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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL
ROOM 112
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, JANUARY 14, 2009
TIME: 1:35 P.M.

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APPEARANCES

MEMBERS OF THE BOARD PRESENT:

THOMAS L. SHEEHY, Chief Deputy Director, Policy, Department of Finance, designated representative for Michael Genest, Director Department of Finance.

SCOTT HARVEY, Chief Deputy Director, Department of General Services, designated representative 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

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

ROB COOK, Executive Officer

LORI L. MORGAN, Deputy Executive Officer

KATRINA VALENTINE, Assistant Executive Officer

REPRESENTATIVE OF THE DEPARTMENT OF GENERAL SERVICES,
OFFICE OF LEGAL SERVICES PRESENT:

HENRY NANJO, Senior Staff Counsel

P R O C E E D I N G S

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CHAIRPERSON SHEEHY: We're going to call the roll in a just minute. Again I don't know if this has been said, but I want to apologize that we're in such a small room. We tried using all of the tricks that we knew up our sleeves to get a large room today, but because of all the business going on in the Capitol, we simply weren't able to. So we're sorry for that.

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Again the hearing is on the squawk box. In order for us to do this effectively, I'm okay with leaving the doors open, but if we get a lot of hall noise, I'm going to ask that the doors be closed because it is going to be difficult for us to hear what's going on in here.

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I'd like to acknowledge some new members of the State Allocation Board that we have here with us today. We have Senator Alan Lowenthal from Long Beach, California, and his staff, Mavonne Garrity, who many of you already know. And happy new year to Ms. Moore and Mr. Harvey and Ms. Fuller, and today we also have former Senator and State Assemblyman Tom Torlakson with us today and I just made a quick pitch to the Senator. We'd love to have him as a permanent member, but of course that's not in my control.

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And I also understand that we have Assemblywoman Julia Brownley who will be joining us. Senator Wyland and

1 Senator Hancock may also -- Mr. Wyland has entered the room.

2 So with that, given the interest in today's
3 hearing, I'd recommend that we go ahead and start. Can we
4 go ahead and call the roll and establish a quorum.

5 MS. RICE: Senator Alan Lowenthal.

6 SENATOR LOWENTHAL: Here.

7 MS. RICE: Senator Loni Hancock.

8 Senator Mark Wyland.

9 SENATOR WYLAND: Here.

10 MS. RICE: Assembly Member Jean Fuller.

11 ASSEMBLY MEMBER FULLER: Here.

12 MS. RICE: Assembly Member Julia Brownley.

13 Assembly Member Tom Torlakson.

14 ASSEMBLY MEMBER TORLAKSON: Here.

15 MS. RICE: Scott Harvey.

16 MR. HARVEY: Present.

17 MS. RICE: Kathleen Moore.

18 MS. MOORE: Here.

19 MS. RICE: Rosario Girard.

20 And Tom Sheehy.

21 CHAIRPERSON SHEEHY: Present. Okay. We have a
22 quorum. Senator Wyland, welcome to the State Allocation
23 Board.

24 SENATOR WYLAND: Thank you.

25 CHAIRPERSON SHEEHY: We're delighted to have a

1 chance to serve with you.

2 SENATOR WYLAND: Thank you.

3 CHAIRPERSON SHEEHY: We have just one item today,
4 but I know there's tremendous interest in it. Because the
5 Pooled Money Investment Board voted on December 17th of 2008
6 to withhold any further AB55 loans -- these are the loans
7 that are made in order to front cash to school districts
8 that have school construction going on under the School
9 Facilities Program -- it has created a cash crunch for the
10 districts and because of the regulations that exist for the
11 State Allocation Board as well as regulations that exist at
12 other entities like the State Architect has created some
13 compliance problems or potential compliance problems for the
14 districts.

15 And so at our last meeting in Anaheim, the Board
16 unanimously agreed it would be appropriate to meet as soon
17 as we could in January in order to review, discuss, and
18 hopefully adopt some emergency regulations that would
19 provide some administrative relief to the school districts.

20 Those regulations have been drafted. They have
21 been circulated widely. We've taken a lot of input from all
22 corners from -- especially from the advocate groups. I want
23 to say that this morning when I was briefed, I noticed a
24 couple things in the regs that I thought could be tightened
25 up a little bit to make it more clear how we're trying to

1 help the school districts.

2 I think some revised editions of this language
3 have been made widely available. If anybody hasn't seen
4 those or don't have them, let us know because we brought
5 extra copies. We want to make this as transparent to
6 everybody as possible.

7 And with that said, Mr. Cook, could you go ahead
8 and tee this up for us, please.

9 MR. COOK: Yes. And for the benefit of our
10 audience and some of our newer members, I'll describe one of
11 the -- at least a couple of key provisions of the School
12 Facility Program.

13 A key provision of the School Facility Program is
14 once an apportionment is made to a school district, it sets
15 off a series of events for districts and one of those keys
16 is the district has to then get its contracts in place and
17 come back in to the Office of Public School Construction
18 seeking a fund release within 18 months. And the statute is
19 very prescriptive. I mean that deadline is pretty much in
20 stone.

21 A district has to come in for a fund release or
22 the Board shall rescind the project. And that poses a great
23 deal of difficulty in a situation where we have apportioned
24 2.4 billion for projects that we now cannot release funds.

25 And so in consultation with a number of folks

1 and -- we have come up with an emergency regulation that
2 assist districts in this time. And what we have done in
3 these -- what we do in these regulations is define a class
4 of projects and it encompasses that 2.4 billion in
5 apportionments that were apportioned prior to December 17th
6 of 2008 that had not received a full fund release and whose
7 time limit to receive a fund release had not -- does not
8 expire until on or after December 17th of 2008.

9 That class, once these regulations become
10 effective, could then brought before this Board in one group
11 and declared -- the Board could make a finding that their
12 apportionments are inactive.

13 The net effect of that is to unplug the clock and
14 allow these districts not to put their funding or their
15 apportionment in jeopardy because they are stuck in a
16 difficult situation and unable to do the things that they
17 would normally do.

18 Subsequent if we find that we have money at a
19 later date, some or all of those projects could be brought
20 back before this Board and their apportionments could be
21 reactivated.

22 Now, we have several amendments that were made
23 late stage, and if you would like for me to go over those --

24 CHAIRPERSON SHEEHY: Yes, Mr. Cook -- excuse me.
25 Oh, and I apologize to members of the audience. If you're

1 wondering who is sitting to my immediate left, that would be
2 your right, I have Ms. Jessica Mar (ph) who is the
3 Department of Finance executive fellow. I apologize for not
4 introducing you at the beginning of the meeting.

5 Mr. Cook, would you be kind enough to go through
6 the amendments. I want to make sure that all the members of
7 the Board are comfortable with the last minute changes. I
8 will just say that we -- I asked Department of Finance to
9 take a look at them too. They were clarifying in nature in
10 order to make sure the relief we were providing the schools
11 would be effective, but I want to make sure that everybody
12 is comfortable with that and that there are no questions, so
13 could you please walk us through that, Mr. Cook.

14 MR. COOK: Certainly. The first change that --
15 and ask you to turn to stamped page 3 in your books. And
16 for the most part, we follow legislative convention in the
17 way in which we mark things up, so you'll at least be --
18 you'll be familiar with that.

19 One amendment that we're looking -- one change
20 that we're looking at making is actually in that very first
21 section. Our counsel Henry identified that we had a -- our
22 definition of inactive apportionment was insufficient as we
23 drafted it.

24 And so a change that will occur after the word
25 means in that first line, the underline line, we would

1 insert an apportionment made to. What we're trying to do
2 with that definition section is actually define the
3 apportionment and what we did was we defined projects.

4 CHAIRPERSON SHEEHY: So, Mr. Cook, the purpose of
5 that amendment is to clarify that we're talking about an
6 apportionment rather than a project; is that correct?

7 MR. COOK: Correct. Correct. The next amendment
8 is also in that line. The rest of the amendments are all
9 highlighted and are in your text. The next amendment is in
10 that line and simply the words all of -- it's simply
11 clarifying that all three of these criteria must be met.

12 The next amendment is in -- as you can see below
13 in the highlighted text is subject to the availability of
14 financing provided by the Pooled Money Investment Board for
15 bond-funded projects. This simply defines or clarifies that
16 until we have a source of cash, these actions can't occur.

17 That same language is also replicated down below.
18 That particular regulation section refers to financial
19 hardship districts and the fund release time frame that we
20 normally have to follow. Again it's technical in nature.
21 We can't do a fund release unless we have cash, but given
22 the current circumstances, our regs are in conflict with our
23 current situation.

24 And then I would ask you to turn to the next page.
25 The next amendment is a simple clarification. In that very

1 line right in front of the highlighted text, we have the
2 term inactive apportionment and that is the class of
3 projects we're creating. The highlighted text behind it
4 simply points back to that very definition. Again it's
5 just -- it's for clarity.

6 CHAIRPERSON SHEEHY: I'm sorry, Mr. Cook. So this
7 first highlighted area where it says as defined in
8 Regulation Section 1859.2 is simply pointing us back to the
9 original definition?

10 MR. COOK: Exactly.

11 CHAIRPERSON SHEEHY: All right. Thank you.

12 MR. COOK: And then the next two amendments are
13 the same words, for the project. As we have discussed more
14 and more of this situation, we want to be able to
15 accommodate the situation where we may find that we have
16 some monies available to us at some point and then be able
17 to act on those, but we won't be back to business as usual,
18 but we will have to in essence kind of turn the spigot on
19 and turn it off again at some point so that we can bring
20 forward projects to match the money that we do have and
21 reactivate them, and that's what these amendments are meant
22 to accommodate.

23 Likewise the final amendment, the language there
24 that makes this inoperative January 1 of 2010 was originally
25 there in our draft, but we also had additional language that

1 said or when the funds become available whichever is first.
2 Well, we made -- go ahead.

3 CHAIRPERSON SHEEHY: Mr. Cook, I'd like to comment
4 on that. This was my request and I'd like to explain to the
5 Board why. The additional language said or when the Board
6 finds that funds have become available. And when I was
7 being briefed this morning, I pointed out to Mr. Cook that
8 due to the nature of the state budget crisis that we're in
9 and since I serve on the Pooled Money Investment Board,
10 knowing what our actions might be, I didn't want to see a
11 situation where there were some fund releases made, the
12 Board made a finding that the funds were available, and then
13 this section sunsetted and then a month later, the Pooled
14 Money Investment Board took action to stop making funds
15 available and then we're back in the same boat.

16 So I felt since this would sunset in one year that
17 to give schools the maximum flexibility given the situation
18 we're in to simply delete the language that said or when
19 funds are available because unfortunately we just don't know
20 what's going to happen and we don't know what actions the
21 Pooled Money Investment Board would take. So that was my
22 suggestion and I think that that put school districts in a
23 better position than if that language was there.

24 And with that, why don't we see if there's -- I'm
25 sure there's comments and questions from Board members.

1 Ms. Moore.

2 MS. MOORE: Well, just -- I'm sure everyone has
3 many questions and comments, but just to the changes that we
4 just received --

5 MR. COOK: Um-hmm.

6 MS. MOORE: -- wanted to ask some clarifying
7 questions because we just did get those and perhaps
8 Department of Finance can address those if those were your
9 recommendations.

10 But in 1859.90 where we now say subject to the
11 availability of financing provided by the Pooled Money
12 Investment Board for bond-funded projects in two locations,
13 this is my question and perhaps a concern if I don't
14 understand it correctly.

15 School districts have never been in the position
16 of having their fund release conditional. This places a
17 condition on that fund release of a Pooled Money Investment
18 bond availability. We know we're in a very difficult
19 situation at the moment and I think the appropriate steps
20 are being taken for that, but unlike the last regulation
21 that you've sunsetted that information on, this appears to
22 be that you're going -- that this is going forward for --
23 without a sunset, which would mean in my mind that districts
24 never in the future would have the knowledge that when the
25 Board apportioned a project it was indeed apportioned and

1 not subject to a subsequent Board's action.

2 I would be concerned about that for the future.
3 Not for the crisis that we're in at the moment, but for the
4 future and would like that addressed.

5 CHAIRPERSON SHEEHY: Ms. Moore, I'd like to have
6 Ms. Jeannie Oropeza -- I'm sorry, Jeannie. Were you going
7 to defer to Mr. Cook? I think it would be good to hear from
8 both of you and to hear from Department of Finance
9 perspective on this also. Thank you.

10 MR. COOK: Well, I would make one note. As
11 everyone has become very painfully clear about, our
12 apportionments don't mean anything if we don't have cash
13 behind them and unless the Pooled Money Investment Board
14 makes that cash available, it -- they're unfortunately moot,
15 so --

16 MS. MOORE: I agree with that in the current
17 crisis. Prior to the crisis, school district could always
18 rely and in fact they budget and bank on the apportionment
19 and to give another Board authority around this for the
20 future when we get back to say a normal situation that we
21 envision for the other regulation in 2010, I think that we
22 should envision a normal situation for this regulation as
23 well.

24 CHAIRPERSON SHEEHY: Ms. Oropeza, could you please
25 respond to that.

1 MS. OROPEZA: In the normal situation, you would
2 still, as Mr. Cook points out, have to have the board -- the
3 PMIB take action to provide the money to the schools. So
4 that is the normal course of action. This just clarifies
5 that so that everybody understands that's the way the
6 process works.

7 So we would hope in a normal situation it wouldn't
8 be an issue. In this situation, it is an issue and they are
9 taking an action to look at how much funding they actually
10 have to apportion, but irrespective of that, whether you
11 have this in there or not, they have to take action to
12 provide the money or schools don't receive the cash. And so
13 that's the point. This is the -- so we're not taking or
14 giving any more. It's just clarifying to districts that you
15 get the cash when the board provides the interim financing.

16 MS. MOORE: Well, I'll be interested perhaps when
17 others speak to many of the issues we'll be dealing with
18 today. I will be interested in a school district CDO (ph)
19 kind of impression upon what that language may due to them
20 at the local level.

21 MR. COOK: And I want to clarify for folks because
22 I know in my contacts from school districts out there that
23 there's confusion about our interaction with the Pooled
24 Money Investment Board and how projects go forward and so
25 on.

1 This Board reviews and funds -- apportions
2 projects out there. In normal times, we take basically
3 lines of credit against the Pooled Money Investment account.
4 They don't review our projects. They don't look at anything
5 associated with that.

6 The apportionments and the projects are all
7 approved by this body. What we don't have unfortunately is
8 that line of credit.

9 CHAIRPERSON SHEEHY: I have Mr. Torlakson and then
10 Ms. Brownley. Mr. Torlakson.

11 ASSEMBLY MEMBER TORLAKSON: Thank you,
12 Mr. Chairman, and I appreciate the staff's report and their
13 response to the member's question.

14 This is a terrible situation and just when we're
15 being told by UCLA, Anderson School, and others that we've
16 got to keep some funds going, we have this cash crisis and
17 it's paramount, you know, to deal with it in order to
18 provide the educational facilities for the kids, but it's
19 also part of this whole question of is our economy going to
20 unravel further if we stop the construction.

21 I was wondering if you could respond, Mr. Cook, to
22 do we know at this point how much of the shortfall, the lack
23 of cash, will be made up by districts voluntarily putting
24 forward some of their own funding and what the shortfall is
25 then beyond that. So we could sort out what the economic

1 impact is and this partly leads up to another question
2 related to what is it going to take to free up -- and we
3 don't have magic answers to that, but what is it going to
4 take to free up the credit market so that they will again
5 put forward the credit we need to have any of the cash flow
6 we need.

7 CHAIRPERSON SHEEHY: Rob, can you please answer
8 Mr. Torlakson's first question and I'd be happy to tag onto
9 the second question if you'd like.

