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CALIFORNIA STATE ALLOCATION BOARD
NEW CONSTRUCTION SUBCOMMITTEE
PUBLIC MEETING

STATE CAPITOL, ROOM 126
SACRAMENTO, CALIFORNIA 95814

DATE: TUESDAY, FEBRUARY 14, 2012
TIME: 4:08 P.M.

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APPEARANCES

MEMBERS OF THE SUBCOMMITTEE PRESENT:

ASSEMBLY MEMBER JOAN BUCHANAN, CHAIR

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

SENATOR ALAN LOWENTHAL

ASSEMBLY MEMBER CURT HAGMAN

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Acting Executive Officer

P R O C E E D I N G S

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CHAIRPERSON BUCHANAN: Okay. I'd like to call the meeting to order. Let me just say this is the third meeting we've had discussing the status of the new construction fund and discussion about the impact with respect to Level III developer fees and we asked staff to come back with some new charts, but what I'd like to do with this meeting is ask staff to make its presentation in terms of the burn rates and the charts and what some of those options are, if it's okay with all of you, then to ask for any kind of public comment we have, and then the allow Board to have a discussion in terms of, you know, what our objectives are and whether or not we have consensus on the recommendation to -- consensus on the Subcommittee to bring a recommendation to the full SAB Board.

So does that work for everyone here?

SENATOR LOWENTHAL: Um-hmm.

CHAIRPERSON BUCHANAN: Okay. Go ahead.

MS. SILVERMAN: Yeah. We actually are prepared today as you mentioned is to highlight where we're at with the funds and we currently have less than 150.1 million in new construction and that's going to be displayed in our charts that we'll be going over.

And with respect to the Modernization Program, we

1 actually have \$410 million. And the expectation of
2 exhausting those funds if we maintain our current course for
3 new construction will be April 2010 [sic] is when we
4 actually exhaust the current authority.

5 SENATOR LOWENTHAL: Now, where is this? Excuse
6 me.

7 MS. SILVERMAN: I'm on page 1.

8 CHAIRPERSON BUCHANAN: Go to page 2 here and
9 you'll see the charts.

10 MS. SILVERMAN: Yeah, the charts.

11 CHAIRPERSON BUCHANAN: And here we are the
12 charts --

13 SENATOR LOWENTHAL: Okay.

14 CHAIRPERSON BUCHANAN: -- the charts in terms
15 of --

16 SENATOR LOWENTHAL: Got it.

17 MS. SILVERMAN: Right.

18 CHAIRPERSON BUCHANAN: Right.

19 MS. SILVERMAN: And so that blue line, what it
20 shows -- and Michael will actually walk through the charts
21 in a minute.

22 SENATOR LOWENTHAL: These are the New Construction
23 and the Modernization.

24 MS. SILVERMAN: That's correct.

25 CHAIRPERSON REYES: So the first chart is based on

1 what we currently have. Assuming nothing is transferred
2 into the account, the current burn rate, we'll be out of
3 funds by the April meeting.

4 MS. SILVERMAN: That's correct.

5 CHAIRPERSON BUCHANAN: Okay.

6 MS. SILVERMAN: And maybe even sooner --

7 CHAIRPERSON BUCHANAN: Right.

8 MS. SILVERMAN: -- depending on what the Board's
9 action on the construction cost index.

10 CHAIRPERSON BUCHANAN: Right.

11 MS. SILVERMAN: And so -- and then that red line,
12 what you see there is the -- where we actually exhaust the
13 modernization part.

14 CHAIRPERSON BUCHANAN: Modernization; okay. And
15 then we go to Chart 2 --

16 MS. SILVERMAN: Chart 2, you want to walk through
17 that?

18 MR. WATANABE: Yeah. So Chart 1 is just -- keep
19 it simple, nothing -- just the status quo right there.

20 Chart 2, what we're showing in that one is if we
21 transfer Critically Overcrowded School Program bond
22 authority over to New Construction -- we're on Page 2.

23 CHAIRPERSON BUCHANAN: Chart 2 is -- so Chart 2
24 says if we have critically overcrowded school funding that
25 comes back as anticipated --

1 SENATOR LOWENTHAL: Okay.

2 CHAIRPERSON BUCHANAN: -- it's still an estimate
3 and we have the current burn rate, which is 30 million a
4 meeting, then we would run out of new construction money
5 in -- sometime between -- probably the October meeting --
6 September/October Board meeting.

7 MR. WATANABE: Correct. Um-hmm.

8 CHAIRPERSON BUCHANAN: Okay.

9 MR. WATANABE: Now we do have one project in-house
10 that's requesting to convert about 12.8 million, so that
11 could drop a little bit, that 201.9 --

12 CHAIRPERSON BUCHANAN: Right.

13 MR. WATANABE: -- but it's not much there.

14 CHAIRPERSON BUCHANAN: Well, I think we need to
15 understand that all these are estimates; correct?

16 MR. WATANABE: Yes. That we -- we put out seven
17 charts here. There could be, you know, 50 other renditions
18 of them, but this gives you --

19 CHAIRPERSON BUCHANAN: Right.

20 MR. WATANABE: -- kind of a high-level overview of
21 the various scenarios that could play out.

22 CHAIRPERSON BUCHANAN: Right.

23 MR. WATANABE: And you can make any modifications
24 or variation of these.

25 CHAIRPERSON BUCHANAN: Right.

1 MR. WATANABE: So on page 3, Chart 3 at the top
2 there, this is not -- this is if you include the transfer
3 COS and with the Governor's proposal and the trailer bill to
4 transfer ORG to new construction. Right now we have
5 251.3 million in bond authority in the Overcrowded Relief
6 Grant Program.

7 CHAIRPERSON BUCHANAN: Right.

8 MR. WATANABE: Right now we have seven
9 applications in-house for the ninth cycle that closed on
10 January 31st. Their requests total right now about
11 23.5 million. Again that's an estimate.

12 But if we transfer that and the COS authority to
13 new construction and continue at our normal average drawdown
14 of about 33 million per month, the green line will take you
15 out to about June 2013 --

16 CHAIRPERSON BUCHANAN: Right.

17 MR. WATANABE: -- for new construction authority.

18 CHAIRPERSON BUCHANAN: Yes.

19 MR. WATANABE: What Chart 4 will show you is if we
20 don't have any transfers from COS or the ORG program, if we
21 just start regulating the process as we have now and we want
22 to get to December 2014, we would need to limit our
23 approvals to 4 and a half million per month for the new
24 construction bond authority and 13 million per month for
25 modernization. Again that's with no transfers of bond

1 authority to the program.

2 What Chart 5 is showing you on page 4 is a
3 slightly different variation of Chart 2 where we just
4 transfer the COS authority to start and we immediately begin
5 regulating that bond authority to get us out to December
6 2014.

7 With the influx -- the inflow of the COS bond
8 authority, we would be able to almost double our new
9 construction bond authority that we could take per month up
10 to about 10 million per meeting. Modernization again would
11 still be at 13 million since nothing is touched there.

12 Chart 6 is kind of a flip, regulating what will
13 happen in another chart, is if we just transfer the ORG bond
14 authority, again that ORG bond authority right now is
15 proposed in the Governor's budget.

16 With that, there's also trailer bill language to
17 limit processing by the Board to 8 and a half million per
18 month for new construction and 9 million for modernization.

19 If we transfer -- if we start with that -- those
20 amounts right away, we would get to December 2014 and still
21 have excess bond authority in new construction of just over
22 a hundred million there.

23 CHAIRPERSON BUCHANAN: Right.

24 MR. WATANABE: And then lastly in Chart 7, kind of
25 a best case scenario: we get both COS and ORG bond authority

1 into the new construction pot. Again following with the
2 proposed regulation and the trailer bill language of 8 and a
3 half million for new construction and 9 million in mod, that
4 would take us past December 2014 and at the end of 2014,
5 we'd have just over 200 million in bond authority in new
6 construction remaining. So those are our seven charts.

7 CHAIRPERSON BUCHANAN: So are there any questions?
8 Are there any questions of staff on the charts or the --
9 okay. Are there -- so are there any public comments?

10 MR. DUFFY: Thank you, Madam Chair, members. Tom
11 Duffy for the Coalition for Adequate School Housing. I'd
12 left a letter for you prior to the meeting and I'll just
13 refer to that. Thank you, Senator.

14 The -- this discussion is basically about
15 elongating the period of time that funds would be available
16 for the Board to dispense for projects and it's not any
17 discussion about need.

18 We believe that you have a measure of need that is
19 that of projects that you have in-house that have been
20 funded and approved projects that are in-house and being
21 processed and those projects that will come in in the
22 future.

23 In the past, as I think I've referenced before,
24 the Board has taken an opportunity to continue to approve
25 projects that were unfunded even beyond bond authority and

1 that happened under the old program. Under this new
2 program, there was a circumstance in the last decade that
3 was slightly different than that, but the intent in both
4 instances was to continue to accept projects, process those
5 projects as a demonstration of need and believing that the
6 program would continue in place in the future when a new
7 bond came about.

8 Our letter identifies that we believe that a bond
9 is needed, that that bond would create jobs. We believe
10 that the circumstance of elongating these projects or
11 rationing the funds for the projects is a mechanism to avoid
12 the question of Level III.

13 And when we talked about this at the very last
14 meeting -- and, Senator, I appreciated you asking about the
15 history of it -- we identified that we were not asking to
16 pull the Level III trigger, although clearly the Government
17 Code identifies that if you as the Board do not have funds
18 in order to approve new construction projects that Level III
19 is evident.

20 We're not pressing for that. What we're
21 suggesting is that we, one, continue the discussion of
22 needing a bond. We believe that if the Governor is
23 proposing that a high speed rail project with the bond funds
24 that exist and other bond funds is a really good idea, we're
25 saying, well, that may be good for the future, but that's

1 not going to create jobs today and it's not going to be
2 meeting needs today.

