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

DEPARTMENT OF FINANCE
915 L STREET, REDWOOD ROOM
SACRAMENTO, CALIFORNIA 95814

DATE: MAY 17, 2011
TIME: 3:33 P.M.

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APPEARANCES

Committee Members:

PEDRO REYES, Chief Deputy Director, Policy, designated representative for Ana Matosantos, Director, Department of Finance

SCOTT HARVEY, Acting Director, Department of General Services.

KATHLEEN MOORE, Director, School Facilities Planning Division, California Department of Education, designated representative for Tom Torlakson, Superintendent of Public Instruction.

ASSEMBLY MEMBER JOAN BUCHANAN

Office of Public School Construction Staff:

LISA SILVERMAN, ACTING EXECUTIVE OFFICER

JUAN MIRELES

BARBARA KAMPMEINERT

P R O C E E D I N G S

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2
3 CHAIRPERSON REYES: We clearly do not have a
4 quorum. Last time we ran out of time and we left some folks
5 just dying to speak. So in the interest of everybody else's
6 time and since we're a Subcommittee anyhow, would you mind
7 if we get started and if folks are able to join us, then
8 we'll be able to make decisions or vote on issues if we're
9 ready for that. Otherwise we will hear folks out and move
10 forward.

11 This is -- I guess I should announce that this is
12 the State Allocation Board Committee on Priorities in School
13 Construction Funding, Cash Management, Part IV. This was
14 meant to be a two or three Committee meeting issue, but
15 things have surfaced, so --

16 MS. SILVERMAN: With that we will go ahead and
17 open up the meeting. Thank you very much. So we definitely
18 have a lot to cover today and so with that, we definitely
19 want to present one of your first tabs is the fiscal crisis
20 regulations and the second item we would also discuss today
21 is the remaining bond authority and then the last item on
22 the agenda is to discuss the cash management and how to make
23 apportionments.

24 So with that, we'll go ahead and open it up to the
25 fiscal crisis regulations.

1 MS. KAMPMIENERT: So behind Tab 2, we have the
2 fiscal crisis regulations. There were three sets, the
3 charter school preliminary apportionments, the critically
4 overcrowded schools preliminary apportionments, and
5 financial hardship re-reviews.

6 So beginning on page 4, we have the Charter School
7 Facility Program. This topic has come before the Committee
8 a couple times and there have been several ideas that have
9 gone out there related to how to handle the charter school
10 projects.

11 And the last -- at the December 2010 Board
12 meeting, the State Allocation Board put the charter school
13 preliminary apportionment advance fund releases and provided
14 some cash and determined that those preliminary
15 apportionments would be reactivated once the cash had been
16 made available.

17 However, we have also heard some additional
18 comments related to where charter schools conversion
19 applications, once they go from preliminary to a final
20 apportionment unfunded approval status, where should those
21 unfunded approvals be placed on the list.

22 And Option 1 listed on page 4 would have all the
23 converted applications placed on the unfunded list based on
24 their preliminary apportionment date. This option was
25 presented previously by the Department of Finance and it's

1 been indicated that the projects were disadvantaged because
2 the cash for the advance design and site apportionments has
3 not been available until the Board took action recently, so
4 these projects were not able to move forward and have been
5 sitting for several years and stuck, unable to move forward.

6 And by placing them on the unfunded list with
7 their preliminary apportionment date, it would remedy the
8 situation and be more equitable. They would -- by doing
9 this, it would be our understanding that they would be
10 underneath the health and safety projects that the Board
11 previously voted to place at the very highest top of the
12 unfunded approval list and they would be able to compete for
13 priority funding in future rounds if that's the mechanism
14 that's still used.

15 This can be accomplished through a Board action.
16 No regulatory change is necessary. However, there is a
17 concern as far as the equity this could disadvantage other
18 districts that may also have projects that are at the stage
19 of receiving an unfunded approval because if they're coming
20 in at the same time, the charter applications going to
21 receive a higher date based on preliminary apportionment.

22 The second option that was discussed was to
23 reserve a certain dollar amount out of the next bond sale
24 for the purpose of both the advance fund releases for design
25 and site acquisition as well as full construction

1 applications. And what came up on this topic before is that
2 because charter schools have limited access to their
3 matching share of the funds and they rely on the State
4 funding for that, they are not comfortable moving forward
5 until there's a guarantee that the cash is going to be there
6 when they're ready to convert their project applications.

7 So the Board could choose to reserve enough cash
8 to cover either some or all of the projects additional
9 funding for the advance apportionments or the full
10 construction applications out of the next bond sale and this
11 would help assist those charter schools that need that
12 guarantee of funding before they're able to move forward on
13 the project.

14 CHAIRPERSON REYES: Can you split that so that you
15 would say it's the dollar amounts for the advance fund
16 releases and then for the construction applications, put
17 them on the unfunded list just like everybody else. What
18 would be the downside of that?

19 MS. KAMPMIENERT: You could certainly split that.
20 That would be another option, just sort of a --

21 CHAIRPERSON REYES: Okay.

22 MS. KAMPMIENERT: -- hybrid of Option 2 and
23 Option 3.

24 CHAIRPERSON REYES: 3. Okay.

25 MS. KAMPMIENERT: Um-hmm. Some of the things to

1 consider in Option 2 would be how much funding to be
2 reserved and what happens with the unused cash, so there may
3 need to be a mechanism developed to figure out how to handle
4 that and also a time frame for how long the Board -- or the
5 Committee would recommend that that cash would be reserved
6 for applicants to come in. And again it brings up the
7 equity issue with other projects on the unfunded list.

8 And then the third option that came up out of
9 previous meetings was just to continue placing the CSFP (ph)
10 conversion applications on the unfunded list based on their
11 unfunded approval date as is the current process. So right
12 now they receive the date based on when the funding
13 application comes in. So if it comes in now, it's 90 to 120
14 days out when they receive their actual Board approval and
15 they compete just like any school district would in
16 priorities in funding rounds.

17 CHAIRPERSON REYES: Okay.

18 MS. KAMPMIENERT: Do you have a preference if we
19 address each of these individually? Would you like us to go
20 through the whole fiscal crisis regulation section?

21 MS. MOORE: Could we ask questions as we go along?

22 CHAIRPERSON REYES: Yes, please.

23 MS. MOORE: I think that would be preferable for
24 me.

25 CHAIRPERSON REYES: Um-hmm. Yes, absolutely.

1 Absolutely.

2 MS. MOORE: Okay. I have a lot in the charter
3 area and the first of which is when we talk in Option 1 by
4 placing all converted charter applications on the unfunded
5 list, what is that universe and then my second question is
6 how have they been disadvantaged.

7 MS. KAMPMIENERT: The -- our understanding is that
8 the disadvantage is that there was no cash available for the
9 design and the site acquisition funding. So when previous
10 bond sales occurred, the design and site acquisition funding
11 was not available to those applicants because the
12 preliminary apportionment amounts for site and design were
13 not on the unfunded list that the Board established.

14 MS. MOORE: And we remedied that by the 50 million
15 that we apportioned for charter schools and added to that
16 90 million.

17 MS. KAMPMIENERT: That's correct.

18 MS. MOORE: So we have remedied the preliminary
19 apportionment issue; correct?

20 MS. KAMPMIENERT: There was not sufficient cash
21 for everyone. There was 96 million available. We had --
22 fortunately on the second round, we did not receive more
23 requests for that funding than was made available, but there
24 are additional preliminary apportionment advance fund
25 release dollar amounts that could be requested by applicants

1 in the future. They are on the unfunded approval list for
2 those amounts only based on their preliminary apportionment
3 date per the Board's previous direction.

4 So the Board remedied \$96 million worth. There is
5 still a remaining balance, but those applicants did not come
6 forward as of the last round that we had for the potential
7 lottery for that cash.

8 MS. MOORE: So again the disadvantage has occurred
9 how? That we didn't have preliminary apportionments --

10 MS. KAMPMIENERT: When we were doing the AB55
11 loans, the charter schools could come in and at any time
12 when they were ready to access the design and the site
13 acquisition funding and since we were -- since we got cash
14 on a revolving basis, the cash would be provided when they
15 asked and they met the criteria for the program.

16 Once we had no access to that process, that system
17 stopped for a period of a year and a half -- little over a
18 year and a half, two years. So during that time frame, the
19 projects were in effect halted. We saw very little activity
20 in the program during that time frame.

21 MS. MOORE: If Option 1 is taken, it means that
22 for construction funds that projects would receive priority
23 over other projects; is that correct?

24 MS. KAMPMIENERT: That is the intent of Option 1,
25 yes.

1 MS. MOORE: And are there projects that have
2 converted and are on the list that did not access the
3 priorities in funding. Have there --

4 MS. KAMPMIENERT: Yes.

5 MS. MOORE: So for those projects, they were not
6 disadvantaged. They chose not to access the priorities in
7 funding.

8 MS. KAMPMIENERT: They had other -- they chose not
9 to access the cash for the advance design and site for
10 different reasons. Some of the charter schools were able to
11 find local financing either through banks or other resources
12 and some were past the design --

13 MS. MOORE: I meant the construction stage though.
14 Weren't those that converted, they're ready to go to
15 construction.

16 MS. KAMPMIENERT: They're ready to go to
17 construction. We had -- one of the projects received two
18 apportionments and so they were able to use the cash from
19 the first apportionment which was made at a different time
20 point, to get that project started. Another project used
21 local finance through a bank -- bank financing to fund the
22 project, but they did not access the site and design funds.

23 They didn't provide us a reason why they didn't
24 access it. We would just be guessing at what that reason
25 would be. But they had some cash available.

1 MS. MOORE: Well, here's where I am as one Board
2 member and that is that we were presented with the issue as
3 the State Allocation Board that preliminary apportionments
4 somehow were not on the list and therefore were not able to
5 compete for funding.

6 I thought we remedied that to the level that the
7 Board was comfortable with and as you remember, there was
8 some Board members that did vote for that, but I think there
9 was a level of discomfort around an additional 90 million
10 being apportioned to specific charter projects as opposed
11 to, you know, getting it in that grouping.

12 And then we had the situation where not all
13 charter projects came forward. We were able to fund
14 everyone that wanted to.

15 MS. KAMPMIENERT: Um-hmm.

16 MS. MOORE: And we remedied the remainder by
17 placing them on the list at the date that they had their
18 preliminary apportionments. So they're able at that date to
19 ask for apportionments in a priorities system.

20 And now we're saying we want those projects at
21 construction stage to go ahead of all projects like we have
22 afforded facility hardship projects which we deem to be the
23 most priority. We want to place charters above all other
24 projects and I have a problem with that because we have
25 had -- granted we're in a different era and we have had a to

1 of challenges that we've had to overcome in this system, but
2 one of the pieces that we've tried as hard as possible to
3 maintain was list integrity and placing another project in
4 front of whatever project it may be, whether it's new
5 construction, modernization, critically overcrowded,
6 charter, career technical education, everybody's grouped
7 into those areas of trying to access the cash when it comes
8 forward, without an extremely compelling case that we have
9 severely disadvantaged someone, and I still have not been
10 convinced of that.

11 And I don't know, maybe I haven't heard enough of
12 the story.

13 MS. KAMPMIENERT: And there were several letters
14 that I believe went to Committee members. This option --
15 we've put this option based on previous conversations on
16 here. I'm not sure that we --

17 CHAIRPERSON REYES: Um-hmm.

18 MS. KAMPMIENERT: I'm not sure that we have a
19 staff position on this, but there were some -- several
20 letters from stakeholders and other interested parties that
21 may be able to make the case -- may be able to provide more
22 detail for you.

23 MS. MOORE: Do you as staff feel that charters
24 have been severely disadvantaged for in this system?

25 MR. MIRELES: I think that's the -- it is true

1 that charter schools haven't been able to access a design or
2 site for a couple of years. So they haven't been able to
3 get started in designing and acquiring land. That I think
4 is true and that we do agree.

5 So in that sense, they haven't been able to get
6 started.

7 CHAIRPERSON REYES: Has that caused a disadvantage
8 then?

9 MS. MOORE: Yes.

10 MR. MIRELES: That is part of it, yes. So until
11 recently -- until recent Board direction to provide funding
12 set-aside for advance release funds for site and design,
13 they haven't been able to access the monies or they're kind
14 of playing a little late in the game compared to other
15 projects such as regular school districts and perhaps even
16 financial hardship school districts.

17 Those districts can come in and get a site and
18 design application placed on the unfunded list and then
19 depending when cash becomes available, they can draw down
20 the cash. So in that sense, we do think that there has been
21 a delay, a disadvantage for these charter schools to get
22 started.

23 CHAIRPERSON REYES: Is there anybody from charter
24 schools that would like to step forward and sit at the table
25 for a couple minutes and make their case so we can have a

1 dialogue going. Ms. Moore has some concerns with setting
2 aside and essentially giving a favorite treatment --

3 MS. MOORE: Priority.

4 CHAIRPERSON REYES: -- priority treatment. Hold
5 on. This is -- yes.

6 MR. SMOOT: I'm sorry, but this -- it's really
7 difficult to hear the people that are speaking that way --

8 CHAIRPERSON REYES: Okay.

9 MR. SMOOT: -- if they don't use the microphone --

10 CHAIRPERSON REYES: Okay.

11 MR. SMOOT: -- ask that everybody use the
12 microphones.

13 CHAIRPERSON REYES: More the microphone closer,
14 please. Thank you.

15 MS. HOFFMAN: I'm Tanya Hoffman with the Charter
16 Schools Association. I think --

17 CHAIRPERSON REYES: Lyle, does that help?

18 MR. SMOOT: Yes.

19 MS. HOFFMAN: Is that loud enough?

20 MR. SMOOT: That's good. Thank you.

21 MS. HOFFMAN: All right. We agree with, you know,
22 the staff's assessment that that site and design money for
23 charter schools is key, that we haven't been able to access.
24 Without the funding resources that traditional districts
25 have with the ability to, you know, leverage other projects

1 or all those traditional funding streams, it's been very
2 difficult for them to have the assurance to move forward on
3 the project.

4 Some of these are Prop. 55 projects that have been
5 around since, you know, 2005, 2006, and we really want to
6 see them get moving. So now that the Board has made that
7 money available for the site and design, they're finally
8 able to start catching up.

9 So to reactivate them then with that 14-month
10 window, we think using that preliminary apportionment date
11 is a fair way to kind of merge these two lists since they
12 weren't on the unfunded list originally until now they've
13 had this available funding.

14 MS. MOORE: But the preliminary apportionments are
15 on the list now and they are in the date that they submitted
16 them and what we're -- what is being asked of the Board --
17 in the Subcommittee and then ultimately the Board is that
18 when those projects come forward for their construction
19 apportionment that they be placed at the head of the list
20 because there has been this disadvantage of the preliminary
21 apportionment.

22 Is that an accurate statement of what's happening?

23 MS. KAMPMIENERT: That is Option 1. That's the
24 request that's being made.

25 MS. MOORE: And -- I mean we were strong

1 supporters of charters. We put the -- you know, put forward
2 the motion on the 90 million. The Department really
3 supports that.

