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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL, ROOM 4202
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, NOVEMBER 4, 2009
TIME: 2:14 P.M.

Reported By: Mary Clark Transcribing
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APPEARANCES

MEMBERS OF THE BOARD PRESENT:

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

SCOTT HARVEY, Chief Deputy Director, Department of General Services, designated representative for Will Bush, Director, Department of General Services.

KATHLEEN MOORE, Director, School Facilities Planning Division, California Department of Education, designated representative for Jack O'Connell, Superintendent of Public Instruction.

SENATOR ALAN LOWENTHAL

SENATOR LONI HANCOCK

SENATOR MARK WYLAND

ASSEMBLY MEMBER JEAN FULLER

ASSEMBLY MEMBER JULIA BROWNLEY

ASSEMBLY MEMBER TOM TORLAKSON

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: Ladies and gentlemen, we've got five members here. We don't quite have a quorum, but we're going to go ahead and start as a subcommittee. Please call the roll.

7

MS. GENERA: Senator Wyland.

8

9

CHAIRPERSON SHEEHY: Senator Wyland's here. Go ahead.

10

11

MS. GENERA: Okay. All right. Sorry. Assembly Member Torlakson.

12

ASSEMBLY MEMBER TORLAKSON: Here.

13

MS. GENERA: Scott Harvey.

14

MR. HARVEY: Present.

15

MS. GENERA: Kathleen Moore.

16

MS. MOORE: Here.

17

MS. GENERA: Tom Sheehy

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CHAIRPERSON SHEEHY: Here. Okay. So we don't have a quorum, but we're going to go ahead and start with some of the nonaction items. Rob, do you want to go ahead and start with your **Executive Officer Report**.

22

23

24

25

MR. COOK: Certainly. I wanted to provide the Board with an update on the October bond sale. The original target for that bond sale was about 4 and a half billion dollars. The market wasn't quite as accepting as we would

1 have liked, but the Treasurer was still successful in
2 selling over 4.1 billion in funds.

3 The good news for this program is we received
4 enough money from that bond sale to cover all the projects
5 that received an apportionment prior to the December 17th
6 freeze. And through the March, April, and October bond
7 sales, this program has received more funding than any other
8 infrastructure program of the state, which is what I
9 consider a great commitment that the state has had for
10 school facilities.

11 We will be working with the Treasurer's Office and
12 the Department of Finance to expedite the transfer of those
13 funds into our account so that we can then start releasing
14 money as soon as possible.

15 Also wanted to inform the Board of a new duty that
16 I've recently accepted. I have been asked and accepted to
17 take on an interim role as a Deputy Director for the
18 Department of General Services. I've been informed that
19 this is an interim role only and that the -- you know, there
20 is an expiration date on it and in the meantime, I'll be
21 wearing two hats. But it's a honor to be tapped and -- for
22 the duties.

23 Also this is a general notification to districts
24 and others out there. Part of process improvements that we
25 have going on within the Office of Public School

1 Construction, we're trying to shift everything to an
2 electronic state as we can and we are -- we just launched an
3 effort to have electronic meeting notifications to reduce
4 all the paper that we issue, all the postage costs that we
5 have, all the staff time involved in that, and at the other
6 end in districts sorting that mail, making sure that it gets
7 to the right person, and so on.

8 And so we initiated a Web sign-up for that and
9 results in the first wave have been very solid. We have 410
10 districts that have signed up for electronic meeting
11 notification, nearly 30 other interested parties and more
12 than a thousand recipients, all of which will just
13 substantially reduce the amount of paper we're pushing
14 through the office.

15 And with that, my report is concluded.

16 CHAIRPERSON SHEEHY: Okay. Please let the record
17 show that Assemblywoman Fuller has joined us and now we have
18 a quorum. Senator Wyland.

19 SENATOR WYLAND: Rob, just a couple of questions
20 and we may have gone over this before, but -- and, Tom,
21 you'll probably know this too. How are those bond sale
22 allocations between all the various elements determined? Is
23 that something that your board determines with the
24 Controller and Treasurer? How is that determined? Does
25 anyone know that?

1 And I sort of ask that because obviously here we
2 have an interest in making sure as much as possible --

3 CHAIRPERSON SHEEHY: Rob, would you like me to --
4 since that question is probably more appropriately directed
5 at somebody other than you -- you're certainly welcome to
6 answer it, but I'm guessing you probably don't want to
7 because it's not really in your area of responsibility.

8 MR. COOK: Yeah. All I can -- yeah. And, yeah, I
9 think it would be best if you directed that. What I will
10 tell you is how we go about communicating the need at least.

11 We, in advance of this last sale, there are some
12 technical aspects about the bonds, the needs that we --
13 within Proposition 1D, 47, and 55 and then certain of our
14 programs require that they be taxable general obligation
15 bonds. Some could be tax exempt. The bulk of it can come
16 out of -- you know, be backed by Build America Bonds.

17 We provide that detailed information up to
18 Department of Finance and the Treasurer's Office so that
19 they know how -- what denominations to sell in, but that's
20 as far as --

21 SENATOR WYLAND: The implication is that the
22 administration through the Department of Finance and the
23 Treasurer discuss that or is that something that I should
24 direct to the Treasurer?

25 CHAIRPERSON SHEEHY: Senator Wyland, I'd be happy

1 to take a stab at adding -- putting some more meat on the
2 bone so to speak. I think we've discussed this before in
3 previous meetings and of course our situation is dynamic and
4 it's evolving.

5 Going back to December 17th of 2008, almost a year
6 ago, there was a chain of events that started that has had a
7 pretty big impact on the state's public works process and
8 that event was the Pooled Money Investment Board voted
9 unanimously to freeze all Pooled Money Investment Account
10 loans.

11 And the significance of that was that the PIMA for
12 many years -- many, many years through multiple
13 administrations has served as a source of funds that would
14 be advanced for various public work projects, be they
15 transportation, housing, water, school facilities programs,
16 so on and so forth.

17 And then at different times of the year when the
18 conditions were most advantageous, the Treasurer would then
19 go to market and sell bonds and then those bond proceeds
20 would be deposited back into the Pooled Money Investment
21 Account to reimbursement it along with appropriate interest
22 costs for the loans that had been made.

23 The Pooled Money Investment Board voted to
24 terminate the -- what they call AB55 loans in December
25 because of the state's precarious cash position. Of course

1 we all know all the twists and turns -- the many twists and
2 turns that we went through this year as a state, as a
3 Legislature, as an administration to get to a final
4 financial plan for fiscal year '09-'10 and there were many
5 twists and turns along the way, but one of the things that
6 was consistent was that our cash position continued to
7 remain very precarious. It resulted in the State Controller
8 delaying income tax refunds and in fact delaying the payment
9 on bills for many, many months.

10 While our situation has improved, it's still
11 taking a tremendous amount of management by the Controller,
12 the Treasurer, and the Director of Finance to make sure that
13 we have enough cash to meet all of our day-to-day needs.
14 It's taking a lot of management. I think that those three
15 entities are doing a good job.

16 California has sold a lot of bonds this year. I
17 was in a meeting last week I think it was with Treasurer's
18 staff and they were going through the list of all the bonds
19 that had been sold and in fact they're in the market this
20 week pricing bonds and they're going to be in the market
21 next week pricing more at least revenue bonds, so the
22 numbers are moving around, but suffice to say the meeting I
23 was at last week, the statistics they had showed that we had
24 already issued over \$18 billion in general obligation bonds
25 in this -- California this year and then in addition to

1 that, almost 9 billion -- I think 8.8 billion -- in revenue
2 anticipation notes and then there are additional issuances.
3 We had to refinance some of the economic recovery bonds
4 which are issuances and so on and so forth.

5 The long -- short of it is is that the Treasurer's
6 staff pointed out that the State of California has in fact
7 issued more debt than any other state or any other public or
8 private entity in the United States. In this fiscal year,
9 we are the largest issuer of debt of any entity.

10 And what they said is, as a result of that, in
11 some key maturities -- and I don't remember all the details,
12 but in some key maturities -- because they sell these bonds
13 at different maturities -- our debt has saturated the
14 market. So they're running into some problems there.

15 Our disclosure statements are public documents and
16 in our disclosure statements, we talk about all of threats
17 of the budget and those also make investors nervous.

18 So with respect to what's going on right now,
19 Senator, it's a moving target. We're working with the
20 Treasurer's Office to maximize the bond sales.

21 Our first priority has been to pay the bills for
22 the work that had already been done and that's why, you
23 know, it was so critical for us in the last sale to sell --
24 I don't know, what was the total we -- was it 500 and
25 something? Rob?

1 MR. COOK: Yeah. It looks like 503 million.

2 CHAIRPERSON SHEEHY: I think we -- it was
3 503 million and that was enough money to finally pay off the
4 balance of those projects that had already received an
5 actual apportionment.

6 Recall in December of '08 when the freeze was
7 placed, there was \$1.2 billion in apportionments that this
8 body had made that was outstanding at the time and they
9 weren't able to get any fund releases because there were no
10 PMIA loans.

11 And then in March and April, the Treasurer sold
12 bonds and we were able to pay that done, but there was about
13 460 million or thereabouts in apportionments that were still
14 outstanding for which we didn't have funds to disburse;
15 right? And now with the most recent sale, we have enough
16 funds to full cover 100 percent -- correct me if I'm
17 wrong -- of that entire 1.2 billion.

18 So that's a lot of progress and, you know, we've
19 all been working hard to make that happen. As far as how
20 everything sorts out going forward, it's a picture that's
21 still evolving and we're working closing with the Treasurer
22 to do the best that we can.

23 SENATOR WYLAND: Thank you. I'd just like to make
24 a couple of comments. One is as a Board, in a way we're a
25 special interest and I think that's good. And to the extent

1 we can weigh in and with the administration or Treasurer's
2 Office to make sure that when debt is issued or the process
3 that we get as big a chunk as we can get because the reality
4 is there are priorities and, you know, we've got, what is
5 it, 10 billion for high-speed rail and we've got all these
6 other priorities and this process still seems a little murky
7 to me, but, you know, I want as much for schools as we can
8 get.

9 And the only other thing I'd note -- and I'm sure
10 the Treasurer is correct about the market and all that --
11 just from having talked each time to multiple brokers, the
12 retail demand is still pretty strong and it's how much you
13 can sell at a certain price because it was only -- you know,
14 not that long ago that we were selling bonds at 6 percent
15 face value and that sort of thing and it's only this more
16 recent era of lower interest rates that we say gee, you
17 know, this is really, really expensive.

18 We didn't think it was that expensive back I the
19 '90s and '80s when we were issuing a lot of bonds, so that's
20 something I think to also keep in mind. Obviously there's
21 budget pressures there, but trying to get as much as we can
22 for school construction.

23 CHAIRPERSON SHEEHY: Thank you. Senator
24 Torlakson.

25 ASSEMBLY MEMBER TORLAKSON: Thank you,

1 Mr. Chairman. Appreciate Senator Wyland's bringing that up
2 and I know in the past we've -- this Board had some
3 discussion of this and put I think in writing our sense of
4 that priority that education -- infrastructure of the school
5 funding should be at the top of the PMI Board and the other
6 Treasurer's analysis and Department of Finance analysis.

7 I was going to make this comment under Tab 10,
8 reactivating the inactive apportionments, but it actually is
9 timely with this discussion. It's a need I think we have to
10 get additional information about this overall flow of bond
11 indebtedness.

12 The LAO has come out with some analysis, some
13 information, and recently concluded -- a few hours ago,
14 concluded somewhat historic as Senator Wyland and I were
15 remarking -- somewhat historic deal on water. There are
16 some outstanding issues that I think still need to be
17 vigorously pursued because the place we're at is really
18 very, very precarious. That's an understatement I think,
19 the way our Chairman has stated it, and one of the issues
20 that the LAO came out with during the hearings on water was
21 whether we should be using the general fund to fund
22 \$10 billion -- it's now \$11.1 billion -- of infrastructure
23 for water works or whether we should be using revenue-backed
24 measures like user fees, like regulatory fees that are
25 within our grasp to put forward.

1 Pat Brown when he -- Governor Pat Brown when he
2 did the original state water plan did a general obligation
3 bond, but he backed it by the sale of the water from the
4 projects and it was a revenue-based system. So basically
5 the LAO in testimony in front of the water committees in the
6 Senate and the Assembly has underscored that the Legislature
7 will have to make a very tough choice because we can't sell
8 all the education bonds. We've already -- we can't finance
9 them all that we've already got let alone a new bond issue
10 we're hoping to have in 2010 and the transportation bonds
11 and the housing bonds and the rest of the other bonds. I
12 think there's \$60 billion or so in the queue of other bonds
13 that's already been approved by the public.

14 So the issue -- one of the things that I was going
15 to ask us to do is as we reactivate the program not to just
16 have to go back and deactivate it again in a few months
17 because we face just an enormous budget catastrophe I think
18 coming up in the next 18 months.

19 Two or three times, we'll be at the brink of
20 running out of cash and the brink of everything standing
21 still, that we should just ask the Treasurer and perhaps the
22 LAO to comment on the competition they see increasing
23 between the education priority that we have here and these
24 other needs of infrastructure and I for one am going to be
25 urging that the Legislature continue to look at a fee-based

1 program that could provide that \$10 billion in a fair way
2 from the actual water districts that need the water to pay
3 for it, as they do now for -- and they've done historically
4 for years, pay that part of the infrastructure need through
5 a revenue stream freeing up the process that our Chairman
6 just described, the Pooled Money Investment Board and the
7 Treasurer being able to go into the market and sell our
8 bonds.