3 We believe a bond this year -- and people have
4 talked about and we've had conversations in this building
5 about a bridge bond, a smaller bond, and again just as an
6 aside, we have done a survey that identifies that a bond
7 before this public in this very difficult time for schools
8 would be supported. And we're going to do another survey
9 within the next four to eight weeks.

10 But back to the points of the letter. We're
11 suggesting that you not move any of the ORG funds. The COS
12 funds are intended to be moved and we support that.

13 We do not believe you should move any of those ORG
14 funds. We believe that you should continue making
15 approvals, although you have no funds, to create a pipeline
16 and that the issue -- and I recognize that this is beyond
17 you and that it's a proposal from the Governor and that will
18 be in not only a bond trailer bill but could show somewhere
19 else -- that the Board really not support the issue of
20 suspending Level III.

21 As I was explaining at the last meeting, Senator,
22 Level III was put in place basically as an agreement between
23 the development community -- residential development
24 community, school districts, and the State to assure that
25 there would be funds in order to address facility needs into

1 the future. And what schools gave up with that was a
2 reliance upon certain decisions made by the appellate
3 courts -- and there were three important decisions -- that
4 allowed the districts with the agreement of cities and other
5 zoning entities like counties to go beyond the statutory fee
6 and that statutory fee was established with statutes of 1986
7 and had been in place for basically 12 years when we got to
8 the agreement in 1998.

9 And again that agreement was we want to make sure
10 that there are funds there for schools, whether they're from
11 developers and the State or developers only if the State is
12 out of funds.

13 There, by the way, is a provision in the code that
14 allows for reimbursement agreement between a school district
15 and a developer.

16 So in summation, we believe that your looking at
17 this is important. We understand that looking into the
18 future and trying to elongate these funds is certainly a
19 mechanism that could avoid this question of Level III and
20 litigation and all that. We think that there's a better way
21 and that better way is a solid discussion of a bond for 2012
22 and again we're not asking that you pull the Level III
23 trigger. We're suggesting that a continuation of unfunded
24 approvals is certainly a way to demonstrate the State's
25 commitment to this program.

1 CHAIRPERSON BUCHANAN: Senator.

2 SENATOR LOWENTHAL: Well, thank you. A lot there,
3 very thoughtful. I just want to get your response --
4 because I'll respond -- you know, try to understand where we
5 go -- what your -- to some things that I'm thinking about
6 also or where I am.

7 Let's start with -- and I'm in the unique
8 position. I'm -- as a legislator who has lots of different
9 issues on my plate and I agree with you that 2012 -- and we
10 would have public support for a bond. I think the chance of
11 this Legislature -- this Governor putting it on in 2012 is
12 zero.

13 I think the Governor personally is totally focused
14 on passing in 2012 a tax increase and trying to get every
15 other tax increase off and just have one thing focused and
16 that's his tax increase to balance the budget as it is.

17 Overwhelmingly more important than anything else
18 going on, maybe not in the long run, but right now trying to
19 convince of him of anything else would be I think a task
20 beyond that anybody here could do, even though I have some
21 sympathy to what you're saying about.

22 We can do -- there are multiple things that we
23 could be doing this year. I don't think there's a chance.

24 So just assuming that that could be a reality,
25 that we're not getting one, and that we are concerned also

1 about the overcrowded relief grants and we're not going to
2 touch those. Okay. Let's just assume we don't -- as you
3 point out, not to do those and that we -- I think that the
4 members -- just to be honest, I think that the members of
5 the Legislature are very concerned about sending out any
6 messages at this moment to the business community that would
7 inhibit development because we are -- especially in housing
8 and new construction, we're still not out of the woods in
9 California besides this project.

10 So that's a separate issue how we're going to
11 deal, but -- with developer's fees. Let's just take that
12 off the issue now. We're not going to deal at all. We're
13 only going to deal with whether we should let the money run
14 out or not. Have nothing to do with developer fees and
15 having nothing to do with any -- and limiting the pie to
16 what we have now, just the critically overcrowded schools
17 and what we have now in -- the question to me is, without
18 dealing with that issue of triggering anything, just that
19 issue, what is in our best interest to do.

20 Is it good when we do have a bond to have
21 something in place, either just the unfunded approvals or
22 just have a mechanism in place or to keep the program going
23 up until whatever that bond is decide -- is that good policy
24 or is it good policy to let things run out at this moment.

25 I mean that's really what I'm kind of struggling

1 with and how you deal with because I've taken the other two
2 off, the overcrowded relief and also the developer fees,
3 because that's getting in the way of my policy.

4 I want to understand -- we're running out of
5 money. What's the best policy way of dealing with this
6 without -- and I need some input from people. I want to
7 hear how we -- what is the -- I'm hearing from some folks
8 and I -- who I trust that it's really good in terms of
9 having something in place if you want to go on.

10 I take that very seriously, but I need to hear
11 more to understand that, you know, and to hear the other
12 side and -- because I think that's the critical issue. How
13 much do we control, how much do we -- and what are the
14 implications of doing that to existing programs.

15 And if we don't, what is that impact going to be
16 on the passage of a bond or having things in place in the
17 future because I'm taking all those other -- what I consider
18 as not really relevant issues off the table. So I need some
19 help.

20 MR. DUFFY: May I give you a thought?

21 SENATOR LOWENTHAL: Absolutely. That's why I
22 asked.

23 MR. DUFFY: The -- and I appreciate you framing it
24 the way you did, Senator.

25 If I were working in a school district today

1 facing what districts have faced over the last five years,
2 which is basically a 24-percent reduction in operating
3 revenues.

4 SENATOR LOWENTHAL: Um-hmm.

5 MR. DUFFY: And I still -- and basically the
6 elimination of funds to maintain --

7 SENATOR LOWENTHAL: And if we don't pass a tax
8 initiative in November, it's going to be astronomical.
9 That's why I'm saying that is -- you --

10 CHAIRPERSON BUCHANAN: Yeah. We're going to be
11 bankrupt.

12 SENATOR LOWENTHAL: It's going to be mindboggling.

13 MR. DUFFY: Well, on that side of it -- I was
14 going to say something else, but on that side of it, our
15 belief -- and I think I've written this in the letter. Our
16 belief that schools carry forth a lot of things.

17 With 1D -- if you recall, when 1D was put in place
18 in 2006, schools were four -- they were 1 -- 1A, B, C, and
19 D. Why were they four? Because the expectation is voters
20 are going to go along with schools and so get them to say
21 yes before you get to schools because they're going to start
22 saying no potentially because we're talking about
23 expenditure funds in the future.

24 So our belief is that if a bond is on the ballot
25 with the Governor's tax proposal that that strengthens or

1 gives greater benefit to that because of the reliance upon
2 the -- the expectation that there will be a benefit to
3 schools and a reliance upon both.

4 SENATOR LOWENTHAL: You realize we're almost in a
5 drought and that's exactly the same argument that the water
6 people are saying.

7 MR. DUFFY: And the --

8 CHAIRPERSON BUCHANAN: I don't think you're
9 answering his -- I think the Senator's question is if you
10 can't have a bond on the ballot --

11 SENATOR LOWENTHAL: Right.

12 CHAIRPERSON BUCHANAN: -- if there's zero
13 probability -- it's not whether you and I would vote for it.
14 If you can't have a bond on the ballot, I think his question
15 is are we in a better position to pass the next bond if we
16 stretch out the program over two years or if we just let it
17 run its course.

18 SENATOR LOWENTHAL: Well, with the understanding
19 that I don't want you to get in this whole developer fee
20 issue now. I want that off. We're just talking about
21 what's the best -- regardless of where we deal with
22 developers.

23 MR. DUFFY: And I'll be quick and I was going
24 there when I sort of took an aside.

25 School districts today will look at the reality

1 and the reality is if you continue to make unfunded
2 approvals beyond the bond authority that you have that they
3 have an expectation that the program at least in the way
4 it's framed, not funded, will be the program that they've
5 known and they will continue to go to their local voters as
6 they can to support local bonds that would hopefully
7 sometime in the future be matched with the State funds.

8 We know districts have been doing that with the
9 promise through the priorities in funding, with the promise
10 of funding be available at some point in the future.

11 SENATOR LOWENTHAL: So you're saying if we had
12 that unfunded, that would be enough. We could end the
13 programs -- I mean we could spend it out -- the money now as
14 long as we had unfunded approvals. That's what school
15 districts want. I'm just trying to understand.

16 MR. DUFFY: I think you would find a majority of
17 districts that would believe that that was the best case,
18 Senator.

19 SENATOR LOWENTHAL: Because we're really -- this
20 high stakes game.

21 MR. DUFFY: Now the opposite side of that is
22 districts that have had difficulty with local bonds -- and
23 Prop. 39 bonds, as I think you know, have about a 75 percent
24 passage rate which is phenomenal compared to the two-thirds
25 passage rate we had with -- in the past.

1 So there are districts that will not be able to
2 move forward with projects and we'll continue to have a have
3 and a have not situation in California.

4 So it's not an overall solution.

5 SENATOR LOWENTHAL: Right.

6 MR. DUFFY: But districts -- districts trust the
7 Allocation Board. Districts trust the wisdom and the
8 deliberation that all of you use and the other members and
9 trust this program.

10 They will -- if the program remains in place, my
11 belief is that they will continue to process and with the
12 good people at OPSC and CDE, and DSA working with them, have
13 projects put in -- before you for unfunded approvals.

14 But -- and, Senator, I hope I answered your
15 question.

16 CHAIRPERSON BUCHANAN: I want to probe a little
17 bit deeper there because --

18 MR. DUFFY: Yes.

19 CHAIRPERSON BUCHANAN: -- I don't think in my mind
20 the question is districts -- whether they like or don't like
21 the program. I think the question is where are we
22 politically in the best position to pass the next bond so
23 that there is a program.

24 SENATOR LOWENTHAL: That's right. I mean because
25 we've taken -- the other issue -- we just want to focus on

1 that issue -- we realize --

2 CHAIRPERSON REYES: Are we politically in a better
3 situation if we've not had a program for two years or are we
4 politically in a better situation if we've had a program,
5 even if it's a program where we've had to make some
6 adjustments but we still have a program in place where we
7 are still having some approvals.

