whenever
21 the program comes out.

22 We know that -- try to have a program in 2014, but
23 we don't have all those specifications yet. That response
24 to that school board is what frightens me. I don't want to
25 lock us in to yes, you qualify when we don't know that's the

1 case and they make all these plans and expenses and do their
2 project without having that.

3 MR. DUFFY: But having qualified for the existing
4 program, but with the caveat that I think you were
5 admonishing --

6 ASSEMBLYMEMBER HAGMAN: And you don't think that
7 puts any pressure on this Board whatsoever to follow the
8 same criteria two years from now.

9 MR. DUFFY: What it does is to continue to give
10 districts a road to proceed upon and they're going to need
11 to proceed upon some road anyway.

12 The differences are going to be what is it that
13 you're going to require them to qualify. And I don't know
14 that we know what changes you would want to make now.
15 That's why I'm saying if you left it the way it is, you did
16 have the caveat that, okay, you've qualified for existing,
17 but we don't have any funds. So as long as you sign off on
18 this, then what would I tell the public? I would tell the
19 public there isn't a guarantee of funding.

20 ASSEMBLYMEMBER HAGMAN: But if the funding came
21 in, you would expect to be reimbursed or paid per the old
22 program.

23 MR. DUFFY: If indeed you as a member of the
24 Legislature and the other 19 all voted for that to occur and
25 we don't know if that will be the case.

1 And I appreciate this dialogue and I appreciate --

2 ASSEMBLYMEMBER HAGMAN: Yeah. That's --

3 MR. DUFFY: -- the time, Mr. Chairman. It's --

4 ASSEMBLYMEMBER BUCHANAN: -- program, they're two
5 different --

6 MR. DUFFY: It's a difficult issue. I would just
7 caution, please don't act today if you want to change
8 something because I think there are other things that really
9 will confound this. Thank you.

10 CHAIRPERSON REYES: Lyle. Words of wisdom from
11 Lyle.

12 MR. SMOOT: Thank you, Pedro.

13 CHAIRPERSON REYES: You're up --

14 MR. SMOOT: Lyle Smoot, Lyle Smoot Consulting. I
15 want to a number of issues. First I'd like to address your
16 concern -- your proposal to have a survey. I want to just
17 say that surveys have not worked too well in the program in
18 the past.

19 The first time I was involved as a staff member, I
20 worked for this Board for almost 20 years. The first time I
21 was involved in a survey was in 1980 and at that time, there
22 was no funding. Prop. 13 had just passed. There was no
23 local funding, no State funding for school facilities, and
24 the State Legislature wanted to come up with a program.

25 And that initial program, by the way, was a

1 general funded program, but they wanted to base it on some
2 information and so they asked for a survey. And I worked on
3 that survey with a member of Department of Finance who was
4 later an Executive Officer of the Board, Bill Langudy (ph).

5 We spent a lot of time coming up with a survey and
6 sending it out to districts. The responses came back and
7 after we got through everything and tried our level best to
8 come up with a good number, we determined we bought
9 \$300 million worth of unmet need for facilities in the state
10 a that time.

11 So was an appropriation made? Yeah, 300 million
12 is -- that's our pocket change. The appropriation was made.

13 It was \$450 million as I recall in 1980 and the doors were
14 open. Within the six months, there was more than
15 \$600 million worth of applications filed.

16 So if you'd based the appropriation on that, it
17 would have just been -- well, it was half and I really have
18 a concern about that.

19 The second part of this is -- Ms. Buchanan, your
20 concerns about -- and in fact this whole Board's concerns
21 about projects sitting on the unfunded list that haven't met
22 the 90-day requirement.

23 I believe that if you just went ahead with
24 processing applications in your normal fashion, that will
25 create two lists. One is an unfunded list for districts who

1 have met the 90-day certification period requirement and the
2 other one is districts that haven't met that. That whole
3 issue just goes away because the only way you'd get into the
4 funding cycle and get on an unfunded list is by the
5 certification.

6 So that whole issue would just go away. Districts
7 that keep coming in, if somebody's at the top of that list
8 and they don't want to certify, the next time you have a
9 go-round, there's somebody that just came in ten days ago
10 that will certify. They would move on to the real unfunded
11 list and that whole issue would just be resolved.

12 The third thing I want to talk about is that this
13 Board has a longstanding policy, procedure, or whatever you
14 want to call it that districts are not subjected to or
15 eligible for new requirements until the new requirements are
16 in place, including the regulations. So now you're talking
17 about doing something in anticipation that there may be a
18 new requirement sometime in the future.

19 That's totally contrary to this Board's past
20 practices and policies and that creates a real concern for
21 me in that regard.

22 And the last thing I want to bring up is --
23 Mr. Duffy alluded to it. In order to change this program
24 with taking applications and processing them to this Board
25 for approval, you're going to have to come up with a

1 regulation. I don't know how that regulation process is
2 going to work because the law is very clear as far as I'm
3 concerned anyway that -- and 17072.20 says an applicant
4 school district that has been determined by the Board to
5 meet the eligibility requirements for new construction
6 funding, blah, blah, blah, may submit at any time a request
7 to the Board for a project apportionment.

8 It's pretty clear they can submit the application.
9 I realize you're not -- you're suggesting that that change,
10 but then in that same section under C, it say the Board
11 shall verify and adjust as necessary and approve the
12 district's application.

13 So when you come up with a regulation, I don't
14 know how you're going to circumvent or get around, if you'll
15 pardon my saying so, that section that says the Board shall
16 review the application and approve it.

17 So I think you're going to have some real problems
18 getting down that line.

19 CHAIRPERSON REYES: Question to the attorney on
20 this one. Can the Board approve the application and revise
21 to zero given that the Board does not have any money to
22 allocate and met the letter of the law?

23 MS. BANZON: Under that statute, yes, the Board
24 can.

25 CHAIRPERSON REYES: Okay. That used to be clear

1 what our options are. If that came to us and the Board had
2 to take an action, the option could always be zero because
3 we don't have the funds to provide, but the Board will then
4 have taken the necessary action. Mr. Hagman.

5 ASSEMBLYMEMBER HAGMAN: Well, just like you have
6 funding rounds too. You just have different pots of money.
7 You put out a funding round, a whole bunch of people apply,
8 whoever gets -- whatever kind of money we have, we pass out.
9 The rest of the people get dropped off and you start over
10 again.

11 You could apply for this. You could approve for
12 this bond that we have out or the bonds we have out right
13 now. Once we run out of money, there's no money.

14 So when the new bond comes out, you're going to
15 apply for the new bond and the expectation you're asking me
16 to do is, well, we want to keep the trains moving, even
17 though we don't know what the tracks are going and build
18 this list and that way when we have to decide on a bond or
19 how it's going to be made up -- I mean look at this last
20 year. PLA -- a requirement.

21 I mean we go through the list. We have new green
22 energies. They change constantly. And we're talking two
23 legislative cycles and God knows what other kind of rules
24 and regulations we'll put in there between now and then and
25 when things were put out for a bond and what else that we

1 figure out as a Legislature is going to be priority. We put
2 the dams back up and the water -- I don't know.

3 What I'm saying is you're asking me to put a list
4 that's going to keep growing. We're going to keep these
5 guys busy. We going to keep you busy in the consulting
6 field, but then two years from now, I got to start all over
7 again.

8 You know, to me I'm just saying that's a false
9 premise because then you're going to come back to me and say
10 well, you have to do it this way now because we've got all
11 these people lined up and that's -- so I'm not sure if we're
12 ready to go there yet.

13 CHAIRPERSON REYES: And that's the problem that I
14 also encounter that -- you know, that each of them met the
15 requirement at the time. And the answer was, the way I
16 understood it, is yes. Even though you make the
17 modernization fund perspective and right now we do
18 retroactive funding, if somebody came in now and asked for
19 retroactive funding, if the bond came in 2014 and then made
20 a perspective, whoever then qualified for the retroactive
21 would get it because they met the criteria at the time.

22 ASSEMBLYMEMBER HAGMAN: By they have to qualify
23 for it.

24 CHAIRPERSON REYES: Right.

25 ASSEMBLYMEMBER BUCHANAN: So your interpretation

1 is that, yes, you keep processing, but you're processing
2 under a 1D bond program and if the bond program changes, it
3 doesn't give you eligibility under that new program unless
4 the new program reflects that.

5 CHAIRPERSON REYES: Reflects the existing program.

6 MR. DIAZ: Mr. Chair.

7 CHAIRPERSON REYES: Yes.

8 MR. DIAZ: Here's just an idea perhaps to explore.
9 Maybe you guys could give me comments on it, but it seems to
10 me there was an idea here of those projects that are further
11 along the process that are, you know, now too hard -- or too
12 difficult for them to go back and make changes, could it be
13 that those are the projects that get accepted under sort of
14 the old rules and then there's a cutoff and then you move
15 perspectively with perhaps a different option here to say
16 you entering a new territory and you will -- things may
17 change; enter at your own risk.

18 We both are in the same, you know, area because
19 there is no funding, but certainly there are some hardships
20 for some school districts that are further along in the
21 process. Could that be something to explore, so we're kind
22 of cutting in the middle?

23 ASSEMBLYMEMBER BUCHANAN: There's no money to fund
24 it. That's all.

25 MR. DIAZ: Right. Well --

1 CHAIRPERSON REYES: Ms. Moore.

2 MS. MOORE: I again would encourage us to support
3 that kind of transition period. I can't say enough about
4 how much districts have invested in these projects already
5 that are, you know, poised to come before the Board right
6 now and that's an investment of local dollars. It's an
7 investment of tax dollars and to turn that away and say all
8 bets are -- start all over, I think we need to have some
9 type of transition time for districts. And I would ask us
10 to consider that.

11 ASSEMBLYMEMBER HAGMAN: And for the next two
12 years, keep adding more and more and more and more to that
13 list and have the same guarantee to them that we would --
14 have them started -- they start today, we're going to have
15 the same guarantee to it.