9 So I -- also a corollary to that report on where
10 we are, the LAO was also concerned that our percentage of
11 debt is now reaching 10 percent, something close to that,
12 which is an historic high and at some point, our
13 marketability of our bonds and that debt ratio is very
14 troublesome.

15 CHAIRPERSON SHEEHY: Thank you very much, Senator
16 Torlakson, for your insightful comments. Are there more?
17 Ms. Moore.

18 MS. MOORE: I would take it just one step further
19 and if the Board determines that to really put it into an
20 action item and that is perhaps a subgroup of the Board -- a
21 couple of members could meet with the Treasurer and the
22 Department of Finance to express the concern but also to
23 look at if there's the possibility for a planning tool and
24 that is given the situation that we're in and the limited
25 amount of bonds that may be issued in the next year as well

1 as this year, could we know a certain amount that may come
2 to this program and then be able to tell the school
3 districts that are in limbo now that we're going to be able
4 to tranche out perhaps in whatever increments over the next
5 four quarters so that districts can be prepared to ramp up
6 or not with their projects.

7 It takes a long time once the flow of funds starts
8 again or there's a flow for districts to be able to go out
9 and start bidding and really put their projects into the
10 ground.

11 So I'm wondering in light of we don't really have
12 that information if we could send a couple of our Board
13 members to see if that's a possibility and report back to
14 the Board. Is anyone open for that? And, you know,
15 whoever -- I know both of you are very interested in the
16 issue. Perhaps it's -- you're the members. I'm not sure
17 about legally. We don't want to have a quorum, but I do
18 think that we need to make our concerns known and see if
19 there's a planning tool that we can offer back to school
20 districts.

21 CHAIRPERSON SHEEHY: Okay. So how would you like
22 to proceed, Ms. Moore?

23 MS. MOORE: Well, I would make a motion that we
24 send two of our Board members to meet with acting Director
25 of Finance or the new Director of Finance when they're

1 appointed and the Treasurer to express the concerns and to
2 determine whether there is a method that we could plan --
3 that we could give to our constituent base for planning for
4 future bond sales.

5 CHAIRPERSON SHEEHY: All right. Do we have a
6 second to that motion?

7 ASSEMBLY MEMBER TORLAKSON: Second.

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

10 (Ayes)

11 CHAIRPERSON SHEEHY: Any opposed? That motion
12 carries. Ms. Moore, could you take the lead in helping to
13 coordinate that effort?

14 MS. MOORE: Certainly. Why don't we just do it
15 now.

16 CHAIRPERSON SHEEHY: Okay.

17 MS. MOORE: Assembly Member Wyland -- Senator
18 Wyland -- excuse me -- and Senator Torlakson, would you like
19 to be our emissaries?

20 ASSEMBLY MEMBER TORLAKSON: If it be the will of
21 the committee, sure.

22 ASSEMBLY MEMBER BROWNLEY: Is it the will of the
23 committee.

24 SENATOR WYLAND: I would be happy to do it. I was
25 going to say this later and I've talked with Tom about it.

1 I'm not going to be able to stay on the Board. I've lost my
2 key staff member who worked on all this and I just -- I
3 regret it, but I'm not going to be able to do that.

4 And I'll mention that later again, but I would
5 like to be part of that group because my interest in getting
6 those funds is still there, so -- and I'd be happy to
7 accompany --

8 CHAIRPERSON SHEEHY: Is there any objection to
9 having Senator Wyland regardless of his status continuing to
10 participate as part of that group? Seeing none, that should
11 be fine.

12 MS. MOORE: So is there -- we probably would want
13 a second member. Is there another member that is
14 interested? If not, I certainly would be, but --

15 ASSEMBLY MEMBER BROWNLEY: I think if you want to
16 do it though, it's going to be an alternate. If you're
17 going to do that, I think it would be an alternate, just so
18 we don't need to worry about an open meeting with three or
19 more members.

20 SENATOR LOWENTHAL: I think Assembly Member Wyland
21 will no longer be a member of this committee. He's leaving.
22 I gather this is your last meeting?

23 SENATOR WYLAND: That's true.

24 SENATOR LOWENTHAL: So that -- there isn't a
25 problem. He's just going to participate but not as a

1 member.

2 ASSEMBLY MEMBER BROWNLEY: Then that will be
3 appropriate.

4 CHAIRPERSON SHEEHY: Okay.

5 SENATOR HANCOCK: Oh, then I think Kathleen Moore
6 would be the logical person to --

7 SENATOR LOWENTHAL: Right.

8 MS. MOORE: If there's no other interest, I
9 certainly -- the Superintendent is very interested in the
10 issue. I mean we certainly would be honored to serve and I
11 think it's a very important issue. And so we shall do so
12 and we'll coordinate on that, Senator. Okay. Thank you.

13 CHAIRPERSON SHEEHY: Great. Kathleen --
14 Ms. Moore, thank you very much. Is there more comments on
15 that item? Mr. Duffy, did you want to address the Board?

16 MR. DUFFY: Thank you, Mr. Chairman, yes. Tom
17 Duffy for C.A.S.H. First, we asked you last spring to
18 commit to funding the entire \$2.4 billion that had been
19 apportioned through December of 2008 and we want to comment
20 that we appreciate your efforts as a Board and also your
21 staff and of course the Treasurer's Office for making that
22 happen.

23 We sent correspondence to you a couple days ago
24 regarding the very matter of this discussion and Ms. Moore
25 was referring to. In the correspondence, we asked if you

1 could ask for \$3 billion of the future bond sales to commit
2 for 2 billion for 2009. After your actions today, you will
3 have unfunded approvals that will be just under the
4 2 billion mark. And then a billion for 2010 anticipating
5 that there'll be continued activity through next year.

6 So just to try to frame those dollars -- amounts
7 and request based upon the activity level of school
8 districts applying for funds. So just wanted to call your
9 attention to that letter and thank you very much.

10 CHAIRPERSON SHEEHY: Thank you, Mr. Duffy. Okay.
11 We -- do we have a consent calendar? We have four items
12 that are kind of like consent specials?

13 MR. COOK: We have consent calendar, we have
14 Minutes, and then we also have several items that are
15 noncontroversial.

16 CHAIRPERSON SHEEHY: Okay. We have Assembly
17 Member Nielsen here. I know you'd like to speak on
18 Item No. 12. If it's okay with the -- if it agrees with the
19 Board, I know that we want to get through this as quickly as
20 possible. Some of you have been putting in some pretty long
21 hours.

22 If we could move the Minutes and consent calendar,
23 maybe go to Mr. Nielsen's item, and then we need to go into
24 closed session. That would be my intent. Senator Hancock,
25 did you --

1 SENATOR HANCOCK: I -- simply that I am going to
2 need to leave in a couple of hours, so if you can
3 prioritize.

4 CHAIRPERSON SHEEHY: And for those folks that are
5 wondering, that clock hasn't been changed, so it's actually
6 2:34 and not 3:35.

7 SENATOR HANCOCK: Right. Even so.

8 CHAIRPERSON SHEEHY: Okay. Great. Senator
9 Lowenthal.

10 SENATOR LOWENTHAL: Yeah. Myself also at a
11 quarter to 5:00.

12 CHAIRPERSON SHEEHY: Okay. Very good, Senator.
13 Thank you.

14 MS. MOORE: I'll move the **Minutes** and the **Consent**
15 **Calendar**.

16 CHAIRPERSON SHEEHY: All right. We have a motion
17 on the Minutes and the Consent Calendar.

18 MR. HARVEY: Second.

19 CHAIRPERSON SHEEHY: We have a second. All in
20 favor.

21 (Ayes)

22 CHAIRPERSON SHEEHY: Any opposed? Hearing none,
23 those items are approved. And I apologize, I didn't ask if
24 anybody in the public wanted to comment on the Consent
25 Calendar or the Minutes, and so I will backtrack and open

1 the floor to you if you do. Okay. Seeing no interest
2 there, now why don't we go to **Item No. 12**, which is the
3 **Biggs School District Appeal.**

4 MR. COOK: Right. Biggs Unified and I'll
5 introduce Jason Hernandez of our staff to --

6 CHAIRPERSON SHEEHY: Okay. Great.

7 MR. COOK: -- introduce the item.

8 MR. HERNANDEZ: Good afternoon. My name again is
9 Jason Hernandez and I'm the Audit Supervisor at OPSC for all
10 the financial hardship projects that come to our door.

11 This is an overview. Biggs Unified is coming in
12 for four modernization projects ranging from elementary
13 through junior/senior high project. They're coming in for
14 an estimated amount of 3.1 million in state apportionment
15 plus the 2.096 million in the financial hardship
16 apportionment for a total estimated cost of 5.2 million.

17 Typically when districts come in for financial
18 hardship, per the regulations, there is four main criteria
19 that they come in under. They come in under if it's a
20 smaller school district, they have a total bonding capacity
21 of less than \$5 million.

22 If they've passed a bond within the last two
23 years, a Prop. 39 bond for the maximum amount or if they
24 have a total bonding capacity of -- or bonding indebtedness
25 of greater than 60 percent is the three main criteria or if

1 it's a County Office of Education, then they qualify the
2 normal administrative criteria for financial hardship.

3 There is one other option under other evidence
4 that a school district can come before the State Allocation
5 Board and present their evidence to be considered for
6 financial hardship status.

7 So as today, Biggs Unified in Butte County does
8 not meet one of the four aforementioned criteria for
9 financial hardship status. Therefore they have come in to
10 present their case and evidence to the Board to be
11 considered for financial hardship status.

12 If you turn to stamped page 160 at the top,
13 there's a brief description on some of the measures the
14 district has taken to show their reasonable evidence as far
15 as their attempts to come up with their own matching share.

16 They have met with the Butte County Office of
17 Education and -- to see if they'd consider issuing
18 certificates of participation in order to finance their
19 portion of the SFP school facility projects.

20 According to the Butte County Office, the district
21 has recently moved from a negative interim declaration on
22 their financial statements, which basically states the
23 district would not be able to meet their ongoing concerns
24 for the next three years, to a positive status, which means
25 they'll be able to make their ongoing concerns for the next

1 year and for the following two years.

2 But the Butte County Office went on to say that if
3 they were to absorb additional payments for the County
4 Office of -- for certificate of participation that they
5 would not be able to meet those ongoing concerns and would
6 be in danger of going back under AB1200 and having a
7 negative status for their next interim report.

8 The district has also attempted and passed -- and
9 attempted to pass and failed two general obligation bonds
10 over the last year and a half. In February of '08, they
11 attempted a bond that only received a 48 percent vote.

12 They went back to the voters back in November of
13 '08 and again they only passed -- they had a 45 percent yes
14 vote at that time.

15 So staff looked through all their -- all the main
16 criteria that you look for when a district is coming forward
17 for financial hardship consideration, again looking at that
18 same criteria that we mentioned: have they passed a bond,
19 which obviously they failed the last two attempts; do they
20 have bond indebtedness currently -- look into their
21 financial records, they did not have any bonded indebtedness
22 at the district; or is their total bonding capacity level
23 less than 5 million and currently they're at approximately
24 11.5 million, so they meet that criteria as well.

25 Turning to the next page, stamped page 161, ,

1 basically the staff looked at the main reasons that the
2 district was coming in. One, obviously they lack the
3 matching funds to contribute to their SFP projects.

4 They have attempted bonds as mentioned without
5 success and the district is -- even though they've recently
6 changed their status from a negative to a positive status,
7 if they were to go forward and issue a certificate of
8 participation, the County said they would be in danger of
9 going back to a negative declaration.

10 We did do a review of their available capital
11 facility funding which would include developer fees, any
12 possible redevelopment funds, or any other type of capital
13 project or facility funds that would be available to the
14 district and through our determination -- you see that
15 number of 70,168 and those are the numbers of the funds that
16 we found available at the time.

17 We've listed some examples here of past districts
18 that have come before the Board. Many districts that have
19 come through have not been approved for -- under other
20 evidence. There have been a few examples. A couple listed
21 here. One was Monterey Peninsula.

22 They had a unique situation where Fort Ord closed
23 on the district and they were losing several million --
24 10 million annually in federal impact dollars. They also
25 had attempted and failed a bond and they were in danger of

1 becoming an AB1200 district and having their status listed
2 as negative.

3 Needles Unified was another district that came
4 forward. They initially were approved by the Board, but
5 they were only approved for their design phase of their
6 construction. The Board directed the district to come
7 back -- before they come back for their full construction,
8 to attempt another local bond measure or seek other means of
9 local financing in order to contribute to their project
10 before coming back to the Board.

11 So as we go through, we have three options
12 available to the Board for you today. Option 1 was similar
13 to a prior district such as Needles where we would approve
14 the district for their design funding at this time which
15 would allow the district to move forward with the initial
16 planning of their construction projects and their
17 modernization projects but would still require them to come
18 back and seek other types of financing, whether it's seek
19 another bond measure, whether to see if any developer fees
20 increased during that time frame, or any other financing
21 mechanism that might be available to the district before
22 they come in for full construction, and to follow past
23 practice, it's been approved by the Board in the past.