4 But I struggle with is this fair to all on this
5 particular solution to the problems that charters are having
6 in moving their projects forward and -- and I'm struggling
7 with that.

8 MR. HARVEY: Can I ask a couple of questions.
9 Come at it perhaps a little differently.

10 From what you've just suggested, you were not a
11 player for whatever reasons and you're now trying to catch
12 up, the disadvantage being you didn't have access to the
13 site and design dollars.

14 If you would have had access to the site and
15 design dollars, concomitant with all other school districts,
16 would you be higher on the construction list? Is this
17 another way of catching up had you been able to access the
18 pool at an earlier point in time?

19 MS. HOFFMAN: I think that's a fair way to put it.
20 I mean I'd defer to staff a little bit on that, but I think
21 that's a fair assessment because if we had had that money,
22 they would have been able to join that unfunded list at the
23 earlier date.

24 MS. MOORE: It's all conjecture though. I mean
25 it's how would they have moved their projects just like a

1 district.

2 MS. HOFFMAN: Um-hmm.

3 MS. MOORE: In fact districts don't get -- in most
4 cases, districts don't have advance site plans. There are
5 some cases; correct? And we -- and they were appropriately
6 list -- placed on the list.

7 But in most cases, the regular program, you come
8 in with final DSA approval, CDE approval, everything all
9 bundled in one and move your project forward and we -- and
10 charters were different because they have different
11 circumstances about how they can acquire property which is
12 more difficult for them, which I think is true.

13 But for the most part, school districts didn't --
14 aren't getting their site money early.

15 MS. KAMPMIENERT: I think the concept of having
16 the advance design and site concept in the charter program
17 was because charter schools don't have access to facilities
18 funding. They can't issue local bonds. They don't have
19 developer fees.

20 CHAIRPERSON REYES: Um-hmm.

21 MS. KAMPMIENERT: So the program is designed and
22 the majority of the applicants accept the State loan for
23 their matching share. So it -- only a handful of applicants
24 were able to do anything until the design and site
25 apportionment cast became available because they had no

1 alternate source of funds unless they had a capital campaign
2 or if they took bank financing or if they had a school
3 district that was willing to help them out, but that was not
4 what we saw in the applications that were -- in the
5 applications that moved forward, we saw a small number that
6 were able to get to the unfunded list, but we did see a
7 slowdown in the number of charters that were making any
8 program until the cash became available.

9 CHAIRPERSON REYES: So Ms. Moore, based on your
10 comments, you're more comfortable with Option 3? Or
11 where -- I'm just trying to get a sense from where --

12 MS. MOORE: I --

13 CHAIRPERSON REYES: And then I'll turn to the
14 other Board members and get their sense of -- their views on
15 3 and maybe we're back at 1 or back on 2, but --

16 MS. MOORE: I probably am more comfortable with 3.
17 I realize charters have had a disadvantage. I thought -- I
18 felt the Board has taken action to remedy that with the
19 preliminary apportionment corrections and the infusion of
20 cash that was provided in these last rounds.

21 And I'm just -- we're dealing with a future
22 potential placement because we have projects of charters
23 already on the unfunded list; correct? And they would be
24 competing in the normal manner right now.

25 MS. KAMPMIENERT: Yes --

1 MS. MOORE: And it's for those that would hit the
2 list later I'm assuming --

3 MS. KAMPMIENERT: Um-hmm.

4 MS. MOORE: -- unless we'd move -- we would move
5 those that are on the list right now up as well; correct?

6 MS. KAMPMIENERT: Right. It would be the same
7 concept as if you used the preliminary apportionment date
8 for those in the future that it would be equitable to do it
9 for the four that are currently on the list.

10 CHAIRPERSON REYES: Okay. Before I go to more
11 folks in the public, members, are there any comments? We
12 discussed Option 1. Ms. Moore is not comfortable with
13 Option 1. She prefers Option 3, but I want to open it up to
14 both of you as -- Mr. Harvey.

15 MR. HARVEY: I may be gravitating toward Option
16 No. 1. If you will not leave quite yet, please, I have a
17 follow-up question.

18 Can you give me a little sense of the kinds of
19 things you may be willing to do to ensure that charters
20 access the construction dollars in a more expedited manner
21 because I would hate to in good faith recognize your
22 disadvantagedness relative to the design and acquisition,
23 get you in a little higher standing on the construction, and
24 then once again have you wait and wait and wait.

25 We've redirected some money. We -- I endorse the

1 concept of charters. I endorse the need to fund them. I'm
2 trying to find a way of doing it, but not have an unintended
3 consequence.

4 So can you tell me a little bit about how you hope
5 to get the dollars actually into construction more
6 advantageously.

7 MS. HOFFMAN: Sure. So we completely agree with
8 wanting to get the dollars out the door into construction.
9 The number of charters that are currently inactive, you
10 know, we understand will be decreasing dramatically with
11 those fund releases, but we've started the process of
12 surveying those schools --

13 MR. HARVEY: Okay.

14 MS. HOFFMAN: -- that are on the inactive list and
15 are going to be working with OPSC and happy to commit to
16 continue working with staff to try to determine what are
17 those roadblocks, how we can expedite that process.

18 MR. HARVEY: Depending what I hear from my
19 colleagues --

20 CHAIRPERSON REYES: Um-hmm.

21 MR. HARVEY: -- I'll remain open, but I am
22 gravitating to Option 1.

23 CHAIRPERSON REYES: Okay. I have Option 3 and
24 Option 1. Ms. Buchanan, do you have any? Or you still want
25 to listen in before you weigh in?

1 ASSEMBLY MEMBER BUCHANAN: I'll listen in.

2 CHAIRPERSON REYES: Okay.

3 MS. MOORE: I have another question too while
4 you're switching out.

5 So there's 594 --

6 CHAIRPERSON REYES: Don't go too far.

7 MS. MOORE: -- million in charter -- outstanding
8 charter dollars; is that -- am I reading the agenda item
9 correctly?

10 MS. KAMPMIENERT: For the preliminary
11 apportionments, yeah.

12 MS. MOORE: Okay. Then how much is there in
13 construction?

14 MS. KAMPMIENERT: It's about 17 million.

15 MR. MIRELES: Approximately.

16 MS. KAMPMIENERT: We have one project that's
17 currently in-house, so it's an estimate, but it's about
18 17 million right now.

19 MS. MOORE: Wait. 594- in site? There has --
20 there's way more than 17 million that would follow that.

21 MS. KAMPMIENERT: I'm sorry. 17 million that are
22 on the unfunded list --

23 MS. MOORE: Right.

24 MS. KAMPMIENERT: -- or in process to be on the
25 unfunded list.

1 MS. MOORE: But we're talking about a universe of
2 every charter project that comes in the door goes to the
3 front of the list. So what is that universe?

4 MS. KAMPMIENERT: That would be up to the
5 Committee to determine how much -- I mean it could be up to
6 the 594 million, but you wouldn't necessary need all of that
7 cash immediately if you were to reserve cash. You'd just be
8 moving them to the front.

9 MS. MOORE: Well, 594- is preliminaries.

10 MS. KAMPMIENERT: Preliminaries, yes.

11 MS. MOORE: We are talking -- if I'm correct --
12 and correct me if I'm wrong -- we're talking that all
13 charter projects would go to the front of the list no --
14 whenever they came out of DSA and were ready to go.

15 MS. KAMPMIENERT: Um-hmm.

16 MS. MOORE: What is that universe? Is it a
17 billion?

18 MS. KAMPMIENERT: No. That's the 594 million.

19 MR. MIRELES: Potentially 594-.

20 MS. MOORE: It's potentially a billion.

21 MR. HARVEY: 594 --

22 MS. KAMPMIENERT: No. The 594-.

23 MR. MIRELES: That was the initial reserve at the
24 preliminary apportionment stage. Then when they actually
25 convert, we're going to take a look at the project, take a

1 look at the plans, and then --

2 MS. MOORE: Okay.

3 MR. MIRELES: -- determine what the amount should
4 be.

5 MS. MOORE: So half a billion is the universe --

6 MR. MIRELES: Yes.

7 MS. MOORE: -- of preliminaries and construction
8 for charters.

9 MS. KAMPMIENERT: Right.

10 MS. MOORE: So if they all came forward at once,
11 that would be the total amount.

12 MR. MIRELES: Approximate, yes.

13 MS. KAMPMIENERT: Right. As an estimate because
14 it was preliminary, but yes.

15 MS. MOORE: Okay.

16 CHAIRPERSON REYES: And the odds of all of them
17 coming in at once are -- what's a reasonable --

18 MS. KAMPMIENERT: Limited because there's no cash
19 and there's -- they just got the design and site
20 apportionments, so we should expect to see some activity
21 based off of that, but it's been a couple years since
22 they've had any access, so I don't know that we have any
23 trends to draw from that the odds of them all coming in at
24 once. We haven't typically seen that. It's --

25 CHAIRPERSON REYES: So we wouldn't be writing

1 600 million worth of checks. Okay. So --

2 MS. KAMPMIENERT: It'd be unlikely.

3 CHAIRPERSON REYES: Okay.

4 MS. MOORE: And in a similar vein, we would be --
5 as they came forward, we have no idea what our levels are at
6 that time either. So they could be coming forward into
7 priorities in fundings rounds where there was more cash than
8 projects or they could be coming forward in priority funding
9 rounds where there's more projects than cash.

10 MS. KAMPMIENERT: Correct.

11 MS. MOORE: We don't know yet because we don't
12 know when they're going to hit the list.

13 MS. KAMPMIENERT: Correct.

14 CHAIRPERSON REYES: Okay. So does that -- if 1
15 doesn't work, would 2 work then you reserve a dollar amount
16 so you know what your exposure would be if you wanted to
17 move them up? Is that what Option 2 does for you? So you
18 know that -- you don't want to be exposed at 594 million.
19 So you can set a dollar amount and you say okay, I'm willing
20 to live with this exposure moving them forward and then
21 revisit the dollar amount and subsequent meetings once those
22 dollars go out?

23 MS. KAMPMIENERT: Right. Under Option 2, you
24 don't necessarily have to move anybody's date on the list.
25 It's just only charters are accessing that pot. So, yes,

1 you would have your known amount of cash that --

2 CHAIRPERSON REYES: So you have your known
3 exposure and then you can even bifurcate it further by
4 setting dollar amounts for the advance fund releases but put
5 them on the unfunded list for the actual construction.

6 MS. KAMPMIENERT: Yes, you could do that too.

7 CHAIRPERSON REYES: So you help them out in terms
8 of getting the preliminary stuff done and then you put them
9 on the list like everybody else for the actual cash. That
10 will be priority too.

11 ASSEMBLY MEMBER BUCHANAN: Have we determined -- I
12 mean I understand from our prior meetings that part of the
13 problem with charter schools coming in for the money was the
14 fact they didn't have any planning money. And so we said
15 okay, we're going to give you planning money. And the bond
16 originally set aside, what was it, half of 500 million for
17 charter schools?

18 So what exactly is the -- I mean is there any way
19 you can quantify in terms of dollars how charter schools
20 were disadvantaged by not being able to access the planning
21 money? Because now you're going to -- from -- the bond
22 originally anticipated half a billion dollars. Now you're
23 going to 590 -- almost \$600 million and you're saying that
24 you'll put charter schools on the top of the list ongoing.

25 So is there -- where is the middle ground. So

1 we -- you know, so to the extent we can deal with it, the
2 fact that some were disadvantaged there without going to the
3 other extreme and saying we'll always put charter schools
4 ahead of all other schools and not have them all have to
5 wait in line --

6 CHAIRPERSON REYES: Well, I think they're
7 disadvantaged in that they don't have the money that they
8 need for the design up front.

9 ASSEMBLY MEMBER BUCHANAN: Right.

10 CHAIRPERSON REYES: So I think Option 2 helps you
11 on that. If you set aside some dollar amount -- and correct
12 me, please.

13 If you set aside some dollar amount, whatever it
14 is you want to expose the State to, then you say okay, this
15 amount of dollars for this, but then for the rest of the
16 construction, they go back to your point. They're kind of
17 competing with everybody else. Because the disadvantage is
18 that they can't go out and get bonds. They can't --

19 ASSEMBLY MEMBER BUCHANAN: But that's why we set
20 aside the money before.

21 CHAIRPERSON REYES: Uh-huh.

22 ASSEMBLY MEMBER BUCHANAN: We allocated that to
23 planning. How much more unmet need is there on planning?

24 MS. KAMPMIENERT: Yeah. We could provide that
25 number because it's currently on our unfunded list and we

1 could give you an exact number --

2 ASSEMBLY MEMBER BUCHANAN: Right. That was the
3 whole idea of the --

4 CHAIRPERSON REYES: Right. Go ahead.

5 MR. BUSH: My name is Jim Bush. I have a little
6 company called School Site Solutions and I've worked with a
7 dozen or so charters over the last year or so and I agree
8 with Ms. Moore. The Board took action last fall to set
9 aside money for planning and I testified at that time and I
10 thought charters were disadvantaged because they applied for
11 planning and site money and they couldn't even get on the
12 list like financial hardship districts.

13 And you took advantage -- I mean you took care of
14 a number of those by setting aside about \$100 million.

15 ASSEMBLY MEMBER BUCHANAN: Right.

16 MR. BUSH: And what's -- I think what I would
17 recommend is putting aside some more planning money when you
18 have the ability to do it and maybe there are some charters
19 that are returning funds through these last couple rounds
20 and you could keep recycling that for other charters.

21 But I really think you need to set aside some
22 percentage of the bond for construction projects for
23 charters at the next bond.

24 And in terms of the universe, I think there's only
25 one construction project on your unfunded list right now and

1 I think that's the 17 million just the last time I looked at
2 the list. Of the charters I work with, I know of only one
3 that's coming out of DSA in the next three or four months
4 that might take advantage of a bond sale, you know, moving
5 to the top of the list for this fall.

6 But there's a number of them that got this
7 planning money and they're hiring architects and they're
8 buying their sites because they couldn't do that before.
9 And they're probably within about six or eight months of
10 getting DSA-approved plans in and so if the next bond comes
11 along and you reserve some amount of that bond for, you
12 know, some planning and also construction money, I think
13 that probably would help those charters that are Prop. 55
14 charters especially because once you start that clock, you
15 know, you're in the clock from 2008, they really only have
16 14 months to complete their projects or they're going to
17 lose their money.

18 So there's going to be some charters that are
19 really active here in the next few months and some set-aside
20 in the next bond I think would be the best solution.

21 MR. HARVEY: Can I ask you a follow-up question.
22 If you were told we weren't going to have a bond in the
23 foreseeable future, would your testimony be the same?

24 MR. BUSH: Well, even if you got on the list, it
25 wouldn't have helped you very much. I mean there's no cash.

1 CHAIRPERSON REYES: No more resources to go out.

2 MS. MOORE: I'm wondering this based upon your
3 testimony, Jim, and maybe based upon what the need is. Is
4 it really appropriate to be making this decision at this
5 moment when we actually don't know how many charters could
6 possibly come forward with -- be construction ready and be
7 ready to compete for those funds that may not be able to
8 access them because there's too many people in front of
9 them.