8 ASSEMBLY MEMBER HAGMAN: And I want to bring up
9 one more thing to even throw -- a little more deeper is if
10 we run out of money and these schools start bonding out for
11 funds, are we sure we're going to have the same program the
12 same way and that what happens to those school districts who
13 bonded out based on the current program, but we come back a
14 year from now or two years from now and say it will be
15 different.

16 The Governor has proposed some things in the last
17 couple years that really I don't think any of us would have
18 expected before he got elected, the realignment. Now with
19 the schools, more controlled funding.

20 Are we really that confident that this program's
21 going to look the same. I have my concerns with some of the
22 ways things are funded and I expressed those in our regular
23 Board meetings and I think there are some efficiencies that
24 we can probably put in the system.

25 I'm not looking for redeveloping the wheel here,

1 but the Governor has come down with some very strong,
2 completely different type of systems. Do I feel comfortable
3 having my school districts bond out for something that we
4 have no guarantee of funding even if we do get a bond.
5 Maybe that program comes different. Maybe there's a
6 different match. Maybe there's different criteria used.
7 Maybe there are different ways of going about doing it.

8 And that's -- also I'm looking at to is I hate to
9 say a promise without having the authority to give that
10 promise when it comes down past when the funds run out.

11 CHAIRPERSON BUCHANAN: Is there anyone else who
12 wants to speak?

13 MR. DUFFY: Thank you very much.

14 CHAIRPERSON BUCHANAN: Thank you.

15 MR. LYON: Good afternoon, members. Richard Lyon
16 on behalf of the California Building Industry Association.

17 Senator Lowenthal, you separated the issues
18 perfectly and I'd like to address the critical issue that
19 you've identified and that is how do we best position
20 ourselves so that at the appropriate time we can achieve
21 success with the next school bond.

22 I've heard what Mr. Duffy has said about allowing
23 the program to expire and accepting applications. I
24 personally believe Mr. Duffy is speaking with his heart and
25 not with his head.

1 It is human nature that once something is out of
2 sight, it's out of mind and it is our firm belief that if
3 this program were to expire and sit dormant for two years,
4 then it would be out of sight and out of mind. It would be
5 very difficult to resurrect it again.

6 I have worked every school bond campaign since
7 1988. I am not an expert in school bonds, but I have been
8 there aligned with our education allies on every single
9 statewide school bond, and it is my firm belief and the firm
10 belief of the building industry that keeping the program
11 operational, keeping it functioning, showing life in the
12 program offers us the best opportunity to be able to achieve
13 success when we have the opportunity to get another school
14 bond. Thank you.

15 CHAIRPERSON BUCHANAN: Hi.

16 MR. BAKKE: Eric Bakke with Los Angeles Unified
17 School District. I think we take a very realistic approach.
18 We look at it as -- from a bigger picture and I think the
19 conversation we're having right now is most appropriate.

20 I think we have to figure out how do we position
21 this program for a successful 2014 bond.

22 SENATOR LOWENTHAL: That's right.

23 MR. BAKKE: We have to make sure we have that
24 conversation. We absolutely agree with that and I don't
25 think any of us here today have a crystal ball to know what

1 the world's going to look like over the next two years and I
2 think we're all at this moment, you know, doing our best
3 guesstimation as to what the right approach is going to be.

4 Assemblyman Hagman, your comment about what the
5 future program's going to look like and how, you know, the
6 projects should be approved or not today in light of not
7 knowing what the future program might hold I think is a
8 valid question. I think we need to have that, you know,
9 explored a little bit more.

10 But I do know historically, you know, we had a
11 transition from the LBP to the SFP and we worked through
12 that and I think we can continue to work on that in the
13 future.

14 So I don't want to use that as an excuse not to
15 try to do something today because I think in the past we
16 have been able to do it.

17 With respect to the question about whether or not
18 do we extend out the program and meter it out in some
19 capacity or we just simply let the program run its course
20 and then we start accepting -- or not take any more
21 applications or accept applications for an unfunded list,
22 the district's position is to accept the applications beyond
23 the bond authority so we can demonstrate to the future
24 voters that there is a need out there.

25 We're concerned that if we don't actually accept

1 applications and we only meter, there could be the opposite
2 risk that maybe districts won't apply because they don't
3 feel they'll get funding and then we have nothing to show
4 the voters that we actually have outstanding --

5 CHAIRPERSON BUCHANAN: Couldn't you accept
6 applications under either scenario?

7 MR. BAKKE: I think that's a great -- I mean I
8 think what I'm hearing is that maybe we're not having a
9 conversation about whether there should or shouldn't be an
10 unfunded list. I think we should. I've heard a lot of
11 people say we shouldn't.

12 And out of the fear or concern that maybe that
13 puts us in position where we have to have a 2014 bond and
14 that's concerning because of the debt service issues in the
15 State of California.

16 Our position is that we should definitely
17 absolutely have an unfunded list, no doubt about it.

18 But I think, you know, the concern about whether
19 or not we have an active program, I don't want to create the
20 vision here that the lights are turned off and the door's
21 locked at OPSC during this period of time.

22 You know, there's plenty to do. There's plenty to
23 audit. There's plenty to process and accept applications.

24 I think school districts are a creature of habit
25 and, you know, they like consistency. They don't like a lot

1 of change and I think when you start changing how the money
2 flows, it really makes people a lot more nervous and I think
3 if you just keep the program the way it is currently set up,
4 you'll still get the applications to flow in and I think
5 you'll find that a majority of school districts will accept
6 that.

7 MS. STUART: Good afternoon. Susan Stuart with
8 the Long Beach School District, Contra Costa County
9 Superintendents Coalition, and some other districts around
10 the State, and we would also like to say we're in strong
11 support of an unfunded list. It just truly creates demand
12 and shows local voters that they are on some list.

13 And we've had the list in the past and there's
14 been no guarantee in funding and when we've changed
15 programs, it's not been a problem.

16 We've either made adjustments to the program or
17 grandfathered some of the projects in under the old program
18 and it's been seamless in the past. We don't see that as a
19 major problem.

20 Everybody -- nobody wants to see another hit on
21 the housing community right now and we would strongly
22 support any solution whether it's legislative solution or
23 whatever to waive the Level III developer fees.

24 I don't think you'll find a school district in the
25 State that would advocate that kind of hit on the

1 development community.

2 So we are hoping that we can move this program
3 forward, keep an unfunded list. We don't see the program or
4 it being viewed as a shutdown if we have an unfunded list.
5 It'll also create a list in the order of applications
6 received to give some kind of equity in the program.

7 SENATOR LOWENTHAL: The question I have -- I
8 agree, but I think that the Assemblywoman also raised could
9 we have with -- if in fact we're saying okay, we agree with
10 you on the unfunded list, making sure -- regardless of
11 whether we have some control ourselves about how much we're
12 giving out or whether we keep it going now to -- we're going
13 to have all those other things.

14 Let's say there was consensus on all of that. The
15 only issue now would be should we have more control of
16 ratcheting it down or should we leave it the way it is right
17 now and if so, how would we do that.

18 And would you feel like if we kept -- because
19 we're not sure when we're going to have a bond. There's no
20 commitments at this moment. You know, no matter what we're
21 doing, we're just -- you know, I'm just saying after I've
22 seen the Legislature, I know what we're going to go through
23 this year, that as much as I'd like and I'm an advocate,
24 2012's off the table.

25 We're talking about 2014, but there's water,

1 there's other things, there's the wall of debt. Who knows,
2 it could be 2016. So we could be -- all of what we're
3 saying is we could be ending anyway, you know, and not
4 have -- which would be I think a tremendous blow to all of
5 us if that happened.

6 So I would like to assume that it's going to be
7 2014. The question is what would it mean to the school
8 districts -- we heard a little bit from Eric about
9 ratcheting it down. Should we do any of that just to keep
10 things -- or should we -- or -- even though we're going to
11 keep the unfunded list, whether we do that or not, or should
12 we just run out of money.

13 MS. STUART: I think there are districts who in
14 good faith have done some very good planning and some very
15 significant planning and I think it would be very worthwhile
16 when the money becomes available to fund those projects and
17 let these projects move on -- move forward and build.

18 And when the money runs out, shows the demand, but
19 I don't see -- it's never been viewed before as just
20 shutting down the program.

21 SENATOR LOWENTHAL: So you would be in favor of
22 just keeping it exact --

23 MS. STUART: Yes.

24 SENATOR LOWENTHAL: -- the way it is now.

25 MS. STUART: When the projects are ready for

1 funding, they're ready to proceed, they're ready to build on
2 them.

3 SENATOR LOWENTHAL: But to make sure that we
4 continue to accept applications --

5 MS. STUART: Yes. And just --

6 SENATOR LOWENTHAL: -- beyond. We have a --

7 MS. STUART: Without commitment of funding --

8 SENATOR LOWENTHAL: Right.

9 MS. STUART: -- you know, from the State, but with
10 at least -- so when the next bond is passed, you have the
11 list and the projects are treated in order of receipt so at
12 least there's some equity. Without that and if you're
13 returning applications to the State --

14 SENATOR LOWENTHAL: What about the argument that
15 we heard that it's a lot easier to run a campaign -- because
16 we're just now talking about we targeting on and saying that
17 if we want to be on the 2014 ballot, everything that we do
18 from now on has to lead to success. How do we deal with the
19 argument that we need to have things in place to ensure
20 success -- or enhance success. Maybe we never ensure it,
21 but we can enhance it.

22 MS. STUART: I don't see metering out money making
23 a stronger argument for voters. I think if there is a
24 list -- I think if we didn't create an unfunded list, you
25 would create a situation where how could you demonstrate

1 need and I don't know if the voters would ever --

2 CHAIRPERSON BUCHANAN: So when you go to have a
3 bond in a school district, you go out and you do your
4 polling and maybe you want a \$200 million bond, but your
5 consultant says your voters only approve \$100 million bond
6 and so you say okay, I'll take half a loaf and know that I
7 can start construction and I'll deal with the rest later,
8 but you leave it to the people who are the campaign experts
9 to tell you that.