24 If you turn to stamped page 162, it lists Option 2
25 and Option 2 is basically just granting the district's

1 request for financial hardship status for both their design
2 grant and their construction grant which would allow the
3 district to move forward with their project. Basically the
4 Board would be stating that they have made a reasonable
5 effort to fund their matching share, but potentially this
6 option may be going against past practice and may be setting
7 precedent.

8 And Option 3 would be to deny the district's
9 appeal per the regulations that state the district has not
10 made all reasonable effort and that in order to be qualified
11 for financial hardship status, they must meet one of the
12 initial qualifying criteria that I mentioned earlier.

13 So staff recommends that we approve Option 1, to
14 approve the district for design funding and to have them
15 seek other funding, whether it be COP, bond measures, or
16 other financing before they come in and to consider
17 construction apportionment for their financial hardship
18 projects.

19 And with that, I'll open up to questions for the
20 Board.

21 CHAIRPERSON SHEEHY: Okay. Questions of the Board
22 members for OPSC staff. Okay. Let's hear from the Biggs
23 School District. Okay. Assemblyman Nielsen, if you prefer
24 to go first, that's fine. I thought -- whatever your
25 pleasure is, Assemblyman. Okay. Please come ahead.

1 Identify yourself for the record, please.

2 MR. CORNELIUS: I'm Bill Cornelius, Superintendent
3 of Biggs Unified School District.

4 CHAIRPERSON SHEEHY: Can you push the button for
5 the microphone, Mr. Cornelius.

6 MR. CORNELIUS: Can you hear me?

7 CHAIRPERSON SHEEHY: Great. Thank you very much.

8 MR. CORNELIUS: Thank you. My name is Bill
9 Cornelius. I'm Superintendent of Biggs Unified School
10 District.

11 CHAIRPERSON SHEEHY: Please, Mr. Cornelius, would
12 you like present your view of this issue and what -- the
13 outcome you'd like to see?

14 MR. CORNELIUS: Yes, I would. Thank you.

15 CHAIRPERSON SHEEHY: Thank you.

16 MR. CORNELIUS: This is my third year as
17 Superintendent and of all years to come into a
18 superintendency, it's been very interesting.

19 I came into Biggs Unified School District three
20 years ago and Biggs is located about 25 miles south of Chico
21 in a large -- it's a large geographical area, pretty much
22 all agriculture. We have a small district, around 600
23 students, and some of the things that I am here to come
24 again talk about the budget.

25 We were below reserve three years ago. We are now

1 positive after three years and in the times that we have
2 currently, that's -- I think that's definitely a plus for
3 us. Sometimes it hurts when it comes under critical
4 hardship, but that's what we need to do in our district.

5 We were also under program improvement, things
6 going on with the district. We are now program improvement
7 free. We have met all the target growths and everything
8 from the state.

9 The biggest issue we face -- right now we've been
10 facing is our current facilities and what we did was prior
11 to my coming on, the group had come to OPSC and met with --
12 because of substantial modernization needs. They met with
13 OPSC and was given the advice to run for a bond.

14 Well, the current administration did not do that.
15 When I first came on in 2007-2008, that was one of the first
16 things we undertook.

17 Our facilities are old. The schools were built in
18 the 1950s and 1960s and had not been kept up for -- to meet
19 the needs of our students. Old -- you know, the computers
20 and other things that are currently needed in classrooms and
21 all those kinds of things, we have just some old
22 infrastructure things.

23 We -- out of the -- I was shared with this by a
24 group that helped us run the second bond, was out of the 28
25 districts they had worked with, ours was probably in the

1 worst shape.

2 So over the past two and a half, three years, when
3 the first bond did not pass -- and I'll address that again
4 later -- we didn't sit back. You know, we started to do
5 things we could as a district to help do some school
6 improvements and then when we went back to work on the bond
7 the second time, even though we did not pass the second
8 bond -- and again I'll cover that in just a second -- but we
9 developed a Be The Difference group and that's the community
10 coming in and supporting -- trying to do what they can with
11 some program improvements at the school.

12 But it's not nearly enough of what we need for all
13 the infrastructure, things that need to happen in our
14 district.

15 Our modernization eligibility is -- it's a total
16 eligibility of \$5.2 million and that requires a district
17 match of \$2,096,318. Because we barely make our three-year
18 multi-year projection, as you heard, the County said if we
19 tried to find another way of financing this, we would not be
20 able to certify as positive.

21 And as you know, in our area, the last few
22 years -- of course it goes back further than that. But
23 agriculture which is our main economy has been struggling.
24 It's been difficult.

25 So in our small rural community, it's been very

1 tough. And so for us -- you know, I did all the walking --
2 both bonds as far as walking and talking to all the folks in
3 Biggs and why weren't we able to pass the bond the first
4 time, why weren't we able to pass the bond the second time,
5 these are hard times. These are very difficult times and it
6 hits the small rural, agricultural communities I think
7 first.

8 And so everyone that I've talked to in our
9 community said there's no question our schools need help.
10 This is just a tough time for us. Some of the are on fixed
11 incomes and a variety of other things. So we were close on
12 the passing of the bonds but not quite enough. The
13 community has not stepped back. They wanted -- we have --
14 we needed a football stadium painted. We had 60 people out
15 there painting the stadium. We've done some painting in our
16 high school.

17 They're superficial things, but they really -- the
18 community is taking --

19 CHAIRPERSON SHEEHY: Excuse me, Mr. Cornelius.

20 MR. CORNELIUS: Yes, sir.

21 CHAIRPERSON SHEEHY: I want you to get everything
22 out that you want to say, but I would ask you to try to stay
23 to the immediate question at hand because we are under a
24 little bit of a time constraint today.

25 MR. CORNELIUS: Will do.

1 CHAIRPERSON SHEEHY: Thank you.

2 MR. CORNELIUS: In order to qualify for financial
3 hardship, the district must be levying the maximum developer
4 fee justified under law and must meet one of five criteria.

5 Criteria one through four, as you heard, do not
6 apply to the district. Therefore the district decided to
7 apply for financial status based on the fifth criteria,
8 other evidence of reasonable effort.

9 The district first met with OPSC in April of 2006
10 to discuss applying under other and we -- you have a
11 timeline in front of you for that. Have continued to meet
12 with OPSC through the present and has taken OPSC's
13 suggestions of attempting bonds.

14 To date, the district has attempted two bonds and
15 failed. Bond one was February 5th of 2008 as a grassroots
16 effort. The amount was for 4.275 million and it was
17 51 percent no and 49 percent yes.

18 The second bond was in November 4th of 2008. We
19 used a bond consultant at that time. The amount at that
20 time was for 6.9 million. There were 54 percent no and
21 46 percent yes.

22 And we sent a copy of this to your office. A
23 precedent has been established by the State Allocation
24 Board's approval of the 2001 Lassen Union High School
25 District's request for financial hardship funding based on

1 other evidence of reasonable effort, which included two
2 failed bonds.

3 The specifics of the school district that was
4 approved in 2001 are substantially similar to those of Biggs
5 Unified School District.

6 Therefore based on Biggs's two attempts to pass
7 bonds and the 2001 precedent setting financial hardship
8 approval, we request your support of the Biggs Unified
9 School District's appeal for financial hardship funding for
10 our four modernization projects in the amount of \$2,096,318
11 for a total project eligibility of \$5,240,794.

12 We request that your option -- would support that
13 of Option 2 which would provide design and construction
14 funds for the district's modernization projects.

15 CHAIRPERSON SHEEHY: Okay. Thank you,
16 Mr. Cornelius. So you are urging us to adopt Option No. 2.

17 MR. CORNELIUS: Correct.

18 CHAIRPERSON SHEEHY: Okay. Great. Thank you.
19 Assemblyman Nielsen.

20 ASSEMBLY MEMBER NIELSEN: Chairman Sheehy and
21 members of the Allocation Board, it's an honor to come and
22 appear before you to support the request of Biggs and allow
23 me a moment of nostalgia of my decade of serving on this
24 august body.

25 I served with the irascible and revered Leroy

1 Greene for all of those years and I think I'm third or
2 fourth longest tenured member in the history of this Board.
3 Now some of your regulations and rules may have changed. I
4 am not sure, but I am familiar with these kinds of requests
5 and precedential grants of these requests in years hence
6 based on hardship and based on reasonable effort that they
7 have put forth and I think that the district -- the
8 community has put forth their best efforts.

9 And we all know the difficulty with bonds and I am
10 very familiar with these kinds of areas and this kind of
11 agriculture because I am it. In fact our home is only about
12 an hour to the west of this place and one of our former
13 colleagues -- which has nothing to do with your criteria --
14 but Doug Lumalfa (ph) went to the elementary school here.

15 The smaller districts do have their unique
16 problems. Of course the big districts do too. But that
17 said and knowing the manifest needs, the deterioration, the
18 lack of maintenance, another thing of your purview here,
19 deferred maintenance -- it hasn't been adequately
20 maintained. They do need your help and I would respectfully
21 request your favorable consideration of the request of Biggs
22 for Option No. 2. And thank you very much for the time. It
23 feels good to be back with you if but for a moment and get
24 out of here so you members can be about your busy days and
25 now I could say good afternoon to all of you who I said good

1 morning to about 12:00 o'clock to 5:00 o'clock today. Thank
2 you so much for your time.

3 CHAIRPERSON SHEEHY: Thank you very much,
4 Assemblyman Nielsen. We appreciate you taking the time to
5 come here. Pleasure of the Board.

6 MS. MOORE: I have a quick question --

7 CHAIRPERSON SHEEHY: Ms. Moore. Ms. Moore then
8 Ms. Hancock.

9 MS. MOORE: -- of staff.

10 CHAIRPERSON SHEEHY: And then --

11 MS. MOORE: The Lassen item wasn't included in the
12 write-up and they have indicated that there was similar
13 circumstances. Could you comment on that?

14 MR. HERNANDEZ: Sure. The main reason, looking
15 back at that Lassen item that was approved back in December
16 of '01 was that it was prior to the main regulations of the
17 hardship changing in beginning of -- I think it was January
18 of '02, we switched to -- prior -- before, just for one
19 example, you used to be able to have a total bonding
20 indebtedness of only 30 percent and that was increased to a
21 60 percent threshold.

22 I think also previously that if your district was
23 less than 7 million, then they lowered it down to 5 million
24 as far as the threshold need to qualify.

25 So the basic thing was that since it was under

1 other body of criteria when that decision was made and post
2 decisions were made under the new criteria which basically
3 either didn't approve the Board items under other evidence
4 or require the districts to come back in showing effort they
5 made before applying for construction was the main reason
6 that we didn't include it.

7 MS. MOORE: That answers that part of the
8 question, but can you also answer is it a similar
9 circumstance? They indicate that there were two bond
10 measures attempted in the community, that there was a small
11 community, and that the Board made the decision to grant
12 them essentially Option 2.

13 MR. HERNANDEZ: Yeah. To go back through it, on
14 that item, it was a smaller district up in Lassen County and
15 that one had also attempted two bond measures that had
16 failed. It didn't list as much information back then, so I
17 couldn't tell if it was in danger of becoming AB1200 at that
18 time, but some of the circumstances were similar.

19 MS. MOORE: Thank you.

20 CHAIRPERSON SHEEHY: Senator Hancock.

21 SENATOR HANCOCK: Thank you. I think the report
22 and the comments were quite complete. You know, I have to
23 say having looked over the material that was presented quite
24 carefully, I think that it would be a very dangerous thing
25 for this Board at this time with our limited amount of money

1 to grant this request.

2 Every district has had to absorb significant
3 revenue reductions. If not being able to pass a bond or
4 being recently removed from being under financial
5 supervision were a criteria for full funding with no local
6 participation, many, many more districts would come in and
7 request that and we would have set a precedent by doing
8 that.

9 None of the currently required hardship conditions
10 is met. The citing of a precedent from 2001 indicates that
11 if we should set a precedent like this today, we will
12 certainly have it cited back to us in the coming months and
13 years.

14 So I appreciate the difficulties. There are
15 districts with great difficulty all over the state. I know
16 that some of the districts that represent, like West Contra
17 Costa County, have repeatedly passed bonds despite having a
18 very low income population and paying back a loan to the
19 state from when they went bankrupt 25 years ago.

20 Now, it would simply seem to me that this lowers
21 the bar to a point that the future bond monies of the state
22 would be in jeopardy.

23 So I would move Option 3, that we deny the
24 request.

25 MR. HARVEY: Second.

1 CHAIRPERSON SHEEHY: Okay. We have a motion and a
2 second, but I suspect there's going to be interest in some
3 more discussion. I have Senator Wyland and then Senator
4 Lowenthal.

5 SENATOR WYLAND: For the Superintendent, I have a
6 question. The maintenance -- you said the maintenance had
7 not been done. So I assume that for a number of years there
8 was no money in your budget for maintenance. Is that how
9 that happened?