10 Right now we know one project that is on the list
11 and has -- did that project -- were they able to compete in
12 the priorities in funding?

13 MR. MIRELES: Actually have three.

14 MS. MOORE: Three? I'm sorry.

15 MR. MIRELES: We have three on the unfunded list
16 and one that we are currently processing.

17 MS. MOORE: And did they ask for priorities in
18 funding?

19 MR. MIRELES: No. I understand that they did not.

20 MS. MOORE: So they didn't compete?

21 MS. KAMPMIENERT: Some of the projects came on the
22 list after the certification --

23 MS. MOORE: They did.

24 MS. KAMPMIENERT: -- filing period closed.

25 MS. MOORE: Okay.

1 MS. KAMPMIENERT: We've had several that have come
2 in recently, so they were unable to make that request and
3 then had they -- even with the timing, their date on the
4 unfunded approval list would not have put them into the
5 section of projects that received cash.

6 We've had projects on the unfunded list before for
7 charter schools that have requested and been successful in
8 priorities in funding rounds. I think we had three out of
9 the last rounds of priority in funding. So they were high
10 enough on the list and they made their certifications and
11 requested it and they were successful there.

12 But the ones that we're currently talking about
13 didn't have the opportunity.

14 CHAIRPERSON REYES: Okay. So Jim pushes for
15 something like Option 2. You're pushing for something like
16 Option 1 with Scott. Ms. Moore is more on Option 3.

17 MS. MOORE: I might be on Option 2 with better
18 data at a later point.

19 CHAIRPERSON REYES: Okay. Anybody else in the
20 public that wishes to testify on this issue? Yes, Tom.

21 MR. DUFFY: Thank you, Mr. Chairman and members.
22 Tom Duffy for CASH. A parent called me when I was a
23 superintendent --

24 CHAIRPERSON REYES: Get the mic closer so Lyle can
25 hear you.

1 MR. DUFFY: A parent called me when I -- I can get
2 closer.

3 CHAIRPERSON REYES: No, no. To the mic not to me.

4 MR. DUFFY: A parent called and said the principal
5 at the high school said we don't have any space and I've got
6 to take my child somewhere else and I called the principal
7 and said what are you talking about. This is a public
8 school. You have to accept the kid. If we don't have
9 space, we make space.

10 That's not the case at a charter school. Charter
11 schools can say we don't have room. Public schools that
12 are -- charters are public schools and public schools that
13 are run by districts have to accept children. So there's an
14 obligation here.

15 I'm not quite sure why we're talking about some --
16 there's been additional monies that have been set aside
17 beyond what was provided in the bond. Why are we talking
18 about some additional benefit and making an unequal playing
19 field.

20 I recognize the issues that were created because
21 of the PMIB debacle and not having funds, but that has
22 affected schools throughout California. I don't see a need
23 to treat charters differently and putting them ahead of
24 everybody else, Option 1, or setting aside a certain amount
25 of money. Why don't we do that for districts that are

1 financial hardship districts?

2 It seems to me that that is maybe a better
3 priority and yet we're treating financial hardship
4 districts, depending upon what you intend to do with the
5 item that's on this agenda, maybe even differently in
6 disadvantaging them.

7 So our argument would be let's make sure that we
8 have a level playing field for everyone. We have certainly
9 made accommodations for charters. CASH is in support of
10 charters. We've been in support of charters from the
11 beginning when they've been funded under the State program
12 since the bond in 2002.

13 But this is a very difficult time and I think you
14 make a good point, Ms. Moore, that we don't know right
15 now -- you know, you're talking about a lot of policy issues
16 on this agenda today that are not necessarily critical for
17 you to decide right now. I don't think this is one of them.

18 But we would argue for Option 3. There's an
19 obligation for school districts to take care of the students
20 that come to their door. There is not an obligation for
21 charters. It's an option for parents and it's an option for
22 charters to exist. Thank you.

23 CHAIRPERSON REYES: Okay. Anybody else?

24 MR. SMOOT: Thank you. Lyle Smoot representing
25 Los Angeles Unified and I just have --

1 CHAIRPERSON REYES: Can you speak up, please. Tom
2 can't hear you.

3 MR. SMOOT: Yes, sir.

4 CHAIRPERSON REYES: I'm kidding.

5 MR. SMOOT: I actually have a question more than a
6 statement because I think as a district we would agree with
7 what Ms. Moore has said that it doesn't seem to make sense
8 to just automatically move charter schools to the front of
9 the line. Obviously we're a district that would worry about
10 that for obvious reasons.

11 My question is there are -- there is more than one
12 unfunded list. There needs to be I think four or five
13 unfunded lists because charters -- and by the way, COS --
14 pretty much are guaranteed funding for their project
15 whenever you have the cash available as long as they meet
16 your timelines. Isn't that correct?

17 I mean there's a \$500 million set-aside for
18 charter schools. It's there. As long as they meet the
19 timelines of the preliminary apportionments, they're going
20 to get that money period, aren't they?

21 MS. MOORE: Over time

22 MR. SMOOT: Well, yeah, over time.

23 MS. MOORE: Just like everybody --

24 MR. SMOOT: Over time, but I mean the money will
25 run out for new construction straight up including financial

1 hardships. It won't run out for charters or COS until such
2 time as the timelines have run out. In other words, you
3 don't go on an unfunded list and lose the potential to get
4 funding because you can't give that money to new
5 construction instead.

6 You got a \$500 million set-aside that has to go to
7 charters; right? So they're going to get their money sooner
8 or later regardless; isn't that correct?

9 CHAIRPERSON REYES: Right.

10 MS. MOORE: That's correct.

11 MR. SMOOT: Okay. So there's really no need to
12 give them the special treatment. The advance planning
13 money, absolutely. They should go in line and get that so
14 they can make their plans. But the rest of it, there's no
15 reason for them to jump the line as far as I can see because
16 they're going to get the money sooner or later. It's just a
17 matter of waiting and they should wait just like everybody
18 else.

19 CHAIRPERSON REYES: So of their money, you would
20 be okay with a variation of Option 2, getting cash for their
21 advance and then put the construction on the unfunded list
22 like everybody else. So you're not so much on 3 but more a
23 variation of 2.

24 MR. SMOOT: Well, yeah. What you just said is
25 what I think --

1 CHAIRPERSON REYES: Okay.

2 MR. SMOOT: -- we support.

3 CHAIRPERSON REYES: All right. All right.

4 Ms. Buchanan, any --

5 ASSEMBLY MEMBER BUCHANAN: I'm sort of the
6 variation of 2, but I guess the general question I have --

7 CHAIRPERSON REYES: What should the dollar amount
8 be?

9 ASSEMBLY MEMBER BUCHANAN: Well and to what
10 extent -- I mean we -- if you were to apply it on a
11 percentage basis, to what extent are -- is charter school,
12 their -- portion of their money being released any slower or
13 faster than any of the other schools. I mean I have a
14 hard -- I represent, I don't know, 15, 16 or so school
15 districts. I'd have a hard time telling them you have to
16 wait in line, but, you know, the charter school in your
17 district doesn't have to wait in line because that's
18 difficult to explain.

19 On the other hand, I don't think it would be fair
20 if we were releasing -- if we were, you know, releasing more
21 money for regular school construction and keeping charter
22 schools down at the bottom. So I guess my question is, is,
23 you know, are the funds being released to the schools at
24 relatively the same rate based on the amount of funding
25 that's allocated to each so that, you know, it's --

1 MS. MOORE: Well, that's a methodology we haven't
2 evoked in that there are very specific programs -- there are
3 many specific programs in our group and that's
4 modernization, new construction, career technical, charter
5 schools, high performance.

6 ASSEMBLY MEMBER BUCHANAN: I'm not suggesting we
7 change this -- this is information that would be --

8 MS. MOORE: Right. I mean --

9 ASSEMBLY MEMBER BUCHANAN: -- to kind of --

10 MS. MOORE: -- to know -- to --

11 ASSEMBLY MEMBER BUCHANAN: -- to understand --

12 MS. MOORE: We'd want it for every program;
13 correct?

14 ASSEMBLY MEMBER BUCHANAN: Right. We would, but I
15 mean to a certain extent, you know, we've -- you allocate
16 money based on where you also think the most need is, but
17 I'd just like to know have we -- I mean I think -- I don't
18 have my little pie chart here to show how much we've
19 allocated out to charter schools already, but I would just
20 be curious to know just from an equity point of view, has
21 there been.

22 MS. KAMPMIENERT: If you look in the attachment
23 section and it's probably easiest to go to the very end and
24 go two pages back.

25 ASSEMBLY MEMBER BUCHANAN: Oh, here -- it is here.

1 MS. KAMPMIENERT: At the last Subcommittee
2 meeting, we provided this as an attachment, so this is an
3 attachment to a prior Subcommittee meeting, but this will
4 show you the percentage --

5 ASSEMBLY MEMBER BUCHANAN: Right.

6 MS. KAMPMIENERT: -- released through priority
7 funding by the different project types and the total bond
8 authority apportioned through the priority funding round.
9 And there is a chart -- if you flip one page back, it's in
10 Attachment H, priority funding percentages, that gives you
11 just an overview of how much of the priority funding each of
12 the programs received.

13 So we've done some comparisons on that to try to
14 assist with the conversations. So it's for charters
15 specifically. They've -- of the total bond authority, they
16 had 3 percent apportioned, so they've had 12 million
17 apportioned through priority funding. So the bond authority
18 is 900,000. The proportion of the total bond authority
19 through priorities in funding was .6 percent.

20 So if you compare the second column to the fifth
21 column, you can -- I think you can look at those
22 percentages. So if you -- the charter -- they had 3 percent
23 of the total bond authority; .6 percent has been done
24 through priorities in funding.

25 If you look at new construction, 52.6 percent of

1 the total bond authority is what that program has.
2 39.8 percent has been done through priorities in funding.
3 So -- that's priorities in funding. That's not total
4 apportionment. So some of our new construction authority
5 went out in just regular 18-month apportionments.

6 So we -- there's a little bit of a difference, but
7 it's also a function of timing too. So they couldn't have
8 been apportioned if they weren't on that unfunded list and
9 they needed the design and site in some cases to get to the
10 unfunded list before the statistic becomes relevant.

11 MR. FERGUSON: Chris Ferguson, Department of
12 Finance. It's six-tenths of a percent of all of the money
13 apportioned through priorities in funding has gone to
14 charter schools. So less than 1 percent of everything.

15 CHAIRPERSON REYES: So they're not ahead of the
16 pack.

17 MS. KAMPMIENERT: No.

18 CHAIRPERSON REYES: Okay.

19 ASSEMBLY MEMBER BUCHANAN: But that's why we put
20 the --

21 MS. MOORE: And that's (indiscernible-simultaneous
22 speaking) we still have our 90 million.

23 MS. KAMPMIENERT: This was just apportionments
24 through priorities in funding. The 90 million was done in a
25 different mechanism, so it's not represented here.

1 ASSEMBLY MEMBER BUCHANAN: But don't you have to
2 combine all of it to get the most accurate representation
3 there?

4 MS. KAMPMIENERT: Yeah. But I believe the
5 question we were answering was straight apportionments on
6 this one. So we could combine the 90 million in there, but
7 it's not reflected in this data right here.

8 MS. MOORE: The 90 million is cash.

9 MR. FERGUSON: And if I may, neither is the
10 2 billion that was apportioned since the funding crisis
11 began that wasn't apportioned through priorities in funding
12 to which charter schools weren't able to access either.

13 So we're really looking at 12 -- or 4 billion.

14 MS. MOORE: Do we know that no charter
15 participated in the 2 billion prior to priorities in
16 funding?

17 MS. SILVERMAN: They couldn't compete because they
18 weren't on the list.

19 MS. MOORE: We weren't competing prior to
20 priorities in funding.

21 MS. SILVERMAN: They were going on date order;
22 right?

23 MS. MOORE: Right. There were charter -- there
24 was charter cash that went out prior to priorities in
25 funding.

1 MS. SILVERMAN: But very limited though.

2 MS. MOORE: But it wasn't zero.

3 CHAIRPERSON REYES: Okay. I would like to be able
4 to provide -- I would love to -- let me see. How do we --
5 this obviously still has to go to the full Board.

6 MS. MOORE: Um-hmm.

7 MR. HARVEY: Correct.

8 CHAIRPERSON REYES: And so what I would like to
9 hear as a motion, if there's an interest, is what I'm
10 hearing is Option 1 doesn't appeal to the majority. Option
11 3 does not appeal to the majority, but an Option 2 seems to
12 have some acceptance with the split of the -- allowing for
13 some dollars for the advance fund releases, but then put
14 into construction applications on the list -- on the
15 unfunded list based on their unfunded approval date, the
16 dollars to be determined based on more data what we actually
17 have and what we think would be out there.

18 I don't want to leave it as a blank and I don't
19 want to put in -- you know, I don't want to have the
20 \$600 million exposure over the next few months, over the
21 next year or whatever. So I'd like to have some dollar
22 amount that has some semblance of reality.

23 We talked about three or four projects out there.
24 Would anybody be willing to make such a motion that we can
25 move it forward of my Board members.

1 MR. HARVEY: I would so move.

2 CHAIRPERSON REYES: Is there a second?

3 ASSEMBLY MEMBER BUCHANAN: Can you go into a
4 little bit more detail on exactly -- I mean I'm trying to --
5 I'm still trying to get a handle on -- I've got one sheet
6 here that says charter schools have remaining bond authority
7 of 151 million. We've got the one that shows that
8 .6 percent of the priorities in funding have been --
9 .6 percent out of the 3 percent, so they're at a lower
10 percentage.

11 You've got another one here that shows that
12 they're -- we've -- they've only incurred 15 percent of the
13 total bond authority; is that true? On this one?

14 MS. KAMPMIENERT: Yes.

15 CHAIRPERSON REYES: That's correct.

16 MS. KAMPMIENERT: Yes.

17 CHAIRPERSON REYES: 15 percent of their share of
18 the 900 million.

19 ASSEMBLY MEMBER BUCHANAN: Okay.

20 CHAIRPERSON REYES: So the 128- represents
21 15 percent of the 900 million.

22 ASSEMBLY MEMBER BUCHANAN: So what we're saying is
23 of the total bond authority that's left for all purposes,
24 you've got 700 and whatever it is, 72 million left to spend
25 on charter schools; is that what --

1 CHAIRPERSON REYES: Correct.

2 ASSEMBLY MEMBER BUCHANAN: -- we're saying out of
3 this?

4 MS. KAMPMIENERT: It's -- we've made preliminary
5 apportionments that has exhausted the bond authority. The
6 chart on Attachment I that you're looking at shows the
7 amount of the bond authority that's actually been
8 apportioned. The balance of that remains in a preliminary
9 apportionment status. For the most part. There's some
10 change there that's tied up in other areas, but the
11 majority --

12 ASSEMBLY MEMBER BUCHANAN: So how much is not --
13 has not been apportioned of the 900 million?

14 MS. KAMPMIENERT: With -- in keeping with the
15 current regulations, everything has been apportioned either
16 in a preliminary apportionment or an actual apportionment.
17 We have some bond authority that is reserved for
18 Proposition 55 projects when they go to construction.
19 That's part of what you're seeing on the other chart and
20 actually the pie chart that you're looking at was included
21 for purposes of a different discussion point. So this is
22 from our agenda books and when you see this after the change
23 that was made to status of funds last month, that number's
24 going to go down.