10 I spoke with the Governor's staff about the idea
11 of stretching out the program and their response to me was
12 they did it because they felt it would put us in a better
13 position for the 2014 bond and then I talked with two
14 campaign consultants, very well known, one from Northern
15 California, one from Southern California, I just said -- I
16 just laid out the question are we going to be in a better
17 position to pass a bond in 2014 if we have a program in
18 place even if we're -- we're not able to fund all the
19 programs or if we, you know, run out of money and are not
20 approving funding for any programs for two years. We've
21 essentially shut it down.

22 Both of them unequivocally said in today's
23 environment they feel we're in a much stronger place to have
24 a program in place than if nothing has happened for two
25 years because it's much harder to convince voters to start

1 anew than it is to build upon an existing program.

2 So can you -- I mean because I know where
3 you're -- you're not -- I mean you're in a different
4 position in terms of the advice you give school districts
5 versus the -- I think there's a practical and there's a
6 political implication here.

7 MS. STUART: Well, like I said, the districts that
8 I've spoken with said if we are ready for funding, we want
9 to build. We don't want to wait for six more months or
10 nine --

11 CHAIRPERSON BUCHANAN: Well, they're not going to
12 have -- we're going to run out of money to build.

13 MS. STUART: But when you run out.

14 CHAIRPERSON BUCHANAN: I mean we're going to -- I
15 mean the reality is, is districts need to understand the
16 money's pretty much gone anyway. When you're down to
17 \$173 million in new construction, even transferring the
18 critically overcrowded, you're out of money for at least two
19 years.

20 So it's not a matter of holding out money for two
21 years. It's a matter of there just is not going to be
22 enough to fund the need.

23 So we're looking at a -- you know, we're looking
24 at a question in terms of which --

25 SENATOR LOWENTHAL: A tiny program or a small

1 program.

2 CHAIRPERSON BUCHANAN: Or -- and which puts us
3 politically in the best position to go to the voters and
4 say, you know, we -- and that's what I'm hearing from the
5 political consultants and that's -- you know, and they're
6 the ones that go out and sell the bonds to the voters
7 because it's not -- it's not more than what we all would
8 like.

9 I mean I'm with Mr. Duffy. I wish we could have a
10 bond this year. I'd vote for it. But I'm also with Senator
11 Lowenthal the chances of getting it on I believe are zero
12 and I believe that we're in such a different paradigm than
13 we've been ever before with bonds.

14 I asked staff about when we have had the unfunded
15 list. We had one in September 2000 for modernization.
16 September 2000, unemployment was 4.9 percent. We had one in
17 January 2001 for new construction. Unemployment was
18 5.4 percent.

19 We had an unfunded list for modernization in April
20 2006. Unemployment was 4.9 percent. The housing market was
21 doing great in all of those years.

22 We have unemployment now, it's 11.3 percent with
23 the LAO projecting that we're not going to be coming out of
24 this till at least 2015 and some talking about 2017 or '18.

25 Mr. Lyon presented at our very first meeting in

1 new construction the fact that we had, if I recall the
2 numbers correctly, we had -- at the peak we had -- and this
3 is in 2006, we were having about 220,000 housing starts and
4 they were two to one single-family to multi-family.

5 Now if I recall the numbers correctly, we're down
6 to 43,000 to two to one multi-family versus single-family.

7 So we're in a very different position and, you
8 know, with respect to developers, you know, I don't know if
9 you penalize them because we can't get a bond on this ballot
10 and bring that 43,000 number down even more, but we're in a
11 very different position politically and economically than
12 we've ever been in and if we -- if unemployment two years
13 from now has dropped from 11.1 to 9, we're still at twice
14 the rate we've been at in prior years.

15 We don't know what's going to happen with the
16 ballot and where we're going to be and the consultants say I
17 can never guarantee you that you can pass it, but their
18 advice to us is they believe we're in the very best position
19 if we have a program, even if it's -- and with a message
20 that this is program is running out of funds. We're having
21 to conserve just like everyone else is.

22 I mean households -- people understand that
23 because everyone's sort of cutting back and making due with
24 what they have.

25 So I don't know if you can respond to that, but

1 it's not -- I'm not -- I'm looking at that question from a
2 political side, not necessarily from a -- you know, a -- you
3 know, just --

4 ASSEMBLY MEMBER HAGMAN: And if I may, I'm going
5 to jump in on this too a little bit.

6 We went to the voters and asked for a lot of bond
7 authority, what, eight years ago or something like that.
8 That's a lot of money we spent, a lot of money that it's
9 going to take us another 20 years to pay -- even come close
10 to paying off. Some of them we haven't even issued yet, so
11 another 30 plus years.

12 I think the story going in if we drag this out
13 another couple years, it actually looks better that we're
14 spending this over a period of time with demographics
15 changing, where people are moving to and moving from, that
16 we are being smart with the money versus we got to get as
17 much money out as quickly as possible.

18 We're trying to be as strategic as possible and
19 this was a successful program. The last bond issuance over
20 a period of a decade, when we go back to the voters and say
21 we need another one, was done correctly, it was done
22 smartly, not a lot of problems out there. The story looks a
23 lot better than -- you know, longer -- the longer you drag
24 that out. Just by the numbers, I think that political look
25 we were talking about, Ms. Buchanan, is the political optics

1 of it from the one Republican on this Board here so far,
2 it's much better to show that if you do a new bond every
3 eight years and it takes you 35 years to pay off, you can't
4 sustain that. You can't keep going forever like that.

5 So the longer we drag that out to make it look
6 like it's still working and apply that over a period of
7 time, much better optics for us to sell on both sides to our
8 voters in saying this is a smart use, this has been very
9 targeted, very beneficial. We're changing with the
10 demographics the best we can. We had a whole bunch of stuff
11 to go in that needed because there was a lot lacking over a
12 long period of time, but now we're maintaining the system.

13 So I think optically it looks a lot better for us
14 to go at that point as well.

15 MS. STUART: And the districts I've heard from are
16 not coming from a political standpoint nor are they coming
17 from --

18 CHAIRPERSON BUCHANAN: Right.

19 MS. STUART: -- any standpoint other than if a
20 district is eligible and there is money available --

21 SENATOR LOWENTHAL: Right.

22 MS. STUART: -- fund the project, move forward.
23 And so this other discussion -- and you're right, we're in a
24 situation that is so unusual.

25 SENATOR LOWENTHAL: That's right.

1 CHAIRPERSON BUCHANAN: Right.

2 MS. STUART: Who could have ever guessed.

3 SENATOR LOWENTHAL: No. We understand.

4 MS. STUART: But that --

5 CHAIRPERSON BUCHANAN: And I understand the
6 Governor's perspective as well having been on a school board
7 If I had to delay a construction project, you know, versus
8 having the Governor's revenue proposal pass, I would take
9 the revenue proposal.

10 You know, if you're only having to advocate for
11 construction, I understand why you'd do that, but if you
12 take a look at school districts now, if we don't pass that
13 revenue proposal, we're going to -- there are many school
14 districts that aren't going to make it. They're going to
15 end up, you know, having to have State oversight and
16 probably needing a loan because we've cut them so badly on
17 the general fund side.

18 So -- are there any other --

19 MS. STUART: Thank you.

20 SENATOR LOWENTHAL: Thank you, Susan.

21 CHAIRPERSON BUCHANAN: Are there any other --
22 anyone else from the public who wants to speak?

23 So I don't know if I guide -- it seems to me that
24 we have, you know, three issues here. One is do we suspend
25 Level III fees to avoid -- until the next bond to avoid

1 having, you know, negative economic implications there in
2 the housing sector. I think that -- I'm hearing that
3 there's some consensus on that, but, you know, another issue
4 is do we follow the -- or do we make a recommendation to
5 follow the Governor's proposal on the ORG money and, you
6 know, what I'm hearing from that and from numerous meetings
7 I've had before is that we're probably not ready to take
8 action on that at this point in time.

9 And then the last question is do we try and expand
10 out the program and do we do that either following the
11 Governor's recommendation where we have a set amount that we
12 would do every month and do we maybe give the State
13 Allocation Board more flexibility to determine how to do
14 that or do we just run out of money and basically have a
15 program that's suspended for two years.

16 And I think there are other -- if we come on
17 consensus on that, I think there are other issues we
18 probably are going to need to talk about in terms of how
19 we -- I think certainly we're going to need the
20 Implementation Committee to talk about some other issues
21 that in terms of how we effect that. So --

22 SENATOR LOWENTHAL: Well, I'll start. I'm going
23 to go back to what I said before. I think I'm most
24 comfortable -- let's start with number three. The first one
25 you mentioned was the suspension of the developer fees.

1 I want to take that off the table and not have
2 that as my guiding principle in terms of how we spend our
3 money and I realize that economically at least until we pass
4 a bond or at least until we put a bond on the -- before the
5 voters --

6 CHAIRPERSON BUCHANAN: Right.

7 SENATOR LOWENTHAL: -- because if the voters vote
8 it down, then I don't want that suspension to continue --

9 CHAIRPERSON BUCHANAN: Right.

10 SENATOR LOWENTHAL: -- any longer. So I think it
11 has to be a clear message that that suspension is tied to --

12 CHAIRPERSON BUCHANAN: The next election.

13 SENATOR LOWENTHAL: -- that election, wherever
14 that election is -- whenever that is.

15 ASSEMBLY MEMBER HAGMAN: Can I have you elaborate?
16 We talked about '14. We talked about '16. It could be '18.
17 It could be whatever. So that suspension goes through till
18 the Legislature decides to put it on? What happens if an
19 outside group pulls up signatures, put it on? How would
20 that be phrased because I think it's critical.

