

**MINUTES**  
**State Allocation Board**  
**March 11, 2009**

Upon notice duly given, the monthly meeting of the State Allocation Board was held in Room 127 of the State Capitol in Sacramento, California on March 11, 2009 at 4:00 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 (CDE), designated representative for Jack O'Connell, Superintendent of Public Instruction
- Senator Alan Lowenthal
- Senator Loni Hancock
- 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 Mark Wyland

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 4:11 p.m.

Due to the voluminous amount of information for the Board to give appropriate consideration to at the February 25, 2009, the Board requested that staff coordinate with the SAB members and schedule a Special Meeting of the SAB for March 11, 2009 to address those items that were postponed. However, these Minutes will not include: 1) prior Minutes from the February 25, 2009 SAB meeting; 2) the Executive Officer's Statement; 3) the Consent calendar; 4) Status of Funds; and 5) information items.

**SPECIAL CONSENT ITEMS*****Transfer of Critically Overcrowded Schools Program Funds***

The Executive Officer presented this item to the Board. The following individuals addressed the Board concerning this item:

- Mr. Richard Gonzalez, representing Gonzalez and Associates;
- Mr. Lyle Smoot, representing the Los Angeles Unified School District (LAUSD); and
- Mr. Tom Duffy, representing the Coalition for Adequate School Housing (CASH) organization.

Mr. Gonzalez stated that School Facility Program (SFP) Joint-Use and new construction projects that are funded from Proposition 47 are subject to Labor Compliance Programs (LCP).

Mr. Smoot asked the Board to support the District's proposal that would transfer \$700 million and reserve \$140.7 million because their Critically Overcrowded Schools (COS) projects have not converted from preliminary apportionments to final apportionments and it is unknown how much money might be needed for things such as eminent domain and mitigation measures. He asked that the Board temporarily set aside the \$140.7 million and report back to the Board in three months.

Mr. Duffy shared two issues with the Board; one being the issue of LCPs and the concept of taking a percent of a project and allocate it to the Department of Industrial Relations for purposes of overseeing the payment of prevailing wage. He further stated that this concept would become law through a trailer bill connected to the Budget Act. The second issue was the movement of the COS funds to the new construction category. He asked that staff evaluate other program needs versus just new construction.

The Board expressed concerns regarding projects that would be funded from Propositions 47 and 55 would be subject to LCPs. A Board member requested that staff develop a process that would not allow for the withdrawal of applications should they be funded from Propositions 47 and 55. In addition, the Board requested that staff transmit an advisory to all school districts, and post it to the OPSC Web site, notifying them of the initiation and enforcement of LCPs should their projects be funded from Propositions 47 and 55 once Proposition 1D funds have been exhausted. The Board took action by bifurcating two issues: 1) bring this item back to the March 25, 2009 SAB meeting with a process of what it would look like if no school district had to withdraw their project because of funding sources changes and provide advisories; and 2) a motion was made to approve the LAUSD's request to temporarily set aside \$140 million for three months in order to evaluate their actual costs. The Chair requested a roll-call vote for the motion and the motion failed per the following votes:

**SPECIAL CONSENT ITEMS** (cont.)***Transfer of Critically Overcrowded Schools Program Funds*** (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	4	1	1	4

**Motion:**Carried     Failed   X  ***General Obligation Bond Report***

This item was withdrawn at the request of the Department of General Services. This report is prepared to comply with Government Code Section 16724.4 and it will be provided to the SAB once it has been formally adopted.

**SPECIALS/APPEALS*****Deferred Maintenance Program Funding Options***

The Executive Officer presented this item to the Board. The following individuals addressed the Board concerning this item:

- Mr. Dave Walrath, representing the Small School Districts Association;
- Mr. Chris Ferguson, representing the DOF;
- Mr. Tom Duffy, representing the CASH organization; and
- Mr. J.R. Collins, Superintendent of the Anderson Valley Unified School District.

Mr. Walrath suggested that the Board make contingent apportionments based upon the school district providing a governing board resolution certifying that their full deferred maintenance match will be made, that the funds will be used for the project for which they received the funding, and that the project will be completed. He also stated that although the appropriation is for current year, 2008/09, it is being used to fund 2007/08 projects so perhaps the baseline is not to individual school districts but to the Deferred Maintenance Program (DMP), specifically the ten percent set aside.

Mr. Ferguson responded that the 2008/09 appropriation will fund 2007/08 projects. He also clarified that within the flexibility provision school districts could choose to use other funds within the categorical flexibility programs to fund deferred maintenance.

Mr. Duffy asked that since critical hardship projects are health and safety issues, is there a way to leave the DMP in tact over the next five years so that there is a ten percent set aside for these projects?

**SPECIALS/APPEALS** (cont.)***Deferred Maintenance Program Funding Options*** (cont.)

Mr. Collins indicated that all 46 extreme hardship projects should be funded because these projects were already in the queue to receive the funding initially.

There was much discussion surrounding this item. The Board discussed the idea of a legislative remedy where a two-thirds vote would be required to change the statute in order to preserve the funding for extreme hardship projects. It was noted that this idea would be at least a four to five months process. A Board member suggested that the funding be transferred into another account and then distributed in a manner consistent with the Board's direction. After further discussion, the Board requested that: 1) the OPSC and the DOF work together in order to find a solution to the question of whether the funds could be transferred to another account which would give the Board more flexibility; 2) the OPSC, the DOF, and Mr. Walrath work together on the issue of contingent apportionments based on school district certifications; and 3) the OPSC agendaize this item for the March 25, 2009 SAB meeting.