25 But there is less than a hundred million that's

1 tied up for conversions on the Prop. 55 projects that had
2 some other issues and the Board has taken some steps to keep
3 that bond authority aside for a later date when they
4 converted.

5 So there is no additional bond authority that can
6 be used to provide additional projects with a preliminary
7 apportionment.

8 MS. MOORE: Are you saying we've apportioned it
9 all, but the issue is cash. So charters -- we've spent --
10 we've apportioned the charter allotment.

11 MS. KAMPMIENERT: Yes.

12 MS. MOORE: What remains the issue is how much
13 cash is appropriate for charters. Do they come in and
14 compete for cash in the manner in which we've been doing or
15 do we -- have they been disadvantaged and there's some need
16 for a remedy. Correct?

17 MS. KAMPMIENERT: Right. It's the second.
18 There's no issue with making additional preliminary
19 apportionments. Now it's folks converting from a
20 preliminary apportionment to an unfunded approval or an
21 active apportionment. So the Board had used all of the bond
22 authority for projects. Now it's getting them to the
23 construction stage and providing cash to back an actual
24 apportionment which will officially draw down the bond
25 authority.

1 MR. MIRELES: And as a distinction, there's
2 900 million in bond authority. The Board has made
3 preliminary apportionments for the 900 million, but consider
4 it as a reservation of funds. Then they have to get the
5 plan approvals and actually convert to what we call a final
6 apportionment and then that becomes an apportionment.

7 So at that point, we can start talking about the
8 cash. So all of it has been reserved through preliminary
9 apportionments. Now they just have to go out and get their
10 plans approved to qualify and come in for a final
11 apportionment.

12 CHAIRPERSON REYES: And that's the advance cash
13 that we're talking about in Option 2.

14 MR. MIRELES: Part of it, yeah. Advance and then
15 final conversion -- actual plans approved.

16 ASSEMBLY MEMBER BUCHANAN: And the advance cash is
17 for?

18 MS. KAMPMIENERT: Design.

19 ASSEMBLY MEMBER BUCHANAN: Design. Okay.

20 MR. HARVEY: See, that's why I supported what the
21 Chair was saying because he was recognizing that there had
22 been a disadvantage for charters on that design and planning
23 side and to make them more whole, you'd set aside some money
24 for that, but you wouldn't advantage them --

25 ASSEMBLY MEMBER BUCHANAN: Right. So -- and how

1 much money are we talking about if we go with Option 2?

2 MS. KAMPMIENERT: For the --

3 ASSEMBLY MEMBER BUCHANAN: How much more money for
4 design? I'm sorry if I'm --

5 MS. KAMPMIENERT: For the design and site --

6 CHAIRPERSON REYES: No, no. That's the part that
7 I said I'm not sure that it is 596-. I don't want to set
8 aside the 596-, but I want to set aside enough money for
9 them to move those projects forward, but not get --

10 ASSEMBLY MEMBER BUCHANAN: If it's 596-, I don't
11 know how you have -- yeah, how you have the ability to fund
12 them for construction anyway.

13 CHAIRPERSON REYES: I think the 596- --
14 construction as well. But go ahead.

15 ASSEMBLY MEMBER BUCHANAN: Okay. Okay.

16 MS. KAMPMIENERT: For the design and site
17 apportionments, when we brought the initial items to the
18 Board, we had estimated that at 178 million for design and
19 site needs.

20 It may be a little bit different depending on if
21 we've had -- I think we've had one project rescission since
22 then. So we need to adjust that number a little bit and
23 come back to you, but it wouldn't exceed 178 million and the
24 Board has already made 96 million in cash --

25 ASSEMBLY MEMBER BUCHANAN: So we're talking

1 somewhere around \$80 million to allow them to move forward
2 with the designs and then for construction, they would
3 wait -- for the fund release for construction, they would
4 wait in line along with everybody else.

5 MS. KAMPMIENERT: That would be up to the
6 Subcommittee.

7 CHAIRPERSON REYES: That would be Option --

8 MR. HARVEY: That was what the motion --

9 MS. MOORE: And actually would that be consistent
10 with our prior actions that we actually did. We gave --

11 MR. HARVEY: Yes.

12 MS. MOORE: -- additional funding --

13 CHAIRPERSON REYES: Give them money

14 MS. MOORE: -- for those PAs because we determined
15 we had a problem.

16 CHAIRPERSON REYES: Right.

17 MS. KAMPMIENERT: Right. What you would be doing
18 is just instead of 96, you'd be covering the whole universe.
19 A thing to point out there is if you have the cash available
20 for all of those, then you could theoretically reactivate
21 all those projects and start the time limit on the program
22 again because right now the time limit will only be started
23 on those that have accessed design and site unless the Board
24 takes a different course of action.

25 MR. HARVEY: That's another healthy reason to do

1 it, isn't it.

2 ASSEMBLY MEMBER BUCHANAN: Right.

3 MS. KAMPMIENERT: Gets the program moving again.
4 Starts the statutory time limit.

5 MR. HARVEY: Gets the program moving again.
6 That's, by the way, Ms. Moore, why I made that motion. It
7 was consistent with what we did before.

8 MS. MOORE: This does say in Option 2, however,
9 that it's also money for full construction applications.

10 MR. HARVEY: We bifurcated the motion --

11 ASSEMBLY MEMBER BUCHANAN: And he wants to modify
12 the motion.

13 CHAIRPERSON REYES: No, I said -- I said but I
14 don't want to move them for the construction ahead of
15 everybody else.

16 MS. MOORE: Okay. So that's not --

17 CHAIRPERSON REYES: It was -- that's part of
18 Option 3. So we've been talking about setting aside for the
19 advance but not the construction. The construction, they go
20 back in line like everybody else and it goes to your point
21 that they don't become higher priority than the other
22 programs.

23 ASSEMBLY MEMBER BUCHANAN: And to the extent that
24 when they go through planning, projects become more
25 expensive, then there may be some that if they don't get

1 their plans in, they're funded/they're not funded. How does
2 that work in terms of the total allocation there.

3 MS. KAMPMIENERT: The planning amount -- the
4 design amount is set in regulation, so they're only
5 available to access a percentage --

6 ASSEMBLY MEMBER BUCHANAN: Right.

7 MS. KAMPMIENERT: -- based on the preliminary
8 apportionment. Site acquisition, it's also --

9 ASSEMBLY MEMBER BUCHANAN: Right.

10 MS. KAMPMIENERT: -- set. So we'd know the
11 numbers and it --

12 ASSEMBLY MEMBER BUCHANAN: Right.

13 MS. KAMPMIENERT: -- comes off of the final
14 apportionment. So --

15 ASSEMBLY MEMBER BUCHANAN: But the 594- reflects
16 both your planning and your estimated construction dollars
17 so that your final construction estimates could change
18 through that process.

19 MS. KAMPMIENERT: Yes.

20 CHAIRPERSON REYES: Um-hmm.

21 ASSEMBLY MEMBER BUCHANAN: Yeah.

22 MR. HARVEY: For purposes of the Board discussion,
23 can I amend the motion to say staff will bring us more
24 current information and stakeholders will comment. 80,000
25 would be --

1 CHAIRPERSON REYES: 80 million.

2 MR. HARVEY: 80 million would be the dollar amount
3 set aside for the planning and design.

4 CHAIRPERSON REYES: That gets you to 176-. It'd
5 include the 96 we already did and you said one of the
6 project's dropped, so that'd be sufficient.

7 MS. KAMPMIENERT: It should be. We need to
8 recalculate it. It was a fairly large process.

9 MR. HARVEY: -- for purposes of --

10 CHAIRPERSON REYES: Movement.

11 MS. KAMPMIENERT: But we can provide you a more
12 solid number --

13 CHAIRPERSON REYES: Right.

14 MS. KAMPMIENERT: -- by the time we go to the
15 Board.

16 MS. MOORE: The only downside of that motion is
17 that we had asked for all projects to come forward and those
18 80 million didn't come forward for that 90 million in
19 funding that we had available for whatever reason.

20 MS. KAMPMIENERT: Correct.

21 MS. MOORE: So they haven't come forward yet.
22 They haven't pushed a demand on that. We presupposing it
23 and we're encouraging it in fact because we're going to
24 unplug the clock.

25 MR. HARVEY: Exactly.

1 ASSEMBLY MEMBER BUCHANAN: But you could put a
2 requirement on there that they come forward within a time
3 limit; right? Could -- I mean you would -- don't have to
4 necessarily leave it open forever. You could -- I mean the
5 whole idea is they're ready to move forward with the
6 planning, so it's not, you know, money we're holding open
7 for a year from now, but we could have a window there?

8 MR. HARVEY: What's the clock currently? You said
9 the clock would start ticking. How long would they have
10 under the current regulation without changing anything?

11 MS. KAMPMIENERT: It depends on when they receive
12 their preliminary apportionment. The shortest time frame is
13 14 months.

14 MR. HARVEY: Okay.

15 MS. KAMPMIENERT: Some have not even started the
16 clock because they received an unfunded approval after the
17 freeze and then there are others that have about three and a
18 half years with the possibility of asking the Board for a
19 one year extension. So we're -- for the majority of the
20 projects, we're in about three and a half to four years.

21 ASSEMBLY MEMBER BUCHANAN: For planning?

22 MS. KAMPMIENERT: For their project once you --
23 once they get the planning and the site, it starts the clock
24 and then that's the time frame they have to come in with
25 their full construction plans, be ready to submit the final

1 apportionment, the funding application.

2 MR. HARVEY: How long would they have to say yes
3 to the planning dollars? Is there a time frame on that?

4 MS. KAMPMIENERT: There's currently not a time
5 frame on that. The Board previously -- we did it through a
6 lottery mechanism.

7 MS. MOORE: But didn't they have to -- they had to
8 reach a hurdle --

9 ASSEMBLY MEMBER BUCHANAN: Right. There's --
10 yeah.

11 MS. MOORE: -- by a certain period of time.

12 ASSEMBLY MEMBER BUCHANAN: Right.

13 MS. KAMPMIENERT: On site acquisition, yes.

14 MS. MOORE: Yes.

15 MS. KAMPMIENERT: Um-hmm.

16 MS. MOORE: And we have another hurdle coming up
17 July for the second round; right?

18 MS. KAMPMIENERT: Right. But those two processes
19 were set for the lottery funds and so if you want to set a
20 time frame, we would need additional Board direction for do
21 you want us to do it the same way that was done for the
22 other applicants is what the process you're going to follow
23 for this funding because there's nothing in regulation for
24 that process. It was just something proposed that the Board
25 adopted.

1 So we could establish -- we could use the same
2 rules, have a filing period, and there wouldn't be a lottery
3 piece of it if you're setting aside the full 80 million in
4 cash. They could make their request and then they would
5 just get the funding and those that didn't meet the request,
6 if it's the Committee's decision, would have a way -- access
7 to that and we'd need to determine where they would go --
8 what priority they would receive in the future --

9 CHAIRPERSON REYES: Can we do it as a Board or do
10 we need regulatory changes for that?

11 MS. KAMPMIENERT: We did not do regulatory changes
12 for the first two lottery procedures for the --

13 CHAIRPERSON REYES: I see.

14 MS. KAMPMIENERT: -- made available. So you can
15 do the cash as a Board.

16 CHAIRPERSON REYES: As a Board; okay.

17 MS. MOORE: I'm wondering this. I mean why would
18 we -- would we set aside the 80 million or would we say
19 we're going to have a funding round, come forward, and those
20 that come forward get funded up to 80 million. And that way
21 we are not -- if there isn't 80 million demand that that --
22 because it's cash. Other people have -- you know, it goes
23 to others that are ready to move with it.

24 ASSEMBLY MEMBER BUCHANAN: In practice, aren't you
25 doing the same thing if you set aside 80 million and you say

1 we'll fund you up to 80 million. You're still reserving --

2 CHAIRPERSON REYES: 80 million.

3 ASSEMBLY MEMBER BUCHANAN: -- that 80 million in
4 capacity.

5 MS. MOORE: That's true.

6 ASSEMBLY MEMBER BUCHANAN: I mean I -- the reason
7 I would like to -- I believe we do need to act on the
8 80 million so these projects could go forward. The reason
9 I'd like to see some kind of time frame is because when we
10 took the action before, the intent was we've got money, how
11 do we get projects going, get people hired, get them back to
12 work.

13 CHAIRPERSON REYES: Um-hmm.

14 ASSEMBLY MEMBER BUCHANAN: And so, you know, if
15 you're not ready to start planning for two years, then, you
16 know -- then, you know, wait two years from now and get in
17 line, but for those projects that are ready to go now, I
18 mean we want to get the money out there and we want to start
19 utilizing it.

20 So I could support sort of a third hybrid of,
21 okay, whether it's up to 80 million, however you want to
22 work setting it aside, but having some kind of criteria
23 there for timeline for people to come in and say we want to
24 start our planning process and having access to the funds.

25 CHAIRPERSON REYES: When we take the action as a

1 Board, we could say set aside 80 million for six months
2 after the bond is sold or the cash is made available for
3 people to come in. After those six months, then the money's
4 no longer available for that purpose and then comes back to
5 whatever other items we have available or other demands we
6 have.

7 Because I'm with you. I don't want to go sell
8 bonds if I can keep 80 million in the bank hoping that
9 somebody will use it when we have other programs, other
10 funds, other school sites aren't being funded. I don't want
11 to keep the money in the bank and pay interest and earn
12 1 percent. With that --

13 MR. HARVEY: Satisfies me.

14 CHAIRPERSON REYES: -- simple as that. This is
15 kind of a window -- provides the window that you're talking
16 about, provides the maximum -- a dollar figure that we're
17 going to do. So if everybody's ready from the charter
18 schools to move forward is there for the maximum and if not,
19 they don't play, then they can't complain about it. They
20 have to wait their turn till next time around.

21 MS. KAMPMIENERT: A clarifying question on that.
22 If we do that and the applicants do not come in in the
23 window, would you want the time clock on their preliminary
24 apportionments to start because they've had an opportunity
25 to access the cash. They've chosen not to. Do you want

1 their statutory timelines to start?

2 CHAIRPERSON REYES: If they can't start for some
3 reasons and we don't -- let us hear from the charter schools
4 on that later, but for now, let's set up the process for
5 that. Then we will hear from them in terms of what is the
6 righteous thing to do. But I see your point though.