21 SENATOR LOWENTHAL: That's a very good point.

22 CHAIRPERSON BUCHANAN: I think we're saying until
23 the voters have a chance to approve a school bond.

24 SENATOR LOWENTHAL: Well --

25 CHAIRPERSON BUCHANAN: Right? Whether it's a

1 special election next year or -- I think everyone's leaning
2 towards, but you don't want -- when we vote on it, you know,
3 you could vote on it and put it on a year before --

4 ASSEMBLY MEMBER HAGMAN: You could vote on it and
5 put it on six years from now, but it doesn't --

6 CHAIRPERSON BUCHANAN: Right. We want -- till the
7 voters have had a chance to vote on a school bond. We know
8 the outcome of school bond on the ballot; right?

9 ASSEMBLY MEMBER HAGMAN: But I think there's two
10 different -- well, I guess I should have my mic on.

11 SENATOR LOWENTHAL: Let me think about it. Let me
12 just -- because, Curt --

13 ASSEMBLY MEMBER HAGMAN: I think there's two
14 different ways here. There's the legislative initiative
15 process and there's a grass roots initiative process and
16 they not necessarily are going to always agree upon when
17 this may happen.

18 CHAIRPERSON BUCHANAN: And you could have --

19 ASSEMBLY MEMBER HAGMAN: And I think there's --
20 that goes to different effects as far as my decision-making
21 process too.

22 SENATOR LOWENTHAL: Obviously -- I would just
23 raise that the actual suspension is a legislative action.
24 That cannot be just done, you know, through the Board.

25 CHAIRPERSON BUCHANAN: Right.

1 SENATOR LOWENTHAL: So I think that even in this
2 recommendation, I -- whatever we're doing as I think that
3 we're really saying that we are -- you know, we are going --
4 all I'm comfortable saying is that because -- something to
5 the effect -- I'm trying to think out loud, you know, that
6 it is the Legislature should -- you know, it's the
7 recommendation of the Board that the Legislature develop
8 some legislation to suspend without putting in the specific
9 thing at that moment about -- I think it's going to be up to
10 the Legislature and all we're saying is --

11 ASSEMBLY MEMBER HAGMAN: Well, I understand that,
12 but I think it's also -- as a legislator, we look at it as
13 it is tied in. I mean one -- as was clearly stated in a
14 couple meetings, the reason how this whole thing got
15 together was because you had the builders of housing that
16 work in the partnership --

17 SENATOR LOWENTHAL: Right. No. I understand what
18 you're saying.

19 ASSEMBLY MEMBER HAGMAN: So there's -- you know,
20 if there's not a plan in place, then that conflict may still
21 be in existence.

22 SENATOR LOWENTHAL: So how do we deal with the
23 fact that right now we're talking about -- would you want to
24 say up until 2014 and then we deal with it again in the
25 future or some way of --

1 CHAIRPERSON BUCHANAN: Are you talking about -- I
2 actually --

3 SENATOR LOWENTHAL: If you're saying we may not do
4 a bond for ten years, do we want to have a suspension?

5 ASSEMBLY MEMBER HAGMAN: It's a possibility and
6 then that's -- you know, no one has this crystal ball for
7 ten years now. My biggest thing is to get the economy going
8 so we don't have this issue in the future, but if let's say
9 the voters are just not there, do we go back to the old
10 default of kicking in Level III at a certain point which no
11 one here wants to see that happen in the immediate future.

12 SENATOR LOWENTHAL: Well, I think if the voters
13 kick it down, I think that is the deal. I'm just -- you
14 know, I don't mind doing that. I'm just saying right now as
15 we're going through this, I do not want the developer
16 fees --

17 CHAIRPERSON BUCHANAN: So -- well, I was hearing
18 on the one hand you were talking about a bond being put on
19 through the initiative process which I think is highly
20 unlikely, but are you -- is there some consensus until the
21 Legislature puts the bond on the ballot and the election
22 has -- we know the results of the election?

23 ASSEMBLY MEMBER HAGMAN: And I would say at least
24 till -- what we're looking at the different options to drag
25 this out possibly through 2016. All right? I mean that's a

1 lot of our numbers -- some of the options we have if we
2 meter it would be to December 2015 or that election cycle.
3 And I would be comfortable with some kind of -- you know,
4 that's four years versus two. We're not guarantee six or
5 eight, you know.

6 CHAIRPERSON BUCHANAN: If you suspend until the
7 Legislature puts a school construction bond on the ballot
8 and the vote -- and we know the results of the election,
9 then it doesn't matter if the election is this year, next
10 year, 2014. I mean you've suspended it until the voters
11 have had a chance to weigh in.

12 If the voters approve it, then we're back to where
13 we were. If they don't approve it, then we're going to have
14 Level III kick in.

15 ASSEMBLY MEMBER HAGMAN: And that's going to be --
16 that's what our recommendation to the Legislature is put
17 that verbiage in because also a creature of three or four
18 budget deals here, that promises from one Legislature
19 doesn't necessarily pass onto the next class who comes up.
20 Those deals are --

21 CHAIRPERSON BUCHANAN: But this is in statute.

22 ASSEMBLY MEMBER HAGMAN: But they have undone
23 those statutes by the next class too. So that's --

24 CHAIRPERSON BUCHANAN: You have to do it -- undo
25 it with a two-thirds vote.

1 ASSEMBLY MEMBER HAGMAN: No.

2 CHAIRPERSON BUCHANAN: No? It's --

3 ASSEMBLY MEMBER HAGMAN: Well, I don't know about
4 this particular issue, but the other budget deals have not
5 been. There's been two-thirds to get the budget passed, but
6 majority to undo some of those deals that were negotiated
7 between parties and that's been a -- and I'm not trying to
8 play devil's advocate. I'm --

9 CHAIRPERSON BUCHANAN: If it requires a
10 two-thirds -- I don't know the answer. If it requires a
11 two-thirds vote to suspend, wouldn't it require a two-thirds
12 vote to take other action to reinstate it? Am I not --

13 ASSEMBLY MEMBER HAGMAN: Where's our attorneys?

14 But I think that's something we could discuss at a
15 later time. I think we --

16 CHAIRPERSON BUCHANAN: Do you have an answer for
17 that?

18 ASSEMBLY MEMBER HAGMAN: We're in agreement that
19 we want to put it off -- we want to suspend Level III which
20 is what mechanism that is and for how long and how to
21 guarantee that certain until we get -- I think that could be
22 discussed in the Legislature.

23 SENATOR LOWENTHAL: What I would feel comfortable
24 right now is because we're really talking even if we do this
25 out, we're talking about to the end of 2014. I -- that's

1 really what we're saying. That's our plan that we have
2 before us we're interested in changing, but everything has
3 shown how do we get to not to -- how do we get to 2014.
4 That's what the Governor -- we're saying maybe we can get
5 there differently.

6 So I would be comfortable -- where I'm starting
7 from is that we recommend that the Legislature consider a
8 suspension of the developer -- of Level III developer fees
9 until December 2014. I mean that's really what we're
10 talking about because after that, all bets are off.

11 I mean if we can't get it on the ballot and we
12 can't get it, I mean -- and the Legislature and the -- we
13 put it -- because we're just talking about a temporary
14 suspension.

15 CHAIRPERSON BUCHANAN: Right. Right.

16 SENATOR LOWENTHAL: And I'm willing to go right
17 now for two years to suspend it.

18 CHAIRPERSON BUCHANAN: Okay. I --

19 SENATOR LOWENTHAL: And that's really what I could
20 handle.

21 CHAIRPERSON BUCHANAN: I can live with that. I
22 mean the future Legislature can make a decision.

23 SENATOR LOWENTHAL: Let them deal with it. That's
24 right. They can deal with it when they come back, but I
25 think we go beyond 2014, we're now distorting everything

1 that we've talked about.

2 CHAIRPERSON BUCHANAN: I can live with that. Do
3 you want to make a comment on that?

4 MR. LYON: Again Richard Lyon, California Building
5 Industry Association. Yes, we could --

6 SENATOR LOWENTHAL: We got to put pressure on them
7 to go to the ballot in 2014.

8 MR. LYON: You bet. You bet. Identifying a date
9 would be fine. 2014 would be fine or another way to do it
10 would be to say until the voters have an opportunity to vote
11 on the next K-14 school facility bond.

12 SENATOR LOWENTHAL: Yeah, but it could end up
13 forever -- we -- our goal is we're not getting it now.
14 We're trying to figure out a way of how we're going to get
15 through the next two years. That's where all this
16 discussion is. Let's suspend it so that's not part of the
17 discussion. That's really where I am.

18 MR. LYON: We would be comfortable with a date of
19 2014.

20 ASSEMBLY MEMBER HAGMAN: I thought through
21 December 2014.

22 SENATOR LOWENTHAL: December; right. I'm -- the
23 end of 2014. I'm not doing it at the beginning. Extend
24 almost to 2015, till after the election.

25 MR. ALMANZA: But if we pace our spending rate so

1 that we run the money out to 2014, do we need the
2 Legislature to suspend?

3 CHAIRPERSON BUCHANAN: I think that it makes sense
4 to --

5 SENATOR LOWENTHAL: You may not, but we're just
6 doing a statement. Legislature in there -- you know, this
7 is a decision of the Legislature, all of this. We're just
8 recommending as we're going through to the Legislature.

9 You're right. They may say in their --

10 MR. ALMANZA: Um-hmm.

11 SENATOR LOWENTHAL: If we're doing all these other
12 things, we just want to make sure that what we work on
13 now -- because we may not decide to keep everything going
14 totally until 2014. Do you follow? Because we -- but at
15 least we're taking this off the table because that's going
16 to be the next issue and that's really where I am.

17 But you're right. The Legislature may -- but we
18 may decide to, well, we can end it -- the Board may decide
19 to end it in -- to end or allow in 2013 or '14 the ability
20 to spend more money. That -- but we're just saying that
21 this is a three-year policy -- you know, two, almost
22 three-year policy that we -- it gives us flexibility to do
23 this and freedom to deal with the other issue which is how
24 much do we spend and when do we spend it without putting
25 anybody else at risk. That's all.

1 And the Governor's proposed how we get to December
2 of 2014. All right. That's one proposal. We may go with
3 that or not, but at least we don't involve the developer --
4 you know, the Level III developer fees. That's my -- that's
5 where I am.