10 MR. COOK: Fortunately for many school districts,
11 there were \$17 billion in bonds approved on the November
12 ballot for school districts. One district had 7 billion of
13 that. You might know who they are.

14 And some of those districts may have -- because of
15 the guarantees sitting behind those local bonds, may have
16 better access to the bond market than certainly the State of
17 California does at this moment. And I've been in
18 discussions with Los Angeles Unified. They intend to
19 proceed on their projects and patiently await the state's
20 participation in their projects.

21 Assuming that the credit markets are open -- again
22 the financial crisis is something that's bigger than
23 unfortunately all of us. But we are -- some districts are
24 going to be pursuing through their own local financing their
25 projects and wait for us to come in and participate.

1 Other districts -- and I don't have a global
2 answer for you, but other districts are going to be caught
3 short.

4 ASSEMBLY MEMBER TORLAKSON: I think it'd be
5 helpful for our Board to know and all of us to be able to
6 report back to our colleagues as to what the job impact --
7 what the construction -- actual net impact will be and we'll
8 hear some of that from the public testimony. There over the
9 next week or two, you should be getting responses from
10 school districts of which ones will be able to move ahead
11 and whatnot and what are the ultimate economic impacts --
12 job impacts of this cash flow crisis.

13 And then how much of it could be corrected if we
14 were to have a budget or a partial budget solution -- part
15 of it's the credit market. Part of it's our self-inflicted
16 situation where we don't have a budget, and so is there some
17 way to figure that out and that may be something more in
18 your domain and the treasurer's domain as members of the
19 Board.

20 CHAIRPERSON SHEEHY: With the pleasure of the
21 committee, I'd be happy to address some of those comments
22 since I'm in the unusual situation sitting on this Board of
23 also participating on the other one that's directly involved
24 in this and of course the ultimate authority on California's
25 ability to get into the capital markets would be Treasurer

1 Lockyer and of course his deputy treasurers and his staff,
2 but we are of course working very closely with them as
3 another member on the Pooled Money Investment Board.

4 Senator -- excuse me. Assemblyman Torlakson,
5 you're absolutely right. There's two conditions now that
6 are putting us in this situation. The first one's
7 completely out of our control which is the volatility and
8 disruption of the United States capital markets.

9 We have heard in just the past few days there may
10 be some inkling more of an appetite for municipal debt as a
11 result of the extremely low rates being paid on United
12 States treasury bills, but that notwithstanding we have been
13 advised by the Treasurer's office and I think they have
14 stated publicly that unless and until we get a solution on
15 all \$41 billion of California's budget crisis, it will be
16 extremely difficult for the State of California to reenter
17 the capital markets.

18 And that's exacerbated by the fact that part of
19 our plan -- the Governor's plan for solving the budget will
20 rely upon some additional borrowing in July in the form of
21 revenue anticipation warrants. And in order for us to
22 access the capital markets in July with those revenue
23 anticipation warrants, we will have to have a plan on how
24 we're going to deal with the budget year plus one deficit.

25 Now I'd hate to get too deep into the weeds, but

1 I'm afraid we have no choice. If you were to assume for a
2 moment, just for talking purposes, that all of the
3 Governor's proposals were adopted -- and of course I realize
4 that he has to work with 120 legislators, so that's not
5 likely that they all will, but if all of the Governor's
6 proposals were adopted for \$41 billion in solutions, in
7 budget year plus one, we would have a \$10 billion hole in
8 the state general fund.

9 Part of that is from the \$5 billion in the lottery
10 that's part of the Governor's plan and part of that's from
11 the \$5 billion dollars in the RAWs or almost \$5 billion.

12 So the potential investors in our RAWs are going
13 to look at the budget year plus one situation and they're
14 going to be very uncomfortable investing in those RAWs
15 unless we come up with a solution for another \$10 billion,
16 as if your problem wasn't complicated enough, legislators on
17 this committee.

18 So the thing is it's very complicated and while
19 there may be some very limited appetite for some debt to be
20 issued, in order for us to get back to business as usual and
21 move forward with funding all of the public works projects
22 that were approved by the voters in November of 2006 as well
23 as the previous bonds, we have to get -- we have to solve
24 the entire budget problem. We can't piecemeal it or we
25 won't get back in the bond markets in a meaningful way.

1 I might also add that we have \$8 billion in PMI
2 loans outstanding. So I'm not -- I can't tell you what the
3 Treasurer will do because I would be out of school doing
4 that, but I can say that, you know, if we were in a normal
5 case scenario, the next time the Treasurer were to go to
6 market, he'd be taking those proceeds to pay off the
7 \$8 billion in loans that are already on the books not to
8 fund new loans.

9 And of course our problem here on the State
10 Allocation Board is that we have \$2.4 billion in
11 apportionments outstanding that are unfunded. So you can
12 see there's a whole chain of events here that have to happen
13 in order for us to get to the point where we can start not
14 only making apportionments but make apportionments that
15 would actually be funded.

16 So I think the short answer is, is that in order
17 for us to get back to normal business on this Board, we're
18 going to need to see \$41 billion in budget solutions. We're
19 going to need the help of the voters in some special
20 election to approve our lottery -- to approve the lottery
21 proposal and some of the other measures that the Governor
22 has suggested or maybe alternate ones that the Legislature
23 suggests. We're going to need to see all those things
24 happen and we'll need to see a continuing move to normalcy
25 in the capital markets and then I think we'll be back to a

1 more normal situation.

2 But I'm afraid to say it looks like that could be
3 a number of months or longer depending upon how things
4 develop.

5 Assemblywoman Brownley.

6 ASSEMBLY MEMBER BROWNLEY: Thank you for that
7 answer. I couldn't agree more that probably the number one
8 stimulus that we can do here in California is to provide a
9 solution to the budget -- the \$41 billion problem and doing
10 it quickly.

11 And my question -- the reason I raised my hand was
12 to sort of follow up on what -- the line of questioning that
13 Ms. Moore as asking relative to the changes in the language.

14 I'm wondering -- I mean the PMIB is something that
15 we didn't talk about eight months ago, and now, you know,
16 that's a primary focus for everyone here in the Legislature.
17 So I guess my question would be I know now what the role and
18 responsibility of the PMIB is in a cash crisis. I get that.
19 I'm absolutely clear on that, but I don't know what other
20 authority they may have under other conditions of which
21 could impact what we're doing here, and so -- and I just
22 have -- I have no idea other than what their authority is in
23 a cash crisis, but beyond that, I don't know.

24 So to follow up on Ms. Moore's line of
25 questioning, are we setting a precedent for normal times

1 where they might have the authority to do something that I
2 can't even think of that may affect our work here on the
3 Board. So I just wanted to put that out there.

4 CHAIRPERSON SHEEHY: Senator Lowenthal.

5 SENATOR LOWENTHAL: You were asking -- he was
6 asking a question. I'll follow.

7 CHAIRPERSON SHEEHY: Okay. Senator Lowenthal
8 next. Yes, Rob.

9 MR. COOK: Well, as we described before, I mean an
10 action by the Pooled Money Investment Board in normal times
11 if they didn't extend loans to us in order to fund our
12 projects, we wouldn't have had the ability to execute them
13 through the State Controller's office. That's just plain
14 and simple. That's the mechanism for financing that we have
15 today.

16 CHAIRPERSON SHEEHY: I'd like to elaborate on that
17 if that's okay, Rob. I've sat on a number of these board
18 meetings and I really appreciate the point you're making,
19 Ms. Brownley. I can assure you I've learned a lot more
20 about the PMIB than I ever wanted to know in the last
21 several months.

22 But this is one of those obscure state boards that
23 you don't normally hear of, doesn't get much press, and
24 typically there's only five or six people that show up to
25 the meetings. At least that was my experience in my first

1 two years at Finance when I served on the board either on
2 behalf of Anne Sheehan or on behalf of Mike Genest.

3 But Mr. Cook's absolutely right. Every single
4 public works project that the state's involved in gets
5 what's known as AB55 loans and AB55 loan is the term that
6 the Pooled Money Investment Board staff uses, so whether
7 it's a transportation project pursuant to the stip (ph) or
8 the shop (ph) or whether it's Department of Water Resources
9 lease-revenue bond or if the Department of Justice is
10 building a new field facility and a lease-revenue bond's
11 approved through the annual budget or if the State
12 Allocation Board has made apportionments to schools to build
13 schools, it doesn't matter what the nature of the project
14 is. If it's state GO debt or state lease-revenue debt, the
15 way the process is and has been for decades -- well, has
16 been at least for a couple of decades. I don't want to go
17 back before my time -- is that the Pooled Money Investment
18 Board makes a loan to that project and then at some point
19 when the conditions are right in the capital markets, the
20 State Treasurer will go and sell bonds and then the proceeds
21 of those bonds don't ever go to the projects. The proceeds
22 of those bonds go back to reimburse the pool.

23 And this is the way the project has always worked
24 and the reason why it was structured this way is they didn't
25 want public works projects -- the reason why it's structured

1 this way is that the policy makers that set this up, which
2 would have been Legislature and Governor -- some past
3 Legislature didn't want public works projects to be delayed
4 because the State Treasurer wanted to wait six weeks or two
5 months until he or she thought the market conditions were
6 more favorable.

7 The policymakers wanted the state to be able to
8 start these public works projects as soon as they were,
9 quote, shovel ready. So they set up this process with the
10 AB55 loans and this is the process we have. And the only
11 thing that is affecting the board's -- well, I have to be
12 careful what I say. I can't speak for the other members.

13 The thing that drove the three members of the
14 board to vote unanimously last month to stop the AB55 loans
15 is their fiduciary responsibility to the pool. And since
16 the Treasurer can't sell any more bonds to replenish those
17 loans, those three -- the three board members felt that in
18 order to maintain the solvency of the pool that they had to
19 stop making AB55 loans.

20 And there may be somebody here in the audience
21 that has more history on this than I do. You can come
22 testify later, but I think this is the first time in the
23 state's history where this has happened.

24 So I think we need to shine a bright spotlight on
25 this language in this amendment. I appreciate everybody's

1 concerns. We can keep discussing it. But I will just say
2 from my perspective -- and I have no other agenda other than
3 to help the schools in an emergency situation. I don't see
4 any other problem that this language causes. I don't see
5 any agenda here other than to make it clear what it is we're
6 trying to do. I will let every policymaker make their own
7 decision. Senator Lowenthal.

8 SENATOR LOWENTHAL: Yeah. I just have a question
9 in terms of what the practical impact -- and that's kind of
10 a two part. I want to hear the answer -- what the practical
11 impact of these emergency regulations are, especially around
12 the inactive apportionment.

13 By creating this category, does that presume that
14 the state is not responsible for costs that are going to be
15 incurred by districts due to the state bond funding freeze?
16 Does that mean that, for example, financing costs or
17 shutting down project costs or broken contract costs or
18 litigation costs -- who's responsible for those?

19 CHAIRPERSON SHEEHY: Henry.

20 MR. NANJO: This change really doesn't affect
21 that. That has yet to be determined. All we're trying to
22 do is provide a mechanism by which the school districts are
23 not automatically shut off by passage of the 18-month time
24 frame.

25 SENATOR LOWENTHAL: So what we're doing is leaving

1 that question unanswered --

2 MR. NANJO: That is correct.

3 SENATOR LOWENTHAL: -- what -- and so I really
4 want to make sure that we agendize and hold an
5 Implementation meeting and then staff to determine if these
6 regulations need to be -- because we are leaving out some
7 basic things out of this. We do not know who is going to be
8 responsible for those costs and I would really like us to
9 work on that maybe -- as soon as possible.

10 MR. NANJO: That's correct. I mean the purpose of
11 these emergency regulations are just that. This is an
12 emergency situation. Without the passage of something akin
13 to these types of regulations, the school districts can run
14 a very real risk of having a time frame drop out on them
15 and --

16 SENATOR LOWENTHAL: And I understand that, but I'm
17 also saying, you're asking me to support something when I
18 don't know who's responsible too, and so that leaves me very
19 uncomfortable also -- some of these costs and I just need
20 that to be clarified.

21 CHAIRPERSON SHEEHY: That's fine. Thank you.
22 Senator Wyland.

23 SENATOR WYLAND: First, I'd like to say I agree
24 with Senator Lowenthal's point. I think that's really
25 important to clarify and as a couple others have -- our

1 Assembly Members have mentioned this and you as well,
2 Mr. Sheehy, the -- our budget problem is overriding.

3 I would like to take -- ask one question though
4 and then make a comment. If the way it works is that we
5 borrow from the pool and then subsequently the Treasurer
6 determines an appropriate time to sell bonds to replenish
7 that money, I assume there was a point in time where the
8 pool was created either by bonds or some sort of borrowing.

9 There had to be a fund there from which to borrow
10 perhaps and that's, you know, not really relevant today
11 because that happened when this thing got started.

12 CHAIRPERSON SHEEHY: Would you like me to comment
13 on that part of the question?

14 SENATOR WYLAND: Yeah, if you know the answer.

15 CHAIRPERSON SHEEHY: Certainly. I don't hold
16 myself out as the expert, so if subsequent to this somebody
17 finds one aspect of this I missed, I'll just apologize in
18 advance, but I think I can answer your question
19 sufficiently.

20 The pool is really a pool of all state funds. So
21 what happens is whether it's the state highway account,
22 which is a special fund which is not part of the general
23 fund --

24 SENATOR WYLAND: Okay.

25 CHAIRPERSON SHEEHY: -- or say the motor vehicle

1 account where our --

2 SENATOR WYLAND: Okay.

3 CHAIRPERSON SHEEHY: -- car registration and
4 driver's license fees go or whether it's the personal income
5 taxes that are collected or sales and use taxes or any of
6 the revenue sources that come in to the state, they all come
7 into the pool, and the purpose of the pool is, is we can get
8 a greater rate of return on our state resources by pooling
9 them together rather than managing them all in a siloed way
10 in individual little accounts.

11 So what we do in order to manage -- and I want to
12 preface this by saying in normal times to manage the
13 day-to-day state's cash flow is when we have bills to pay,
14 we simply pay them out of the pool. It's the Controller's
15 job to account for which funds, whether it's the state
16 transportation fund or the general fund, where these monies
17 ultimately belong, but these accounts will interchange their
18 money so to speak on a day-to-day basis for cash management
19 needs in normal times.

20 What's happening now is, is that the pool has been
21 completely drained of the general fund. In fact, Senator,
22 if you were to ask me today, Mr. Sheehy, what is the fund
23 balance of the state general fund, I would have to tell you
24 unfortunately that the actual fund balance in the state
25 general fund -- I have it right here because I thought it

1 might come up -- is -- today is -- well, the month of
2 January, right now we're projecting the average balance in
3 the general fund is negative \$12 billion. We haven't had a
4 single dime in the state general fund in months.

5 The California State Government has been operating
6 exclusively on special funds and borrowed money. So all
7 this money comes into the pool.

8 We're estimating if we don't get a budget by
9 July 1st the balance in the general fund will be negative
10 26 billion. So there is no general fund money left, but
11 when we get a budget and we get our fiscal house back in
12 order, we hope to generate some money that can go into the
13 general fund.

14 Now the question will obviously come up, well,
15 there's no money in the general fund, what's happening to
16 the sales tax that gets remitted to the Board of
17 Equalization every day and so on and so forth. Well, what
18 happens is, is there's constitutional requirements on how
19 those -- where those funds go and as soon as those funds
20 come in, if they're general funds, you know, their highest
21 priority as you know we have to pay our debt service. We
22 have to pay schools. There are certain payments we have to
23 make and very high up on that list is to repay the special
24 funds from which we've borrowed.

25 So what happens is, is the second we get revenues

1 that normally would be general fund revenues that come back
2 in the pool, they (indicating) get sucked right up into all
3 these other areas. There is no general fund money now
4 because of our crisis.