10 MR. CORNELIUS: I would say because the financial
11 budget that we were looking back, they were not able to keep
12 up with the -- take care of the --

13 SENATOR WYLAND: How about now?

14 MR. CORNELIUS: Now -- again we're -- our
15 maintenance budget is extremely small because we're just
16 trying to make that --

17 SENATOR WYLAND: How big is your budget?

18 MR. CORNELIUS: Our deferred maintenance is 80 --
19 \$110,000.

20 SENATOR WYLAND: And how big is the entire budget
21 for the district?

22 MR. CORNELIUS: 6.2 million.

23 SENATOR WYLAND: Where -- can you give us an idea
24 of what you intend to do? You mentioned computers and I
25 don't think that's covered. I don't know if it is -- and

1 something about a football field. Can you give us an idea
2 of what would -- what projects would happen?

3 MR. CORNELIUS: We have several projects outlined
4 anywhere from reupping a lot of electrical that needs major
5 upgrades to we have ceilings that are in bad repair. Not
6 roofs but the ceilings inside. We've got, you know, some of
7 the heating-air conditioning, some of the -- just -- we have
8 a list, you know, of a variety of projects that are just in
9 desperate need of fixing up, but in the class -- our
10 classroom is so old the gas lines and the water lines don't
11 work inside the classroom, some things like that.

12 So it's -- there's -- each of the sites because of
13 not being kept up as well as they should have been --

14 SENATOR WYLAND: How many sites do you have --

15 MR. CORNELIUS: We have -- we have four sites. We
16 have an elementary school, a middle school, a high school.
17 The elementary/middle school are on the same campus and then
18 we have a small elementary school out in Richvale. So we
19 have basically --

20 SENATOR WYLAND: Only one high school?

21 MR. CORNELIUS: One high school.

22 SENATOR WYLAND: Thank you.

23 CHAIRPERSON SHEEHY: Senator Lowenthal.

24 SENATOR LOWENTHAL: Thank you. You know, I wasn't
25 prepared to really speak -- or I wasn't going to -- I

1 shouldn't say prepared -- going to speak on this issue.
2 When I come into the hearing, I thought I would be probably
3 either supporting Number 1 or Option No. 2, but I just lived
4 through an historic time yesterday in which we moved forward
5 as a state and I support it, although reluctantly because of
6 the tremendous overall need, to say that we're going to put
7 a greater and greater way of funding projects out of the
8 general obligation bond. General obligation bonds are going
9 to -- which are the kinds of bonds that we're talking about
10 here also.

11 We're now going to do water projects rather
12 than -- which we've historically done which was the point I
13 think that was raised earlier, have the beneficiaries to pay
14 their fair share. We don't -- we're not moving in that
15 direction.

16 And so this proposal is going to potentially do an
17 expansion of that also. It's going to say that financial
18 hardship categories are going to change now. We're going to
19 kind of lessen them. If you've had an economic impact in
20 your community and you really can't support these projects,
21 we're going to let the general obligation bonds begin to
22 fund more and more of that. I think this is a very
23 dangerous precedent. This keeps putting off the reality,
24 the inevitable reality that this model of what we're going
25 down is not sustainable. This is a nonsustainable model of

1 more and more general obligation picking up the funding for
2 this state.

3 That's where we're going and I think that's a
4 very, very dangerous thing. And so after living through
5 last night and saying this is the last time I'm going to do
6 a general obligation bond, I'm sitting here talking about an
7 expansion of impacts upon general obligation bonds. I'm not
8 going there anymore until we figure this system out.

9 We as a state have got to figure out -- just
10 because we can't see the impacts, we can't live that way.
11 We can't be like the rest of what happened to this nation
12 which came to its knees when we just increased debt service
13 so high in the nation that people couldn't pay their debt.

14 We cannot go that route and so I'm having a very
15 hard time and I've switched where I am because I think we
16 have a -- we have to figure this system out. That's why I'm
17 glad we're going to go and talk about this, but I'm not in
18 to voting for anybody changing any rules, any more impacts
19 on general obligation bonds at this moment. So I'm going to
20 vote for number 3.

21 CHAIRPERSON SHEEHY: Okay. So we have a motion
22 and a second. Now we want to hear from Assemblywoman Fuller
23 and we want to go back -- then we'll go back to Mr. Wyland.
24 Ms. Fuller.

25 ASSEMBLY MEMBER FULLER: I'm pretty much in

1 agreement with what you just said, Senator, about we are
2 going to have to just look at how we do bonds. You know,
3 it's nothing like the agony we went through last night at
4 the giant prices and had to -- make me the worst choice to
5 fix an absolute price.

6 So here we are headed towards the next absolute
7 crisis in a hurry, but I would like to point out a few
8 things that might help us make this decision because
9 unfortunately school districts, you know, have to operate
10 under the circumstances that they're in. We put them in
11 these circumstances by approving all these rules ourselves.
12 We were the ones that -- I mean there as legislation that
13 changed it to other reasonable -- and that's a legitimate
14 statute-driven criteria now. It was like last year when we
15 did -- when that bill passed and so here's someone that has
16 followed the rules and done their expectation and a
17 community that is waiting and sort of at the end of the day,
18 we're going to give all this money away and then we're going
19 to go back out and we're going to figure out how to finance
20 the next round. There's no doubt about that and we have to
21 do it better and we have to do it smarter and we have to do
22 it different.

23 But right now, this school district, if you look
24 at this, they have not very many classrooms. I think they
25 have like somewhere around what 300 kids or something. It

1 wasn't a lot. 600. Thanks. I don't have my glasses on.

2 And at some point, the problem for school
3 districts are -- like they're saying they don't have any
4 maintenance money in their maintenance account. That
5 generally happens because when they're so small, they can't
6 do an economy of scale, so when they cut, they can't cut any
7 contracted thing, any of the union stuff, so they're going
8 to have to take out of whatever small reserve accounts they
9 have such as maintenance and so that cleans that out.

10 And now if their buildings are truly falling apart
11 or over 30 years old or whatever they are, then we're asking
12 them to rebuild those buildings every couple months with no
13 money as opposed to providing a financial hardship
14 scholarship that we have to put a new campus or building or
15 whatever it is they want that does away with all that
16 rebuilding it over and over and over that's not cost
17 efficient and isn't good for the kids.

18 So I'm really conflicted. I agree with the
19 finance logic, but I think I would like really consider the
20 staff's option because they were going to be watching this.
21 They're -- we're going to hope some things change and
22 they're going to let us start building or go into debt or
23 any of those kinds of things if we do Option 1.

24 If we do Option 3, we're going to force them in to
25 trying to trying to make repairs on things that probably

1 can't be repaired with no money and that's not really a good
2 option when it was our fault that we made the legislation
3 that gave them the expectation of reasonable -- other
4 reasonable methods.

5 So I'm conflicted and I'd rather go for 1 than for
6 3, but I don't dispute all the judgments that you have all
7 raised about where we are.

8 CHAIRPERSON SHEEHY: Thank you. We haven't heard
9 from Ms. Brownley yet, so Ms. Brownley and then Senator
10 Wyland.

11 ASSEMBLY MEMBER BROWNLEY: Thank you. This is a
12 tough one for me too, but I think, you know, based -- just
13 based on hearing Ms. Fuller's comments too, it makes me
14 think that really so many districts up and down the state
15 right now don't have deferred maintenance because we've cut
16 deferred maintenance out of their budget.

17 So we're -- I mean regardless of scale -- and I
18 understand the scale argument and it certainly does apply to
19 smaller school districts, but I think every single district
20 is wrestling with this issue of deferred maintenance and in
21 some sense, it feels to me that the -- part of the
22 responsibility of the district here is to also make their
23 prioritizations as well. I mean we're talking about
24 projects that the district wants to do that spans a couple
25 different things.

1 Well, I think we need to prioritize in terms of if
2 it's the ceilings, the classrooms, that are in greatest
3 disrepair over football fields or other kinds of things. I
4 think that the district sort of needs to prioritize and of
5 course the financing of these modernization and/or new
6 construction projects are based on a match with the
7 community and I understand that you've gone out for two
8 bonds and have been unsuccessful at two bonds, but, you
9 know, there's scale in that as well in terms of the amount
10 that you go out, in terms of what the taxpayer would have to
11 pay, so forth and so on. There is a question of the
12 maximization of the developer fees and, you know, is there a
13 place in terms of going back to the drawing board here to
14 come up with a prioritization of projects and be able to
15 come up with a match that can come out of the district that
16 can accommodate the most necessary repairs that need to take
17 place.

18 But -- so my tendency is to support the motion
19 for -- to deny the request.

20 CHAIRPERSON SHEEHY: Okay. Thank you. Now,
21 Ms. Moore and then Senator Wyland.

22 MS. MOORE: I won't belabor the points. I agree
23 very wholeheartedly that this program was set up with a
24 match in mind and that local communities needed to complete
25 that match.

1 However, I cannot support the denial of it and I
2 thought that Option 1 was a compromise in that it in essence
3 said that the state is willing to support this community at
4 300,000 and that the rest of funds -- I believe it was
5 2 million essentially -- would have to come from local
6 sources.

7 And what it does is leverage back to the local
8 community to say that you are going to have to pass a bond
9 measure in order for these projects to move forward and the
10 state has made their investment.

11 So I would support Option 1.

12 CHAIRPERSON SHEEHY: Thank you, Ms. Moore.
13 Senator Wyland.

14 SENATOR WYLAND: I concur with that. I would
15 support Option 1. I think number one, look at the actual
16 amount of money. We're talking 2- to \$300,000. And I
17 understand the precedent, but having some familiarity with
18 districts like this, there's also I think a great difficulty
19 in passing bond issue and I think it has to do with -- well,
20 a whole bunch of cultural reasons and it seems to me that if
21 pick the Option 1, the amount of money is very small. It's
22 unlikely to bring a flood of people to us and I don't know
23 how many there are like this who have tried a couple of
24 bonds.

25 I was on a board where certainly we had tried at

1 least one that failed. I just don't see a lot of districts
2 coming to us.

3 And then the other thing is it would allow the
4 district -- and -- to actually really prioritize because the
5 reality is a football field to me in this situation is not
6 that important, but falling ceilings, no water or no gas
7 lines to a classroom is a pretty big deal.

8 So that would allow that design to actually focus
9 on what you actually have to have to provide -- I support
10 Option 1 --

11 CHAIRPERSON SHEEHY: Okay. Thank you. Now we do
12 have a motion and a second on the floor which was to adopt
13 staff recommendation number 3. Please --

14 ASSEMBLY MEMBER BROWNLEY: Can I ask one
15 clarifying question?

16 CHAIRPERSON SHEEHY: Oh, sure. Ms. Brownley.

17 ASSEMBLY MEMBER BROWNLEY: Just one clarifying
18 question. So on Option 1, if we were to approve that, does
19 that preclude the district from coming back for another
20 hardship request for the actual brick and mortar portion of
21 it? Because this is actually providing money for the design
22 phase but actually not for the building out phase.

23 So does this preclude them or is this sort of a --
24 you know, we're going to give you this now and then you have
25 the opportunity to come back to request financial hardship

1 for the other portion of the project?

2 MR. HERNANDEZ: No. Yeah, you're correct. Under
3 the current regulations, it does not preclude them from
4 coming back for the full construction dollars. In the past,
5 it's given a district an opportunity to -- I know we
6 mentioned -- discussion about the bonds or to seek other
7 type of financing first before coming back.

8 ASSEMBLY MEMBER BROWNLEY: Okay. And so just to
9 follow up on that question. So if we were to choose
10 Option 3, is the district denied from coming back again to
11 request hardship -- if they go back to the drawing board so
12 to speak, do they have the opportunity to come back again?

13 MR. HERNANDEZ: I think it would be under the same
14 circumstances that any district regardless of why they were
15 not approved or not qualified for hardship status, it
16 doesn't preclude them from applying in the future if the
17 circumstances change.

18 Now I'll say that if it was the exact same
19 circumstances that's --

20 ASSEMBLY MEMBER BROWNLEY: Correct.

21 MR. HERNANDEZ: -- that they're coming in again
22 for --

23 ASSEMBLY MEMBER BROWNLEY: Right. Right. I
24 understand. Thank you.

25 CHAIRPERSON SHEEHY: Okay. So we do have a motion

1 and a second on the floor. Could you please call the roll.

2 MS. GENERA: Senator Lowenthal.

3 SENATOR LOWENTHAL: Aye.

4 MS. GENERA: Senator Hancock.

5 SENATOR HANCOCK: Aye.

6 MS. GENERA: Senator Wyland.

7 SENATOR WYLAND: No.

8 MS. GENERA: Assembly Member Fuller.

9 ASSEMBLY MEMBER FULLER: No.

10 MS. GENERA: Assembly Member Brownley.

11 ASSEMBLY MEMBER BROWNLEY: Aye.

12 MS. GENERA: Assembly Member Torlakson.

13 ASSEMBLY MEMBER TORLAKSON: No.

14 MS. GENERA: Scott Harvey.

15 MR. HARVEY: Aye.

16 MS. GENERA: Kathleen Moore.

17 MS. MOORE: No.

18 MS. GENERA: Tom Sheehy.

19 CHAIRPERSON SHEEHY: I'm going to abstain. That
20 motion doesn't have sufficient support to pass. Is there
21 another motion on the floor.

22 SENATOR WYLAND: I would move Option 1.

23 MS. MOORE: I would second it.

24 CHAIRPERSON SHEEHY: We have a motion and a second
25 to approve Option No. 1. Ms. Genera, could you please call

1 the roll.

