CASH MANAGEMENT - Overview

PURPOSE

To discuss options for making apportionments in a simple and efficient way.

DESCRIPTION

Based on conversations at the past two committee meetings, below are some of the objectives and ideas that were raised by the Committee and the stakeholders:

- Keep the process simple
- Find a way to promote activity among applications on the unfunded list
- Reduce the original 18 month timeline to request funds

Several options to address these goals were discussed. At the March 1st meeting, the Committee voted to recommend to the Board a permanent change to the regulations to reduce the Time Limit on Fund Release (TLOFR) to 120 days, and requested that staff address the issue of projects that currently exist on the unfunded list. As a way to address projects on the Unfunded Approvals List (UAL), a stakeholder suggested starting an 18 month timeline for projects on the unfunded list.

Staff has provided information regarding the change to a 120 day TLOFR on pages four and five. The process for adding a timeline to the UAL is on page seven.

At the February 8th and March 1st meetings, the Committee also discussed alternate methods for conducting priority funding rounds in the future. Based on comments made by Committee members and stakeholders, on page six staff has provided a proposal for streamlining the priority funding process.

ACTION REQUESTED OF THE COMMITTEE

Vote on a recommendation for full Board consideration to determine a process for making apportionments in the future.

OPTIONS (some options may be combined)

1. Discontinue priority funding and change the regulations so that all apportionments made in the future are subject to a 120 day TLOFR, including those projects currently on the unfunded list.

2. Change the regulations to state that projects submitted to OPSC on or after the effective date of the regulations are subject to a 120 day TLOFR, but clarify that applications received by OPSC prior to the effective date are subject to the priority funding system.

3. Continue to use priority funding, but enhance the system as outlined on page six.

4. Start an 18 month time limit for projects on the existing unfunded list as outlined on page seven.

5. Start an 18 month time limit (as outlined on page seven) for projects added to the unfunded list after a date declared by the Board.

6. Make no changes; continue to use priority funding as it has been established in regulation.

Process for Making Apportionments with a 120 Day TLOFR

This option allows the Board to make apportionments as cash becomes available without opening additional priority funding rounds, but keeps the concept of having shorter timelines to submit a fund release request. This would provide the simplest most efficient method for making apportionments by reducing district and Staff workload.

HOW IT WORKS

Once cash is available to apportion the next project on the unfunded list the Board would make an apportionment to the first project in line. If there is not enough cash to fully fund the first project in line, the Board could offer partial funding or pass over the project and provide an apportionment to the next project on the list that can be fully funded. Current practice is to ask the district if they would like partial funding, and if not, move to the next project on the unfunded list. Accepting partial funding starts the TLOFR clock. The TLOFR would be 120 days. All projects on the unfunded list would be considered ready to move forward as soon as cash becomes available for their project, no certifications are necessary.

PROGRAM CHANGES NECESSARY

Regulation sections 1859.90, 1859.129, and 1859.197 will need to be updated for the appropriate timeline for requesting funds after an apportionment.

ADDITIONAL PROCESS CONSIDERATIONS

At the March 1, 2011 meeting Committee members indicated that a safety valve should be put in place for special situations that may cause a district to miss their 120 day deadline for requesting funds. An example of an issue that could pose a threat to districts meeting the deadline is bid protests. These situations can be handled on a case by case basis or can be included in regulation if desired by the Board.

ISSUES AND CONCERNS

- Stakeholders have raised concerns that projects currently on the unfunded list were approved in accordance to the 18-month timeline based upon regulations in effect at the time the applications were submitted.
    - Committee members felt that the expectation of a 90 day timeline has been advertised for almost a year.
    - The 18 month regulations are tied to apportionments and not Unfunded Approval; therefore the Board may have the flexibility to change the regulations.
    - Pursuant to Board action on March 11, 2009, placement on the unfunded list is not a guarantee of State funding. This is reflected on all funding items approved by the Board.
- Allowing a safety valve may increase the number of appeals/action items presented before the Board.
- Some stakeholders have indicated that the success of priority funding rounds may be due to reimbursement projects, and that a more adequate time to complete the bidding process is 180 days.
    - Committee members may wish to consider changing the TLOFR recommendation to a different length of time.

- Some stakeholders have suggested that districts with financial hardship status will not be able to meet a 120 day TLOFR.

Statistics on Priority Funding Participation for Financial Hardship districts

All priority funding rounds to date have required a 90 day TLOFR.

To date, all financial hardship projects that received apportionments and have submitted the fund release requests have done so prior to the specific deadline for each apportionment period. Some projects have time remaining before the deadline for specific apportionment periods.

No financial hardship districts that has submitted a fund release request has noted impediments to submitting the fund release requests by the required deadline.

Below are the financial hardship statistics by apportionment period.

First Priority Funding Round

Of the 115 financial hardship projects on the UAL, certifications were received for 81 projects. Of the 81 projects with certifications, nine received apportionments. All nine projects successfully submitted a fund release request within the required timeframe (100% success rate).

Second Priority Funding Round – December Apportionments

Of the 127 financial hardship projects on the UAL, certifications were received from 40 districts for 88 projects. Apportionments were made to 34 districts for 72 projects. Districts successfully submitted a fund release request for all 72 projects within the required timeframe (100% success rate).

