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STATE ALLOCATION BOARD
SUBCOMMITTEE ON PRIORITIES
IN SCHOOL CONSTRUCTION FUNDING
CASH MANAGEMENT

STATE CAPITOL, ROOM 126
SACRAMENTO, CALIFORNIA 95814

DATE: FEBRUARY 8, 2011
TIME: 1:00 P.M.

Reported By: Mary Clark Transcribing
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APPEARANCES

Committee Members:

KATHLEEN MOORE, Director, School Facilities Planning Division, California Department of Education, designated representative for Jack O'Connell, Superintendent of Public Instruction; Member State Allocation Board

SCOTT HARVEY Chief Deputy Director, Department of General Services, designated representative for Ron Diedrich, Acting Director, Department of General Services.

Office of Public School Construction Staff:

JUAN MIRELES

LISA KAMPMEINERT

P R O C E E D I N G S

1
2
3 MR. HARVEY: Good afternoon. I am Scott Harvey
4 and joining me in this Subcommittee is Kathleen Moore.
5 Jeannie Oropeza has had a last minute conflict and I was
6 asked to lead this very simple and direct conversation about
7 priorities in funding. We'll keep it fairly informal.

8 We will have staff kind of outline the issues for
9 us. We may have some questions of staff. We will then ask
10 for comments from the audience and we are duly convened so
11 that Kathleen and I will act as a Subcommittee and will make
12 a recommendation to the full Board for our
13 September 23rd [sic] meeting.

14 Does anyone have any questions? Kathleen, do you
15 wish to set the scene in any fashion before we start?

16 MS. MOORE: Certainly. I think that the Board
17 asked us to again in December to look at the issue of our
18 cash management and while we have this lull period at the
19 moment without additional cash infusion, it's an appropriate
20 time to look at how we move forward in the future.

21 I did understand there to be one other meeting of
22 the Subcommittee and then a recommendation to the Board; is
23 that correct, Staff?

24 MR. MIRELES: That's correct. We're planning on
25 the first week of March to have a second meeting of the

1 Subcommittee to continue the discussion.

2 MR. HARVEY: Well, I thought we were going to wrap
3 it up today. I stand corrected. Very good. Then this will
4 be our first of at least two meetings.

5 Any other questions or comments? From the
6 audience, please.

7 MR. CARDONI: Yes. Who is on this Committee? Is
8 this the full extent of the Subcommittee or are there --

9 MR. HARVEY: There are three of us on the
10 Subcommittee: Jeannie Oropeza who -- once again. This is
11 not a good day for me. There are apparently four. If I
12 looked down here, I would see all four. It is right on our
13 agenda. They are: Jeannie Oropeza who is the interim
14 Chair; Assembly Member Joan Buchanan; Kathleen Moore; and
15 me, Scott Harvey. Jeannie is with the Department of
16 Finance. Assembly Member Buchanan obviously is a member of
17 the Legislature. I am the Acting Director of the Department
18 of General Services, and Kathleen Moore is representative of
19 the Department of Education.

20 Any other organizational questions or comments
21 before we begin which is discussion of the issue of cash
22 management.

23 And here's another meaning of the term cash;
24 right, Mr. Duffy?

25 MR. DUFFY: Yes.

1 MR. HARVEY: Juan, are you taking the lead or is
2 Barbara going to do it?

3 MR. MIRELES: Yeah. I'll give a very brief
4 overview. I think we're all familiar with the priorities in
5 funding system that the Board established last year, but for
6 those that aren't familiar, it's a system in which school
7 districts have to certify that they upon receiving an
8 apportionment will be able to submit fund release requests
9 within 90 days. And then the Board would use available cash
10 to make apportionments to those districts.

11 The first round was tremendously successful. We
12 were able to release a hundred percent of the requested
13 funds and then we are on pace to hopefully have the same
14 success with the new funding round in which the Board just
15 recently apportioned 1.4 billion at the December Board.

16 So with that, we are here to talk about how do we
17 move forward because these priorities in funding systems are
18 largely based on a filing round and to discuss options
19 whether we want to continue these funding rounds or do we
20 want to make changes to make it more of a continuous system.

21 And there are some other options too in terms of
22 available cash and how we could possibly use it to leverage
23 and make apportionments for other projects. And then lastly
24 there is more of a technical issue that we have with the
25 current system as well as any one of these options that we

1 want to discuss with the Subcommittee in terms of how we
2 move forward and fund projects when we go through the list.

3 But with that, we'll get started and go through
4 each of the options.

5 MR. HARVEY: And for the record, I guess what I
6 would say is since Kathleen and I are not a majority of the
7 Subcommittee, we will certainly sit as a Subcommittee of the
8 Subcommittee and perhaps when we get together in March, our
9 comments and the audience comments can be summarized and we
10 will at that point probably officially make a
11 recommendation.

12 So to say again now that I know there's a second
13 meeting and now that I know that we don't represent a
14 majority of the Subcommittee, this will be really a
15 fact-finding time. Kathleen and I will ask our questions
16 and make our comments, but there will be no votes -- no
17 recommendations because we don't have a majority of the
18 Subcommittee here today.

19 That's not to say we're going to reinvent
20 everything in March. Hopefully we can kind of summarize
21 what we've accomplished today if anything and then
22 ultimately vote on the recommendations in March.

23 MS. KAMPMIENERT: So under the options for moving
24 forward, we've tried to lay out a few different approaches
25 that the Subcommittee may wish to consider and with any of

1 these options, they could be considered on this as-needed
2 basis that we've been operating on or we could consider more
3 permanent changes to the program.

4 So I think in anything that you're evaluating you
5 do have that flexibility to make it a permanent program
6 change as well.

7 But Option 1 builds off of the previous priority
8 funding concept with the rounds, but it works to make a more
9 seamless process and what this option does is create a
10 modified priority funding mechanism.

11 And under this mechanism, there would be basically
12 two lists. We'd have our unfunded list that we currently
13 maintain on a monthly basis. We could keep adding projects
14 to that, but rather than having the Board declare priority
15 funding rounds and having all the districts certify at one
16 point to get on -- to get in line for cash that becomes
17 available, we would create a second list which would be a
18 list of folks that are ready to go within 90 days of an
19 apportionment regardless of when the cash becomes available.

20 So if there's cash today and you're sitting on
21 this new list and the Board makes an apportionment in
22 February, you're ready to go within 90 days of that February
23 apportionment date. This would not be dependent on the bond
24 sales or large amounts of cash becoming available for
25 apportionments. This would help us deal with any residual

1 cash that comes in in the form of rescissions or the little
2 amounts that we do get on a regular basis.

3 So again it would be two lists: the regular
4 unfunded list and then people that want to participate in
5 priority funding no matter when that cash becomes available.

6 Now there are some benefits of this system, one of
7 which is that if we have an ongoing list, the State
8 Treasurer could use this list to help us gauge exactly what
9 types of bonds need to be sold so that we don't have the
10 issue where different propositions receive differing amounts
11 of cash that we're splitting receive dates or Board approval
12 dates based on bond source, so that the State Treasurer
13 would know we've got a group of individuals ready to move
14 forward in these particular bond sources and they could just
15 look at the new list and wouldn't be any additional steps
16 that we could provide that we could provide that to them on
17 a regular basis.