5 So what originally created the pool was the state
6 general fund and all the different special funds that feed
7 into it and it's managed as a pool for purposes of
8 maximizing our returns.

9 SENATOR WYLAND: That's really helpful and
10 complete and as you mentioned, my understanding is that
11 constitutionally the Prop. 98 money has to be spent and then
12 debt service and that may come as a result of the sales tax
13 or whatever.

14 The only other comment I would make, but it
15 doesn't solve the problem, is -- this is a different view
16 than the Treasurer's. This debt I believe can be sold. The
17 problem is the rate you would pay and in fact if you call up
18 a broker today, you can buy all kinds of California debt.

19 What has occurred is that because of the low rates
20 in the treasury, there's a big spread and even before that,
21 discounting that, the rate is high, higher than it would be,
22 and I think that's the real issue and then the debt service
23 issue.

24 And I think as it was pointed out, the local bond
25 being -- the local districts actually can borrow at a lower

1 rate simply because there's that stream of money usually
2 through the property taxes that's dedicated to it and
3 doesn't face the same problem we do.

4 I don't think that solves our problem, but it's
5 just I think it's more the cost of the money than the
6 ability to actually do it.

7 CHAIRPERSON SHEEHY: Ms. Brownley.

8 ASSEMBLY MEMBER BROWNLEY: I have two follow-up
9 questions, one on Senator Lowenthal's -- what he raised. I
10 have a budget letter here and the subject is on the interim
11 loans for general obligation and lease-revenue bond projects
12 to all the various officials in the state and --

13 CHAIRPERSON SHEEHY: I'm sorry, Ms. Brownley, is
14 that the December 18th budget letter?

15 ASSEMBLY MEMBER BROWNLEY: It's the December
16 18th --

17 CHAIRPERSON SHEEHY: Thank you.

18 ASSEMBLY MEMBER BROWNLEY: -- yes. And at the end
19 of this letter, it talks about exemptions and it states that
20 immediately -- and this is directed to, you know, the
21 Secretary of State and all the various department heads. So
22 immediately report to your Department of Finance program
23 budget manager any project which if suspended will subject
24 the state to unacceptable legal liability, fines, and
25 penalties. Such projects will be reviewed on a case-by-case

1 basis to determine if continued funding is appropriate or
2 feasible.

3 And -- so I was -- I wanted to understand what
4 that meant exactly. And then the other question that's
5 nonrelated to that but a question that I did want to ask is
6 based on the language that has been submitted, I just wanted
7 to make sure that the proposed regulations that we're trying
8 to accomplish here is intended to be broad and capture not
9 only the apportionments for new construction and
10 modernization but also programs like set-asides for career
11 technical education and others, that it's sort of a
12 comprehensive -- the language actually addresses
13 comprehensively all the various projects.

14 MR. COOK: Yes. And I can verify that. This
15 language is meant to cover all apportionments made by the
16 Board.

17 CHAIRPERSON SHEEHY: Rob, since we have our
18 counsel here, Henry Nanjo, Henry, could you comment on the
19 second part of Ms. Brownley's question about the
20 comprehensiveness, how this language -- to make sure that
21 this language would apply to all categories eligible for SAB
22 apportionments.

23 MR. NANJO: Yes. Staff and I did take a look at
24 this language. This is -- this does take care of the
25 initial problem with regards to all categories of

1 apportionments made by this Board. So you are covered in
2 that respect.

3 CHAIRPERSON SHEEHY: On the second point,
4 Ms. Oropeza, do you want to comment on the budget letter or
5 did you want to defer to somebody else? You could defer to
6 me, but I'd prefer to have you do it if -- I think it's a
7 bit awkward since I'm chairing this --

8 ASSEMBLY MEMBER BROWNLEY: Don't defer it back to
9 me though; okay?

10 CHAIRPERSON SHEEHY: Well, I just feel it's a bit
11 awkward since I'm chairing this committee to answer these
12 questions. So if you could, Ms. Oropeza, that would be
13 great.

14 MS. OROPEZA: Sure. Sure. I could answer. So it
15 was raised at this point, we really don't know what the
16 legal liabilities are going to be and that, you know, what
17 phase those people are in and whether they're actually in
18 contracts yet or not and at what point they enter contracts.
19 So we were trying to gauge statewide, not just for schools
20 but transportation, all the projects in the state, what type
21 of liability is out there and what are we facing so that we
22 can address, you know, who's going to be liable.

23 And at this point, I think we're just trying to
24 see what the basket looks like. And so we've asked OPSC to
25 work with us and to survey districts to provide information

1 on, you know, what they view as legal obligations that they
2 have so that we can in turn provide that information to the
3 members of the PMIB so that they can make decisions
4 accordingly.

5 So our sense is there's going to be way more
6 projects in that situation that face legal challenges than
7 the money that may be available and so that's why we talk
8 about prioritizing these projects on a different basis and
9 it'll be different for schools than transportation or parks
10 or any other area.

11 So we are still looking at that, but we had to
12 figure out a way to see what's out there.

13 ASSEMBLY MEMBER BROWNLEY: And then just to follow
14 up on that. Then the question becomes who -- you know, is
15 it the State Allocation Board, is it PMIB? Who makes -- in
16 the event -- you know, once we define the basket and what it
17 looks like, who makes the priorities and --

18 MS. OROPEZA: That I would defer to Mr. Sheehy.

19 CHAIRPERSON SHEEHY: Okay. Thank you,
20 Ms. Oropeza. So what the Board agreed on at the last
21 meeting in December was for the Department of Finance staff
22 to review all the program areas where we have public works
23 projects, including OPSC as well as all the other
24 programmatic areas, water, natural resources,
25 transportation, public safety, so on and so forth.

1 And they asked the Department of Finance as a
2 member of the Board to come back with a recommendation what
3 if any existing projects should receive exemptions from the
4 AB55 loan freeze and the purpose of those exemptions would
5 be to possibly pay unpaid bills for work that had already
6 been done, possibly pay staff salaries. There are literally
7 thousands of state staff spread around various different
8 state departments who work on these projects, the
9 engineering work at Caltrans, for example, architectural
10 work, project review work at OPSC, who are actually paid
11 from these bond funds.

12 And so we have that issue to deal with and then
13 also to look at projects that where work still is going on
14 or maybe some projects where work has stopped where there is
15 such concern from the health and safety standpoint, say
16 there was mold growing in a school facility or something
17 like this or a transportation project that involved, you
18 know, fixing some major safety problem on a stretch of
19 highway.

20 We were asked to look at all these things and come
21 back with a list of potential recommendations. Our staff is
22 still working on that. We hope to have -- we have to have
23 something ready by Friday when the Pooled Money Investment
24 Board meets. I don't know what the board's going to do and
25 I don't know what the final recommendation's going to look

1 like, but I think that we probably will be recommending
2 something.

3 You know, we have to deal with staff costs and,
4 you know, we do have unpaid bills for work that's already
5 been completed. If we don't pay those bills, we are going
6 to, I'm sure, incur some litigation from somebody, maybe
7 hundreds of lawsuits. I don't know. I've heard all sorts
8 of speculation. I don't want to put a false claim out
9 there. I don't know how many people will sue us, but I've
10 certainly gotten lots of emails and phone calls from people
11 telling me they were going to sue us if they didn't get
12 paid.

13 So, you know, we're looking at all those things
14 and our staff is going to have something and it'll be
15 publicly available on Friday, but at this time, we don't
16 have a final recommendation unfortunately. Otherwise we
17 could have shared it today, but we're just not there yet.
18 Ms. Moore.

19 MS. MOORE: A follow-up question to that is
20 obviously there has been work from the Office of Public
21 School Construction that has moved forward to the Department
22 of Finance as part of this to be considered on Friday.

23 I think that we the Board and the public should --
24 if you could just talk about what the recommendations from
25 your office are on Friday and then larger than that, I think

1 that the State Allocation Board should have a role in any
2 kind of prioritization that may go on with projects in the
3 future. We can't deal with what's going to happen on Friday
4 right now because it's not publicly agendized, but I think
5 that the Board would really -- and would want to have a --
6 speaking as one Board member, I think we should have a role
7 in that and I would defer to what the other Board members'
8 thoughts are on that.

9 But this is going -- this now gets down to, you
10 know, each project in or out and it becomes a very difficult
11 time for school districts as well as the State Allocation
12 Board and I think it should be not on staff's shoulders to
13 make those decisions.

14 MR. COOK: The group -- and we put forward a
15 relatively small group of projects. All of the health and
16 safety projects that have been approved by this Board are
17 what we put forward for Department of Finance's
18 consideration in this.

19 That is one clear-cut criteria that was easy to
20 draw and a relatively limited target because we know that
21 the funds -- there are billions upon billions of dollars of
22 claims against a limited pool of funds. Health and safety
23 projects were clearly head and shoulders above other
24 projects and --

25 MS. MOORE: And can you talk, Rob, how many there

1 may have been and what dollar value you might be talking
2 about?

3 MR. COOK: Dollar value's approximately
4 31 million.

5 MS. MOORE: 31 million?

6 MR. COOK: 31 million. I don't recall the number
7 of projects in that 31 million, but they are all -- those
8 are all health and safety projects.

9 MS. MOORE: Do we know any of those health and
10 safety projects, if the district indeed has the resources to
11 move forward on their own on any of those. Just by nature
12 of them being top priority in terms of health and safety, it
13 might not be top priority in terms of finance.

14 MR. COOK: Right. We've gathered information. I
15 don't know it off the top of my head, but yes, we've
16 gathered that information.

17 MS. MOORE: Tom, is the Pooled Money Investment
18 Board on Friday going to make the decisions on the remainder
19 of the funds? Is that what is anticipated on Friday and --

20 CHAIRPERSON SHEEHY: The Pooled Money Investment
21 Board will do its regular business, most of which is rather
22 arcane and I don't think anybody in here will care about.
23 There's a series of pro forma reports it does each month
24 about all the money that's come into the pool and all the
25 money that's gone out, the series of accounting statements,

1 series of projections on future disbursements, so on and so
2 forth, none of which is directly related to this.

3 Then it has attached about a 12-page long list of
4 AB55 loans that are all stacking up. At our last meeting,
5 we didn't approve any AB55 loans and at the meeting before
6 that in November, we didn't approve any. Although we didn't
7 adopt a policy in November to not approve any, it's just
8 they all got put over because there was some questions that
9 were asked that staff couldn't answer and everybody was
10 uncomfortable.

11 So these loans are now stacking up, so there's a
12 rather thick agenda. I think what is going to -- I think
13 the likely outcome on Friday is that the finance member of
14 the Pooled Money Board -- and on Friday I do believe that
15 will be the Chair of this committee, and then the Treasurer,
16 the Controller will meet and Finance will report whatever
17 recommendations it has on exemptions to the December 17th
18 freeze.

19 I believe that the State Treasurer Lockyer will
20 give the board an update on the state's ability to get into
21 the capital markets and I believe that the Controller Chiang
22 will give us an update on the state's cash management plan
23 and I think after the board has a clear picture of the
24 Controller's cash management plan, the Treasurer's ability
25 to get into the capital markets, finances, recommendations

1 on what if any exemptions we would recommend, that the three
2 members would then formulate some sort of motion and that
3 motion would either be to continue the ban on AB -- or
4 the -- I hate to use that word -- the freeze on AB55 loans
5 that was done in December or it may rescind that freeze and
6 adopt a new motion which would be to approve some level of
7 funding to deal with some of the issues we talked about,
8 things like staff salaries, unpaid bills, and maybe some
9 health and safety projects.

10 So I don't know what the board will do. We'll
11 have to -- you know, obviously the Controller and Treasurer,
12 they are equal partners with us and -- but I think this will
13 be what the process is, Ms. Moore.

14 MS. MOORE: Thank you.

15 CHAIRPERSON SHEEHY: Assemblyman Torlakson.

16 ASSEMBLY MEMBER TORLAKSON: Thank you,
17 Mr. Chairman. A couple of things and really agree with the
18 idea that our Board should look at the criteria in the
19 future, whatever cash does start to come in, when it comes
20 in, whatever is not used, Friday, what the process should be
21 above and beyond the health and safety 31 million to
22 prioritize, triage, and look at that and to invite our
23 school community partners, our school boards and districts
24 that have worked hard to pass local bonds and many of them
25 made promises to their voters to deliver certain facilities

1 on time and a certain schedule and are there other, you
2 know, criteria that we should, you know, look at in this
3 triage process beyond today.

4 The other question I had -- and just -- I think I
5 understood this correctly from my briefing with you
6 yesterday is the projects, as they would meet their normal
7 time frame and they come into this new and active
8 appropriation category, we're not setting up any new rules
9 as to how -- if districts front money on their own or when
10 cash becomes available. We're -- chronological order in,
11 chronological order back out; is that the general idea in
12 terms of how projects will receive their funding when cash
13 does become available?

14 MR. COOK: That's as we envision it today and
15 that -- but unless and until we wind up having to find some
16 other means of prioritizing projects. But that --

17 ASSEMBLY MEMBER TORLAKSON: I mean it sounds like
18 the simplest -- that there -- we may hear from the public
19 other reasons to think further about that, but I just wanted
20 to get that out in the open, that that seems to be -- in
21 setting this up, there'll be a project in by the date
22 they're approved and when money becomes available -- they'll
23 get the financing as the money becomes available in that
24 same chronological order.

25 CHAIRPERSON SHEEHY: Mr. Torlakson, so -- I want

1 to just make sure I understand what you're asking. Are you
2 talking about when we get to the point where we can release
3 funds, how are we going to go about doing that?

4 ASSEMBLY MEMBER TORLAKSON: I wanted to clarify.
5 My understanding is that it's just on a chronological basis
6 as to when they were approved -- received their
7 apportionment, they will be funded accordingly on the way
8 out. We don't have any different criteria. This action
9 today doesn't establish any different criteria period.

10 MR. COOK: That's correct. And I will just tell
11 you what happens under normal circumstances and we'll go
12 from there. Districts get an apportionment. They go get
13 the contracts in place. When they have their contracts --
14 sufficient portion of their project under contract, they can
15 come in for a fund release. We issue those. We process
16 those in date order received and move them along. That's
17 what we do under normal circumstances. First in to ask for
18 a fund request is first out. That's how we handled those
19 through middle of last month.

20 ASSEMBLY MEMBER TORLAKSON: And the final point I
21 wanted to make is sort of tied in with this, the districts
22 having gone to their voters and thank the voters of
23 California, the districts that did the hard work of selling
24 the bonds locally -- the billions that we have locally to
25 match into our program, to do everything we can to make sure

1 that pipeline continues to develop and that we have a way
2 when the money does get here of making sure those products
3 are delivered as quick as possible.

4 That means the excellence to the education
5 facilities. It also means the jobs. So what is the normal
6 procedure of whether you recommend -- is there a category I
7 understand called the unfunded but approved projects that
8 would stack up beyond the inactive appropriations category
9 we're -- appropriated category we're talking about today.

10 In other words, districts are working with
11 architects. Districts are working on plan approval, city
12 permits, et cetera. They're moving. They want to get their
13 application in the queue. We want to encourage that I think
14 to continue with the sober reality that, you know, the cash
15 isn't here now, but what if the new federal -- federal
16 stimulus program has an earmark out for education
17 facilities. What if we can solve this in a nearer term than
18 we are thinking now? Are we doing anything to discourage
19 that and how do you handle the unfunded but approved
20 projects?

21 MR. COOK: I'll take part of that. We're taking
22 applications in our door today. We're processing according
23 to normal procedures and getting them teed up for some point
24 before this Board.

25 Initially we had an item set for this agenda that

1 given some of the uncertainty that is still to be addressed
2 at the Pooled Money Investment Board we thought was
3 premature and was withdrawn from this agenda.

