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CALIFORNIA STATE ALLOCATION BOARD  
PUBLIC MEETING

CALIFORNIA DEPARTMENT OF EDUCATION  
1430 N STREET, ROOM 1101  
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, JULY 22, 2009  
TIME: 3:08 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.

DR. WILLIAM J. ELLERBEE, JR, Deputy Superintendent, School and District Operations Branch, California Department of Education, designated representative for Jack O'Connell, Superintendent of Public Instruction.

ROSARIO GIRARD, CEO, Phoenix Construction, Inc., appointee of Arnold Schwarzenegger, Governor of the State of California.

ASSEMBLY MEMBER JEAN FULLER

ASSEMBLY MEMBER JULIA BROWNLEY

ASSEMBLY MEMBER MARY HAYASHI

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

ROB COOK, Chief Executive Officer

LISA SILVERMAN, Chief of Fiscal Services

JUAN MIRELES, Program Services Policy Manager

SUSAN RONNBACK, Interim Assistant Executive Officer

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

TERESA BORON-IRWIN, Staff Counsel

P R O C E E D I N G S

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CHAIRPERSON SHEEHY: Secretary, please call roll so we can establish a quorum.

MS. JONES: Thank you. Assembly Member Fuller.

ASSEMBLY MEMBER FULLER: Here.

MS. JONES: Assembly Member Brownley.

ASSEMBLY MEMBER BROWNLEY: Here.

MS. JONES: Scott Harvey.

MR. HARVEY: Present.

MS. JONES: Dr. Ellerbee.

DR. ELLERBEE: Present.

MS. JONES: Rosario Girard.

MS. GIRARD: Present.

MS. JONES: Tom Sheehy.

CHAIRPERSON SHEEHY: Present.

MS. JONES: We have a quorum.

CHAIRPERSON SHEEHY: Okay. Great. Rob, can you start us off with your -- or we've got to do **Minutes** first.

MR. COOK: Actually, yeah. The Minutes for both May and June are ready for your approval.

CHAIRPERSON SHEEHY: We had had some requests at our last meeting to revise the Minutes. I've looked at the Minutes. I see they've been revised. Do we have any more questions or comments by Board members or the general public

1 on the Minutes.

2 ASSEMBLY MEMBER BROWNLEY: I'd like to rearrange  
3 them.

4 MR. HARVEY: Move approval.

5 MS. GIRARD: I'm going to abstain on June. I  
6 wasn't here.

7 ASSEMBLY MEMBER FULLER: Second.

8 CHAIRPERSON SHEEHY: All right. Okay. We have a  
9 motion and a second. All in favor.

10 (Ayes)

11 CHAIRPERSON SHEEHY: Okay. Very good. Let the  
12 record show that Ms. Girard abstained on that. Rob,

13 **Executive Officer Report.**

14 MR. COOK: Yes. Thank you. I have quite a few  
15 items to raise to the Board's attention. Our office along  
16 with Senator Hancock's office as well as the Collaborative  
17 for High Performance Schools and Division of State Architect  
18 and Department of Finance have been working on high  
19 performance outreach to -- just for your note, on today's  
20 Board, in unfunded approvals, we are providing some high  
21 performance incentive grants to four projects out there for  
22 just a little under \$600,000, which represents a little bit  
23 of movement, but still we'd like to do better.

24 We are also going to be expanding in reaching out  
25 to industry professionals and school districts too and we

1 have -- Global Green has asked that they be included as  
2 well, but to make a fairly expansive group and identify  
3 barriers to adoption within the high performance area.

4 We have about 83.4 million available for  
5 qualifying schools and that's in bonding authority for that.

6 Also wanted to raise -- and I'm sure you're aware,  
7 but California's current bond rating. On July 14th,  
8 California's bond rating, already lowest in the nation, was  
9 downgraded two steps from A-2 to BAA-1 by Moody's Investors  
10 Service. That's two steps above junk grade and it has --  
11 that rating will increase California's borrowing costs and  
12 puts additional pressure on the general fund -- debt service  
13 obligation under the general fund.

14 Moody's rating change followed the July 6th action  
15 by Fitch Investors downgrading the State's general  
16 obligation bond in their rating system from A minus to  
17 Triple B, also two steps above junk grade in its rating  
18 system.

19 Also under unfunded approvals, including the  
20 actions before the Board today, the SAB will have made  
21 nearly 1.2 billion in unfunded approvals this calendar year  
22 and that's simply since we started doing those in March.

23 Under bond accountability, Ms. Laura Chick has  
24 been invited to the August 26th SAB meeting to discuss bond  
25 accountability before the Board.

1           All Susan Ronnback has set a meeting of the Audit  
2 Subcommittee for August 11th and we look forward to that  
3 kicking off.

4           We have two selection processes underway, one for  
5 Deputy Executive Officer and for an Assistant Executive  
6 Officer. Those are currently underway.

7           And this notice is primarily for school districts.  
8 Relocatable classroom program is phasing out under a plan  
9 that was adopted by the Board some years ago. The inventory  
10 of that is now being -- is in the liquidation part of that  
11 phase-out plan and beginning August 15th, the remaining  
12 relocatables will be offered for sale to public entities.

13           Obviously we would like to leave them in the hands  
14 of school districts, but many of them that already been --  
15 many of the relocatables that districts have wanted have  
16 already been acquired.

17           And then finally under the Governor's Executive  
18 Order, we've been given, as you well know, three furlough  
19 days a month. Our offices are closed on the first three  
20 Fridays of the month. This represents a lost productivity  
21 approaching 15 percent for our operations.

22           CHAIRPERSON SHEEHY: Now, Rob, isn't it true with  
23 those extra days of rest your staff will be so energized  
24 they'll actually be able to work more efficiently.

25           MR. COOK: Yeah. I'll take the Fifth on that.

1           CHAIRPERSON SHEEHY: I couldn't resist. Okay. Do  
2 we have any questions from Board members on the Executive  
3 Officers Report? Seeing none --

4           ASSEMBLY MEMBER FULLER: We have one.

5           CHAIRPERSON SHEEHY: Oh -- God, I've already  
6 started off on the wrong track. \$50 fine on the Chairman.

7           ASSEMBLY MEMBER BROWNLEY: Yeah, you have. You're  
8 in trouble again.

9           CHAIRPERSON SHEEHY: Assembly Member Brownley.

10          ASSEMBLY MEMBER BROWNLEY: Yeah. I have two  
11 questions. On the sort of the same line of your  
12 questioning, I wanted to know if the relocatable classrooms  
13 were part of the budget solution -- the sale of the  
14 relocatable? It was a joke. It was a joke. Okay.

15          All right. Moving on to the serious question  
16 is --

17          MR. HARVEY: -- the serious question.

18          ASSEMBLY MEMBER FULLER: We were excited there for  
19 a moment.

20          ASSEMBLY MEMBER BROWNLEY: And the second question  
21 is we are searching for the Deputy Executive Officer and the  
22 Assistant. Have we always been looking for an Assistant, or  
23 did this --

24          CHAIRPERSON SHEEHY: The Assistant is the one that  
25 is appointed directly by the Board --

1 ASSEMBLY MEMBER BROWNLEY: The -- oh, okay.

2 CHAIRPERSON SHEEHY: -- who is an exempt and we  
3 have had a 45-day filing period for that and then we are  
4 evaluating applicants and then the Deputy position is one  
5 that is appointed by General Services and is a civil service  
6 position.

7 ASSEMBLY MEMBER BROWNLEY: Okay. Thank you.

8 CHAIRPERSON SHEEHY: Are there other questions  
9 from Board members? Other questions from Board members,  
10 Ms. Brownley?

11 ASSEMBLY MEMBER BROWNLEY: None.

12 CHAIRPERSON SHEEHY: Okay. You know your day's  
13 going to start off rough when somebody comes running up to  
14 you going John, John. I turn around, I'm sorry, my name's  
15 Tom. No, it's not Tom Garamendi, it's John Garamendi. I  
16 said oh, no, you got the wrong guy. I'm much better looking  
17 than the Lieutenant Governor. So that's a true story. I  
18 don't know whether to laugh or cry. All right.

19 Okay. Shall we move onto the **Consent Calendar**,  
20 Rob.

21 MR. COOK: Yes.

22 CHAIRPERSON SHEEHY: Rob, can you tee that up for  
23 us, please.

24 MR. COOK: Yes. The Consent Agenda is ready for  
25 your approval.

1           CHAIRPERSON SHEEHY: And are there any questions  
2 or comments by the Board members on the Consent Calendar?  
3 Any comment from the public on today's Consent Calendar?  
4 Seeing none, is there a motion to approve?

5           MR. HARVEY: So move.

6           ASSEMBLY MEMBER FULLER: Second.

7           CHAIRPERSON SHEEHY: We have a motion and a  
8 second. All in favor.

9           (Ayes)

10          CHAIRPERSON SHEEHY: Okay. The Consent Calendar  
11 is approved. Very good. Now we're going to go to our  
12 financial reports. Ms. Silverman.

13          MS. SILVERMAN: Yes. Good afternoon, members of  
14 the Board. Please turn to Tab 5. I wanted to highlight  
15 some updates to the **Status of Fund Release** reports. The  
16 update we want to provide to you is to reflect the sales  
17 proceeds being moved out for active apportioned projects and  
18 as of the March sale we disposed last month, there was  
19 \$548 million in bond proceeds and we've actively released  
20 \$543.7 million in projects which shows a net effect of  
21 \$4.3 billion in bond proceeds available at the March general  
22 obligation bond sale, which again that \$4.3 million  
23 commitment is technically a reservation of fund for career  
24 tech education projects and charter school projects.

25                   And the middle chart is a reflection of the

1 proceeds going out for the April sale of the general  
2 obligations bonds and the Build America program. This  
3 office received \$1.4 billion from the Treasurer's Office for  
4 these proceeds and we've released \$1 billion to date for  
5 funds being released and we show a balance of \$377.1 million  
6 available.

7           So we've disbursed 74 percent of those funds. And  
8 most notably, from last month's movement of funds or the  
9 report, we wanted to advise the Board that we moved  
10 \$300 million to active projects. So that's good news.

11           And the lower chart we wanted to share with you is  
12 the remaining proceeds from April bond sale. We wanted to  
13 reflect that there's \$303 million in bond proceeds from the  
14 April bond sale and if you're trying to reconcile between  
15 the middle chart of the 377.1 in bond proceeds and the lower  
16 chart of the \$303.7 million in proceeds, that difference is  
17 a reflection of transmittals that are in process of going to  
18 the Controller's Office. So they haven't actively received  
19 an apportionment, but they were being transmitted from our  
20 office. And that should obviously catch up next month.

21           But the lower chart is really what we wanted to  
22 show is there's \$303 million in proceeds. However, we  
23 wanted to show that we still have \$743 million in active  
24 apportioned projects that haven't come in with fund releases  
25 and so obviously doing the math, we wanted to reflect we're

1 still \$440 million short of the original \$2.4 billion in  
2 projects that we had apportioned prior to a freeze.

3 So again that's the highlight. We wanted to  
4 reflect that there's still \$303 million available for school  
5 districts to come in with active apportionments, to come in  
6 with a fund release and \$440 million short.

7 I'll open it up to questions from Board members.

8 CHAIRPERSON SHEEHY: Mr. Harvey.

9 MR. HARVEY: Given the interest I think that we  
10 all share, districts, those of us at the State, in making  
11 sure we're getting money out quickly, people are actually  
12 getting employed, things are being done, students are  
13 housed.

14 CHAIRPERSON SHEEHY: I'm sorry, Mr. Harvey, which  
15 state are you referring to?

16 MR. HARVEY: The one where we're selling bungalows  
17 to help the general fund.

18 CHAIRPERSON SHEEHY: Okay. I just wanted to make  
19 sure.

20 ASSEMBLY MEMBER BROWNLEY: Now we know which state  
21 it is.

22 MR. HARVEY: Are there impediments for the  
23 districts that haven't sought those fund releases to  
24 actually come and get the \$311 million that's available?

25 MS. SILVERMAN: We haven't heard any feedback to

1 date as far as whether or not there's impediments out in the  
2 field as far as accessing the funds, but that's a legitimate  
3 question

4 MR. HARVEY: I mean it's -- the bad news is that  
5 we do have a deficit, but the good news is we have funds  
6 available and I was kind of curious as to why it wasn't all  
7 gone after the April sale, and if there's anything on our  
8 end that we should be doing, I hope we do. I'm guessing it  
9 probably is at the local level. We're almost beyond that  
10 window where you do lots of things because schools are  
11 starting up, I understand. But if anyone had any comment,  
12 I'd love to know if there's anything we can do.

13 CHAIRPERSON SHEEHY: Well, Mr. Harvey --

14 (Telephone interruption)

15 MR. HARVEY: The Governor is calling. I made a  
16 bad statement. I'm sorry.

17 CHAIRPERSON SHEEHY: Well, Mr. Harvey, knowing  
18 this is not a shy crowd, I'm sure if somebody had concerns  
19 over what we're doing they would probably be willing to  
20 approach us right now. By the way --

21 MR. HARVEY: The silence means that everything is  
22 fine.

23 CHAIRPERSON SHEEHY: -- didn't you get the memo?  
24 You never put the Governor on hold, Scott.

25 MR. HARVEY: Well, actually it said it was from

1 Tom Sheehy.

2 CHAIRPERSON SHEEHY: Uh-huh. It's the Lieutenant  
3 Governor --

4 MR. HARVEY: Oh, Lieutenant Governor.

5 CHAIRPERSON SHEEHY: Okay. Now, so do we have any  
6 response to Mr. Harvey's question, Rob?

7 MR. COOK: Any one of those apportioned projects  
8 could come in with a fund release at any time if -- when  
9 they meet the requirements. So we're not aware of -- there  
10 are no impediments that we're aware of from our option  
11 standpoint. I'm sure it comes down to local decisions and  
12 districts wondering whether they have their match, whether  
13 they're able to come forward. We are not aware of anything  
14 in particular.

15 MR. HARVEY: Remind me. How long do districts  
16 have to actually seek those dollars once they've been  
17 apportioned?

18 MR. COOK: Under normal times, they have 18 months  
19 from the time of apportionment till they -- till that  
20 apportionment basically expires. We are going to be taking  
21 up an item today to unplug the clock on these projects that  
22 are outstanding.

23 MR. HARVEY: We directed that we have an emergency  
24 regulation to do that, didn't we; so that kind of tolled it  
25 and they're not penalized because of -- but in this case, we

1 have funds available. I'm still curious as to why these  
2 dollars aren't going out quicker, but maybe that's the --

3 MR. COOK: Well, I see Mr. Duffy there waiting in  
4 the wings, so I'm sure he has something to say on this.

5 CHAIRPERSON SHEEHY: Mr. Duffy.

6 MR. DUFFY: Thank you, Mr. Chairman and members.  
7 Tom Duffy for C.A.S.H. A couple of months ago, we submitted  
8 a letter to you with a suggestion that there be a  
9 reinterpretation of statute and then, Mr. Chairman, you and  
10 I and Rob had a meeting in your office on this topic.

11 I think if you were to go back and review that --  
12 and it really is an interpretation of what kind of contract  
13 are we talking about and, as you recall, we talked about  
14 architectural agreements, contracts for purchasing property  
15 and all of those things -- that it's not simply -- or could  
16 not simply be viewed as a construction contract.

17 So it may be, Mr. Harvey, that if that were  
18 changed -- if that regulation were changed that districts  
19 would be lining up more quickly to come in a get those  
20 dollars.

21 And I'd be pleased to send a copy of that letter  
22 to all of you again.

23 CHAIRPERSON SHEEHY: Please.

24 MR. HARVEY: I would appreciate that very much.

25 CHAIRPERSON SHEEHY: Please do that, Tom. Thank

1 you.

2 MR. DUFFY: Okay. All right. Thank you.

3 MR. HARVEY: Thank you so much.

4 MR. DUFFY: Thanks, Rob.

5 CHAIRPERSON SHEEHY: Ms. Brownley? Ms. Fuller?  
6 Mr. Harvey? Okay. Very good. Let's move on to the next  
7 report, Ms. Silverman.

8 MS. SILVERMAN: Yes. Please turn to Tab 6, most  
9 notably the **Status of Funds** report. What we wanted to  
10 highlight this month is an accounting adjustment as the most  
11 notable item. Actually this month, we are in Proposition 1D  
12 providing \$26 million of unfunded apportionments out of new  
13 construction, \$38.8 million of unfunded apportionments out  
14 of modernization funds, and \$.6 million in unfunded  
15 approvals for high performance, \$17.9 million for  
16 overcrowding relief.

17 And then under Prop. 47, we are moving  
18 \$178 million in unfunded apportionments out of new  
19 construction. And for emergency repair, we're processing  
20 \$300,000 which -- not -- and ten applications.

21 What I wanted to highlight is an accounting  
22 adjustment which is footnoted in Prop. 47 and 55 as  
23 Footnote A, and we wanted to highlight this item in  
24 particular because it relates to a report that we're  
25 presenting in Tab 11.

1           The highlight of this item is in December of this  
2 year -- or excuse me -- of '08, we had a particular district  
3 that came in to convert on its critically overcrowded school  
4 project and at the time of the conversion, we noted that  
5 there was an error and we posted that correction on the  
6 status of funds. So that project should have been split  
7 project, meaning \$72.6 million should have been allocated  
8 out of Proposition 55 and the other remaining part of the  
9 project should have been reflected in Proposition 47.