7 But I don't -- it's -- we've gone through one
8 issue. It's been an hour. The last time we completed
9 without finishing everybody. So at this pace, I think by
10 midnight we should be about the --

11 MR. HARVEY: Where should we go next? Should we
12 do the next most important thing.

13 MS. KAMPMIENERT: One more clarification.

14 CHAIRPERSON REYES: Yes.

15 MR. HARVEY: No.

16 MS. KAMPMIENERT: I'm sorry.

17 CHAIRPERSON REYES: Yeah. Please go ahead.

18 MS. KAMPMIENERT: So then what -- we would -- what
19 the Subcommittee is recommending is that we extend the
20 fiscal crisis regulations for charter schools to remain
21 inactive unless they get their site and design cash which is
22 currently how it's established, but we will need the Board
23 to extend that or after June we won't be able to reactivate
24 any of the projects while we're waiting for this 80 million
25 to come. So we need those regulations to continue so that

1 we can continue this process until such a time as you decide
2 that the timelines would need to change.

3 CHAIRPERSON REYES: I think the procedure is
4 that's something that we need to do. Yeah. Okay.

5 All right. Any public comment on that decision
6 that we finally arrived at? Thank you.

7 MR. HARVEY: Where should we go --

8 CHAIRPERSON REYES: You know, last time we did
9 not -- we -- I think we can just go and finish the fiscal
10 crisis regs because we have the critically overcrowded
11 schools and the financial hardship re-review and then we can
12 go to cash management because I think we're pretty much done
13 with the bond authority based on what other stuff's going
14 on.

15 So let's go with critically overcrowded schools.

16 MS. SILVERMAN: Yes. Could I draw your attention
17 to page 6.

18 CHAIRPERSON REYES: Yes.

19 MS. SILVERMAN: So back in October 2004, the Board
20 actually through Proposition 55 provided 496 projects for
21 \$1.8 billion for critically overcrowded school preliminary
22 apportionments.

23 Back in the fiscal crisis in December of 2008, the
24 Board took action to declare 344 of those projects inactive.
25 Since then 311 converted. We still have 33 projects hanging

1 out there worth \$166 million.

2 So although they've had five years with the
3 preliminary apportionment --

4 CHAIRPERSON REYES: Ms. Silverman, hold on one
5 second. Do we need to set a quorum at some point? Are we
6 good?

7 MS. SILVERMAN: We're fine.

8 CHAIRPERSON REYES: We're fine? Okay. Second
9 item, on the other issue, we sort of all kind of came to a
10 consensus building. Do we need to vote on it to take it
11 forward to the full body?

12 MS. SILVERMAN: Yes. That's the goal.

13 CHAIRPERSON REYES: That's -- okay. Do we need to
14 do it on the whole fiscal crisis regulation or should we
15 handle charter schools separate and critical overcrowded
16 schools and -- from financial hardship re-review.

17 MS. SILVERMAN: Yes. Yes. That's --

18 MR. HARVEY: Probably --

19 CHAIRPERSON REYES: Separate. So you had a motion
20 and you amended the motion and I think (indiscernible) what
21 the motion was. Is there a second?

22 ASSEMBLY MEMBER BUCHANAN: Second.

23 CHAIRPERSON REYES: Moved and seconded. Any
24 additional questions or comments on that motion? All in
25 favor say aye.

1 (Ayes)

2 CHAIRPERSON REYES: Opposed? Abstentions?
3 Four-zero. Thank you. I'm sorry. I just wanted --

4 MS. SILVERMAN: No.

5 CHAIRPERSON REYES: -- take care of that.

6 MS. SILVERMAN: That's good. COS -- so the
7 question is -- I know when we met on March 1st, the
8 question's whether or not we have to continue the inactive
9 status or remove the inactive status, and I think at the
10 March 1st discussion, it was pretty much a consensus by the
11 Committee members to remove the inactive status.

12 MS. MOORE: I'll move that we remove the inactive
13 status.

14 MS. SILVERMAN: Okay.

15 MR. HARVEY: Second.

16 CHAIRPERSON REYES: Any comments, questions? Any
17 comments from the public? All in favor say aye.

18 (Ayes)

19 CHAIRPERSON REYES: Opposed, abstentions. Ayes
20 have it. Thank you. Financial hardship.

21 MS. SILVERMAN: Financial hardships -- next issue
22 is on page 7.

23 So at the May 2010 meeting, the Board actually
24 adopted regulations to waive the unfunded financial hardship
25 re-review requirement and added language that qualified that

1 the reason why these projects were on the unfunded list was
2 the purposes -- is the AB55 loans could not be sold.

3 And in December 2010, the Board actually granted a
4 six-month extension and wanted to have this dialogue again
5 at the Cash Management Subcommittee and to -- in order to
6 make some full decision as far as whether or not we'd grant
7 another extension or we remove and allow those regulations
8 to expire.

9 Since then, there were several unfunded approvals
10 that have been approved as a result of the priorities in
11 funding, cash management. In August 2010, nine projects
12 were approved that were actually financial hardship
13 projects. 72 projects in December 2010 funding priority was
14 actually provided apportionments. Likewise January and
15 February two respectively and nine projects were actually
16 funded.

17 There are currently 78 projects on the unfunded
18 list representing 44 districts. Again the hardship
19 regulations define that the approval is good for six months.
20 So since those projects have been sitting on there for a
21 great period of time, then to some extent, 57 projects in 36
22 school districts will expire because their six-month
23 timeline would have lapsed by the time they receive cash for
24 those projects.

25 So the question before us is whether or not the

1 Subcommittee feels comfortable as far as extending those
2 regulations out. Again one thing we wanted to highlight is
3 the district would retain their hardship. Only we would
4 require is an update of the financial information and the
5 re-reviews will be done in a timely manner.

6 As far as the funding round, we can actually
7 accommodate if we had adopted in the priorities in funding
8 and cash management six-month intervals, then we'd know in
9 advance to some extent what projects would be potentially
10 impacted and draw a narrow scope as far as what type of
11 information or communication we'd be reaching out to school
12 districts to create a less burdensome process.

13 So in the process of a re-review, there would
14 actually be potential funds that would be available in the
15 review and updated financials or on the flip side of it, it
16 could be less funds available that they would have to
17 contribute to the project.

18 So that's one thing the Subcommittee should
19 consider in their decision. So with that, I'd open it up to
20 any questions.

21 CHAIRPERSON REYES: So basically what you're
22 saying is the regulations that allow us to not do a
23 re-review of financial hardships are going away and do we
24 want to extend it or do we establish them for another period
25 of item. And by allowing the regulations to expire, you

1 would have a second look at the district --

2 MS. SILVERMAN: Financials.

3 CHAIRPERSON REYES: -- financials only.

4 MS. SILVERMAN: Right.

5 CHAIRPERSON REYES: And the review of that would
6 take how many days --

7 MS. SILVERMAN: You know, actually we've actually
8 improved our process. So the current outcome as far as the
9 entire review has taken anywhere between 45 to 60 days. So
10 we definitely improved our process. So --

11 MR. HARVEY: That's the entire --

12 MS. SILVERMAN: That's the entire review.

13 CHAIRPERSON REYES: What is the financial -- what
14 would the financial --

15 MS. SILVERMAN: It could be anywhere between 30 to
16 45 days.

17 MS. MOORE: Lisa, could I just ask when you go
18 back to do the re-review, what time period is being
19 captured?

20 MS. SILVERMAN: It's the time period from the last
21 time they had the review to the current date. So if the
22 project was granted a hardship approval for let's just say
23 June 30th, 2010, was the last -- the end date -- timeline --
24 right -- the line in the sand and then they'd come up for a
25 funding approval and we would ask them to update their

1 financials from June 30th, 2010, to whatever that date is.
2 So hypothetically it could be July 1st.

3 MS. MOORE: So when we suspended the time period
4 that we would have the financial hardship reviews, we said
5 we're -- because of the situation, we're not going to
6 re-review you at this time and that started -- we did that
7 in May of last year.

8 MS. SILVERMAN: Correct.

9 MS. MOORE: So any consideration of that is erased
10 if we let the time frame lapse and we go back to the
11 beginning of that time. So we capture time that we have
12 already perhaps said we weren't going to capture; is that
13 correct?

14 MS. SILVERMAN: Yeah, because you would actually
15 have to request updated information. You're right.

16 MS. MOORE: So if we were to grant them the time
17 period that we said we weren't going to re-review them
18 because of the fiscal crisis and now we say we are going to
19 re-review you, could we have an option that says we're going
20 to re-review you, but we're only going back to the point in
21 time -- the last six months. Not the entire time because we
22 granted you some consideration for this hardship -- for this
23 fiscal crisis that we're in. Does that make any sense at
24 all?

25 MS. SILVERMAN: I hear what you're saying. Yeah.

1 I think that would obviously -- it could be doable.

2 CHAIRPERSON REYES: I think that's reasonable
3 since we sort of grandfathered in that --

4 MS. SILVERMAN: Right.

5 CHAIRPERSON REYES: -- and we said king's X,
6 whatever happened, happened, and you're forgiven, but
7 anything that happens after that point in time, I think
8 that's -- yeah.

9 MS. MOORE: The six months -- we back into a
10 six-month cycle.

11 MS. SILVERMAN: Right. Right.

12 CHAIRPERSON REYES: Yeah. Yeah.

13 MS. MOORE: So I don't --

14 MR. HARVEY: Is that a motion?

15 MS. MOORE: What would that six -- what is that
16 time period that we actually did not do financial hardship
17 re-reviews?

18 MS. SILVERMAN: It was actually from the time that
19 they created the unfunded list through the current period.

20 MS. MOORE: Through --

21 MS. SILVERMAN: Yeah.

22 MS. MOORE: And if we don't take any action,
23 July 1st it reups again; correct? Every six months, we're
24 going to review you.

25 MS. SILVERMAN: Right. Right. Right.

1 CHAIRPERSON REYES: In fact I think you raise a
2 good point because effective July 2nd (indiscernible)
3 anyway.

4 MS. MOORE: But I'm wondering if we say --

5 CHAIRPERSON REYES: So we need to clarify that we
6 don't go --

7 MS. MOORE: -- we are going to go back into a
8 re-review situation and -- because, you know, this can go on
9 for years. And that re-review will happen every six months;
10 correct? Is that how it is right now?

11 MS. SILVERMAN: Well, it only happens when --

12 CHAIRPERSON REYES: When they're up.

13 MS. SILVERMAN: -- when you're going to be
14 obligated for cash. That's when the re-review will kick
15 in --

16 CHAIRPERSON REYES: When you're going to be
17 eligible.

18 MS. SILVERMAN: -- when you're eligible for cash.

19 MR. HARVEY: You only go back six months.

20 MS. SILVERMAN: We just go back -- we can go back
21 and create that six-month window once the regulations have
22 been suspended; right? And then you could say snapshot in
23 time. I'm looking to get financing or there's a bond sale
24 come October. My window of time to look at you is -- could
25 be a consideration is six months from that date. Back date;

1 right? From October 1st is the day I'm potentially going to
2 get funded. I can go back to potentially April 1st or -- to
3 just look at your updated finance. I mean that's a
4 'tweener.

5 ASSEMBLY MEMBER BUCHANAN: Did your office do a
6 hypothetical district?

7 CHAIRPERSON REYES: Basically what you would be
8 doing if I can -- if I understand this correctly. Since
9 it's only good for 180 days --

10 MS. SILVERMAN: Right.

11 CHAIRPERSON REYES: -- the review only looks back
12 180 days --

13 MS. SILVERMAN: That's correct.

14 CHAIRPERSON REYES: -- but anybody who came in now
15 under the current regulations, they're grandfathered in and
16 there's no review until July 1st. So technically what you
17 would then have to say is a look back of 180 days, but not
18 further than July 1st of 2011.

19 So -- because if you came in now under hardship --

20 MS. SILVERMAN: Right. Do --

21 CHAIRPERSON REYES: -- there would be no review.

22 MS. SILVERMAN: Right.

23 CHAIRPERSON REYES: But if you came in September
24 in the absence of any clarification, the code says 180 days.
25 So you would be then looking back all the way to March even

1 though from March through July you were protected under
2 current regulations.

3 So we would have to say a look back of 180 days
4 but not further than July 1st of 2011.

5 MR. HARVEY: Um-hmm.

6 CHAIRPERSON REYES: And that gets to your point
7 and I think we need to do that; otherwise we don't provide
8 that grandfather protection that the regulations provide. I
9 think that'd be fair.

10 MS. MOORE: I'll make that motion.

11 MR. HARVEY: Second.

12 CHAIRPERSON REYES: Okay. Moved and seconded.
13 Public comment. Yes. Please. If you can get the mic close
14 to you so Lyle can hear you.

15 MR. VAN VLECK: Yeah. Fred Van Vleck, Ceres
16 Unified. First off, thank you for getting that timeline
17 closed down because we actually had a hardship review in
18 January, February, right around there, just completed and it
19 took over a year. So that was very difficult on us as a
20 district and that wasn't too far -- too long ago.

21 One of the things you may want to consider --
22 since we just came in in January, this wouldn't really
23 affect us because we're not over the six months right now,
24 but presumably by the next bond sale, we would be.

25 One of the things you may want to consider is

1 thinking about those schools that do the priority funding
2 but they're hardship schools. Those are the schools that
3 really don't want to put off the hardship for building a
4 school. Maybe they're not subject to the re-review as
5 opposed to the schools that are sitting on the list for a
6 longer period of time. Kind of maybe acts as a happy medium
7 because the difference is the schools that do the 90-day
8 priority funding on their hardship schools want to get those
9 constructed as soon as possible and were just held up by the
10 funds being released as opposed to someone sitting on the
11 list and sitting there.

12 I can see your point in re-reviewing those
13 schools. Does that make sense, what I'm saying?

14 MS. SILVERMAN: But you're --

15 MR. HARVEY: But if (indiscernible-simultaneous
16 speaking) more dollars that what you should because
17 otherwise you're disadvantaging someone who's entitled.

18 ASSEMBLY MEMBER BUCHANAN: Right.

19 MR. VAN VLECK: I understand, but we're at a
20 disadvantage when we've been expecting and we're ready to do
21 it right now, we're at a disadvantage for what happens in
22 the future because we made our planning based on when our
23 hardship happened. So --

24 ASSEMBLY MEMBER BUCHANAN: But didn't all the
25 schools make their disadvantage based on when the hardship

1 happened?

2 CHAIRPERSON REYES: At that point, yeah.

3 MR. HARVEY: Exactly.

4 MS. SILVERMAN: Right.

5 MR. VAN VLECK: Yeah, I understand your point.

6 But alls I'm trying to say it's just another thing to think
7 about. The schools that really -- I mean we would construct
8 right now if -- on our hardship projects --

9 ASSEMBLY MEMBER BUCHANAN: Right.

10 MR. VAN VLECK: -- if we had the dollars.

11 MS. MOORE: Can I talk about your project though
12 so I understand it correctly? If they came in in April
13 or -- I'm sorry -- February --

14 MR. VAN VLECK: January, February, right around
15 there.

16 MS. MOORE: We'll say February -- and then their
17 hardship re-review will happen after July 1; correct?

18 MS. SILVERMAN: Right.

19 MS. MOORE: They're still back to July 1, 2011 --

20 MS. SILVERMAN: Right.

21 MS. MOORE: -- in terms of any capture of funds.

22 MS. SILVERMAN: Any -- right.

23 MS. MOORE: So you're -- from February to July --

24 MS. SILVERMAN: You're waived.

25 MS. MOORE: -- you -- huge development come in

1 your area, those are local funds.