16 MS. MOORE: I hear you on that. I am saying that
17 is something that we should consider. I'm not saying where
18 that transition starts or stops, but I think simply saying
19 today that all bets are off and you'll have to go back
20 through the Division of State Architect if we change.
21 You'll have to go back through to the Office of Public
22 School Construction, the Department of Education, and redo
23 your projects is probably not in the best interests of us or
24 the school districts for those that are far along. And --

25 ASSEMBLYMEMBER HAGMAN: Well, there's a difference

1 between even we started a year ago and we're through, our
2 application's in, you're talking about accepting an
3 application and go through all that process and that's what
4 I'm saying.

5 You know, at what point do you cut that off. If
6 you leave it open ended with not a definition of what starts
7 when, I mean I could start tomorrow.

8 MS. MOORE: But we fund practically arrears. I
9 mean we say you do every single thing possible and then you
10 come in for funding. You come -- you go -- you're approved
11 through the Division of State Architect. You're approved
12 through the Department of Education. You're approved
13 through the Department of Toxic Substance Control. You've
14 done your local approvals. You are construction ready when
15 you come in to this Board.

16 And so they're all out there doing all that for
17 the last, you know, whatever many years it might take some
18 districts. It's years for many. I mean you can't just
19 start a project -- very rarely can you start a project six
20 months ago and be before this Board.

21 ASSEMBLYMEMBER HAGMAN: We're fixing CEQA. Maybe
22 that will happen here soon.

23 MS. MOORE: So that's what I'm saying. I think
24 there is -- should be acknowledgment of that.

25 CHAIRPERSON REYES: Okay. Mr. Bakke. Thank you.

1 Senator Hancock. I'm sorry.

2 SENATOR HANCOCK: Yeah. And I definitely
3 understand what Kathleen is talking about. Is there a way
4 to have a nuanced Option 2 that says, you know, things that
5 are pending before the Board or things are almost ready to
6 go in, feel free to send them in with the stipulation that
7 you understand if there is a new bond, the criteria may
8 change, but we can acknowledge what you did, but have a
9 cutoff period so we're not encouraging everybody to keep
10 going and crank things up.

11 But if you, you know, just started six months ago,
12 maybe then you ought kind of put it on hold and wait and do
13 deferred maintenance or something. You know -- Kathleen, do
14 you understand what I'm --

15 MS. MOORE: Are you asking for a response?

16 SENATOR HANCOCK: I'm asking for a response, yes,
17 because --

18 MS. MOORE: I think that there could be a
19 thoughtful transition period. Do I think we can come up
20 with it today? Possibly not. I just think today -- you
21 know, lots of good issues being raised.

22 I think that there's a need to look -- to be
23 careful and thoughtful in this. Do I think there's a way
24 that we could come up with this? Yes, because we did in
25 1998.

1 Maybe that's not what it -- exactly what the Board
2 would want to do. I mean I can think of lots of ideas, but
3 I don't know if I want to do that on the fly right here.

4 SENATOR HANCOCK: Okay. I agree with you. Should
5 we ask staff to come back, having heard the discussion, with
6 a recommendation for a nuanced approach that does
7 something --

8 CHAIRPERSON REYES: Okay. Let me -- Ms. Buchanan,
9 you --

10 ASSEMBLYMEMBER BUCHANAN: I think -- I mean all I
11 was suggesting because I tend to agree that we have -- if
12 we, you know, accept the applications, we note that, you
13 know, these are subject to passing a new bond and subject to
14 potential program changes and then we give this Board a
15 little bit of time, I mean and -- you know, to have that
16 discussion, whether it's -- I mean every -- whether it's
17 over the green projects or how we grandfather or whatever, I
18 mean there are all kinds of things we have to consider.

19 We're going to have to get input from many people
20 out there and we've got the issue with counties. How do
21 we -- I mean all these different issues.

22 So if we did that, you know, pending a
23 discussion -- a thoughtful discussion, I think everyone
24 would benefit from that. And I don't think anyone is
25 suggesting -- and I don't speak for Senator Hancock.

1 She's -- even when she's suggested she believes there should
2 be, you know, more -- we should promote more green building,
3 I don't think she's ever suggesting that people who are --
4 you know, have had their plans designed and are in DSA or
5 whatever would have to go back and redo those.

6 You know, it -- I would -- you know, I would
7 assume we would do that on a prospective basis, but let's
8 have the -- let's take some time and have a meaningful
9 discussion and so we can hopefully get then -- you know,
10 talk about things and give more clarity and it won't be in
11 the middle of a meeting like this when we're trying to deal
12 with so many other items on the agenda.

13 CHAIRPERSON REYES: Mr. Bakke, but before you go,
14 just for the record, we did try to get a conversation going
15 in July, but we couldn't get folks together. In fact we
16 can't find time that we can get everybody together to have
17 this conversation off the regular meetings and that's why
18 we're going to do in September and we perhaps have to do it
19 in a piecemeal approach, but that's about the only way we're
20 going to have this conversation of just adding it to the
21 regular Board agenda items and have the conversation.

22 But go ahead, Mr. Bakke. I'm sorry.

23 MR. BAKKE: Eric Bakke with Los Angeles Unified.
24 You know, when I came here, I was going to talk about
25 supporting, you know, Options 4 or 5, keeping things

1 consistent. School districts are creatures of habits and
2 so -- this has been a tremendous conversation.

3 I mean I think everyone has added value to the
4 conversation. What I think we need to do is continue this
5 conversation. You know, I'm concerned if we look at just
6 Option 2, it talks about accepting applications. Well, I've
7 heard conversations about the program is changing and I --
8 you know, I think a lot of us would agree that a lot of
9 changes have been made. So what's the point of accepting
10 applications if the program's changing. What value is that.

11 So what are we really creating when we do that. I
12 think those are questions we need to ask and answer. I
13 don't think we can do that today and I just -- I appreciate
14 this.

15 I think we need to keep talking about this because
16 I think we also need to recognize that there's an economic
17 impact that Mr. Duffy raised earlier.

18 School districts still need to build. They still
19 need to modernize and renovate and work still needs to be
20 performed. And so some direction and some continuity that's
21 provided by the State Allocation Board helps districts in
22 their planning efforts.

23 As Kathleen Moore said, these efforts began
24 already two, three, four years ago and are starting today.

25 So, you know, if anything to keep this

1 conversation so that at least school districts understand
2 that there's direction, a goal, that, you know, there's a
3 vision, it will help ease some of the tension at the local
4 level to continue construction so we just don't sit on the
5 sidelines and be idle and do nothing.

6 And as Mr. Duffy said, school construction is
7 pretty much been the only game in town for the last couple
8 of years. We hope that continues.

9 And so keeping this conversation alive instead of
10 making decision today is very beneficial. We encourage
11 that.

12 CHAIRPERSON REYES: Okay. Next, please.

13 MS. STEWART: Susan Stewart representing the
14 Contra Costa County Superintendent --

15 CHAIRPERSON REYES: Can you get the other mic
16 closer to you or --

17 MS. STEWART: This one?

18 CHAIRPERSON REYES: There you go. Thank you.

19 MS. STEWART: Susan Stewart representing the
20 Contra Costa County Superintendents Coalition and we would
21 like to say too that we agree with so many of the things
22 that have been said earlier, so I'm not going to iterate
23 those and especially with Ms. Moore.

24 And it's critical for districts to proceed with
25 local bonds, to be able to have some kind of State approval

1 for their eligibility -- verifying their eligibility and
2 we'd like to keep going with the approval process.

3 And we understand that there's going to -- we're
4 heading towards some kind of verification and confirmation
5 from school districts that yes, there is no guarantee of
6 funding and they're sure of it.

7 If more discussions need to occur on this issue
8 and it sounds like we really do need some thoughtful
9 discussions, there's a -- you know, the Implementation
10 Committee is made up of stakeholders from every aspect of
11 school construction, including a lot of school district
12 representation and that might be a good place to have some
13 of these discussions on some of these program changing
14 requirements.

15 CHAIRPERSON REYES: This came out of the
16 Implementation Committee, Mr. --

17 MR. SAVIDGE: Yes, sir.

18 CHAIRPERSON REYES: Okay. I just want to make
19 sure. All right. Thank you.

20 Okay. So we had a motion by Senator Hancock.
21 Then we had a substitute motion by Mr. Hagman. Neither
22 motion had a second. There's a lot of conversation.

23 In the absence of any action, we go -- we default
24 to Regulation 1859.95 -- staff, is that correct?

25 MR. MIRELES: It's correct.

1 CHAIRPERSON REYES: And so what is the will of the
2 Board?

3 SENATOR HANCOCK: Did you say what that is?

4 CHAIRPERSON REYES: Staff, would you --

5 MR. MIRELES: Basically we continue to accept and
6 process the applications which means that we go through the
7 whole review and present them for approval for the Board.

8 ASSEMBLYMEMBER HAGMAN: So that would be No. 2.

9 MR. MIRELES: That would be, yes.

10 SENATOR HANCOCK: No.

11 MR. MIRELES: No, actually number --

12 CHAIRPERSON REYES: No. It's not No. 2.

13 MR. MIRELES: It's sort of a --

14 ASSEMBLYMEMBER HAGMAN: The gray box. Oh, okay.

15 MR. MIRELES: Yes.

16 SENATOR HANCOCK: I'm going to make -- move
17 Option 2 then.

18 SENATOR LOWENTHAL: I'll second it.

19 CHAIRPERSON REYES: Okay.

20 SENATOR LOWENTHAL: With the -- if I might,
21 Mr. Chair.

22 CHAIRPERSON REYES: Yes.

23 SENATOR LOWENTHAL: With the idea also that there
24 be a resolution adopted by the local board in their
25 application. With the -- with my recommendation also before

1 that whatever option that we choose, that there be -- that
2 the local school board provide a resolution acknowledging
3 that there's no guaranteeing of State funding.

4 ASSEMBLYMEMBER BUCHANAN: Of funding and program
5 eligibility or just funding?

6 SENATOR LOWENTHAL: Whatever the wording of it is.
7 But just that they understand what they're getting into.

8 ASSEMBLYMEMBER BUCHANAN: Okay.

9 CHAIRPERSON REYES: I would like clarification of
10 this program eligibility as well not just funding.

11 SENATOR LOWENTHAL: Yes. Got it.

12 CHAIRPERSON REYES: Because if there's a decision
13 to change the program, I don't want there to be expectation.

14 SENATOR LOWENTHAL: Absolutely. Absolutely.

15 CHAIRPERSON REYES: Okay.

16 SENATOR LOWENTHAL: This is really to promote
17 openness and truth in -- you know, in what we're doing.
18 To -- and advertise. That's all. Not to discourage or to
19 encourage, but just to let them know what the rules are,
20 where we are.