10           We noted that in the Status of Funds. However,  
11 there was a technicality issue that came up. When we were  
12 providing our certifications for the April bond proceeds, we  
13 noted that the project was to funded entirely out of  
14 Proposition 47.

15           With that, we contacted the Treasurer's Office to  
16 see if there's any flexibility of revising that  
17 certification, reflecting that split of the project for that  
18 critically overcrowded school project and most notably they  
19 advised us that we have to stick to the certification we  
20 reflect that this project being totally funded out of 47.

21           So with that, we contacted the district and we  
22 provided an administrative solution to resolve that issue,  
23 to provide them the entire amount of funds that were due.  
24 So we provided them the \$101 million. We actually consulted  
25 with legal counsel and the district and they were -- there's

1 no harm in this transaction. So most notably we're posting  
2 a reduction of \$72.6 million out of Proposition 47 and most  
3 notably including an increase in Proposition 55 for the  
4 \$72.6 million.

5 And this is to reconcile that transaction that was  
6 initially posted in the Status of Funds in December.

7 But that impacts the item under discussion under  
8 Tab 11. We had notified the Board there was \$140.7 million  
9 available in reserve. Well, now that reserve has shrunk and  
10 so the amount available in that reserve is now  
11 \$68.1 million.

12 So with that, I'll open it up for any questions.

13 CHAIRPERSON SHEEHY: Ms. Brownley.

14 ASSEMBLY MEMBER BROWNLEY: I just wanted to  
15 understand what was the error I think as you described it  
16 that caused all of this in the first place. So what was it  
17 that we missed in terms of funding for \$72.6 million?

18 MS. SILVERMAN: Well, the -- it's a different  
19 process we have in place now that we're receiving bond  
20 proceeds from the Treasurer's Office. I mean --

21 ASSEMBLY MEMBER BROWNLEY: No. I mean is this  
22 simply a -- this is more than just sort of a paperwork  
23 drawing funds from the wrong account or applying funds --

24 MS. SILVERMAN: Correct.

25 ASSEMBLY MEMBER BROWNLEY: -- to the wrong

1 account. There was something that happened on a particular  
2 project that was \$72 million seemingly underfunded that  
3 needed to be funded.

4 MS. SILVERMAN: Right.

5 ASSEMBLY MEMBER BROWNLEY: And I thought you said  
6 that it was an error that happened.

7 MS. SILVERMAN: It was our error in the  
8 certification list that we provided to the Treasurer's  
9 Office. We noted that the project was to be funded entirely  
10 out of Proposition 47 and not split funded.

11 ASSEMBLY MEMBER BROWNLEY: Okay. So it didn't  
12 constitute that a project was X amount and then needed  
13 72 million more. It was just a matter of what funds it was  
14 going to come from.

15 MS. SILVERMAN: Correct.

16 ASSEMBLY MEMBER BROWNLEY: Thank you.

17 MS. SILVERMAN: Correct.

18 CHAIRPERSON SHEEHY: Mr. Harvey.

19 MR. HARVEY: You note that there's a potential  
20 impact on Item 11 because we suddenly have less dollars  
21 to --

22 MS. SILVERMAN: In reserves, correct.

23 MR. HARVEY: In reserves. On the other side of  
24 things, if the critically overcrowded program in 55 is not  
25 fully accessed, we at some point in time would be able to

1 take those reserves and move them.

2 MS. SILVERMAN: Correct.

3 MR. HARVEY: What would be the timing of that,  
4 moving this money around? Did it extend the time that those  
5 reserves remain reserves and we touch them or are we made  
6 whole in our ability to use them for another program if we  
7 so chose?

8 MR. COOK: Under the -- before December 17th of  
9 2008, I would have told you that by December of this year,  
10 we would be able to transfer all of the reserves in  
11 Proposition 55 over to new construction. With some of the  
12 emergency regulations that we've adopted in order to hold  
13 people harmless on some of their deadlines during this time,  
14 the financial crisis, some of those projects may sit there  
15 and languish for a while.

16 And so the full amount of the Proposition 55  
17 critically overcrowded schools projects, it would normally  
18 have had to convert by October of this year. Some of them  
19 may be sitting back and may not have to convert for a period  
20 of time.

21 We would have thought -- if everybody came in and  
22 converted their projects by the October deadline, we would  
23 have a reconciliation, be able to take that to either the  
24 December or January Boards and transfer those funds.

25 Now we have a little bit of uncertainty, but we do

1 know that as -- at least the largest school district that is  
2 participating in the Proposition 55 program, their  
3 conversion rate is about 75 cents on the dollar, meaning a  
4 dollar of preliminary apportionments is turning into  
5 75 cents of real apportionment when they come in.

6 So we feel very confident that there will be a  
7 buffer in that program and there will be money that will be  
8 available -- or bond authority that will be available to  
9 transfer over to new construction.

10 And hopefully later this fall, maybe December,  
11 we'll have to see how many projects actually come in and  
12 truly convert in October.

13 MR. HARVEY: And again I think you may have just  
14 clarified for me well. I want to make absolutely certain  
15 this is not one of those categories where we have cash in  
16 the bank. It's bond authority, so we're reliant on the  
17 economy improving so that we can go out and either sell the  
18 bonds outright or use this Buy America approach again; is  
19 that correct?

20 MR. COOK: That's correct.

21 MR. HARVEY: Thank you.

22 CHAIRPERSON SHEEHY: Thank you, Mr. Harvey. Other  
23 questions or comments from Board members? Do we have any  
24 public comment at this time? Seeing none, this is a  
25 nonaction item. Let's move on to our **Consent Special** today

1 which is Tab No. 7.

2 MR. COOK: And under Tab No. 7, we have -- under  
3 Consent Specials, we have an unfunded approval for  
4 San Bernardino City Unified project. It started out as a  
5 new construction project and is by appeal converting over to  
6 an overcrowding relief grant project at this time.

7 The project is -- now amongst the issues that --  
8 what staff is recommending is that we approve this  
9 overcrowded relief application as an unfunded approval and  
10 that to make the accounting right, that we reinstate 324 of  
11 the 405 pupil grants the district originally had put on the  
12 table in their new construction project. We will be  
13 retaining the balance to make up for the funding they  
14 received under new construction. Open to any questions.

15 CHAIRPERSON SHEEHY: Mr. Harvey.

16 MR. HARVEY: Clarification. I'm assuming that as  
17 you say in the staff comment, all we're really doing here is  
18 validating or approving that which we did in February when  
19 we acted on the appeal.

20 MR. COOK: That's correct. The Board gave  
21 direction that we would, one, grant the appeal and then,  
22 two, we would confirm that we had no double funding in this  
23 project and that's -- the steps that we've taken and it's  
24 ready for your approval.

25 MR. HARVEY: Thank you.

1 ASSEMBLY MEMBER FULLER: So moved.

2 CHAIRPERSON SHEEHY: Okay. We have a motion.

3 MS. GIRARD: Second.

4 CHAIRPERSON SHEEHY: We have second. We have  
5 comment from San Bernardino. Please come forward.

6 MS. ASHTON: Good afternoon, members of the Board.  
7 My name is Patty Ashton. I'm a school advisor and I'm the  
8 district's consultant. Unfortunately Mr. Peukert and  
9 Mr. Elatar are both out of the state and they couldn't  
10 attend today, so they send their regrets, but they asked if  
11 I could come and just thank the Board for approving the  
12 appeal in February, but to say that we do have one issue on  
13 that and that is the date of the approval.

14 The staff is recommending that it be an unfunded  
15 approval. The district would like to see that it be an  
16 inactive apportionment and given a December 10th, 2008,  
17 apportionment date along with all of the other work  
18 applications that were approved in December.

19 One of the motions that Senator Lowenthal had  
20 given was that this was a valid application as of July 31st,  
21 2008, and since it was valid, it should have been funded in  
22 December of 2008.

23 And so that is the issue that -- the main issue  
24 that the district would like to have the Board consider is  
25 their actual directive and their motion that was taken back

1 in February.

2           The other issue is regarding the double hit on the  
3 eligibility and the district is being hit on the new  
4 construction eligibility and they're also being hit on the  
5 ORG eligibility. They are taking full hit on the ORG  
6 eligibility and we would ask -- we don't want the item held  
7 for that reason, but we would ask if we could work with CDE  
8 and OPSC staff to reconcile that double hit on eligibility.

9           It was a big concern that we don't get double  
10 funded which we understand, but we are being charged under  
11 both programs under eligibility.

12           So I did want to mention that I have Ms. Laura  
13 Breuer. She is the Assistant Director of Facilities for the  
14 district. She came to represent the district since  
15 Mr. Elatar and Mr. Peukert couldn't be here.

16           CHAIRPERSON SHEEHY: Thank you, Ms. Ashton.  
17 Ms. Breuer.

18           MS. BREUER: No. I think Patty's covered  
19 everything.

20           CHAIRPERSON SHEEHY: Great. Rob, what would be  
21 the effect of their request? What's the -- the staff  
22 recommendation is to approve this as an unfunded approval  
23 like we're doing everything now and it seems like they want  
24 this to be some sort of an inactive apportionment. Is that  
25 the term you used?

1 MS. ASHTON: Well, we actually want it as an  
2 apportionment of December --

3 CHAIRPERSON SHEEHY: We're not making any  
4 apportionments. I don't know -- I mean we can't make any  
5 apportionments because we don't have any bond funds. So --  
6 but why don't we talk about what that would mean if we were.  
7 How would that work, Rob?

8 MR. COOK: Well, this project would then -- we  
9 currently have before the freeze came into effect, we had  
10 2.4 billion in projects that had been apportioned that we  
11 could not fund. As you've seen today through the -- through  
12 Lisa's reports, we've been successful in getting some bond  
13 funds, but we're still \$440 million short of being able to  
14 fund the projects that got apportioned prior to the freeze.

15 This -- and subsequent to that, we've been making  
16 unfunded approvals so far of over 900 million. In fact with  
17 the consent agenda, we are now approximately 1.2 billion.

18 An approval -- an apportionment for this project  
19 would move them in front of all of those other projects.

20 CHAIRPERSON SHEEHY: I'm sorry. If we just --

21 MR. COOK: In funding priority.

22 CHAIRPERSON SHEEHY: -- approve the staff  
23 recommendation, they will get cued up for funding like  
24 everyone else, but if we do an inactive apportionment, we'd  
25 move them to the front of the line; is that the concept?

1 MR. COOK: That would put them -- they would  
2 basically be at the end of the line for the apportionments  
3 that this Board has made.

4 CHAIRPERSON SHEEHY: I see.

5 MR. COOK: And in front of the other projects that  
6 have gotten unfunded approvals.

7 CHAIRPERSON SHEEHY: I see.

8 MR. HARVEY: Let me ask a practical question if I  
9 might.

10 CHAIRPERSON SHEEHY: Mr. Harvey.

11 MR. HARVEY: We've learned that there was  
12 311 million for those that had these authorizations. If  
13 this item is amended as they are arguing, would they have  
14 access to the 311 million?

15 MR. COOK: They could come in with a fund release  
16 request immediately. If they meet --

17 MR. HARVEY: So the answer's yes?

18 MR. COOK: Yes.

19 CHAIRPERSON SHEEHY: So once they're in line, they  
20 could come in for a fund release request immediately?

21 MR. COOK: If they meet all the other  
22 requirements, absolutely.

23 CHAIRPERSON SHEEHY: Therefore it doesn't matter  
24 where they are in line in that sense. We've got all these  
25 schools that are cued up and that could come in for fund

1 releases, but they're not coming in. We actually have,  
2 what, how much is it -- 300? 400?

3 MR. COOK: A little over \$300 million that is --

4 CHAIRPERSON SHEEHY: \$300 million cash that's  
5 sitting there. Yeah.

6 MS. ASHTON: Mr. Sheehy.

7 CHAIRPERSON SHEEHY: Sure. Ms. Ashton.

8 MS. ASHTON: Could I -- yeah. Just one comment is  
9 that we would be in line -- the district would be in line  
10 for the funding if it was an actual apportionment. As an  
11 unfunded approval, we cannot submit a 5005 for fund release  
12 and we cannot do any kind of bridge financing on the project  
13 because it is financial hardship and we would have to get  
14 that authorization from OPSC.

15 The bridge financing to move the projects forward,  
16 they -- OPSC will not acknowledge that if it's on an  
17 unfunded list. So the district feels that because it was a  
18 valid application and should have been processed in  
19 December, it should be line with all of the other  
20 applications or -- because it is -- it does create a  
21 hardship on the district to be able not able to submit a  
22 fund release at this time.

23 CHAIRPERSON SHEEHY: Okay. Is that -- does  
24 Ms. Ashton's assessment of the situation -- regardless of  
25 how you view the policy argument being made, is her

1 assessment of the situation accurate, Rob?

2 MR. COOK: Yes. And they -- we have a policy in  
3 place for hardship districts that have an apportionment that  
4 do have one in place for unfunded approvals.

5 CHAIRPERSON SHEEHY: Ms. Breuer, is your project  
6 shovel ready to go?

7 MS. BREUER: We have purchased all the property  
8 and, yes, we are ready to take it out to bid, so that we  
9 could submit.

10 CHAIRPERSON SHEEHY: The pleasure of the Board.

11 MR. HARVEY: I'm sorry to be nitpicky here. When  
12 you say ready to bid, that doesn't in my mind mean shovel  
13 ready. Shovel ready in my mind means you're turning dirt  
14 within about 75 days. So what is the time frame?

15 MS. ASHTON: We're putting together the  
16 construction documents right now. Of course we were waiting  
17 for the approval before we actually moved forward because we  
18 have been discussing with OPSC staff as whether it would be  
19 an unfunded approval or an apportionment because that makes  
20 a difference to the district on their borrowing.

21 They are planning to use qualified school  
22 construction bonds to move this project forward, but it does  
23 have to be an apportionment to do that. So we're looking at  
24 probably 30 days to be out to bid and then it will be out to  
25 bid. So we'll be ready to award contracts in 60 to 75 days.

1           CHAIRPERSON SHEEHY: Rob -- or maybe this is a  
2 question of our counsel, Teresa, I don't know, but we  
3 stopped doing apportionments because of our financial crisis  
4 and because of our bond situation. We haven't even sold  
5 enough bonds to cover the apportionments that this body had  
6 made leading up to the December 19th freeze.

7           So I have a concern and I don't have -- I don't  
8 know -- this is not rhetorical because I don't know where to  
9 go. I have a concern -- one concern that I have -- I think  
10 the Board should have is what is the impact if we were to  
11 actually make an apportionment? Are we simply pushing  
12 someone else -- and what impact does that have to the other  
13 folks that are waiting in line that got apportionments prior  
14 to the December 19th freeze? And is there an equity issue  
15 with folks that are on the unfunded items list?

16           I mean -- it seems to me we've got -- I want to be  
17 careful that the Board doesn't set a precedent on the  
18 apportionment issue and I think it's important for the Board  
19 members to understand any equity issues here vis-à-vis  
20 moving ahead in line. Those would be the two issues I would  
21 like to see more discussion on, think there should be more  
22 discussion on before we have a final vote on this item.

23 Rob?

24           MR. COOK: If I might. There were two projects  
25 that this Board has approved earlier, both on appeal,

1 Glendale and Lammersville, if you might recall, both of  
2 which were given unfunded approvals, both of which are  
3 predate as far as the Board action concerns this particular  
4 project, I mean by years predate this project.

5 That is one point to consider. The other is  
6 simply the unknown. Are there other shovel-ready projects  
7 within the unfunded approval list that you would be stepping  
8 over.

9 CHAIRPERSON SHEEHY: That's a good point. So if  
10 we were to approve San Bernardino's request, it would be  
11 perfectly logical for Glendale and Lammersville to come back  
12 and say hey, you did this for them. Ours was an appeal that  
13 was taken care of. Ours was an appeal resulting from an  
14 action that happened years ago; is that right?

15 MR. COOK: That's correct.

16 CHAIRPERSON SHEEHY: Okay. I just want to make  
17 sure I got that. Mr. Ellerbee -- Dr. Ellerbee. Excuse me.

18 DR. ELLERBEE: Rob, if this were put over to the  
19 next meeting so that we could entertain or flesh out their  
20 suggestion, would that be a problem?

21 MR. COOK: I -- there's no issue with that and I  
22 don't believe the -- I don't -- I would defer to the  
23 district to see whether they want to take an action tonight  
24 or whether they're more than happy to put it over to the  
25 next month.

1           CHAIRPERSON SHEEHY: There's a complicating  
2 third -- I'm sorry, Dr. Ellerbee. There's a complicating  
3 factor. We have -- when we got into the bond freeze  
4 situation, what we got in the PIMA freeze of December 19,  
5 the Department of Finance issued letters to all bond program  
6 managers to stop making allocations and that's when we  
7 stopped making apportionments here.

8           Now, I realize this Board is not necessarily bound  
9 by an administrative action by the Department of Finance,  
10 but OPSC is and I really think before they could actually go  
11 forward and complete the transactions with the Controller's  
12 Office, they'd have to get a green light from Finance.  
13 Isn't that right, Chris? Finance, you want to comment on  
14 that?

15           MR. FERGUSON: Sure.

16           CHAIRPERSON SHEEHY: Because -- so my concern is  
17 about the apportionment issue. I don't have a problem with  
18 their -- yeah, I don't have a problem with their request and  
19 getting their appeal taken care of, but it's the  
20 apportionment issue that I'm really -- I'm concerned about,  
21 Dr. Ellerbee. Chris.