18 This also would help -- it would help reduce the
19 amount of time that districts and staff spend preparing for
20 these priority funding rounds and trying to turn everything
21 around very quickly. Districts have the 30-day notification
22 period where they have to get a certification in and then
23 things get compiled very quickly in order to turn that
24 around to the Board so that the cash doesn't sit while we're
25 basically sorting out the people that want to participate.

1 You'd always have your known universe of those
2 that want to participate. And also it would allow
3 districts -- it could be structured to allow districts to
4 control when they want to be on this list and when they want
5 to come off. Now, one of the questions that we would pose
6 is how can we make this mechanism work so that it's fair yet
7 still allows flexibility but doesn't cause problems with the
8 administration.

9 But if a district is ready to go at this point and
10 they come in within 90 days, then they could request to be
11 placed on this priority list. If something changes and
12 their project is no longer in a state of readiness for the
13 cash, they could request to come off of that list and there
14 would be basically no penalty. They could go back over to
15 the -- they'd remain on the unfunded list in the order that
16 they're currently in.

17 So it sets up an alternative process that just
18 kind of helps us smooth out the rush to get everybody onto a
19 certification list and then having it expire right after the
20 Board makes apportionments and then having everybody do the
21 same thing again.

22 So the -- it's more of a flow basis, trying to
23 evolve from the system that's already in place and also
24 allow districts to do a little bit of planning in there for
25 when they want to be considered and when they don't want to

1 be considered.

2 So we also would -- we would ask that if we're
3 considering this, we need to take into account how we do it
4 and how long a certification should be valid for. If a
5 district says today I want to be part of the priority list,
6 do we hold them to that certification for a year, six
7 months, three months, and is it the district's
8 responsibility to notify the Board and OPSC if anything
9 changes or is OPSC going to go out and seek to get
10 recertification or to do a survey and ask folks if they're
11 still interested.

12 So whose responsibility is it to make sure that
13 priority list maintains what districts actually would like
14 to do.

15 And then some of the questions that are raised
16 here of the 90-day requirement, this would keep that 90-day
17 requirement that was established in priorities in funding
18 and there really isn't any mechanism that continues the 90
19 days, so you may have districts on the list that are only
20 participating in priorities in funding doing 90 days because
21 that's the only opportunity for cash. So you do continue
22 that in the system. It's that strict 90 days.

23 And then we do have one other issue potentially
24 that could be a good problem, but if we do receive enough
25 cash to cover everybody that's on the secondary list, the

1 priority list, and we still have folks on the unfunded list
2 and if we have excess cash, what do we do with those
3 unfunded approvals that have not asked for the cash under
4 the 90-day timeline. So that's a question that we may want
5 to start looking at, whether we just go down the unfunded
6 list and the traditional 18-month timeline, if folks need to
7 come off of the list at a certain point, so it raises that
8 question too.

9 We don't have that problem yet because we still
10 have a lot of people that are willing to come in in 90 days,
11 but that might be something that needs to be looked at in
12 the future.

13 Would you like me to go on to Option 2 or did you
14 want to address this one now?

15 MR. HARVEY: I would prefer we take them one at a
16 time.

17 MS. KAMPMIENERT: Okay.

18 MR. HARVEY: If you don't mind. Ms. Moore, do you
19 have any questions of staff?

20 MS. MOORE: I do. When a project is placed on the
21 unfunded list, are they then frozen in time in terms of any
22 eligibility considerations or other such considerations so
23 in essence considered complete and -- that's my question.

24 MS. KAMPMIENERT: Yes. There's no eligibility
25 rejustification necessary for those projects on the current

1 unfunded list and the Board took action to not require any
2 financial hardship re-reviews. So we have those emergency
3 regulations that are -- that were approved for an additional
4 six months.

5 So right now once the project goes to the unfunded
6 list, it's ready to go. There's no rejustification needed
7 before the apportionment happens.

8 MS. MOORE: So, for instance, then a project in
9 your first scenario that chooses not to go in for the
10 funding list but remain on the other list could remain there
11 ongoing and never be reassessed in terms of eligibility,
12 financial hardship, any of those issues for two or more
13 years. We already have projects on there two years old,
14 don't we?

15 MR. MIRELES: That's correct.

16 MS. MOORE: Okay. Thank you.

17 MR. MIRELES: And part of the question that
18 Ms. Kampmeinert raised was whether the Subcommittee or the
19 Board wants to take a look at those at those projects
20 knowing that we're depleting our bonding authority and we
21 have bonds committed to those projects that may not be ready
22 to move forward. That's something that the Subcommittee
23 will want to consider.

24 MS. MOORE: Thank you.

25 MR. HARVEY: Have you had the opportunity to

1 reflect on our first two priority funding rounds and would
2 you offer any lessons learned? Would you tell us anything
3 more that -- about what we should be doing going forward if
4 we adopt this kind of priority list that you have and put in
5 here?

6 MR. MIRELES: I think while given the success of
7 the first round in terms of the districts that came in, that
8 has worked. What I think staff could suggest that the
9 Subcommittee consider is the time that districts have to,
10 you know, do to submit a certification, resubmit another
11 certification, staff time to review the certifications,
12 match them up with the unfunded list, it may not be the
13 most -- the best way to implement going forward.

14 We're looking at ways to streamline the process,
15 but creating different funding rounds creates different --
16 additional work not just for the districts but also for
17 staff and that's why this Option 1 tries to address that
18 moving forward. How do we do it on a continuous basis so
19 that districts don't have to keep resubmitting
20 certifications. Staff doesn't have to be, you know,
21 reevaluating those certifications.

22 That I think has been one of the most time
23 consuming efforts on our part and we think that from the
24 school districts' part too to have to resubmit
25 certifications.

1 MR. HARVEY: With that as a backdrop, would you
2 think a recertification on a 12-month basis would be
3 equitable and fair? You give us three options. There may
4 be more, but you say 3, 6, or 12 months.

5 MR. MIRELES: We think so. I mean here's where we
6 would like to get input from the school district community.
7 We want to make sure that school districts have the
8 opportunity to notify us if there are changes to that
9 certification and how long should it be good for so that
10 they don't have to keep resubmitting it, but given the
11 opportunity in case things change at the local level so that
12 they can resubmit and notify us that they can no longer make
13 the certification, but we would really seek the districts'
14 input here to let us know how much time is enough for them.

15 MR. HARVEY: I plan to, when we get to it, ask any
16 testifiers to address your questions, particularly that one,
17 and I'm also interested in hearing about the excess cash
18 issue. That's one that's near and dear I think to all us in
19 the sense that Kathleen outlined I think fairly accurately
20 going forward what we're facing.

21 We're not going to have a bond sale this spring.
22 That's the Governor's stated intent. We may or may not be
23 successful in 2010. There's going to be a lot of public
24 policy debate on what bonds do to the general fund because
25 we're carrying debt and whether or not bonds are good at

1 this time.

2 So we need to do whatever we can to, in the
3 nutshell that we're talking about today, manage our cash.
4 We've got to make sure we're taking every opportunity to
5 move money out to districts that are ready to proceed.