***State Allocation Board Sub-Committees Selection***

The Deputy Executive Officer presented this item to the Board. A motion was made, and carried, to approve the nomination of Senator Lowenthal (as the Chair), Ms. Moore, and Mr. Harvey for the audits sub-committee. The other members invited but who have not yet responded are Assembly Member Torlakson, Senator Hancock, and Assembly Member Brownley. A motion was made, and carried, to approve the nomination of Senator Wyland (as the Chair), Senator Hancock, Assembly Member Brownley, and Mr. Harvey for the rules and procedures sub-committee. The Board also requested that the Assistant Executive Officer, Ms. Valentine, be the lead staff person and work on both sub-committees, as it will address SAB oversight issues. The SAB's legal counsel reminded the Board that the two sub-committees would need to comply with the notice requirements under the Bagley-Keene Open Meeting law.

A member of the audience, Mr. Bill Smith, addressed the Board concerning audits and it was during his comments that the Chair asked Mr. Smith to delay his comments until the end of the meeting as members of the Board were leaving which would impact the quorum necessary to hold the public meeting. It was also at this time that the Chair indicated that he needed to leave and that Ms. Jeannie Oropeza would finish up the meeting as the Chair.

***School Facility Program Career Technical Education Facilities Program Funding Cycle***

The Deputy Executive Officer presented this item to the Board. It was noted that the CDE and the OPSC worked in concert and mutually agreed upon the dates for submittal to the CDE for scoring and to the OPSC for funding. In considering this item, the Board approved the staff's recommendations.

**SPECIALS/APPEALS** (cont.)***Unfunded Approvals for the Emergency Repair Program***

The Deputy Executive Officer presented this item to the Board. The Board discussed several possibilities that could help get the funding to the Emergency Repair Program more quickly; one would be to amend the budget bill and reduce the amount for release to \$50 million or whatever the amount was in the Proposition 98 Reversion Account and then the State Controller's Office (STO) could release the funding; and the second one was to have the DOF, the CDE, the STO, and the OPSC work together and determine if there is any possibility of allowing for the fund as it currently stands to be transferred over so that the funds can be apportioned to the projects, and then if it requires a legislative remedy it can be identified and a solution brought forward. In considering this item, the Board approved the staff's recommendations and requested staff to follow-up on the possibilities discussed above.

***School Facility Program Unfunded Approvals***

The Assistant Executive Officer presented this item to the Board. Mr. Tom Duffy, representing the CASH organization, addressed the Board in support of unfunded approvals. He also stated that once the Board's existing bond authority has been exhausted that another item be agendaized for discussion purposes regarding the creation of a pipeline for projects in order to demonstrate the need to the Legislature and the Administration for future bonds. The Board requested that staff bring forward unfunded approvals for the March 25, 2009 SAB meeting. In considering this item, the Board approved the staff's recommendations.

***Recommendations for Prior Bond Funds Available for Transfer***

The Executive Officer presented this item to the Board. He informed the Board that since the School Facility Joint-Use Program application filing timeline ended the staff recommends postponing the item to a future meeting so that those applications could be reviewed to see what the real dollar need would be for that category. This would allow the Board to have full information to make an informed decision. The Board agreed to postpone this item to a future SAB meeting.

***Murrieta Valley Unified/Riverside 50/75200-00-010***

This item was withdrawn at the request of the OPSC.

**REPORTS*****Seismic Mitigation Program***

The Assistant Executive Officer presented this item to the Board. The following individuals addressed the Board concerning this item:

- Mr. Lyle Smoot, representing the LAUSD; and
- Mr. Tom Duffy, representing the CASH organization.

Mr. Smoot stated that one of the main problems of this program was the inability for school districts to attain the 1.7 G.

**REPORTS** (cont.)***Seismic Mitigation Program*** (cont.)

Mr. Duffy indicated that the regulations for this program be brought back to the Board for further discussion and that the use of the \$200,000 grant for structural engineering reports would be beneficial to school districts.

The Board made a motion, which was carried, to accept the report and to note the comments stated by the Executive Officer that this is site specific funding and that the Board is seeking additional feedback from advisory committees and the field on how to make this all work more efficiently and timely.

***Web Casting State Allocation Board Meetings***

In considering this item, the Board accepted the report.

***State Allocation Board Meeting Locations***

In considering this item, the Board accepted the report.

**MISCELLANEOUS**

- A Board member requested that an item regarding High Performance be brought forward to the Board at a future SAB meeting in order to discuss the obstacles that do not allow easier accessibility to the funding.
- A Board member requested that staff agendaize the DOF, Office of State Audits and Evaluations report for the March 25, 2009 SAB meeting for further discussion.
- There were two public comments; one is a continued public comment from earlier in the SAB meeting and the second is a new public comment:

Mr. Bill Smith addressed the Board concerning solar facilities and solar energy and invited the SAB members to see a green event presentation at Cal Expo on the weekend.

Dr. Steve Foster, representing the Chawanakee Unified School District addressed the Board and thanked staff for getting a letter to the District approving them to pursue a loan on their project.

**ADJOURNMENT**

There being no further business to come before the Board, the Chair adjourned the meeting at 6:16 p.m.

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**ROB COOK, Executive Officer**