22           MR. FERGUSON: Chris Ferguson, Department of  
23 Finance. You would be correct that there may be some issue  
24 with them sending that fund release. Further there may be  
25 some certification issues on the bonds in terms of this

1 project was not submitted to the Treasurer's Office for  
2 certification.

3 CHAIRPERSON SHEEHY: Right. Yeah. Yeah. So for  
4 Ms. Ashton and Ms. Breuer and Dr. Ellerbee, we can certainly  
5 put this over, but I want you to know I think it's -- it's  
6 certainly possible you could get a vote out of this Board on  
7 an apportionment, although I would discourage that. I think  
8 it's unlikely that -- unless we worked with the Treasurer's  
9 Office, I'm not sure that getting an apportionment is going  
10 to be any different than getting an unfunded approval for  
11 you and I'm concerned about the precedent that might set  
12 until we get back in the apportionment business.

13 So, Dr. Ellerbee, if you're asking that this be  
14 put over, I'm happy to accommodate your request unless the  
15 other Board members feel strongly otherwise. Are there  
16 other questions from Board members? Ms. Brownley.

17 ASSEMBLY MEMBER BROWNLEY: I'm just trying to  
18 understand this. And so the difference between the  
19 projects -- the list of projects that are unfunded and the  
20 list of projects that are apportioned, even though we have  
21 no money for either one, what's -- I guess the question is  
22 how is this project compare to the rest of the unfunded  
23 projects?

24 The unfunded projects in my mind aren't  
25 prioritized in any way; right? And so I guess I'm trying to

1 understand the equity issue here. So if it was -- so I mean  
2 technically I guess the project is on the unfunded list at  
3 this particular point; right?

4 CHAIRPERSON SHEEHY: Well, as soon as we -- well,  
5 we approved the appeal; right? I mean aren't they on the  
6 unfunded list at this point?

7 MR. COOK: No, they are not. It would take Board  
8 action --

9 ASSEMBLY MEMBER BROWNLEY: And that's what  
10 you're --

11 MR. COOK: -- to give it unfunded approval.

12 ASSEMBLY MEMBER BROWNLEY: -- suggesting that --  
13 or your recommendation for tonight --

14 MR. COOK: Correct.

15 ASSEMBLY MEMBER BROWNLEY: -- to do that. And  
16 then once it gets on the unfunded list, it sounds to me as  
17 though perhaps this project is ahead of other projects on  
18 the unfunded list because of where they are in the sequence  
19 of their particular project. Is that -- am I making sense?

20 CHAIRPERSON SHEEHY: They may be ahead of some.

21 ASSEMBLY MEMBER BROWNLEY: They may be ahead of  
22 some.

23 CHAIRPERSON SHEEHY: Of some.

24 ASSEMBLY MEMBER BROWNLEY: Of some.

25 MS. ASHTON: Ms. Brownley, could I make a comment?

1 ASSEMBLY MEMBER BROWNLEY: Yes.

2 MS. ASHTON: Assuming that the Board takes all of  
3 the unfunded approvals and turns them into apportionments as  
4 the same time, then yes, we -- you know, the district is  
5 shovel ready and we could be submitting a fund release  
6 request.

7 Depending on the bond sales, if they decide to  
8 only take unfunded approvals on a month-to-month basis and  
9 they take March and they give those apportionments now and  
10 then they take April and then they take March -- you know,  
11 May, June, then the district is disadvantaged because it  
12 took five months from the date of the appeal to get to this  
13 point. And so we are five months behind the project from  
14 the March unfunded approvals.

15 Now, OPSC is saying they don't expect that to  
16 happen. They think once the spigot is turned back on that  
17 all of the projects are going to be given an apportionment,  
18 but there could be a trickle effect where it -- you know,  
19 each month by month and then we would be disadvantaged  
20 because we could not submit a fund release until the July  
21 projects are made apportionments.

22 ASSEMBLY MEMBER BROWNLEY: Thank you.

23 CHAIRPERSON SHEEHY: Mr. Harvey.

24 MR. HARVEY: I think I've heard some compelling  
25 statements that make me comfortable if the wish of the Board

1 is to act tonight and that is when we've had other appeals,  
2 appeals whose dates preceded this one, we put them on the  
3 unfunded list. That's one argument for taking the staff  
4 recommendation.

5 CHAIRPERSON SHEEHY: Being consistent with past  
6 actions.

7 MR. HARVEY: Correct. The other side would be  
8 that there was a unique component to the motion Senator  
9 Lowenthal made indicating that if it were a valid  
10 application, you should recognize that date. But again in  
11 fairness to those that came before us, Lammersville and  
12 Glendale were deemed valid at the time we took the action  
13 and you could say, well, gosh darn, we should go back then  
14 and put them higher in line.

15 For me it's the former argument, that is we've  
16 sent precedent and I've heard some things that are  
17 disquieting about not being on the Treasurer's list,  
18 concerns about certifying this project because it wasn't on  
19 the list. For those reasons, I'm comfortable tonight acting  
20 on the staff recommendation, but I certainly will follow the  
21 wishes of my colleagues.

22 MR. TAO: If I may. Very quickly. Terry Tao on  
23 behalf of San Bernardino City Unified. I'm one of the  
24 attorneys for the district.

25 The issue is significantly different than the

1 other two appeals as I understand them. For example, the  
2 Glendale appeal was a regulatory appeal associated with a  
3 denial.

4 In our particular case, it's a OPSC issue that  
5 arises from a lottery. There was a lottery that occurred in  
6 December. There's a lottery that will be occurring -- that  
7 occurs in July and because of the trouble that was  
8 circulating with regard to the San Bernardino application,  
9 we were precluded from participating in that lottery in  
10 December which resulted in us becoming a -- in the situation  
11 where we're at now.

12 There's a difference between if we were approved  
13 in December of '08 as opposed to if we're approved in July  
14 of '09 and that specific issue is whether we would be  
15 considered an unfunded if we were approved in July as  
16 opposed to an apportioned in December. There's a  
17 significant difference.

18 So we believe that it's more clerical in nature.  
19 If it had simply been an issue of you submit your  
20 application and you would have been funded, our application  
21 was submitted in July of '08. So we simply had to wait  
22 around for the December Board processing and we certainly  
23 would have been funded at that time because significantly  
24 less than the available funds were allocated.

25 CHAIRPERSON SHEEHY: All right. Thank you. Thank

1 you, Terry. Thank you. Go ahead, Ms. Brownley.

2 ASSEMBLY MEMBER BROWNLEY: I would like to see the  
3 item put over. For me, there's just -- I don't have enough  
4 information. I understand that there was a letter written  
5 of which, you know, I got a copy of a few hours before the  
6 meeting. I would prefer to digest the information and be  
7 able to feel comfortable with it. Otherwise I will not vote  
8 on the item because I just don't have a comfort level --

9 CHAIRPERSON SHEEHY: Okay. Very good. So we've  
10 had two requests now from Board members, both from  
11 Dr. Ellerbee and Assemblywoman Brownley to put this item  
12 over. Mr. Harvey, are you willing to withdraw your motion?

13 MR. HARVEY: Actually I did not make a motion. I  
14 made a statement.

15 CHAIRPERSON SHEEHY: There was a motion.

16 ASSEMBLY MEMBER FULLER: I did.

17 CHAIRPERSON SHEEHY: Ms. Fuller, would you be  
18 willing --

19 ASSEMBLY MEMBER FULLER: Yes. I'm willing to  
20 withdraw my motion, but first I want to say that if we do  
21 put it over, I would like to have a more firm opinion and  
22 briefing about the certification from the Department of  
23 Finance because if in fact that hasn't been properly noticed  
24 for that bond, then we would be saying we would give them  
25 something that we really couldn't give them which would make

1 it even worse for all of us. We'd be appealing one more  
2 thing.

3 So I think that's a guideline that we really have  
4 to had in front of us. I will concur and withdraw my  
5 motion.

6 CHAIRPERSON SHEEHY: Chris, would Finance have to  
7 approve an apportionment vis-à-vis some sort of  
8 certification with the Treasurer's Office? Do you know off  
9 the top of your head? If you don't, we can just come  
10 back --

11 MR. FERGUSON: I would have to check with the  
12 Treasurer's Office. However, our understanding is the  
13 projects that were certified for those bonds are the  
14 projects in the 2.4 billion. So this would be above and  
15 beyond that --

16 CHAIRPERSON SHEEHY: Okay.

17 MR. FERGUSON: -- and there haven't been bond  
18 sales, so --

19 CHAIRPERSON SHEEHY: So that's what we need to --  
20 that's what Finance -- if you could -- if it's necessary for  
21 Finance. The rest OPSC really needs to determine. If you  
22 need Finance's input, please ask for it. We may have --  
23 Ms. Ashton and Ms. Beuer, Mr. Tao, we may have a technical  
24 issue through which there's not a political solution and if  
25 that's the case, then we'll do the best we can by you, but

1 we need to know -- we don't know that tonight.

2           So let's come back. We'll have more Board members  
3 here next time and then we'll have more information and that  
4 will be good. So can we leave it there for now?

5           MS. ASHTON: Yes.

6           CHAIRPERSON SHEEHY: Thank you. I want to  
7 recognize Ms. Hayashi -- Assemblywoman Hayashi's here with  
8 us today and we're delighted to have you. Thank you so  
9 much.

10           ASSEMBLY MEMBER HAYASHI: Thank you.

11           CHAIRPERSON SHEEHY: Okay. So that item without  
12 objection will be put over. Thank you, Ms. Fuller, for  
13 withdrawing your motion. Okay. And I lost track of where  
14 we're at. Are we on Item 8?

15           MR. COOK: That's correct.

16           CHAIRPERSON SHEEHY: For those -- for people in  
17 the audience that are waiting here for Items No. 9, 11, and  
18 13, because we are missing some Board members tonight that  
19 feel particularly strong about those items, we are going to  
20 put over Items No. 9, No. 11, and No. 13, but we're not  
21 putting over Item No. 8 and that's next.

22           MR. COOK: Item -- the item before you is simply  
23 executing on the **emergency regulations** that were put into  
24 effect -- that this Board adopted -- pardon me -- in January  
25 and it is simply described as unplugging the clock on these

1 projects that have received an apportionment but have not  
2 yet been funded by this Board.

3 As you know from our prior discussion, there's a  
4 little over \$300 million in cash that's available to  
5 actually fund some of these projects. In taking this  
6 action, any of those projects can still come forward and  
7 claim those funds if they're still available, but this  
8 relieves these districts of some of the time limits that  
9 they would otherwise have to meet and more than happy to  
10 entertain any questions on this item.

11 Staff recommendation is simply to recognize these  
12 projects as inactive and --

13 CHAIRPERSON SHEEHY: Rob, has there been any  
14 opposition expressed to the staff recommendation on this  
15 item?

16 MR. COOK: None.

17 CHAIRPERSON SHEEHY: Is there anybody in the  
18 audience today that's here that had concerns about the staff  
19 recommendation on Item 8? This looks like it's mostly a  
20 technical item --

21 ASSEMBLY MEMBER FULLER: So moved.

22 MR. HARVEY: Second.

23 CHAIRPERSON SHEEHY: We have a motion from  
24 Ms. Fuller, a second from Mr. Harvey.

25 DR. ELLERBEE: And, Tom, due to the fact there are

1 two projects on here related to the Sacramento City Unified  
2 School District, I have a potential conflict of interest, so  
3 I'm going to be abstaining from those two projects.

4 CHAIRPERSON SHEEHY: Okay. We're going to have --  
5 yes, Rob.

6 MR. COOK: Since there are but six of you and we  
7 require six for an action --

8 MR. SHEEHY: There's seven of us.

9 MR. HARVEY: There's seven.

10 MR. COOK: Oh, wait a second. I'm sorry. Yeah.

11 CHAIRPERSON SHEEHY: We're going to have two votes  
12 on this.

13 ASSEMBLY MEMBER BROWNLEY: Ms. Hayashi just earned  
14 her pay.

15 ASSEMBLY MEMBER HAYASHI: Nobody told me anything  
16 about pay.

17 CHAIRPERSON SHEEHY: We're going to have two votes  
18 here. The first vote is going to have every project on it  
19 except for two --

20 DR. ELLERBEE: Sacramento City Unified School  
21 District.

22 CHAIRPERSON SHEEHY: -- except for the two  
23 Sacramento City Unified School District projects. Okay. So  
24 the first vote is a motion to approve Item 8 minus those two  
25 projects, the Sacramento City projects that Dr. Ellerbee

1 mentioned.

2 Is there a motion and a second?

3 ASSEMBLY MEMBER FULLER: So moved.

4 MR. HARVEY: Second.

5 CHAIRPERSON SHEEHY: All in favor.

6 (Ayes)

7 CHAIRPERSON SHEEHY: Okay. That's unanimous. Now  
8 we're going to need a second motion to approve the two  
9 Sacramento City items.

10 ASSEMBLY MEMBER FULLER: So moved.

11 MR. HARVEY: Second.

12 CHAIRPERSON SHEEHY: We have a motion and a  
13 second. Secretary, call the roll.

14 MS. JONES: Assembly Member Fuller.

15 ASSEMBLY MEMBER FULLER: Aye.

16 MS. JONES: Assembly Member Brownley.

17 ASSEMBLY MEMBER BROWNLEY: Aye.

18 MS. JONES: Assembly Member Hayashi.

19 ASSEMBLY MEMBER HAYASHI: Aye.

20 MS. JONES: Scott Harvey.

21 MR. HARVEY: Aye.

22 MS. JONES: Dr. Ellerbee.

23 DR. ELLERBEE: I am abstaining.

24 MS. JONES: Thank you. Rosario Girard.

25 MS. GIRARD: Aye.

1 MS. JONES: Tom Sheehy.

2 CHAIRPERSON SHEEHY: Aye. Okay. So those items  
3 are approved. Thank you. Now we're going to move on --  
4 we're going -- No. 9 is put over to our next hearing.  
5 Item No. 10 which is an action item on **joint use**.

6 MR. LaPASK: Thank you. Good afternoon. I have  
7 today the 2008-2009 joint use funding cycle for you.

8 CHAIRPERSON SHEEHY: I'm sorry. Sir, could you  
9 please identify yourself for the record.

10 MR. LaPASK: Sorry. I'm Brian LaPask with the  
11 Office of Public School Construction.

12 CHAIRPERSON SHEEHY: Thank you, Brian.

13 MR. LaPASK: We have eight projects. Seven of  
14 them will be fully funded today -- will receive full  
15 unfunded apportionments I should say. The other one is a  
16 partial is for Lake Tahoe Unified and they have agreed to  
17 take the partial approval as their full and final unfunded  
18 approval and it's ready for your approval.

19 ASSEMBLY MEMBER FULLER: So moved.

20 MR. HARVEY: Second.

21 CHAIRPERSON SHEEHY: Okay. We have a motion. We  
22 have a second. Are there -- excuse me. We have a motion by  
23 Ms. Fuller, a second by Mr. Harvey. Are there any questions  
24 or comments from Board members on Item No. 10? Is there any  
25 public comment on this item? Seeing none, all in --

1 ASSEMBLY MEMBER BROWNLEY: Mr. Chair, I just have  
2 one.

3 CHAIRPERSON SHEEHY: Ms. Brownley.

4 ASSEMBLY MEMBER BROWNLEY: This doesn't -- by  
5 supporting this amendment has no impact on the item that  
6 we're pulling, correct, on Item No. 9?

7 CHAIRPERSON SHEEHY: Rob, does this have any  
8 impact on Item No. 9?

9 MR. COOK: No, it doesn't. I think we discussed  
10 this in your office earlier. I think we'll be -- it will be  
11 fine to bring that action back next month and we'll address  
12 that issue then.

13 ASSEMBLY MEMBER BROWNLEY: But now matter how the  
14 Board might deliberate one way or the other, it doesn't have  
15 an impact.

16 MR. COOK: That's essentially correct.

17 CHAIRPERSON SHEEHY: If you're not a hundred  
18 percent sure, I think Ms. Brownley would feel more  
19 comfortable if we put this item over also.

20 MR. COOK: It -- the issue --

21 CHAIRPERSON SHEEHY: Right?

22 ASSEMBLY MEMBER BROWNLEY: I was just asking a  
23 question and, you know --

24 CHAIRPERSON SHEEHY: I know --

25 ASSEMBLY MEMBER BROWNLEY: -- and if I get a

1 simple answer, I'll be completely comfortable.

2 CHAIRPERSON SHEEHY: I know. It's those nonsimple  
3 answers that I worry about.

4 ASSEMBLY MEMBER BROWNLEY: Yeah.

5 MR. COOK: Yeah.

6 ASSEMBLY MEMBER BROWNLEY: That's right.

7 CHAIRPERSON SHEEHY: When he says essentially --

8 ASSEMBLY MEMBER BROWNLEY: I know. That's  
9 problematic.

10 CHAIRPERSON SHEEHY: That's a qualifier, yeah.

11 MR. COOK: Okay.

12 CHAIRPERSON SHEEHY: I'm with you, Assembly  
13 Member.

14 ASSEMBLY MEMBER BROWNLEY: Okay. Well, then you  
15 could have included yourself and -- you would have been more  
16 comfortable as well as me.