6 Do you have any other questions of staff before we
7 ask for comment?

8 MS. MOORE: I do. Actually I think before we go
9 on and we can hear more about the public input into this
10 particular recommendation. My concern around this
11 recommendation is the amount of time that is involved in
12 these priority funding rounds that we would now -- and the
13 lists and also the issues of I think confusion for people in
14 the particular circumstances that we're in right now.

15 And we would then be setting a kind of -- a list
16 that is part of the bonding authority list and then another
17 list that is a cash list. I'm more interested in perhaps
18 the consolidation of these lists with this framework and I
19 know we didn't -- it's not proposed in our discussion today,
20 but perhaps for the March 1st meeting, we could come back
21 with some analysis of really what I would term a more
22 cultural shift and that is prior to our current crisis, we
23 had a system that worked on the 18 months for construction.

24 You received your apportionment back in the day.
25 The cash followed. You had 18 months to perfect that

1 apportionment and come in for -- with 50 percent of your
2 project under construction.

3 We've now moved that for all intents and purposes
4 to a three-month time frame for those that can and we've
5 said for the cash that you have a three-month time period
6 now to perfect your project and have 50 percent of it under
7 construction.

8 We're never -- I mean from what we've heard from
9 in Finance, returning to the days of the Pooled Money
10 Investment Board funds and so I'm more interested in a more
11 seamless system that districts come in, they ask for their
12 apportionment, and when we have the funding that goes
13 forward, they know that it's a three-month or whatever we
14 determine -- right now it's three months that they must
15 perfect their project, so that we do not have duplicative
16 lists, that we have one list, and that list is for everyone
17 and everyone, when it comes time for construction -- or when
18 it comes time for the cash, they're ready to go.

19 Otherwise they wait it out and then present their
20 projects when they can meet those circumstances.

21 I'm concerned about an unfunded list that sits
22 with bond authority potentially over a long period of time
23 and I'm also very sensitive to districts and how much time
24 they may or may not need. I think it's time to talk about
25 whether we actually change that regulation on the 18-month

1 time.

2 It's a regulation. It's not set in statute. The
3 statute indicates it's up to 18 months. If it's time to
4 revisit that and revisit it within this constraint of cash
5 management as well.

6 And I commend you. I think you are really trying
7 to be flexible for school districts, but I think that
8 flexibility could, one, produce greater confusion and, two,
9 it produces a lot more work at the State level. That
10 doesn't seem necessary because projects that are presented
11 to the Board should be ready to go to construction at any
12 point because they're out of DSA, they're out of CDE. For
13 all intents and purposes, they are ready to go to
14 construction.

15 And that's where we are now in our system. So I'd
16 like to see that. I'd like -- I'm happy to hear comments
17 about that as well today and I would like to see it in
18 writing next -- for our next Subcommittee meeting so that
19 the public has an opportunity to comment on that as well.

20 MR. HARVEY: I would endorse that. I think for
21 all the reasons you've stated and we will have that as a
22 discussion item on March 1st. I would say if you want to
23 comment on it today, you may, but as I opened with, we're
24 not voting on any of these items today. We're going to have
25 a robust discussion, but all votes we put off until March

1 when we have a more complete and full committee.

2 Are there those of you in the audience that wish
3 to comment on this suggestion or help answer any of the
4 questions posed on page 3 of the staff draft? If so, please
5 come to the table, identify yourself for the record.

6 MR. GIBBS: Gary Gibbs working with the CBIA. I
7 wasn't going to say anything, but I would -- I thought what
8 Kathleen said was great and so I want to kind of piggyback
9 on --

10 MS. MOORE: Uh-oh. No. I'm just kidding.

11 MR. GIBBS: All right. I thought it was bad.

12 MS. MOORE: Just kidding.

13 MR. GIBBS: No. Because it -- I've been grappling
14 with the same thing that you've been grappling with.

15 First of all, we like Option 2, simply because
16 it's worked great. I mean it's just been a success story
17 and when we have success stories, why change it, and also
18 the complexity of that and two lists and all that just to me
19 seems just like a lot of work.

20 And it's working. The districts are responding
21 and you're getting the money out there and you're creating
22 the three-month window, and so I just like that.

23 But the -- one additional thought to the cultural
24 change is what we've also set up is the situation where
25 you've got this unfunded list of about a billion

1 applications and they can sit on that list forever. I mean
2 what we've done is we've basically said okay, those who
3 don't want to move forward never have to move forward and
4 those that want to move forward right away can move forward.
5 So they could be sitting there for years.

6 So I've got a solution -- simple solution. Just
7 start the clock on everybody. In other words, when they're
8 on the unfunded list, they've got 18 months. When they get
9 down to three months, you'll pull the -- you stop the clock
10 and what you're saying is then when basically the next bond
11 comes in, you start the clock again on everybody.

12 So anybody who's with three months left must file.
13 So they're not out of the list, but the next time -- so they
14 have an 18-month timeline and then they go to 3 months
15 because right now we're giving 3 months before they have
16 to file a fund release and move ahead.

17 So anybody who's down to three months, when the
18 next bonding cycle comes forward and we sell the next series
19 of bonds, those people with three months left must move
20 forward. So it's a way to accomplish both in the sense
21 you've got the 18 months that's continuing, but you're not
22 going to penalize those guys who -- you know, if there's no
23 money available, so then they sit at the top of the line and
24 they must move forward.

25 So maybe something off of that. I'm not saying

1 that's the right answer or not the right answer, but it
2 certainly addresses the integrity of moving the 18-month
3 forward -- all the projects, otherwise those projects that
4 will never build or want to wait three or four years can sit
5 there and we need to flush that money back into the system
6 right away. We just can't let them sit there forever.

7 MS. MOORE: I have a question about that.

8 MR. GIBBS: Yeah. And --

9 MS. MOORE: And it's really of staff, Gary, but
10 it's brought up because of your comment. And that is are
11 there projects on the unfunded list that aren't 18-month
12 projects. I mean in my mind critically overcrowded schools
13 and charters have a different time frame.

14 So are they on the unfunded list with potentially
15 more time than 18 months?

16 MR. MIRELES: It's -- I think it's -- it's
17 slightly different. The charter and the COS have different
18 time periods to submit a funding application and get on the
19 unfunded list, but once they're on the unfunded list and to
20 get an apportionment, the time for a fund release is what
21 the Board will make the determination whether it's a 90-day
22 or under the old 18-month.

23 But they're on the unfunded awaiting an
24 apportionment and it's up to the Board to once they get the
25 apportionment, now you come in within 90 days.

1 Now charter school, we just had some discussions
2 and we're going to have the discussion to potentially
3 discuss a different time period for them because they
4 expressed some concerns after they submit -- after -- I'm
5 sorry -- they receive an apportionment that they may need
6 additional time for the fund release.

7 But that is the only program that I know of with
8 the exception --

9 MS. MOORE: Let me ask the question again then
10 because I want to make sure I'm clear in my mind.

11 MR. MIRELES: Um-hmm.

12 MS. MOORE: So critically overcrowded school came
13 in, don't they have five years to perfect those projects?

14 MR. MIRELES: They have five years from the date
15 that they get a preliminary apportionment to the day that
16 they submit a funding application.