4 I am certain that this Board will address that
5 question at a later date.

6 CHAIRPERSON SHEEHY: Is there another part,
7 Mr. Cook, that you were looking for some help on or does
8 that -- Mr. Torlakson, does that answer your questions?

9 ASSEMBLY MEMBER TORLAKSON: We're doing nothing to
10 impede that process.

11 CHAIRPERSON SHEEHY: No, sir.

12 MS. MOORE: So to be clear on that, then is it the
13 intent of staff at the January 28th Board to bring forward
14 projects that would have met all requirements absent the
15 financial crisis we're in at the moment and apportion them
16 or not? I mean that's the real question.

17 CHAIRPERSON SHEEHY: I'd like to respond. It
18 would be my recommendation that we wait and see what the
19 Pooled Money Investment Board does on Friday and then see
20 where the dust starts to settle before we make decisions on
21 how to proceed on the 28th because I think there are too many
22 unsettled questions to make that determination today.

23 For example, if the Legislature does not send the
24 Governor a budget by February 1st, I've been advised by all
25 parties that our situation gets further complicated then

1 because then we could run into a situation where the
2 Controller would start having to issue IOUs because we
3 literally run into a negative cash situation. Not only
4 would there not be any general fund cash, there wouldn't be
5 special fund cash.

6 And under that scenario, I believe it's quite
7 likely that the Director of Finance would issue another
8 budget letter just saying, you know, there is no exemption
9 process. We're not -- you know, we're pulling the plug on
10 all public works projects.

11 So I mean I think we're in such a serious
12 situation, I think we really need to wait and see what the
13 Pooled Money Board does on Friday and see what develops and
14 we'd certainly take this up and discuss it more on the 28th,
15 but I don't want to pre -- I think we would be ill advised
16 to predetermine today what that agenda item is.

17 MS. MOORE: Could we then just ask that on the
18 January 28th Board we have an action agenda item that allows
19 the Board to discuss the issue and has some recommendations
20 for action? For instance, we've been in the situation in
21 this program before where we did not have funds and that was
22 not because of actions like this situation, but we went
23 forward with zero dollar apportionments that allowed
24 districts to move forward on their projects knowing at some
25 point it was a risk, but at some point, there could be funds

1 and you've met all requirements and you crossed a line in
2 the sand and when funds would become available.

3 So that's perhaps an option that we could discuss.

4 CHAIRPERSON SHEEHY: Ms. Moore, if it's agreeable
5 with you and the other Board members, I would like to ask
6 OPSC to prepare a discussion for the 28th. The reason why
7 I'm saying that rather than an action item is because I have
8 been told repeatedly by officials within the administration
9 that the February 1st deadline is very meaningful and since
10 we're going to meet before February 1st, I -- again I'm happy
11 to call another emergency meeting of this Board in early
12 February if that's necessary, Ms. Moore, but I think we
13 should definitely have a discussion item so there's a full
14 discussion so we can hear from the public, hear from all the
15 Board members, but I really do think we need to wait until
16 after February 1st to see what the next action on this item
17 is. That's agreeable, Ms. Moore?

18 MS. MOORE: As long as we have a full discussion.
19 I defer to your knowledge around that financial situation.

20 CHAIRPERSON SHEEHY: Is that agreeable to the
21 other Board members as well? Since -- I know there's a
22 tremendous amount of interest here for public input. I'm
23 also very sensitive to the legislators' schedules. I know
24 they have other committee and caucus responsibilities, so I
25 want to just test the waters here.

1 If it would be agreeable to the Board if we could
2 at least have a motion and hopefully a second and a vote on
3 these regulations while we have you here and we have a
4 quorum. Leave the roll open and then proceed to go ahead
5 and take public testimony. Therefore you could come and go
6 as you please, but I don't want to lose the quorum and I
7 know the legislators have many activities going on. Is that
8 agreeable to the Board today? Mr. Harvey.

9 MR. HARVEY: As such, I would like to then move
10 for action the emergency resolution as proposed to be
11 amended.

12 CHAIRPERSON SHEEHY: Do we have a second on
13 Mr. Harvey's motion?

14 ASSEMBLY MEMBER TORLAKSON: I'll second that with
15 the understanding if we hear from the public some
16 information that causes a need to amend it or do something,
17 we'll have the latitude because we are here to hear the
18 public.

19 CHAIRPERSON SHEEHY: Okay. We have a motion, we
20 have a second by Mr. Torlakson, and we have the commitment
21 of the Chair to leave the roll open on this item to the end
22 of the meeting and if any member wants to come back and add
23 on or pull off -- hopefully not the latter -- that would be
24 fine and then we'll close the roll at that point. Is that
25 agreeable?

1 Ms. Rice, could you please call the roll? The
2 motion is to approve the emergency regulations as -- Senator
3 Lowenthal.

4 SENATOR LOWENTHAL: I'm just wondering, I know
5 that both -- two members of the Board have now raised the
6 issue about a sunset as part of the regulations. Should we
7 consider that also to --

8 CHAIRPERSON SHEEHY: Yes. There is a sunset --
9 the very last provision would require these regulations to
10 sunset on January 1st of 2010 which by the time these things
11 are effective, that would mean they would be in effect for
12 essentially, what, about ten months, Rob?

13 MR. COOK: Approximately that, yes.

14 CHAIRPERSON SHEEHY: Yeah.

15 MS. MOORE: The Section 1859.90 and the I think
16 the definition section are not necessarily -- they're not
17 sunsetted and while I understand the explanation around it's
18 kind of -- as Ms. Oropeza said, it's status quo how things
19 operate now with the Pooled Money Investment Fund, I'm still
20 a little uncomfortable with the language because for ten
21 years we operated without it and I'm not so sure in the
22 future if it's a required language.

23 But that's just one Board member's thought. I'm
24 open to what others may think.

25 CHAIRPERSON SHEEHY: Okay. And I appreciate that.

1 MR. NANJO: Mr. Chair, just so that we're clear.
2 I just want to make sure that the understanding's correct
3 that the Board is authorizing staff to essentially make
4 their recommendations because their recommendations are
5 twofold. One is that this body approves the proposed
6 regulations as distributed and discussed and then secondly
7 to authorize OPSC to submit these to the Office of
8 Administrative Law as emergency regulations.

9 So as long as it's clear that the motion are both
10 those parts --

11 CHAIRPERSON SHEEHY: Yes. Mr. Harvey has
12 acknowledged that that is his motion.

13 MR. NANJO: Thank you.

14 CHAIRPERSON SHEEHY: Ms. Moore, I understand your
15 concern. We could have more discussion on this point or we
16 could put the regulations over to the 28th. I advise we act
17 on them today.

18 Ms. Oropeza, did you want to take another run at
19 Ms. Moore's concern? There's ongoing concern. I'm not
20 concerned with it, but then again I'm an insider on the
21 Pooled Money Investment Board, so I could understand why
22 somebody else might be concerned. So I'd like to know --

23 MS. MOORE: Let me ask this question --

24 CHAIRPERSON SHEEHY: -- more about your point of
25 view.

1 MS. MOORE: -- and then maybe that would help with
2 my internal struggle. When we then make our apportions
3 subject to the Pooled Money Investment Board's actions,
4 should they decide the priorities for the money in which
5 they are -- in which the pool is. That could in my mind
6 negate the actions of this Board.

7 MR. NANJO: One quick comment if I can jump in
8 here. As I read the 1859.90 adjustments, what you're making
9 it subject to is not the Pooled Money Investment Board
10 generally but specifically the availability of financing.
11 So that's the only criteria by which Pooled Money Board can,
12 for lack of a better term, supersede an action of this Board
13 is if there literally is not funds available. So I think
14 that's a significant part of it.

15 We're not -- I don't view these changes as
16 deferring or giving any part of this Board's authority to
17 the Pooled Money Investment Board. It is solely on the
18 availability of financing as determined by the Pooled Money
19 Investment Board.

20 MS. MOORE: Ms. Oropeza, do you feel the same?

21 MS. OROPEZA: And that's exactly the point. It's
22 when they determine that there is or is not funding
23 available is the only time that they can impact the
24 projects. They still could change the priorities in terms
25 of how projects are funded and the only thing the board is

1 going to determine -- the PMIB is how much money will be
2 available and that's the only thing that impacts the
3 projects not what necessarily gets funded or not.

4 Now what action they take on Friday in terms of
5 how much to make available, that's -- won't change anything
6 else.

7 MR. NANJO: And statutorily and regulatorily, this
8 Board is the board that's charged with making apportionments
9 on projects, so --

10 MS. MOORE: Well, thank you for the clarity. I
11 for one don't want to hold this up and I think as Board
12 members we can always revisit regulations.

13 CHAIRPERSON SHEEHY: Absolutely.

14 MS. MOORE: As we see this move forward in the
15 future, should we determine -- I would ask that the courtesy
16 should we determine that there might be a problem that we
17 would just revisit it at that time.

18 CHAIRPERSON SHEEHY: Excellent and you have my
19 commitment as long as I'm a member of this body. I'd be
20 delighted to entertain that discussion at any meeting. If
21 there's any concern that the specific point you've raised
22 here about the interaction between PMIB and SAB has caused
23 some unforeseen problem, you've got my full commitment to
24 address it and fix it.

25 MS. MOORE: Thank you.

1 CHAIRPERSON SHEEHY: Okay. So we have a motion
2 and a second and agreement to leave the rolls open till this
3 meeting's over. Ms. Rice, could you please call the roll.

4 MS. RICE: Yes. Senator Lowenthal.

5 SENATOR LOWENTHAL: Aye.

6 MS. RICE: Senator Hancock.

7 Senator Wyland.

8 SENATOR WYLAND: Aye.

9 MS. RICE: Assembly Member Fuller.

10 ASSEMBLY MEMBER FULLER: Aye.

11 MS. RICE: Assembly Member Brownley.

12 ASSEMBLY MEMBER BROWNLEY: Aye.

13 MS. RICE: Assembly Member Torlakson.

14 ASSEMBLY MEMBER TORLAKSON: Aye.

15 MS. RICE: Scott Harvey.

16 MR. HARVEY: Aye.

17 MS. RICE: Kathleen Moore.

18 MS. MOORE: Aye.

19 MS. RICE: Rosario Girard is absent. Tom Sheehy.

20 CHAIRPERSON SHEEHY: Aye. Ms. Rice, please keep
21 the roll open.

22 Okay. Are there any more questions or comments
23 from Board members at this point? If not, I'd like to open
24 it up for public comment. Seeing none, Mr. Duffy.

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

1 Tom Duffy for C.A.S.H. To answer a question you brought up,
2 Mr. Sheehy, a little while ago. Can you hear me all right?

3 CHAIRPERSON SHEEHY: Please speak as loud as you
4 can.

5 MR. DUFFY: All right. Mr. Sheehy, you had asked
6 the question about had this ever occurred before. I've been
7 attending Allocation Board meetings for approximately 30
8 years. It's never occurred before. The Board has been out
9 of funds before because of the lack bonding, but nothing
10 quite like this is now.

11 And based upon what has occurred, our discussions,
12 discussions with Mr. Cook and Ms. Valentine and others, we
13 would like to offer to you our (indiscernible) on what is
14 being proposed. We offer that as a dynamic (indiscernible)
15 however, so that if we learn more that we can come back and
16 I think the discussion is in support of that, that we get to
17 revisit things as we learn more and find out what it is that
18 is really happening.

19 I had a couple of comments I wanted to make, but
20 there was some discussion that I think is important and
21 there were three points.

22 Senator Lowenthal had asked the question of
23 whether or not there's an obligation to fund a district that
24 has indeed received an apportionment from this body.
25 Mr. Nanjo's an attorney. I'm not. I'm an educator, but I

1 would differ with him because my read of the statute is that
2 if a district indeed fulfills all the obligations that are
3 provided under the statute that the Board is to fund them.

4 There's a particular provision in the statute that
5 is referenced in the regulations for hardship districts to
6 be funded quickly because they're hardship districts. We're
7 not pushing that point. I think California's in trouble and
8 I think we all need to be part of the solution and not part
9 of the problem.

10 And so -- the C.A.S.H. board recognizes this. We
11 met with the C.A.S.H. board last week. They're well aware
12 of all that is happening. The C.A.S.H. board is made up of
13 school district representatives as well as the
14 representatives from the private sector. And so everybody
15 is hurting and we want to make sure that we offer our
16 continued help.

17 But I just wanted to make that comment that we
18 believe there is an obligation and school districts are in
19 contracts and I'll share with you in a few minutes, we've
20 done a survey of districts and just how deep is this hole
21 for the districts that have entered into agreements.

22 I also wanted to comment on your question,
23 Senator, because you had referenced that at the local level,
24 Mr. Wyland, the available districts that it may be easier
25 for them, I think if I heard you correctly.

1 What we are hearing from districts is that the
2 bond market is extremely tight. One district representative
3 told me last week that they paid premium of 12 percent --
4 and this is in a county not very far from where you are --
5 in order to sell bonds. It's difficult to do it all and
6 it's very expensive.

7 And so they basically discount their projects by
8 selling bonds at this time. So that really there isn't
9 relief there. I just wanted to make sure that you had
10 understood that.

11 SENATOR WYLAND: Yeah. And just to clarify, I
12 think no district would want to do that at this point also
13 simply because they can't get the matching funds. It's not
14 a good time.

15 MR. DUFFY: And we are advising districts. We've
16 had a flow of information to districts about what to look
17 out for. The level of expertise in districts varies and
18 there are people who are new. There are people that are
19 more seasoned. So we're trying to make sure we're a
20 resource and we make sure that we're in contact with
21 Mr. Cook and I want to make sure that you know that, that
22 we've offered our assistance to him.

23 You both asked I think a similar question that I
24 would like to respond to, Mr. Torlakson and Ms. Brownley,
25 and that was how do you determine who to fund.

1 In a discussion we had in Mr. Sheehy's office
2 yesterday, my comment was this has been a first -- sort of
3 first come, first served program, so if somebody comes in
4 the door, they should be processed first and they should
5 then receive funding first.

6 That makes sense except for a couple of things.
7 One is it was -- health and safety issues were discussed and
8 I think that that's certainly something that you as a Board
9 should discuss.

10 We have a class of districts in California today
11 that we basically call financial hardship districts.
12 Financial hardship districts, who may for the most part be
13 medium or small, enter into agreements. They expect funds
14 to be available. You have to sign that you're in a contract
15 to be able to ask for the fund release and they will have
16 difficulty making not only the general fund needs but these
17 capital needs.

18 Ms. Moore and Mr. Cook, about a year ago, helped a
19 district. It was a hardship district that was close to
20 receivership because of a capital project. What I would
21 like to ask you to be sensitive to are districts that would
22 be in that class.

23 And I suggested yesterday meeting in Mr. Sheehy's
24 office that it's something that we can rely upon. The
25 California Department of Education (indiscernible) from, not

1 necessarily wanting to give them work, but they have a
2 fiscal office that looks at the solvency issue for districts
3 and of course the FICMAT body is there as well.

4 But what I'm suggesting is that it may be well for
5 this body to consider looking at a priority of funding if
6 indeed as your staff has suggested funds may become
7 available and how do you determine who receives those funds.

8 So I wanted to comment on those.

9 We've had discussions with your staff and even
10 during the holiday break suggesting that the 18-month
11 question be a question of unplugging the clock. It's
12 extraordinary because statute basically doesn't support
13 that. I think the construct that you have now adopted does
14 support and we are, as I said, in support of it.

15 We think that this is helpful. We have sent a
16 letter to Mr. Cook that we sent also to you identifying a
17 number of different areas that we suggest there be further
18 study of. Mr. Cook and I talked about an hour ago and he
19 said we're already on that and we'll be talking about it.