21 CHAIRPERSON REYES: Okay. Mr. Hagman, I'll go to
22 you since you had a substitute motion at some point.

23 This motion's been moved and seconded.

24 ASSEMBLYMEMBER HAGMAN: Well, since we're in a
25 point of time that may change month to month as we go

1 forward, I guess I'll go with that, but I think we have the
2 right -- the option to change in September, October,
3 November, December as we go through this process and come up
4 with something else.

5 CHAIRPERSON REYES: Okay.

6 ASSEMBLYMEMBER HAGMAN: I'm trying to get the
7 least liability for this Board as possible with the least
8 expectation that we're basically spending on a credit card
9 we don't have right now.

10 CHAIRPERSON REYES: Counsel, does that get us
11 there by requiring a certification from the board -- from
12 the school boards that there's no guarantee of either
13 funding or program eligibility and that resolution require
14 it.

15 MS. BANZON: In my opinion, that should get us
16 there because a resolution would be --

17 CHAIRPERSON REYES: An acknowledgement at the
18 local level.

19 MS. BANZON: -- telling the Board that in fact
20 that the district acknowledged that.

21 CHAIRPERSON REYES: Okay.

22 MS. BANZON: And that is a good thing to --

23 CHAIRPERSON REYES: Staff, is that pretty clear
24 what it is when we're moving forward?

25 MR. MIRELES: Yes.

1 CHAIRPERSON REYES: Okay. So the motion's been
2 moved and seconded. Yes, Senator Hancock.

3 SENATOR HANCOCK: If you don't -- I actually would
4 like to go through what I think the motion is because I'm
5 not actually sure what some of the words here mean.

6 The Option 2 would mean -- what it says, we would
7 use a Board-acknowledged workload list and that applications
8 would not be fully processed.

9 Then it says the Board would acknowledge current
10 OPSC workload as a Board action. I'm not sure what that
11 means.

12 MR. WATANABE: I'm not sure what that means. What
13 will happen is once we receive the application from the
14 district, our intake team will make sure it has the major
15 components of the application: CDE approval letter, DSA
16 approved plans.

17 And then what we do is we take the amount
18 requested by the district and do as we do in the report
19 section, list that amount in date order received for
20 projects and it would stop there.

21 We wouldn't do our actual plan verification
22 process where we look line by line at the actual grant
23 amounts reviewed. It would just go -- we would list on the
24 list what the district requested.

25 SENATOR HANCOCK: So what does current OPSC

1 workload mean? As of today? As of --

2 CHAIRPERSON REYES: At that point in time when the
3 report is provided.

4 SENATOR HANCOCK: -- six months from now?

5 MR. SAVIDGE: That's correct. And it was also
6 anticipated in Option 2 in our discussions at the
7 Implementation Committee that the Board would take an action
8 on whatever basis, monthly, quarterly, acknowledging the
9 existence of the list and the projects on the list to help
10 this -- this was meant as a kind of tweener between no
11 processing and full processing in the discussions that we've
12 had with the group at the Implementation Committee.

13 SENATOR HANCOCK: So it isn't don't process.
14 It's --

15 MR. SAVIDGE: Partially.

16 SENATOR HANCOCK: And for how many years would we
17 keep doing that?

18 CHAIRPERSON REYES: Until the bond comes out.

19 ASSEMBLYMEMBER BUCHANAN: Until we take other
20 action.

21 SENATOR HANCOCK: Until we take -- okay.

22 ASSEMBLYMEMBER HAGMAN: So we could change it. We
23 could decide in January to change the whole process or
24 December or two years from now depending on what we came up
25 with.

1 SENATOR HANCOCK: So the motion really would --

2 ASSEMBLYMEMBER HAGMAN: But there's no
3 certification, which I think is the big legal thing --

4 SENATOR HANCOCK: -- that an acknowledged workload
5 list is -- has received a cursory check to see if the
6 application is complete but is not processed for final grant
7 application.

8 ASSEMBLYMEMBER HAGMAN: And it doesn't get
9 certified which is --

10 SENATOR HANCOCK: Final determination.

11 MR. SAVIDGE: And the Board makes -- takes an
12 action acknowledging and accepting the list so that there is
13 some level of certainty.

14 SENATOR HANCOCK: Okay. Okay.

15 CHAIRPERSON REYES: Okay?

16 SENATOR HANCOCK: Yes.

17 CHAIRPERSON REYES: So that was the motion and
18 Senator Lowenthal seconded it. We already took public
19 testimony. Unless it's some earth-shattering item that is
20 going to bring a lot of light into this, I think we've heard
21 a lot.

22 MR. DUFFY: Well, let me just add -- not wanting
23 to take more of your time, but this whole question of --

24 MS. JONES: Can you turn it on. Thank you.

25 MR. DUFFY: -- certification is -- is that going

1 to allow a school district to say we can move to level two
2 because I don't know that that is compliant with the law.
3 That may be something you want to consider before taking any
4 action because you're talking about something that is
5 statutorily rooted when a district looks at its eligibility
6 and then its moving of a project through to the Board and
7 that -- a district must be able to demonstrate that in order
8 to apply and have the board levy level (indiscernible-away
9 from mic).

10 ASSEMBLYMEMBER BUCHANAN: So this was brought to
11 us by the Implementation Committee --

12 CHAIRPERSON REYES: Implementation Committee as
13 one of the options.

14 ASSEMBLYMEMBER BUCHANAN: -- so I have to assume
15 they must have considered --

16 CHAIRPERSON REYES: Well, except they did not
17 consider the resolution by the board district -- Board
18 saying we may not get this. That was not part of the
19 Implementation --

20 MR. SAVIDGE: Not for this option.

21 CHAIRPERSON REYES: Yes.

22 MR. SAVIDGE: Originally. That's correct.

23 CHAIRPERSON REYES: So while this was one of the
24 options considered by the Implementation Committee, it was
25 not the amended option.

1 ASSEMBLYMEMBER BUCHANAN: Right. But the amended
2 option was part of another. So someone must have
3 considered --

4 MR. MIRELES: Part of this option, Mr. Chair,
5 requires us to come back with conforming regulations. We
6 can go back and clarify --

7 CHAIRPERSON REYES: Okay. All right.

8 MR. MIRELES: -- in the meantime.

9 CHAIRPERSON REYES: So we will need to do that.
10 Thank you.

11 SENATOR HANCOCK: Okay. Now do I also need to
12 amend the motion to include Senator Lowenthal's
13 stipulation --

14 CHAIRPERSON REYES: Yes.

15 SENATOR HANCOCK: -- that now a complete
16 application would include an acknowledgment passed by the
17 school board --

18 CHAIRPERSON REYES: Resolution that --

19 SENATOR HANCOCK: -- a resolution that they
20 understand that there's no guarantee of State funding.

21 SENATOR LOWENTHAL: And program --

22 CHAIRPERSON REYES: And program eligibility.

23 SENATOR HANCOCK: And that program or --

24 SENATOR LOWENTHAL: Eligibility.

25 SENATOR HANCOCK: Yeah. Or the same program

1 guidelines.

2 CHAIRPERSON REYES: Okay. So that was moved and
3 seconded by Senator Lowenthal. More Board comments.
4 Ms. Moore, no? Okay.

5 MS. MOORE: Well, I guess it's more technical. We
6 have a regulation on statute -- or on -- we have a
7 regulation that says we have an unfunded list until such
8 time as we pass -- if this passes, until -- and regulation
9 takes three, four months.

10 So in the intervening time, I'm assuming the
11 regulation as we currently have it stands until such time as
12 it changed; is that correct?

13 MS. SILVERMAN: Right.

14 MS. MOORE: So there'll be a group of projects
15 that fall into that.

16 MS. SILVERMAN: But the Board also adopted a
17 policy to have this discussion brought out further in which
18 they would establish what the policy would be in until we
19 had the discussion.

20 The policy was to create a list and put those
21 projects on the list.

22 MS. MOORE: But we have a regulation that we have
23 to adhere to until such time as it's changed?

24 CHAIRPERSON REYES: We have a regulation in place
25 until the Board takes such action such as today to do this.

1 In terms of school district is moving forward having to do
2 the certification, that does not kick in until such time the
3 regulations are adopted, making that requirement.

4 So the components of the motion that would be
5 effective immediately and the components of the motion that
6 will require regulatory changes; is that correct?

7 MS. SILVERMAN: That's correct.

8 CHAIRPERSON REYES: Okay.

9 MS. MOORE: I'm sorry. I don't understand what
10 effective immediately.

11 MS. SILVERMAN: Well, the Board is going to adopt
12 a policy today that they're going to move forward with
13 regulations on Option 2 and that will be the new rule moving
14 forward until the regulations are in place.

15 MS. MOORE: I don't think we can do that.

16 MR. MIRELES: We have accepted -- like Ms. Moore
17 mentioned earlier, we have accepted projects beyond the
18 authority. The current regulation does state that the --
19 that we will accept and process. We have not processed
20 those applications yet.

21 We will need to change that regulation to clarify
22 this new option that the Board made.

23 Now in the past, we haven't take a new regulation
24 into effect until it became approved by the Office of
25 Administrative Law. Even if the Board takes action today,

1 we still have to go through the rule-making process for it
2 to become effect.

3 CHAIRPERSON REYES: Okay.

4 ASSEMBLYMEMBER HAGMAN: But if we're out of
5 dollars -- maybe it's a legal thing -- you could always make
6 a declaration that you're out of money and that the award is
7 zero and that list basically gets thrown out and started
8 over again.

9 So I'm sure that's now what most people want
10 either out there. So instead of putting us in a bind where
11 you are certified, therefore -- you know, I would think if
12 we had to, we get pushed into by legal sense, we could say,
13 okay, these are all certified. We have zero dollars left;
14 therefore that's out and the new funding then comes in or
15 whatever.