17 MS. MOORE: So if they have a preliminary
18 apportionment, are they sitting on our unfunded list?

19 MR. MIRELES: No. They get placed on the unfunded
20 list once they come in for a funding application and then
21 they -- they're awaiting the apportionment.

22 MS. MOORE: So the bonding authority for
23 critically overcrowded schools is not reserved for those
24 projects or is it?

25 MR. MIRELES: It is. It's reserved upon them

1 receiving a preliminary apportionment.

2 MS. MOORE: But they don't appear on the unfunded
3 list. So if there is those that -- our unfunded list is a
4 billion. Could our unfunded list be a billion plus because
5 off-books, so to speak, there is the reservation for
6 critically overcrowded projects that have come in for a
7 preliminary? Is that --

8 MS. KAMPMIENERT: Yeah, the clock hasn't been
9 plugged back in. That was part of the emergency regulation
10 package that we took in December. The Board chose to extend
11 that for another six months pending the Subcommittee
12 discussion on cash management.

13 So, yes, there are preliminary apportionments for
14 charter and critically overcrowded schools that have bond
15 authority reserved that have no clock right now. So --

16 MS. MOORE: And that aren't on our unfunded list
17 either?

18 MS. KAMPMIENERT: We have some of the charters
19 reflected there and that will be cleaned up. We've been
20 trying to capture some of the true cash need for Finance,
21 but that's -- you'll see some charter approvals with a "P"
22 designation for preliminary apportionment.

23 So technically this month, the December one and
24 January had charter preliminary apportionments on there but
25 not for the same purposes of the rest of the projects. So

1 what you'll see beginning in your February book is an
2 unfunded approval list that has only new construction
3 modernization folks that have gone through and received an
4 unfunded approval in lieu of an apportionment from the Board
5 and for critically overcrowded schools, you will see the
6 environmental hardships that the Board chose to include on
7 the unfunded list and for charter schools, you will see the
8 design and site amounts that were not covered by the cash
9 made available. But you will not see the balance of those
10 projects preliminary apportionments reflected on the
11 unfunded list.

12 MR. GIBBS: That have money set aside from the
13 bond.

14 MS. KAMPMIENERT: They have money set aside, but
15 they don't have an unfunded --

16 MR. GIBBS: Why don't we add those back in so we
17 know where we are?

18 MR. MIRELES: I think --

19 MR. HARVEY: So I guess your -- the short answer
20 is yes. There are dollars that were not seen. She called
21 it off-books. That may be --

22 MS. MOORE: It's a wrong term. But it's not on
23 our unfunded list.

24 MS. KAMPMIENERT: Correct.

25 MS. MOORE: Is where those are. It -- they

1 aren't -- they're definitely in your books and they are
2 being accounted for and when we tell people that -- how much
3 is left of our bonding authority, it's with that in
4 consideration I'm assuming.

5 MR. MIRELES: Yes. That's correct.

6 MS. MOORE: So we right now say we have 2 billion
7 left in bonding authority; correct? And my assumption then
8 would be that that 2 billion is exclusive of everything
9 that's reserved for both the unfunded list and any
10 critically overcrowded schools that may be in that -- that
11 other -- in a different position; is that correct?

12 MR. MIRELES: It -- let me make sure. It -- the
13 remaining bonding authority already takes into consideration
14 what we've reserved for the preliminary apportionments.
15 When we have apportionments, the bonding authority has been
16 reserved. The remaining authority takes that into
17 consideration.

18 MS. MOORE: So a complete picture of all that
19 would be the unfunded list plus critically overcrowded
20 schools that may not be on it yet but have a preliminary
21 reservation; is that correct?

22 MR. MIRELES: Yes.

23 MS. MOORE: Equals an unallocated -- or less our
24 authority what our unallocated bond authority is.

25 MR. MIRELES: Yes.

1 MS. KAMPMIENERT: It should be --

2 MR. GIBBS: How much are on those preliminary
3 apportionments that are not on the unfunded list?

4 MR. MIRELES: I don't have that figure. the
5 total --

6 MR. GIBBS: I mean is it billions? 10 million?

7 MR. HARVEY: Is everyone hearing the question
8 posed by the witness?

9 MS. MOORE: Well, why don't we just say for our
10 next --

11 MR. GIBBS: Yeah. We'll find out.

12 MS. MOORE: -- for our next meeting --

13 MR. MIRELES: We'll find it out.

14 MS. MOORE: -- let's have that information too
15 because we don't know that off the top of our heads.

16 MR. GIBBS: Because you could also apply that same
17 theory of --

18 MR. SMOOT: Gary, microphone please.

19 MR. GIBBS: Oh, you could also apply the same
20 theory of just put everybody back on the normal clock that
21 they've been on, but when they get down to three months, you
22 shut them off. And that way -- and then when you have your
23 next bond sale, all those projects that are three months or
24 less must pursue a fund release.

25 And then whatever money remains goes into those

1 that want to file for a fund release. That way no one's
2 really jeopardized. They all are on the same timeline, but
3 they don't -- you know, their timeline doesn't run out.

4 We're just saying let's trigger -- you know, if --
5 you know, let's not let, you know, applications sit, you
6 know, on the docket for 18 months and then all of a sudden,
7 you know, four years down the road, we have enough bonding,
8 you know, capacity and then they trigger the 18 months
9 again.

10 I just don't think that's healthy. So anyway some
11 hybrid like that, that might work.

12 MR. HARVEY: Thank you so much for your
13 observations.

14 Mr. Duffy, are you wishing to talk about Option
15 No. 1?

16 MR. DUFFY: Yes and a couple of other comments and
17 a question if I may.

18 On the issue of the critically overcrowded schools
19 and charter schools, I think it's important that there be a
20 distinction made and I think Mr. Mireles answered it
21 correctly in that yes, the funds were to be reserved from a
22 preliminary apportionment for up to five years. In that
23 there is a reservation of bonding authority for those
24 projects. It's different than projects that are sitting on
25 the unfunded list because there's no bonding authority

1 reserved for them.

2 MR. SMOOT: Microphone, Tom.

3 MR. DUFFY: There is no bonding authority reserved
4 for projects that are on the unfunded list, but there is
5 bonding authority reserved for critically overcrowded
6 schools and for charter schools so that when they are
7 perfected -- and this gets to I believe your question,
8 Ms. Moore.

9 When they are perfected by the district, the
10 district is assured that when bonds are sold it will be --
11 the project will be funded.

12 MS. MOORE: One clarification of that, Tom, and
13 maybe -- I mean I know we've had these discussions before,
14 but the unfunded list currently, the Board took the action
15 to say we will have an unfunded list until we are done with
16 bonding authority and then we will make a decision around
17 any projects thereafter.