2 SENATOR HANCOCK: Excuse me.

3 CHAIRPERSON SHEEHY: I'm sorry.

4 SENATOR HANCOCK: I'd like to make just a brief
5 comment on that.

6 CHAIRPERSON SHEEHY: Absolutely.

7 SENATOR HANCOCK: You know, it's never easy to
8 turn districts down. We done that sometimes on this Board
9 and we've often tried not to.

10 In this case, I want to say that if in the past,
11 other reasonable effort has not meant any reason at all and
12 if we couldn't pass a bond becomes a reason to come in and
13 the fact that there is deferred maintenance is a reason to
14 come in, then we should say in public policy that any
15 district in the state that cannot pass a bond and has
16 deferred maintenance can come and get help from this Board.
17 And if we do that, we are going down a track, as Senator
18 Lowenthal indicated, that is in my view a very unwise use
19 and a real change in the intention of the previous policies
20 of this Board.

21 There is nothing, as Ms. Brownley had pointed out,
22 that precludes them from reprioritizing, going back a third
23 time. There are districts that have gone back a third time
24 to ask their people to support their efforts to support
25 their children and I think that it's not unreasonable to do

1 so in this case. So I will vote no.

2 CHAIRPERSON SHEEHY: Mr. Harvey.

3 MR. HARVEY: As the maker of the original motion,
4 I too am going to vote no on this for the reasons so stated.
5 I would be much more comfortable if this district stepped
6 away and did what has been suggested relative to
7 prioritizing.

8 I think that's the piece we're missing, but I'm
9 voting no on this secondary motion for the reasons stated.

10 CHAIRPERSON SHEEHY: Thank you. Ms. Genera, I'm
11 going to request that you give -- I'm sorry, folks. And I
12 wasn't up all night like you.

13 What was the vote count on the first motion,
14 please?

15 MS. GENERA: Four ayes, four no, one abstain.

16 CHAIRPERSON SHEEHY: Okay. Could you please -- so
17 we have a motion and a second on the floor for Option No. 1.
18 Could you please call the roll.

19 MS. GENERA: Senator Lowenthal.

20 SENATOR LOWENTHAL: No.

21 MS. GENERA: Senator Hancock.

22 SENATOR HANCOCK: No.

23 MS. GENERA: Senator Wyland.

24 SENATOR WYLAND: Aye.

25 MS. GENERA: Assembly Member Fuller.

1 ASSEMBLY MEMBER FULLER: Aye.

2 MS. GENERA: Assembly Member Brownley.

3 ASSEMBLY MEMBER BROWNLEY: No.

4 MS. GENERA: Assembly Member Torlakson.

5 ASSEMBLY MEMBER TORLAKSON: Aye.

6 MS. GENERA: Scott Harvey.

7 MR. HARVEY: No.

8 MS. GENERA: Kathleen Moore.

9 MS. MOORE: Aye.

10 MS. GENERA: Tom Sheehy.

11 CHAIRPERSON SHEEHY: Aye. Okay. That motion
12 fails too. I would like to try one more time. The Chair
13 now will move Option No. 3. Is there a --

14 ASSEMBLY MEMBER BROWNLEY: Why? Because that
15 passed; right?

16 CHAIRPERSON SHEEHY: Did it?

17 MS. GENERA: No.

18 CHAIRPERSON SHEEHY: It had five votes.

19 MS. GENERA: Yeah. Five, four.

20 CHAIRPERSON SHEEHY: If it's okay with the Board,
21 I'd like -- I'm prepared to change my vote and vote for
22 Option No. 3. I don't know if that'll convince anybody
23 else. That would -- that gives us one more vote. Can we
24 try Option 3 one more time?

25 CHAIRPERSON SHEEHY: I'm going to make a motion.

1 MR. HARVEY: I'll second that motion.

2 CHAIRPERSON SHEEHY: Mr. Harvey seconds to adopt
3 Option No. 3. Please call the roll.

4 MS. MOORE: Point in procedure. Didn't we just
5 approve this item?

6 MS. SPEAKER: You actually voted aye on that and
7 that passed. So it was five to four.

8 CHAIRPERSON SHEEHY: No. It takes six votes. It
9 takes six votes.

10 ASSEMBLY MEMBER BROWNLEY: Oh, for the hardship.
11 It's particular to the hardship.

12 SENATOR LOWENTHAL: No.

13 CHAIRPERSON SHEEHY: No. It just takes six votes
14 to pass an action item.

15 MR. COOK: It takes six -- yeah, it takes six
16 votes to move an item on this Board.

17 CHAIRPERSON SHEEHY: Yeah. We're short a member.

18 MS. MOORE: Thank you.

19 ASSEMBLY MEMBER BROWNLEY: But I'm wondering can
20 we -- once a motion has been -- failed can you bring it back
21 again.

22 CHAIRPERSON SHEEHY: Good question.

23 MR. HARVEY: We have no rules or procedures.

24 CHAIRPERSON SHEEHY: You know, Ms. Brownley,
25 that's a really good question and I'll honestly tell you --

1 SENATOR HANCOCK: You can reconsider -- you can
2 always reconsider.

3 CHAIRPERSON SHEEHY: I'll tell you that I'm not
4 sure. What would the proper procedure be then? Would it be
5 to ask for reconsideration --

6 SENATOR LOWENTHAL: Yes.

7 CHAIRPERSON SHEEHY: -- of Option No. 3?

8 SENATOR LOWENTHAL: Yes. Yes.

9 CHAIRPERSON SHEEHY: All right. I will move that
10 we reconsider Option No. 3. Is there a second?

11 SENATOR LOWENTHAL: Second.

12 CHAIRPERSON SHEEHY: This vote is to grant the
13 reconsideration.

14 SENATOR LOWENTHAL: Just on -- just to grant
15 reconsideration.

16 CHAIRPERSON SHEEHY: Please call the roll.

17 SENATOR WYLAND: This is to grant --

18 CHAIRPERSON SHEEHY: This is to grant
19 reconsideration to vote on Option No. 3.

20 SENATOR WYLAND: -- at another meeting.

21 CHAIRPERSON SHEEHY: No. At this meeting. Right
22 now.

23 SENATOR WYLAND: Okay. I'd just like to point out
24 that -- and we'll talk later about the rules -- that
25 reconsideration under the rules would be at -- yeah, at

1 another meeting, but I -- look, we've -- I'm comfortable with
2 this. We've --

3 CHAIRPERSON SHEEHY: I'm glad you raised that
4 point. One of the suggested rules I had was to adopt
5 Robert's Rules of Procedures and if that's Robert's, then
6 that's what we would do.

7 SENATOR LOWENTHAL: They haven't been adopted.

8 CHAIRPERSON SHEEHY: Yeah. We haven't adopted it.
9 So if it's -- if --

10 SENATOR HANCOCK: And you can reconsider under
11 Robert's at the same meeting.

12 CHAIRPERSON SHEEHY: Okay. I --

13 SENATOR LOWENTHAL: Let's just talk about the
14 rules of one house.

15 CHAIRPERSON SHEEHY: Okay. All right. Please
16 call the roll on the motion to reconsider the vote on
17 Option No. 3.

18 MS. GENERA: Senator Lowenthal.

19 SENATOR LOWENTHAL: Aye.

20 MS. GENERA: Senator Hancock.

21 SENATOR HANCOCK: Aye.

22 MS. GENERA: Senator Wyland.

23 SENATOR WYLAND: No.

24 MS. GENERA: Assembly Member Fuller.

25 ASSEMBLY MEMBER FULLER: No.

1 MS. GENERA: Assembly Member Brownley.

2 ASSEMBLY MEMBER BROWNLEY: Aye.

3 MS. GENERA: Assembly Member Torlakson.

4 ASSEMBLY MEMBER TORLAKSON: No.

5 MS. GENERA: Scott Harvey.

6 MR. HARVEY: Aye.

7 MS. GENERA: Kathleen Moore.

8 MS. MOORE: No.

9 MS. GENERA: Tom Sheehy.

10 CHAIRPERSON SHEEHY: Aye. That didn't pass
11 either, did it? Members, I am -- maybe we -- I guess we
12 have two choices. We can put this item over for future
13 deliberation or if somebody would like to make a new
14 motion -- it doesn't appear that we had enough movement.

15 SENATOR WYLAND: I would make a motion that we put
16 this over and in the interim that we ask the district for
17 specific list of what it is they want to do.

18 ASSEMBLY MEMBER TORLAKSON: Prioritize.

19 SENATOR WYLAND: I would want to even get a plan
20 in mind. I'm very sympathetic and I'm very sympathetic to
21 small districts, but I wouldn't -- football. I would for
22 a -- you know, ceiling's falling down. So the motion would
23 be that they --

24 CHAIRPERSON SHEEHY: All right. To put it over?

25 SENATOR WYLAND: To put it over.

1 CHAIRPERSON SHEEHY: Mr. Harvey, you want to
2 second that?

3 MR. HARVEY: I'll be happy to second that.

4 CHAIRPERSON SHEEHY: Is there any opposition to
5 Mr. Wyland's motion? Seeing none, we're all in favor. That
6 motion carries. This item will be put over for future
7 consideration at another SAB meeting.

8 At this time, ladies and gentlemen, we are going
9 to recess into closed session. We will reconvene in open
10 session in approximately 30 to 40 minutes.

11 (Whereupon at 3:25 p.m., the open meeting was
12 recessed for the closed session and resumed as follows at
13 4:32 p.m.)

14 CHAIRPERSON SHEEHY: The Board met in closed
15 session to discuss matters pertaining litigation consistent
16 with our noticed agenda and also to take personnel actions
17 on item consistent with our agenda.

18 And I would like -- the Board has asked me to
19 announce that we voted unanimously in closed session today
20 to appoint Ms. Lisa Kaplan as the new Assistant Executive
21 Officer. Ms. Kaplan will serve concurrently with
22 Ms. Ronnback through the end of November and then beyond
23 that, we're going to have a going away party for
24 Ms. Ronnback and then Lisa will be on her own.

25 So hopefully the experience that Susan has had the

1 last five or six months -- I know she has a lot to share
2 about what we could do to make the process work better and I
3 hope that you can work with Lisa on that. I for one will
4 say that I am delighted to have had a chance to work more
5 closely with you, Susan. I hold you in the highest level of
6 respect and I want to thank you for your willingness to
7 serve this last five or six months. I think you've done a
8 great job and I really, really appreciate it.

9 MS. RONNBACK: Thank you.

10 CHAIRPERSON SHEEHY: Okay. We -- our intention
11 here is we're going to -- members are going to start leaving
12 in about eight minutes. So we're going to take up the
13 noncontroversial items, the Consent Specials and, Rob, we
14 needed to move the regulations; right?

15 MR. COOK: That's correct.

16 CHAIRPERSON SHEEHY: Okay. Would you please
17 present the Consent Specials and we'll see if there's any
18 opposition to the staff recommendation on those items.

19 MR. COOK: Okay. All right. Items 7 through 10
20 are our Consent Specials. They --

21 MR. HARVEY: Move approval.

22 MS. MOORE: Second.

23 CHAIRPERSON SHEEHY: We have a motion and a second
24 to move the staff recommendation on Items 7, 8, 9, and 10;
25 is that correct, Rob?

1 MR. COOK: That's correct.

2 CHAIRPERSON SHEEHY: Is there any objection to
3 that? All in favor?

4 (Ayes)

5 CHAIRPERSON SHEEHY: Okay. Those have been
6 approved.

7 MR. COOK: Okay.

8 CHAIRPERSON SHEEHY: And now what's the next item
9 we must take up?

10 MR. COOK: I would turn your attention towards
11 Tab 14. This is a reauthorization of a grant for general
12 site development. It is expiring at the end of this year
13 and this is a reauthorization for an additional year.

14 CHAIRPERSON SHEEHY: I'm sorry. So what are we
15 doing?

16 MR. COOK: You're --

17 CHAIRPERSON SHEEHY: We're starting the clock
18 again; right?

19 MR. COOK: You are extending a grant for general
20 site development for an additional year.

21 CHAIRPERSON SHEEHY: Oh, this is the general site
22 development grant. I'm sorry.

23 MR. COOK: That's correct.

24 CHAIRPERSON SHEEHY: Okay.

25 SENATOR HANCOCK: General site development for

1 what? Or who?

2 SENATOR LOWENTHAL: What is this?

3 MR. COOK: Yeah. The mics are all dead. It is an
4 additional grant that is provided to districts that acquire
5 acreage in -- either in an addition or in a new construction
6 project and provides additional funding to them.

7 CHAIRPERSON SHEEHY: It doesn't provide additional
8 funding if it's an add-on to an existing acreage, but if
9 it's adding acreage or it's a new site, it gives them
10 additional money in their grant. And so this would extend
11 that -- it sunsetted and this would extend that for another
12 year. Mr. Harvey.

13 MR. HARVEY: Very quickly, Rob. I know this was
14 at its time in '06 a very appropriate thing to do because we
15 were worrying about how you do the underlying cost
16 adjustments. We're extending it yet again. I perhaps can
17 go along with it, but it seems to me we have -- it begs the
18 question of solving the basic question which is what about
19 the propriety and the level for the other funding which was
20 the per pupil funding.

21 This was intended to kind of be interim. It was
22 intended to be a bridge. It was intended to facilitate the
23 resolution of that and here we are continuing it again which
24 means you're pushing off that harder decision.