6 CHAIRPERSON BUCHANAN: I think it's a safer
7 option. It potentially avoids any lawsuits where someone
8 comes in and says you really are out of money, you know.
9 So --

10 MR. ALMANZA: And that will be the Legislature's
11 decision then.

12 CHAIRPERSON BUCHANAN: Right. So --

13 ASSEMBLY MEMBER HAGMAN: First one done.

14 CHAIRPERSON BUCHANAN: The first one is done.
15 Like I said, I -- the second question with the ORG, I've had
16 numerous meetings and, you know, one of the issues is that
17 there are some districts that their demand for the ORG money
18 is just not known now. Some of them are in projects where
19 they're going to -- they've already expended money and
20 they're going to be looking for reimbursement and, you know,
21 I'm not convinced right now that transferring the ORG -- I
22 know the Governor's proposal is to transfer whatever is
23 remaining in the funds as of June 30th and this doesn't take
24 that off the table, but I'm not sure we can make a
25 recommendation for the entire Board at this point in time to

1 transfer the ORG.

2 ASSEMBLY MEMBER HAGMAN: I'd like to go out in
3 different order because to me I think staff probably has a
4 better job of what the demands are. We talk about -- there
5 is some demand driven stuff here, what the most critical
6 needs are.

7 I'd like to give as much flexibility from their
8 input as possible, but I would like to see it paced, like
9 every business, every family's doing in California right
10 now, try to make their budget last until their next paycheck
11 basically.

12 CHAIRPERSON BUCHANAN: Okay.

13 ASSEMBLY MEMBER HAGMAN: And that's what we're
14 looking for is 2014 is our next paycheck for this system and
15 we have to pick priorities wherever those are and they're
16 hard choices to make. And to make those transfers from one
17 bond to the other, I'm not sure if I'm in the best position
18 to do that, but I'd rather see it dragged out and they'll
19 take whatever.

20 I think staff's recommendations or the Governor's
21 look at the budget, saying this is where the most need is.
22 There's always needs across the board. I think if we had a
23 perfect thing, I would fund the schools, fund their water
24 bond, I would be funding all that stuff, but we don't have
25 the money for it.

1 So at that point, we have to pick and choose what
2 is the priorities for this program, for what we have. I'd
3 like to see it last until the end of 2014. That's my better
4 preference more than which funds to bring together or not.
5 I'm totally open to that based on the numbers and the need
6 or the list, so to speak.

7 Also when we talked about the list, I think once
8 you get through 2014, I think yeah, you should have the list
9 continue on past the funding cycle so we have some idea what
10 you need to go out and ask for and at some point since this
11 may last longer, let's say you get application now. In two
12 years from now, the demographics may change the need and
13 those districts may change. We have some kind of check like
14 every year to make sure that is the correct list and it
15 still meets the criteria.

16 But when you finally get to a campaign in November
17 2014 for that bond, you have some sense of what the need is
18 for that campaign and hopefully projection not just
19 immediate but also longer term at that point.

20 So I think if you cut off the list, that would be
21 a problem because you won't show that need, but at the same
22 time, you want to keep the system going and showing that
23 you're doing good things, as far as combining what pots.

24 MR. ALMANZA: So assuming that we pace our
25 spending, could we have a list of what's in the bin and

1 waiting that hasn't come and won't be coming to approval,
2 but at least we know how much is accumulating?

3 ASSEMBLY MEMBER HAGMAN: And does it have to be
4 all or nothing too. Is there a certain portion of it, like
5 can you do half of it or whatever the case may be based on
6 your projection over the two years, what is the most crucial
7 need and what do you have ready to go.

8 MS. SILVERMAN: Yeah. That list is what Esteban
9 is referring to. It wouldn't be considered an unfunded
10 list, but it would be considered a list of projects that
11 could potentially move forward once bond authority becomes
12 available.

13 You do have projects that move forward with this
14 cash priority system that may not perfect and that will give
15 those projects an opportunity to move from the bin to a real
16 live processing and so you can create -- move those projects
17 forward, but that bin list wouldn't be a true unfunded list.
18 It would just be acknowledgement that we received your
19 project, here's a date, here's a type of project we
20 received, and you wouldn't necessarily know the cost.

21 You might have a threshold of what the cost may
22 be, but you wouldn't have it defined.

23 SENATOR LOWENTHAL: So you're suggesting that we
24 not have an unfunded approval list but we have a list of
25 need and what it is but we not call it or we not make any

1 commitment. What if we wanted to go -- could we have an
2 unfunded approval list? Why not? Could if the
3 administration agreed to that?

4 CHAIRPERSON BUCHANAN: I think in my
5 conversations -- of course could have been wrong -- the
6 administration is certainly receptive to having a list of
7 projects we've accepted. I think the only issue with an
8 unfunded list, you're going to assume that the program's
9 going to be the same.

10 You know, what if, for example, Eric and I had a
11 conversation, you know, what if in the new program ORG was
12 part of new construction. So what are you approving the
13 program under.

14 So not knowing exactly what the next bond's going
15 to look like and without having that kind of discussion over
16 the next year, I don't think you want to have school
17 districts have the assumption that things are going to be
18 exactly the same, but I do think we need to continue to
19 accept projects with the cost estimate so we know, you know,
20 what the magnitude is -- what the demand is there.

21 ASSEMBLY MEMBER HAGMAN: And I'm also -- we're
22 thinking practically up here. When it gets to the courts,
23 if it does go to the courts which we're hoping it doesn't,
24 you know, what we say is an unfunded list, does that mean --
25 yeah, those type of issues and that's why putting on

1 Level III on suspense may take that issue out. But I want
2 to make sure that this is thought through not just from a
3 practical standpoint, but also from the legal part of it
4 because I want to avoid the school districts and everybody
5 else spending money on litigating our intent and our -- you
6 know, those type of things which kind of waste everyone's
7 money on this point.

8 I think you can have a list of future need and
9 that list can be definitely utilized to help sell the idea
10 of the necessity of bonds. I would hate to get that tied up
11 differently with a legal term of something that is unfunded
12 and therefore starts triggering different things or someone
13 bonds out on something and receives money and is paying
14 interest on it but then, like you said, we decide that now
15 the terminology is no longer these categories we have right
16 now, but it's called something different.

17 I'm personally in favor for giving that authority
18 down to more of the locals, you know, some of things we're
19 talking about up here and that may look completely different
20 than what we have to set up.

21 So I think -- I agree that to show the need, by
22 the time we get to 2014, it's critical to show what amount
23 and what types of infrastructure improvements we need for
24 our schools, but is that going to fall in the same
25 categories. Do we want to give that sense to the districts

1 to bond out based on that and say now we're ready to build,
2 but now the funding comes in differently, what composition
3 to put that in.

4 And I don't know the best way of doing that, but I
5 think we can agree --

6 ASSEMBLY MEMBER BUCHANAN: I think we need to
7 demonstrate need and the other thing I believe is I think it
8 would be -- I mean we obviously are -- implementation
9 issues, but I also think it would be fair to be able to date
10 stamp these projects so that --

11 SENATOR LOWENTHAL: Right.

12 CHAIRPERSON BUCHANAN: -- so that there is some
13 sort of -- you know, but I think, you know, when we talk
14 about a demand list, whatever we want to call it, I mean I
15 think there are issues we're going to have to work through
16 over the next few months or so even through the
17 Implementation Committee.

18 I mean you have a requirement, for example, in new
19 construction that you not occupy classrooms before you
20 submit your form for funding. Well, what happens if someone
21 builds a new school and they occupy the classrooms in
22 September of 2014? You know, I mean I don't know what
23 little nuances you're going to have there, but I do think
24 we're going to have to --

25 SENATOR LOWENTHAL: Got it.

1 CHAIRPERSON BUCHANAN: You know, I think there's
2 going to -- but I do think that the State Allocation Board
3 is capable of, you know, having discussions and having staff
4 look in to any sort of issues we might have there to come up
5 with a list that works, you know, have some kind of -- you
6 know, keep track of it by date or whatever and make sure
7 that whatever the program looks like and I would like to
8 think that that list would help shape the next bond to make
9 sure they're covered.

10 MR. ALMANZA: So we could have a report of -- the
11 bin report of what's in the bin, how much.

12 MS. SILVERMAN: That's correct. And we can report
13 that out every month.

14 MR. ALMANZA: And when an application goes there,
15 they have a place in line --

16 MS. SILVERMAN: Right.

17 MR. ALMANZA: -- for funding.

18 SENATOR LOWENTHAL: So as I understand now -- I
19 just put down in my notes right now -- where we are is -- I
20 don't know if we have unanimity, but the idea of suspending
21 the Level III developer fees, we're going to recommend the
22 suspension until the end of 2014.

23 CHAIRPERSON BUCHANAN: December 31st -- right.

24 SENATOR LOWENTHAL: We're going to recommend
25 having a -- whatever happens having a list of future need,

1 maybe with date --

2 CHAIRPERSON BUCHANAN: Right.

3 SENATOR LOWENTHAL: -- stamp so we'll know,
4 without any kind of commitment, but we're going to continue
5 to collect that, that we're not talking about the
6 overcrowded relief grant really moving in -- or we may, but
7 that's not -- no one came up and --

8 ASSEMBLY MEMBER BUCHANAN: Right.

9 SENATOR LOWENTHAL: -- said do that. But so that
10 would be off the table.

11 So the only issue then is what is the benefit if
12 in fact now we're going to not have Level III fees going
13 into a place before 2014 and we're going to keep a list.
14 The question is how do we know what's the best way to run
15 out. Do we keep it going or not and what's our
16 recommendation about that because it's now not talk to
17 anything else but that, what is in our best judgment, how
18 will that impact the development or the next bond going
19 forward.

20 Because districts have already told us, well, if
21 you keep this record of need and if you -- now what we're
22 doing about getting rid of -- suspending developer fees,
23 they'd rather see the money run out is what they're saying,
24 that that's where they are, as long as you're going to do
25 all these things.