20 I just wanted to note that the unplug of the 18
21 months is one. I think there maybe needs to be others.

22 On the question of -- and Mr. Nanjo certainly and
23 others could certainly weigh in on this. On the question
24 that's that large question for the PMIB, the PMIB is there
25 as an entity as you've identified very much out of the

1 spotlight. It's just doing its job. But when it comes to
2 which public project gets funded, I would just suggest that
3 maybe asking your staff attorney to look at the question of
4 what the Constitution of California says.

5 The Constitution in California says we fund
6 schools first. The first dollar goes to schools. So -- and
7 again we're not trying to identify that -- we want to carve
8 out that would harm any other part of state governance or
9 state projects, but just to keep that in mind and the
10 Constitution has certainly been identified in the past in
11 cases before the courts and I'm referencing that only as a
12 reference. There's no intent there for us to do anything
13 legal.

14 CHAIRPERSON SHEEHY: I'm sorry.

15 MR. DUFFY: Yes.

16 CHAIRPERSON SHEEHY: I apologize. I don't mean to
17 break the flow, but you just made a very, very important
18 point and I don't want it to get lost in the rest of your
19 testimony, which is how the Constitution might interact with
20 what I believe you're referring to as fund releases through
21 the Pooled Money Investment Account.

22 And I have my expert here, probably one of the
23 foremost experts of the state on Prop. 98, Ms. Oropeza. I'm
24 going to let her elaborate, but generally speaking the
25 Constitution addresses priority payments under

1 Proposition 98 which is a wholly different animal than this.

2 Ms. Oropeza, would you like to elaborate on that.

3 MS. OROPEZA: And that is the point that I would
4 make. It's under Article 16, Section 8. It's the place
5 where it says that the first dollar goes to schools and
6 includes -- it's not clear whether it's just K-12, K-14.

7 MR. DUFFY: Yes. Yes.

8 MS. OROPEZA: But it's in the Prop. 98 section and
9 these dollars that we're talking about are not for Prop. 98
10 purposes and so I don't think that we would have the same
11 interpretation when it comes to monies for these projects.

12 MR. DUFFY: And I do not disagree with
13 Ms. Oropeza. My point is simply that there is an
14 interaction in school districts because of program and
15 capital and I just didn't want that piece to be lost.

16 In fact I think you and I had a similar
17 conversation in your office and I think the Treasurer may
18 have made a comment about that at the last PMIB.

19 The unfunded approval question, we'd asked for
20 that term and we appreciate the fact that Mr. Cook had it
21 there, although it has been withdrawn, and we understand
22 that and you and I had a conversation about this yesterday,
23 Mr. Sheehy.

24 We'd like to make sure that we don't lose that
25 concept because of what of course is in statute to say if

1 districts are moving along, this body and OPSC need to pay
2 attention to them and that's the only comment I'll make
3 there.

4 CHAIRPERSON SHEEHY: And Mr. -- excuse me,
5 Mr. Duffy.

6 MR. DUFFY: Yes.

7 CHAIRPERSON SHEEHY: And at Ms. Moore's request
8 and the Board agreed, we're going to have a full discussion
9 item on the unfunded approval issue on the meeting on the
10 28th and then either in the subsequent meeting or even sooner
11 than that if necessary, we can then take that up as an
12 action item.

13 MR. DUFFY: And we support your comment and we
14 appreciate the fact that this meeting is happening because
15 you basically called us here, so your comment about
16 emergency meeting in February, we understand and we believe
17 in your word that if you need to do it, you're going to do
18 it, and we'll be here.

19 The comment I think was already made, so I'll just
20 be light on this, that the coverage of these emergency
21 regulations we believe was brought -- and our intent in our
22 communication -- with broad coverage that you have a variety
23 of programs that involve new construction, modernization,
24 career technical education, joint-use, charter, and others,
25 and so our belief is that the intent is to cover them and

1 we'll be talking with Mr. Cook and others again as we move
2 through this.

3 The question of how deep is this today for
4 schools, C.A.S.H. did a survey and we'd be pleased to share
5 it with you. We'll kill a lot of trees if we give it to you
6 in paper form. But this was done in approximately a week
7 and a day. What we learned is that there are 22 projects
8 out there that are at risk that -- 23 with some information
9 that came my way just before the meeting -- over
10 \$200 million.

11 So that's contracts for K-12 projects that are on
12 the street today. We had some anecdotal information about a
13 district that is not very far from here that has a
14 \$70 million project -- that's \$35 million from the state,
15 we're assuming -- that is believing that they have to
16 interrupt that contract and they're going to end up paying
17 damages and the damages are going to be substantial,
18 probably 20 percent of the cost of their project.

19 So just trying to make sure you have that kind of
20 information.

21 SENATOR WYLAND: If I could just interject --

22 MR. DUFFY: Yes, sir.

23 SENATOR WYLAND: -- 200 million is the state
24 portion --

25 MR. DUFFY: Yes.

1 SENATOR WYLAND: -- that we're talking --

2 MR. DUFFY: Yes.

3 SENATOR WYLAND: Okay.

4 ASSEMBLY MEMBER TORLAKSON: So double it.

5 SENATOR WYLAND: Yeah.

6 MS. MOORE: Mr. Duffy, can you clarify that a
7 little bit in that we were shared information that it's
8 2.4 billion at risk. Are you saying that your survey says
9 of that 2.4 billion only 200 million is in contract without
10 the ability to make up the difference?

11 MR. DUFFY: It is -- of the 1.2 billion that we
12 believe have been apportioned with districts requesting fund
13 releases, we believe that this is a subset of that and it's
14 a -- basically 101 districts. So it's not everyone.

15 But as I'm understanding it, there's 1.2 billion
16 that is called for basically that OPSC cannot provide fund
17 releases for. 800 million of that is from LA Unified.
18 There's 400 million as we understand are from the other
19 districts. So this is about half of that from 100
20 districts.

21 But we did this quickly and I'd be pleased to
22 share this information with you and the Board.

23 MS. MOORE: Thank you. And it's exclusive of
24 LAUSD then.

25 MR. DUFFY: Yes. LA is not in this --

1 MS. MOORE: Okay. And then I'm confused, so could
2 you help me with 2.4 billion versus 1.2 billion?

3 MR. COOK: Yeah. The 1.2 is inside the 2.4. The
4 2.4 billion in apportionments have been made by this body,
5 roughly 850 projects that are out there and have not -- now
6 half of that money, districts have come in and sought a fund
7 release. The other half, they haven't brought anything
8 forward yet. They're still out there in their 18-month time
9 frame doing whatever they were doing. They hadn't come in
10 our door yet.

11 MS. MOORE: Thank you.

12 SENATOR WYLAND: If we could -- because I think
13 this addresses Senator Lowenthal's question. I think your
14 question, Ms. Moore, is right on. How -- I think what we're
15 looking for is how much money is -- has been requested and
16 where are these districts. I'm sure some of these districts
17 have started construction.

18 MR. DUFFY: Yes, they have.

19 MR. COOK: Um-hmm.

20 SENATOR WYLAND: And some maybe just have the
21 money and I think what we've got to find out is, you know,
22 which ones are going to go -- have to go back to their
23 contractors --

24 MR. COOK: Um-hmm.

25 SENATOR WYLAND: -- and say either stop

1 construction or don't start.

2 MR. COOK: And to answer your question, there
3 isn't complete information on that. We have been canvassing
4 districts that -- in that 2.4 billion class of what we might
5 term inactive apportionments to try to get that information.
6 In some cases, some of those districts have very good
7 information on what they're doing and how they're
8 proceeding. Others are still trying to figure things out
9 and we do not have -- on 850 projects, we do not have all of
10 the information yet.

11 CHAIRPERSON SHEEHY: Thank you, Mr. Cook. In the
12 interest of time, I know there's a lot of people that would
13 like to speak. Mr. Duffy, did you want to continue?

14 MR. DUFFY: I will conclude with just the
15 following. I've appreciated your leadership. I mentioned
16 that before. I think this meeting is because you called it
17 when we were down in Anaheim. I appreciate the responses to
18 Mr. Cook to me, including calling me to let me know just
19 before this meeting that there were some changes in the
20 write-up.

21 Just the document, Mr. Cook, that you had put
22 together that's dated January 15th, tomorrow, that I was
23 assuming is a draft document, if we could dialogue about
24 that, just have -- comments about phraseology just to make
25 sure we're really clear and I -- you've got the letter?

1 CHAIRPERSON SHEEHY: Okay. All right. Tom, this
2 is important, but maybe you could have this conversation
3 with Rob offline.

4 MR. DUFFY: Well, I will have -- I'll have it with
5 him outside. The point is that it references hardship
6 districts and doing financings and it's confusing.

7 CHAIRPERSON SHEEHY: Okay.

8 MR. DUFFY: We want to make sure hardship
9 districts are not harmed any further than they may be today.

10 CHAIRPERSON SHEEHY: And we agree. And we agree.
11 Ms. Brownley.

12 ASSEMBLY MEMBER BROWNLEY: Just in the remarks
13 that Mr. Duffy made, I -- he in his letter references
14 potential other areas where we might need to make amendments
15 vis-à-vis the regulations. And I know that we're sort of in
16 uncharted territory here, but I think it's important for us
17 to nail this down and that we are sort of all in agreement.

18 I know there's -- we have a letter here that's
19 going to go out to school districts and superintendents.
20 Accuracy from our perspective is critically important and
21 getting the information out. I know we could be subject to
22 liability on a lot of different counts, but certainly the
23 last thing I want to be liable for is sending out, you know,
24 inaccurate information and being part of a problem.

25 So I just think that it's a -- and I know things

1 can evolve and change and we have to be flexible to do that,
2 but I think it's important to get it nailed down.

3 CHAIRPERSON SHEEHY: Okay. Mr. -- I'm sorry.
4 Okay. Seeing no other questions for Mr. Duffy, Mr. Walrath.

5 MR. DUFFY: Thank you very much.

6 CHAIRPERSON SHEEHY: Oh, yes. Mr. Lowenthal.

7 SENATOR LOWENTHAL: Yeah. I'll just be brief
8 because I have to run out. I -- to follow up on that, you
9 know, in terms of the letter, the guidelines, I think there
10 are policy issues that are in it that really need to be
11 discussed. I would certainly simply a great deal before
12 sending it out and just indicate -- especially there are
13 parts that -- it says here that districts are advised that
14 the cost of issuance, debt service, reserve funds,
15 capitalize, interest costs related to bridge financing and
16 not eligible, well, we're going to have that discussion. I
17 would like to make sure that staff does have that discussion
18 on the -- what are the impacts to local districts. I mean
19 that we have -- that Implementation Committee makes that
20 discussion and brings it back to our next meeting on the 28th
21 before we tell them what -- who's going to be responsible
22 for what and what -- potentially who has to cover costs. I
23 would not talk about that at this moment until we have the
24 full policy discussion of that issue.

25 I would simply this and just say that they are

1 eligible. They can secure bridge financing and that they
2 will be reviewed, but I would not go through all the policy
3 kinds of things, especially the part that has to do with at
4 their own risk. We have not had that policy discussion,
5 what's at their risk and what is not at their risk yet. So
6 I would not include that at this moment.

7 MR. NANJO: Just to add in. Currently the letter
8 is accurate as our statutes and regulations exist and I
9 think that's the context in which it was written. If
10 we're --

11 SENATOR LOWENTHAL: But this is an emergency
12 situation though.

13 MR. NANJO: Well, I understand that, but it
14 doesn't matter that our regulations and our statutes are
15 still in effect until we -- this Board changes them. So --
16 as far as the regulations. Statutes as you know require
17 other changes. So I would just caveat the Board that you
18 need to kind of work with the situation we have now until we
19 change --

20 SENATOR LOWENTHAL: Do we allow now bridge
21 financing?

22 MR. NANJO: That's --

23 MR. COOK: We --

24 SENATOR LOWENTHAL: The financial hardship or are
25 we changing it already?

1 MR. COOK: For financial hardship, we do not allow
2 bridge financing.

3 SENATOR LOWENTHAL: So we are changing it then.
4 So I'm --

5 MR. COOK: Well, we -- if I can.

6 CHAIRPERSON SHEEHY: Mr. Cook, could you please
7 clarify?

8 MR. COOK: Certainly. That's actually part of the
9 next -- the report that we have on this agenda. Under --

10 CHAIRPERSON SHEEHY: We sort of jumped ahead, but
11 let's -- since we're there, let's get right into it.

12 MR. COOK: Let's go for it. Under normal
13 circumstances, financial hardship districts are not allowed
14 bridge financing unless it's considered as a contribution to
15 a project -- in the past and notably in 2006, when we ran
16 short of funds and in 2002 when this body was out of funds,
17 this letter was issued to districts to allow for bridge
18 financing since there were no state funds to be released.

19 This letter is consistent with those prior
20 issuances and past policy discussions of this body. It's a
21 means of suspending -- allowing districts under certain
22 guidelines to go obtain bridge financing if they can and
23 maybe cold comfort in these financial markets but without it
24 being considered as a contribution to their project.

25 So there's history for this approach of this

1 Board. This letter's consistent with those prior issuances.

2

3 MR. NANJO: And it's also consistent with current
4 statutes and regulations as they exist.

5 MS. MOORE: Well, just a comment on that. I agree
6 that there is still a policy discussion to be had about what
7 is the state's responsibility in a time of this nature in
8 which the state took the action that has now placed school
9 districts in some situations -- very untenable situations.

10 And I think that at the next Board meeting we
11 should have that discussion about what are the potential
12 costs to school districts. I think on the contractual side,
13 on the ceasing of contracts if they must do so and/or the --
14 and then on the financial side on whether the state has a
15 role in bridge financing costs during this extraordinary
16 time.

17 So while this could go out -- this is current as
18 of today, I think the Board definitely needs to have a
19 discussion with good staff, you know, work around those
20 issues.

21 CHAIRPERSON SHEEHY: You know, I just don't want
22 to -- that's fine and I think we need to have those
23 discussions. I -- when I start hearing things about the
24 state's role in bridge financing costs, it makes me very
25 nervous when I'm wearing my Department of Finance hat, and I

1 think that one of the things that's really important in here
2 in the letter is that we are also sending out the message
3 that any bridge financing that districts enter into that
4 it's at their own risks. I mean we simply don't know and
5 don't have a crystal ball. I mean we're all hopeful that
6 the Legislature and Governor will be able to get together
7 and get \$41 billion in solutions as soon as possible. That
8 goes without saying.

9 But beyond that, it's completely out of our
10 control what happens in the capital markets and even -- I
11 mean I was advised by State Treasurer staff that even if we
12 solve all \$41 billion, we may still have a difficult time
13 getting in the capital markets. So I'm sure -- I'm very
14 confident that we will get a full and complete balanced
15 budget real soon, but I'm not as confident about the capital
16 markets and I think we do need to send a message continue --
17 reemphasizing the message that we are in uncharted waters
18 and we just simply do not know when we will be able to and
19 how we'll be able to start releasing funds in a regular way.

20 MS. MOORE: I agree with that message currently,
21 but I also know that there was a time that the state
22 participated in what we called interim finance. It was a
23 very successful program. It had caps on it to my
24 recollection -- It's a few years now -- that did mitigate
25 state risk in terms of, you know, not going for a 12 percent

1 loan, but perhaps we'll cap you at, you know, whatever, you
2 know, Department of Finance is -- good guidance there and I
3 do think -- I as one Board member think that we should have
4 those discussions because districts did not enter into this
5 on their -- this is not a district caused problem. This is
6 a state caused problem. It's leaving a lot of districts in
7 the lurch and we need to have those discussions and be -- on
8 the financial issues.