17 CHAIRPERSON SHEEHY: Not only would Ms. Brownley  
18 be more comfortable, but I --

19 ASSEMBLY MEMBER BROWNLEY: Thank you.

20 CHAIRPERSON SHEEHY: -- would be more comfortable.

21 MR. COOK: Okay. Let me give you a full  
22 explanation. What we are doing through this action is  
23 essentially reserving the full bond authority that we have  
24 under joint use for the projects that are before you.

25 The item that we put over on the five and a half

1 million dollar transfer, what we intend to bring back at the  
2 next Board is to -- based on information that we obtain  
3 today is that we would be asking the Board at that time to  
4 take a piece of that money and increase the bond authority  
5 in this area to take care of a project that is not currently  
6 on -- that has been given a prior apportionment -- been  
7 given an apportionment that cannot be funded at the moment.

8           So so long as that action occurs, consistent  
9 with -- described next month, there's no issue with this  
10 item.

11           ASSEMBLY MEMBER BROWNLEY: Well, I think, you  
12 know, the solution that we're anticipating for the next  
13 meeting, it sounds like a good solution to me. I'm just  
14 worried about potentially precluding other members and their  
15 deliberation on the issue by voting on this and locking  
16 ourselves into a particular decision.

17           CHAIRPERSON SHEEHY: I share your concerns. First  
18 let me ask Ms. Fuller if she'd be willing to remove --  
19 withdraw her motion?

20           ASSEMBLY MEMBER FULLER: Yes, but I'm a little bit  
21 unclear if -- these are projects that would have to be  
22 funded anyway. So if we are concerned that there wouldn't  
23 be enough funding authority available, then that would mean  
24 we would have to knock one of these funds out, would be the  
25 only possible action that might result if there was any

1 impact; is that correct?

2 MR. COOK: The impact is -- the impact would be  
3 that one of these projects would have to take a further  
4 reduction. It won't be knocked out, if the Board didn't  
5 take that action at a future date.

6 CHAIRPERSON SHEEHY: And so --

7 ASSEMBLY MEMBER FULLER: And they are different  
8 funds; right? This is joint use and the other two --

9 MR. COOK: The other fund source --

10 ASSEMBLY MEMBER FULLER: Seismic.

11 MR. COOK: -- is -- are -- no -- are old funds  
12 that are able -- eligible to be transferred --

13 ASSEMBLY MEMBER FULLER: Oh --

14 MR. COOK: -- to any purpose the Board recognizes.

15 ASSEMBLY MEMBER FULLER: And so I'm not really --  
16 I don't mind moving my motion back to make people feel  
17 comfortable, but I'm not completely clear on what effect  
18 there could possibly be.

19 CHAIRPERSON SHEEHY: Okay.

20 ASSEMBLY MEMBER FULLER: So try again one more  
21 time. I'm a little slow today.

22 MR. COOK: Okay. The projects before you on joint  
23 use would absorb all of our bond authority in this area;  
24 okay? There is a prior -- a joint-use project that has  
25 gotten a prior apportionment that has an active

1 apportionment that we've discovered today will need -- we'll  
2 need to increase the bond authority in this area in order to  
3 cover it. Otherwise, the alternative is to reduce one of  
4 these projects further, which I would prefer not to do or if  
5 the project becomes unviable, we would have to -- it would  
6 be knocked out.

7           And if it would give the Board more comfort,  
8 perhaps it's better to put this item over till we can take  
9 both of those items up simultaneously and avoid taking an  
10 action that complicates.

11           ASSEMBLY MEMBER BROWNLEY: Ms. Fuller, my concern  
12 I think is this particular action includes a district --  
13 it's the Lake Tahoe Unified District that's partially  
14 funded. So, you know, would we -- potentially could we sort  
15 of lock them into that? Could -- you know, is there a  
16 possibility that we could fund them more than what we have  
17 decided on tonight?

18           So I think that's sort of where my question --

19           ASSEMBLY MEMBER FULLER: I'll withdraw my motion.

20           CHAIRPERSON SHEEHY: Okay. Mr. Harvey.

21           MR. HARVEY: With the withdrawal of the motion, I  
22 don't need to pose my question. Thank you.

23           CHAIRPERSON SHEEHY: Okay. Without objection  
24 then, we'll put Item No. 10 over and we'll hear this next  
25 month along with Item No. 9. Item No. 11 has been put over.

1 Item No. 12.

2 MS. LUTSUK: Good afternoon. Kind of a little  
3 switch, sorry. Masha Lutsuk, Office of Public School  
4 Construction, and the item that I'd like to talk to you  
5 about today is on stamped page 127 behind Tab 12 and this is  
6 a report on our -- it's an update on the --

7 CHAIRPERSON SHEEHY: Ms. Lutsuk, I'm sorry. I  
8 have to ask you something before you get into your report.  
9 Is it just a coincidence or was this done on purpose that  
10 this AB127 grant is on page 127 of the agenda.

11 MS. LUTSUK: I think this just demonstrates what  
12 kind of day we're having today.

13 CHAIRPERSON SHEEHY: It's one of those days, huh?

14 MS. LUTSUK: Yes.

15 CHAIRPERSON SHEEHY: Okay. I just was checking.

16 MS. LUTSUK: Thank you for pointing that out. The  
17 item is an update to a subject that we brought to your  
18 attention last month. Last month I was here to present to  
19 you a progress update on the **analysis** and the **methodology**  
20 that we were developing to do an analysis on the **new**  
21 **construction grants** that this Board provides and the cost of  
22 new school construction through the information that we're  
23 gathering from school districts.

24 We were hopeful to be able to bring a full report  
25 to you this month but quickly realized that the scope of

1 analysis that we have identified for ourselves is rather  
2 large. We would like to give you an update today and our  
3 goal is to bring you a full report with recommendations at  
4 the August meeting. And what we also would like to have is  
5 additional time to be able to publish our findings on time  
6 with our goal of delivering all items to you a week prior to  
7 the meeting and also to have an opportunity in between  
8 that -- in the release of the report and the actual  
9 presentation to have a session for the public where folks  
10 could ask us any technical questions that they may have on  
11 the report and we can fully explain how our findings were  
12 developed.

13           So we would like to have time to do that and that  
14 is why we've determined that it would be in the best  
15 interest to postpone this item and bring a complete report  
16 to you next time. So I'd be happy to answer any questions  
17 that you may have.

18           CHAIRPERSON SHEEHY: Mr. Harvey.

19           MR. HARVEY: The only request I'd have you  
20 consider is whether given the fact that we've transferred  
21 three items from this agenda to August, you've laid out a  
22 rather impressive effort that you're undertaking including  
23 public hearings. Would there be any merit in continuing  
24 this to September to give you all the time you may need to  
25 gather data and get input?

1           MR. COOK: There may be some merit to that. This  
2 is going to be one of the more complex issues that this  
3 Board is going to deal with. It certainly is an issue with  
4 a great deal of interest. That might be a good  
5 recommendation.

6           MR. HARVEY: We're not impacting or violating  
7 statute or any other stakeholder by doing that, are we?

8           MR. COOK: No, we are not. The Board is not under  
9 any obligation to do the adjustment at any specific point in  
10 time and while we're doing unfunded approvals, none of these  
11 projects are closed and are at full and final, so any  
12 adjustment that this Board makes can be made at the time  
13 that these projects actually turn into apportionments.

14           CHAIRPERSON SHEEHY: And since we don't anticipate  
15 any bond sales in the near future, Rob, is it fair to say  
16 the unfunded approval list will stay pretty much intact for  
17 some time?

18           MR. COOK: Yeah. I think that's very fair to say.

19           CHAIRPERSON SHEEHY: Because I want to be  
20 sensitive to the fact that there's districts out there that  
21 are on the unfunded -- that have projects on the unfunded  
22 approval list and that the -- and if -- you know, I'm sure  
23 our grant adjustment is -- we're likely to do something  
24 different than zero.

25           And so I'm sure some of them may have a concern,

1 well, we don't want them to delay so long then our project  
2 fails to get the grant adjustment. Right? I mean I'm sure  
3 somebody would have that concern, so -- yes, Ms. Ronnback,  
4 please.

5 MS. RONNBACK: Susan Ronnback representing -- or  
6 Interim Assistant Executive Officer for the State Allocation  
7 Board. I'm the Chair of the Implementation Committee and  
8 what I had heard as the counter argument I guess about not  
9 expediting the determination of the methodology and the  
10 percent increase is that the districts would like to know  
11 the amount by which the per pupil grants would be increased  
12 for planning purposes and I just wanted to --

13 CHAIRPERSON SHEEHY: Sure.

14 MS. RONNBACK: -- relate that concern.

15 CHAIRPERSON SHEEHY: Was that a pretty unanimous  
16 feeling of the participants in the Implementation Committee?

17 MS. RONNBACK: I've heard from a few, but I can't  
18 say it was unanimous.

19 CHAIRPERSON SHEEHY: Okay. Well, since the State  
20 does such a great job in letting school districts and other  
21 stakeholders know in advance what they're going to be  
22 receiving, I see no reason why we should ruin our great  
23 track record right here and now.

24 If there's any way we can have this item on the  
25 August agenda, I think it would be helpful to do that, and

1 if we can't, we can't, but I think that Ms. Ronnback makes a  
2 good point. She conveyed -- certainly makes a good point,  
3 conveys the point from the Implementation Committee.

4 So I know you've got three furlough days between  
5 now and then. Why don't you see what you can -- of course  
6 you're going to be more rested. So why don't you see what  
7 you can do and if we can get this on the August agenda, that  
8 would be great.

9 Mr. Duffy.

10 MR. DUFFY: Mr. Chairman, members, Tom Duffy for  
11 C.A.S.H. Districts frequently communicate with us that they  
12 are anxious and interested in having a conclusion to the  
13 AB127 grant increase. So I would encourage you to encourage  
14 your staff to try to make that August deadline.

15 We were thinking that it was going to happen this  
16 month. So we recognize that there are the furlough days.  
17 We recognize that there are many other things going on. We  
18 know that OPSC has been depleted of staff, but we're anxious  
19 about this.

20 When I spoke to you last month, I indicated that  
21 we would offer our assistance, the assistance of  
22 practitioners to this effort, and met with Mr. Cook and  
23 others. They politely declined our offer to be involved,  
24 but we will share the information that we developed with you  
25 and with them as well.

1           There's a note -- paragraph actually in the  
2 write-up that talks about us meeting and about our sharing  
3 what we had done. At that point in time, we had used the  
4 subset of the Project Information Worksheets. We've  
5 received a portion of those from OPSC. We've now taken all  
6 of the ones that we think that we need to use. Those are  
7 complete projects and we will have something for you in the  
8 month of August.

9           So I can promise that to you and share with you a  
10 methodology that we use. The statement in the agenda says  
11 that our approaches are similar. I think there are some  
12 distinctive differences, but I'll wait until next month to  
13 share that with you. Thank you very much.

14           CHAIRPERSON SHEEHY: Okay. Tom, thank you for  
15 those comments and for your encouragement for us to  
16 encourage staff to get done by August. And I think that  
17 that's appropriate.

18           Are there other questions or comments from Board  
19 members on this item? This is a nonaction item, so we can  
20 move on. Thank you, Masha.

21           Item No. 14, we have Mr. Vincent here today --  
22 Dr. Jeff Vincent from the University of California,  
23 Berkeley, who's done a study on the **multifaceted nature and**  
24 **complexion of school construction** and he's also going to  
25 talk about cost factors. I'm sure that that's going to grab

1 our attention since we deal with that all the time. So  
2 without further ado, Dr. Vincent, thank you very much for  
3 agreeing to come up to Sacramento today. We really  
4 appreciate it, particularly since we've cut your budget so  
5 much down there.

6 DR. VINCENT: Thank you. Good afternoon. My  
7 name's Jeff Vincent. I'm the Deputy Director for the Center  
8 for Cities and Schools at U.C. Berkeley. It's an honor to  
9 be here. Thank you.

10 The center is an interdisciplinary research center  
11 at U.C. Berkeley that looks at the role of the built  
12 environment and the role that the built environment plays in  
13 ensuring equitable, healthy, and sustainable cities and  
14 schools, and we've done a fair amount of work -- or a lot of  
15 work on school facility policy particularly in California

16 I've been asked to come before you today and give  
17 an overview of our June 2008 study, the Complex and  
18 Multi-faceted Nature of School Construction Costs factors  
19 affecting California and it's as complex as it was for  
20 Chairman to say actually.

21 But what I want to do -- I've been asked to talk  
22 very quickly about our data, our methodology, and our  
23 findings and particularly as they relate to the current  
24 grant adequacy discussion as we've just mentioned.

25 And I'm assuming that I have roughly seven to

1 eight minutes to do that, so I will try to --

2 CHAIRPERSON SHEEHY: Dr. Vincent, absolutely.

3 Please proceed.

4 DR. VINCENT: Okay. Thank you. So let me begin  
5 by saying that we titled our study what we did very  
6 purposefully, Complex and Multifaceted Nature of School  
7 Construction Costs, because we found that coming to solid  
8 conclusions about school construction costs is extremely  
9 difficult and honestly I will tell you that, you know, this  
10 is the most challenging research project that we have ever  
11 undertaken at the center. We went way over budget.

12 But the reason I say this is not for your  
13 sympathy -- we went way over a very small budget I would  
14 add. But it's not your sympathy that I'm -- the reason that  
15 I'm telling you this is because --

16 CHAIRPERSON SHEEHY: That's okay, Doctor. We're  
17 used to being over budget.

18 DR. VINCENT: I'm glad we're on the same page.  
19 You know, based on our research and our findings, you know,  
20 I find the current effort by OPSC that was just discussed to  
21 determine what it costs to build a school in California to  
22 be a very difficult and complex endeavor and I hope that our  
23 findings will shed light on what that is and I hope that our  
24 methodologies and data will actually -- will shed light on  
25 ways to go about doing this.

1           So why is it so complex? Because our findings  
2 show that public school construction is immensely complex  
3 and there's a wide array of variety in the types of projects  
4 that are built across California. I think this is no  
5 surprise to anyone clearly.

6           But the amount of coordination, planning, timing,  
7 skilled professionals, and capital that's required to move  
8 these projects forward is immense and we took the time to  
9 document as many of those things we could and lay out how  
10 this process unfolds from the state level down to local  
11 project level.

12           So in that sense, I hope it's a -- I think it's a  
13 very good report in translating what happens, the sort of  
14 black box of construction if you will. And we aim to  
15 provide clarity on how all this happens, these policies and  
16 practices and how these things interweave to get us these  
17 school buildings that we send our children to.

18           And I think it's also complex and difficult to  
19 study because public school construction itself is a unique  
20 activity. It's driven by local community preferences,  
21 funding availability or inavailability, enrollment growth,  
22 and the needs for updating existing schools.

23           So school districts must build schools whether  
24 market conditions are favorable or unfavorable, which is  
25 very different from a private builder in the private world

1 who could off for better conditions. School districts  
2 typically do not have this luxury.

3 So let me jump into study scope and please do stop  
4 me if there's a clarification or anything that you would  
5 like me to add.

6 Citing concerns from its members that California  
7 schools were getting more and more expensive to build, the  
8 American Institute of Architects, California Council, AIACC,  
9 gave us a small grant to answer two key research questions.  
10 One: What are the factors affecting new school construction  
11 costs in California? So what are those factors. And, two:  
12 In what ways do those factors compare nationally and in  
13 other states.

14 So I do want to make it clear that we did not set  
15 out to look at how much it costs to build a school in  
16 California.

17 I feel like this is cutting in and out. Is it?

18 AUDIENCE: It is.

19 CHAIRPERSON SHEEHY: But I think we're getting  
20 most of what you're saying. Is there anybody in the  
21 audience that is just not understanding Dr. Vincent, raise  
22 your hand. Okay. So go ahead, Dr. Vincent.

23 DR. VINCENT: From a sound level or a substantive  
24 level.

25 CHAIRPERSON SHEEHY: That was the sound level.

1 I'm sorry.

2 DR. VINCENT: So we did not look at how much it  
3 costs to build a school, although we tried to do some of  
4 that work, but rather what was being spent to build schools  
5 across the country and to understand that there was  
6 something different going on here in California.

7 So four key objectives within those two research  
8 questions: (1) Identify and assess existing evidence for  
9 these perceived cost differences. Again I'll remind you  
10 that we did this study in '07. It was released in the  
11 middle of '08, so times were a little bit different. We  
12 weren't in this, you know, current crisis.

13 (2) Identify key factors affecting school  
14 construction costs in California and other states, and (3)  
15 measure the relative influence of these factors on school  
16 construction projects, so trying to understand which factors  
17 are really adding -- increasing costs potentially. And then  
18 (4) provide recommendations based on these findings for  
19 State and local policy making.

20 Because very little investigation of these issues  
21 exists, we used a variety of methodologies. It was a  
22 complex study for a complex issue.

23 (1) Just looking at what the industry puts out on  
24 data on school construction costs and seeing how those  
25 things compare nationally and regionally. (2) Focus groups

1 and interviews with school facility, practitioners and  
2 police makers throughout California. So we held a number of  
3 these over a number of months. Many people in the audience  
4 were -- did participate in that. I think overall we  
5 included -- talked to roughly 60 to 75 professionals in this  
6 industry across the state, tried to get a good spectrum of  
7 regions on this.

8           And we led them through discussions about, you  
9 know, what are all of these factors from state policy and  
10 how that plays out locally and then all the decisions,  
11 design decisions, process decisions that local school  
12 districts make and particularly how those actually relate to  
13 costs.

