

State Allocation Board
Subcommittee on Priorities in School Construction Funding

July 15, 2010, 9:30-11:00 am
Legislative Office Building
1020 N Street, Room 100
Sacramento, CA 95814

PURPOSE

To discuss how Facility Hardship projects have historically been placed in priority order and how to order such projects in the future.

AUTHORITY

- Education Code (EC) Sections 17075.10 and 17075.15 states that school districts may apply for hardship assistance, but does not specify a priority in comparison to non-hardship projects.
- Budget Letter 10-09 requires that if there are insufficient bond sale proceeds, departments and agencies are responsible for setting priorities for the projects that will be funded consistent with the criteria outlined (including health and safety).

HISTORY

- Facility Hardship projects provide funding for the replacement or rehabilitation facilities in critical cases where there is a serious threat to the health and safety of pupils occupying the facilities; Facility Hardship also includes Seismic Mitigation projects, which provide funding for the replacement or mitigation of a facility that meets the criteria of the “Most Vulnerable Category 2 Buildings,” as defined by the Division of the State Architect
- Prior to the financial crisis, Facility Hardship applications were always presented at the top of each month’s Consent Agenda, regardless of received date. Since projects were apportioned, funds were immediately available to facility hardship projects.
- The first Unfunded Approvals list on March 25, 2009, as well as each subsequent list, has continued this practice. Under this practice, when bonds are sold and projects are actually apportioned, facility hardship projects received funds only if the month in which they are placed on the unfunded list is reached by the available bond funds.
- The Department of Finance provided cash for apportionments for all “Health and Safety” projects on the original Inactive Apportionment list first when proceeds from the March 2009 bond sale were received.
- At the May 12, 2010 Subcommittee meeting, members recommended that the topic of Facility Hardship projects be brought to the State Allocation Board (SAB) for a full policy discussion.

ISSUES FOR CONSIDERATION

- 1) Authority to Give Facility Hardship Projects Priority
 - a) EC and School Facility Program (SFP) Regulations not specific
 - b) Budget Letter 10-09 requires that consideration be taken to give priority to health and safety projects

- 2) Facility Hardship Projects (General)
 - a) Placement on the Unfunded List
 - Continue current practice of placing at the top of each SAB Unfunded list?
 - Place at top of the entire Unfunded Approval list at the time of bond sale?
 - Date order received versus Unfunded Approval date
 - Equity issues associated with how projects are ordered
 - b) Set-aside of cash from future bond sale proceeds
 - Pilot program
 - i) Re-visit after 6-12 months?
 - ii) Reservation at each bond sale?
 - How much?
 - Based on Unfunded Approvals up to the date of the bond sale?
 - Establish and maintain a reserve for future projects?
- 3) Implementation
 - a) Regulation vs. Policy
 - Timelines
 - b) Communication Plan/Notification

UNFUNDED APPROVALS

As of June 23, 2010

FACILITY HARDSHIP

<i>School District</i>	<i>County</i>	<i>Application Number</i>	<i>School Site Name</i>	<i>SAB Approval Date</i>
Alpaugh Unified	Tulare	51/71803-00-001	Alpaugh Elementary	9/23/2009
Alpaugh Unified	Tulare	51/71803-00-002	Alpaugh Junior/Senior High	9/23/2009
Santee Elementary	San Diego	51/68361-00-002	Rio Seco Elementary	1/27/2010
Santee Elementary	San Diego	51/68361-00-003	Carlton Oaks Elementary	1/27/2010
Santee Elementary	San Diego	51/68361-00-004	Carlton Hills Elementary	1/27/2010
Mesa Union Elementary	Ventura	51/72470-00-001	Mesa Union Elementary	6/23/2010
Bass Lake Joint Union Elementary	Madera	51/65185-00-001	Oakhurst Elementary	5/26/2010

REHABILITATION

<i>School District</i>	<i>County</i>	<i>Application Number</i>	<i>School Site Name</i>	<i>SAB Approval Date</i>
South San Francisco Unified	San Mateo	58/69070-00-001	El Camino High	8/26/2009
South San Francisco Unified	San Mateo	58/69070-00-002	Buri Buri Elementary	8/26/2009
South San Francisco Unified	San Mateo	58/69070-00-003	Sunshine Gardens Elementary	8/26/2009
Alisal Union Elementary	Monterey	58/65961-00-001	John Steinbeck Elementary	9/23/2009
Piedmont City Unified	Alameda	58/61275-00-001	Piedmont High	1/27/2010
Piedmont City Unified	Alameda	58/61275-00-002	Piedmont High	3/24/2010