25 I'm conflicted about just doing it without a case

1 being made on the one hand, and number two, I hope it's not
2 an excuse that we don't resolve the basic question.

3 MR. COOK: You're absolutely correct, Mr. Harvey,
4 that this was bundled in what was considered a grant
5 adequacy discussion that -- you know, that occurred, was
6 very active around the authorization of Proposition 1D back
7 in 2006 and it was meant to be resolved at some point.

8 I know that we are -- I'm sure that we're going to
9 lose our quorum before we have an opportunity to present the
10 new --

11 CHAIRPERSON SHEEHY: Okay.

12 MR. COOK: -- construction grant.

13 CHAIRPERSON SHEEHY: We're not going to be able to
14 resolve this issue today. Is there any objection to taking
15 this up then -- because I think we're going to lose our
16 quorum. Is there any objection to taking this up at our
17 next meeting?

18 SENATOR HANCOCK: I would just like to make a
19 comment --

20 CHAIRPERSON SHEEHY: Sure.

21 SENATOR HANCOCK: -- if I could. I certainly
22 don't object to putting it over and this may be a tangential
23 discussion to our other discussion of how to make meetings
24 go more smoothly.

25 Rob, this is a general policy that relates to all

1 schools that apply not something that happened to a
2 particular district; is that correct?

3 MR. COOK: That's correct. This is a specific
4 grant that is provided to projects that are either new sites
5 or are adding additional acreage to an existing site.

6 SENATOR HANCOCK: Okay.

7 MR. COOK: So it's additional funding and it is
8 expiring at the end of this year.

9 SENATOR HANCOCK: Because it was an interim and
10 how we're talking about extending it while we consider
11 something else. Let me just say this. From reading the
12 staff report, I couldn't tell that, and I do hope that when
13 we have our discussion of the rules and procedures, one of
14 the things I hope we can do is look at the Board book and
15 how we can get immediately in understanding general policy,
16 exception made, due to expire, why we didn't get it done,
17 what's the problem we're trying to fix because otherwise we
18 end up wading through --

19 CHAIRPERSON SHEEHY: Sure. Good point.

20 SENATOR HANCOCK: -- things that we don't
21 understand.

22 CHAIRPERSON SHEEHY: Mr. Cook, before we continue
23 discussion on this item, is there anything else that we have
24 to do today before we lose our quorum? Is there something
25 else starting the clock? Did we do that already?

1 MR. COOK: We already did that. We took that
2 action.

3 CHAIRPERSON SHEEHY: So was there -- okay. So we
4 can continue discussing this until we lose our -- by the
5 way, for those of you here in the audience, when we lose the
6 quorum, we're not going to adjourn. We are going to go
7 ahead and have some more discussion, but we're not going to
8 take any more actions and we discussed that and our
9 colleagues are okay with that.

10 So do you want to -- you know, we can continue
11 discussing this item. I'm just not sure we're going to get
12 to a resolution in the time we have left.

13 MR. HARVEY: If we're putting it over, why don't
14 we move on to the other general discussion.

15 MS. MOORE: Can I just ask though, if we put this
16 over, for projects that come before the Board in January,
17 we -- if we didn't take an action today, does that impact
18 those projects in January or would we have to concurrently
19 in January also take up this item to -- prior to taking up
20 projects in January?

21 MS. BORON-IRWIN: This sunsets.

22 MR. COOK: Yeah. This sunsets.

23 MS. BORON-IRWIN: So that you would not be able to
24 fund anything under this.

25 CHAIRPERSON SHEEHY: Well, we could just -- but we

1 could take it up in January and reestablish it.

2 MR. HARVEY: We'll do that.

3 MS. BORON-IRWIN: You would have to -- well, for
4 whatever period of time, you couldn't act during that. The
5 regulation will sunset on January 1. So you would be
6 starting over --

7 MR. HARVEY: So how many districts are you
8 potentially affecting?

9 MS. BORON-IRWIN: -- the regulatory process.

10 MS. MOORE: The regulation would sunset.

11 CHAIRPERSON SHEEHY: Well, that simply means we
12 could readopt the regs and resubmit them to OAL; correct?

13 MS. BORON-IRWIN: Yeah.

14 MS. MOORE: That's a three-month process or more.
15 So for projects from January through March or April, any
16 approvals would not be -- would be exclusive of this grant.

17 MS. BORON-IRWIN: There wouldn't be any authority
18 to approve because this --

19 MS. MOORE: So it is important that it's discussed
20 today.

21 CHAIRPERSON SHEEHY: I can see Mr. Duffy is
22 anxious to address the Board. Tom, could you please --

23 MR. DUFFY: I will.

24 CHAIRPERSON SHEEHY: -- address us. Thank you.

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

1 Tom Duffy with C.A.S.H. I'd answer your question
2 differently, Mr. Harvey.

3 This came out of a study that we had asked the
4 Board to ask OPSC to do in 2005-2006. It was a study that
5 replicated a C.A.S.H. study that had been done earlier and
6 we found in working with OPSC, through looking at a lot of
7 data, that in converting from the old program -- the
8 lease-purchase program to the current program, the general
9 site allowance from the old program was left out.

10 We asked that it be put in place and the Executive
11 Officer at the time moved this item forward; the Board
12 adopted it. But Anne Sheehan, who was the Chair at the
13 time, basically said can we do this as an interim and just
14 see what the impact of this is. We expected it last year to
15 be done permanently, and so again it's on for interim use
16 assuming that this could be looked at again.

17 What I would ask you to do is to approve this, but
18 have no sunset because there was a study done by your staff
19 that identified that the general site allowance from the old
20 program was not included when the new program was
21 established.

22 CHAIRPERSON SHEEHY: So, Tom, you're --

23 MR. DUFFY: I would ask that you move it forward.

24 CHAIRPERSON SHEEHY: So, Tom, C.A.S.H. is asking
25 for us to approve the sunset extension today; is that

1 correct?

2 MR. DUFFY: Yes.

3 CHAIRPERSON SHEEHY: And is that the staff
4 recommendation?

5 MR. COOK: The staff recommendation is to extend
6 this for an additional year.

7 CHAIRPERSON SHEEHY: Okay. We still have a
8 quorum. We could act on this item. What's the rule of the
9 Board?

10 ASSEMBLY MEMBER FULLER: I move the item. Does
11 anybody second it?

12 MS. MOORE: I'll second it.

13 CHAIRPERSON SHEEHY: We have a motion by
14 Ms. Fuller and a second by Ms. --

15 ASSEMBLY MEMBER FULLER: Adopt the staff's
16 recommendation.

17 CHAIRPERSON SHEEHY: -- to adopt the staff
18 recommendation.

19 ASSEMBLY MEMBER TORLAKSON: Second.

20 CHAIRPERSON SHEEHY: All in favor.

21 (Ayes)

22 CHAIRPERSON SHEEHY: Staff recommendation on this
23 item is approved, Tom.

24 MR. DUFFY: Thank you very much.

25 CHAIRPERSON SHEEHY: You're welcome.

1 MR. DUFFY: Thank you, Rob.

2 MR. COOK: Um-hmm.

3 MR. HARVEY: Mr. Executive Director, I would
4 request that the underlying question that I posed be brought
5 back within the next year and that is if this truly was an
6 interim --

7 MR. COOK: Um-hmm.

8 MR. HARVEY: -- he's arguing that it isn't, but if
9 it was interim, then the grant question and the adequacy of
10 the grant was kind of the threshold for this, I'd like to
11 have that before us.

12 MR. COOK: Yeah. Well, and I'm sensing by our
13 rapidly dwindling quorum that we'll be bringing up our new
14 construction grant report at our next meeting and we'll --
15 we can expand on it a little bit at that time.

16 MR. HARVEY: I'd appreciate that.

17 CHAIRPERSON SHEEHY: Rob, are there any other
18 action items that we can take care of since we still have a
19 quorum at this moment? Or we've pretty much taken care of
20 them.

21 MR. COOK: It appears that we have taken care of
22 everything that you wanted to let them --

23 CHAIRPERSON SHEEHY: Okay. I want everybody to
24 know I had a discussion as we were coming out of closed
25 session with Senators Lowenthal and Hancock who have left if

1 they were okay with us having some more discussion on the
2 scheduling issue with the full understanding that, you know,
3 it's a discussion item and we're going to recalendar it for
4 our next meeting so we can have discussion again because I
5 know Senator Lowenthal particularly had had some
6 correspondence with me and had some specific ideas on that,
7 but he didn't object to us having discussion.

8 I know there are members from the school community
9 here that may want to comment on that. So if there's no
10 objection from the Board members, Rob can we go to that
11 item?

12 MR. COOK: Certainly. That item is under Tab 11.

13 CHAIRPERSON SHEEHY: Okay. This is a nonaction
14 item; correct?

15 MS. MOORE: No. That -- I thought that was
16 Tab 17.

17 MR. COOK: Oh, pardon me.

18 CHAIRPERSON SHEEHY: Tab 17 --

19 MR. COOK: Okay. Here we go. Yes.

20 CHAIRPERSON SHEEHY: It is. This is a nonaction
21 item.

22 MR. COOK: That's correct.

23 CHAIRPERSON SHEEHY: Is that right?

24 MR. COOK: Yes.

25 CHAIRPERSON SHEEHY: Okay.

1 MR. COOK: That's correct.

2 CHAIRPERSON SHEEHY: Could you please set the
3 stage for this issue.

4 MR. COOK: Certainly. In February of this year
5 through Executive Order, there were institution of two
6 furlough days per month that were initially shutdown days on
7 Friday -- the first two Fridays of each month and then later
8 because self-directed. That also came with a reduction in
9 pay for staff.

10 And at the same time, we were also dealing with
11 the rest of the financial crisis and a great deal of
12 activity in our office trying to deal with that issue on
13 behalf of school districts.

14 July of this year, a third furlough day came into
15 effect, and I can tell you operationally our program --
16 those first two furlough days, we were -- you know, we
17 absorbed them, but it was a bit of a strain. The third has
18 really put us into a tough spot from an operations
19 standpoint.

20 In a 20-working-day month, we have net about 14
21 working days between Board sessions when we have to batch
22 everything, be ready to do and done. You throw in a holiday
23 or two and that gets reduced and when you throw in three
24 furlough days, we have net 11 days to actually try to manage
25 the program proactively.

1 In September, I proposed that there -- the -- as a
2 possibility that if we were to shift to every other month
3 meetings, we could regain some of that lost working time and
4 try to accommodate the effective furloughs for the operation
5 and if you look in the lower part of this page, it
6 actually -- mathematically it actually works out quite well.

7 A two-month cycle in essence allows us to
8 recapture the six lost days due to furloughs and would for
9 the most part restore us to where we were and we believe
10 where we were as of December -- or January/December of this
11 last year.

12 CHAIRPERSON SHEEHY: Rob, I appreciate what you're
13 saying about the impact on OPSC and I for one would like to
14 be supportive of OPSC, but what benefits if we -- if we
15 proceed with this schedule, what benefits might the school
16 districts who are your customers derive from it? And of
17 course we're going to hear from the school districts shortly
18 and what concerns do you think they might have and then from
19 a Board member perspective, why is it a good thing for Board
20 members? Could you maybe address some of those points?

21 MR. COOK: Certainly. From a school district
22 standpoint, there is a negative and that is we would not
23 necessarily be doing unfunded approvals every single month
24 and some districts are able to leverage those for interim
25 financing -- those unfunded approvals.

1 Certainly in normal times, that's been the case.
2 In prior times when we've had a bond on the horizon and
3 we've run out of bond capacity, folks have been able to use
4 that to -- that state approval to go get interim financing.

5 At the moment -- I hope this doesn't sound too
6 harsh -- but I don't -- the state's credibility on unfunded
7 approvals is actually in my opinion quite weak. You know,
8 we don't -- it's not a matter of bond authority that we've
9 exhausted. It's our access to the bond markets and our
10 inability to provide cash.

11 So if I were looking at financing a project on an
12 interim basis, I would be looking a long time out before the
13 state might be able to participate.

14 As far as a positive, having a little bit more
15 time to actually be proactive in this program would be a
16 benefit to all parties. It would allow us to work on the
17 policy development that I know Board members have asked us
18 to tackle various aspects, whether it be seismic or high
19 performance or what have you.

20 That part of the program is suffering under
21 furloughs. We don't really have that much effective work
22 time to be able to apply to those what I consider the
23 high -- those high value opportunities.

24 With this proposal, you would -- we would be freed
25 up to be able to do a little bit more of that and I think

1 our staff has proven that we are able to bring forward
2 pretty good quality policy development in this program, but
3 we can only get so many things through the pipe at once just
4 because of limitations.

5 The other aspect is proactively resolving and
6 solving problems so that they don't become substantial
7 issues before this Board and when we're able to walk in arm
8 in arm with a district on a proposal, that's a -- I think
9 that's a benefit to the program and a benefit to the Board.

10 From a Board member's perspective, we have a very
11 busy Board. You guys worked till 5:00 this morning and
12 there are times when there are policy deadlines and other
13 deadlines that -- where our members have a very difficult
14 time actually making it -- because they're either testifying
15 or running committees, have a very difficult time actually
16 making it to the Board.

17 The proposal that I have before the Board actually
18 would take into account the key policy deadlines in the
19 Legislature and provide a little bit of relief to our Board
20 members.