14           And so the tables that we provided in the report  
15 try to articulate that very clearly and simply and I hope  
16 that you find that they do.

17           So, you know, I certainly I will not stand up here  
18 and say that it's absolute full range of the factors that  
19 affect costs. I'm sure we left things out, but again these  
20 were the things that people said, that were the most salient  
21 things that people said. We tried to capture it all.

22           I think it's a fairly robust list and it  
23 categorizes and explains these pieces and how they relate to  
24 costs.

25           The third piece was we did a statistical analysis

1 of a unique database we developed on school construction  
2 projects nationally and let me spend a few minutes just  
3 describing what that is.

4           In collaboration with our partners at the Building  
5 Educational Success Together Collaborative which is a  
6 national collaborative of non-profits who work on education  
7 issues, all of which are joined by school facility issues,  
8 we built a national project level database on school  
9 construction so individual project levels -- an enormous  
10 spreadsheet. Each line is a project level. Sometimes it's  
11 a roof replacement. Sometimes it's an entirely new school.

12           From that we isolated the new schools nationally.  
13 Over a period -- a decade of -- the years were 1995 to 2004,  
14 so again keep that in mind.

15           And we analyzed these data, and particularly we  
16 wanted to know that -- well, we knew that states such as  
17 California were spending an enormous amount on school  
18 construction and we wanted to know what was happening with  
19 these funds, by state, by regions, and nationally, and we  
20 looked at it along equity lines in terms of what school  
21 districts and schools are receiving dollars.

22           So you can look at our 2006 report which analyzed  
23 these numbers called Growth and Disparity, a Decade of  
24 Public School Construction. But our data set is built on  
25 raw construction and renovation contract data from

1 McGraw-Hill Construction, a private firm that collects and  
2 sells project-level construction data.

3           We merged this data -- or these data, which is  
4 more appropriate, with other data including the census,  
5 federal education data on schools and school districts from  
6 the National Center for Education Statistics and data on  
7 policies in different states, school facility related  
8 policies, to create a more comprehensive understanding of  
9 the projects themselves.

10           For example, we wanted to be able to know with  
11 these projects what was the wealth of the school district or  
12 the localities in which these projects were spent and the  
13 population density. So we were able to merge data and  
14 create what we felt was a comprehensive data set about these  
15 projects and -- these new school projects.

16           And a note very quickly about the McGraw-Hill  
17 data, so the McGraw-Hill data, as I'm sure many of you are  
18 familiar with, is really the only source nationally of  
19 comprehensive school construction data, particularly when  
20 you want to look across states and do that kind of  
21 comparison.

22           However, these data have important limitations  
23 that define their usefulness and I just want to be very  
24 clear about that because it was something that we wrestled  
25 with and I think it directly relates to what you all are

1 wrestling with here.

2           The McGraw-Hill data includes what we would call  
3 construction start or hard data -- or excuse me -- hard  
4 costs and limited characteristic data for public school  
5 projects. So in general, hard costs, as you know,  
6 essentially the materials and labor for a construction  
7 project, can be assumed to account for 60 to 80 percent and  
8 that's usually what you hear. Of course that can vary by  
9 project.

10           The McGraw-Hill data do not include associated  
11 soft costs of a project nor cost changes as a result of  
12 change orders that may occur over the life of a project. So  
13 we refer to them as construction start data, meaning when  
14 the bid is accepted, this is the dollar amount that was  
15 agreed upon. The final dollar amount for even just the hard  
16 costs could be a very different number.

17           We heard a lot of folks saying that change orders  
18 were an issue and, you know, that number ended up being  
19 larger at the end. So these data do not account for that.

20           So what -- so we --

21           CHAIRPERSON SHEEHY: I'm sorry, Dr. Vincent.

22           DR. VINCENT: Yeah.

23           CHAIRPERSON SHEEHY: What percentage of projects  
24 do you think have a significant number of change orders?  
25 Most of them? I mean is that pretty clear to say?

1 ASSEMBLY MEMBER FULLER: There's a limit on the  
2 percentage of change order amounts total, isn't there still?  
3 It's not unlimited anymore, is it?

4 MR. COOK: It's a grant program. We do not review  
5 change orders.

6 ASSEMBLY MEMBER FULLER: Oh, okay. In the past,  
7 there was a -- sort of a cap of change orders of the amount  
8 that could come through, so --

9 MR. COOK: Right. I believe that's referenced --

10 ASSEMBLY MEMBER FULLER: It would be interesting  
11 to know that. That would be very interesting.

12 CHAIRPERSON SHEEHY: I apologize for interrupting  
13 you. I just thought that that was --

14 DR. VINCENT: Yeah, it's a fair question and I  
15 would say that anecdotally from the conversations, I would  
16 say it came up as a big issue, a very common issue.

17 CHAIRPERSON SHEEHY: Right.

18 DR. VINCENT: You know, we certainly didn't test  
19 for what percentage and I don't know.

20 CHAIRPERSON SHEEHY: Right.

21 DR. VINCENT: It's actually a very good question.

22 CHAIRPERSON SHEEHY: Right. Right. Okay. All  
23 right. Thank you, Doctor. Please continue.

24 DR. VINCENT: So essentially then these  
25 construction start data act as a measure of final costs, so

1 they cannot be used for determining what the cost is to  
2 build a school let alone the hard costs because of those  
3 reasons. And they lend themselves to making comparisons.

4           So if you're assuming that you're using the same,  
5 you know, measure -- a percentage of what the final cost is  
6 across the board, across the country, or across the state,  
7 you could make relational trends.

8           So what's important is not the exact numbers, but  
9 more the ratio between numbers. Does that --

10           So we did two things with these data. First we  
11 did summary data on school types, sizes, and costs, and I'll  
12 give you basically the take-aways on those. And second, to  
13 test the significance of the various factors believe to  
14 affect school construction costs as identified by all of the  
15 individuals we talked to, what has been looked at in the  
16 research literature, which is almost nothing.

17           We created an econometric progression model to  
18 explain school construction costs, and I'll talk a little  
19 bit about that, but it's essentially a methodological tool  
20 to explain the variation in costs whether it's school  
21 construction or housing costs or whatever and I'll explain  
22 that in a second.

23           Simply put, we said school construction costs are  
24 a function of square footage, grade levels, stories above  
25 grade, size of the school district, construction -- local

1 construction wage, unemployment rate, population density,  
2 and state policies, and I can talk to you about how we can  
3 to that, but essentially what is done through a hedonic  
4 regression model is you put all these factors in for a large  
5 number of projects and you get -- it can show you which  
6 factors tend to explain the variation in costs.

7           So I can talk about that a little bit more, but  
8 what we did was we did this for the nation as a whole over  
9 this decade. We looked at seven case states, individual  
10 states, to compare to California. We looked at Arizona,  
11 Florida, Michigan, New Jersey, Ohio, Texas, and Virginia.  
12 We selected these states for a number of reasons. They were  
13 among the states building the most new schools in recent  
14 years. They are spread out around the, you know, different  
15 regions of the country, and they're -- based on our data,  
16 they represent average school construction contracted costs  
17 comparable to California, below California, and above  
18 California. So we wanted to try to get that mix in.

19           And then in terms of the number of projects, to  
20 give you a sense, as I said the data were from 1995 to 2004.  
21 The number of new schools that we were able to look at  
22 across the country was about 2,600. I think it's 2,645 or  
23 something is the number in the report -- nationally and 355  
24 of those who are in California.

25           And I think what's important to note here is we

1 did not go into this thinking we were going to do an  
2 econometric model. I may not have signed up for the job.

3           We had initially planned to collect and analyze  
4 detailed project level characteristic and cost data for a  
5 smaller set of new schools in California and those seven  
6 states and we created -- to do so, we created a data  
7 collection tool which is in the appendix of our report. It  
8 was a survey and it's very similar to the Project  
9 Information Worksheet created by OPSC that you all are  
10 familiar with.

11           Although ours asks I think far more information on  
12 things like project planning and project characteristics,  
13 which through our research we found are really necessary to  
14 fully understand the great variation in the types of schools  
15 and the processes to get those schools built and how those  
16 processes relate to time and relate to costs.

17           Interestingly, we created it before having seen  
18 the PIW, although they were happening concurrently and when  
19 I -- someone emailed me the draft that was being  
20 circulated -- again this was a year, year and a half ago, I  
21 was glad that we were on the same page in a lot of things.

22           You know, and we had talked with a number of  
23 school facility professionals, architects, and construction  
24 managers across the state getting feedback on the tool. It  
25 was not an easy tool to create as you know.

1           However, what we found in trying to collect the  
2 data was that architects whom we were working with and their  
3 school districts had far too much difficulty in pulling this  
4 information together for a variety of reasons. Most  
5 notably, they simply did not have time to spend to pull this  
6 info together -- and think of what's on the Project  
7 Information Worksheet just to give you a sense of what we're  
8 talking about here -- not having access to detailed cost  
9 records.

10           We spent a lot of time talking about how do you  
11 categorize costs in the most simplest way so folks --

12           CHAIRPERSON SHEEHY: I'm sorry. How did project  
13 managers not have access to cost records?

14           DR. VINCENT: That's a good question. All I know  
15 is that I was told that --

16           CHAIRPERSON SHEEHY: Well, I mean isn't that -- I  
17 mean you make that statement. It just seems a bit -- it  
18 sure would be interesting to know more detail behind that  
19 because that -- that actually sounds a little discouraging.  
20 Project managers don't know what it's costing to build a  
21 project? That's essentially what you're saying.

22           DR. VINCENT: Well, let me say that the architects  
23 whom we were working with and the district contacts -- our  
24 feedback was that we really just -- we cannot fill this out.  
25 It's -- you know, you're not -- we don't have a mandate to

1 do so. It's hard to pull this information together.

2 That --

3 CHAIRPERSON SHEEHY: Not having a mandate is a  
4 totally different subject. This sounds to me like they  
5 didn't want to. That's what it sounds like.

6 DR. VINCENT: It could very well be the case.

7 CHAIRPERSON SHEEHY: Okay. All right. Okay.

8 DR. VINCENT: So ultimately we had to scrap this  
9 plan and focus our statistical analysis on the national  
10 database is the bottom line there. But we had hoped to do  
11 more detailed characteristics of individual projects,  
12 compare like schools, but it just wasn't able to be done  
13 given our time frame, the amount of money we were given to  
14 do this project.

15 So what were the findings. Very quickly, finding  
16 one, school construction costs are complex, multifaceted and  
17 inconsistently reported. There are a variety of state  
18 regulatory factors, local school district and project  
19 factors and construction market conditions that together  
20 have cumulative effects on school construction costs.

21 These factors interacted in unique ways depending  
22 on the local context, particularly school district and local  
23 and regional community characteristics. But particular  
24 importance to understanding and comparing school  
25 construction costs is the fact that school planning, design,

1 and construction are highly local activities, as was  
2 mentioned earlier, and a large amount of variation exists in  
3 this work across the country, across any given state.

4           The regression results suggest that the factors  
5 affecting school construction costs vary from state to  
6 state. So what we found in looking at all these states was  
7 that the explanatory facts were very different in different  
8 states.

9           And in fact our model was not able to highly  
10 explain the variation in school construction costs. So we  
11 were only able to do 30 percent -- explain the variation  
12 30 percent nationally and somewhere around about 10 percent  
13 in California which leads me to believe that (a) we need  
14 more detailed project characteristics of these schools.  
15 Maybe some have pools. Maybe some do not, for example, and  
16 that there may be a large variation in what gets built in  
17 California.

18           And in recommendations around that, State of  
19 California and local governing entities should develop more  
20 systematic school construction costs data collection  
21 systems. I think you know that in wrestling with the PIW.  
22 But I think that to fully and empirically understand how  
23 school construction costs differ between states and even in  
24 a given state, states need a standard format for  
25 consistently measuring, categorizing, and reporting school

1 construction costs, and we just found that not to be case.

2           And if we had a statewide database with data  
3 elements, collection methodology, accuracy, and timeliness  
4 of the information should be maintained, and in order to do  
5 that, to be consistent and be accurate, requires some level  
6 of centralized direction and/or training for qualified data  
7 entry at the state level and all of this obviously requires  
8 funding to maintain a system like that.

9           Finding two -- and this is probably kind of the  
10 bulk of maybe the things that you all might be interested  
11 in. Three central areas of factors affect school  
12 construction costs: (a) state regulatory structures;  
13 (b) local school politics, practices, and design; and  
14 (c) regional market conditions. And let me walk through  
15 those very briefly.

16           I think as big categories, I think it's no  
17 surprise. So what we found, there's a table, Exhibit 4, in  
18 our report. I don't have the page number in front of me.  
19 It lists about a dozen or 14 state-level school construction  
20 and facility related policies.

21           CHAIRPERSON SHEEHY: I'm sorry, Dr. --

22           DR. VINCENT: Yes.

23           CHAIRPERSON SHEEHY: -- Vincent, is that  
24 Appendix 1 which is the rank of states by number of new --  
25 it's not that one?

1 DR. VINCENT: No. It would be Exhibit 4 which is  
2 in the text --

3 CHAIRPERSON SHEEHY: Oh, I'm sorry.

4 DR. VINCENT: -- of the report, somewhere -- 61.

5 CHAIRPERSON SHEEHY: Page 51? Is that right?

6 Page 51.

7 DR. VINCENT: I had planned this to be a 20-page  
8 report. It wasn't possible.

9 What we found was that California has among the  
10 robust -- most robust state policy structure in the country.  
11 Interview and focus for data revealed key elements of state  
12 regulatory structures that affect school construction costs,  
13 design and construction specifications, school facilities  
14 finance structure, the state public approvals process and  
15 project management regulations.

16 Individual components in those five categories are  
17 detailed in tables in the report. I won't go through them  
18 in detail right now, although I'm happy to address any one  
19 of them if there was a specific question.

20 But what we found then on the statistical side was  
21 that nationally states with a more robust regulatory  
22 environment were more likely to have higher school  
23 construction costs.

24 However, the opposite was not always true and I  
25 want to make that clear and I think that what we found from

1 a methodological perspective is that there's something about  
2 the combination of regulations and policies that a state had  
3 rather than wanting to, you know, go towards one or two  
4 policies that may be, you know, changing the whole dynamic.

5           And we've since done some retinkering on this  
6 model and we're perplexed with how to -- we're finding --  
7 well, we're coming to different conclusions, but it's still  
8 hard to discover the impact of any one given policy.

9           What we had done in the model, just for your  
10 information, is constructed a school construction regulation  
11 index and simply it's a zero to three score for a state --  
12 I'm sorry -- zero to four I believe we used in this one.  
13 Does the state fund school construction, so we knew whether  
14 a project was in a state that funds school construction.

15           We knew if the state had school siting laws on the  
16 books. We knew if it had prevailing wage law for school  
17 construction and we knew if the state had had litigation  
18 related to school facilities equity and that was a  
19 combination driven by things that we heard from folks and in  
20 terms of getting data at the national level to understand  
21 which states have these things and do not.

22           And our suspicion was that if a state steps up to  
23 the plate and funds an element -- funds school facilities --  
24 funds capital dollars for school facilities that that may  
25 kick in other regulations around accountability, equity,

1 safety, those kinds of things.

2           And I want to make a special note here that I  
3 think that the findings from this report around the state  
4 regulatory structure should not lead one to conclude that  
5 California school facility policies should simply be removed  
6 outright. I certainly -- we didn't find that. We didn't  
7 test that.

8           While it appears the case that California school  
9 construction costs are higher than costs in other states and  
10 that California's policies may play a part in increasing  
11 costs, systemic cost benefit analysis of the state's  
12 policies was not conducted.

13           So for example, you know, California taxpayers may  
14 be getting high quality schools by paying more for them. I  
15 mean we don't know the answer to that question -- than  
16 taxpayers in other states.

17           And this may be a function of state policies. So  
18 we didn't seek to measure that.

19           So the next one: local politics, practices, and  
20 design choices. The local political context and the choices  
21 school districts make regarding practices and design  
22 ultimately affect school construction costs. And the five  
23 big categories here were school characteristics and design  
24 choices clearly, school capital financing practices at the  
25 local level, public approval process at the local level,

1 project management at the local level, so a school district  
2 as owner, and then local weather/climate conditions.

3           You know, in California, I think that's applicable  
4 based on the -- you know, covered walkways and outdoor  
5 eating areas and so that's certainly a factor.

6           So our analysis of these 2,600 school -- new  
7 school construction projects over that decade of '95 to '04  
8 for both elementary and high schools -- we actually dropped  
9 middle schools because too many K-8s and these kinds of  
10 things going on -- we found three things in our data.

11           One, California built smaller schools than the  
12 nation and the comparison states, and you can see the  
13 tables. Again I don't have the page number, but it's  
14 Exhibit 5 and 6, so it would be after that last one.

15           And again I want to point you to the fact that I  
16 think what's not so important here based on the McGraw-Hill  
17 data is the exact number and the exact cents that we're  
18 talking about here but more the relationship between  
19 numbers.

20           So California built smaller than the nation and  
21 seven comparison states. Two, California built fewer square  
22 feet per student than the nation and these seven comparison  
23 states, and three, California spent more per square foot  
24 than the nation and the seven comparison states.

25           A couple of other things interesting that we found

1 is that we did find that there were economies of scale. So  
2 when square footage is doubled, prices went down by square  
3 foot -- the cost per square foot.