Facility Hardship and Rehabilitation Total Unfunded Approvals

<i>Total Apportionment</i>
\$212,250
\$801,991
\$2,896,250
\$975,185
\$2,816,920
\$1,976,816
\$1,435,393
\$11,114,805

<i>Total Apportionment</i>
\$45,200
\$20,811
\$31,950
\$7,597,533
\$475,867
\$578,439
\$8,749,800

\$19,864,605

CONCEPTUAL APPROVALS

As of June 23, 2010

FACILITY HARDSHIP

<i>School District</i>	<i>County</i>	<i>Application Number</i>	<i>School Site Name</i>	<i>SAB Approval Date</i>	<i>Funding Application Due Date</i>	<i>Estimated State Grant *</i>
Alpaugh Unified	Tulare	51/71803-00-001	Alpaugh Elementary	2/25/2009	8/25/2010	\$1,139,938
Alpaugh Unified	Tulare	51/71803-00-002	Alpaugh Junior/Senior High	2/25/2009	8/25/2010	\$4,280,283
Julian Union High	San Diego	51/68171-00-002	Fortuna Middle	5/26/2010	10/26/2011*	\$1,872,338
Estimated Total Need (State Share) *						\$7,292,559

REHABILITATION

<i>School District</i>	<i>County</i>	<i>Application Number</i>	<i>School Site Name</i>	<i>SAB Approval Date</i>	<i>Funding Application Due Date</i>	<i>Estimated State Grant *</i>
Monterey Peninsula Unified	Monterey	58/66092-00-001	Marina Vista Elementary	9/26/2007	3/24/2011	\$52,578
Monterey Peninsula Unified	Monterey	58/66092-00-002	Marshall Elementary	9/26/2007	3/24/2011	\$159,571
Monterey Peninsula Unified	Monterey	58/66092-00-003	La Mesa Elementary	9/26/2007	3/24/2011	\$183,661
Monterey Peninsula Unified	Monterey	58/66092-00-005	Central Coast Continuation High	9/26/2007	3/24/2011	\$210,666
Scotts Valley Unified	Santa Cruz	58/75432-00-001	Scotts Valley High	4/23/2008	10/23/2009***	\$1,925,732
Pacific Unified	Monterey	58/75150-00-001	Pacific Valley	3/25/2009	9/25/2010	\$447,284
Susanville Elementary	Lassen	58/64196-00-001	Diamond View Elementary	6/24/2009	12/24/2010**	\$1,901,674
Sacramento City Unified	Sacramento	58/67439-00-002	McClatchy High	9/23/2009	3/23/2011	\$57,392
Siskiyou Union High	Siskiyou	58/70466-00-001	Weed High	5/26/2010	10/26/2011	\$1,124,870
Sonora Elementary	Tuolumne	58/72371-00-001	Sonora Elementary	1/27/2010	7/27/2011	\$1,271,160
Dos Palos - Oro Loma Joint Unified	Merced	58/75317-00-001	Dos Palos Elementary	2/24/2010	8/24/2011	\$162,867
Fort Sage Unified	Lassen	58/75036-00-001	Herlong HS, Render HS, Sierra Primary, Fort Sage Middle	2/24/2010	8/24/2011	\$313,097
John Swett Unified	Contra Costa	58/61697-00-001	John Swett High	5/26/2010	10/26/2011	\$1,807,652
Estimated Total Need (State Share) *						\$9,618,204

Facility Hardship and Rehabilitation Estimated Total Need (State Share)*

\$16,910,763

* Does not include Financial Hardship

** Funding Application received & being processed

*** Time extension request received & being processed

BUDGET LETTER

SUBJECT: GENERAL OBLIGATION BOND FUNDED PROGRAMS/PROJECTS	NUMBER: 10-09
REFERENCES: BUDGET LETTERS 08-33, 09-02, 09-09, & 09-15	DATE ISSUED: April 27, 2010
	SUPERSEDES: BL 08-33 AND BL 09-15

TO: Secretary of State
State Controller
State Treasurer
Superintendent of Public Instruction
Administrative Office of the Courts
Agency Secretaries
Office of the President, University of California
Chancellor's Office, California State University
Board of Governors, California Community Colleges

Department Directors
All GO Bond Financing Committees
California Institute for Regenerative Medicine
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward this Budget Letter (BL) to their Department Facilities, Construction, and Contract Managers.