18 So in my mind, projects that are on the unfunded
19 list have bonding authority reserved.

20 MR. DUFFY: If the unfunded list is -- I would
21 concede your point, but if the unfunded list is something
22 that then exceeds the authority that is there -- and that's
23 something that we will certainly encounter soon with regard
24 to new construction -- the Board's regulations -- the
25 emergency regulations do not account for that, but it's

1 something I believe that the Board will be --

2 MS. MOORE: Right. It was my recollection that
3 when we created the unfunded list as the State Allocation
4 Board, we were very distinct in that there would be an
5 unfunded list until -- we were acting on an unfunded only
6 until the bonding authority had been exhausted and that we
7 would leave for a future decision whatever we wanted to do
8 in terms of an unfunded list after bonding authority had
9 been exhausted.

10 MR. DUFFY: I agree with you. That's what the
11 Board did. What I'm identifying I believe is that clearly
12 for a critically overcrowded schools project or a charter
13 project, there is already identified a certain amount of
14 funding for those projects and they are reserved.

15 So to the point I think you were making a few
16 minutes ago, when we get to the point where we exhaust bond
17 authority, we haven't exhausted bond authority for those
18 kinds of projects because they are treated differently. And
19 I think that that's an important distinction for the
20 Board -- the Subcommittee to recognize and I think for the
21 Board to recognize.

22 And I'm just making that as a comment. When we
23 negotiated the COS program, we negotiated it as a finite
24 period of time. That finite period of time has now been
25 extended because of the freeze that occurred and the

1 unplugging of clocks. The clock has not been plugged in for
2 those projects or for charter projects. So --

3 MS. MOORE: So are you asking, Mr. Duffy, that
4 that issue be addressed?

5 MR. DUFFY: I think it's important that it be
6 recognized because I think in the discussion that was had
7 with the Board on the COS issue and the reserve funds being
8 moved over, I don't know that the Board was fully cognizant
9 that they're being treated differently.

10 MS. MOORE: Okay.

11 MR. DUFFY: So that was one item that I had wanted
12 to address since it came up.

13 The other is what is the amount of -- on the
14 unfunded list today?

15 MR. MIRELES: It's about 1.4 billion.

16 MR. DUFFY: 1.4. Okay. The -- and this goes to
17 the issue of the Board's genius in coming up with a
18 mechanism to encourage districts at a very difficult time to
19 move forward with projects. So we celebrated with you. We
20 supported it and continue to support it.

21 I think if you move away from the 90 days, I think
22 that that diminishes that encouragement. So we believe that
23 the Board did what was necessary. It was successful. We
24 would encourage you to continue to do that.

25 It may be that you're approached by districts that

1 encounter some issues and maybe you take those on a
2 case-by-case basis, but just on whether it's Option 1 or
3 Option 2 or something else, Mr. Harvey, CASH believes that
4 the 90 days has worked, it's been successful, and I think
5 you need to continue that.

6 On an issue that I think you brought up,
7 Ms. Moore, do we need more than one list. One way to
8 approach that is to identify that we have a list. It's date
9 order. Everyone sees what's there.

10 If there is not another bond sale in March -- and
11 that appears to be the decision. If there is not, but OPSC
12 in their work unearth other real funds that are available
13 because projects release funds, if you have your unfunded
14 list and you begin to then move down that list, certainly
15 there can be a variety of ways for you to keep one list and
16 to be able to discern who is ready to move and who is not.

17 So I like the idea of not confusing things with
18 more than one list and giving OPSC and districts the ability
19 to communicate with each other as to, you know, if we have
20 \$50 million in -- you know, conjecturing, at some point in
21 time in March, can the Board apportion 50-, then where do we
22 come down to and give districts the option of opting in or
23 opting out.

24 MS. MOORE: And I would ask that you and others
25 help us with the simplicity. I think that is important now

1 for school districts.

2 I -- you know, we could potentially have three
3 lists in the future. We'd have our unfunded list before
4 bond authority. We have our 90-day ready list and we have
5 post-bond authority unfunded list.

6 And I think that those lists all become very
7 confusing not only to people that have to make decisions
8 around them, but to those that are on the list as well. And
9 I would like to see a system that we also don't have to do
10 these approvals of, so to speak, tranches each time because
11 that takes time. So -- and then we have to decide do we
12 need 50 million, a hundred million before we can do a
13 tranche.

14 I'd like to see a system if 2 million comes in and
15 the next project is 2 million that we could move on them in
16 a more streamlined manner that moves that money out to
17 school districts and ultimately to their communities faster.

18 So I'm looking -- I as one Board member and
19 Subcommittee member would love to hear how we could do that.
20 Be simple to our public, be transparent to the public, and
21 move funds out into school districts and communities in a
22 expedient manner.

23 MR. DUFFY: I believe that -- if I may ask. Could
24 you ask OPSC to determine what limited funds may become
25 available in the short term because of funds that are being

1 returned to the State or not being used by districts? Is
2 that something that the Board would be interested in hearing
3 maybe at the next Board meeting?

4 MS. MOORE: Well, I think that the staff provides
5 that to us at every meeting. Don't you -- we've had an
6 accounting -- and if we don't, we should. We usually have
7 an accounting of authority and we have an accounting of cash
8 at those meetings.

9 MR. MIRELES: Yeah, and it's a fluid number. I
10 mean it depends when districts -- if they don't meet time
11 limit on fund releases and then we have cash available or
12 rescissions. But, yeah, that's something that we're
13 definitely would have available for the Board.

14 MR. HARVEY: I would see it as part of what we get
15 in our normal Board item and I'm also remembering that don't
16 we have a glut -- I'll call it that -- or a number of
17 projects that are approaching a deadline so that we -- they
18 will either produce or not. So we're going to have perhaps
19 a little more than normal simply because of timing issues.
20 Is that correct?

21 MR. MIRELES: Yeah. That's actually part of
22 Option 3 in terms of discussing what's available -- what may
23 be due to expire come October and what the Board will want
24 to do with that cash.

25 MR. HARVEY: Okay. We'll look forward to doing it

1 in 3 then. Yes.

2 MR. DUFFY: Then what you're speaking to that is
3 apportionments that have been made that may not be accessed
4 and therefore we're talking about real funds.

5 MR. MIRELES: Yes.

6 MR. DUFFY: Yes. And this is something -- I think
7 it's important that you be discussing this, Mr. Harvey,
8 because we continually have questions from the field about
9 what is there in real -- in authority, what is there in
10 funds that are available and I think that distinction,
11 although we're used to talking about it, I don't think the
12 general population of district personnel and others
13 necessarily are able to separate the two. So I appreciate
14 you mentioning that. Thank you very much for your patience.

15 MR. HARVEY: And over time, I think we all will
16 get better educated because we are, to say it one more time,
17 going to have to do such a better job of getting the dollars
18 that are idle out for all of the public policy reasons we've
19 discussed.

20 Hi, there.

21 MR. PETTLER: Hi.

22 MR. HARVEY: If you would be so kind as to state
23 your name for the record.

24 MR. PETTLER: Good afternoon. Matt Pettler,
25 School Facility Consultants. I think building off of that

1 last discussion, something that we've been contemplating in
2 our office is a system where you keep the unfunded list
3 because I agree that there could be some confusion with two
4 separate lists, but essentially set up a system where
5 monthly as money comes in OPSC communicates with districts
6 and goes down the list and says first district, we've got
7 \$5 million; you have a \$2 million project; are you ready to
8 go. And if so, they submit their certification of the
9 90-day. You go down to the next project and you can do that
10 monthly as money comes into the program.