9 CHAIRPERSON SHEEHY: And I agree with everything
10 that you've said, Ms. Moore, but I just -- I apologize I --
11 it's not my intent to be argumentative with a fellow Board
12 member, but I want to keep emphasizing, yes, the state has a
13 role here, but a big part of the reason why we're in this
14 situation is because of the extreme volatility and partial
15 collapse of the United States capital and equity markets due
16 to the subprime mortgage crisis, the failure of major banks
17 and other financial institutions.

18 All those things were completely out of our
19 control regardless of what our budget situation was and I
20 just think we can't turn a blind eye to that.

21 That said, you're right. The state also has a
22 cash crisis and the state has to manage that cash crisis and
23 unfortunately one of the fallout from the cash crisis is the
24 situation we're in today. Ms. Brownley.

25 ASSEMBLY MEMBER BROWNLEY: Just -- since we're

1 talking about the letter, there was just one point that I
2 wanted to make on the letter as well and that is it looks
3 like it's dated to go out tomorrow to school districts and
4 county superintendents and it says that the OPSC is now
5 restricted from releasing funds for projects that have been
6 approved or from apportioning new school facility programs.

7 So we've been talking a lot today already about at
8 our next meeting discussing how, you know, we might build an
9 unfunded list of projects to be apportioned, but yet this
10 letter is saying as of right now we're not going to be doing
11 that anymore. So --

12 CHAIRPERSON SHEEHY: And my understanding on that,
13 Ms. Brownley -- Mr. Cook, please add in if I get it wrong,
14 but what would be under discussion at a future meeting,
15 probably in early February -- or in February would be an
16 unfunded list issue similar to what this body had done in
17 prior years when there were no bond fund or bond authority
18 on the books, so to speak, and that action historically has
19 always been very different than actually making an
20 apportionment which is -- maybe Mr. Nanjo can weigh in.

21 An apportionment has a very different legal flavor
22 and color than an unfunded list. You want to weigh in on
23 that, Henry?

24 MR. NANJO: Yeah. Just real briefly. An
25 apportionment is a term of art in our program. It

1 requires -- it triggers certain timelines and what have you.
2 Because of that, we have to be really careful of using the
3 term apportionment.

4 If we make apportionments, we put school districts
5 in jeopardy of having to comply with requirements and
6 timelines that it may not be wise for them to do under this
7 financial situation.

8 So the whole concept of the unfunded approval is
9 to kind of take the place of that. So again the letter was
10 drafted with staff with a fair amount of thought. We're
11 trying to help the school districts. I believe everyone on
12 the Board is on the same page. We're just trying to do it
13 in the most technically correct way possible.

14 ASSEMBLY MEMBER BROWNLEY: Right. So there's
15 apportionments in financial crisis of which we used to use
16 that terminology in a different way when we were doing a
17 course of normal business and so now we've sort of got sort
18 of two definitions of things.

19 But if I'm on the receiving end of this letter,
20 I'm not sure that I'm going to completely understand it --

21 CHAIRPERSON SHEEHY: Let me try to further
22 clarify. If --

23 ASSEMBLY MEMBER BROWNLEY: I get it.

24 CHAIRPERSON SHEEHY: If we ended up doing the
25 unfunded approvals, then what would happen is, is we develop

1 this long list and at the point in time when the state's
2 financial condition was such that this body could then do
3 apportionments, we would in one motion approve a whole long
4 list.

5 Instead of -- what this body normally does sort of
6 every month in a piecemeal basis, maybe 20 projects here and
7 30 projects there, we would at some future point after
8 having done a bunch of unfunded ones on one motion approve a
9 whole long list. Is that right, Mr. Cook?

10 MR. COOK: That is correct. That is how it's been
11 done in the past and that's an apportionment. That is --
12 you know, as Henry indicated, triggers all the requirements
13 under that. An unfunded approval does not trigger any
14 requirements. It merely is a statement that the project has
15 met all of our regulations otherwise and -- statute and
16 regulation and the state has not made a dollar commitment to
17 it.

18 CHAIRPERSON SHEEHY: Additional questions or
19 comments on the letter? Mr. -- I'm sorry. Mr. Harvey, then
20 Ms. Moore.

21 MR. HARVEY: So in other words, it's the positive
22 side of an inactive list.

23 CHAIRPERSON SHEEHY: Thank you, Mr. Harvey.

24 MR. HARVEY: Wait, wait. I have one other --

25 MS. MOORE: Could we then end the sentence with

1 SAB period and not getting into the apportionment issue at
2 this time because regardless of the technicality of it, what
3 it means to school districts is that we are not taking in
4 any way, shape, or form projects forward to the Board and I
5 don't think we've made that decision and they are -- not all
6 districts are on the same level of knowledge around our
7 wording in the program and that if we just simply say what's
8 been done to date, end the sentence with SAB, and leave the
9 apportioning, unfunding, whatever term we're going to use in
10 the future to the future.

11 CHAIRPERSON SHEEHY: I'm sorry. Where's --
12 Ms. Moore, could you for the benefit -- my benefit and
13 everyone else's --

14 MS. MOORE: First paragraph, you end the --

15 MR. COOK: It's stamped page 9. It's the last
16 portion of the first paragraph of that letter and I have no
17 issues --

18 SENATOR LOWENTHAL: It would end with SAB.

19 MR. COOK: Yeah. And I have no issues with --
20 it's still technically correct and provides information to
21 districts that they can act on. So --

22 CHAIRPERSON SHEEHY: I don't have any objection to
23 doing that. However, I can tell you right now I think it's
24 extremely unlikely this body's going to be making any
25 apportionments until our budget crisis is resolved. So I --

1 I mean I'll go along with it, Ms. Moore, if that's going to
2 prevent us from getting this letter out, but I think for
3 purpose of being transparent and being accurate and telling
4 people what's going on that we should leave it in there
5 because this body is extremely unlikely to make
6 apportionments in the current situation we're in today.

7 MS. MOORE: Okay. Explain to me again what
8 apportionment -- is that the actual dollar value of a
9 project?

10 MR. COOK: Yes. That is commitment --

11 MS. MOORE: So it's not an unfunded. It's not a
12 zero dollar.

13 MR. COOK: That's correct.

14 MS. MOORE: It's the actual dollar amount. Maybe
15 we use that language and if that's the apportionment and
16 explain it because it's confusing.

17 CHAIRPERSON SHEEHY: Rob, may I make a suggestion,
18 see if this would be an acceptable action. Why don't you
19 footnote and in the footnote, give it a one or two sentence
20 explanation as you just gave Ms. Moore. Then that way for
21 those districts that may not be as sophisticated or pay as
22 close attention to what we do up here, if they're wondering
23 what that word really means, the term of art that we have,
24 then they would have that description. Would that be
25 acceptable?

1 MR. COOK: Yes.

2 CHAIRPERSON SHEEHY: Okay. Is that okay,
3 Kathleen?

4 MS. MOORE: And is it -- so then is it by -- by
5 what we're saying today -- and I think this is probably
6 something that everyone in the audience is very interested
7 in. We are saying that for the near term we are not
8 apportioning projects.

9 CHAIRPERSON SHEEHY: Well --

10 ASSEMBLY MEMBER BROWNLEY: Unless the PMIB decides
11 differently.

12 CHAIRPERSON SHEEHY: No. I'll be happy to say it.
13 I think that my recommendation to this Board -- you know, I
14 could be outvoted. I realize I -- you know, I'm just one of
15 ten, but my recommendation to this Board would be in the
16 most strongest terms would be to not make any more
17 apportionments until we have a balanced budget.

18 We are out of the capital markets. We are in a
19 financial crisis. Even the nonpartisan legislative analysts
20 has indicated in the document they've released today on the
21 state's cash situation that we are on the precipice of
22 financial Armageddon I think is something like that they use
23 and that we have to get a balanced budget right away before
24 we can get close to getting back in the markets.

25 I mean that's what Mac Taylor said today in his

1 publication. So I just think we would be irresponsible to
2 start making apportionments until we --

3 SENATOR WYLAND: Yeah. Mr. Sheehy, if I could
4 just --

5 CHAIRPERSON SHEEHY: Yes. Senator Wyland.

6 SENATOR WYLAND: -- enter this. I couldn't agree
7 with you more. We don't have money and I think not only do
8 we need to determine the status of these various districts,
9 beyond bridge financing, we need to communicate to every
10 single one of these districts if they have not -- at every
11 stage, if they have not commenced construction, don't do it.

12 We need to get the liability down as low as
13 possible because the money's not there. So as you point
14 out, until the money is there, we in fairness I think to all
15 these districts in addition to bridge financing, depending
16 on what stage they are in their project, I think we need to
17 communicate to them halt because those who have begun
18 construction, I assume they have the money. But anyone
19 who's got -- and I don't know the numbers in each of these
20 categories, but I assume there are some people who've gotten
21 the apportionment but not yet gotten the money --

22 MR. COOK: Absolutely.

23 SENATOR WYLAND: -- and now we can't get the
24 money. So I think we need to get all those numbers and just
25 say we can't do anything.

1 CHAIRPERSON SHEEHY: Right. We do want to be
2 flexible because it's entirely possible that sometime this
3 spring we could have access to some federal funds through
4 the stimulus package that President-elect Obama and the
5 administration is putting together -- has been talking about
6 and just I'm sure some people in the audience and members of
7 the Board would appreciate knowing that the Governor's
8 administration is talking regularly with the
9 President-elect's staff on this point and, you know, we, you
10 know, are very interested in any infrastructure money that
11 may be available and any strings that would be attached, but
12 of course the more strings that are attached to
13 infrastructure money if it was available, the more
14 complicated it would be for us.

15 So we -- you know, we're going to be seeking
16 conditions that would be favorable to California as you
17 could imagine. So we don't know what that's going to be and
18 we want to be flexible enough so if those funds are
19 available and we can use some of them at schools and perhaps
20 some of that money then could be put to use right away and
21 that that would be helpful.

22 But I think in terms of state apportionments at
23 this time I'm very sorry to say, I just -- I don't see until
24 we get resolution of our financial crisis which means the
25 budget, our ability to get into the capital markets, our

1 ability to replenish the pool -- until those things happen,
2 I just don't think this body really is in a position to be
3 making apportionments.

4 ASSEMBLY MEMBER BROWNLEY: And I agree. I agree
5 exactly with what Senator Wyland said and what you're
6 saying. I think -- but to me to kind of complete the
7 thought is but we are still going to get projects in the
8 queue and be ready and flexible for when and if whatever
9 happens. And so, you know, we've got to make the
10 distinction between those two things.

11 But, you know, I think that's what we want to talk
12 about next week is how we are going to begin to build that
13 list so we're ready.

14 CHAIRPERSON SHEEHY: Yes, I agree.

15 SENATOR WYLAND: Yeah. I couldn't agree more
16 about getting in the queue, whatever language we use to do
17 that as long as we're not overpromising. And I have just
18 one other question. Is it possible for a district who's
19 done their own bond issue and may already be in the queue
20 but not have it approved and in theory maybe they've sold
21 some of those bonds, could they build using their own money
22 and then come, when we do have money, and say we've spent
23 X dollars, we were in the queue. Now that you've got money,
24 can you -- is that doable?

25 MR. COOK: That occurs under normal times.

1 SENATOR WYLAND: Okay.

2 MR. COOK: So yes.

3 CHAIRPERSON SHEEHY: Okay. Is there any more
4 questions by members of the committee on the letter?
5 Mr. Harvey.

6 MR. HARVEY: I don't really have a question. I
7 want to make two quick comments. One, I think the first
8 paragraph as written is appropriate and we even have the
9 qualifying language until, da-da, da-da, da-da, and finally
10 in my mind, this was consistent with what staff was asked to
11 do which was create relief wherever possible.

12 MR. COOK: Um-hmm.

13 MR. HARVEY: And if we're creating a new exemption
14 for hardship districts, I think it's consistent with that
15 and I support it.

16 CHAIRPERSON SHEEHY: And just a footnote on that
17 then, Rob, and make sure we do -- no pun intended --
18 footnote the apportionment as we discussed with Ms. Moore
19 and then as that, I think this letter's okay to go. So
20 we're done discussing the letter. Mr. Walrath.

21 MR. WALRATH: Mr. Sheehy, members of the Board,
22 Dave Walrath representing Small School District Association.
23 You have a letter that was sent to me that was just given to
24 you and my testimony. I won't go through all that. I'll
25 just hit the bottom line, which is, first, for financial

1 hardship districts, particularly small financial hardship
2 districts, facility projects are a significant portion of
3 their budgets.

4 Already we are looking at -- we appreciate the
5 internal borrowing issue. We appreciate the external
6 borrowing issue, but quite frankly we are out of our
7 borrowable resources. We're looking at a budget proposal
8 for the midyear that would defer \$2.8 billion that we had
9 expected to receive in April until July.

10 All of those cash flow as well as direct revenue
11 limit cuts, even our categorical cuts, however you do it,
12 for 87 percent people -- our expenditures, we're more than
13 halfway through the year. Those deferrals and cuts are
14 equal to approximately 8 to 9 percent of our operating
15 revenue which means you double that for the rest of the
16 year. Most districts did not walk in with a 16 percent
17 reserve.

18 For small, financial hardship districts, they need
19 relief as fast as possible. If you could ask for priority
20 as soon as any money frees up out of the PMIA, that it be
21 eligible for apportionment to meet those obligations to the
22 small financial hardship.

23 The second is we may not be out of this problem
24 the second we unfreeze.

25 CHAIRPERSON SHEEHY: I'm sorry. I didn't

1 understand what you just said.

2 MR. WALRATH: On the second -- second part is we
3 are presuming -- or it's possible the presumption is once we
4 get out of the current cash flow problem, we don't reenter
5 another cash flow problem in six to eight months.

6 If you can think about setting up within the
7 public PMIA, Pooled Money Investment Account, a reservation
8 for financial hardship, then if we enter into another cash
9 flow problem similar to this one -- you remember last
10 February, we thought we were going to have it and we solved
11 it. We're here again. We have it again. I am not sure how
12 fast we may go in and out. So if you think of that as a
13 request to the Pooled Money Investment Board that once we
14 get out of this problem that there be a reservation -- may
15 never be needed -- but for financial hardship districts.

16 Lastly for the legislative members, when you're
17 looking at the deferral -- the new deferral proposals if you
18 could consider exempting on those deferrals small financial
19 hardship districts that are under contract and --

20 CHAIRPERSON SHEEHY: Okay.

21 MR. WALRATH: -- knock out their fund release --

22 CHAIRPERSON SHEEHY: That was very sneaky,
23 Mr. Walrath. You used the State Allocation Board to do some
24 legislative lobbying on a different issue. \$50 fine. I'm
25 putting that on your --

1 MR. WALRATH: \$50 fine?

2 CHAIRPERSON SHEEHY: I'm putting that on your
3 account.

4 MR. WALRATH: Then you can make it up to a
5 hundred.

6 ASSEMBLY MEMBER BROWNLEY: We're filling up the
7 investment pool.

8 MR. WALRATH: As we go up to a hundred. The
9 comment on first call into general fund. That was a
10 constitutional provision prior to Proposition 98.
11 Proposition 98 did not limit, cap, or do anything else to
12 that constitutional provision. All 98 did was -- the
13 calculation of what was a minimum guarantee not to cap that
14 authority for first call.

15 Lastly, as we go along, flexibility is important.
16 With luck, the new administration, the new Treasurer, the
17 new fed will free up and do federal security, treasury
18 security on state, municipal, and local GO bonds. If they
19 do that without regard to what happens on the budget, we may
20 be able to break open the ability to sell bonds.

21 With that, thank you.

22 CHAIRPERSON SHEEHY: I did want to just say,
23 Mr. Walrath -- and since you did lobby the members of the
24 Board --

25 MR. WALRATH: I was trying to lobby you too, but

1 the budget's already out, so I couldn't go with you.