Background

In December 2008, the Department of Finance (Finance) issued BL 08-33 which directed departments and agencies that had expenditure authority over bond funds to cease making any new contracts or obligations for programs or projects that were funded from both general obligation (GO) bonds and lease revenue bonds. That direction was necessary as the Pooled Money Investment Board had voted to freeze all disbursements from the Pooled Money Investment Account because of the significant cash crisis that the state was experiencing at that time.

Since that time, capital projects, grant programs, and funding for staff support has been provided by the upfront sale of bonds. Bond projects and programs have had limited authority to initiate new obligations to the extent bond proceeds have been made available.

Issue

As a result of successful GO bond sales and departments being aware of the need to have bond proceeds on hand before making any binding commitments, departments may now begin to plan on having those bond proceeds at specific times of the year. This BL sets out a framework and process for GO bond funded projects and programs to provide some amount of certainty and assurances in planning and moving forward. This BL supersedes the restrictions in the previous BLs so that departments, grant applicants, and the contracting community can begin to plan for the future.

Over the last year, state agencies and departments have been reporting semi-annually estimated cash needs for GO bond projects and programs that have been underway as well as estimating cash needs for new and future projects to Finance and the State Treasurer's Office (STO). While the allocation of bond proceeds have been prioritized to fund projects, programs, and other commitments underway, funding to initiate new projects has not been consistent or easy to anticipate.

Initial Plan

The information collected by Finance in preparation for the spring 2010 bond sales was used as the starting point for planning future GO bond sales. Based on the bond cash needs reported by departments and agencies in February 2010, for the 2010-11 through 2012-13 fiscal years and beyond, the proceeds of the spring 2010 bond sales, as well as planned future sales, have been allocated as detailed in the attached Bond Proceeds Allocation Plan (Plan). This Plan should be used by departments and agencies to plan, design, and adjust staffing levels for future workload associated with the spring 2010 bond sale proceeds and those included in subsequent cycles covered in this Plan.

After a review of the bond cash need information reported for the fall of 2010, it is expected that bond proceeds from the fall 2010 bond sales should provide sufficient funds to allow departments and agencies to start planning up to the amount identified on the attached Plan in anticipation that the bonds will be issued as proposed. This Plan will be reevaluated and updated at least twice a year, prior to each bond sale cycle. Actual allocations made during the fall of 2010 may be different than those currently proposed in this Plan. Therefore, project or program commitments may only be made on a contingent basis until upfront bond proceeds (cash) have been allocated for a specific project or program.

For planning purposes, it is generally assumed that projects that take multiple years to fund should be a higher funding priority in the fall bond sales because it provides more certainty that the design phases could be started sooner on these long lead projects and to allow sufficient time to award contracts by the following spring. Projects and grants that need funding on a one-time basis should be a higher funding priority in the spring bond sales because this provides the ability to begin planning grant solicitations in the fall with cash distributed in the spring of each year. Further prioritization, if needed, because of insufficient GO bond proceeds in any sales cycle should be as follows:

- Projects already underway that have a need for continuing funding should always have priority.
- In order to ensure bond cash is used expeditiously, projects and grants that are generally constructed over multiple years should not have all the cash provided up front, but rather over multiple bond sales.
- Additional prioritization should take into consideration the following: health and safety, contractual liabilities if not funded, benefit to the General Fund and or cash situation, significant job creation, leveraging other non-state funding, and other critical factors as determined.

Plan Updates

Updated bond cash need estimates will generally be requested twice a year prior to each spring and fall sale period. The updating and reevaluating of the bond cash needs prior to each bond sale could change the estimated allocations for each subsequent Plan. The attached Plan, including the fall 2010 bond cash needs, will be further reevaluated and updated prior to the fall 2010 bond sale period and thereafter. Below are some high-level parameters under which each Plan will be updated:

1. Following the release of each approved Plan, Finance will distribute reporting documents and more detailed instructions to agencies and departments, at least twice a year, in preparation of the fall and spring bond sale periods.
2. Departments and agencies will also be required to allocate bond proceeds specifically approved for new projects from the prior bond sale at the project or program level and will be required to report these allocations as part of each subsequent Plan update.