16 MS. BANZON: The regulation that's in existence
17 stands until it's either repealed or another regulation
18 supersedes it and I believe SAB -- I mean OPSC has done that
19 in the past. That's a regulation that's in existence and
20 that is the statutory way.

21 MS. MOORE: So the regulation stands until such
22 time as it is changed.

23 CHAIRPERSON REYES: Correct.

24 MS. MOORE: So there's a group of projects that
25 are subject to the regulation as it stands now and there

1 will be -- if this passes, there will be a group of projects
2 subject to the regulations that change.

3 MS. BANZON: That could be true and that might be
4 something that the Board may have to make a determination as
5 to, you know, what to do with those projects.

6 But as I -- I mean statutorily a regulation does
7 stand because what you don't want to do is have an
8 underground regulation.

9 CHAIRPERSON REYES: Correct.

10 MS. BANZON: So I'm just trying to remind the
11 Board of this. Thank you.

12 CHAIRPERSON REYES: Okay. Okay. So there's a
13 motion and a second. All in favor say aye.

14 MS. MOORE: Can you do roll call.

15 CHAIRPERSON REYES: Roll call.

16 MS. JONES: Lowenthal.

17 SENATOR LOWENTHAL: Aye.

18 MS. JONES: Hancock.

19 SENATOR HANCOCK: Aye.

20 MS. JONES: Buchanan.

21 ASSEMBLYMEMBER BUCHANAN: Aye.

22 MS. JONES: Hagman.

23 ASSEMBLYMEMBER HAGMAN: Aye.

24 MS. JONES: Almanza.

25 MR. ALMANZA: Aye.

1 MS. JONES: Moore.

2 MS. MOORE: No.

3 MS. JONES: Diaz.

4 MR. DIAZ: Aye.

5 MS. JONES: Reyes.

6 CHAIRPERSON REYES: Aye. Okay.

7 MS. JONES: Motion carries.

8 CHAIRPERSON REYES: Thank you. We have off
9 Tab 10. So we do have folks from the Department of Defense.
10 Can we -- without objection, can we move to Tab 11, please.
11 Is that okay?

12 MS. MOORE: Tab 11 is page --

13 CHAIRPERSON REYES: 332.

14 MR. WATANABE: Okay. This is Tab 11, page 332 in
15 the agenda. This is a report back from the State Allocation
16 Board Subcommittee on **Department of Defense projects**.

17 Back at the April 2012 meeting, the Board
18 established a Subcommittee to talk about these five
19 districts that have seven California schools with -- on
20 military bases.

21 The Department of Defense created a program that
22 allowed these projects to receive federal funding provided
23 they can come up -- the districts can come up with their
24 20 percent match.

25 As a result of the Subcommittee -- the

1 Subcommittee has two recommendations that they are bringing
2 back which I'll let Ms. Moore speak to and the Department of
3 Defense is also here to field any questions on that.

4 MS. MOORE: Thank you, Mr. --

5 CHAIRPERSON REYES: Chair?

6 CHAIRPERSON REYES: Yes, please.

7 MS. MOORE: Thank you, Mr. Watanable, and I'd also
8 like to thank my fellow Subcommittee members, Assemblymember
9 Buchanan, Assemblymember Hagman, Esteban Almanza, and
10 myself.

11 We met on June 12th and developed these two
12 recommendations. Since that time, the recommendation to
13 amend the regulations to allow for preliminary
14 apportionments for the Department of Defense project is not
15 really viable because we are, as we just discussed, out of
16 bond authority and it would not necessarily I think
17 advantage these projects in the manner that we conceived of
18 back when we first talked about this in April and then
19 subsequently meeting in June.

20 In addition, one of the school districts, Sierra
21 Sands, is on the list for a portion of their modernization.
22 They're about 6 million outside of authority and hopefully
23 they'll get through the line to authority if there's
24 rescissions or other funding that comes back.

25 So a portion of the problem starts getting solved

1 there.

2 I'd like to just concentrate on the second -- and
3 I'll ask my fellow Subcommittee members if they'd like to
4 speak in a minute. I'd like to concentrate on the second
5 recommendation and that is to recommend that the
6 Legislature, much like we were talking about for all these
7 other issues, consider the funding for the 20 percent of
8 those projects that cannot come up with it in the 2014 bond
9 measure.

10 So it's a recommendation to the Legislature
11 essentially is what it is.

12 And I would also like to just introduce Robert
13 Hertzfeld who's the Project Manager from the Department of
14 Defense, Office of Economic Adjustment, who can provide an
15 update on the questions that were asked during the April SAB
16 meeting and the June SAB meeting because these projects have
17 been moving forward. There's some change and I just would
18 ask him to address that.

19 And then I'll turn it over to my fellow
20 Subcommittee members, if they have any comments and make
21 some final comments and ask for a vote on that.

22 CHAIRPERSON REYES: Please.

23 MR. HERTZFELD: My name is Robert Hertzfeld. I'm
24 a Project Manager for the seven California projects that we
25 have under our program with the Office of Economic

1 Adjustment.

2 First I wanted to thank all of the staff for all
3 the time that they've spent looking at all of these projects
4 and additionally the Subcommittee who we spent a lot of time
5 and by their questions and thought process showed that they
6 spent a lot of time thinking about our project and our
7 program, which is a little bit confusing because it's a
8 relatively new program without a history or a track record
9 to go forward with and appreciate all the comments that we
10 got from the Subcommittee staff.

11 Just to update everyone on the project, we
12 basically in I guess the fiscal year 2011 at the Budget
13 Reconciliation Bill in May two years ago got \$250 million to
14 create a pool of funds to help school construction of the
15 worst-ranked schools -- public schools located on military
16 bases based upon an assessment that was done on condition
17 and capacity.

18 For that first \$250 million, we decided to go out
19 and solicit proposals from the top 12 on our list. Out of
20 that top 12 worst condition and capacity schools, three were
21 located in California.

22 When the last Budget Reconciliation Bill was done
23 last year, we got another \$250 million put into our program.
24 We went out in September requesting proposals from the next
25 12 on the list. Out of that 12 on the -- next 12 on the

1 list, we had five located in California.

2 The first what we call tranche -- the first 12, we
3 reviewed their proposals and have started processing their
4 requests for funding and grant funding.

5 Out of the top 12, we've issued so far grants for
6 three of them and we're working down on our list and we hope
7 to get through that first 12 that would go through that
8 first \$250 million before the end of the year.

9 We have also started the review process for that
10 next 12. So we have firm proposals from all of the second
11 12 school districts and we have started site visits and
12 reviewing and analyzing those proposals.

13 So that's where we are in the process and open to
14 any questions that people may have.

15 MS. MOORE: So if I can summarize. There's a
16 federal opportunity for currently seven base schools in
17 California to access about 200 million in federal funding.

18 They have a, as a part of their requirement,
19 20 percent local match. We're aware that four of the seven
20 of the first two tranches cannot meet their local match and
21 they have -- each of them I believe has either had a bond
22 measure or had a failed bond measure and have expended their
23 local funds.

24 So I was asked as the liaison. They wanted --
25 each State has a liaison to assist with the California

1 projects. And that's why it's before this Board. We -- I
2 brought it up. We had our Subcommittee. We were looking
3 for options that would assist these projects.

4 They are in their beginning stages and they would
5 not -- they probably would not be at a stage we were just
6 talking about for all the other projects of coming out
7 Division of State Architect. It pretty much coincides with
8 a future -- with a potential 2014 bond.

9 And that's why the second recommendation of
10 considering it as well as I would say considering there are
11 approximately I think eight additional California projects
12 down the list if the Federal Government goes through any
13 future tranches.

14 And the --

15 MR. HERTZFELD: Yeah. And that -- sorry to
16 interrupt. An update to that is in the House Appropriations
17 Subcommittee, they've requested funding for another
18 \$270 million for a third round. We're not sure about what's
19 happening with the federal budget right now, but there has
20 been support to get down to that next round of which a
21 majority of those schools are also located in California.

22 And we will be going through the same process for
23 requesting proposals and evaluating the proposals as we have
24 for the first two rounds.

25 MS. MOORE: And so just from our perspective, this

1 is a tremendous opportunity I think for California to
2 support their base schools. They do not necessarily --
3 they're square pegs in potentially our round hole in this
4 program and that's when we -- and I think staff did really
5 thorough job at trying to look for how they could match up
6 and ultimately we as a Subcommittee said perhaps this should
7 be considered in the 2014 bond in order to overcome I think
8 some of these issues that preclude it from -- preclude the
9 State from really in partnership with the locals to provide
10 that 20 percent at this time. And so --

11 CHAIRPERSON REYES: Ms. Buchanan.

12 ASSEMBLYMEMBER BUCHANAN: Yeah. I would just,
13 one, first of all, want to thank Ms. Moore for all the work
14 that you've done on this and I know it's taken considerable
15 time and I also want to thank the Department of Defense
16 because, you know, much of our discussion centered around
17 the fact that, okay, we have this opportunity, but we didn't
18 really know the magnitude of the need out there. And it's
19 always tough to plan when you don't really exactly know how
20 much needs to go into construction and what the State's
21 share's going to be.

22 And my understanding is, is that there -- the --
23 through the grant process, you're willing to consider
24 preliminary grants to our schools so that they can begin the
25 planning and that will give us more information in terms of

1 what the need is and I think that's a real positive step
2 forward so we're just not, you know, waiting for two years.

3 And I think if you think about all the joint use
4 projects that we're -- you know, that we've tried to fund,
5 you know, this is sort of -- it is -- it's not exactly a
6 joint use project in terms of joining hands with a community
7 on a multi-use room, but it is a partnership program where
8 we have, you know, children in California who deserve to
9 have quality schools, we have the Federal Government who's
10 willing to share 80 percent, and I think it's a very
11 appropriate discussion to have as we begin our conversation
12 on September 19th in terms of how do we meet these needs in
13 the next bond. So I'm fully supportive of the proposal that
14 we have.

15 CHAIRPERSON REYES: Senator Lowenthal.

16 SENATOR LOWENTHAL: Yeah. I too am fully
17 supportive of the proposals. As you recall, I'm on the
18 Budget Committee in the Senate. We tried to get \$20 million
19 out of our general fund for that first -- for those schools
20 that couldn't.