11 MS. MOORE: I'm wondering, Matt, though why would
12 we want to do that if we could shift the culture to actually
13 be the projects on the list are ready to go in 90 days.
14 Like in the past, we've never had to contact districts and
15 ask them whether they were ready to go. It was an
16 assumptive they would be ready to go in 18 months.

17 And to me that's just additional work for staff.
18 It's additional work for the school districts and I'm just
19 not sure that's the most production way to operate the
20 system given the cash issue.

21 MR. PETTLER: Yeah. I think if you're going to
22 move the program to all projects complying with the
23 90 day --

24 MS. MOORE: Um-hmm.

25 MR. PETTLER: -- as opposed to having, you know,

1 some sort of special circumstances that we're in now, then I
2 agree. I think then you just have the list and everybody's
3 on the 90-day timeline, but I think if you're not going to
4 go that direction, this may be a way to get the money out
5 more quickly.

6 You're not waiting necessarily for twice a year or
7 three times a year to have a big chunk money to allocate. I
8 agree that there's a culture shift in practice and that we
9 may need to implement that in the regulations. I think that
10 as we do that, we just need to be cognizant of the districts
11 that enter the process under the 18-month assumption and
12 somehow feel a way to deal with those projects, but I agree.
13 If you go to a regulation change and you're doing a 90-day,
14 then it solves itself.

15 You have an unfunded list and you have 90 days --

16 MS. MOORE: Well, and -- let's see. It was May of
17 last year that we took the action on 90 days. So we're
18 approaching -- I mean by the time this really gets to the
19 Board probably March or April, we're approaching a year that
20 districts have functioned in a 90-day world.

21 So to say that someone is coming in after May of
22 last year with the thought that they were going to have
23 18 months to perfect their project, I think that landscape
24 has changed substantially.

25 MR. PETTLER: I agree, although I hear from some

1 school districts that they don't -- that they have
2 difficulty with the 90-day timeline and not that they don't
3 know that it's out there and it's the new shift, but that
4 they submitted their applications on the assumption of
5 18 months and would need to I think voice those concerns
6 when we all are engaged in a dialogue about changing the
7 regulations.

8 MS. MOORE: And as we're engaged in that dialogue,
9 I would appreciate seeing exactly what the problem with
10 90 days is. Is it their cash that they have a problem
11 assessing in 90 days? Is it bidding? What is it that --
12 that would be helpful to me to know concretely what any
13 concerns are because as you know, the first part of this
14 system, 100 percent came back reported 90-day, got it done.

15 We haven't finished our second one, which is
16 March 1st? When do they have to perfect those projects?

17 MR. MIRELES: 15th --

18 MS. MOORE: March 15th. We'll have another set of
19 data. And I'm interested in what is the outlier of that
20 data that we may need to be knowledgeable of.

21 MR. PETTLER: And I agree those districts need to
22 be at the table. Just a couple things I've heard
23 anecdotally, I have heard some on the bid process that some
24 districts have a timely process there that makes it more
25 difficult, but the bigger thing that I've heard is larger

1 districts that have many projects on the list and being able
2 to functionally do all those projects concurrently that they
3 face some difficulties and if they're required, move them
4 all forward in their 90-day timeline, that they feel that
5 they have so many projects that that becomes logistically --

6 MS. MOORE: And then I would be interested in how
7 can we assist with that system given the change in cash
8 management because in the 18-month system, you had the same
9 problem. You may have spread them out --

10 MR. PETTLER: Right.

11 MS. MOORE: -- over the 18 months better. So how
12 do we help districts deal with that -- that problem? It's a
13 good problem to have I think, but that problem and yet make
14 sure that we are maximizing our --

15 MR. PETTLER: Right.

16 MS. MOORE: -- the cash available.

17 MR. PETTLER: Right. No, and I agree completely
18 and I do not debate at all. The --

19 MS. MOORE: Yes --

20 MR. PETTLER: -- districts know the world we're in
21 and have known it for quite some time. I just wanted to
22 share some of the concerns I have and again those districts
23 need to be at the table with those concerns --

24 MS. MOORE: Yes.

25 MR. PETTLER: -- if we go to regulation change --

1 MS. MOORE: Yes.

2 MR. PETTLER: -- to shorten the period. Thank
3 you.

4 MR. HARVEY: Any other comments before we move to
5 Option No. 2? We've kind of blurred the options in the
6 discussion, but that's the nature of the beast.

7 MR. SMOOT: Good afternoon.

8 MR. HARVEY: Believe it or not, there are no time
9 limits. I won't be able to call two minutes on you,
10 Mr. Smoot. This is an informal informative --

11 MR. SMOOT: So you're mine for the rest of the
12 day.

13 Lyle Smoot, Los Angeles Unified School District.
14 Thank you very much. Los Angeles has been a major player in
15 the 90-day timeline and I think it's a great program. I
16 would ask that when you come back in -- March 1st? Is that
17 when you're going to have the final discussion --

18 MS. MOORE: I believe so.

19 MR. SMOOT: -- about this or whenever -- that you
20 have some information about the effects of changing to a
21 90-day timeline from the point money is available because
22 right now in essence, we really have about a 150-day
23 timeline because you get money in, you ask for districts to
24 submit their letters, make the final action, and then
25 there's 90 days from there.

1 So it's really kind of a -- in my mind anyway,
2 it's about a five-month timeline right now and I think that
3 works real well.

4 I'm just visualizing in my head if, for instance,
5 we've had some surprises about money becoming available and
6 the money -- that's available at the next board, there's an
7 action, you've got 90 days from that time.

8 The bidding timeline is really, really, really
9 tight. Right now I think a five-month timeline, which in my
10 mind that's what we have, is enough time to bid it and if
11 necessary do some additional work and maybe even rebid it if
12 you're really tight.

13 On a straight 90-day timeline, I think you're
14 going to see it have additional problems, so I'm just asking
15 you consider potentially -- if we go to this, I'm not
16 opposed to it. If you go to -- maybe you ought to make it a
17 120-day timeline to really make sure you got in essence the
18 same program as you currently have. Thanks.

19 MR. HARVEY: That's a fair item to discuss, but
20 how much did we put out the door on 90 days in our first
21 go-round?

22 MR. MIRELES: 408 million.

23 MR. HARVEY: And how much -- where are we on
24 number two?

25 MR. MIRELES: At least about 600 million's been

1 released.

2 MR. HARVEY: Okay. That's a good track record,
3 Mr. Smoot.

4 MR. SMOOT: Well, then that really applies --

5 MS. MOORE: Well, and I hear your comment in that
6 districts had about a Board meeting, maybe two, that we --
7 that first we had the Board meeting and did the priorities
8 and then everybody had to get their certification in for
9 another Board meeting and then the 90 days started.

10 So you're -- there is some validity to that for
11 consideration. What I was hoping that we can get away from
12 is, you know, doing these certifications again and again for
13 districts when that seems to be a lot of time intensive on
14 school districts and time intensive on State staff.