2 MR. VAN VLECK: But would that be -- that's on
3 this project. We also have two other hardship schools that
4 are further back.

5 MS. MOORE: Same thing.

6 ASSEMBLY MEMBER BUCHANAN: It doesn't matter.
7 They were waived -- they were given -- everyone was given --

8 MS. MOORE: Same thing.

9 MR. VAN VLECK: Okay. So that --

10 MS. MOORE: So now what districts have to be aware
11 of if that come July 1st, any funds that are earned in the
12 district, they're -- they need to not be -- they need to be
13 setting them aside because we, the State, could capture
14 those funds at a later date if they -- if they're -- if six
15 months transpire before they get cash. Correct? Was I
16 correct?

17 MR. HARVEY: Right.

18 CHAIRPERSON REYES: Is that fair?

19 MS. SILVERMAN: So obviously -- we would obviously
20 bring some regulation --

21 CHAIRPERSON REYES: Yeah. We need to get
22 regulation --

23 MS. SILVERMAN: -- clarification.

24 CHAIRPERSON REYES: Yes, Tom.

25 MR. DUFFY: Thank you, Mr. Chairman and members.

1 Tom Duffy for CASH. The hardship regulations have been
2 really an issue before the Board for years. Mr. Harvey, you
3 and I have talked about them. You've wanted a re-review.
4 Our contention is that the Office of Public School
5 Construction and therefore the Board's actions are really
6 operating under regulations that don't exist.

7 The regulations were changed without any Board
8 action and that goes back now to about 2007. So it's -- for
9 whatever reason, the hardship program has been the unwanted
10 stepchild and it's unfortunate that in one meeting, there is
11 an advantage given to charters and a proposed disadvantage
12 for financial hardship districts.

13 And although I can understand maybe the politics
14 for that, in terms of public policy, it seems to me that
15 there should be some mediation of that. So when the Board
16 took the action back in 2000 and -- was it 2009 -- to
17 basically say we are not going to re-review hardship
18 projects because the State has changed the funding program,
19 school districts haven't done a thing.

20 There were six votes and the sixth vote came from
21 Senator Huff who said basically we've changed the rules.
22 Nobody else has changed the rules.

23 Well, the rules have been changed because of the
24 funding mechanism. We all understand why that that is the
25 case.

1 But why is it you want to treat the -- and it's a
2 rhetorical question. But why do you want to treat hardship
3 districts differently because they're hardship districts.

4 What I remember the OPSC representative saying at
5 the Board meeting was well, the developers aren't pulling
6 permits anyway, so there's no develop fees so there's really
7 no harm no foul. Well, if that's really the case today,
8 then what's the issue.

9 But that's really not the issue for districts.
10 Districts are struggling right now. What I think that the
11 Board needs to do is just to extend this basic forgiveness
12 until the projects can be funded or consider doing what you
13 did for charters -- or propose to do for charters.

14 Just set aside money that's real money not bond
15 authority and just say we're going to take care of the
16 financial hardship districts because obviously they have a
17 greater need.

18 CHAIRPERSON REYES: You said something that just
19 sort of like, hmm, do I leave it alone or do I --

20 MR. DUFFY: I saw it.

21 CHAIRPERSON REYES: -- say something.

22 MR. DUFFY: I saw your expression.

23 CHAIRPERSON REYES: And I just -- I have to say it
24 because this is a public forum, so I don't understand your
25 comment that you understand the politics of it. What are

1 the politics of it I guess. Your knowledge of the issue
2 supersedes mine.

3 MR. DUFFY: The hardship program was born out of
4 Senate Bill 50 in 1998 and it was very hard to get the
5 hardship program in place. And getting it in place has been
6 a struggle and continuing it with leadership at OPSC has
7 been a struggle throughout the last decade.

8 In 2007 -- it was long before you came here --
9 there was a change that was made in how the -- 2007 and '08,
10 how hardship districts were being reviewed and there -- that
11 has never been fully resolved. Mr. Harvey and I have talked
12 about it.

13 CHAIRPERSON REYES: I'm trying to understand my
14 politics of the decision of the charter and my decision of
15 the --

16 MR. DUFFY: It's not your politics. It's I think
17 the recommendation from OPSC. So let me --

18 CHAIRPERSON REYES: What is --

19 MR. DUFFY: The recommendation from OPSC is let's
20 allow the lapse of the forgiveness that the Board has
21 granted. That's what OPSC is suggesting. I don't
22 understand why that would be the case. What would we allow
23 it to lapse?

24 CHAIRPERSON REYES: We can have a difference in
25 opinion and logic, but to say that it's the politics is

1 driving --

2 MR. DUFFY: It has --

3 CHAIRPERSON REYES: -- kind of find it offensive.

4 MR. DUFFY: It has been endemic in the decision
5 making coming from OPSC.

6 CHAIRPERSON REYES: The vote is here not in there.

7 MR. DUFFY: But the recommendations come to you
8 and those recommendations have a strong impact.

9 MS. SILVERMAN: There's no recommendation.

10 CHAIRPERSON REYES: We changed the recommendations
11 that they provided. They gave us three options. We
12 butchered one of them. And at this point, we're still
13 looking at what we want to do with them.

14 So I'm just telling you I find it offensive you
15 telling me that my vote was politics. Just so you know.
16 Because you say it was politics, I'm clarifying for you I
17 have no politics involved in my decision.

18 MR. DUFFY: Part of what I was referencing was
19 that there was a clear decision to advantage charter
20 schools.

21 ASSEMBLY MEMBER BUCHANAN: Could I interject here?

22 CHAIRPERSON REYES: Yeah, please.

23 ASSEMBLY MEMBER BUCHANAN: My perception of the
24 charter school decision -- because we certainly didn't put
25 them all at the front of the line, but my --

1 CHAIRPERSON REYES: It took us an hour to debate
2 the issue.

3 ASSEMBLY MEMBER BUCHANAN: My perception was that
4 because the charter schools had been disadvantaged by not
5 having the planning money and then not even being able to
6 access the construction money, so we were trying to correct
7 that situation and have -- give them the planning money so
8 they could get in line and be in line just like everybody
9 else for funding. Is that -- okay.

10 So my -- on this -- in this situation -- and part
11 of that had to do with, you know, changes in terms of the --
12 I mean when we could issue bonds and all that. In the
13 financial hardship situation, what we're saying is we don't
14 want to disadvantage schools because we weren't -- we didn't
15 have access to the bonding money before. Because of that,
16 we said okay, we're going to extend the time period where
17 you have to have re-review. We're going to -- okay.

18 And so my understanding of this is we're trying to
19 correct a situation the same way in terms of saying we
20 don't -- we extended this because we didn't have bonding
21 authority. We don't want to penalize you because of the
22 extension that we made, so we're just going to -- we're
23 going to reset that re-review date and not require you to go
24 back even further.

25 So I'm not sure I see the subtle difference --

1 MR. DUFFY: So it's prospective from a future
2 date.

3 CHAIRPERSON REYES: Yeah. Can (indiscernible) to
4 after July --

5 MR. DUFFY: Okay.

6 MR. HARVEY: So July 1st.

7 MR. DUFFY: But if a district receives no funding,
8 then it goes through a re-review at the time that it seeks
9 funding and it's retrospective at that point in time.

10 CHAIRPERSON REYES: If the district's been given
11 money on May of 2012 and they were financial hardship last
12 year, yeah, we'll take a six-month look back in to see if
13 the worlds have changed.

14 ASSEMBLY MEMBER BUCHANAN: We're resetting the
15 clock as of July 1.

16 CHAIRPERSON REYES: Six months. Is there
17 something that has changed.

18 MS. MOORE: It's -- so let's carry this further,
19 Tom. So if there is a bond sale in November, there will be
20 no re-review.

21 CHAIRPERSON REYES: Thank you.

22 MS. MOORE: There's no six months.

23 ASSEMBLY MEMBER BUCHANAN: We're restarting the
24 clock at July 1, 2011.

25 MR. DUFFY: Starting the clock July 1, 2011, to

1 January 2012.

2 MS. MOORE: Correct.

3 MR. DUFFY: And if a district -- going then into
4 the question of funding priorities, it's seminal to all the
5 work you've been doing that we've appreciated. It means
6 that if a district doesn't then ask for funding at that
7 point in time, then it then is after January 1st, 2012, is
8 subject to the re-review.

9 CHAIRPERSON REYES: 180 days re-review; correct.

10 ASSEMBLY MEMBER BUCHANAN: Right.

11 MR. DUFFY: But if there isn't enough money and
12 the district asks for money, but there isn't enough, it
13 still has to go through a re-review.

14 CHAIRPERSON REYES: That is correct.

15 ASSEMBLY MEMBER BUCHANAN: Right.

16 MR. DUFFY: Okay. And that was the issue that I
17 was trying to address. That through no fault of districts
18 that are hardship districts, they would be disadvantaged.

19 CHAIRPERSON REYES: If in May of 2012, the world
20 has changed for that district, then they're fine. If the
21 world hasn't changed, then they're going to be okay. If
22 they have cash on hand, why should we -- why shouldn't
23 their -- why shouldn't we take advantage of that -- those
24 resources.

25 MR. DUFFY: And we have supported that as far as

1 the charter program in the past. It again was the changing
2 of the circumstances and really I appreciate you
3 understanding what I was trying to get to there, that there
4 can be certainly no harm, no foul, but there may be harm for
5 a district that is -- through again no fault of their own,
6 not able to get the funding that there is a difference in
7 how that charter -- or how that financial hardship district
8 is treated from another district because of State funding
9 and State rules.

10 And it wasn't my intent to offend anyone. What I
11 was attempting to do was demonstrate that there seems to be
12 an uneven playing field here for financial hardship projects
13 and it's been longstanding.

14 ASSEMBLY MEMBER BUCHANAN: And I'm not -- you
15 know, I mean it almost seems to me that you're saying -- I'm
16 just not seeing that. I'm seeing that we are trying to --
17 we're trying not to punish districts for the fact that we
18 extended the window -- the 180-day window and we're trying
19 not to punish districts by going, you know, back -- by
20 having to go all the way back. I mean we're resetting the
21 clock at July 1.

22 CHAIRPERSON REYES: Okay.

23 MR. HARVEY: What we're also doing is dealing with
24 the current circumstances and frankly what it doesn't do,
25 Tom, is address the issue of the financial hardship

1 regulations being tied up in the Imp Committee.

2 The whole discussion of what a revised financial
3 regulation should look like needs to come to the Board at
4 some point in time and I think it's incumbent upon the Imp
5 Committee to say we may not be able to have unanimity on
6 every point we have consensus. Let's move it to the full
7 Board so it can be aired and voted on and improved.

8 But I think we're dealing with the regulations as
9 they currently are and this I think is a good way of
10 addressing what could be an inequity, but, yeah, let's bring
11 out of the Imp Committee that more robust discussion about
12 changing and improving the regulations inherently.

13 MR. DUFFY: Can we call an Imp Committee and
14 agendize that for --

15 MR. HARVEY: God, I hope so.

16 MR. DUFFY: -- soon?

17 MR. HARVEY: And we're going to be addressing
18 that.

19 CHAIRPERSON REYES: All right.

20 MR. DUFFY: Thank you.

21 MS. MOORE: It may -- I think though that there
22 are some points brought up that there could be some
23 confusion about and that we need to be clear. If we allow
24 the regulations to sunset that protect I guess for lack of a
25 better term -- protection regulations to sunset as of

1 July 1st, if we have a bond measure in November or we have
2 one in October hopefully with our State and there's cash
3 available, we -- and someone came in six months prior to
4 that, are we -- we just said that you wouldn't be
5 re-reviewed. Is that correct or would you re-review?

6 MS. SILVERMAN: Well, depending on the funding.
7 Say the funding comes in November; right? And if they had
8 already their window that lapsed -- their six months had
9 lapsed before the funding came in.

10 So you're right. You set the bright line test --
11 it's July 1st -- respectively to that date of funding is
12 when you review the window of funds available.

13 You're not going back beyond that. It's just --

14 MS. MOORE: So Mr. Van Vleck came in in February
15 and he gets to compete and he's successful. Your re-review
16 would be -- because six months has expired --

17 MS. SILVERMAN: That's correct.

18 MS. MOORE: -- you would go back any money
19 captured between July --

20 MS. SILVERMAN: From his last approval through
21 that date prospectively when he receives funding.

22 MS. MOORE: Right. But we said not from his last
23 approval. That was February.

24 MS. SILVERMAN: Right. Right. But I'm saying
25 it's good for six months; right?

1 MS. MOORE: Yes. But the funds that the State
2 would capture would be --

3 MS. SILVERMAN: Would go from July 1st --

4 MS. MOORE: To November.

5 MS. SILVERMAN: -- forward. Right.

6 CHAIRPERSON REYES: Right.

7 MR. DUFFY: July 1st, 2011 --

8 MS. SILVERMAN: Forward.

9 MR. DUFFY: -- forward. So I -- you were
10 confusing her for a second. You're not looking backwards --

11 MS. SILVERMAN: Right. July 1st forward --

12 MR. DUFFY: -- at all.

13 MS. SILVERMAN: -- is the date.

14 CHAIRPERSON REYES: Um-hmm.

15 MR. HARVEY: Correct.

16 CHAIRPERSON REYES: Um-hmm. Correct.

17 MR. HARVEY: Correct. And that was the motion and
18 the second.

19 MR. DUFFY: Can we ask the Implementation
20 Committee to look at hardship at their very next meeting
21 maybe in June? Would that be possible?

22 CHAIRPERSON REYES: We'll consider that. Thank
23 you.

24 MR. DUFFY: Thank you.

25 CHAIRPERSON REYES: I apologize to my Board

1 members and the audience to taking time. I did find offense
2 at the reference to politics though. I have to clear, it's
3 not a politics -- logic for me. So anyway, I apologize for
4 taking so much time on that.

5 MR. DUFFY: And I apologize if I offended, sir.

6 CHAIRPERSON REYES: Apology accepted. Cash
7 management.

8 MR. HARVEY: Can we call for a vote?

9 CHAIRPERSON REYES: Oh -- oh, yes. Sorry. It's
10 moved and seconded.

11 MS. MOORE: Is there any other --

12 CHAIRPERSON REYES: Any other comments from
13 anybody else? Yes. Thank you.

14 MR. GONZALEZ: Richard Gonzalez, Richard
15 Gonzalez & Associates. I will be very brief. We talk about
16 re-review. What about a district that has been in the
17 program, had a financial hardship evaluation, now is coming
18 in for a second application, are they then deemed to be a
19 first review and not subject to the re-review rules?