2 CHAIRPERSON SHEEHY: No, no, no. But in the
3 previous deferral that we did as part of our cash management
4 plan for this budget we're in right now, we said to all the
5 small districts, we said if there are any districts that
6 have a financial hardship that need relief from this
7 deferral to please contact Finance and we created a process.
8 Not a single one showed up.

9 So based upon that, we -- you know, we didn't see
10 that there was an overwhelming, compelling need to do that
11 because we didn't have anybody to take us up on our offer.
12 Perhaps what you're suggesting is that --

13 MR. WALRATH: That was prior to the new budget
14 proposal.

15 CHAIRPERSON SHEEHY: Perhaps what you're
16 suggesting is that things have gotten so much worse that
17 this time they may take us up on our offer.

18 MR. WALRATH: I am absolutely suggesting that.

19 CHAIRPERSON SHEEHY: Okay. Thank you.

20 MR. WALRATH: Thank you.

21 CHAIRPERSON SHEEHY: All right. If you'd like to
22 come address the Board, please come forward and identify
23 yourself for the record.

24 MR. HUDSON: Thank you, Mr. Chair, and members of
25 the Board for allowing me to speak. My name is Ron Hudson,

1 Deputy Superintendent, Kings Canyon Unified School District.
2 We're in Fresno County, south of Fresno. We cover
3 600 square miles, have 10,000 students. We're in a rural,
4 agricultural area.

5 We have four projects that are under construction
6 right now. The state procedure that we followed was to
7 enter into a contract, issue a notice to proceed, and then
8 we started construction. We then filed the SAB 5005 fund
9 release document on December the 9th, 2008, and of course the
10 funds have not been released to us.

11 I would ask that you please request the PMIB to
12 exempt or give consideration, give priority to projects that
13 have entered into a contract, issued a notice to proceed,
14 and submitted their fund release request prior to December
15 the 17th.

16 The funds that are being held right now by the
17 state for us represents 35 percent of our project and we
18 cannot cover that gap in our district budget and our
19 communities are holding us accountable for us to complete
20 those projects and we just don't have the ability to cover
21 it with our district funds.

22 CHAIRPERSON SHEEHY: Thank you, sir. Could you
23 please submit your request in the form of a letter to
24 both -- address it to both Mr. Cook at OPSC and also to
25 Ms. Jeannie Oropeza who is our Program Budget Manager at the

1 Department of Finance that handles education. We'd like to
2 have the specifics of your request on record.

3 MR. HUDSON: Thank you.

4 CHAIRPERSON SHEEHY: Thank you. Next, please.

5 MR. SCHEER: My name is Stan Scheer. I am
6 Superintendent of Schools at Murrieta Valley Unified School
7 District in Murrieta, California. Last time I was in a
8 meeting with this many people -- in a public meeting, I was
9 trying to fire a football coach.

10 We have currently two major construction projects
11 underway, Dorothy McElhinney Middle School, and it was
12 approved by the Board in October for nearly \$24 million.
13 Now, we were expecting the funds in January. Murrieta Mesa
14 High School will be a state of the art comprehensive high
15 school for 2,400 students.

16 My staff worked with the OPSC staff and the
17 project was set to be approved by the SAB this month. The
18 amount that the OPSC staff agreed to recommend to the SAB
19 was nearly \$52 million.

20 Dorothy McElhinney Middle School Construction is
21 now complete and Murrieta Mesa High School is nearly
22 70 percent complete. The cost to delay to moving forward
23 with our projects is astronomical. We estimate 30- to
24 \$50,000 a month in legal fees and we could have as much as a
25 10- or \$15 million in delay claims and on top of that and

1 currently my staff's working on a \$7 million cut in general
2 fund for this year and a \$10 million cut for next year's
3 budget.

4 While we understand that the SAB does not have the
5 power or the authority to release the funds, we would urge
6 the SAB to assist in any way a fund release for McElhinney
7 Middle School to mitigate potential legal outlays at least
8 in the short term. So thank you for your consideration.

9 CHAIRPERSON SHEEHY: Thank you very much, sir, if
10 you could please submit -- if you haven't already, submit a
11 letter with that same information to Mr. Cook and
12 Ms. Oropeza, we'd like to have that for the record.

13 MR. SCHEER: We certainly will. Thank you.

14 CHAIRPERSON SHEEHY: Thank you very much.

15 ASSEMBLY MEMBER BROWNLEY: The size of your school
16 district, how many --

17 MR. SCHEER: Say it again -- 22,000 students.

18 CHAIRPERSON SHEEHY: Are there additional public
19 comments. Step right up, please. Identify yourself for the
20 record.

21 MR. GONZALEZ: Good afternoon. Richard Gonzalez
22 from Richard Gonzalez & Associates and I'm not going to
23 cover points that everybody else has already covered.

24 With regards to one of the comments about zero
25 dollar apportionments, some of the districts are looking to

1 use that as collateral for potential interim financing. So
2 the idea of giving zero dollar apportionments may give them
3 the opportunity to move forward with --

4 CHAIRPERSON SHEEHY: We're not going to make zero
5 dollar apportionments.

6 MR. GONZALEZ: -- or unfunded approval. If
7 anything that would acknowledge that the Board has agreed
8 the project's a viable project.

9 Number two, I think the gentleman just earlier may
10 have mentioned, but there are districts -- in order to get
11 their fund releases, have to legally get into a contract and
12 a notice to proceed and four of my particular clients that I
13 work with have done so expecting to receive the money and
14 the fund release forms were turned in to OPSC.

15 Now they are going to be running short. One is a
16 very small school district in Kern County with a \$5 million
17 shortfall which is far exceeding their own general fund
18 budget.

19 So anything you can do to fund specifically
20 projects in which they have already entered into contract
21 and can show that they do not have the money to finish
22 paying for that project as contracted, that would be greatly
23 appreciated by these entities.

24 CHAIRPERSON SHEEHY: Thank you very much.

25 MS. FERRERA: Good afternoon, Chairman Sheehy and

1 members of the Board. My name is Anna Ferrera and I'm
2 representing the County School Facilities Consortia made up
3 of over 30 County Offices of Education throughout the state.

4 I would only say that we appreciate the direction
5 the Board's taking in terms of the deadlines for the
6 18-month projects -- or the deadline and we would suggest
7 also as many of the County Offices are in financial hardship
8 that as you take your broader view that you look at those
9 deadlines and our higher accountability and all the other
10 rules and regs that are included with financial hardship as
11 many of our counties serve the most vulnerable students in
12 the state, including special education, and we would also
13 urge you to look at flexibility in terms of projects that we
14 already have in our savings, that we already have
15 (indiscernible-coughing) that might be applied to other
16 projects as we often have many projects that are going at
17 the same time.

18 And again we appreciate the direction you're
19 taking and I appreciate Ms. Moore's comments about costs and
20 keeping those down. Thank you very much.

21 CHAIRPERSON SHEEHY: Thank you. You actually
22 mentioned something. Rob, what about that? Is there any
23 action that this body could take that would be helpful to
24 the school districts vis-à-vis savings and flexibility they
25 might have on how savings from one project might -- I'm

1 just -- I'm brainstorming. This is off the top of my head.

2 Is there anything we could do to give them any
3 flexibility on the savings issue that might be helpful or is
4 that something that just you've already thought of and
5 discounted or is it just not applicable?

6 MR. COOK: Hadn't considered that and that would
7 be vis-à-vis financial hardship districts. Hadn't
8 considered that.

9 CHAIRPERSON SHEEHY: Well, let's put that on the
10 list. If there is an action this body could take in that
11 area that would give them some additional flexibility to
12 meet some of their other capital needs relative to this
13 crisis that we're in, I think that's something we should
14 consider. So -- okay. We don't have anything in particular
15 right now, but we'd be certainly to discussing that.

16 MS. FERRERA: And we definitely have some ideas
17 for you, so we'll be presenting those.

18 CHAIRPERSON SHEEHY: Would you please communicate
19 that to Mr. Cook and his staff and then --

20 MS. FERRERA: Absolutely. We have a letter and it
21 got in this morning, so --

22 CHAIRPERSON SHEEHY: -- and to the Board members
23 as appropriate. That'd be great. Thank you.

24 MS. FERRERA: Terrific. Thank you.

25 MR. ELATAR: Wael Elatar from San Bernardino City

1 Unified School District. I would like to thank you for --
2 State Allocation Board and OPSC staff for actually
3 considering having this special meeting and also taking
4 consideration of making changes in the regulations.

5 I wanted to also share with you that -- a little
6 bit about San Bernardino School District. The school
7 district received -- or was granted hardship status in April
8 of 2008. From April 2008 till July of 2008, the district
9 received apportionment for 54 projects under hardship
10 status.

11 Since then, the district applied and received fund
12 release for 20 of these projects and there are remaining 34
13 projects that still I'm told in this kind of situation for
14 about \$180 million.

15 CHAIRPERSON SHEEHY: I'm sorry. For how much?

16 MR. ELATAR: About \$180 million.

17 CHAIRPERSON SHEEHY: 180 million.

18 MR. ELATAR: After the --

19 CHAIRPERSON SHEEHY: Those other 34 projects.

20 MR. ELATAR: Yes. We acknowledge and agree with
21 the C.A.S.H. letter sent to Mr. Rob Cook dated January 5th
22 about some of the deadlines and requirements that should be
23 considered to remedy and lessen the impact on school
24 districts, but also we did submit a letter to you and
25 Mr. Cook that defined some additional issues that

1 specifically related to a school district like us, a school
2 district with lots of hardship projects.

3 And specifically -- and I don't want to get into
4 the details here and some of the items in reference to some
5 of the requirements (indiscernible) requirements is the
6 advanced design of sight apportionment. It's actually
7 apportionment that's been already received by the district.
8 However, due to the change in the status of the site that we
9 are acquiring, we are faced with entering into an eminent
10 domain situation which is very costly to the district.

11 The only way that the district can cover the costs
12 when they apply for an adjusted grant which would have been
13 later on and it's obviously on hold with the funding
14 situation. So we have received if you can consider relaxing
15 the requirements that -- the 18-month requirements for
16 projects -- progress report for these projects to allow the
17 district to actually withhold entering into eminent domain
18 in this type of situations.

19 CHAIRPERSON SHEEHY: Okay. So I missed the -- I'm
20 sorry. I missed the last point you're making. You
21 appreciated if we would help relax --

22 MR. ELATAR: There is a requirement that the
23 district must within 18 months of receiving the
24 apportionment for site acquisition --

25 CHAIRPERSON SHEEHY: Yes.

1 MR. ELATAR: -- to complete that process.

2 CHAIRPERSON SHEEHY: Is that not -- Rob, isn't
3 that what we just did or is there a nuance to this I'm
4 missing?

5 MS. MORGAN: If I may --

6 CHAIRPERSON SHEEHY: Ms. Morgan.

7 MS. MORGAN: -- substantial progress is a
8 different requirement than we addressed today, but it does
9 allow for the Board to take other things into consideration
10 and we have already the regulatory framework to provide
11 extensions to that particular timeline.

12 CHAIRPERSON SHEEHY: Okay. So, Ms. Morgan, are
13 you saying that the flexibility that -- and I'm sorry, I
14 missed your name, sir.

15 MR. ELATAR: Wael Elatar.

16 CHAIRPERSON SHEEHY: Okay. Mr. Elatar from
17 San Bernardino. Are you saying that the flexibility that
18 San Bernardino is seeking already exists.

19 MS. MORGAN: Yes. He can request it when his time
20 frame is coming up and that would be part of what we would
21 do in our normal action.

22 CHAIRPERSON SHEEHY: Okay.

23 MS. MORGAN: We put forth requests for extensions
24 for substantial progress.

25 CHAIRPERSON SHEEHY: Okay. So I would ask you

1 respectfully if you could work with OPSC to see if that
2 existing authority meets your needs. If it doesn't and
3 there's some other aspect of the regulation that we should
4 be reviewing, perhaps amending in some way because of the
5 crisis we're in, I think you have everybody's commitment
6 here. We'd be happy to do that. Okay?

7 MR. ELATAR: I appreciate that.

8 CHAIRPERSON SHEEHY: All right. Very good.

9 MR. ELATAR: Another element that we also said in
10 the letter is regarding -- and I know it's actually been
11 done for some school districts which the county under
12 hardship flexibility of using the state fund from one
13 project to another during this period of time so the
14 district actually can borrow from one fund to another -- the
15 state fund in order to address some of the immediate needs
16 for some of these projects.

17 CHAIRPERSON SHEEHY: Rob, did you want to comment
18 on that?

19 MR. COOK: If Mr. Elatar is discussing interfund
20 transfers, that's what the letter that we are going to be
21 issuing will address.

22 CHAIRPERSON SHEEHY: Okay. Very good. Thank you,
23 Mr. Elatar.

24 MR. ELATAR: Thank you very much.

25 CHAIRPERSON SHEEHY: You're so welcome. Yes,

1 please come forward.

2 DR. FOSTER: I'm Dr. Stephen Foster from
3 Chawanakee Unified School District in Madera County and
4 we're one of those unusual districts that we were under
5 orders by SDE (ph) due to a reorganization forced by our
6 county committee to build our only comprehensive high school
7 and that five-year period ended last June and we are a
8 hardship district and we're about 40 million in to finishing
9 our project and without the release of funds, there is
10 substantial litigation and contract issues and we would ask
11 that you would consider our Minarets High School project are
12 a priority in your funding process next Friday.

13 CHAIRPERSON SHEEHY: Okay. Thank you very much.
14 Mr. Smoot.

15 MR. SMOOT: Good afternoon.

16 CHAIRPERSON SHEEHY: I love your tie.

17 MR. SMOOT: Well, thank you. Since 9/11 I have
18 about a hundred of these so --

19 CHAIRPERSON SHEEHY: You'll have to bring one by
20 my office. I'll pay you for it.

21 MR. SMOOT: That'll be a pleasure, sir. I have to
22 put my normal markup of course. Excuse me. My name's Lyle
23 Smoot. I'm representing Los Angeles Unified School District
24 today and I just want to make sure that the Board
25 understands that although LA did send in a letter saying

1 that we do have a contingency plan and we can probably get
2 by for a while, I want to make sure that everybody
3 understands that that is a very short period of time.

4 Our contingency plan of course is based on being
5 able to sell bonds and who knows if we can or not, but more
6 than that, it really was intended to be a short term
7 contingency plan. I suspect that if the -- if the problem
8 associated with cash flow does in fact take a year to
9 resolve that LA will be in major problems and we will have
10 contracts that will be canceled.

11 I think \$800 million out of the 1.2 billion that
12 is in fund release situation right now belongs to LA and I
13 can tell you, sir, we do not have 800 million --

14 CHAIRPERSON SHEEHY: Yeah.

15 MR. SMOOT: -- available for that. So it's a cash
16 flow situation. Yes, we can and we are more than willing to
17 assist the state in any way we can and the district as well
18 obviously in trying to get through this, but I just want to
19 make sure everybody understands that LA's not just flush
20 with money because we passed a \$7 billion bond --

21 CHAIRPERSON SHEEHY: Lyle, before you go, have you
22 gotten any indication from Mr. Mahula (ph) what LA's ability
23 to enter the capital markets with their own local issuances?

24 MR. SMOOT: I do not know the answer to that, sir.
25 There's going to be a meeting in San Francisco tomorrow to

1 try and address that issue and find out what our ability is
2 in that regard --

3 CHAIRPERSON SHEEHY: Please --

4 MR. SMOOT: -- and we'll be glad to let you know.

5 CHAIRPERSON SHEEHY: Could you come back on the
6 28th maybe and give the Board an update on that? I think
7 it'd be very good to know.