1 And we're saying, well, that's -- wait a second.
2 That may be true, but how is it going to impact -- is it
3 really good or bad and you said you've spoken to some and
4 I'm listening also. So that's for me now how we reconcile
5 this last question is the critical and for me it's how do we
6 enhance the ability to pass the next bond.

7 That's all I care about now. And is this a good
8 thing or now and I'm willing to hear all suggestions and
9 work -- I'm just really not clear about that one. I feel
10 real good about everything -- where we're up to here and how
11 we move forward. And I -- you know, you've made a strong
12 argument or I -- impressed me the most in talking to people
13 and saying that it's very important.

14 So I hear that. I understand that.

15 ASSEMBLY MEMBER HAGMAN: I still believe that from
16 different points of angles, not -- obviously the school
17 builders would like to have their monies and be done with it
18 and not be in limbo. I understand that point of view.

19 But I'm thinking from the larger picture, when we
20 express our need that we have to slow down in this tough
21 economic times, that we have metered out somewhat, and I
22 don't think it has to be --

23 SENATOR LOWENTHAL: Why? Why? We have this
24 money. I still don't understand why. I need to be
25 convinced why.

1 ASSEMBLY MEMBER HAGMAN: Because that's the
2 message you're sending from the entire State government
3 right now is that --

4 SENATOR LOWENTHAL: Now, these are good jobs and I
5 would --

6 ASSEMBLY MEMBER HAGMAN: -- we are trying --

7 SENATOR LOWENTHAL: -- love to spend the money. I
8 mean -- and may be convinced that it's not a good idea to
9 spend it and to hold it out, but I come from the point of
10 view right now why not spend it, is where I -- you know,
11 so --

12 CHAIRPERSON BUCHANAN: The message that was given
13 to me loud and clear --

14 SENATOR LOWENTHAL: I hear you.

15 CHAIRPERSON BUCHANAN: -- from the two consultants
16 and you and I talked is that, you know, that from a voter
17 perception -- and I can show you a chart here that shows,
18 you know, where our debt service is going to be in 2014
19 which is considerably higher than it is right now -- that
20 their advice was that by having a program in place and where
21 you're still allocating -- approving, you know, funding of
22 projects puts us in a better position than not having had a
23 program in place for two years.

24 SENATOR LOWENTHAL: I hear you.

25 CHAIRPERSON BUCHANAN: And I -- it's a question

1 of, you know, I gave the school --

2 SENATOR LOWENTHAL: I know.

3 CHAIRPERSON BUCHANAN: -- example because I can be
4 on the school board and say yeah, but I need \$200 million
5 not \$100 million and I could go for that and maybe I get
6 lucky and pass it and maybe I don't and if I don't, I end up
7 with nothing.

8 And so, you know, in talking to these consultants
9 and they both have worked on the statewide bonds and they've
10 worked on many other statewide bonds and both of them, by
11 the way, have consulted -- done consulting with Democrats
12 and Republicans, so they're very well-respected people, that
13 is their advice.

14 So it's sort of like -- and I do believe it's a
15 political question.

16 SENATOR LOWENTHAL: Okay.

17 CHAIRPERSON BUCHANAN: And I also want to say that
18 we can give out the money and be left with nothing, you
19 know, in a matter of months because that's where we are.
20 There's nothing that we can do today that's going to create
21 money.

22 Even if we were in agreement to transfer the ORG
23 money, that doesn't create money. We have -- we're at the
24 end of the bond. We have a finite amount and we somehow
25 have to make the program last.

1 I do believe rather than saying we're only going
2 to allocate 10 million a month, we could give the State
3 Allocation Board some discretion -- I mean give them the
4 direction that we want to make this last through 2014 and
5 give the State Allocation Board some discretion in terms of
6 how it allocates it because, you know, I was talking about
7 Imp. We're going to have some problems where, you know,
8 you've got a \$50 million project. If you only have
9 40 million, then we don't want that district to end up not
10 being -- so I do think the Board is smart enough to figure
11 out how to do that in a way that we stretch it out. But --

12 ASSEMBLY MEMBER HAGMAN: Stretch it out but at the
13 same time give the flexibility as much as possible for those
14 funds to be utilized --

15 CHAIRPERSON BUCHANAN: Right.

16 ASSEMBLY MEMBER HAGMAN: -- and I think that's the
17 biggest thing and I think again why did we put off the water
18 bond for two years. It was political. Okay. It was
19 practical. What would the voters go for, when would they go
20 for it, and what was the best chance for that water bond to
21 go. It wasn't and that's why we did that.

22 It's the same optics that we're using for this
23 case is for what is the best optimistic --

24 SENATOR LOWENTHAL: I see a little differently,
25 but I don't want to get into that at this moment. We

1 necessarily don't have -- you know, we're only putting up --
2 the Governor's only putting up the tax increase now because
3 he couldn't get a tax extension before, then we wouldn't be
4 dealing with some of these issues.

5 CHAIRPERSON BUCHANAN: But that's reality.

6 SENATOR LOWENTHAL: That's right. I'm just
7 saying I -- so how we got here, I see a little differently.

8 CHAIRPERSON BUCHANAN: Right. I mean if we had
9 the tax extensions a year ago, we would all be working to
10 pass a 2006 [sic] bond, but -- and we can all wish, but I
11 could tell you -- I think we're all in agreement, there's no
12 way we're going to have a bond, even a bridge bond, on the
13 ballot this year.

14 SENATOR LOWENTHAL: No. No. I think we're all --

15 CHAIRPERSON BUCHANAN: So --

16 SENATOR LOWENTHAL: -- all of us are in agreement.
17 We know that.

18 CHAIRPERSON BUCHANAN: So we're going to have to
19 figure out a way to make the program work.

20 MR. DUFFY: Just two comments if I could. Again
21 Tom Duffy for CASH.

22 The -- and I don't doubt the political campaigners
23 that you've talked to, but the experience we had in the past
24 is that the Allocation Board would frequently dispense with
25 all the funds in December as an example because there was a

1 bond in November. And then we were in a drought for a
2 period until the next bond which was again an even numbered
3 year.

4 In 1994, we lost the only bond we've lost. A
5 success in '92, lost in '94. It was in the beginning of a
6 recession and we continued the program, continued to accept
7 applications, building the pipeline, and we had enormous
8 success in '96 even Orange County, which was never in big
9 support of the bond.

10 CHAIRPERSON BUCHANAN: '96 was the middle of the
11 dot com bubble.

12 MR. DUFFY: Well, '96 was also in a recession and
13 we --

14 CHAIRPERSON BUCHANAN: It was still you didn't
15 have a housing bubble that popped.

16 MR. DUFFY: No. The circumstances --

17 CHAIRPERSON BUCHANAN: You had unemployment --

18 MR. DUFFY: -- and I'm not arguing that. What I'm
19 saying to you is that having the ability to continue -- and
20 I think it's --

21 CHAIRPERSON BUCHANAN: Fine.

22 MR. DUFFY: -- the discussion that you're having
23 and so I'm supporting that, that you want to have a means of
24 having a list and I think to the question that Mr. Hagman
25 brought up and you as well, what about changes in the

1 program, what do we do.

2 Well, we have experience with that when we changed
3 from the program -- the old program in 1998, so I think
4 there's a way to do that.

5 Having an approved list of projects does not,
6 Mr. Hagman, obligate the Board to fund. When we got into
7 the funding freeze in late 2008 and 2009, we explored that
8 with the Board.

9 If you make an apportionment and that
10 apportionment is a promise, you have not made apportionments
11 with your unfunded approvals. Those are when we get to
12 money if we have it, then you've met all the tests. So I
13 think the Board has said --

14 CHAIRPERSON BUCHANAN: I think we're in agreement
15 on that.

16 MR. DUFFY: And so what I'm -- I'm just saying, we
17 are in agreement with you and saying that I think that the
18 Board is protected and that indeed that will help us I
19 believe to get to the next bond.

20 The issue I think that you were bringing up was do
21 we spend the money that we currently have and go down to
22 zero or not, and I was just identifying that we've --

23 CHAIRPERSON BUCHANAN: Right.

24 MR. DUFFY: -- gone to zero before --

25 CHAIRPERSON BUCHANAN: I know.

1 MR. DUFFY: -- and still had success.

2 CHAIRPERSON BUCHANAN: And -- but we've not --
3 we've never gone to zero for two years in the kind of
4 economy that we have today. Even two years from now, the
5 likelihood of employment -- unemployment being twice as high
6 as it was in that time period is -- you know, I mean it's
7 just a very -- it's a very different economy that we have
8 today.

9 MR. DUFFY: And I don't disagree.

10 CHAIRPERSON BUCHANAN: And the voters have a very
11 different appetite for increasing debt than they did, you
12 know, back in -- during those times. And so that's -- so
13 I'm not sure past history is going to be the best predictor
14 of future history. I mean even though voters tend to
15 approve -- tend to support education.

16 MR. DUFFY: The positives are we know they're in
17 support of a bond if it's there and we -- test that again.
18 The other is that school construction projects, as we've
19 said over and over again to you, create jobs right away,
20 whereas other projects don't. Thank you.

21 SENATOR LOWENTHAL: Right. They do.

22 CHAIRPERSON BUCHANAN: Well, but transportation
23 bonds create jobs I think.

24 SENATOR LOWENTHAL: They do too.

25 CHAIRPERSON BUCHANAN: So do we have any consensus

1 or should we move forward --

2 ASSEMBLY MEMBER HAGMAN: I still like the idea
3 of -- I mean not necessarily so much per meeting or
4 anything. Just somehow generally over the next four,
5 six-month cycles to --

6 CHAIRPERSON BUCHANAN: Stretching the program.

7 ASSEMBLY MEMBER HAGMAN: -- stretching out the
8 program a little bit with as much flexibility to the staff
9 as possible.

10 SENATOR LOWENTHAL: Tell me what we had consensus
11 on and then I'll figure out --

12 CHAIRPERSON BUCHANAN: All right. I think we have
13 consensus on suspending -- making a recommendation to
14 suspend Level III fees through December 31st, 2014.