3. In the event the amount of funding allocated for new projects is less than those needs reported to Finance for the group of projects or programs the funds were requested, departments and agencies will be responsible and accountable for determining which new projects get started consistent with the prioritization criteria above.
4. To ensure consistent data collection for both Finance and the STO and as a condition of plan approval, departments and agencies will be required to update and complete the Finance designed reporting documents with requested project/program information within the timeframe requested. Modifications or substitutions to the format or content of these reporting documents will not be permitted unless prior Finance approval is granted.
5. Finance will collect and summarize the department and agency information on a statewide level and will coordinate with the STO to help plan the size and structure of future bond sales.
6. The release of each approved Plan would then start the next Plan update cycle.
7. Departments and agencies will be responsible for managing their bond proceeds allocated from each bond sale. Department and agencies who do not manage bond cash resources efficiently (meaning growing cash balances that do not match the original cash flows submitted) could be left out of a subsequent bond sale until existing bond cash is disbursed unless the discrepancies can be adequately justified.

Please contact your Finance budget analyst if you have any questions.

/s/ Karen Finn

Karen Finn
Program Budget Manager

Attachment

2010 Spring Bond Sale Plan

Agency	Estimated* Cash Need for Fiscal Year 10-11	Final Spring 2010 Bond Sales	Planned Fall 2010 Bond Sales	Estimated* Cash Need for Fiscal Year 11-12	Planned Spring 2011 Bond Sales	Planned Fall 2011 Bond Sales
Existing Projects (Started prior to Spring 2010)						
CIRM - Grants	\$ 57,717,000	\$ 42,717,000	\$ 15,000,000	\$ 218,569,000	\$ 218,569,000	\$ -
CIRM - Loans	\$ 11,332,000	\$ 11,332,000	\$ -	\$ 51,256,000	\$ 51,256,000	\$ -
CCCCO	\$ 452,880,650	\$ 226,360,717	\$ 226,519,933	\$ 168,535,726	\$ 168,535,726	\$ -
ARB	\$ 67,471,793	\$ 33,740,000	\$ 33,731,793	\$ 3,103,945	\$ 3,103,945	\$ -
UC - State-Owned	\$ 47,210,924	\$ 23,605,462	\$ 23,605,462	\$ 22,038,472	\$ 22,038,472	\$ -
UC - BAB State-Owned	\$ 5,445,454	\$ 5,445,454	\$ -	\$ 227,897	\$ 227,897	\$ -
CSU	\$ 72,063,993	\$ 38,032,653	\$ 36,031,340	\$ 6,314,142	\$ 6,314,142	\$ -
CHFFA	\$ 284,856,929	\$ 131,590,000	\$ 153,266,929	\$ 480,731	\$ 480,731	\$ -
Pollution Control Auth.	\$ 16,900,000	\$ 16,900,000	\$ -	\$ 5,423,624	\$ 5,423,624	\$ -
HCD	\$ 606,955,000	\$ 606,955,000	\$ -	\$ 480,113,988	\$ 480,113,988	\$ -
Caltrans - State-Owned	\$ 64,094,205	\$ 32,035,000	\$ 32,059,205	\$ 115,980,007	\$ 115,980,007	\$ -
Caltrans - Nov Starts	\$ 47,589,863	\$ 23,795,000	\$ 23,794,863	\$ 183,077	\$ 183,077	\$ -
Caltrans - Grants Non-Ex	\$ 6,740,123	\$ -3,375,000	\$ 3,365,123	\$ 28,815,671	\$ 28,815,671	\$ -
Caltrans - State-Owned Non-Ex	\$ 151,259,727	\$ 75,630,000	\$ 75,629,727	\$ 335,306,630	\$ 335,306,630	\$ -
Caltrans - Grants	\$ 8,471,093	\$ 4,240,000	\$ 4,231,093	\$ 8,899,068	\$ 8,899,068	\$ -
