

MINUTES
State Allocation Board
April 22, 2009

Upon notice duly given, the monthly meeting of the State Allocation Board was held at the California Department of Education, located at 1430 N Street, Room 1101, in Sacramento, California on April 22, 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
- Rosario Girard, President and CEO, Phoenix Construction Services, Inc., appointee of Arnold Schwarzenegger, Governor of the State of California
- Senator Alan Lowenthal
- Senator Loni Hancock
- Senator Mark Wyland
- Assembly Member Jean Fuller
- Assembly Member Julia Brownley (briefly attended)
- Assembly Member Tom Torlakson

Representative of the State Allocation Board (SAB) was as follows:

Rob Cook, Executive Officer

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

Rob Cook, Executive Officer
Juan Mireles, Program Services Policy Manager

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 4:14 p.m.

PRIOR MINUTES

A motion was made, and carried, to approve the Minutes for the February 25 and March 11, 2009 SAB meetings. The Board postponed action on the March 25, 2009 SAB meeting Minutes until the May 27, 2009 SAB meeting.

EXECUTIVE OFFICER'S STATEMENT

The Executive Officer informed the Board of the following:

Bond Sale Update

The recent bond sale provides \$541 million from Proposition 1D to fund school construction projects. Additional funds have been made available to fund health and safety projects previously exempted from the freeze. The OPSC has been working closely with the State Treasurer's Office and the DOF since the bond sale in order to release funds to school districts as quickly as possible.

The State Treasurer is currently conducting a sale of "Build America Bonds" and we look forward to having additional funds to provide to school districts in the near future.

The Chair publicly acknowledged the great work the State Treasurer, Bill Lockyer, and his staff have accomplished thus far; they received orders and closed on over \$6.85 billion in general obligation bonds. In addition, the State Controller and his staff have made the State of California the first state in the nation to sell the Build America Bonds that have recently become authorized by the Obama Administration. This action allows the State of California to restart over 5,000 public works projects that have all been put on hold due to the freeze. Out of the \$6.85 billion, \$5.2 billion are Build America Bonds and the other \$1.7 billion are taxable bonds that will be used for stem cell research, low-income housing, and high-speed rail programs among others. And although this is all very good news, the fiscal situation of the economy continues to remind us that the State is not at the end of the recession. The DOF will update State revenues and the economic forecast for the May revise which will come after the special election on May 19, 2009.

A Board member expressed that the State Treasurer could sell more bonds and that the Treasurer should report this on a regular basis. Several Board members expressed concerns regarding the recertification process for the release of funds and the how the release of funds on a first in-first out basis would be implemented. The Board wants to ensure funding protections as well as the timely release of funds for those school districts that cancelled contracts due to the freeze.

Another Board member requested that staff prepare a letter to all school districts providing them information about the High Performance Incentive Program so they can take advantage of the additional funding available to them for designing greener, more energy efficient schools. The Executive Officer responded that a letter would be sent out electronically, along with a link to the State Architect's Grid Neutral Guidebook. The Chair also requested that the Board members receive a copy of what is sent out so they are aware of the information being sent to the school districts.

Fund Release Priority Update

At the March 25, 2009 SAB meeting, the Board approved first in-first out for (FIFO) fund release priorities if and until such time as the Board approved criteria for exemptions to consider projects outside of FIFO. The Board requested staff to continue the discussion at the April 3, 2009 Implementation Committee meeting. At that meeting, there was general consensus among the stakeholders affirming FIFO as the method for fund releases. Therefore, staff will continue to release funds in FIFO order.

EXECUTIVE OFFICER'S STATEMENT (cont.)Webcasting

The March 25, 2009 meeting of the SAB was the first webcast meeting. There were approximately 125 viewers and the following comments were received in reaction to the webcast:

- Please pass on our thanks to the State Allocation Board and staff for the web-cast of yesterday's meeting. Our County Superintendent of Schools and at least one of our superintendents tuned in and both expressed gratitude for the ability to observe the democratic process without the hours of travel required to attend in person. We hope you will continue this exciting and beneficial activity.
- The web cast was great! This saves the Districts a lot of money in not having to send staff to the meetings – which is especially important in these tight budget times. I would love to see this expanded to the Implementation Committee meetings.
- How cool is this? I'm watching the meeting from my home in San Diego! No airfares, rental cars/taxis and the time savings!

The webcasts are available on the OPSC website at: <http://www.opsc.dgs.ca.gov/default.htm>.

Regulation Update

On April 9, 2009, the Office of Administrative Law (OAL) approved emergency regulations that define inactive apportionments and allow the suspension of the 18-month time limit on seeking a fund release for SAB-approved apportionments made on or before December 17, 2008.

The OPSC submitted a second set of emergency regulations to the OAL to allow the suspension of the four-year time limit on the Charter and Critically Overcrowded Schools Programs. It is anticipated that the OAL will approve these regulations by April 24, 2009.

Public Comments

- Mr. Tom Duffy, representing the Coalition for Adequate School Housing (CASH) organization, addressed the Board suggesting an expedited release of funds which would include transmitting a communique' to the State Controller's Office to release funds. He further stated that when the project is audited, that staff would then be able to see the contracts that the district secured.
- Mr. Lyle Smoot, representing the Los Angeles Unified School District (LAUSD), addressed the Board regarding the 48-hour turnaround time to recertify information. He stated that the LAUSD has money and with the amount of staff time it will take to accomplish the task of pulling copies of 48 contracts, the process needs to be simplified for those school districts that have money.

The Board requested that staff examine the process to simplify it and extend the turnaround time from 48 hours to 72 hours.

EXECUTIVE OFFICER'S STATEMENT (cont.)