Second Priority Funding Round – January Apportionments

Two additional financial hardship projects received apportionments, one design apportionment and one construction apportionment. Design applications have an automatic fund release process and do not need to submit a fund release request. The one construction application must submit a fund release request prior to the April 26, 2011 deadline.

Second Priority Funding Round – February Apportionments

Nine additional financial hardship projects received apportionments, five design apportionments and four construction apportionments. Design applications have an automatic fund release process and do not need to submit a fund release request. The four construction applications must submit a fund release request prior to the May 24, 2011 deadline.

Options for Streamlining the Priority Funding Process

The Committee previously discussed two methods of streamlining the priority funding process. The option presented below addresses prior concerns related to keeping the process easy to understand.

HOW IT WORKS

With this system, the Board would continue making apportionments in a manner consistent with the process that has been successful in the first two priority funding rounds.

In order to provide the most effective priority funding rounds the Board would align priority funding rounds with bond sales. Two priority funding rounds could be held each year in winter/summer to coincide with the fall/spring bond sales.

Currently districts are required to submit certification letters indicating that their projects meet the priority funding requirements during 30 day filing periods. In an attempt to streamline the process the Board could establish two certification filing periods each year. The filing periods would begin the 2nd Wednesday of January and the 2nd Wednesday of July. The filing periods would remain 30 days long. A certification submitted would be valid until the next filing period begins. This would eliminate the need for a Board approved filing period for each funding round and allow Staff to rapidly process the filing rounds as money becomes available.

In the event that a fall/spring bond sale does not take place, the Board must determine if a priority funding round should still be held. To do this the Board should determine a minimum cash threshold for opening a funding round. If the threshold is met, a priority funding round can commence and apportionments can be made at the next available Board meeting.

PROGRAM CHANGES NECESSARY

Regulation sections 1859.90.2, 1859.129 and 1859.197 will need to be updated, as necessary, to change the procedure for submitting certifications for make priority funding rounds.

ISSUES AND CONCERNS

- Priority funding does not allow the Board to provide apportionments on a continuous/seamless basis. Please see option 1 in Attachment B for a more detailed description.

Process for Starting an 18 month Timeline for Project on the Unfunded List

This option could be used with the existing priority funding process or it could be used in to assist with the transition to a 120 day TLOFR. This option would promote advancement of projects on the UAL.

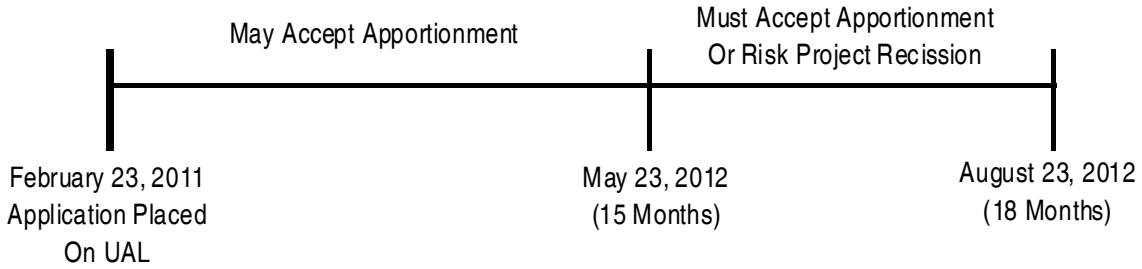
HOW IT WORKS

With this system the Board would implement a timeline for projects on the UAL to request an apportionment. Currently, there is no timeline and projects can remain on the unfunded list indefinitely.

Projects on the unfunded list would have 18 months to request an apportionment based on their date of Unfunded Approval (for those currently on the list, the 18 months could also begin based on a particular date established by the Board to address the issue of only making changes prospectively). During the first 15 months of the 18 month timeline, districts could choose to participate in priority funding, or they could decline. Once 15 months had passed (leaving 90 days or less remaining) districts would have to accept an apportionment or be subject to rescission if the remaining time passes and an apportionment is not accepted once cash is available.

The clock would be stopped after 15 months if no cash is available and re-started again when cash became available again.

> Example: A district receiving an Unfunded Approval on February 23, 2011 would be able to accept or decline an apportionment without having to rescind the project until May 23, 2012 (15 months). However if cash became available after May 23, 2012, the district would be required to accept the apportionment or the project will be rescinded on August 23, 2012.



This process could coincide with the option presented for streamlining priority funding on the next page.

PROGRAM CHANGES NECESSARY

Regulations should be created to explain the amount of time a project can remain on the unfunded list, and to specify that a project rescission will occur if the timeline is not met.

ISSUES AND CONCERNS

- If a timeline is started based on Unfunded Approval date while the State does not have cash available, districts may need to plan without knowing when they can expect funds.
- This may ultimately result in some districts having only 90 days to start the bid process if they cannot go out to bid without a guarantee of State cash.
- Stakeholders may feel that projects currently on the unfunded list were approved in accordance to the 18-month timeline based upon regulations in effect at the time the applications were submitted.
    - The Committee may wish to apply the change prospectively.