20 ASSEMBLY MEMBER BUCHANAN: Is the second
21 application a new application?

22 MR. GONZALEZ: Yes.

23 CHAIRPERSON REYES: Second project?

24 MR. GONZALEZ: Yes.

25 ASSEMBLY MEMBER BUCHANAN: So why wouldn't that --

1 MS. MOORE: Wouldn't it normally be reviewed?

2 MR. GONZALEZ: I'm just asking the question.

3 CHAIRPERSON REYES: Each project is reviewed
4 independently --

5 MS. SILVERMAN: Well, I think they submit for
6 various projects that come in through the door for the
7 six-month pipeline.

8 CHAIRPERSON REYES: So no difference in treatment
9 has been --

10 MR. GONZALEZ: However, this is a second review of
11 the school district's baseline allowance of monies.

12 MS. SILVERMAN: If you have a --

13 ASSEMBLY MEMBER BUCHANAN: Each project is
14 reviewed separately.

15 MS. SILVERMAN: If you have a current status
16 already, then all we're doing is updating your financial.

17 MR. HARVEY: Exactly.

18 MS. SILVERMAN: We're not reevaluating whether or
19 not you requalify for the -- as long as you're already on
20 the unfunded list, you're not assessing whether or not
21 they --

22 MR. GONZALEZ: Okay. So a district that -- for
23 simplicity, if I'm a brand-new district -- a brand-new
24 financial hardship school district, I come in and put in the
25 paperwork to your office, I'm going to go through the

1 standard reviews.

2 MS. SILVERMAN: Right.

3 MR. GONZALEZ: I'm going to be identified as to
4 whether I have any cash available irregardless -- excuse
5 me -- wrong word -- despite the fact that there was a
6 grandfathering provision because I didn't benefit from that
7 because I don't have anything in the pipeline.

8 CHAIRPERSON REYES: Correct. You get -- yeah.
9 Okay. All right. All in favor of the motion, aye.

10 (Ayes)

11 CHAIRPERSON REYES: Opposed, abstentions. Ayes
12 have it. Thank you. Remaining bond authority. We have
13 discussed this -- and let me just go through the options.
14 We've talked about recommending -- on page 6 of tab
15 Remaining Bond Authority. Page 8, sorry. I need new
16 glasses.

17 The option was to recommend the transfer of
18 bonding authority from the Seismic Mitigation Program.
19 That's going to be a no because we're still working on that.

20 ASSEMBLY MEMBER BUCHANAN: No. Right. Right.

21 CHAIRPERSON REYES: On number 2, recommend the
22 transfer of bonding authority from the Overcrowded Relief
23 Grant to New Construction. That requires legislation.

24 The third, recommend the transfer of bond
25 authority from the Modernization Program to New Construction

1 Program, that also requires legislation.

2 MR. HARVEY: I would Option No. 4.

3 CHAIRPERSON REYES: Do not recommend transfer of
4 any bonding authority.

5 MS. MOORE: Where am I? Sorry. I'm with you.

6 CHAIRPERSON REYES: Okay.

7 MS. MOORE: I'm with you now. I'm with you.

8 CHAIRPERSON REYES: All right. So I think
9 Option 4 is really the -- what we have.

10 MR. HARVEY: I moved Option 4, Mr. Chair.

11 MS. MOORE: Second.

12 CHAIRPERSON REYES: Second. Any comments? Any
13 comments from the audience on that?

14 MS. CUNNINGHAM: So we're talking about cash
15 management?

16 CHAIRPERSON REYES: Bonding authority --

17 MR. HARVEY: No. Bonding authority, page 8,
18 Tab 3.

19 CHAIRPERSON REYES: I'm sorry. In the interest of
20 time, I took it from staff and just went to that one. All
21 right. Item -- so it's moved and seconded on 4. Any
22 comments from the public? Seeing none, any comments from
23 the Board? None. All in favor say aye.

24 (Ayes)

25 CHAIRPERSON REYES: Unanimous. Thank you. And

1 then we can then go to Cash Management, page 10, overview.

2 MR. MIRELES: Actually we go ahead and jump into
3 page 12 --

4 CHAIRPERSON REYES: Page 12, yes.

5 MR. MIRELES: -- in the interest of time, Mr.
6 Chair.

7 CHAIRPERSON REYES: Thank you.

8 MR. MIRELES: This is basically changing the
9 process of the way we make apportionments.

10 CHAIRPERSON REYES: And we discussed this at the
11 last --

12 MR. MIRELES: We did discuss it.

13 CHAIRPERSON REYES: Yes.

14 MR. MIRELES: We had initially discussed 120-day
15 change in the regulations.

16 CHAIRPERSON REYES: Um-hmm.

17 MR. MIRELES: This changes it to 180 days to
18 provide sort of safety valve for districts that can't come
19 in within 120 days, but basically making regulation changes
20 to from now on make apportionments to the projects on the
21 unfunded list as approved by an unfunded date as cash
22 becomes available.

23 So it would now be 180 days. Again a little bit
24 more time for the safety valve, but we would have the same
25 rules that would apply if there's not enough cash for the

1 next project in line. We'd offer partial funding and if
2 not, we'd move it to the next project. So those kind of
3 conditions don't change.

4 So basically this is going to 180-day time limit
5 on fund release system as opposed to the current priorities
6 in funding system which has a 90-day. It's got a funding
7 round. This is just new changes to the regs, go down in
8 order of the date on the unfunded list.

9 CHAIRPERSON REYES: Okay.

10 MS. MOORE: Well, I'll make my comments. I --
11 this is our fourth meeting and I have listened to the
12 testimony and was also a proponent of a hopefully simpler
13 system, but I've also seen the results of our last two
14 priority funding rounds that have been 100 percent
15 successful and I think that we -- I personally think that we
16 should continue on in those funding rounds in the manner
17 that we have and wait to see if issues arise that we need to
18 address in the future. So after all the meetings, that's
19 about where I am.

20 CHAIRPERSON REYES: So your recommendation is
21 to --

22 MS. MOORE: 8.

23 ASSEMBLY MEMBER BUCHANAN: Continue with the
24 90-day.

25 CHAIRPERSON REYES: Continue --

1 MR. HARVEY: Continue with the 90-day.

2 MS. MOORE: It essentially is a 90-day funding
3 round. I mean while the 18 months exist in concept, in
4 reality it's a three-month system and yet we're not doing
5 anything about those projects that remain on the list at
6 this time.

7 That's what I'm proposing because of the success
8 and I think the trust and the system that's been a
9 partnership with school districts. I listened to the
10 testimony here and I just -- I'm not convinced we should
11 make a change at this point.

12 CHAIRPERSON REYES: Okay. Ms. Buchanan.

13 ASSEMBLY MEMBER BUCHANAN: I just want to make a
14 couple comments. I can live with that. I do want to
15 acknowledge that we have had testimony from districts who
16 have said, you know, because of extenuating circumstances,
17 the 90 days doesn't work for us. So I -- whereas I don't
18 want to go to the 180 days, I want us to get money out and
19 get it used as quickly as possible, you know, I just want to
20 say that whether, you know, you had 90 percent that went out
21 with the 90-day and you had 20 percent you set aside or
22 whatever, there are going to be some districts that we've
23 heard from that are not going to be able to access funding
24 for that reason and I don't know if we want to consider that
25 at all.

1 But I think going to 180 days doesn't really make
2 sense to me and I also want to say that ultimately -- and it
3 may be not be for this bond. It may be for the next bond
4 that we go with, having projects on the list -- because we
5 tie our total project dollars to the amount of bonds that we
6 sell, having projects on the list that stay on that list
7 when they're not viable because they don't -- you know,
8 they -- you know, I'm sorry, but the bonding capacity there
9 isn't -- whatever, that money just sits there and we pay
10 interest on it and there are other districts who could use
11 it.

12 So I think going forward that these are issues
13 that we're going to have to deal with because, you know, one
14 of the goals of a program like this is to get the money to
15 the construction projects.

16 MR. HARVEY: Do you like the idea of districts
17 updating their eligibility?

18 ASSEMBLY MEMBER BUCHANAN: Well -- that would be
19 major. I don't know how often you'd have to do that, but I
20 do think there are issues that we need to talk about long
21 term to make sure whether it's eligibility, whether it's
22 bonding capacity, you know, whether it's signing the --
23 making sure that they've applied for the extensions with DSA
24 so that they can, I mean I think they're -- I do believe
25 there needs to be some viability test.

1 I don't want to beat a dead horse today and spend
2 an hour talking about it --

3 CHAIRPERSON REYES: Um-hmm.

4 ASSEMBLY MEMBER BUCHANAN: -- but I do think it's
5 something that has to be considered going forward.

6 CHAIRPERSON REYES: Yeah.

7 ASSEMBLY MEMBER BUCHANAN: You know, the only
8 thing I'd throw out at all today is whether there should be
9 some kind of accommodation for -- and I have no idea if it's
10 a significant number or not, but districts are basically --
11 you know, and I forget the name -- we heard from that has
12 dropped out of the program because they can't meet the
13 90-day requirement if we continue to fund on that basis.

14 CHAIRPERSON REYES: Okay. Chris.

15 MR. FERGUSON: Chris Ferguson, Department of
16 Finance. We would support the current program that's out
17 there with a slight amendment to streamline the workload for
18 both districts and OPSC. I believe it's one of the options
19 within there and that is that you set an established
20 timeline when people are requesting to participate --

21 MR. HARVEY: Where are you reading that?

22 MR. MIRELES: Page 14.

23 MR. FERGUSON: Page 14.

24 MR. HARVEY: Page 14?

25 MS. MOORE: I'm not seeing options on page 14.

1 CHAIRPERSON REYES: Options for streamlining the
2 priority funding.

3 MR. HARVEY: Priority funding round waivers.
4 That's all I see on page 14.

5 MS. KAMPMIENERT: It's incorporated in the
6 discussion. It's the fifth paragraph under how it works.

7 MR. HARVEY: How it works?

8 MS. KAMPMIENERT: And what had been presented --

9 MR. HARVEY: Oh, here we go.

10 MS. KAMPMIENERT: -- at a previous meeting was
11 that we would have two filing periods at six-month
12 intervals, the second Wednesday of January and the second
13 Wednesday of July, and that your certification would be good
14 for that entire six months.

15 A stakeholder, after the last meeting, proposed
16 that this would be a good method to deal with the residual
17 cash that comes back from rescissions and that your
18 certification is good for six months. If we have enough
19 cash to touch the next project on the list, then we could do
20 that until the next bond sale occurs and you're just doing
21 your certifications twice a year.

22 This would enable us to present a list to the
23 Treasurer's Officer which would have it broken out by bond
24 source and our cash need because we'd have the universe of
25 people that were saying they could go forward in 90 days.

1 MR. HARVEY: Ms. Moore, would you accept that?

2 MS. MOORE: Is that what you're saying, Chris? Is
3 that --

4 MR. FERGUSON: That's correct.

5 MS. MOORE: The two -- we have two known time
6 periods at the moment, but yet we're funding every month if
7 we have some cash; correct?

8 MR. HARVEY: Correct.

9 MR. FERGUSON: Correct. Right now --

10 MS. MOORE: So we're maximizing our cash at all
11 times.

12 CHAIRPERSON REYES: Um-hmm. Right.

13 MR. FERGUSON: Correct. And right now you would
14 have to have a new round --

15 MS. MOORE: I think it's a great idea.

16 MR. FERGUSON: -- every time.

17 MR. HARVEY: Which doesn't make -- so you like
18 that alternative?

19 MS. MOORE: I do. Do you --

20 CHAIRPERSON REYES: Yeah.

21 MS. MOORE: Well, how about my motion is that we
22 approve the staff recommendation 8 with the stipulation of
23 the two annual priorities in funding rounds that will be
24 utilized to apportion cash monthly if available.

25 MS. KAMPMIENERT: 3? Staff -- 3?

1 MR. FERGUSON: It's definition number 3 on
2 page 10.

3 MR. HARVEY: 3 on page 10.

4 MS. MOORE: Thank you. That's what I want.

5 MR. HARVEY: I will second that motion.

6 CHAIRPERSON REYES: There you go. Okay. Moved
7 and seconded. Any comments from the public on that? Thank
8 you, Chris.

9 MR. SMOOT: Again Lyle Smoot. Again I guess that
10 I'm going to ask for clarification because I'm not sure I
11 understand exactly what you just did or you just were
12 talking about.

13 The current priority funding rounds -- you sell
14 bonds. You then have an action by the Board to open a time
15 period for applicants to certify. Then it comes back to the
16 Board. An apportionment is made and then you have 90 days.
17 Is there any change to that? So that's still the same
18 process.

19 CHAIRPERSON REYES: Right.

20 MR. SMOOT: Okay. I would ask that you have an
21 escape valve put in here and the reason I ask for that is
22 because the way you're funding now, you're funding in
23 bunches.

24 CHAIRPERSON REYES: Right.

25 MR. SMOOT: And so it is very possible that a

1 district like LA could get -- I'm going to use a crazy
2 number -- a hundred projects funded at once.

3 We've talked to a number of architects.
4 Absolutely impossible to get a hundred projects done in 90
5 days. Okay? Just can't be done.

6 So I would ask that you put in here some kind of
7 escape valve so at least you recognize that that is an issue
8 and that the district be given an opportunity, you know, to
9 make their case for some time period that makes sense.

10 MS. SILVERMAN: Could you create your own priority
11 of ranking of which projects you really want to move
12 forward? I mean if you have a limited --

13 MR. SMOOT: Why do we have to do that?

14 CHAIRPERSON REYES: Okay. You got six months
15 later, you have the second shot at it.

16 MR. HARVEY: Exactly.

17 MR. SMOOT: That may or may not be true. The
18 money's going to run out sometime. If we are eligible for a
19 hundred projects and you've created a situation that just
20 can't be done, I don't see why --

21 ASSEMBLY MEMBER BUCHANAN: The whole --

22 MR. SMOOT: -- we would then have to say, well,
23 we're not going to take the money for whatever, half of them
24 or whatever.

25 ASSEMBLY MEMBER BUCHANAN: Well, the whole

1 intention is to try and get the money out there.

2 ASSEMBLY MEMBER BUCHANAN: You get schools fixed
3 and the economy going and, you know, I doubt if you have the
4 same architect on -- or construction managers on all hundred
5 projects. You probably have multiple projects going on at
6 the same time.

7 MR. SMOOT: No. The architects -- you know, you
8 may be able --

9 ASSEMBLY MEMBER BUCHANAN: Right.

10 MR. SMOOT: -- to spread it around amongst
11 architects. The district still has a hundred projects to
12 try to deal with at one time. You know, we're facing the
13 same problems with staffing that everybody is and I'm not
14 asking for 18 months.

