

**MINUTES**  
**State Allocation Board**  
**January 14, 2009**

Upon notice duly given, the special meeting of the State Allocation Board meeting was held in Room 112 of the State Capitol in Sacramento, California on January 14, 2009 at 1:30 p.m.

Members of the Board present were as follows:

- Tom Sheehy, Chief Deputy Director, Policy, Department of Finance, designated alternate for Michael Genest, Director, Department of Finance (DOF)
- Scott Harvey, Chief Deputy Director, Department of General Services, designated alternate for Will Bush, Director, Department of General Services
- Kathleen Moore, Director, School Facilities Planning Division, California Department of Education, designated representative for Jack O'Connell, Superintendent of Public Instruction
- Senator Alan Lowenthal
- Senator Mark Wyland
- Assembly Member Jean Fuller
- Assembly Member Julia Brownley
- Assembly Member Tom Torlakson

Members of the Board absent were as follows:

- Rosario Girard, President and CEO, Phoenix Construction Services, Inc., appointee of Arnold Schwarzenegger, Governor of the State of California
- Senator Loni Hancock

Representatives of the State Allocation Board (SAB) were as follows:

Rob Cook, Executive Officer  
Lori L. Morgan, Deputy Executive Officer  
Katrina Valentine, Assistant Executive Officer

Representatives of the Department of General Services, Office of Public School Construction (OPSC), were as follows:

Rob Cook, Executive Officer  
Lori L. Morgan, Deputy Executive Officer

Representative of the Department of General Services, Office of Legal Services, was as follows:

Henry D. Nanjo, Assistant Chief Counsel

With a quorum present, Tom Sheehy, Chair, called the meeting to order at 1:35 p.m.

The Chair welcomed the new members appointed to the SAB.

**SPECIAL/APPEALS*****School Facility Program Financial Crisis Emergency Regulations***

After the Executive Officer presented this item to the Board, Ms. Jeannie Oropeza, representing the DOF, addressed concerns regarding the Pooled Money Investment Board's (PMIB) role in the cash flow and apportionment situation. She also stated that the OPSC was preparing a list that detailed the status of not only health and safety projects but affected school district projects so the PMIB would be aware of those obligations. A Board member indicated that the SAB would want to have an active role in the prioritization of school district projects should State bond funding become available. The Executive Officer also indicated that there was \$31 million worth of health and safety projects.

The following individuals addressed the Board regarding this issue:

- Mr. Tom Duffy, representing the Coalition for Adequate School Housing organization;
- Mr. Dave Walrath, representing the Small School District Association;
- Mr. Ron Hudson, Deputy Superintendent of the Kings Canyon Unified School District;
- Mr. Stan Scheer, Superintendent of Schools at Murrieta Valley Unified School District;
- Mr. Richard Gonzalez, representing Richard Gonzalez & Associates;
- Ms. Anna Ferrera, representing the County School Facilities Consortia;
- Mr. Wael Elatar, representing the San Bernardino City Unified School District;
- Dr. Stephen Foster, representing the Chawanakee Unified School District; and
- Mr. Lyle Smoot, representing the Los Angeles Unified School District (LAUSD).

These individuals expressed a variety of concerns related to the State of California's financial crisis and the impact to school facilities related projects. The comments included concerns about the need for continued cash flow for SAB approved apportionments, and the need for apportionments to continue to be made due to the districts' contractual obligations. Additionally, it was pointed out that these concerns were especially urgent for financial hardship projects. It was also requested that if apportionments cannot be made, that the SAB proceed with unfunded approvals to enhance districts' ability to obtain interim financing and to otherwise acknowledge projects' eligibility. It was also suggested that the Board consider prioritizing fund releases and/or apportionments when cash incrementally becomes available. It was further requested that the Board provide flexibility regarding savings for financial hardship projects and applying those savings to other School Facility Program (SFP) projects.

There was much discussion surrounding the financial crisis and its impact on school district projects. Some Board members wanted to know who would be responsible for the costs incurred by school districts for halting construction contracts. In response to another Board member inquiry, it was clarified that these regulations that addressed the 18-month time limit on apportionment were broad enough to extend to the other programs, such as the Career Technical Education Facilities Program, under the SFP. Although discussions continued, the Chair requested a roll-call vote before members parted and the motion, which was to approve the staff recommendations with the proposed staff amendments to the emergency regulatory text on page three as read into the record, carried per the following votes:

**SPECIAL/APPEALS** (cont.)***School Facility Program Financial Crisis Emergency Regulations*** (cont.)

MEMBER	AYE	NAY	ABSTAIN	ABSENT
Senator Lowenthal	X			
Senator Hancock				X
Senator Wyland	X			
Assembly Member Fuller	X			
Assembly Member Brownley	X			
Assembly Member Torlakson	X			
Scott Harvey	X			
Kathleen Moore	X			
Rosario Girard				X
Tom Sheehy	X			
Total	8			2

**Motion:**

Carried  X   
Failed     

The Chair made a commitment to the Board that if a Board member wished to revisit the regulations as they relate to the availability of funds and the interaction between the PMIB and the SAB roles, the regulations would be revisited and addressed.

A Board member suggested that there are four categories of crisis which school district projects fall under: 1) health and safety projects; 2) projects that were apportioned but not funded and have contracts; 3) projects that were apportioned but do not have contracts (with the understanding that these districts should not at this point enter contracts unless the district can pay for the entire cost of the contract); and 4) projects that want to come forward to the Board in the normal processing and that are under contract.

The Board requested that a representative from the State Treasurer's Office attend the next scheduled SAB meeting, which is January 28, 2009, and provide the SAB and the audience with a better understanding of the State of California's current financial condition and its ability to access the bond market. Additionally, it was also requested that staff provide a list of the projects affected that indicates the dollar amount, project type, categories (as referenced by a Board member), etc. The Board also asked the LAUSD to update the SAB concerning the District's ability to enter the capital markets with their own local issuances at the January 28, 2009 SAB meeting.

***Unfunded Approvals***

This item was withdrawn by the OPSC.

**REPORTS*****Relief Measures Taken By State Agencies***

Many elements of this report were taken up during the discussion of the School Facility Program Financial Crisis Emergency Regulations item, at which time the Board approved Attachment A. Attachment A is the Statewide mailer notifying all school districts and county superintendents of schools about bridge financing and interfund borrowing for financial hardship districts during this financial crisis. The relief measures taken by State agencies are noted in the report, which may be further presented at a future SAB meeting.

**ADJOURNMENT**

There being no further business to come before the Board, the Chair adjourned the meeting at 3:50 p.m.

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**ROB COOK, Executive Officer**