4 And then we found that middle and high schools  
5 cost more per square foot than elementary schools. I think  
6 that's commonsense.

7 So lastly, regional market conditions, clearly  
8 this impacts construction. School construction is no  
9 exception. But I think there are some unique differences  
10 here that I would like to point out that we discovered.

11 Changes in land and construction prices are a  
12 major driver of public school construction costs. Obviously  
13 California's rapid growth and high cost of living have  
14 important consequences for public school construction costs.

15 In our five key things we found, you know, land  
16 availability is an issue and affects costs. The amount of  
17 regional construction activity, especially school  
18 construction; so we -- we tried to look at the amount of  
19 construction activity in a region near a project because a  
20 lot of folks had told us that when there's more school going  
21 on, oftentimes there is a limited number of bidders on those  
22 projects. So if they're -- it's a supply and demand issue.

23 CHAIRPERSON SHEEHY: Dr. Vincent, if you want to  
24 leave some time for Q and A --

25 DR. VINCENT: Okay.

1           CHAIRPERSON SHEEHY: -- so if you could try to  
2 wrap your comments up in the next couple of minutes, that  
3 would be great.

4           DR. VINCENT: Can do. Shortage of labor and  
5 materials, industry relationships among contractors, fuel  
6 costs -- let me jump ahead.

7           You know, finding three, school construction has  
8 not been studied in a rigorous or systematic way partly due  
9 to the lack of process and data standardizations on this  
10 issue. I think this is what you're doing with the Project  
11 Information Worksheet.

12           And I think it's really unfortunate given the  
13 amount of public dollars that we're talking about here.

14           So let me say that, you know, overall in sum I  
15 think that the fundamental missing link here -- and I -- in  
16 the data we were able to compile, I still find that I'm  
17 still troubled with it, is that the fundamental missing link  
18 in understanding school construction costs is in looking at  
19 these costs or expenditures in relation to school facility  
20 quality.

21           I think we need to think through this lens of  
22 quality and ask, you know, what are we getting for our  
23 dollars, how -- you know, how does this relate to  
24 educational goals and outcomes.

25           So as we're focusing -- you know, we need to focus

1 equally on these inputs, which is what we discuss here, how  
2 many dollars are we inputting into these projects and  
3 equally talk about the outputs, you know, what are we  
4 getting for those dollars, and I think from a methodological  
5 standpoint, it's extremely difficult to do.

6           What we need to figure out is what is an effective  
7 tool to collect data that would understand that and an  
8 example would be just that there are different kinds of  
9 classrooms, based on different types of classes, science  
10 classes, other classes. They have different cost components  
11 and how do we understand that, let alone the quality of  
12 materials put into a building.

13           So with that, I think I will close my comments and  
14 go to discussion.

15           CHAIRPERSON SHEEHY: First of all, Dr. Vincent,  
16 thank you very much for all the work that you and your  
17 colleague did in putting this report together and thank you  
18 for coming up to Sacramento today and addressing the Board.

19           I want to make sure, Rob, do we have -- if we  
20 don't, let's make sure we have this report posted on the  
21 OPSC Website so that everybody can have access to it.

22           And with that, are there questions or comments  
23 from Board members before I open it up to public comment?  
24 Ms. Brownley.

25           ASSEMBLY MEMBER BROWNLEY: Thank you for the

1 presentation. The question I had really is around, you  
2 know, the work that we're in the middle of doing right now  
3 with regards to particularly what you had to say about the  
4 Project Information Worksheet and some of the feedback that  
5 you had gotten in your focus groups relative to, you know,  
6 just collecting good, solid data.

7           If we don't have good data, we don't usually get  
8 good results. And of course we're in the middle of trying  
9 to evaluate right now that data, the data that we have for  
10 better or for worse. And we're in the middle of trying to  
11 decide if we have a good methodology to come up with new  
12 construction grant increases.

13           So I guess my question to you is really -- I mean  
14 do you think based on what you know that -- it seems to me  
15 everything that you've said is we potentially are going down  
16 not a very good path.

17           And if that's true and you concur with that, then  
18 what recommendations can you give us based on what you know  
19 to help correct ourselves? And maybe it is really looking  
20 at the worksheet altogether and recreating that so that we  
21 do have an ability going into the future of collecting good  
22 data that will be useful for us as we move into the far, far  
23 future.

24           DR. VINCENT: \$10 million question. I would  
25 concur with your statement that it is a -- I think it's a

1 difficult road to go down because it focuses only on the  
2 dollars and delinks it from education quality and what we're  
3 getting.

4           On school facilities, I think there is emerging  
5 evidence, research, best practices around how school design  
6 supports and enhances school quality and enhances teachers  
7 in their workplace and their performance, and then students  
8 as well, and I think those things could be incorporated.

9           But I think that one of the things that does  
10 trouble me about the methodology is that I don't know that  
11 there's a right answer and I think that gets back to the --  
12 well, it's two things. One, it's that quality issue. It's  
13 how do you compensate for that, how do you control or look  
14 at variation based on what gets built.

15           And two, it's -- I think there's just an enormous  
16 amount of variation and I don't know that it's distillable  
17 down to one number that would explain that.

18           ASSEMBLY MEMBER BROWNLEY: Are there --

19           DR. VINCENT: But let -- and let me add too that I  
20 think that there's an interesting -- the question is what  
21 does it cost to build a school. But the data that we have  
22 from school districts in California actually more accurately  
23 addresses the question of what are school districts spending  
24 to build the schools they choose to design.

25           And I think there's a fundamental difference

1 there. I think it's related to issues of equity and local  
2 wealth capacity. So I think that the folks here are  
3 struggling for a good reason because it's extremely hard to  
4 do and I think that leaving those kinds of things out from a  
5 research perspective and what I know in looking at school  
6 facilities nationally, I think it would be ill advised for  
7 the Board to then take that kind of limited information and  
8 make policy -- a good sum of money.

9 ASSEMBLY MEMBER BROWNLEY: Can I have a follow-up  
10 question.

11 CHAIRPERSON SHEEHY: Certainly.

12 ASSEMBLY MEMBER BROWNLEY: So if you were our  
13 consultant and you were advising us, is there another  
14 methodology out there since you've now looked at California  
15 and you've looked at California vis-à-vis, you know, other  
16 states. I know perhaps the level of detail isn't there, but  
17 is there another methodology or data -- I mean you've talked  
18 about the McGraw-Hill data -- that we would be better off  
19 utilizing in terms of informing where -- you know, the  
20 best -- to determine what the costs really are for  
21 California and give us, you know, that guideline information  
22 that we need.

23 DR. VINCENT: I do not have it in my back pocket.  
24 I think that is it -- we are -- I think that one could be  
25 created, but I do think that other states have also gone

1 down this road and I think it would be instructive to look  
2 at other states.

3 I mean I'm thinking, for example, Florida spends a  
4 lot of money on school construction. You can actually go to  
5 their Website and download a spreadsheet that shows you cost  
6 per square foot of their schools broken down, their  
7 different types.

8 I do not know the level of controversy around  
9 those numbers and that state, but clearly they have a  
10 process --

11 ASSEMBLY MEMBER BROWNLEY: And do they measure  
12 quality?

13 DR. VINCENT: That's a good question. We -- at  
14 the -- we would love to undertake a project to expand our  
15 look at other state policies and see how other schools --  
16 states are measuring this and what kind of -- you know, data  
17 tools and methodologies they use to do that and then use  
18 that -- bits of that information to make recommendations as  
19 far as what could happen in California.

20 ASSEMBLY MEMBER BROWNLEY: Thank you.

21 CHAIRPERSON SHEEHY: Mr. Harvey.

22 MR. HARVEY: I want thank Assembly Member Brownley  
23 for asking the \$10 billion question because that's exactly  
24 the kind of input I was looking for as well. So thank you  
25 for helping to clarify perhaps.

1           Let me come at it a different way. There is a  
2 phrase in your finding number one that was most troubling  
3 and I want to seek your guidance on how we get more  
4 consistent reported data because again if the data's not  
5 being consistently reported, it certainly skews that which  
6 we're dealing with, so that is my first question and I have  
7 a couple of follow-up questions.

8           Do you have any recommendations on how we can get  
9 the data in a more consistent manner because that would  
10 better inform us.

11           DR. VINCENT: I can say that I do not come from  
12 the construction field, so this was, you know, a really  
13 interesting effort to embark on and we'd like to continue to  
14 do that, but one thing that I was struck by was the  
15 nonstandardization of cost categories on school construction  
16 projects. Hard costs, what are the line items under hard  
17 costs. Soft costs.

18           It's my understanding that in the construction  
19 field, there are some sets of standardizations of how you  
20 account for those. I don't know how transferrable they are  
21 to school construction. I do not know if it's in the -- you  
22 know, if it's state's role to say this is the way costs will  
23 be accounted for, but it would be interesting through --  
24 again I'll just cite Florida, just because I'm most familiar  
25 with looking at their Website, is they seem to have done

1 that and districts or architects and builders are organizing  
2 costs into these -- this set of -- you know, these  
3 categories and so it seems that maybe that might be a  
4 discussion to undertake here in California.

5           However, that poses a problem for these 6-, 7-,  
6 800 Project Information Worksheets that we have that we're  
7 having trouble -- or, you know, folks are having trouble  
8 organizing costs.

9           I don't know if that's an answer to your question,  
10 but it was troubling to me.

11           MR. HARVEY: The other issue -- and you had a  
12 chance to look at the worksheet. You alluded to that and  
13 you obviously devised your own form. Would you have any  
14 input on how we should ask the questions because again  
15 sometimes how you ask it, you know, you're more likely to  
16 get that which you really are trying to get at not someone  
17 guessing.

18           Do you have any comment on phraseology that your  
19 study might help us inform us on or things to cull out or  
20 outline or italics or something.

21           DR. VINCENT: In terms of the Project Information  
22 Worksheet itself or some variation of it?

23           MR. HARVEY: Or some variation of it. Again  
24 making the point that we're only as good as the data we get.

25           DR. VINCENT: Right.

1           MR. HARVEY: And we're trying to get accurate,  
2 thorough, consistent data. So anything that helps get to  
3 that is where I'm going with these questions and I have one  
4 more.

5           DR. VINCENT: Clearly the more detail you ask for,  
6 I think the more difficult it is to, you know, get that  
7 information. I think that's -- the ultimate goal should be  
8 to make it as simple as possible.

9           I think that -- just a couple of quick comments  
10 on -- you know, I met with OPSC staff -- with Rob and I  
11 gave, you know, some of my suggestions based on our research  
12 in terms of phrasing things or what line items might be  
13 missing or could be added potentially.

14           I mean, for example, I had some comments around  
15 the types of I think they're called component types on the  
16 Project Information Worksheet, which they're more space  
17 types was the way I thought about it, but it says kitchens,  
18 how many. One thing that we heard was that there are many  
19 different -- there's full service kitchens. There's warming  
20 kitchens. There's heat and serve -- you know, heat and  
21 service/warming kitchens and then there's just service  
22 kitchens and those actually have different costs.

23           So I don't know how many districts might pursue  
24 every third elementary school has a full service kitchen.  
25 These -- this would, you know, skew costs.

1           I think it struck me -- I think that from an  
2           accountability and a equity perspective, I would certainly  
3           back gathering as much data on public expenditures as  
4           possible. It struck me that there might be questions on the  
5           line items on the Project Information Worksheet that didn't  
6           seem to necessarily directly inform the exact question being  
7           asked here.

8           So is this to drive that methodology or is it to  
9           create a larger database. So I think my suspicion might be  
10          that, you know, it would be read with those concerns by  
11          those filling out. But that again is just me talking and  
12          not, you know, speaking -- I haven't really talked to many  
13          people about that actually.

14          MR. HARVEY: I appreciate that. Finally, you  
15          alluded to one of the factors that impacts costs obviously  
16          is where you are, the regional aspect of how you're  
17          impacted.

18          Are you aware of any states that don't do a  
19          statewide rate for elementary, middle, or high school?

20          DR. VINCENT: A statewide what?

21          MR. HARVEY: That they do -- are you aware of any  
22          state that establishes regional rates for the category of  
23          school construction, knowing that there are differences that  
24          you alluded to as regions being a factor. Are you beach,  
25          mountain, dessert, that kind of thing.

1 DR. VINCENT: That's an interesting question. I  
2 do not know offhand, but I do know that, you know, a fair  
3 amount of states fund school construction. Clearly we are  
4 leading the country and we are unique. We are California.  
5 But I do think that an investigation in to how other states  
6 that fund school construction and renovation are dealing  
7 with this issue and calculating costs and figuring out how  
8 much, you know, is the state's responsibility versus local  
9 responsibility.

10 So with that in mind, I think that we could learn  
11 from other states and pull nuggets of that -- those kinds of  
12 strategies to consider here.

13 MR. HARVEY: Because ours is a statewide rate and  
14 it seems to me -- I don't -- do we have the freedom, Rob, to  
15 establish different rates based on a factor we might want to  
16 put into our methodology?

17 MR. COOK: We actually do have regional factors --

18 MR. HARVEY: We do.

19 MR. COOK: -- that are applied in this state.  
20 They were set in the '70s, so, you know, some of them might  
21 need updated, but there are regional factors.

22 MR. HARVEY: Okay. Because when I read the  
23 staff report on the last item, it said we're going to  
24 continue it to August, it gave me three figures for it: one  
25 for a rate for elementary, one for middle, and one for high,

1 and it looked like that was the rate applied.

2 But there's the ability to build other regional  
3 factors into that?

4 MR. COOK: The -- if you're talking about the per  
5 pupil grant, that's set in statute and is adjusted annually  
6 according to cost construction index as well as the Board's  
7 authority under AB127 to make an adjustment.

8 There is a regional multiplier associated with  
9 that figure.

10 MR. HARVEY: How about the new construction grant?

11 MR. COOK: Yes. That's --

12 MR. HARVEY: Same thing?

13 MR. COOK: Same.

14 MR. HARVEY: Thank you.

15 CHAIRPERSON SHEEHY: Thank you, Mr. Harvey.

16 Ms. Girard.

17 MS. GIRARD: You put a lot of work into this, I  
18 can see this, but there's just actually three things that I  
19 would say -- getting rid of all the others that -- because  
20 it's obvious that if you're building a school in the  
21 mountains, you're going to have less access to resources.  
22 It's going to cost you a little more. I mean those are the  
23 obvious.

24 But if you looked at three things and just  
25 compared these three items across the board to all the

1 different states, I would think you would come up with why I  
2 feel -- it might be just me -- why California's higher and I  
3 think one of them is of course the obvious is our labor  
4 costs are higher, prevailing wage.

5 I think you would notice that a lot of our schools  
6 are required to work under project labor agreements which  
7 means you have a lesser pool of contractors to pull from.

8 DR. VINCENT: And we did control for that.

9 MS. GIRARD: And I think that you would also see  
10 that regulations such as labor compliance and other items  
11 that California has to comply with as contractors that many  
12 other states do not have.

13 I think if you just look at these three factors  
14 here and just get rid of everything else because the others  
15 do vary -- I'd kind of just kind of -- would like to know  
16 right there, just these three little factors here, how they  
17 compare to all the other states.

18 Could this just be the main issue right here, just  
19 these -- as simple as this. You know, I mean had you just  
20 broken that out in itself, just these three little items.

21 DR. VINCENT: I think that from a research  
22 perspective --

23 MS. GIRARD: Um-hmm.

24 DR. VINCENT: -- there's far too many other things  
25 at play.

1 MS. GIRARD: Well, they are going to play. I'm  
2 not saying they're not. I'm just saying that if you could  
3 just pull that out -- yes, the others will be variables. I  
4 do understand that, but obviously if we didn't have to pay  
5 these high costs, you would be getting more bang for your  
6 buck in the schools, would be able to build a larger school  
7 if they weren't being put in to where a lot of money goes.

8 I mean I was looking at some of the costs on labor  
9 compliance, at what the schools have to pay for labor for  
10 them to do this. It's outrageous. And so I'm thinking a  
11 lot of this money ends up going -- not even building of the  
12 school itself. So that's all. I was just kind of wondering  
13 is there a way of just taking just these three factors.

14 I know that there's others, but just these. Could  
15 we do that at all? I mean had you thought to do that and --

16 DR. VINCENT: Yeah, I think it's a very good  
17 question and I think that a couple of researchers have tried  
18 to do that and -- on the prevailing wage law. I think the  
19 findings are totally mixed, prevailing wage anyway, how that  
20 affects. I mean some people find that it doesn't affect it.

21 Some people have found that it affects it in a  
22 huge way.

23 MS. GIRARD: How could it not affect it? If  
24 you -- if -- because I believe that isn't California's  
25 prevailing wage higher than anybody else's?

1 DR. VINCENT: Well, one of the things that we  
2 heard was that prevailing wages, the way schools have been  
3 built under prevailing wages/union, then reduced time --  
4 potentially reduced time to build, potentially reduced the  
5 amount and number of change orders because the job quality  
6 was higher and those things translated into costs.

7 MS. GIRARD: Oh, okay. That's just -- yeah.

8 DR. VINCENT: These are the roads that we go down  
9 in terms of --

10 MS. GIRARD: Right. Yeah. With those union  
11 contractors, you were asking that question -- just out of  
12 curiosity. I mean the obvious is --

13 DR. VINCENT: I think it's debatable each way. I  
14 don't think there's a definitive conclusion on that at all  
15 and I don't know the answer.