A Board member stated that there needed to be certainty that school districts would not be injured because they have withdrawn a contract due to the financial condition of the State. The Board requested that the staff provide a report for the May 2009 SAB meeting detailing those school districts that were able to recertify to all of the requirements on their submitted Form SAB 50-05 and report the number of school districts that were unable to recertify due to problems associated with their Form SAB 50-05.

CONSENT ITEMS

The Board approved the Consent calendar as presented.

FINANCIAL REPORTS***Status of Funds***

The Executive Officer presented the Status of Funds to the Board. The Board accepted the Status of Funds report as presented.

Financial Needs of the State Relocatable Classroom Program

Ms. Masha Lutsuk, representing the SAB staff, presented this item to the Board. A Board member inquired as to why this item was not an action item before the Board and why the SAB did not receive notification before the revenue was transferred. Ms. Jeannie Oropeza, representing the DOF, addressed the Board and provided background on the control section that transfers the revenue from the State Relocatable Classroom Program to the State's General Fund. She stated that this year more than ever it was necessary to put that control section in the budget to transfer the revenue, and with the early enactment of the 2009/10 Fiscal Year budget, it was a timing issue and an unintentional action to not allow the Board to make the decision. The Board formally requested that rather than presenting this item in the spring, staff present this item in December with the specific intention of signaling the DOF and the budget writers what the Board's intention is concerning this item prior to the annual budget act. In addition, the Board requested that this item be amended and brought back to the May 2009 SAB meeting indicating the Education code authority (Section 17088.2) for the SAB to make transfers.

SPECIAL CONSENT ITEMS***Richfield Elementary/Tehama 51/71654-00-001***

In considering this item, the Board approved the staff's recommendation.

Lodi Unified/San Joaquin 58/68585-00-001

In considering this item, the Board approved the staff's recommendations.

SPECIAL CONSENT ITEMS (cont.)***Deferred Maintenance Program Funding***

In considering this item, the Board approved the staff's recommendations.

Additional Unfunded Approvals

In considering this item, the Board approved the staff's recommendations.

SPECIALS/APPEALS***Aspire Public Schools/Los Angeles 54/64733-00-054***

This item was postponed to the May 2009 SAB meeting at the request of the SAB.

Distribution of Remaining Proposition 1D and 47 Charter School Funds

This item was postponed to the May 2009 SAB meeting at the request of the SAB.

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

This item was postponed to the May 2009 SAB meeting at the request of the SAB.

Glendale Unified/Los Angeles 50/64568-00-007

Mr. Josh Damoth, representing the SAB staff, presented this item to the Board. The following individuals addressed the Board in support of the District request:

- Mr. Michael Escalante, Superintendent of the District; and
- Ms. Eva Lueck, Chief Business Official for the District

There was substantial discussion surrounding the funding of the District's appeal. It was noted that the school has been occupied since 2002 and any potential funding would be available to the District to use for other high priority capital outlay purposes. The Board wanted to ensure that any potential funding would not be a gift of public funds. The SAB's legal counsel stated there is concern regarding the reimbursement of a school district's bond funds once the school has been occupied. It was further stated that the bond covenants for the School Facility Program (new construction) does not allow reimbursement of a school facility once it has been occupied because there is no longer a need to house pupils. A Board member made a motion to adopt Option #3, which would approve the District's request for reimbursement of the Crescenta Valley High School project, and if there were insufficient votes, the item would automatically come back before the Board at the May 2009 SAB meeting. The Chair requested a roll-call vote and the motion failed per the following votes:

SPECIALS/APPEALS (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	5	1	3	1

Motion:

Carried
Failed X

The Board requested that staff prepare and present a “mercy clause” report that can be adopted through regulation to reimburse applications such as the Glendale Unified School District’s appeal. The Board further requested that staff provide the Board a complete analysis of how the Davis Joint Unified School District’s appeal request compares to the Glendale Unified School District’s appeal request.

REGULATIONS***Seismic Mitigation Program***

This item was postponed to the May 2009 SAB meeting at the request of the Board.

Implementation of Senate Bill 1556

This item was postponed to the May 2009 SAB meeting at the request of the Board.

REPORTS***Department of Finance, Office of State Audits and Evaluations Report***

This item was withdrawn due to the lack of availability of DOF presenters.

Discussion Item Postponement/Withdrawal Frequency

This item was postponed to the May 2009 SAB meeting at the request of the Board.

INFORMATION/REFERENCE

SAB Meeting Dates for the Calendar Year 2009

School Facility Program New Construction and Modernization Unfunded List Through March 25, 2009

School Facility Program Workload List - Applications Received Through March 27, 2009

Emergency Repair Program – Applications Received Through December 23, 2008

Facility Hardship/Rehabilitation Approvals Without Funding List as of March 25, 2009

CLOSED SESSION

At 5:44 p.m. and in accordance with Section 11126(a)(1) of the Government Code, the Board convened into closed session for the purpose of continuing the discussion from the April 13, 2009 closed session meeting regarding issues related to personnel involving the position of Assistant Executive Officer, including but not limited to, appointment and employment with the SAB.

Upon conclusion of the closed session, the Board reconvened into open session at 6:23 p.m. and took public comment.

PUBLIC COMMENT

Mr. Tom Duffy, representing the CASH organization, addressed the Board regarding the Seismic Mitigation Program report. He stated that the CASH organization continues to hear from school districts that the Program is hard to penetrate and suggested that the Implementation Committee and all the practitioners discuss this item.

ADJOURNMENT

There being no further business to come before the Board, the Chair adjourned the meeting at 6:25 p.m.

ROB COOK, Executive Officer