21 While every single member both -- in a bipartisan
22 way, Republicans and Democrats on the -- especially on the
23 Senate -- well, it was done in the Senate Budget --
24 supported it, it was with -- the administration said there
25 was no money in the general fund to be able to spend this

1 and they moved it out of that.

2 So I -- away from the general fund, which
3 disappointed I think members on both sides of the aisle.

4 I think this is an appropriate response to that.
5 This really provides us with the opportunity to plan and to
6 the degree to which if we're -- you know, that we have some
7 opportunity -- some time until the 2014, this would be ideal
8 because the general fund will not be in a position to help
9 out in the next year to two.

10 CHAIRPERSON REYES: Okay. Mr. Hagman.

11 ASSEMBLYMEMBER HAGMAN: Well, I just want to say
12 we're -- I mean we're all -- I think we're all in support in
13 trying to get this on the bond, but I couldn't pass up the
14 opportunity to -- kind of knows how much bills were passed
15 out of appropriations in both Houses and total alone was
16 \$500 million that we don't have money for.

17 So we'll see how that goes as well when it gets to
18 the Governor's desk to figure out how we're going to fund
19 that and we're already over budget, but I think fully we
20 should be going forward and supporting this program the best
21 we can and try to give assurances to our federal partners
22 that we will try any way we can to get it funded.

23 CHAIRPERSON REYES: So the recommendation of the
24 Committee is that this be incorporated into the discussions
25 for the next bond to the tune of 41 million; is that what

1 I'm hearing?

2 MS. MOORE: The recommendation is to recommend to
3 the Legislature that the future bond funds be made available
4 specifically for DOD schools and it could be up to
5 41 million, but I wouldn't want to preclude the discussion
6 of the next tranche.

7 So I just think -- can we leave that --

8 ASSEMBLYMEMBER BUCHANAN: I would leave the amount
9 out --

10 MS. MOORE: Okay.

11 ASSEMBLYMEMBER BUCHANAN: you know, because I
12 don't think we should limit ourselves at this point in time.
13 We want to be sure we allocate enough to meet the need.

14 MS. MOORE: So then it would be -- may I make a
15 motion?

16 CHAIRPERSON REYES: May I make a comment first?

17 MS. MOORE: Sure. Absolutely.

18 CHAIRPERSON REYES: Because the motion will come
19 and then we'll have -- I guess my concern with -- and just
20 for the record, I will abstain just because Finance
21 generally does not get involved in supporting legislation
22 one way or the other since the boss downstairs will make the
23 ultimate call and I will never get in front of him.

24 So we will abstain from that.

25 But I guess my concern is providing now in a -- we

1 have legislators here who can do whatever they want in their
2 capacity as legislators so they'd only need our State
3 Allocation Board recommendation to do that.

4 The concern I would have to ask that pots of money
5 be set aside now on a bond yet to be crafted is that, you
6 know, we go with this. Senator Hancock can come in and
7 require -- ask us -- not require -- I apologize -- ask us to
8 consider that the -- next that we take an action that joint
9 use be included for some amount of money or seismic be
10 included for some amount of money and Ms. Buchanan can --

11 SENATOR LOWENTHAL: These are all recommendations
12 to the Legislature. We're not authorizing anything.

13 CHAIRPERSON REYES: Correct. But if Senator
14 Hancock also wanted us to recommend to the Legislature that
15 joint use be incorporated into the next bond, we would need
16 to take that into account or seismic, we would need to take
17 that into account or, you know, any other one over the other
18 subject matter interest to individual members.

19 ASSEMBLYMEMBER BUCHANAN: Do we need a motion or
20 do we need consensus that this is something that when we
21 talk about we should -- I mea I'm just asking.

22 MS. MOORE: I'd like to make a motion.

23 SENATOR HANCOCK: I have a question.

24 CHAIRPERSON REYES: Senator Hancock.

25 SENATOR HANCOCK: We're talking about \$41 million?

1 CHAIRPERSON REYES: No cap. No set up a dollar
2 amount.

3 SENATOR HANCOCK: No, no. What do these schools
4 need to modernize?

5 MS. MOORE: The current -- it's --

6 ASSEMBLYMEMBER BUCHANAN: We don't know.

7 MS. MOORE: It's estimated at 20 percent of all
8 the projects, but we already know that some of the projects
9 have the ability to come up with their 20 percent -- but
10 20 percent of all the projects of the 205 million would be
11 41 million.

12 The OPSC points out that 28 million is really the
13 amount that is not -- there's not eligibility around.

14 So I think the suggestion -- and also there's
15 future projects that might be considered.

16 ASSEMBLYMEMBER BUCHANAN: Right.

17 MS. MOORE: So the suggestion that we not consider
18 a dollar amount but that we recommend to the Legislature for
19 consideration the inclusion of the military's match projects
20 for those that can't come up with their match is the action.

21 SENATOR HANCOCK: Okay. And none of these
22 districts are ready to go even though some of them have
23 passed bonds and some of them have not been able to and
24 there's a variety of circumstances?

25 MS. MOORE: The program just began less than a

1 year ago. So the program began in October. The districts
2 had no idea that they had this possibility until last
3 October and so they're in the process of design development
4 or would be in the process of design development and would
5 most likely their time frames would be, you know, 2013, 2014
6 time frames of being ready.

7 SENATOR HANCOCK: And the federal money will still
8 be there?

9 MR. HERTZFELD: Yes. It's what they call know
10 your money.

11 SENATOR HANCOCK: Ah-ha.

12 MR. HERTZFELD: If I can -- I was over there --

13 SENATOR HANCOCK: Thank you. I support --

14 CHAIRPERSON REYES: Okay.

15 SENATOR HANCOCK: Adds to the trillion marks.

16 CHAIRPERSON REYES: So there's a motion and I
17 believe there was a second by Senator Lowenthal. Any
18 comments from the public on this issue? Seeing none, we
19 move on. All in favor say aye.

20 (Ayes)

21 CHAIRPERSON REYES: Nos? Abstentions. I. Two
22 abstentions. The motion still carries. Thank you.

23 MR. HERTZFELD: Thank you very much for your time.

24 CHAIRPERSON REYES: Thank you. Okay. We go back
25 to Tab 10, **options for administrative costs**. Ms. Silverman.

1 MS. SILVERMAN: Yep. I'll keep it short because I
2 know we're losing some of the membership here.

3 The Board wanted to consider back in February of
4 how we --

5 CHAIRPERSON REYES: Hold on. Senator Lowenthal,
6 are you coming back, sir, or are you done? Is there any
7 particular items in here that you have interest on on the 90
8 day?

9 SENATOR LOWENTHAL: All of them.

10 CHAIRPERSON REYES: But any particular -- I
11 apologize. I'm sure you like them all. Thank you.

12 MS. SILVERMAN: Okay. So in the interest of time,
13 I just wanted to jump to some of the high level points of
14 view as whether or not we could actually prorate any of the
15 future costs to the program because that's -- obviously it's
16 something that we've never considered in the past.

17 Just a short summary that the administrative costs
18 that is allocated to the program covers four different
19 departments. That includes Department of General Services,
20 Office of Public School Construction for processing
21 applications and funding eligibility checks, including
22 post-application functions, substantial review of closeouts
23 and accounting, processing, and fund release, converting --
24 again unfunded approvals and CDE also has a role with site
25 approvals and education plan reviews and with charter school

1 has -- they conduct financial reviews for charter schools
2 and the Controller has oversight.

3 Again this conversation was also discussed at the
4 Implementation Committee on whether or not we should be
5 keeping reserve for the future program in the absence of
6 having to process unfunded approvals.

7 Another item that we wanted to highlight is just
8 to recognize to the Board that we are oversubscribed in two
9 program areas. Currently \$14 million in new construction
10 and over \$102 million in modernization and we wanted to
11 highlight there's also program funds and overcrowded relief
12 grant, but we also have considerable amount of applications
13 we're currently processing, about 113 million. So that
14 leaves 121 million left.

15 And whether or not the Board has actually
16 considered reserving admin costs for the future, this Board
17 has taken action in the past to do that.

18 So what we're proposing is -- in summary is to
19 take into account \$17.9 million that was reserved -- excuse
20 me -- that was approved for the program as part of the
21 Budget Act for this year but also a set aside for future
22 years that include '13-'14 and '14-'15.

23 The administrative costs to the programs has
24 strictly been isolated to certain programs. In the past,
25 we've charged -- we charged to modernization or new

1 construction and most recently to the overcrowded relief
2 grant.

3 So the options we laid out for the Board are
4 actually on page 328 through 331.

5 Option 1 on page 328, basically -- I know we
6 published this item last month. Thing that's changed is
7 really the remaining bond authority column.

8 This option lays out specifically the costs being
9 charged to Proposition 1D and with the exclusion of the
10 costs being born to modernization and new construction.

11 So the Budget Act does require that '12-'13 fiscal
12 year be charged to Proposition 1D, but again providing the
13 Board some flexibility of whether or not they want to move
14 forward with just precluding the new construction and
15 modernization.

16 And likewise, the brunt of the charges would be
17 assessed to the Seismic Program, 21.3 million, and the
18 Overcrowded Relief Grant of 25.8 million.

19 And there are the smaller charges of career tech
20 and the high performance area.

21 CHAIRPERSON REYES: So what you're doing is just
22 prorating it based on what the remaining pots of money are.

23 MS. SILVERMAN: Current balances available.
24 That's correct.

25 CHAIRPERSON REYES: But doesn't that kind of take

1 seismic a lot harder because of the money that's there now?

2 MS. SILVERMAN: That's correct. This is just
3 looking at our current --

4 CHAIRPERSON REYES: Okay.

5 MS. SILVERMAN: -- funds balances not including
6 the projects in the --

7 CHAIRPERSON REYES: Okay. Okay.

8 MS. SILVERMAN: So Option 2 is to include all
9 programs. That includes modernization and new construction
10 but exclusively have the charges assessed to Proposition 1D.
11 So the rate assessed -- the proration obviously changes.

12 There -- \$1.9 million would be charged to new
13 construction, 15 million to seismic, 14.2 million to
14 modernization, .6 to career tech, 4 million to high
15 performance, and 18 million to the Overcrowded Relief Grant.