15 I think we have consensus on the fact that we need
16 to have some way of creating a project list that will
17 reflect the demand for school construction money in the
18 state.

19 SENATOR LOWENTHAL: Right. Whether we call it --
20 whether it's an unfunded approval list --

21 CHAIRPERSON BUCHANAN: Yeah.

22 SENATOR LOWENTHAL: -- or not and just use it --

23 CHAIRPERSON BUCHANAN: Right.

24 SENATOR LOWENTHAL: -- this way --

25 CHAIRPERSON BUCHANAN: Right.

1 SENATOR LOWENTHAL: -- some list we need to
2 generate.

3 ASSEMBLY MEMBER HAGMAN: Um-hmm.

4 SENATOR LOWENTHAL: We'll figure out as much as
5 we --

6 ASSEMBLY MEMBER HAGMAN: Terminologies --

7 CHAIRPERSON BUCHANAN: Right. That's exactly
8 right.

9 SENATOR LOWENTHAL: -- can go -- how far we can go
10 on that.

11 CHAIRPERSON BUCHANAN: I think where we are --
12 have partial consensus, not unanimity, is on the question of
13 do we just let the money run out and sort of let the basic
14 program go dormant for two years or do we -- I think at
15 least Mr. Hagman and I are in consensus --

16 SENATOR LOWENTHAL: Right.

17 CHAIRPERSON BUCHANAN: -- that we do what we can
18 to expand the program and -- you know, just as average
19 homeowners, other people are doing --

20 SENATOR LOWENTHAL: Right.

21 CHAIRPERSON BUCHANAN: -- right now and give some
22 flexibility then rather than have a rigid, you know,
23 X million dollars per month, but have -- give the State
24 Allocation Board some flexibility in terms of being able to
25 allocate to --

1 SENATOR LOWENTHAL: How much flexibility?

2 ASSEMBLY MEMBER HAGMAN: I would say --

3 SENATOR LOWENTHAL: I mean it --

4 ASSEMBLY MEMBER HAGMAN: To mean you have a total
5 pie --

6 SENATOR LOWENTHAL: Um-hmm. Right. Right.

7 ASSEMBLY MEMBER HAGMAN: -- this big. What's
8 left?

9 SENATOR LOWENTHAL: We know what the pie is.

10 CHAIRPERSON BUCHANAN: Right.

11 ASSEMBLY MEMBER HAGMAN: Two years --

12 SENATOR LOWENTHAL: Because I like what you're
13 saying. I just need how much flexibility.

14 ASSEMBLY MEMBER HAGMAN: Two years roughly or two
15 and a half years, I guess, we're going to drag this out, so
16 maybe like five --

17 SENATOR LOWENTHAL: Almost three years.

18 ASSEMBLY MEMBER HAGMAN: -- almost three years.

19 CHAIRPERSON BUCHANAN: Right.

20 ASSEMBLY MEMBER HAGMAN: So almost, you know, five
21 or six cuts of that pie somehow -- you know just up here
22 waiting for a bond issuance. I mean we're not even
23 guaranteed we can fund bonds a lot of times now in this
24 economic climate.

25 But, you know, have a period of -- just like we

1 have cycles -- of six months picking the best and the most
2 neediest programs and I don't even mind the idea of, you
3 know, you have to -- you can't pull everything because then
4 who knows what they'll apply for.

5 SENATOR LOWENTHAL: Would you --

6 ASSEMBLY MEMBER HAGMAN: But to try and drag that
7 out and like --

8 CHAIRPERSON BUCHANAN: I --

9 SENATOR LOWENTHAL: Let's say within a year.
10 Let's say we set up this model that we're going to somehow
11 give them the formula to have some flexibility and the
12 object is we're going to keep it going until the end of 2014
13 because we see that that's a clearer path.

14 What about in a year from now if having given the
15 Board flexibility, the -- could the Board have a decision
16 within a period of time to say what we really -- you know,
17 we want to spend more of the money now?

18 CHAIRPERSON BUCHANAN: Well, I think -- I mean I
19 think you've got to have a direction that we stretch out the
20 program with -- and within that stretching it out, you know,
21 wanting your last allocation to be towards to the end of
22 2014. Within that you've got to have flexibility to decide
23 how much you give when and, you know, I mean no matter what
24 you do, again we're not going to create money, but we don't
25 know which --

1 SENATOR LOWENTHAL: Okay. Here's where I -- I
2 would like in the interest right now of unanimity -- I could
3 be supportive of that with the caveat that I'm going to
4 really try to understand also from some before we vote on it
5 on the Board whether in fact this really is going to enhance
6 our ability and at that time I'll make kind of --

7 CHAIRPERSON BUCHANAN: That's --

8 SENATOR LOWENTHAL: -- but right now, if that's
9 really so, that's a convincing argument to me.

10 MR. ALMANZA: Um-hmm.

11 SENATOR LOWENTHAL: That is the defining -- but
12 I'm not totally convinced I know the --

13 CHAIRPERSON BUCHANAN: I --

14 ASSEMBLY MEMBER HAGMAN: And I there's -- I have
15 one more --

16 CHAIRPERSON BUCHANAN: Just a couple phone calls
17 is all you have to make.

18 SENATOR LOWENTHAL: But I'm willing to go along
19 with you. That's exactly right. That's right.

20 CHAIRPERSON BUCHANAN: And I think you should
21 because you may have questions that were different than my
22 questions --

23 SENATOR LOWENTHAL: That's right. And so I
24 will --

25 CHAIRPERSON BUCHANAN: -- get them answered.

1 SENATOR LOWENTHAL: -- reserve the right at some
2 later -- not to buy into limiting it when we go -- but I
3 think that right now given the set that this really will
4 enhance our ability to pass and really -- I want to do
5 whatever I can to pass it, not what I want to do.

6 And so I'm willing to go along with that, but I
7 need to say between now and we vote on it on the Board, I'm
8 still going to need some more convincing. That's all.

9 CHAIRPERSON BUCHANAN: Yes.

10 ASSEMBLY MEMBER HAGMAN: And let me just make
11 maybe one more suggestion. Instead of being so linear as
12 far as maybe a third, a third, a third, is maybe that you
13 look at this next where we got ten months left in this year,
14 maybe, you know, half lives. 50 percent this year. and then
15 do 50 percent the following year and 50 percent the next six
16 months and you could basically slow that program down
17 because we got a lot of things in the hopper, but you can --
18 instead of putting on the brakes real hard, you're slowing
19 down the rate.

20 SENATOR LOWENTHAL: I'm a Democrat. We can spend
21 money we don't have.

22 (Laughter)

23 CHAIRPERSON BUCHANAN: I would say --

24 ASSEMBLY MEMBER HAGMAN: And that way you could
25 sit there -- but I want to give as much flexibility as

1 possible to --

2 CHAIRPERSON BUCHANAN: Why can't the Board make
3 that decision?

4 ASSEMBLY MEMBER HAGMAN: Yeah. As much
5 flexibility --

6 CHAIRPERSON BUCHANAN: And they're all --

7 SENATOR LOWENTHAL: I'm going to be accused of it
8 anyway. Might as well do it.

9 CHAIRPERSON BUCHANAN: I think the Board's capable
10 of making that kind of decision.

11 ASSEMBLY MEMBER HAGMAN: Yeah.

12 MS. STUART: May I make one more comment. If you
13 do meter it out and it sounds like that's the direction the
14 Board's going, one thing that you might consider is have the
15 money run out prior to the bond elections because if there's
16 money sitting in there, psychologically it can --

17 CHAIRPERSON BUCHANAN: Well, it's -- any way you
18 look at it --

19 SENATOR LOWENTHAL: That may be a good point too.

20 CHAIRPERSON BUCHANAN: Any way you look at it --

21 SENATOR LOWENTHAL: That's a good point. Yeah.

22 We've heard that also that if you're going to meter it
23 out --

24 CHAIRPERSON BUCHANAN: Right. Right. It'll
25 happen --

1 SENATOR LOWENTHAL: Meter it out before November,
2 you know, let the month be gone so when you're going to the
3 public you --

4 MS. STUART: Instead of December 31st.

5 SENATOR LOWENTHAL: Right. Right. That I
6 think --

7 CHAIRPERSON BUCHANAN: And I think the Board's
8 capable of kind of taking a look at the big -- that big
9 picture along with staff and making those kinds of
10 decisions.

11 So I think we have some consensus. Why don't we
12 write up a recommendation. I'll work with staff. I'll give
13 it to you so that you can see it --

14 SENATOR LOWENTHAL: Right.

15 CHAIRPERSON BUCHANAN: -- before it goes to the
16 Board. I'm sure we'll have another --

17 SENATOR LOWENTHAL: When's the Board meeting?

18 CHAIRPERSON BUCHANAN: Next Wednesday.

19 SENATOR LOWENTHAL: Next Wednesday.

20 CHAIRPERSON BUCHANAN: I'm sure we'll have another
21 very robust --

22 SENATOR LOWENTHAL: As we should. I thought it
23 was a great discussion.

24 CHAIRPERSON BUCHANAN: -- discussion and, you
25 know, people can make phone calls or whatever and then we

1 will move forward. Anything else?

2 ASSEMBLY MEMBER HAGMAN: No.

3 MR. ALMANZA: Thank you.

4 CHAIRPERSON BUCHANAN: Okay. This meeting's
5 adjourned.

6 (Whereupon, at 5:30 p.m. the proceedings were recessed.)

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REPORTER'S CERTIFICATE

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STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

I, Mary C. Clark, a Certified Electronic Court Reporter and Transcriber, Certified by the American Association of Electronic Reporters and Transcribers, Inc. (AAERT, Inc.), do hereby certify:

That the proceedings herein of the California State Allocation Board, New Construction Subcommittee, Public Meeting, were duly reported and transcribed by me;

That the foregoing transcript is a true record of the proceedings as recorded;

That I am a disinterested person to said action.

IN WITNESS WHEREOF, I have subscribed my name on February 28, 2012.

Mary C. Clark
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