

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, October 29, 2008

RECOMMENDATIONS FOR PRIOR BOND FUNDS AVAILABLE FOR TRANSFER

PURPOSE OF REPORT

To present recommendations for the transfer of the available prior Lease-Purchase Program (LPP) bond funds.

BACKGROUND

At the September 2008 State Allocation Board (SAB) meeting, the Board was given a report that estimated approximately \$6.6 million from prior bonds that could be transferred to any active programs within the School Facility Program (SFP), such as the Joint-Use Program or Facility Hardship health and safety projects. The Board requested Staff to report back with recommendations on potential uses and programs those funds could be transferred into.

AUTHORITY

Section 20 of Assembly Bill 127, Chapter 35, Statutes of 2006 (Pereta/Nunez) states:

"(a) Up to twenty-one million dollars (\$21,000,000) of any funds that are required to be made available for rehabilitation or construction of joint-use facilities for public schools and ***that result or are derived from the sale of bonds issued on or before January 1, 2006***, shall be transferred to the State Allocation Board and may be apportioned by that board for the purposes of Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10 of the Education Code.

(b) *Any funds remaining after the transfer required under subdivision (a) that conform to the description set forth in that subdivision shall be transferred to the State Allocation Board and may be apportioned by that board for any of the purposes of Chapter 12.5 (commencing with Section 17070.10) of Part 10 of the Education Code.* [Emphasis added.]

Although this section authorizes the transfer of prior bond funds that have previously been issued or sold for any Chapter 12.5 purposes, it does not authorize the sale of prior bonds, and the bond funds that have not been issued or sold cannot be transferred.

STAFF COMMENTS

Current law authorizes the Board to transfer available money to any active program within the SFP. There will be approximately \$6.6 million in prior bond funds that could be transferred and made available. Approximately \$5.0 million is currently available in cash and can be transferred immediately. There is an additional \$1.6 million in accounts receivable that will be available for transfer in about six months. The following chart represents the current funding and application requests by program.

SFP Program	Remaining Balance of Bond Funds Available for Program Funding as of 9/24/08 (Amount in Millions)	Current Number of Applications In-House	Estimated State Share of Projects Currently In-House (Amount in Millions)
New Construction	\$ 865.4	88	\$ 423.4
Facility Hardship Projects*		7	\$ 17.0
Modernization	\$ 2,214.7	82	\$ 154.5
Career Technical Education	\$ 294.6	285	\$ 284.9
Overcrowding Relief	\$ 960.0	14	\$ 168.5
Joint-Use **	\$ 0.6	2	\$ 1.0

\* These projects have received a Conditional Approval from the SAB and have 18 months to request funding for these Facility Hardship projects.

\*\* School districts have until March 1, 2009 to submit their application for the next funding cycle for the SFP Joint-Use Program.

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STAFF COMMENTS (cont.)

School districts have until March 1, 2009 to submit their SFP joint-use applications to the Office of Public School Construction (OPSC) for the next SFP Joint-Use Program funding cycle. To date, the OPSC has received two SFP Joint-Use Program applications. Should the Board transfer the \$6.6 million available in prior bond funds to the Joint-Use Program, Staff estimates based on the historical average of \$850,000 per project, that potentially between seven and eight SFP Joint-Use Program projects could be funded in the next funding cycle.

Staff believes that with new construction and other program fund balances rapidly declining, and the possibility of the funds being exhausted, the SAB may wish to consider reserving these funds specifically under New Construction for Facility Hardship health and safety projects.

If the Board elects to reserve funds for any purpose, it is critical that districts understand that these estimates of funding would not constitute a commitment or obligation on behalf of the SAB, and those potential applicants would be solely responsible for any local decisions and investments.

RECOMMENDATION

Transfer the \$6.6 million in prior LPP bond funds to a reserve account within the SFP New Construction category to be used for Facility Hardship health and safety projects.

BOARD ACTION

In considering this item, the State Allocation Board approved a motion to wait four months until the February 2009 SAB meeting and have Staff report back with recommendations on the status of the various programs.