16 CHAIRPERSON REYES: Okay.

17 MS. SILVERMAN: The next option is Option 3 and
18 bearing the charges exclusively to the Overcrowded Relief
19 Grant and that's strictly out of 1D.

20 And Option 4 is a spread of the costs throughout
21 the bond program. Specifically '12-'13 again the Budget Act
22 does require that the charges be born out of Proposition 1D,
23 but the future costs, we have a different proration because
24 that cost could be prorated through the other active
25 programs which include Proposition 55 and 47 in which they

1 do have fund balances in new construction and modernization.

2 So the spread of the cost for the '12-'13 year is
3 specifically included in new construction and mod, but only
4 1D, the costs in the prior -- or subsequent years are spread
5 throughout the program.

6 So in effect there's the charges floating forward.
7 I'm not sure if you have any questions.

8 CHAIRPERSON REYES: Senator Hancock.

9 SENATOR HANCOCK: Thank you. I would just like to
10 ask that we hold this item over. Senator Lowenthal made
11 that request out in the hall and this is -- since this
12 relates to options for continuing administration after bond
13 monies are depleted, I think in light of our previous
14 discussion, this ought to be put over till our September
15 meeting because it's part of a big picture and I will say
16 there are some things that would give me pause like taking
17 money from the seismic fund to pay administrative staff when
18 bond monies are depleted.

19 If there was an earthquake and a school fell down,
20 I wouldn't want to have to explain that.

21 And I just think we all have to be sensitive about
22 that kind of thing right now and that we've had a very good
23 long discussion about what to do with the grant applications
24 and that we really ought to have some more discussion,
25 hopefully with a full Board component, about what to do

1 about continuing administrative staff after the bond monies
2 are depleted.

3 CHAIRPERSON REYES: Okay. Senator Hagman.

4 ASSEMBLYMEMBER HAGMAN: Thanks for the promotion.

5 CHAIRPERSON REYES: I'm thinking in the future,
6 sir.

7 ASSEMBLYMEMBER HAGMAN: Well, the one option I'm
8 seeing here is actually -- I mean most of the grants I've
9 ever dealt with before, special federal grants, they gave a
10 certain amount for administration and each came out of each
11 funding source based on staff time and we don't really have
12 that prorated.

13 I don't know how much staff has spent on one
14 program or the other. So we are coming back. Maybe that's
15 an option to look at.

16 But just because we ran out of money doesn't mean
17 there's not administration duties to do to follow up on
18 these projects in place -- to follow up and make sure
19 they're still complying and still following all the
20 different things we have.

21 So we have to fund it throughout the length to the
22 last project, the last day, and you're paying out money so
23 you have to plan for that.

24 But I think, you know, one of the options to look
25 at is how much each program is using as far as percentage of

1 staff time. I don't know if you have that kind of numbers,
2 but just approximately you spend more time on, you know, one
3 set of funds than the other, that'd be more fair to my --

4 CHAIRPERSON REYES: Probably new construction,
5 modernization, and --

6 MS. SILVERMAN: That's the meat and potatoes of
7 the program; right.

8 CHAIRPERSON REYES: Yeah.

9 MS. SILVERMAN: But we still have \$1.1 billion in
10 other active programs that we still need to dispense with,
11 so --

12 CHAIRPERSON REYES: So, you know, in deference to
13 Senator Lowenthal's interest in being here, we probably
14 should put it over. The one caveat I have though is I would
15 like to perhaps come up with something for now and then
16 bring it up again next month because we need to set aside
17 some pot of money and we're writing checks.

18 And so these percentages will change by next
19 month.

20 MS. SILVERMAN: That's correct.

21 CHAIRPERSON REYES: And so if -- and I --

22 SENATOR HANCOCK: Are we out of administrative
23 money? We can't make payroll? What's the deal?

24 CHAIRPERSON REYES: We need to set it aside.
25 Otherwise we're just going to start writing checks and

1 that -- but I'm sensitive to your seismic issue.

2 My preference would be the seismic and the small
3 pots don't be touched because they get a disproportionate
4 share, particularly in the seismic that we have not been
5 very successful in getting the money out.

6 SENATOR HANCOCK: No, and the high performance --

7 CHAIRPERSON REYES: Correct.

8 SENATOR HANCOCK: -- grants are the same thing.

9 CHAIRPERSON REYES: So my bias would be to impact
10 frankly the larger -- the meat and potatoes programs to the
11 extent that we have to, but I would like to set some money
12 now aside and then come back next month and have the
13 conversation and change it if we need to.

14 SENATOR HANCOCK: Okay. I guess I'm not clear on
15 whether we're setting aside money for the next two years,
16 for the next month, for meeting payroll. You know, next
17 week. What are we talking about?

18 CHAIRPERSON REYES: Ms. Silverman.

19 MS. SILVERMAN: The Budget Act provided the
20 authorization to expend the funds for '12-'13, so that's a
21 given. I think what the question is, is the prior --
22 subsequent funds are made for the next two years.

23 And I think it's a set-aside of 17.9 million each
24 year is what staff projected. So I think we could reserve
25 some pot of money to carry that over until we have a further

1 discussion.

2 ASSEMBLYMEMBER HAGMAN: And I'll make a motion
3 real quick.

4 CHAIRPERSON REYES: Ms. Buchanan had a question.
5 Go ahead, Ms. Buchanan.

6 ASSEMBLYMEMBER BUCHANAN: So the Budget Act
7 provided the funding for the next fiscal year.

8 MS. SILVERMAN: Correct.

9 CHAIRPERSON REYES: For the current fiscal year.

10 MS. SILVERMAN: For the current fiscal year.

11 ASSEMBLYMEMBER BUCHANAN: Right. Well, we're on
12 the current now. That's right, it's August. So it provided
13 that and then it took the money out of --

14 CHAIRPERSON REYES: 1D.

15 ASSEMBLYMEMBER BUCHANAN: -- 1D.

16 MS. SILVERMAN: 1D. Right.

17 CHAIRPERSON REYES: Without specifying --

18 ASSEMBLYMEMBER BUCHANAN: Without specifying the
19 program.

20 CHAIRPERSON REYES: Correct.

21 MS. SILVERMAN: Right.

22 ASSEMBLYMEMBER BUCHANAN: So the certainty you
23 would like to have is what program am I charging it to.

24 CHAIRPERSON REYES: Just as a placeholder now.

25 ASSEMBLYMEMBER BUCHANAN: As a placeholder now.

1 Okay.

2 CHAIRPERSON REYES: And if we come back and next
3 month and --

4 ASSEMBLYMEMBER BUCHANAN: Right.

5 CHAIRPERSON REYES: -- have full deliberation, we
6 can undo what we do right now.

7 ASSEMBLYMEMBER BUCHANAN: And Senator Hancock
8 believes, which I agree with, that if we're talking about
9 how we're going to get through the -- you know, allocating
10 the remainder of this bond and move onto the next one, it
11 should be part of a bigger discussion and I wholeheartedly
12 agree with that because I philosophically believe you take
13 the money out of the top and then you spend the rest which
14 in effect allocates it evenly.

15 I think we're too far down the road on this bond
16 to do that and we've got to take a look at, you know, where
17 the requests are for money and how much money is left and
18 how we're going to work through all of that.

19 So my question then is you want an interim
20 solution. How much money are you looking at in terms of the
21 need for an interim solution so you know where you're
22 charging it and we don't -- because I think we have limited
23 ability to move money from one funding pot to another;
24 right?

25 Some we can do; some's required by the -- at

1 legislative action. So what --

2 CHAIRPERSON REYES: Okay. Last year in the
3 absence of any action by the Legislature, administratively
4 we moved money from the Overcrowded Relief Grant to pay. We
5 freed up money from modernization which was --

6 ASSEMBLYMEMBER BUCHANAN: Right.

7 CHAIRPERSON REYES: -- taken -- paying for it
8 historically.

9 In the absence of any action, we have to set aside
10 money for this. Right now we have 1D money, but we're not
11 limited to anything.

12 So technically we could tell -- we the
13 administration can tell the Controller to take it out of
14 this fund and it is what it is.

15 I prefer to be in conversation with the Board and
16 say, okay, Board, we're coming to the last few dollars.
17 What is the wishes of the Board to move forward.

18 And that's where I'm seeking guidance. We can do
19 it and we're -- the Budget Act gives the authority to do a
20 lot of stuff, but I really -- but in the meantime, we're
21 writing checks and before we deplete different funds --
22 because if we do this calculation two months from now, the
23 seismic will be the biggest pot and that's not what we want
24 to do.

25 SENATOR HANCOCK: It could be the only pot.

1 CHAIRPERSON REYES: It could be the only pot. And
2 that's frankly one of the concerns that I have, Senator, is
3 that I want to signal now that this is the pots that we're
4 reserving the 53 million. It's a guess, but we're reserving
5 now.

6 If we come back next month or the following month
7 and say, you know what, really the 50 modernization, 25
8 overcrowded, and 25 new construction really is not the way
9 to go, we can then have that conversation, 25-25-50 percent,
10 whatever percentage we agreed to is not the way to go or
11 doing it all out of 1D or do it all -- we could do all the
12 bonds but exclude the niche funding, the seismic, the joint.
13 We can do that.

14 My concern is that we're writing checks and --

15 ASSEMBLYMEMBER BUCHANAN: Well, we're over -- we
16 know we're oversubscribed in some --

17 CHAIRPERSON REYES: Um-hmm.

18 ASSEMBLYMEMBER BUCHANAN: -- areas. So are you
19 looking for us to say until we take further action, take all
20 the money out of Pots A, B, and C, the 50 whatever million?

21 CHAIRPERSON REYES: 53-, yeah.

22 ASSEMBLYMEMBER BUCHANAN: Are you looking for us
23 to say until we can discuss this in September, take the
24 money out of Pot A, B, and C? Because they're two different
25 dollar amounts that we're talking about.