15 MR. SMOOT: Well, that's why I say maybe consider
16 120-day timeline, send in your letters today, the money
17 comes available, you got to go -- have a little bit of extra
18 room (away from microphone).

19 MR. HARVEY: Healthy discussion and there'll be
20 more. Any other comments on this issue before we move to
21 No. 2? Thank you for joining us. Name for the record,
22 please.

23 MR. CARDONI: Paul Cardoni, San Francisco Unified.
24 Commissioners -- that's what you're called, Commissions;
25 right? Is that your title?

1 MR. HARVEY: We're Board members, but if you would
2 lean forward so that we can hear your comments, you'll need
3 to be close to the mic, if you would please. Thank you.

4 MR. CARDONI: I don't -- I'm sure Mr. Duffy has a
5 lot of information, but I'm not clear on how the 90-day
6 certification evolved and I'm wondering if there could be
7 another priority list -- I'm sure you're going to stone me
8 after this -- that would look at districts who need to
9 reimburse themselves in order to proceed with other
10 construction projects.

11 So if a district can certify as it is under the
12 regulations that we can be under contract for construction
13 in 90 days and certify a fund release, could there
14 theoretically be another list for districts that have
15 entered and even completed binding construction contracts
16 from which they can immediately request a fund release
17 within ten days of assessed SAB approval and proceed with
18 more projects within their district.

19 MS. MOORE: Well, you currently -- we make no
20 distinction --

21 MR. CARDONI: There is no distinction, but --

22 MS. MOORE: -- in the 90 days between those that
23 are reimbursements and those that are truly new construction
24 bidding projects.

25 MR. CARDONI: I understand. Either way, a

1 district would -- benefits from the 90-day certification if
2 they in fact can do it, but should there theoretically be a
3 priority to districts who have entered into binding
4 contracts that have not received a funding release to in
5 fact receive a priority over those projects that have not
6 been.

7 MS. MOORE: So what you're asking -- so I'm just
8 clear. Do you -- would theoretically --

9 MR. CARDONI: We have projects --

10 MS. MOORE: -- is a project --

11 MR. CARDONI: Yes. Yes.

12 MS. MOORE: -- on the unfunded list?

13 MR. CARDONI: Yes, we do.

14 MS. MOORE: So you're asking for priority because
15 it's reimbursement.

16 MR. CARDONI: Yes.

17 MS. MOORE: And we have not granted that yet.

18 MR. CARDONI: Yes.

19 MS. MOORE: We have -- we look blindly at the list
20 and say --

21 MR. CARDONI: Yes.

22 MS. MOORE: -- and we've kept an integrity of date
23 order -- somewhat a semblance of integrity of date order
24 which was important to us when we began this process because
25 everyone was caught. We had 2 point -- what was it -- 4

1 billion dollar issue to begin with that we had actually
2 apportioned and did not have the cash for it.

3 In good faith, the districts worked through that
4 issue with us and one of the main concerns that was
5 addressed throughout all of these proceedings was integrity
6 of the list and what that meant was date order.

7 And so I think we would have to think seriously
8 about reimbursements to districts and I get your point.
9 They went out on their own dime and did it and now are
10 asked -- you know, now are in line for their project costs,
11 but I know a fundamental issue as we entered into this
12 system was integrity of the list and nobody got priority
13 other than those that were ready to go in 90 days and
14 obviously reimbursement is one of those. But food for
15 thought.

16 MR. CARDONI: Thank you.

17 MR. MIRELES: And just to follow up on that,
18 Mr. Moore. I think another consideration would have to be
19 the equity issue with financial hardship districts that
20 cannot move forward on their own.

21 MS. MOORE: Oh, thank you.

22 MR. HARVEY: Ms. Moore, any final comments on
23 No. 1 or Option 1 before we move to Option 2, which is
24 really almost a subset because we're continuing the current
25 model with clarification on timing of new rounds.

1 Barbara.

2 MS. KAMPMIENERT: And a lot of the comments have
3 related to Option 2, but basically things would remain the
4 same; however, we would be seeking whether the Subcommittee
5 of the Board would recommend certain time points at which we
6 establish the priority funding round so that folks can sort
7 of predict when this is going to come about. Do we time it
8 so the bond sales -- are there rules for if we accrue a
9 certain amount of cash that we could then allocate, do you
10 want it to be 30 million, 40 million, 50 million before we
11 set another priority in funding round.

12 That could be done within the existing
13 regulations. We might have some flexibility to just -- to
14 know what the Board's wishes were and set them at that time.
15 The monthly concept that's come up would be another way to
16 address this. We could modify the regulations to where it
17 was a subset that we can do this more on a flow basis.

18 But basically the question here is within the
19 existing priorities system, how often should we do these
20 rounds and we want to get the timing down so that it can be
21 more helpful when the bonds are being sold so that we get
22 out ahead of it so that the right bond sources are used when
23 we're receiving the cash so that we have an adequate list
24 that we can give to the Treasurer that represents our true
25 need and also so that we're trying to not cram this into the

1 last couple of weeks right after the bonds are sold. So
2 just get a little ahead of it so that districts aren't
3 rushed and they can make good decisions and staff can
4 prepare good product -- and when would you like us to come
5 back and have these rounds?

6 MR. HARVEY: We'll have that for March because I
7 think there's at least two of us that are vitally interested
8 in a more simplified single list that doesn't have some of
9 the constraints and issues that you've just outlined.

10 Does anyone wish to comment more on Option 2?
11 Fine. Then we will go to the cash leveraging model, No. 3.

12 MR. MIRELES: This option targets cash that's
13 available that was apportioned under the old system. These
14 districts were apportioned \$233 million. They had up to the
15 18 months and most of those are set to expire in October.

16 So the idea behind this system is that the -- you
17 basically use that cash that's available now and leverage
18 that to apportion other projects which means that you would
19 have not just those funds committed to those projects in the
20 18 months, but the Board could use the 233- to make new
21 apportionments potentially under the new system.

22 And this is something that the Subcommittee
23 discuss back in October, but now we have less cash. It's
24 \$233 million. There is obviously some risk to this. The
25 Board could use proceeds from a future bond sale to

1 replenish the 233-, cash from rescissions, basically any
2 additional cash that becomes available.

3 So what you're doing is you're using cash that's
4 been apportioned to projects and leveraging that to make
5 apportionments for other projects.

6 Again this is something the Subcommittee discussed
7 last time. We thought we'd bring it back to see if the
8 Subcommittee wants to consider this again. There are some
9 timing issues because most of these projects have up to
10 October to submit their fund release and if we start this
11 process, we need some regulation changes.

12 Going through that rule-making process may take a
13 while, so again something that we discussed last time, but
14 thought we'd bring it up again for discussion.

15 MR. HARVEY: I take it that last comment could be
16 intended as a suggestion that we wait until October only
17 because we'll have a better idea of how much money is
18 available at that point in time?

19 MR. MIRELES: Yeah. And again this -- the school
20 districts come in at any time between now and October and
21 submit their fund release request.

22 MR. HARVEY: The other thing I guess that goes
23 without saying is it is all about risk and you could do a
24 subset up to 233-.