8 MR. SMOOT: Yes, sir. I'd be more than happy to
9 do that.

10 CHAIRPERSON SHEEHY: Okay. Thanks, Lyle.

11 MR. SMOOT: Thank you.

12 CHAIRPERSON SHEEHY: Is there anybody else that
13 wanted to come -- questions or comments from the public
14 today? Are there additional questions or comments from any
15 members of the Board? Ms. Moore.

16 MS. MOORE: I know this is an unprecedented time
17 and I -- as I've heard everything develop through today, I
18 think we have categories of crisis here and I'm a little
19 concerned that we might not have one of our categories of
20 crisis before the Pooled Money Investment Board on Friday
21 and I hope there is still time to provide that information
22 to the Board.

23 But I see it and I'd be open to what staff -- how
24 staff views it as well is we have health and safety which
25 you have identified and moved forward in that group of

1 projects before the Pooled Money Investment Board.

2 We then have projects that were apportioned but
3 not funded and went into contract which in my mind is one of
4 the -- is the second highest priority. Those projects in
5 contract that we may have a very difficult situation is and
6 tangentially we at the Department of Education may see these
7 districts as a combination of operational and capital
8 problems become, you know, qualified or -- further down the
9 course of financial distress.

10 So that is the second category in my mind. The
11 third category is those projects that we apportioned but
12 they did not move into a contract and we that they have got
13 the clear message not to move into a contract unless they
14 are prepared for the entire cost of that contract and that
15 should be the clearest message that any district gets from
16 the meeting today.

17 And then finally we will have a class of projects
18 that want to come forward to the Board in the normal
19 processing that may be under contract because that's how
20 things have operated out there with school districts moving
21 projects forward and seeking that reimbursement towards the
22 end that also may be problematic. They may have guessed
23 wrong and that this crisis caught them by surprise and they
24 were planning on a fund release maybe this summer that would
25 head up the next six months of their contract.

1 So I think we have categories of crisis and that
2 indeed we should communicate with the Pooled Money
3 Investment Board in the case of any available funds what our
4 categories of crisis are. And I would hope that we have
5 that information to do so at the next Pooled Money
6 Investment Board meeting.

7 CHAIRPERSON SHEEHY: I'm sorry. The specific
8 information you wanted to have available was?

9 MS. MOORE: Was which projects --

10 CHAIRPERSON SHEEHY: Fit those different
11 categories?

12 MS. MOORE: Yes. And I think the highest category
13 being that they are under construction and are unable to
14 meet the financial obligation of that contract.

15 CHAIRPERSON SHEEHY: How far along are you sort of
16 in that analysis and what do you think you'd be able to
17 reasonably have done in two weeks to share with the Board on
18 Ms. Moore's request? On Friday? Well, how far along are
19 you on analyzing the information Ms. Moore's requesting
20 which I'm sure would be -- I'm sure all the Board members
21 would like to have. Where is OPSC at? I know that you're
22 dealing with over a thousand different districts on this
23 matter, so how's it going?

24 MR. COOK: Right. There's about 850 projects out
25 there. We, you know, got LA Unified in one group which

1 helped, but there are still several districts out there that
2 we're waiting to hear from and have not been able to
3 identify what -- you know, and even question marks about --
4 even those who have responded, many of them don't quite know
5 what they're going to do.

6 So I would hope by our January 28th Board meeting
7 that we will have better information for you. That
8 information is not ready for prime time at the Pooled Money
9 Investment Board this Friday.

10 CHAIRPERSON SHEEHY: Kathleen, I think that what
11 you're requesting makes a lot of sense and I think it's
12 important and I think that we need to get that information
13 as it's available even on a flow basis. I really sort of
14 didn't want to do this, but I'm going to do it because there
15 are a lot of folks here that testified today about the
16 hardships that they're facing and I know they'd like this
17 body to do something and this body certainly could adopt
18 some sort of resolution that it could send to the Pooled
19 Money Investment Board, but I'd be remiss really at this
20 point if I didn't point out a couple of things.

21 We have -- unfortunately we have over \$22 billion
22 in public works projects that are being impacted. And so
23 therefore the -- if you actually look at the percentage of
24 that that is involved in the School Facilities Program, it's
25 a small part of that.

1 Now we have billions of dollars on the books we
2 haven't apportioned yet. So to some extent, it's a timing
3 thing because we probably have more authority on the books
4 than some of these other entities, but we've got \$22 billion
5 of projects right now that are impacted.

6 And we were given -- we -- Finance was given very
7 specific direction by the Pooled Money Investment Board to
8 give a really, really, really, really high level, very small
9 cut at that 22 billion, what's the absolute, most critical
10 given -- well, the budget letter really that Ms. Brownley
11 identified speaks for itself. That's a public document. If
12 you go to the Department of Finance Website and look up the
13 budget letter that was issued on December 18th, you can see
14 it.

15 My point in saying all this is, is that I think we
16 should do everything in our power we can to bring our
17 projects sort of to the forefront, but I just wanted to add
18 a little bit of additional information for the benefit of
19 the audience so they understand we are being inundated with
20 stories from different departmental directors and managers
21 that are out in the field with state public works projects
22 that are telling us about hundreds of millions of dollars in
23 shutdown costs, fines, litigation, so on and so forth, some
24 health and safety issues that are very, very disturbing that
25 we have to deal with and so we want to do everything that we

1 can, but we have unfortunately at the present time --
2 hopefully that will change -- we have extremely limited
3 capability to deal with these issues, and I just think I'd
4 be remiss if I didn't say that.

5 We want to do everything we can and certainly we
6 want to encourage the Pooled Money Investment Board to do
7 what it can, but I think at the end of the day, its primary
8 role is a fiduciary role to the Pooled Money Investment
9 Account, the State of California, and those members of that
10 board are walking a real tightrope in what they need to
11 recommend and what they need to do and I just wish we
12 weren't in this situation, but -- so your comments are very
13 much appreciated and I just -- I felt that at least for the
14 benefit of the audience, I wanted them to know that, you
15 know, we're really walking a tightrope on this issue.

16 Senator -- Mr. Torlakson. I'll get it straight
17 eventually.

18 ASSEMBLY MEMBER BROWNLEY: Once a Senator, always
19 a Senator.

20 CHAIRPERSON SHEEHY: Senator Torlakson.

21 ASSEMBLY MEMBER TORLAKSON: Tom will do. But
22 thank you, Mr. Chairman. I appreciate your putting that in
23 the larger context and so we are in extreme crisis and it
24 just -- it feels as though it's so ragged and it feels so
25 bad to just listen to the waste of dollars we're going to go

1 through by shutting projects off and disrupting the normal
2 process whether it's a transportation project or more
3 particular these projects.

4 I was going to suggest -- you will be able to do
5 this in good form yourself at the next meeting, but I
6 suggest we also invite someone from the Treasurer's office
7 or the Treasurer himself to be here to just explain a little
8 bit more their view at this -- at that point as to where we
9 are and how much of the problem is the general liquidity and
10 credit crisis of the background market that we're in and how
11 much of it is in our in hands and some ability to control by
12 getting a budget adopted and if so -- and appreciate your
13 view that we need to get a 41 billion or a \$42 billion
14 solution, but would a \$18 billion, with a \$20 billion, with
15 a \$30 billion solution get us partway there and if so, what
16 are the prognostications about how that would work out.

17 The other things that -- just to reiterate that
18 would be helpful is as Mr. Cook and his good staff -- and we
19 really appreciate all the hard work that you, Mr. Chairman
20 and the staff, did to bring these emergency regulations
21 today. Could we get a list of the projects that are
22 affected to the best of our ability by district, by the
23 dollar amount, by the jobs and if there are categories, as
24 Ms. Moore pointed out, or if there are categories that are
25 health and safety, of there are categories that you can

1 think of that would help us sort out the different types of
2 programs.

3 Finally just a thought that I hold with the
4 argument that there is some constitutional priority to
5 education. While a carpool lane project or widening a
6 highway somewhere in California is important, our kids are
7 greatly important and these quality facilities that they
8 need are extremely important and the interesting interface
9 that we have here is different than transportation projects
10 or some other infrastructure of that 22 billion, is many of
11 these districts, as we just heard, their capital budget
12 interfaces with their operational budget. And to the degree
13 they become insolvent or they start to run into huge
14 litigation, other costs, extra costs, extra borrowing costs,
15 it affects their bottom line ability to deliver quality
16 education in the classroom -- the current classrooms that
17 exist to those students.

18 So I think we have an argument maybe from the
19 Allocation Board and each of us going back to our respective
20 legislative bodies and you to the Governor and the
21 administration to look at the argument that education is a
22 higher priority and that some of these factors need to be
23 looked at and ultimately I think the state -- we should look
24 at something that says part of the problem was
25 self-inflicted and how much of that do we bear the burden of

1 making up for the districts.

2 And if LA doesn't have 800 million or if they're
3 borrowing costs are, you know, 3 percent, 5 percent premium
4 above normal, who should pay that? Should LA pay that?
5 Should we pay that? Should we share in that cost of that
6 higher bridge funding as Ms. Moore also pointed out earlier,
7 and I think that's a good discussion we can have on a future
8 agenda because a lot of these costs are no fault of the
9 school districts. They're really part of our own inability
10 to get a budget adopted and part of it is the background of
11 the financial crisis.

12 CHAIRPERSON SHEEHY: Those are all excellent
13 suggestions, Mr. Torlakson. Rob, do you want to see if we
14 can get somebody from the Treasurer's office here for the
15 next meeting --

16 MR. COOK: Yeah. That's --

17 CHAIRPERSON SHEEHY: -- that can maybe address
18 some of those points and I think that would be very helpful
19 to the Board members.

20 MR. COOK: That's a great suggestion.

21 CHAIRPERSON SHEEHY: Did you have any other
22 response for Mr. Torlakson?

23 MR. COOK: We are trying to get good information
24 on the districts and what's currently -- you know, what the
25 current status is. That is a moving target and we're trying

1 to get that information and we'll present that to that Board
2 as -- ideally we'll have it before us on the 28th, at least
3 what we have at that point in time and try to, you know,
4 make heads or tails of it, but you've already heard from
5 folks out there. There are some problems.

6 CHAIRPERSON SHEEHY: Additional questions or
7 comments from the Board? Mr. Duffy, I see you're standing
8 there. Did you want to say something else?

9 MR. DUFFY: Something not on the agenda,
10 Mr. Chairman. Again Tom Duffy for C.A.S.H. At the meeting
11 in December in Anaheim, we had requested that there be an
12 agenda item to review the regulations for the seismic
13 program and we have great concern about the fact that we've
14 had bonds that are two years old and not one dollar has been
15 spent on the seismic program.

16 Because of the amount of work that your staff is
17 doing, we wanted to ask that that be put off until February.
18 It's one of those things that a number of our members are
19 concerned about, but we think that this is an unprecedented
20 time. So --

21 CHAIRPERSON SHEEHY: Okay, Mr. Duffy. I want to
22 check in with Ms. Moore and Ms. Brownley who were in -- and
23 Mr. Harvey who were in Anaheim and were part of that. Are
24 you comfortable with that? I think that -- if I could use
25 an analogy, Mr. Cook, what -- based upon what Mr. Duffy's

1 saying, I'd like to make a recommendation and if my Board
2 members are comfortable with it, then that's what I'd like
3 you to do.

4 I think that on all of the issues that we've been
5 discussing today as it relates to apportionments, what sort
6 of data we have on the different schools, where they're at
7 in terms of their funding, whether they've entered into
8 contracts, so on and so forth, I really think that all that
9 really should be your highest priority in terms of getting
10 back to the Board.

11 So that should be like on full boil. Perhaps the
12 seismic issue, we want to put -- we don't want to turn the
13 burner off, but let's just leave it on a real low simmer so
14 when the dust settles a little bit, we can come back and
15 have that discussion. Is that agreeable? That'd be great.

16 MR. COOK: And if I may.

17 CHAIRPERSON SHEEHY: Yes.

18 MR. COOK: We're two weeks from our next Board.
19 We'll be noticing by Friday. We've got a lot of issues that
20 were raised here. We've got a lot of work to do.

21 CHAIRPERSON SHEEHY: You're not going to be able
22 to get it all done.

23 MR. COOK: Right.

24 CHAIRPERSON SHEEHY: But we want you to
25 prioritize, to bring the type of information back to this

1 Board that's going to be the most useful. I think there's a
2 unanimous feeling here that more information about what's
3 going on out there in the districts is better and we want
4 to -- you know, I think the more the Board knows about all
5 of this, it puts us all in a better decision to try to
6 figure out how we go forward.

7 MR. DUFFY: One final comment --

8 CHAIRPERSON SHEEHY: So I mean if you're saying
9 that you're not sure whether you can get all of our requests
10 done, we just ask you to do the best that you can and
11 remember those furlough days don't start till February.

12 Mr. Duffy.

13 MR. DUFFY: Just one final comment. This was a
14 very good Board meeting. I appreciate your patience. I
15 appreciate the fact that you've come together for an
16 extraordinary meeting because of the worry that's out there.
17 This has been solid information, solid discussion and we
18 appreciate the ability to participate. So thank you very
19 much.

20 CHAIRPERSON SHEEHY: Thank you. With that, seeing
21 no other comment, the State Allocation Board is adjourned.
22 Oh, did we close the roll on the motion? Okay. The State
23 Allocation is not adjourned. That was a false adjournment.

24 Ms. Rice, did we close the roll yet on the -- we
25 had a motion and a second and then we had a roll call vote

1 with I believe seven or eight aye votes. Is that -- that's
2 still on call, isn't it?

3 MS. RICE: It is.

4 CHAIRPERSON SHEEHY: I'd like you to lift that
5 call and call the roll one more time. I apologize for that.

6 MS. RICE: Okay. Senator Lowenthal.

7 CHAIRPERSON SHEEHY: Let's go ahead and call the
8 roll. It's okay. Just call the roll.

9 MS. RICE: Oh, okay. .

10 CHAIRPERSON SHEEHY: Just call the roll. We're
11 lifting calls.

12 MS. RICE: Senator Hancock.

13 CHAIRPERSON SHEEHY: Call the roll of the members
14 that didn't vote. If any member wants to change their vote,
15 they'll let you know. So you got Hancock.

16 MS. RICE: Senator Hancock and Rosario Girard.

17 CHAIRPERSON SHEEHY: Are there any members here
18 that wanted to change their vote? Okay. So we're going to
19 close -- for those of you listening in, we're going to close
20 the roll on the vote to adopt the emergency regulations.
21 Those regulations are hereby adopted by this body.

22 And then what was the other item of business,
23 Mr. Cook?

24 MR. COOK: We did have a report if it's the
25 pleasure of the Board to hear that report or we can defer it

1 to a --

2 CHAIRPERSON SHEEHY: Pleasure of the Board?

3 MR. COOK: -- to a future date.

4 CHAIRPERSON SHEEHY: Do you want to defer it to
5 the 28th?

6 MR. COOK: Yeah.

7 CHAIRPERSON SHEEHY: Okay. We'll defer it to the
8 28th. Thank you. State Allocation Board is now adjourned.

9 (Whereupon, at 3:53 p.m. the proceedings were recessed.)

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REPORTER'S CERTIFICATE

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STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

I, Mary C. Clark, a Certified Electronic Court Reporter and Transcriber, Certified by the American Association of Electronic Reporters and Transcribers, Inc. (AAERT, Inc.), do hereby certify:

That the proceedings herein of the California State Allocation Board, Public Meeting, were duly reported and transcribed by me;

That the foregoing transcript is a true record of the proceedings as recorded;

That I am a disinterested person to said action.

IN WITNESS WHEREOF, I have subscribed my name on January 20, 2009.

Mary C. Clark
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