21 CHAIRPERSON SHEEHY: Okay, Rob. Do we want to
22 hear from any school districts that want to weigh on this or
23 hear from C.A.S.H.? I see Mr. Duffy. I see L.A. Unified's
24 here. Please come forward. Mr. Duffy.

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

1 Tom Duffy again for C.A.S.H.

2 We provided a letter to you on this topic and it
3 had a number of suggestions, but just having dealt with
4 funding crises in the 1990s much like I'm sure Assembly
5 Member Fuller did during that downturn in the economy, what
6 we ended up doing in my school district was actually
7 increasing board meetings not decreasing them because of the
8 pupil interest in maintaining programs and no losing
9 programs such as music and band programs.

10 So we're not asking for more, but we would like
11 you to maintain the schedule. It certainly could be that
12 the Board as we suggest in this correspondence could limit
13 the number of items that may be placed on an agenda so that
14 both the staff has less to prepare for and the Board less to
15 deal with. That is certainly one option.

16 We also suggest a structure for appeals. This
17 Board is a hard working Board and we witness all the time
18 you spend on appeals. You did it today and we appreciate
19 the patience and the forbearance that you have. It may be
20 that if there was a specific structure and districts knew
21 what the structure was, OPSC worked within that structure,
22 it could be that that is streamlined as well and we suggest
23 that.

24 We also suggest -- and I think this is the perfect
25 time, Mr. Chairman. You have Ms. Kaplan coming on board new

1 in a role to be mentored for the rest of this month by
2 Susan. It may be that the AEO could be used more often,
3 more effectively in the policy role and also in the review
4 of appeals before the Board.

5 The -- I've worked with this Board since 1980.
6 The AEO that served in a position before Mr. Smoot served in
7 the position dealt with policy issues and in fact presented
8 those to the Board. Something changed along the way.
9 Mr. Smoot did the same thing. So it could be that you could
10 ask to restructure how responsibilities are placed.

11 Do I don't want to belabor, but just as I suggest
12 in the final comment in the first paragraph, a public board
13 isn't encountering the public if it's not meeting. The only
14 way we can encounter you as a Board is when you meet. I can
15 encounter you each as individuals and you may be sympathetic
16 with an idea, but the action has to come by you being here.

17 CHAIRPERSON SHEEHY: Right. Good point.

18 MR. DUFFY: So thank you very much.

19 CHAIRPERSON SHEEHY: Tom, may I ask you question?

20 MR. DUFFY: Yes.

21 CHAIRPERSON SHEEHY: Some have suggested that we
22 meet every month but just do a consent calendar every other
23 month. We could have a report from the Executive Officer,
24 move a consent calendar with the unfunded approvals or the
25 apportionments if we have bond money. How do you think

1 C.A.S.H. would feel about that?

2 MR. DUFFY: It is -- it is not as good as having a
3 regular meeting, but if that's where the Board needs to go,
4 we would work with you on that. Asking that we always have
5 public comment opportunities if that kind of meeting takes
6 place.

7 CHAIRPERSON SHEEHY: Certainly. Thank you, Tom.

8 MR. DUFFY: Okay. Thank you very much.

9 CHAIRPERSON SHEEHY: Mr. Smoot. How are you?

10 MR. SMOOT: Great.

11 CHAIRPERSON SHEEHY: You're wearing my favorite
12 tie. I love that tie, Lyle.

13 MR. SMOOT: Thank you, sir. It's the only tie I
14 own, so --

15 CHAIRPERSON SHEEHY: Well, you've got good taste.

16 MR. SMOOT: Thank you anyway. Lyle Smoot
17 representing Los Angeles Unified School District. I think
18 it's clear to say that we would be concerned about going to
19 an every-other-month Board meeting situation. However,
20 having a meeting every month, one month being either like
21 Tom Duffy's suggestion with a limited agenda or just a
22 consent agenda one month and then loaded-up -- however you
23 want to phrase that -- agenda the next month --

24 CHAIRPERSON SHEEHY: With appeals and specials.

25 MR. SMOOT: -- I think we would probably say that,

1 you know, we understand the staffing problem. Obviously
2 three furloughs is not a good thing.

3 So we want to see things continue. We wouldn't
4 like to see the going to every other month because there's a
5 lot of things that happen on the consent agenda. For
6 instance, one of the things that you do on the consent
7 agenda is you approve a district's new eligibility. You
8 know, that has to be done every year and it isn't all done
9 at once. It's done throughout the year. So those are
10 things that like, for instance, Los Angeles Unified waits
11 until we get the official word about what our eligibility is
12 for the new year before we really start planning for what
13 applications we're going to file and things like that.

14 So the only thing I would ask is that whatever
15 your decision is, it would be nice to have an automatic
16 readdressing of that decision in six months.

17 But I think we would support going to, you know, a
18 consent only in one month.

19 CHAIRPERSON SHEEHY: Well, the question was the --
20 oh, well, thank you for that input. Any of these mechanisms
21 are -- I think have the potential to provide some of the
22 release that the OPSC is looking for. We're going to have
23 further discussion on this and hopefully a final discussion
24 on this matter at our next meeting.

25 But I would just note in response to your six

1 month issue which might be a perfectly good idea that what's
2 triggering this is the furloughs and, you know, I would be
3 the first to say that when the furloughs triggered off, we'd
4 go back to our regular schedule because the days that OPSC
5 has lost in processing time, they would gain back on the
6 natural.

7 So that would -- you know, I think -- you know,
8 Mr. Cook can speak for himself, but I think that was his
9 intent in suggesting this. Rob, do you want to comment on
10 that?

11 MR. COOK: Yeah. I mean this is something to deal
12 with the extraordinary circumstances we're under and --
13 anyway, we need to make -- find a means of accommodating
14 things. I think the staff itself has gone above and beyond
15 in many instances to try to overcome.

16 We have folks that, you know, have -- we have
17 folks on staff who have come in and worked on their furlough
18 days, even now trying to keep up because they're dedicated
19 to the job and it's not fair on my part to ask them to do
20 more with less.

21 CHAIRPERSON SHEEHY: Thank you, Lyle. Do we have
22 any other public comment on this item? Any Board members
23 want to weigh in?

24 MS. MOORE: We are going to put this on the agenda
25 for the next meeting --

1 CHAIRPERSON SHEEHY: We are.

2 MS. MOORE: -- and have a full discussion.

3 CHAIRPERSON SHEEHY: We're going to notice it
4 right now. We'll put it back on the agenda. Did you want
5 to --

6 MS. MOORE: No. I'll --

7 CHAIRPERSON SHEEHY: -- want to give us a preview
8 on that robust discussion, Ms. Moore?

9 MS. MOORE: I'll give you a gift of no talking
10 right now.

11 CHAIRPERSON SHEEHY: Okay. All right. Do we have
12 any other -- this is the last opportunity for the public --
13 for public comment at today's meeting. Is there anybody
14 else that would like to come forward?

15 Do we have any other discussion items, Rob?

16 MR. COOK: No. We just have a few reports, for
17 example, a very brief report on legislation that was
18 chaptered that affects the program.

19 CHAIRPERSON SHEEHY: Why don't we have the
20 legislative report. Clears that off the calendar.

21 MR. MIRELES: If you'd turn to Tab 18. We've
22 outlined several bills that have been chaptered during this
23 session and tried to come up with the preliminary comments
24 in terms of whether they would require regulation changes or
25 policy changes and would come before the Board.

1 The first one is SB592 which deals with charter
2 schools. We do think that this would require some changes
3 in terms of what we do now.

4 I'm not going to go through all of them. I just
5 want to list -- highlight them, but SB509, this changes the
6 apportionments, when the apportionment's made for the
7 deferred maintenance program. We don't think that we need
8 to do any regulation changes for that bill.

9 And Senate Bill 334, we are still discussing on
10 the impacts of this bill. We think that we may need to do
11 some changes. Senate Bill 312, this we already --

12 MR. HARVEY: May I ask a question on 334?

13 MR. MIRELES: Yes.

14 MR. HARVEY: That one seems very relevant to a
15 discussion that we did put over on grant amounts. This
16 looks like it adds a category to that. I would hope that
17 when you bring the discussion forward, we will add this to
18 the discussion as well.

19 MR. MIRELES: This one takes -- it takes into the
20 grant amounts that are done on or after January 1st, 2010.
21 So the discussion that we were having today on grant
22 adjustment is for 2009.

23 MR. HARVEY: But we're almost at 2010. I'm
24 suggesting that as this Board wants a complete and full
25 discussion about what it should do if anything on grant

1 increases, this should be a factor because it's coming -- in
2 fact we're not meeting in December as I recall, which means
3 we will be meeting in January. That would be the effective
4 month and year of this.

5 So I would respectfully request that if we're
6 discussing changing grant amounts and we all had this policy
7 discussion I think a while back and said this probably was
8 inadvertent absence, that we should probably look at special
9 education pupil needs at the same time.

10 MR. MIRELES: We can certainly do that,
11 Mr. Harvey.

12 MR. HARVEY: I would appreciate it. I hope --

13 MS. MOORE: If I may, Mr. Harvey. The
14 Implementation Committee, is it meeting in December?

15 MR. MIRELES: Yes.

16 MS. MOORE: Will this item be discussed there?

17 MR. MIRELES: At this point, we were not working
18 on that. We don't have something ready to go to the
19 December. Again this was just chaptered this month --
20 last --

21 MS. MOORE: That usually is -- you know, it is the
22 Implementation Committee and it's the implementation of
23 legislation that has been it's always historical base and so
24 it would be great if it could go to -- you know, to be
25 discussed in December at the Implementation Committee and

1 then perhaps be at least part of the discussion in January
2 when we discuss the overall grants as you suggest.

3 MR. HARVEY: Well, I would hope we would discuss
4 it in January even if we don't get the Implementation
5 Committee because they certainly have the right to come
6 directly to the Board at any point in time too. So if you
7 can get it in December -- and Susan, are you raising your
8 hand to say as Chair you might facilitate this?

9 MS. RONNBACK: No. No. What I wanted to say was
10 that on the agenda for the December 3rd Implementation
11 Committee meeting is the alternative education loading --
12 classroom loading standards and I think that also gets into
13 the issue of the adequacy of funding for the alternative
14 education classrooms. So it's all related.

15 CHAIRPERSON SHEEHY: I see there's public comment.
16 We'll get to you. Don't worry. Let's -- is it on the
17 legislation issue?

18 MS. FERRERA: (Indiscernible-away from mic)

19 CHAIRPERSON SHEEHY: Oh, please then -- please
20 identify yourself for the record and we'd love to hear from
21 you.

22 MS. FERRERA: Anna Ferrera with the County School
23 Facilities Consortium. We are the sponsors of SB334 and we
24 fully concur that the special ed issue should probably be
25 added to -- as soon as possible to get a look at what the

1 appropriate grant amounts should be on special ed. Thank
2 you.

3 CHAIRPERSON SHEEHY: Thank you very much,
4 Ms. Ferrera. Okay. Juan, you had a couple other items.

5 MR. MIRELES: Yeah, just a couple other bills.
6 Senate Bill 312 is something that we've -- it requires the
7 State Allocation Board as well as the State Board of
8 Education to provide live video for the meetings. We've
9 always -- obviously already been doing this, so we're
10 already in compliance.

11 Senate Bill 130 deals with the particular school
12 district and the selling of surplus property. We don't
13 think that we need to do any kind of regulations for this.
14 This bill did have a --

15 CHAIRPERSON SHEEHY: I'm sorry, Juan. Let the
16 record show that notwithstanding Senator Romero's fine
17 legislative effort with SB312, this body had the wisdom to
18 start broadcasting our proceedings live months ago under
19 administrative direction. Thank you, Mr. Harvey.

20 Go ahead, Juan. I'm sorry.

21 MR. MIRELES: Two other bills. Assembly
22 Bill 1080, this deals with school districts enter into
23 leases and agreements relating to real property. We don't
24 think that this would require any kind of regulations that
25 would be brought before this Board.

1 And lastly is Assembly Bill 333. This deals with
2 tentative tract maps and subdivision maps and providing
3 extensions. We don't think that this also requires any kind
4 of regulations or changes to our current policies or
5 procedures.

6 CHAIRPERSON SHEEHY: Great. Does that conclude
7 your legislative report?

8 MR. MIRELES: That concludes the report.

9 MR. COOK: Yes.

10 CHAIRPERSON SHEEHY: Okay. Rob, I think the
11 witching hour is here. Is there anything else that we
12 really much do? Oh, I'm sorry. Mr. Duffy.

13 MS. MOORE: And I have a couple of items --

14 CHAIRPERSON SHEEHY: Oh, I'm sorry. Ms. Moore
15 wanted to make some closing comments. You've been popular
16 today, Tom. Please come forward.

17 MR. DUFFY: Thank you. Just the question of the
18 meeting. There had been discussion over the past couple
19 months of you meeting during the Green School Summit and
20 then other discussion -- you did have discussion as a Board
21 and there's been other discussion, but I don't know what
22 your meeting schedule is. Can you let me know?