16 MS. GIRARD: Okay. Thank you.

17 CHAIRPERSON SHEEHY: Are there other questions or  
18 comments from Board members?

19 ASSEMBLY MEMBER BROWNLEY: I just have one more  
20 question.

21 CHAIRPERSON SHEEHY: Ms. Brownley.

22 ASSEMBLY MEMBER BROWNLEY: When you were talking  
23 about the econometric model that got developed through this  
24 process and there were a lot of variables in there, one of  
25 the variables you mentioned were policies and I think, you

1 know, there's the obvious policies that were, you know, just  
2 mentioned that could affect costs of a project one way or  
3 the other.

4           But is there -- does this model -- I mean is it  
5 something where you could in a hypothetical insert a  
6 potential policy into the model and get a result of whether  
7 that would increase costs or reduce costs or --

8           DR. VINCENT: Potentially, I think that this model  
9 should not be taken as gospel. It is driven by what we  
10 heard from folks. So all those tables and information are  
11 things that translate into costs, time from contract, you  
12 know, bid date to opening, you know, community processes at  
13 the local level, et cetera, et cetera.

14           We had to find a way to figure out what are data  
15 that we can get that would serve as proxies for these kinds  
16 of things. That is a very difficult thing to do and we  
17 tried to do that. I talked with a number of economists at  
18 Berkeley who were very puzzled by this, still remain puzzled  
19 by this.

20           I think that in theory yes, but I think by running  
21 this model 10,000 times or more and banging our heads  
22 against the wall, what we found is that the isolated  
23 policies that we looked at did funny things in terms of  
24 effects when you changed -- when you added like year, fixed  
25 effects, or other things which told us that it likely was

1 not a result of any one policy, at least as we were  
2 measuring it, but it was something about the cumulative  
3 effect of policies.

4 I think it's something worth exploring, but again  
5 it's just extremely difficult to do from a methodological  
6 standpoint. It's not the answer you want to hear and I  
7 apologize.

8 ASSEMBLY MEMBER BROWNLEY: That's okay. Thank  
9 you.

10 CHAIRPERSON SHEEHY: Okay. Do we have any public  
11 comment on this item? Mr. Savidge. Welcome. How are you  
12 this afternoon.

13 MR. SAVIDGE: Thank you, Mr. Chair. I'm doing  
14 great. Bill Savidge, West Contra Costa School District and  
15 C.A.S.H. Chair.

16 I want to thank Jeff Vincent again for his great  
17 work on this area. I want to just highlight a couple of  
18 things and one of the things I heard was that you were  
19 concerned, Mr. Chair, that our project managers don't know  
20 what our schools cost and I can assure you that that's not  
21 the case.

22 CHAIRPERSON SHEEHY: Good.

23 MR. SAVIDGE: And you can find costs of  
24 construction for every school in my program on our Website  
25 available for the public to see at any time and I think -- I

1 want to focus on a couple of things that Jeff said to -- in  
2 relation to the discussion about the PIW.

3           First of all, one of the things I heard him say  
4 keep it simple. The reality is for us we are overwhelmed.  
5 I'm just going to be really candid with you. We are  
6 overwhelmed with budget cuts and staff reductions and  
7 reductions in service at the local level.

8           Give us something simple to fill out. If you look  
9 at the Project Information Worksheet, it probably has four  
10 pieces of information on it that really mean anything and  
11 yet we're asked to fill out 25 pieces of information or 30  
12 or whatever it is.

13           One of the things Jeff mentioned is that there are  
14 standards in the construction industry for the way things  
15 are reported and accounted for. Unfortunately the state --  
16 Office of Public School Construction does not use that  
17 system. Okay?

18           So they have a way of accounting for things that  
19 has grown up through the organization over time which is  
20 fine, but it doesn't jive or mesh with what the world of  
21 construction does all of the time.

22           So there's kind of disconnect there that's  
23 difficult. The issue with data collection is the PIW right  
24 now, we're being asked to fill it out on a kind of ongoing  
25 basis, that's not useable or useful information.

1           I think Jeff hit on the key what was the bid cost  
2 of the project -- cost of bid and then what's the final  
3 cost. What's the final cost when all the change orders are  
4 in, all of the project soft costs are in and include all of  
5 those numbers and what we end up with unfortunately with  
6 OPSC is that they disallow or don't consider certain types  
7 of costs that are actual costs for school districts.

8           And so it's -- we're -- again we're not having  
9 accounting systems jive with what the construction industry  
10 does and so we're not getting good information and it's not  
11 translating into -- we do need a database. We need a  
12 database of costs so we all know what it costs to build  
13 schools and what it costs to build quality schools and not  
14 just portable schools, et cetera.

15           So I think Jeff's link to what's the quality level  
16 here is really critical also and I appreciate the  
17 opportunity. Thank you.

18           CHAIRPERSON SHEEHY: Thank you very much, Bill.  
19 Rob, did you want to respond to any of that? I'm sorry,  
20 Tom. We'll just hear from Rob first and then we'll hear  
21 from Tom Duffy.

22           MR. COOK: Well, first of all, thanks for letting  
23 us bring in this complex topic in August, but anyway -- but  
24 given that there are comments -- at Berkeley that are  
25 puzzled over the problem.

1           But we've discussed the Project Information  
2 Worksheet and our data collection methods with Jeff and  
3 looked at different things. We've also met with some  
4 stakeholders on it to try to identify ways in which we could  
5 simplify it.

6           There are aspects as Jeff alluded to, you know,  
7 capturing life cycle cost-effect building approaches and  
8 methodologies is something we don't capture on it, but would  
9 require us to ask for additional information. It may be  
10 very valuable information for policymakers, but it's  
11 something that we don't capture today.

12           As far as matching up with the way in which the  
13 construction industry works, we -- actually we want to get  
14 there. We want to make sure that it's with the way in which  
15 folks build projects and the way in which the building  
16 industry deals with things.

17           There are major differences in what a project  
18 might -- costs that a project might incur versus what the  
19 state will pay for and I think that was something that Bill  
20 Savidge was trying to touch on and those are policies at the  
21 state level, the reach of off-site development. There are  
22 limits that the state will pay for that are longstanding  
23 policies and some project costs that some district may incur  
24 that's not an allowable cost.

25           We have to account for -- at least what I see is

1 part of our objective is are we contributing what the state  
2 has determined it will fund at a fair level so that  
3 districts can build their projects. There are struggles in  
4 various districts around the state with local governments  
5 that require them to build things off site that, you know,  
6 our program doesn't pay for.

7 And that unfortunately is a bigger issue than this  
8 Board can readily wrestle with.

9 CHAIRPERSON SHEEHY: Okay. Anything else, Rob?

10 MR. COOK: No.

11 CHAIRPERSON SHEEHY: Mr. Duffy.

12 MR. DUFFY: Thank you. Mr. Chair, members, Tom  
13 Duffy again for C.A.S.H. I wanted to respond to  
14 Assemblywoman Fuller's question about change orders and  
15 limits.

16 Technically, within the law there are some  
17 limiters, but really a board of education has the ability to  
18 exceed those and there's one that you probably recall that  
19 is the 10 percent limit that is there for a board to approve  
20 and -- without any fanfare.

21 If, however, there is something that is not above  
22 the ground, if it's under the earth like an underground  
23 storage tank that you don't know is there, that is not  
24 included in even that 10 percent because it was not -- it  
25 could not have been known.

1           The reason for the change order limit is to  
2 basically control a district from giving a project to a  
3 favorite contractor and then adding to it and adding to it.  
4 But even that 10 percent can be exceeded and is by virtue of  
5 a super majority vote of a board and then you explain it to  
6 the county office.

7           So if you have a very troublesome project, you may  
8 end up exceeding that 10 percent.

9           Your question, Mr. Sheehy, about are change orders  
10 plentiful -- big change orders plentiful. Just -- I would  
11 say every design/bid/build project has change orders and  
12 some of them may end up being large because of things that  
13 you end up finding in the earth or you have a troubling  
14 contractor. You have a contractor who's never built a  
15 school before.

16           That happening now I think has potential because  
17 of all the hungry contractors and schools are very complex  
18 buildings and a framing contractor who builds homes is not  
19 used to the rigors of what a construction inspector is  
20 requiring on a job.

21           But they are plentiful. With the use of  
22 lease-lease back, we see more control because of a  
23 collaborative, cooperative relationship between the builder  
24 and the school district.

25           I wanted to make one other comment. I came up to

1 make two comments, but I think I'll make three.

2           The second comment is that when we're talking  
3 about this whole array of costs for school construction, I  
4 would want you to focus your attention on what the statute  
5 basically says about the increase -- the AB127 increase.  
6 It's for the per pupil grant.

7           The per pupil grant is for the building and there  
8 are some soft costs that certainly come out of that, but  
9 what we would encourage you to again encourage your staff to  
10 do is to focus in on that. It's the per pupil grant that  
11 could be increased. It's not the site-related costs.

12           Rob rightly said local entities frequently ask  
13 school districts to pay for off-site costs. Those can't be  
14 touched with this. This is simply the per pupil grant.

15           And -- well, I'll save the last comment for maybe  
16 another time, but thank you very much and that was a  
17 wonderful presentation by Dr. Vincent.

18           CHAIRPERSON SHEEHY: Thank you, Mr. Duffy, for  
19 those comments. Are there other public comments? Okay.  
20 Seeing none, again Mr. Vincent, thank you for coming today  
21 and for the work that you did and it's going to be helpful  
22 to us as we move forward, trying to come up with a  
23 methodology and making adjustments in the future to how we  
24 fund on schools and how we fund our per pupil grants.

25           Okay. We're going to move on now. We have one

1 more report from Dave Thorman, our State of California State  
2 Architect. Dave, are you still here? Dave is going to talk  
3 to us -- I'm sorry? Okay. Dave is going to talk to us  
4 about an early warning system for earthquakes and so that  
5 will be great. Dave, go ahead.

6 MR. THORMAN: Before I do that, I'd like to  
7 comment on school costs since we see a lot of schools in our  
8 division.

9 CHAIRPERSON SHEEHY: Is this a comment on the  
10 report we just had?

11 MR. THORMAN: Yes. Is that okay?

12 CHAIRPERSON SHEEHY: \$50 fine.

13 MR. THORMAN: If not, I won't. If you'd rather  
14 not hear me --

15 CHAIRPERSON SHEEHY: No, no. I'm just -- please,  
16 Mr. Thorman, go right ahead. We definitely want to hear  
17 from the State Architect.

18 MR. THORMAN: Thank you. I appreciate that.  
19 Prevailing wage is a major factor. The one item that was  
20 not mentioned and I think is a very major factor is the fact  
21 that we're a very high seismic area.

22 We have the Field Act. We build schools better  
23 than other states for a good reason. We have not lost a  
24 child since the Field Act has been in place.

25 We've overdesigned. The quality of the documents

1 we get from architects is not what it needs to be which  
2 raises costs. Change orders are very high. They're very  
3 costly.

4 We have the most complex geology, geography, and  
5 climate of any state in the country, probably any location  
6 in the world.

7 So these are just some of the factors in addition  
8 to the complexity of overregulation between all the four  
9 agencies that --

10 CHAIRPERSON SHEEHY: That's very insightful, Dave.

11 MS. GIRARD: It is.

12 CHAIRPERSON SHEEHY: Thank you for pointing that  
13 out.

14 MR. THORMAN: Okay. Moving on to seismic which is  
15 the one item that was left out, Dick McCarthy is here. Dick  
16 is the Executive Officer of the Seismic Safety Commission of  
17 which I'm a Commissioner, and Dick is really the person who  
18 wrote this report. I'd like for him to comment.

19 You have the report. It's fairly straightforward,  
20 but he has I think some very insightful comments and one  
21 thing that the Seismic Safety Commission is working on now,  
22 he would like your endorsement on.

23 CHAIRPERSON SHEEHY: Okay. Mr. McCarthy.

24 MR. MCCARTHY: Chairman, members. Just very  
25 quickly let me give you a quick concept of early warnings so

1 you understand how it's used and then I'll focus just  
2 briefly on the country of Japan and then just give you an  
3 update of what we're doing here regarding the stimulus  
4 package application on behalf of the state.

5           If we're all standing around a pond and I throw a  
6 pebble in a pond, that first ripple out, what we call would  
7 be a primary wave. Okay? So that's a very quick source and  
8 so that some shaking you feel in earthquakes, that little  
9 shaking, you feel something, is that an earthquake, that's  
10 the primary wave and that's not a damaging wave; okay?

11           That wave moves twice as fast as the rest of the  
12 waves that follow which are the damaging waves. So the  
13 farther I am away from that pebble in the pond, the more  
14 time interval there is between the arrival of that primary  
15 wave and the damaging waves.

16           And that simple concept came out -- seismology's  
17 known about that for a hundred years and that concept came  
18 out of -- of warning -- using that for early warning came  
19 out of Cal Tech in the early '80s and unfortunately the  
20 State of California didn't pick up on it, but the Japanese  
21 did.

22           So the Japanese have a whole national system now  
23 built on that concept and basically what they do is when  
24 their sensors pick up that small primary wave, they  
25 telemeter the information data to their headquarters in

1 Tokyo where they pre-vet the information out with computer  
2 models and then they have a shaking threshold above which  
3 they say there's going to be damage. Then they do a global  
4 broadcast -- broadcast out that basically is going -- like  
5 if you're sitting here watching television, radio, text  
6 messaging, Internet, it says strong shaking's going to  
7 arrive at your location within 20 seconds.

8 Right? So you have the audible alerts can go off  
9 or issues are automated. So you have pre-automated things  
10 that are done before it occurs.

11 One of the banks told us what they do is they  
12 could telemeter their proprietary data, whatever it may be,  
13 within a microsecond. Send it to Kansas, for example. So  
14 that's kind of an application.

15 So the Japanese are pretty advanced and what we're  
16 trying to do now is trying to catch up with them. So we  
17 have a -- been putting together, working with the Governor's  
18 stimulus team to put together a grant to -- on the stimulus  
19 package to leverage on our seismic network that we have now  
20 which is old. Needs to be upgraded. And our proposal right  
21 now, I've given a draft proposal right now to Mr. Harvey.  
22 It's about \$83 million over a five-year period to ramp it up  
23 over time, to provide a network not quite as efficient as  
24 the Japanese but certainly would meet our particular needs.

25 Now the good news for us is we have commercial

1 companies that have been out there for ten years deploying  
2 early warning systems on a local basis, supplying the  
3 specific client need. So what they're doing is if they  
4 network their clients together, then as we come in with a --  
5 let's say it's a siren network, then we will craft something  
6 that links them together.

7           So now we're leveraging off of that capabilities  
8 and providing jobs for the people of the State of  
9 California.

10           So our proposal we're putting together right now  
11 would benefit schools, all California public schools  
12 hopefully and private schools and other entities, obviously  
13 hospitals.

14           We see 800 jobs being created by our proposal and  
15 that's kind of where we are right now, and what I'd like  
16 possibly is if the Board would consider a letter of support  
17 of our concept that the early warning moving towards  
18 mitigating the earthquake hazard through early warning would  
19 be of value to the California school children.

20           That would probably help us out with this federal  
21 grant application. By the way, that's -- this federal grant  
22 application is the back half of the stimulus package where  
23 all 50 states are competing for those funds. It's not  
24 touching the funds that have already been awarded.

25           So I can answer some questions based on that.

1           CHAIRPERSON SHEEHY: Sure. Mr. Harvey.

2           MR. HARVEY: Well, I want to thank you and our  
3 State Architect for preparing this because when I brought it  
4 up so many months ago now, it was based on knowledge that I  
5 had seen when I was at the State Consumer Services Agency  
6 about the Japan system, and I thought, you know, if we can  
7 do nothing else but let school districts know that today  
8 there are site-specific things to benefit them if they  
9 choose to select them and let's talk about what the Seismic  
10 Safety Commission is doing prospectively on a statewide  
11 program.

12           So this captures all of that and I think since we  
13 could only build bricks and mortar, there's no way we can  
14 fund something like this, but I certainly want to make sure  
15 districts are aware of it, number one, and, number two, I  
16 would certainly hope that we would submit an application --  
17 not an application -- a letter of support for your efforts  
18 because if you are successful in attracting the ARRA dollars  
19 and you're not competing with that source that has already  
20 been put into place, but we would be able to develop a  
21 system to benefit school kids as well as hospitals and other  
22 public agencies.

23           So I'm hoping my colleagues will endorse the idea  
24 of a letter saying best of luck, Godspeed, and I hope this  
25 is something that we at least talk about in our building

1 blocks, letting school districts know that there is an early  
2 alert system today provided by the private sector and I do  
3 hope the private sector joins your effort because I'm  
4 sensing that without their involvement --

5 MR. McCARTHY: That's correct.

6 MR. HARVEY: -- your good work is not complete.  
7 So those are three things I hope that happen. Thank you so  
8 much.

9 MR. McCARTHY: And also the private -- individual  
10 school districts can apply directly, you know, for funds.  
11 So if they wish to help establish their own commercial early  
12 warning system, they can apply for stimulus dollars on their  
13 own as well. So it's up to them.

14 CHAIRPERSON SHEEHY: I want to follow up on  
15 Mr. Harvey's comments. So, Mr. McCarthy, you would in fact  
16 like a -- it would be helpful for you in procuring an  
17 additional ARRA grant to get a letter from the State  
18 Allocation Board in support?