1 CHAIRPERSON REYES: I would like to protect the
2 53 million now.

3 SENATOR HANCOCK: What is the 53 million for?

4 ASSEMBLYMEMBER HAGMAN: For the next three years.

5 ASSEMBLYMEMBER BUCHANAN: That's the
6 administrative --

7 CHAIRPERSON REYES: That's for the next three
8 years of administrative.

9 SENATOR HANCOCK: For the entire staff that we now
10 have onboard.

11 CHAIRPERSON REYES: For the --

12 SENATOR HANCOCK: Although we may not be
13 processing grants.

14 MS. SILVERMAN: Four agencies are covered.

15 SENATOR HANCOCK: I think you got to make a case
16 for that.

17 CHAIRPERSON REYES: The four agencies that are
18 being funded out of this: Controller, Department of
19 Education, and OPSC.

20 SENATOR HANCOCK: Yes. I just think we have to be
21 sensitive to the fact that we have some issues around where
22 money goes and that I'm not -- so I'm not comfortable
23 today --

24 CHAIRPERSON REYES: Okay.

25 SENATOR HANCOCK: -- to say I'm going to guarantee

1 that we keep all the administrative funding so that we keep
2 all the State employees here even though we may run out of
3 bond money and we decide not to process applications. I
4 can't do that. I don't want to be part of a part situation.

5 ASSEMBLYMEMBER BUCHANAN: So then are you saying
6 that you're -- so you're saying we'll just let Department of
7 Finance make the decision where they want to take next
8 month's checks --

9 SENATOR HANCOCK: What I thought I heard that we
10 have put money into the -- into administration -- for the
11 rest of this fiscal year, administration is covered. So --

12 ASSEMBLYMEMBER BUCHANAN: But they haven't charged
13 that to a specific program is what I'm hearing.

14 CHAIRPERSON REYES: That is correct. We do not
15 have a --

16 ASSEMBLYMEMBER BUCHANAN: And we want to know what
17 program to charge it against.

18 CHAIRPERSON REYES: We do not have a program in
19 specific that we want to charge and I'm being very clear
20 that administratively we have the authority to make that
21 call.

22 In the interest of working with my Board members,
23 I want to make everybody aware that we have this and we can
24 prorate, but I think that takes seismic a bigger hit. So
25 that's not where I want to go.

1 I think meat and potatoes is the modernization/new
2 construction. My preference is to go there and set that
3 money aside now out of the modernization and new
4 construction but out of all the bonds -- all the bond
5 authority we have.

6 And that is just a placeholder.

7 I know that Senator Lowenthal would like to have
8 this conversation and I want to be respectful of that, but I
9 also need to protect the funds that we have there now so
10 that people understand that this pot of money is no longer
11 available.

12 If we come back and we reverse that a month from
13 now or two months now, then that will be a different
14 conversation.

15 ASSEMBLYMEMBER HAGMAN: I'd like to see it coming
16 out of where the time is being spent now and projecting
17 toward the future as well. So if most of your meat and
18 potatoes are in a couple things, I would like to see how
19 that's, you know, fairly distributed.

20 If you're not touching seismic because there's no
21 work, they shouldn't be hit with all those dollars. I think
22 it should go to where the money's being spent.

23 CHAIRPERSON REYES: Okay. Out of all the bonds,
24 not just 1D.

25 ASSEMBLYMEMBER HAGMAN: Well, I liked Option 1 --

1 I mean Option 4 I guess, but you're stuck already with
2 '12-'13 and you putting the fiscal all in 1D. You know,
3 going out years and stuff like that, we could have that
4 discussion next month because we're not talking out years.
5 We're talking about classification stuff right now.

6 But, you know, that is -- I guess you are. I
7 guess if you planned out all three years, you're taking out.
8 So -- and I don't know what the percentage out of each bond
9 is being spent both currently and what's projected, but if
10 that's -- that's probably more on Option D -- or Option 4
11 versus either option because that's at least broken up with
12 different bond funds.

13 CHAIRPERSON REYES: Option 4 but on a workload
14 basis rather than money available basis.

15 ASSEMBLYMEMBER HAGMAN: As best you can.

16 ASSEMBLYMEMBER BUCHANAN: But the problem I have
17 with that is we could end up with money left in a pot and no
18 ability to transfer that and a school -- and a district
19 that's ready to build a new school or modernize and there's
20 nothing we can do. So --

21 CHAIRPERSON REYES: Can -- what -- but so what if
22 we take this approach now and set the money aside and kind
23 of follow what Mr. Hagman is suggesting, looking at Option 4
24 which is looking at all the bonds, but focus on the meat and
25 potatoes. Okay. Set the money aside.

1 And then a year from now, we visit this issue and
2 figure out whether or not we move money around based on
3 that --

4 ASSEMBLYMEMBER BUCHANAN: Didn't we estimate -- I
5 mean if the applications come in slower, but a year from
6 now, we may be out of money in those areas.

7 CHAIRPERSON REYES: Um-hmm.

8 ASSEMBLYMEMBER BUCHANAN: So I don't know what has
9 to happen, but I tend to agree with Senator Hancock in that
10 we've got to have the discussion and we're going to have to
11 make the tough decision.

12 We may or may not agree on the total amount that
13 has to come out, but we're going to have to make a decision
14 and I do believe the decision should be based on, you know,
15 what the funds technically are available in each program,
16 what the demand is, and we're going to have decide how best
17 to use them.

18 So I don't know where that leaves the interim,
19 whether you make a decision --

20 CHAIRPERSON REYES: Ms. Silverman.

21 MS. SILVERMAN: I think what we're doing is trying
22 to reserve a set-aside prospectively and I mean -- and
23 moving forward, I mean all this is conditioned on the Budget
24 Act, I mean.

25 So it's either set it high and then it could be

1 whittled down the Budget Act. And so -- but projection
2 wise, I think we're going to be exhausted in new
3 construction and mod by December or January. I mean that's
4 the realization here. So --

5 ASSEMBLYMEMBER BUCHANAN: Right. But do you set
6 it aside out of a pot where you have -- where demand is
7 oversubscribed or do you set it aside out of another pot. I
8 don't -- I agree with setting it aside. I mean everyone
9 here wants to have applications processed. You have to have
10 employees to process them.

11 But my -- but I think the question in my mind is
12 to what program are you -- you know, where are you going to
13 take the money to set it aside.

14 MS. SILVERMAN: And we do have a workload chart in
15 the back of the book under information item that displays
16 what we have in-house on a workload. So we can do it a
17 number of different ways.

18 CHAIRPERSON REYES: Okay.

19 ASSEMBLYMEMBER HAGMAN: I still have a motion
20 there, but --

21 CHAIRPERSON REYES: And your motion was that we
22 prorate it based on what --

23 ASSEMBLYMEMBER HAGMAN: Option 4, but based on
24 what --

25 CHAIRPERSON REYES: Okay.

1 ASSEMBLYMEMBER HAGMAN: You can always change it
2 two months from now. I don't care. But if you want
3 something right now as a placeholder, I think that's the
4 fairest way to distribute the amount as many different
5 places as possible and not have it all come out of one group
6 or the other.

7 CHAIRPERSON REYES: Okay. Is there a second?

8 MS. MOORE: I'll second.

9 CHAIRPERSON REYES: Ms. Moore seconds. Okay.
10 Public comment? Okay. Call the roll, please.

11 ASSEMBLYMEMBER BUCHANAN: Can I ask a question?

12 CHAIRPERSON REYES: Ms. Buchanan.

13 ASSEMBLYMEMBER BUCHANAN: Once you take it out of
14 modernization, for example, can we put it back in or is that
15 just take it out --

16 CHAIRPERSON REYES: Yes, we can put it back in.

17 ASSEMBLYMEMBER BUCHANAN: Okay.

18 MS. JONES: Hancock --

19 CHAIRPERSON REYES: Ms. Silverman, we can put it
20 back in.

21 MS. SILVERMAN: Um-hmm.

22 CHAIRPERSON REYES: Yes. Yes. I'm sorry. Go
23 ahead.

24 MS. JONES: Hancock.

25 Buchanan.

1 ASSEMBLYMEMBER BUCHANAN: Aye.

2 MS. JONES: Hagman.

3 ASSEMBLYMEMBER HAGMAN: Aye.

4 MS. JONES: Almanza.

5 MR. ALMANZA: Aye.

6 MS. JONES: Moore.

7 MS. MOORE: Aye.

8 MS. JONES: Diaz.

9 MR. DIAZ: Aye.

10 MS. JONES: Reyes.

11 CHAIRPERSON REYES: Aye.

12 ASSEMBLYMEMBER BUCHANAN: Could I ask --

13 CHAIRPERSON REYES: With the understanding that
14 we're going to come back and visit this particularly as we
15 move forward and look at the program and therefore the
16 workload associated with the program because if we're not
17 doing -- we need to implement -- we need to go, as Ms. Moore
18 pointed out, the current regulations that are in place and
19 we need to do what we do.

20 When the new regulations come in place, that won't
21 impact the workload and I think then Senator Hancock's point
22 is taken.

23 ASSEMBLYMEMBER BUCHANAN: And I think what Senator
24 Hancock's asked that as we begin September 19th discussion
25 that this be part of it and I --

1 CHAIRPERSON REYES: Yes.

2 ASSEMBLYMEMBER BUCHANAN: And I agree with that.

3 SENATOR HANCOCK: I'm actually trying to think how
4 we can get good policy information. I know that Senator
5 Lowenthal indicated that he feels there's a lack of
6 information about the expenditure costs for the different
7 things that if we run out of money at certain times, what is
8 the necessity to have additional staff.

9 We don't really know any of that and I'm thinking
10 maybe since Mr. Savidge is like the Board's secretary, we
11 should ask him or we should send Ms. Silverman our questions
12 because we get a lot of information.

13 ASSEMBLYMEMBER HAGMAN: Or -- perfect time for a
14 subcommittee on budget.

15 SENATOR HANCOCK: We get a great deal of
16 information. When we the Procedures Committee, we tried
17 very hard to streamline it, so that it would be more useful
18 to at least some of the legislative members who aren't
19 familiar with all the terms and whatnot.

20 I have to say it is still quite obtuse a lot of
21 the time and maybe if we could indicate the questions that
22 we'd like to have clearly laid out and maybe even get some
23 drafts from staff so that we can try to be better prepared
24 at these meetings with really some clear ideas of what our
25 policy choices are.