Resources	\$ 766,238,749	\$ 372,796,989	\$ 393,441,761	\$ 256,335,045	\$ 256,335,045	\$ -
DWR	\$ 1,083,738,951	\$ 669,707,199	\$ 414,031,752	\$ 654,282,756	\$ 654,282,756	\$ -
Water Board	\$ 154,654,245	\$ 79,685,457	\$ 74,968,788	\$ 74,586,349	\$ 74,586,349	\$ -
Library	\$ 25,062,896	\$ 16,320,837	\$ 8,742,059	\$ 1,971,000	\$ 1,971,000	\$ -
Public Health	\$ 117,001,511	\$ 78,171,258	\$ 38,830,255	\$ 26,614,561	\$ 26,614,561	\$ -
Existing Projects (Started spring 2010 New Starts)						
CIRM			\$ 29,666,000		\$ 150,000,000	\$ -
Caltrans P116			\$ 20,188,138		\$ 67,277,500	\$ -
Resources			\$ -		\$ 87,298,636	\$ -
Existing Projects (Started fall 2010 New Starts)						
HSR			\$ -		\$ -	\$ -
Caltrans P1B			\$ -		\$ 345,212,000	\$ -
Caltrans			\$ -		\$ 722,000,000	\$ -
Resources			\$ -		\$ 781,000,000	\$ 781,000,000
DWR (New)			\$ -		\$ 75,000,000	\$ -
DWR (Future)			\$ -		\$ 361,674,785	\$ -
			\$ -		\$ 326,989,654	\$ -
Total Existing	\$ 4,047,685,106	\$ 2,490,435,023	\$ 1,607,104,221	\$ 2,459,037,689	\$ 5,375,690,264	\$ 781,000,000
New Projects						
CIRM	\$ 87,617,000	\$ 57,951,000	\$ -	\$ 185,237,000	\$ 35,237,000	\$ -
CAL EMA	\$ 96,240,000	\$ 96,240,000	\$ -	\$ -	\$ -	\$ -
ARB	\$ 237,575,000	\$ 237,575,000	\$ -	\$ 236,782,397	\$ 236,782,397	\$ -
UC	\$ 106,610,714	\$ 106,610,714	\$ -	\$ 38,343,472	\$ 38,343,472	\$ -
OPSC	\$ 2,328,470,131	\$ 1,351,385,000	\$ 977,085,131	\$ -	\$ -	\$ -
Streets and Roads	\$ 535,206,000	\$ 400,000,000	\$ 135,206,000	\$ -	\$ -	\$ -
CHFFA	\$ 101,085,000	\$ 101,085,000	\$ -	\$ -	\$ -	\$ -
Pollution Control Auth.	\$ 2,134,165	\$ 2,134,165	\$ -	\$ -	\$ -	\$ -
HCD	\$ 292,819,000	\$ 227,100,835	\$ 65,718,165	\$ 103,760,000	\$ 103,760,000	\$ -
Caltrans - P116	\$ 95,188,138	\$ 75,000,000	\$ -	\$ 67,277,500	\$ -	\$ -
Caltrans - P1B	\$ 1,025,000,000	\$ -	\$ 1,025,000,000	\$ 722,000,000	\$ -	\$ -
Resources	\$ 940,595,256	\$ 641,822,438	\$ 298,772,818	\$ 290,995,453	\$ 203,696,817	\$ -
DWR	\$ 447,914,326	\$ 53,649,977	\$ 394,264,349	\$ 361,874,785	\$ -	\$ -
Water Board	\$ 26,457,864	\$ 26,457,864	\$ -	\$ 12,034,701	\$ 12,034,701	\$ -
Public Health	\$ 30,552,984	\$ 30,552,984	\$ -	\$ -	\$ -	\$ -
Library	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -
Total New	\$ 6,355,465,578	\$ 3,409,564,977	\$ 2,696,046,463	\$ 2,021,305,308	\$ 632,854,387	\$ -
Future Projects						
CAL EMA	\$ 98,230,845	\$ -	\$ 98,230,845	\$ 98,230,845	\$ 98,230,845	\$ -
CCCCO	\$ 4,752,000	\$ -	\$ 4,752,000	\$ 14,841,000	\$ 14,841,000	\$ -
HSR	\$ 493,160,000	\$ -	\$ 493,160,000	\$ 573,385,000	\$ 228,173,000	\$ -
Pollution Control Auth.	\$ 7,500,000	\$ -	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ -
Caltrans - P1B	\$ 605,000,000	\$ -	\$ 605,000,000	\$ 1,562,000,000	\$ -	\$ -
Resources	\$ 244,787,643	\$ -	\$ 244,787,643	\$ 391,798,535	\$ 316,798,535	\$ -
DWR	\$ 411,402,352	\$ -	\$ 411,402,352	\$ 326,989,654	\$ -	\$ -
Total Future	\$ 1,864,832,840	\$ -	\$ 1,864,832,840	\$ 2,974,745,034	\$ 665,543,380	\$ -
Grand Total	\$ 12,267,983,524	\$ 5,900,000,000	\$ 6,367,983,524	\$ 7,455,088,031	\$ 6,674,088,031	\$ 781,000,000
Excess Bond Capacity		\$ 1,100,000,000	\$ 632,016,476		\$ 325,911,969	\$ 6,219,000,000

* Departmental needs based on point-in-time surveys sent to Finance in February 2010.