19 MR. McCARTHY: Yes, sir.

20 CHAIRPERSON SHEEHY: Rob, can you -- without  
21 objection, Rob, could you go ahead and have such a letter  
22 drafted and send a draft copy to all the member office --  
23 all the Board member offices to make sure that they're in  
24 agreement with it and then any feedback that you get, you  
25 can incorporate that in it. But why don't we go ahead and

1 get something prepared so we can help facilitate that  
2 because it sounds like that would be a good thing to do.

3 MR. COOK: We'll get something underway right  
4 away.

5 CHAIRPERSON SHEEHY: Okay. Great. Do we have  
6 additional questions or comments for Mr. McCarthy? Do we  
7 have any public comment on this item? Yes, please come  
8 forward.

9 MR. NEBENZAHL: My name is Scott Nebenzahl. I'm  
10 with one of the private providers of such devices  
11 predominantly focused in the emergency management sector,  
12 but I wanted to take this time to be here and applaud all of  
13 the work that the state has done and this body for taking up  
14 the issue and to share with you a couple of additional sort  
15 of activities that were taking place that I think support  
16 this.

17 This body may know that there are school districts  
18 now that are very desirous of the adoption of such  
19 technology and given of course the financial hardships that  
20 that has precluded that. We hope that the letters that have  
21 been put forward and the time that they're sort of  
22 interested in doing as it relates to the seismic retrofit  
23 projects that they're doing makes a nice template and  
24 opportunity to bring the needed mitigation to that unserved  
25 population.

1           And then I just wanted to be available if there  
2 were comments or questions related to are sort of end-user  
3 focus that we've deployed. So I thank you for your time.

4           CHAIRPERSON SHEEHY: Great. Thank you so much.  
5 Okay. Seeing no additional comments, we're going to move on  
6 to our last informational item. Is Tom Patton from the  
7 Attorney General's Officer.

8           MS. JONES: Yes, he is.

9           CHAIRPERSON SHEEHY: You are. Okay. Not yet. We  
10 have one more item. One more item.

11           MR. COOK: Masha Lutsuk discussing the **Emergency**  
12 **Repair Program.**

13           MS. LUTSUK: Change it on me just when I learn how  
14 to use that one. Masha Lutsuk, Office of Public School  
15 Construction. If I could turn your attention to page 159.  
16 It's Tab 16.

17           This is a quick update on the status of emergency  
18 repair program funding. I'll just give you a quick reminder  
19 this is the program that is a result of the settlement  
20 legislation in the case of Williams vs. California.

21           The funding is provided from the state's general  
22 fund and mainly the Prop. 98 reversion account. The  
23 settlement legislation identifies 800 million to be provided  
24 over the course of several years for the program and what we  
25 do is we provide 100 state funding for eligible school

1 districts to address health and safety emergency repairs at  
2 the eligible school sites.

3           To date, the program has received \$338 million.  
4 The balance of funds is about \$25 million. We expect to  
5 exhaust that probably at the next meeting or perhaps  
6 September and after that point, we're directed by the  
7 regulations adopted by the Board to compile an unfunded list  
8 and upon availability of funding, we will be providing  
9 monies to the projects on the unfunded list by the order of  
10 which they're placed on the list which is just order of date  
11 received of the applications.

12           And with that, I also want to point your attention  
13 to the chart on the bottom of stamped page 159. We've  
14 provided that to illustrate the point that at this point we  
15 have more applications in house which represent requests  
16 submitted from school districts that exceed the \$800 million  
17 that I've mentioned that is to be provided to the program  
18 over the life of the program.

19           CHAIRPERSON SHEEHY: Masha, but I understand we  
20 only get 100 million a year; is that right?

21           MS. LUTSUK: That's correct.

22           CHAIRPERSON SHEEHY: And -- okay. So we're  
23 oversubscribed based upon the applications that we have.

24           MS. LUTSUK: Correct.

25           CHAIRPERSON SHEEHY: I see.

1 MS. LUTSUK: And with that, that concludes my  
2 presentation and I'd be happy to answer any questions.

3 CHAIRPERSON SHEEHY: Scott Harvey.

4 MR. HARVEY: You know, I think the most  
5 encouraging thing that I heard in this report was that we  
6 have money in the bank. You've got applications in house  
7 and you're suggesting that we will have those applications  
8 matching that money in the bank out the door, put into  
9 productive use by next meeting or no later than September.  
10 And that is really good news.

11 I mean it's consistent with this whole point I  
12 raised earlier. If we've money sitting -- real money, not  
13 bond authority, not apportionments -- we should do all we  
14 can to get the money into school districts' hands and I  
15 appreciate that comment. That tells me you're prioritizing,  
16 getting that money out. Thank you very much.

17 CHAIRPERSON SHEEHY: Okay. That's great. So with  
18 that, I think our public business is concluded today. We  
19 are going to meet in -- yes, sir. Did you want to come  
20 forward and address the Board.

21 MR. HANCOCK: I would like to comment on this  
22 item, Mr. Chair.

23 CHAIRPERSON SHEEHY: Oh, on this item?

24 MR. HANCOCK: Yes. Thank you so much.

25 CHAIRPERSON SHEEHY: Please identify yourself for

1 the record.

2 MR. HANCOCK: Yes. My name is Bruce Hancock,  
3 Hancock, Gonos & Park. I appreciate -- first of all, thank  
4 you, Mr. Harvey, for your comments and thank you, Masha, for  
5 your commitment to get the \$26 million in cash out to  
6 districts that have applications on file. That is very  
7 badly needed and very much appreciated.

8 I did want to bring up one other issue. As the  
9 Board may be aware, but may not be aware, the 2008 budget --  
10 approved budget contained \$101 million for the ERP program  
11 for the 2008-2009 year which of course is now past.

12 The Board received \$50 million of that  
13 \$101 million. \$51 million is -- remains unaccounted for.  
14 The law required that a minimum of \$100 million be committed  
15 to the program last fiscal year and that has not been done.

16 So I would appreciate the Board members and/or  
17 staff reviewing that situation and I respectfully request  
18 your help in returning that \$51 million to the program. The  
19 applications are in house and on hand and they are jobs that  
20 can -- excuse me -- they are projects that can provide jobs  
21 almost immediately. Thank you very much.

22 CHAIRPERSON SHEEHY: Mr. Hancock, I'd like to hear  
23 Finance comment on that.

24 MR. FERGUSON: Mr. Hancock is correct in saying  
25 that \$50 million --

1           CHAIRPERSON SHEEHY: I'm sorry. Could you please  
2 identify yourself for the record.

3           MR. FERGUSON: Once again Chris Ferguson,  
4 Department of Finance.

5           CHAIRPERSON SHEEHY: Thank you.

6           MR. FERGUSON: Mr. Hancock is correct in that  
7 \$50 million has not been transferred into the Emergency  
8 Repair Program. The way the program works is once the  
9 funding is transferred into the reversion account, it is  
10 then transferred over into the emergency repair account.

11           When I said reversion account, that's the  
12 Proposition 98 reversion account. So these are reverted  
13 funds we're talking about.

14           To date, the funds have not reverted into that  
15 account and thus have not been able to be reverted into the  
16 emergency repair account. Upon reversion of the money, that  
17 funding would be transferred.

18           CHAIRPERSON SHEEHY: I thought you were going to  
19 revert to that explanation. When do you expect it to  
20 happen?

21           MR. FERGUSON: At this time, I don't have an  
22 answer for that. We don't have an expectation on the  
23 timeline. It could be tomorrow. It could be a month from  
24 now. It depends on when school districts revert funding  
25 that that programmatic funding -- Proposition 98 funding

1 that went unused.

2 CHAIRPERSON SHEEHY: Yes, just a minute, Scott.  
3 So when do we normally know the status of reversion account  
4 funds?

5 MR. FERGUSON: It fluctuates through the fiscal  
6 year.

7 CHAIRPERSON SHEEHY: Okay. So that didn't answer  
8 my question. When do we normally know?

9 MR. FERGUSON: In other words, there's no set way  
10 of knowing when the money will be in the account. It  
11 just -- it truly depends on when school districts -- or when  
12 the Department of Education reverts the funding into the  
13 reversion account.

14 CHAIRPERSON SHEEHY: Did the Williams' settlement  
15 require that it was 50 percent on one end or a hundred  
16 million, whichever is greater?

17 MR. FERGUSON: That is correct.

18 CHAIRPERSON SHEEHY: So the -- I'm sorry. I'm  
19 just -- it's been a long day. For the '08-'09 fiscal year,  
20 what do we have on the books so far for this item?

21 MR. FERGUSON: I believe \$50 million has been  
22 transferred to date.

23 CHAIRPERSON SHEEHY: And that's based -- what was  
24 that based upon?

25 MR. FERGUSON: That was based upon there was

1 \$50 million available in the reversion account --

2 CHAIRPERSON SHEEHY: I see.

3 MR. FERGUSON: -- so we went ahead and made that  
4 transfer.

5 CHAIRPERSON SHEEHY: So in the event that there's  
6 no more money made available to the reversion account, then  
7 the general -- then Prop. 98 would be on the hook for  
8 another 50 million; is that right?

9 MR. FERGUSON: Over time; correct.

10 CHAIRPERSON SHEEHY: Over time. What does that  
11 mean?

12 MR. FERGUSON: Inevitably its 800 million in total  
13 funding that would need to be made available.

14 CHAIRPERSON SHEEHY: Okay. So if we don't -- so  
15 is there any chance at all that additional money would be  
16 booked to the '08-'09 fiscal year or are we now looking at  
17 '09-'10 and beyond?

18 MR. FERGUSON: That -- as school districts and the  
19 Department of Education close out their fiscal books, there  
20 is the potential that money becomes available and reverted  
21 into those accounts.

22 CHAIRPERSON SHEEHY: For '08-'09?

23 MR. FERGUSON: For '08-'09.

24 CHAIRPERSON SHEEHY: So this is really something  
25 that -- as far as Mr. Hancock said he would like our help in

1 finding the money, this is really something that we are just  
2 simply waiting for school districts to report; is that  
3 right?

4 MR. FERGUSON: To my knowledge, that's correct.

5 CHAIRPERSON SHEEHY: Okay. Mr. Hancock.

6 MR. HANCOCK: Thank you for the explanation and  
7 thank you, Mr. Sheehy, for pursuing the explanation. It is  
8 sometimes frustrating being sort of on the outside and just  
9 not really understanding what's going on and that is  
10 helpful.

11 I would say one thing though and it may not be a  
12 welcome comment, but while the Prop. 98 reversionary fund is  
13 really a part of the calculation, the law to the best of my  
14 knowledge did not specify that the funds come from --  
15 necessarily come from there.

16 I believe the calculation is that it is 50 percent  
17 of the amount of money in the Prop. 98 reversion account or  
18 \$100 million whichever is less.

19 CHAIRPERSON SHEEHY: No. Whichever's greater.

20 MR. HANCOCK: I'm sorry. Whichever is greater.

21 Excuse me. And so I don't pretend to know the intricacies  
22 of this, but it doesn't sound to me as though it necessarily  
23 must come from that fund, although I certainly am aware  
24 given today's circumstances that I'm not sure where else it  
25 would come from. But -- and I would, you know, stand

1 corrected on that. I'm certainly not an expert on it.

2 CHAIRPERSON SHEEHY: It also looks like current  
3 law says that notwithstanding all of that, the amount of  
4 money that gets transferred in '09-'10 is zero. Does that  
5 mean we won't put any money into this in the '09-'10 fiscal  
6 year, Chris?

7 MR. FERGUSON: Pending enactment of the budget, in  
8 the May revision and the February enacted budget, zero  
9 dollars were provided from the reversion account.

10 CHAIRPERSON SHEEHY: So if zero dollars are  
11 provided from the reversion account, then what happens? And  
12 I suspect Mr. Hancock will be back here again asking what  
13 happened to that, so why don't we get a little sneak  
14 preview.

15 MR. FERGUSON: I do not have a response at this  
16 time for that. We'll have to look into that.

17 CHAIRPERSON SHEEHY: Okay. Well -- yes,  
18 Mr. Harvey and then Ms. Brownley.

19 MR. HARVEY: I think there could be an unintended  
20 consequence of the unbundling of categorical A in the sense  
21 that you had more opportunities for dollars to go in the  
22 reversionary account when you had more pots of money and you  
23 weren't expending them.

24 When you unbundle it and districts are now free to  
25 spend it on any number of things to their liking or choice,

1 it's going to be my supposition that we're ultimately going  
2 to have less dollars available to go into the reversionary  
3 account.

4           So it may be a long time coming for us to get  
5 dollars from Prop. 98 reversions and perhaps Mr. Hancock's  
6 question about hundred million from another source is  
7 something we may want to analyze and look it.

8           Does anyone have any comment about whether that  
9 supposition or unintended consequence, as I put it, may be  
10 accurate?

11           CHAIRPERSON SHEEHY: Rob? Susan? Chris? I think  
12 that someone's one of the three.

13           MR. FERGUSON: Finance would be certain to  
14 investigate the matter, but at this time, I can't state what  
15 the consequent would be. I can't state if funding from  
16 another source would become available for this purpose.

17           MR. HARVEY: But you are willing to investigate  
18 that?

19           MR. FERGUSON: I am willing to investigate.

20           CHAIRPERSON SHEEHY: And I think in fairness to  
21 Finance -- I do want to hear from Rob. I think in fairness  
22 to Finance staff, there are -- it's a Rubik's cube what is  
23 going to be before Ms. Brownley and her colleagues to vote  
24 on in another day or so in terms of the Prop. 98 funding and  
25 everything that's going on and so I can certainly appreciate

1 your comment that pending final enactment of the budget, it  
2 would be difficult for you to answer that. We're going to  
3 have a difficult enough time just explaining how we got to  
4 the numbers.

5           So -- but I think it would be helpful for this  
6 Board, Chris, for you to be prepared to comment on this, and  
7 so assuming we do get the budget measures enacted this  
8 month, hopefully tomorrow, then that hopefully will give you  
9 enough time and your colleagues so that you can come back  
10 and talk about this reversion account item.

11           And, Mr. Hancock, please feel free to raise this  
12 issue again. Do we need to put this back on the agenda to  
13 make that happen, Rob?

14           MR. COOK: We can certainly -- I think that would  
15 be appropriate. And my only comment on here, on its face,  
16 it's pretty obvious that districts are not reverting funds,  
17 at least certainly not in the pace that they used to prior  
18 to the budget cuts coming through.

19           I assume, you know -- but --

20           CHAIRPERSON SHEEHY: Yeah, I mean one --

21           MR. COOK: But the cause of that is --

22           CHAIRPERSON SHEEHY: I mean one thing that I know  
23 for sure is that as the funding gets tighter and tighter  
24 coming from the state to the school districts, just on the  
25 natural, they're going to have less reversions. You know,

1 they're going to have less spare change laying around. So  
2 that shouldn't be a surprise, but then the question is how  
3 do we comply with the Williams' settlement and make those  
4 funds available. What is that mechanism? How does that  
5 work and how would that funding play out? I think the  
6 members are going to want to know. Did you want to add to  
7 that, Ms. Brownley?

8 ASSEMBLY MEMBER BROWNLEY: Yeah. I was just going  
9 to say that we should get I think a policy briefing on this  
10 exactly. I mean I think we're also using fund balances as  
11 part of scooping up every last penny of those funds for  
12 budget balancing purposes.

13 So -- and I -- you know, the reversion account is  
14 formulaically driven, but if there is no money in there,  
15 there's no money out. I mean it's just -- I think that's  
16 pretty simple and straightforward.

17 But in terms of the question that the gentleman  
18 raised, is there other -- are there other ways in which to  
19 pull money from to satisfy the Williams' commitment and I  
20 think that that's good -- I'd like to know that, if a policy  
21 is clear one way or the other on it. So that would be  
22 helpful.

23 And I just -- another question that I just had in  
24 terms of the 800 million that we are obligated to. Do you  
25 know how much we have paid towards that?

1 MR. FERGUSON: I believe that's in the document.  
2 It's roughly \$338 million.

3 ASSEMBLY MEMBER BROWNLEY: Roughly 338-.

4 MR. HARVEY: Essentially.

5 ASSEMBLY MEMBER BROWNLEY: Yes.

6 MR. HARVEY: How rough was that 338-? Is that  
7 very rough or just a little rough?

8 MR. FERGUSON: Just a little rough --

9 CHAIRPERSON SHEEHY: Okay.

10 ASSEMBLY MEMBER BROWNLEY: If there was dollar  
11 more, we could use it for budget balancing purposes.

12 CHAIRPERSON SHEEHY: I'm with you, Assemblywoman.  
13 Rob, can you go ahead and put this item -- plan to have this  
14 same item on next month's agenda and then if Finance could  
15 do your level best to come back with some additional  
16 information, I think that would be helpful for all of us.

17 Are there other questions or comments by Board  
18 members?

19 Thank you, Mr. Hancock. Last call for public  
20 comment on any item? Seeing none, the State Allocation  
21 Board will go into closed session for a real quick briefing  
22 by our counsel.

23 (Whereupon at 5:38 p.m., the open meeting was recessed  
24 for the closed session and resumed as follows at 6:04 p.m.)

25 CHAIRPERSON SHEEHY: Ladies and gentlemen, we met

1 in closed session. The State Allocation Board is now back  
2 in public session. Without objection, we're adjourned.

3 (Whereupon, at 6:04 p.m. the proceedings were recessed.)

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STATE OF CALIFORNIA            )  
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