23 CHAIRPERSON SHEEHY: You know, the Green School
24 Summit was down in Southern California. I didn't sense from
25 the Board members that they were -- there was a burning

1 desire --

2 MR. DUFFY: I had the same sense, but I -- two
3 reasons to ask.

4 CHAIRPERSON SHEEHY: -- to do that.

5 MR. DUFFY: One is we want to make sure that we
6 know where you're going to be so we're here with you. The
7 other is the people that are organizing and we're working
8 with them -- we're helping them with this, they basically
9 have commandeered space for you, so I can tell them to let
10 that go.

11 CHAIRPERSON SHEEHY: I think so. You know --

12 MR. HARVEY: I tried, Tom. I tried.

13 CHAIRPERSON SHEEHY: Well, yeah. I mean --

14 MS. MOORE: So our next meeting is January 27th;
15 is that correct? Is that clear?

16 MR. DUFFY: Okay. It is January 27th. Okay. So
17 no meeting at all in December.

18 CHAIRPERSON SHEEHY: Is that right, Rob?

19 MR. COOK: That's correct.

20 CHAIRPERSON SHEEHY: Do we feel that there's a
21 compelling reason to meet in December?

22 MS. MOORE: No.

23 CHAIRPERSON SHEEHY: You know, my sense is is
24 that, you know, we cleared up the stuff today that we really
25 had to. We missed having a discussion about the rules which

1 hopefully we will do in January. We didn't have as full and
2 robust of a discussion on the schedule issue as we would
3 have liked to have had because we ran out of time and lost
4 our quorum. So we're going to come back to those items.

5 And then I'm sure we'll have -- Rob will probably
6 have -- of course we're going to have consent calendar and
7 we're going to have probably some specials and maybe some
8 appeals too; right? We'll have a full agenda.

9 MR. HARVEY: And new construction grant.

10 MR. COOK: That's correct.

11 CHAIRPERSON SHEEHY: I'm sorry? And the new
12 construction grant. Well, that'll be a minor item.

13 MR. DUFFY: The new construction grant item is
14 certainly a very important one and there's been a lot work
15 done by OPSC and, you know, we've done work on this and
16 communicated with you about that. The --

17 CHAIRPERSON SHEEHY: Did you want to comment --
18 Tom, did you want to comment on the study that was released
19 or did you want to --

20 MR. DUFFY: I don't want to take more of your
21 time, Mr. Chairman, but I just wanted to point out that we
22 will now have gone an entire year without the adjustment and
23 the Board empowered by statute after January 1st to consider
24 another adjustment.

25 So just want to make sure we keep the two years

1 separated and we'll help with that.

2 CHAIRPERSON SHEEHY: Well, I'm glad you pointed
3 out that we've gone almost an entire year without that
4 adjustment, but I would point out for the record that didn't
5 we make a 6 percent adjustment earlier in the year, Rob?

6 MR. COOK: That's correct.

7 CHAIRPERSON SHEEHY: So we have in fact increased
8 the per pupil grant by 6 percent this year, have we not?

9 MR. COOK: That's correct. According to
10 Construction Cost Index.

11 CHAIRPERSON SHEEHY: Right. I know that that was
12 under --

13 MR. DUFFY: Yeah. The CCI.

14 CHAIRPERSON SHEEHY: I know that was under a
15 different regulation, but nevertheless it's not as though we
16 hadn't acted on the per pupil grant.

17 MR. DUFFY: Just -- I'm not complaining,
18 Mr. Chairman. Just wanting to identify that the study for
19 current year -- for '09 was I think looking backward at '08
20 and we'll hopefully do the same thing in 2010.

21 CHAIRPERSON SHEEHY: I think you're making a very
22 legitimate point which -- and I'm really glad you did
23 because it would have been unfair for that not to have been
24 on the record which is it's not fair to come back to this
25 issue and simply disregard we had a whole year go by and I

1 think -- right? That's really what you're saying; right?

2 MR. DUFFY: It is, Mr. Chairman.

3 CHAIRPERSON SHEEHY: And I know it, Tom. I -- you
4 know, for one member on this Board, I'm in full agreement
5 with you. I think we have to have a full discussion of that
6 and take that into account because I'm just a fair type guy.

7 MR. DUFFY: And, Mr. Chairman, I appreciate that
8 and I'm a fair type guy too.

9 CHAIRPERSON SHEEHY: Okay. Good. Good.
10 Ms. Moore.

11 MS. MOORE: Yes. And three issues before we
12 close. One, really for the record, we are decreasing our
13 Board meetings this year by one. As we normally would have
14 met the fourth Wednesday in October, we did not. We met
15 today in place of that. And then normally we have met as a
16 Board in November/December meeting. So we really are
17 reducing this year by one meeting. So -- for the record,
18 that piece of it.

19 CHAIRPERSON SHEEHY: Is that a concern for you,
20 Ms. Moore, or --

21 MS. MOORE: Only in the sense of that we do -- I
22 mean I'm empathetic to both sides of this. I think the
23 public needs to have access to the Board and I also am
24 empathetic to the furlough days of staff. So I hope that we
25 will have a robust discussion of that in January, but I am

1 just noting for the record, and so I actually had an idea
2 for the Board around this issue.

3 But the other -- well, I'll just go to that one.
4 There was a public meeting for the report that was done. It
5 was fairly hastily noticed and I think it's just due to the
6 time that the report came out. Really though I know that
7 the constituency appreciated the opportunity to have
8 reviewed this -- the stakeholders a meeting before the
9 Board.

10 I was wondering if it's possible to perhaps have
11 another meeting where the report is explained to
12 stakeholders because I think a lot of people missed that
13 because it was noticed on a Thursday I think and occurred on
14 Monday.

15 CHAIRPERSON SHEEHY: How about -- may I make a
16 suggestion? How about we set that meeting up in December?

17 MS. MOORE: Yeah, I --

18 CHAIRPERSON SHEEHY: I mean we're going to have
19 the Implementation Committee meeting in December as well.
20 That's scheduled, isn't it?

21 MR. COOK: That's correct.

22 CHAIRPERSON SHEEHY: So we're going to do Imp in
23 December and why don't we -- I would concur with you,
24 Ms. Moore, and suggest that we also hold a special meeting
25 to fully vet and go through the report.

1 MS. MOORE: Yeah. I just think that that will
2 help the Board when we consider this in January if our
3 public is more informed about the report and I think -- you
4 know, I think you did a -- it was great that it was done on
5 Monday, but I think a lot of people missed that because it
6 was quick.

7 So we'd love to see the constituency be able to
8 comment on that.

9 Then two last things before we close.

10 CHAIRPERSON SHEEHY: Hold on. Before you move on.
11 So how do we make sure that happens, Rob?

12 MR. COOK: Well, that's easy. I mean we will set
13 up a meeting and we will notice it with at least ten days in
14 advance.

15 CHAIRPERSON SHEEHY: And you'll put it on your
16 Website and --

17 MR. COOK: Yes.

18 CHAIRPERSON SHEEHY: Okay. All right. Just
19 wanted to make sure that was going to happen.

20 MR. COOK: Um-hmm.

21 CHAIRPERSON SHEEHY: Sorry, Kathleen.

22 MS. MOORE: And then two other things for -- one
23 for January. The overcrowded relief grant, our last round
24 of funding -- our last round of applications is in January
25 with no notice of a round of applications in the future.

1 I would like that the Board is able to consider in
2 January new rounds for the ORG program just like we have
3 extended it in the past because there's still funding there
4 and I think that we as a Board should consider whether we
5 want to have more rounds of funding in the future.

6 MR. COOK: And if you -- you may recall our
7 discussion around the last round that we brought forward
8 regulations at that point in time to create additional
9 funding rounds and it was forestalled. I think I will lay
10 this at Mr. Walrath's feet, but he was -- he addressed the
11 Board asking that these funds be on the table, if you will,
12 for covering new construction shortfalls in the coming year.

13 MS. MOORE: Can I just ask that we put it on for
14 the Board meeting in January and the Board can discuss what
15 the options are that they can do with --

16 MR. COOK: Certainly.

17 MS. MOORE: -- if they want -- you know, if they
18 want to reserve it out for future or if we want to have
19 rounds of funding for ORG. I'm going to be advocating for
20 rounds of funding for ORG, but I think there's a -- and I
21 thought it took a two-thirds vote in the Legislature to
22 change that -- if I'm not correct --

23 MR. COOK: If I can divine what Mr. Walrath was
24 hinting strongly at, that's what he was intending.

25 MS. MOORE: Okay. So I just think it would be

1 important for the Board to discuss that in January so that
2 people know and can plan for overcrowded relief -- that
3 program and so that they can know that there is or there is
4 not going to be future funding rounds for that program. So
5 that's another piece.

6 And then finally I continue to be deeply disturbed
7 about the \$17 million that is supposed to be in the
8 emergency repair program. It was transferred by the
9 Department of Education in July and we have yet to see it
10 make the books of this program.

11 I think there's something wrong.

12 CHAIRPERSON SHEEHY: You know what, Ms. Moore.
13 You know what, I agree with you. I'd like to hear from the
14 Department of Finance. Could you please come forward.
15 Remember, I wear two hats here and -- so I'm wearing my
16 Chairman hat at the moment, but -- please identify yourself
17 for the record and see if you can shed some light on
18 Ms. Moore and my and I'm sure other Board members' concern.

19 MR. SCHWEITZER: Sure. Nicholas Schweitzer (ph)
20 with Department of Finance. It is our position right now
21 that we do not think we have the legal authority to transfer
22 that money into the ERP, so we've been working with the
23 Legislature that ensure that we acquire that legal authority
24 to do so. So that's something that we've been ongoing for
25 the last few months working with them on.

1 MS. MOORE: Can you elaborate on what legal
2 authority? We have previously transferred funds in this
3 program this year. So can you please elaborate on what you
4 mean by legal authority.

5 MR. SCHWEITZER: Well, the authority to transfer
6 the money came in in the prior Budget Act which, you know,
7 Budget Acts are good for one year only. In the current
8 Budget Act, there is no authority to transfer money, so, you
9 know, we don't think that's legal at the moment -- at this
10 time.

11 CHAIRPERSON SHEEHY: As a follow-up --

12 MR. HARVEY: May I ask --

13 CHAIRPERSON SHEEHY: -- for those -- I'm not sure
14 everybody got that, so I want to back up. You're saying
15 that the authority to make this transfer was included as an
16 item in the Budget Act of '08; is that --

17 MR. SCHWEITZER: That's correct.

18 CHAIRPERSON SHEEHY: Okay. And that same item was
19 not included in the Budget Act of '09?

20 MR. SCHWEITZER: That's correct.

21 CHAIRPERSON SHEEHY: Either what we -- either what
22 the Governor signed into law in February nor what was
23 ultimately signed into law in July; is that correct?

24 MR. SCHWEITZER: Correct.

25 MS. MOORE: I believe the transfer from the

1 Department of Education occurred before the fiscal year end,
2 so it was in play prior to close of the fiscal year end and
3 I for one want to see that it is accounted for that way.

4 So I'd like our attorney to look into the legal
5 issue here. These are Board funds and they belong with the
6 ERP program and I believe they were available at the time
7 that it was necessary for them in this program. So I would
8 challenge that opinion and ask that our legal staff review
9 this for the State Allocation Board's knowing our
10 perspective.

11 CHAIRPERSON SHEEHY: Ms. Moore, can you have --
12 pursuant to your request, which I'm in full agreement with,
13 can you have the appropriate staff from your Department
14 contact Mr. Schweitzer and he will facilitate a meeting on
15 this issue because I just -- you know, we want to make sure
16 that if the legal authority does exist, which Mr. Schweitzer
17 is telling us it doesn't, it exists and we need to make the
18 transfer. And if it doesn't exist, then we're going to have
19 to work with our colleagues in the Legislature to get that
20 authority.

21 And so if you could follow up with Mr. Schweitzer,
22 we'd appreciate that. Is that okay, Nic?

23 MR. SCHWEITZER: Yes. That -- on both counts,
24 we'd be happy to meet with you and as I said, we have been
25 working with the Legislature to accomplish this transfer.

1 MS. MOORE: Thank you very much for your
2 information today and I think we have an action plan and I
3 would ask that this be agendized for the January 27th Board
4 meeting.

5 CHAIRPERSON SHEEHY: Rob, please see to that.

6 MR. COOK: Yes.

7 CHAIRPERSON SHEEHY: Okay. Thanks, Nic. Was
8 there anything more, Kathleen?

9 MS. MOORE: That -- those are my three items and
10 thank you very much.

11 CHAIRPERSON SHEEHY: Ms. Fuller, did you have
12 anything more?

13 ASSEMBLY MEMBER FULLER: No.

14 CHAIRPERSON SHEEHY: Mr. Harvey? Any more public
15 comment?

16 MR. HARVEY: Very quickly. I know that I did not
17 specify a date. I had some requests that things be brought
18 back for discussion at this Board related to the financial
19 hardship regulations and also the ability, if we have any,
20 to marry the high performance school bonds with the energy
21 portion of that separate bond issue, knowing that there are
22 covenants, there are statutes -- marrying those funds and
23 getting more bang for the green, more difficult, but I
24 didn't want to demand a date. Do you have any idea when
25 either one of those two things will come back to the Board?

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

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

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

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

That I am a disinterested person to said action.

IN WITNESS WHEREOF, I have subscribed my name on December 16, 2009.

Mary C. Clark
AAERT CERT*D-214
Certified Electronic Court
Reporter and Transcriber