15 ASSEMBLY MEMBER BUCHANAN: Right.

16 MR. SMOOT: I'm saying give us an opportunity to
17 come and tell you what is the problem.

18 ASSEMBLY MEMBER BUCHANAN: Well, you're paying for
19 the staffing out of the bond; right?

20 MR. SMOOT: No.

21 ASSEMBLY MEMBER BUCHANAN: Or the funding.

22 MR. SMOOT: No. No. The administrative staff is
23 paid for --

24 ASSEMBLY MEMBER BUCHANAN: The administrative --
25 well --

1 MR. SMOOT: -- from the district's -- yeah. The
2 processing of applications and all the things that --

3 ASSEMBLY MEMBER BUCHANAN: Right.

4 MR. SMOOT: -- go along with it is an
5 administrative cost that the district pays for separate, not
6 out of the bond.

7 MR. FERGUSON: If I could interject momentarily.
8 When the district makes their certification, they're making
9 a certification that they can move within 90 days. If your
10 district does not believe that they can move those projects
11 within 90 days, why are they submitting certification saying
12 that they can?

13 MR. SMOOT: When you start off with the
14 anticipation you can make it and then something happens and
15 you can't, you ought to have the opportunity to come and
16 say, hey, this happened.

17 MS. MOORE: What about this though. Our current
18 safety valve of that, Lyle, is that you go back onto the
19 list.

20 MR. SMOOT: Right.

21 MS. MOORE: At the bottom; right? Isn't that what
22 we do?

23 MR. SMOOT: If you don't make the 90 days.

24 MS. MOORE: If you don't make the 90 days.

25 MR. SMOOT: If you make --

1 MS. MOORE: You go back to the list at the bottom.
2 You haven't lost your funding, but you've lost it for that
3 round.

4 MR. HARVEY: Right.

5 MS. MOORE: And you then are into the next funding
6 cycle potentially; correct?

7 MR. SMOOT: Well --

8 MS. MOORE: So it's --

9 MR. SMOOT: -- run out of money.

10 MS. MOORE: But you -- you're already apportioned;
11 correct? So there is no run out of money. It's --

12 MR. SMOOT: No.

13 MS. MOORE: -- when the cash will come.

14 MR. SMOOT: If you make an apportionment, you
15 go -- when you -- if you don't make the 90 days, you get
16 technically unapportioned. Your apportionment is canceled.

17 MS. MOORE: No. No, we --

18 MR. FERGUSON: You're returned to the unfunded
19 approvals list. You still have your bonding authority
20 reservation. You just have to wait --

21 MS. MOORE: Yeah, you have your bonding authority
22 reservation.

23 MR. FERGUSON: -- until a future round that would
24 give you funding.

25 MS. MOORE: We haven't removed funding from you.

1 We've just removed cash.

2 ASSEMBLY MEMBER BUCHANAN: The critical decision
3 will be what happens when you get to the end --

4 MS. MOORE: The pressure comes for people that
5 want --

6 MR. SMOOT: Um-hmm.

7 ASSEMBLY MEMBER BUCHANAN: Right.

8 MS. MOORE: Is that -- you're in bonding
9 authority.

10 MR. SMOOT: Right. Within the level of the total
11 bonding authority.

12 MS. MOORE: Right. Let's say all your projects
13 are in right now. We have 200 million in new construction
14 left.

15 MR. SMOOT: Right.

16 MS. MOORE: That 200 million gets used up over the
17 next three months. You're in it.

18 MR. SMOOT: Right.

19 MS. MOORE: The first bonding round comes. You
20 say I've got 20 projects that can meet 90 days; only 10 of
21 them do. The rest of your 10 go to the end. They don't go
22 to the end of the bond authority list -- not the total end
23 of the -- at the bond authority list and you're eligible for
24 the next round of cash.

25 We didn't take bond authority away from you. We

1 took cash away.

2 MR. SMOOT: You're not taking the apportionment
3 away?

4 MS. MOORE: That's not my --

5 MR. SMOOT: Is that correct?

6 MR. FERGUSON: You're returning to the unfunded
7 approvals list.

8 MR. SMOOT: The apportionment stays?

9 MS. KAMPMIENERT: You just get a different --

10 MR. SMOOT: It's just the cash flow so that the
11 next time there's cash, as long as you meet that requirement
12 you're going to go forward?

13 MS. MOORE: And you're competitive with your date.

14 MR. SMOOT: Well, yeah.

15 MR. FERGUSON: You're returned to the unfunded
16 approvals list. So if I had --

17 MR. SMOOT: But you're guaranteed as long as
18 there's bonding authority left, you're --

19 MR. FERGUSON: So -- just to clarify.

20 MR. SMOOT: -- guaranteed --

21 MR. FERGUSON: So if I had applied for the
22 February round, I did not meet the 90 days as of say May, I
23 am returned to the unfunded approvals list with a May date
24 which at the bottom now and then I can participate in future
25 rounds for priorities in funding.

1 And in the future round, if I'm eligible and I
2 make the cutoff, I'm funded again.

3 MR. SMOOT: Apportionment? You're talking about
4 taking the apportionment away; right?

5 MR. FERGUSON: Returning you to the unfunded
6 approvals list.

7 MR. SMOOT: Returning the apportionment so that
8 you've lost your apportionment. You've lost your ability
9 except to get back in as long as the list --

10 MR. FERGUSON: No, no, no, no, no, no, no, no.
11 It's an automatic conversion back to your unfunded approval
12 that was within the bonding authority. You don't lose your
13 reservation of bonding authority.

14 MS. MOORE: Is that true? I thought -- that's why
15 I'm asking -- so do they go end of the apportionment list
16 and if the end of the apportionment list, if we've already
17 apportioned all of our funds, are they out of it? Is that
18 how it currently reads?

19 MS. SILVERMAN: I think --

20 MR. HARVEY: Yes.

21 MS. MOORE: Okay. Then your issue is valid. I
22 mean you're saying -- your risk -- I mean not valid. Your
23 risk is -- if you said you could perfect it and you can't,
24 you're in a worst case than if you said you -- than if you
25 waited.

1 MR. SMOOT: Yeah. Exactly. But either way --

2 ASSEMBLY MEMBER BUCHANAN: But the question here
3 is --

4 MR. SMOOT: Will I get the money --

5 ASSEMBLY MEMBER BUCHANAN: -- if we're going to
6 sell, you know, \$200 million in bonds and you've got
7 \$50 million in there in projects that you say you can get
8 done in 90 days and then we've got the money and you can't
9 ask for that money in 90 days, we've taken away that money
10 from other projects that could get started and that could
11 happen over and over again. So I mean the whole --

12 MR. SMOOT: Well, that may or may not be true. I
13 mean it's possible I suppose, but to the extent --

14 ASSEMBLY MEMBER BUCHANAN: The whole idea --

15 MR. SMOOT: -- that you only have \$200 million
16 worth of applications for the 90-day money and you have
17 200 million doesn't make any difference.

18 Now, if you go -- if you've got \$250 million worth
19 of requests, I can see some logic to that argument, but
20 nonetheless, we're being placed in an unfair disadvantage
21 because we've got so many projects because we happen to be a
22 big district.

23 MS. SILVERMAN: But that's the current system as
24 it is in priorities in funding.

25 CHAIRPERSON REYES: Yeah. What do you do now?

1 MS. MOORE: Well, they had 18 months to spread
2 them out.

3 ASSEMBLY MEMBER BUCHANAN: Within the 90 days --

4 MS. SILVERMAN: 90 days. They competed in the 90
5 days.

6 MR. SMOOT: So far we've been able to make the 90
7 days, but the longer you go between a bond sale, the more
8 difficult that becomes because we get more and more projects
9 into that line. We've been able to accomplish it so far and
10 let me tell you we've moved heaven and earth sometimes to do
11 it, but we have done it and we will continue to try to do
12 that, but I'm just saying, you know, because --

13 ASSEMBLY MEMBER BUCHANAN: Most of the districts
14 are probably --

15 MR. SMOOT: -- because of your funding cycles,
16 you're creating an unfair disadvantage for a large district
17 and I just think that's something that should be looked at,
18 something that we ought at least have the opportunity to
19 come and say hey, here's what happened. You got 50 projects
20 or whatever and let's just say amongst everything, you know,
21 you got to throw a lot of money on the street at one time.

22 Now maybe right now everybody's hungry enough so
23 that doesn't make any difference, but when times are good
24 and you have fewer bidders, sometimes you want to stop and
25 say wait a minute, those projects -- the bids came in too

1 high, we want to rebid. There's -- 90 days doesn't give you
2 time to do that.

3 ASSEMBLY MEMBER BUCHANAN: Yeah. I have more
4 sympathy for that than -- I mean large districts have
5 advantages that small districts don't and maybe they have
6 some disadvantages as well, but everyone's in there trying
7 to compete and the whole idea of the 90 days is to get the
8 money out there.

9 Now I have sympathy for any district, if within
10 that 90 days, something -- I mean that you go out bid and
11 something happens and they have to go rebid --

12 CHAIRPERSON REYES: Um-hmm.

13 ASSEMBLY MEMBER BUCHANAN: -- I mean we talked
14 about that before, whether or not there should be some kind
15 of accommodation made for that, but when you're saying you
16 can get a project out going in 90 days and you can't, you
17 know, we've allocated money to your project that's going to
18 be sitting in the bank. You know, there are going to be
19 people who would like to go back to work who aren't working.

20 MR. SMOOT: It's not going to be just sitting
21 there for very long. I mean a rebid is another 90 days max.

22 ASSEMBLY MEMBER BUCHANAN: Well, but we -- but
23 your first example, you weren't talking about the rebid.

24 MR. SMOOT: Multiple projects.

25 ASSEMBLY MEMBER BUCHANAN: You were just saying --

1 MR. SMOOT: Right.

2 ASSEMBLY MEMBER BUCHANAN: -- if we have a hundred
3 projects --

4 MR. SMOOT: Right.

5 ASSEMBLY MEMBER BUCHANAN: -- that we say within
6 that 90 days we can get done and we can only go out with 30
7 of them, well, then you're reserving a lot of cash.

8 MS. MOORE: Let me just ask this in the interest
9 of trying to address your issue but keep within the system.
10 Currently the priorities in funding, now that it's been
11 clarified, if you are a district that did not perfect their
12 project within the 90 days, you went to the end of the list.

13 MR. SMOOT: The apportionment list.

14 MS. MOORE: The apportionment list. And when that
15 is critical is when we're out of money. That's --

16 MR. SMOOT: Right.

17 MS. MOORE: That's a loss.

18 MR. SMOOT: Right.

19 MS. MOORE: That could potentially be a loss of
20 funds.

21 MR. SMOOT: Right.

22 MS. MOORE: Districts always have the ability to
23 appeal to us, don't they? I mean in an appeal process and
24 if there's some extremely extenuating circumstance as to why
25 that occurred, they can always come before us, can't they?

1 MR. SMOOT: In some circumstances, your
2 regulations don't allow you to do something. You're
3 typically --

4 MS. MOORE: You have to appeal --

5 MR. SMOOT: -- an appeal allows you to interpret
6 what your regulations meant or to move to change the
7 regulations. But if you've got a regulation that says you
8 have 90 days, that's the end of it, then you can't --
9 technically I don't think you can appeal.

10 That's all I'm asking for is you put something in
11 here saying the district has the right to come and ask you.

12 MS. MOORE: The downside of that, Lyle, as you
13 know, is that we would be up here hearing from many
14 districts potentially.

15 MR. SMOOT: Maybe.

16 MS. MOORE: And I mean a lot of --

17 MR. SMOOT: And I would say to you what's wrong
18 with that, what's wrong with letting districts have their
19 say. You can always say no. You don't have to say yes.

20 ASSEMBLY MEMBER BUCHANAN: So since the time the
21 90 days has been in effect, how many times have we had a
22 negative impact like that?

23 MR. SMOOT: Hasn't --

24 MS. MOORE: Zero. A hundred percent have
25 perfected.

1 MR. SMOOT: Hasn't happened yet, but what I'm
2 saying to you the more you stretch out those bond sales, the
3 more this potential is going to happen. I don't know.
4 Maybe we won't have that problem, but --

5 ASSEMBLY MEMBER BUCHANAN: Regardless of how much
6 we stretch them out, you're still certifying you can -- that
7 you can start a project within 90 days.

8 CHAIRPERSON REYES: As one Board member --

9 MR. SMOOT: -- give it to us in four increments
10 instead of one, we could meet the 90 days and that's only
11 because your inability -- not yours personally --

12 ASSEMBLY MEMBER BUCHANAN: Right. Right.

13 MR. SMOOT: -- although you may have that kind of
14 money. I don't.

15 ASSEMBLY MEMBER BUCHANAN: Yeah, I'd love to have
16 that problem.

17 MR. SMOOT: That was a joke.

18 ASSEMBLY MEMBER BUCHANAN: Right.

19 MR. SMOOT: I'm just asking --

20 CHAIRPERSON REYES: Okay. Let's --

21 MR. SMOOT: -- put it in here says you get --

22 CHAIRPERSON REYES: As one Board member --

23 MR. SMOOT: -- come and talk.

24 CHAIRPERSON REYES: -- one Board member, I'm not
25 ready to put a safety valve. I'm ready to move on the

1 motion that was moved which was continue to use the priority
2 funding, but -- system as outlined on page 14. I appreciate
3 your comments, but as one Board member, I'm not ready there.

4 MR. HARVEY: I am with you.

5 CHAIRPERSON REYES: And so we -- anybody else want
6 to comment? Yes.

7 MR. VAN VLECK: I just have a point of --

8 CHAIRPERSON REYES: Yes.

9 MR. VAN VLECK: Fred Van Vleck, Ceres. On your
10 motion -- I just want a clarification on the bottom of
11 page 14. Do you intend to include the priorities funding
12 waivers?

13 MS. MOORE: No.

14 CHAIRPERSON REYES: No, no, no. It's on the how
15 it works, the last paragraph.

16 MS. MOORE: It's the alternative -- it's how it
17 works, yeah. Sorry.

18 MR. HARVEY: It's the fifth paragraph under how it
19 works.

20 MR. VAN VLECK: Because that was getting confusing
21 on which on -- okay. Thank you.

22 MS. MOORE: That somebody came forward with a
23 great idea.

24 MR. HARVEY: Another alternative provided, that
25 sentence reading that way.

1 CHAIRPERSON REYES: Okay.

2 ASSEMBLY MEMBER BUCHANAN: So on page 14,
3 paragraph -- do we need to spell it out in the motion? I
4 know this is --

5 MR. HARVEY: Right here.

6 ASSEMBLY MEMBER BUCHANAN: -- the paragraph you're
7 talking about. Yeah.

8 CHAIRPERSON REYES: Yeah. Okay. Any other
9 comments from the public? All right. Go ahead and vote.
10 All in favor say aye.

11 (Ayes)

12 CHAIRPERSON REYES: Unanimous. Thank you.

13 ASSEMBLY MEMBER BUCHANAN: We're done.

14 CHAIRPERSON REYES: We're done. Thank you very
15 much. Now we're going to go to closed session on the
16 Subcommittee -- Personnel Subcommittee.

17 (Whereupon, at 5:28 p.m. the proceedings were recessed.)

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA)
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COUNTY OF SACRAMENTO)

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IN WITNESS WHEREOF, I have subscribed my name on June 21, 2011.

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