1 CHAIRPERSON REYES: And, you know, I know Senator
2 Lowenthal asked that we put this item over, but in fairness
3 items should be put over before we get the conversation
4 going. I made several requests of Senator Lowenthal, is
5 there anything you're interested in. I'm interested in
6 everything. Anything you want. And I think in all fairness
7 he should have said could you please hold this item open.

8 Once we get the conversation going, I don't want
9 to feel that folks can -- that have an action item or an
10 appeal item to present and then at that point ask that the
11 item be held over. So in all fairness --

12 ASSEMBLYMEMBER BUCHANAN: But out of respect, I
13 think Senator Hancock's --

14 CHAIRPERSON REYES: I want to come back to this
15 issue.

16 ASSEMBLYMEMBER BUCHANAN: -- concerns and Senator
17 Lowenthal's, what we've done --

18 CHAIRPERSON REYES: Absolutely.

19 ASSEMBLYMEMBER BUCHANAN: -- is created an interim
20 mechanism until we're able to have the conversation.

21 CHAIRPERSON REYES: And we recognize that. We
22 recognize that we will have a conversation where we will
23 have those issues be brought up.

24 Okay. Next item.

25 MS. SILVERMAN: Next item is Tab 13.

1 CHAIRPERSON REYES: South Whittier.

2 ASSEMBLYMEMBER HAGMAN: This is supposed to be a
3 quick one.

4 MR. MIRELES: Tab 12.

5 MS. SILVERMAN: 12.

6 MR. MIRELES: The next item's on Tab 12 beginning
7 on page 396. This item includes a request from the **South**
8 **Whittier Elementary School** to receive an unfunded approval
9 under our Facility Hardship Program for the Lake Marie
10 Elementary.

11 This school was built in the 1950s. It includes a
12 walkway canopy and lunch shelter that is now severely
13 corroded and also includes asbestos as well as lead-based
14 paint.

15 They submitted all the required documentation to
16 clearly demonstrate that there's a health and safety threat
17 to the pupils. That much is clear on this project.

18 What's not so clear is whether these are
19 circumstances that are unusual and beyond the control of the
20 district as required by law.

21 The district has received modernization funding
22 for this site and they used it for access compliance
23 upgrades. They've also received deferred maintenance
24 funding for -- and they use it towards areas that are
25 specifically related to classroom concerns and for school

1 sites that have dire maintenance needs.

2 Now we don't currently have clear guidelines on
3 what constitutes unusual circumstances beyond the control of
4 the district. That is why we're bringing it for the Board
5 consideration and seeking Board direction whether to approve
6 or deny this particular project. But also we recommend that
7 the Board consider developing regulations to clarify what
8 constitutes unusual circumstances beyond the control of the
9 district.

10 CHAIRPERSON REYES: Okay. So before we move onto
11 the issue, I think that -- I think you're absolutely right.
12 I think the Board ought to consider moving forward with
13 regulations that provide more of a bright light of what's in
14 and what's out.

15 So can we bifurcate the issue and address that
16 first? Is there any comments on questions on that?
17 Ms. Moore.

18 MS. MOORE: Yeah. I have a -- this is a
19 substantial change from how we have looked at all facility
20 hardships that have come before this Board in the last 12
21 years.

22 So -- and it's coming at the end of the program
23 that we are now putting forward this additional area to look
24 at whether the school district -- what is the term -- beyond
25 the control of the school district.

1 Heretofore, we have never looked at that. We've
2 looked at what the project's -- if it's a health and safety
3 risk and was there a third party verification of that health
4 and safety risk.

5 We've been doing that for 12 years. This is a
6 substantial departure from that. It's coming at the end of
7 the program. We are just now talking about how we want to
8 look at the future --

9 CHAIRPERSON REYES: Um-hmm.

10 MS. MOORE: -- and what we might want to do in the
11 future. So I think that in fairness to the projects that
12 come forward that have -- in the next -- I don't know. I
13 mean really facility hardship, we're going to be out of bond
14 authority; right? So how many more of these can come
15 forward that we're going to try and regulate an additional
16 criteria that heretofore hasn't been regulated.

17 I would suggest that we put that to a future
18 discussion on what we do in the future. But these are
19 health and safety issues and we're now going to as a Board
20 start adjudicating what's beyond the control the district or
21 not. I think that's a very tricky area coming at the end of
22 this bond measure.

23 So I wouldn't support us going that direction.

24 CHAIRPERSON REYES: Okay. Anybody else?

25 ASSEMBLYMEMBER HAGMAN: Just for the school

1 housing definition, large canopy, does that qualify as
2 housing versus --

3 MR. MIRELES: Not necessarily. The Facility
4 Hardship Program does provide funding for other things that
5 are not necessarily facilities such as septic tanks, water
6 issues.

7 ASSEMBLYMEMBER HAGMAN: Um-hmm.

8 MR. MIRELES: And this -- the provisions in the
9 statute have always been there. We don't have clear
10 guidelines. I think that in the past staff has used their
11 best judgment and that's what we're elevating to the Board,
12 whether we need to clarify what does constitute unusual
13 circumstances beyond the control of the district.

14 So we're seeking Board direction.

15 CHAIRPERSON REYES: Okay. So Mr. Hagman.

16 ASSEMBLYMEMBER HAGMAN: I'll make the motion to
17 fund it and I concur with Ms. Moore that we don't have a lot
18 left. Put that in the discussion of each section for
19 qualification on a new bond at this point. I mean we've
20 already issued a best judgment. You have a question, you
21 bring it to us. We have to use our best judgment and say
22 either yea or nay.

23 But it sounds like it definitely -- we don't want
24 the roof to fall on some kid's head right now for 200,000 or
25 137-, whatever it is.

1 CHAIRPERSON REYES: Okay.

2 SENATOR HANCOCK: So you're saying approve the
3 hardship.

4 CHAIRPERSON REYES: So Mr. Hagman has moved
5 approval.

6 SENATOR HANCOCK: Senator Hancock seconds.
7 Ms. Moore, you have the microphone?

8 MS. MOORE: No. I was just going to second.

9 CHAIRPERSON REYES: Okay. Any public comments?
10 Okay. Oh, yes. Mr. Ray Coco.

11 MR. COCO: Yes, sir. Ray Coco speaking on behalf
12 of South --

13 CHAIRPERSON REYES: You want to come and grab a
14 mic here so you go on the record. Just remember it's been
15 moved and seconded and no additional comments have been
16 asked.

17 MR. COCO: Just want to express thanks and
18 appreciation of OPSC staff, number one, and also of the
19 Board in approving this application.

20 CHAIRPERSON REYES: Okay. Thank you.

21 MR. COCO: Thank you.

22 ASSEMBLYMEMBER HAGMAN: And it's still -- I'm just
23 clarifying. Is it the 137- mark or is the 229-?

24 MR. MIRELES: It's 137- State share.

25 ASSEMBLYMEMBER HAGMAN: But you guys -- okay.

1 We're good.

2 MR. COCO: Thank you.

3 CHAIRPERSON REYES: All right. Been moved and
4 seconded. All in favor say aye.

5 (Ayes)

6 CHAIRPERSON REYES: Opposed? Abstentions? Thank
7 you.

8 All right. Number 13 was withdrawn. Number 14,
9 three-month workload.

10 ASSEMBLYMEMBER HAGMAN: Is that all the action
11 items, Mr. Chair, because I do have a --

12 CHAIRPERSON REYES: I believe so. Yes. I think
13 that's it. I think that's the action items. Thank you,
14 sir.

15 MS. SILVERMAN: So Tab 14 is -- I'm not sure if
16 there are any questions from the Board members on the
17 **workload.**

18 CHAIRPERSON REYES: Any questions from anybody?

19 MR. DIAZ: Actually have -- last, one of the items
20 get withdrawn which is a report for the AB436 compliance
21 monitoring unit is to have the Department of Industrial
22 Relations come and report to the State Allocation Board on
23 the implementation of that unit.

24 We've had the discussion on staff workload. A lot
25 of things are in motion here and certainly the staff's time

1 is very valuable.

2 The purview of this Board isn't necessarily to
3 look over or monitor the Department of Industrial Relations
4 and how they implement the compliance monitoring unit, but
5 therefore there are very important questions that were
6 raised by stakeholders.

7 And so I think it's important that, you know, I
8 myself on behalf of, you know, the state building trades
9 work with those stakeholders and seek to -- also look to
10 what the Legislature and create an overview, sort of an
11 oversight hearing perhaps with the compliance monitoring
12 unit and also bring in others that are affected by AB436
13 because it's not just schools. It's every single State bond
14 that's available.

15 So I would motion that we remove that report and
16 just focus on working with the Legislature to create some
17 oversight and see how that -- DIR's implementing that unit.

18 CHAIRPERSON REYES: Okay.

19 SENATOR HANCOCK: Second.

20 CHAIRPERSON REYES: Yeah -- support that. It was
21 an item that was brought up a few months back and it was put
22 over. I concur that this is really not our purview to bring
23 in the Department of Industrial Relations any more than it
24 is our purview to bring the Board of Equalization or FTB
25 before us.

1 So I'm okay with that, if the rest of the Board
2 members -- I know that we didn't take a formal action last
3 time, but the Board did acquiesce and say we should.

4 Does the Board acquiesce now that it's really not
5 our purview and -- Mr. Diaz, what you do on your own time is
6 your issue not a Board issue so -- keep your commercials to
7 yourself, please.

8 MR. DIAZ: Okay.

9 CHAIRPERSON REYES: Okay. So it's not a Board
10 item issue. Yes.

11 MR. DUFFY: Just to comment. We had requested
12 just as we'd actually done before when we implemented 1506,
13 but some work that we've done recently -- Mr. Ruede (ph) was
14 here in the audience until just a few minutes ago from DIR.

15 We've established three workshops with DIR in the
16 field where we've been working with Mr. Ruede and asked him
17 if he would work with the stakeholders to try to make sure
18 that there was communication back and forth.

19 There were issues with their --

20 CHAIRPERSON REYES: Mr. Duffy, with all due
21 respect, this is really not a State Allocation Board issue.

22 MR. DUFFY: I understand that, but this important
23 in that we have in fact asked the Board to look at this and
24 you're saying the Board doesn't want to look at it.

25 CHAIRPERSON REYES: Correct.

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