25 MR. MIRELES: Exactly. It doesn't have to be the

1 full --

2 MR. HARVEY: You wouldn't have to leverage the
3 entire amount and I would also believe the Department of
4 Finance, so I would seek their comment and advice on this as
5 well.

6 If they are comfortable saying anything today to
7 help set the scene, I'd appreciate it. Otherwise we can
8 wait until March. Oh, Chris bolts from his seat.

9 MR. FERGUSON: Sure. Chris Ferguson, Department
10 of Finance. The Department of Finance would be opposed to
11 this option. It creates additional liabilities. We've
12 already guaranteed these school districts their
13 apportionments. So to the extent that you leverage the cash
14 and then another district were to come -- or one of those
15 districts were to come in, they would be unable to access
16 cash, we would oppose that.

17 MS. MOORE: Well, I --

18 MR. FERGUSON: In addition --

19 MS. MOORE: Go ahead.

20 MR. FERGUSON: If I may. In addition, in terms of
21 the rule-making process, it would take approximately six
22 months. So by the time those regulations were in place, the
23 Board would be able to take advantage of that, those
24 projects would have expired anyway.

25 MR. HARVEY: We just noted that, didn't we. Thank

1 you for underscoring that. I have a feeling that we'll put
2 this one on hold given the suggestions and opposition
3 frankly by Department of Finance. Would you agree?

4 MS. MOORE: Yeah. I -- while I'm appreciative of
5 staff really looking at every opportunity I think for the
6 Board to maximize cash, I think this is one area that we've
7 made apportionments in. You know, we've corrected that
8 system. I think that we allow these to go to their logical
9 conclusion. I think the list has reduced substantially.
10 Was there a billion in this situation and we're down to
11 233 million and there -- I hope that every one of them
12 perfects over the next six months.

13 So I really think given the risk and what, you
14 know, the Department of Finance has indicated, we ought to
15 take this one off the table, watch those projects. In
16 October, you'll report to us how much cash is available from
17 them.

18 MR. HARVEY: Concurrence. And that's what we will
19 say in March

20 MS. MOORE: Although we are a Subcommittee.

21 MR. HARVEY: No. That's -- we will simply
22 recommend --

23 MS. MOORE: Yeah. We're a Sub-Subcommittee, so we
24 have no votes here.

25 MR. HARVEY: As I said at the outset, we're not

1 voting. All of these matters will be on the agenda in
2 March, but our suggestion that this be removed will be --

3 MS. MOORE: Advised.

4 MR. HARVEY: -- on that list. More lists, you
5 see, Barbara. All right. I guess we're on page 5 then and
6 it's the selective ordering based on the ability to provide
7 full apportionments.

8 MR. MIRELES: This is a problem that we encounter
9 under the current system and it would be a problem with
10 either Option 1 or Option 2 as well. Basically what do we
11 do when we have -- and the example that we use is a million
12 dollars in cash for the next project, but the next project
13 in line is a hundred million dollars.

14 So there's a couple of things that the Board could
15 do. One is basically wait until the 400 million is
16 available for the next project. Of course the cash could be
17 idle for some time there, so that's something to consider.

18 Another option is to offer partial funding for the
19 project. Some districts would take advantage of receiving
20 some money versus none. And then the last one is simply
21 just moving past that project onto the next project in line.
22 You don't know what the process there, the cash is released
23 rather quickly, but you may not follow the typical procedure
24 of first in, first out.

25 Again this is something that we have to deal with

1 under the current system or if we make a change for say
2 Option 2. So we're here to seek some input from the
3 Subcommittee and from the public as to how we handle that
4 situation.

5 MR. HARVEY: Questions of staff before we hear
6 from the stakeholders?

7 MS. MOORE: No. I have an opinion on it, but I'll
8 wait until we hear from stakeholders.

9 MR. HARVEY: I will do the same. Anyone from the
10 audience wish to comment on this proposal or any subset
11 thereon?

12 If not, I will defer to you initially.

13 MS. MOORE: What I would express is somewhere in
14 between not moving beyond that project. I think that
15 creates potential for misunderstanding when we have this
16 transparent list and somehow then we're beyond the list, but
17 then we -- it just -- I think it gets a little dicey and I'm
18 more open to partial funding to the next person in line, but
19 I think that we should keep the pressure on to fully fund
20 that project from many of the sources that we have and keep
21 the integrity of the line that we just talked about with
22 San Francisco intact.

23 So that's kind of where I am.

24 MR. HARVEY: You know, I am a little on the fence
25 on this. I mean I hear what you're saying and if we truly

1 go to a simplified, unified, 90-day cultural shift, I'm more
2 comfortable with what you've just said.

3 On the other hand, if we continue to not find
4 merit in that, I come down on the idea that it is all about
5 moving money. We started that process with the priorities
6 in funding. This is a subset of that and as a way of making
7 sure schools are improved and learning environments are
8 improved and people are working, I would perhaps find a way
9 of moving down enough in the list that you actually complete
10 a project -- fund a project.

11 I'm not there now because we haven't resolved the
12 first overarching question, but I come from the perspective
13 that it's really important to move money and improve
14 infrastructure and create jobs.

15 We are at the end of our agenda. We now have
16 public comment. It's intended to be those things that are
17 not on the agenda. Does anyone wish to address this
18 Subcommittee of a Subcommittee in the public comment
19 category?

20 Seeing none, we will adjourn momentarily, but once
21 again we are reconvening in March, March 1st. The items
22 that we've discussed today will be repackaged, rediscussed,
23 and new options will be made available for the full
24 Committee's consideration.

25 It's our expectation that we will hopefully vote

1 on all, if not all, most of the issues and then that
2 Subcommittee report will go to a future full Board meeting.

3 And with that, thank you being here.

4 MS. MOORE: I have one --

5 MR. HARVEY: Oh, Ms. Moore has one more thing.

6 MS. MOORE: I know, I just said -- when you come
7 forward in March with your information, it would be helpful
8 to me to know how much cash we do available now and how much
9 cash has come from -- over the last year from sources other
10 than the bond issuances; so, for instance, rescissions, so
11 that we just have a flavor for how other forms of cash than
12 the bond measure ones have come in. Maybe we can look at
13 that data and see what that means because that would help me
14 inform decision making around these priorities.

15 MR. MIRELES: We can do that.

16 MS. MOORE: Thank you.

17 MR. HARVEY: And again my recollection of cash
18 management was we were going to be as aggressive in those
19 other categories, not just gone money, knowing that we do
20 have some improvements in regulations or policies that a
21 subtle change or a redefinition could make more projects
22 active and fully committed.

23 So I would hope that staff at some point also
24 suggest to us things that we can be doing with policy
25 changes, without regulatory changes, that may affect how we

1 have defined a category like Mod, for example. There may be
2 other examples of that, but subtle changes, appropriate
3 changes can also move money and I would hope that you would
4 agree that that's part of cash management.

5 Now are we prepared --

6 MS. MOORE: That was it.

7 MR. HARVEY: Thank you all for being here. We
8 make better decisions when we hear from all of you. Thank
9 you.

10 (Whereupon, at 2:09 p.m. the proceedings were recessed.)

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