CALIFORNIA STATE ALLOCATION BOARD

PUBLIC MEETING

STATE CAPITOL
ROOM 4202
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, JANUARY 22, 2014
TIME: 4:03 P.M.

Reported By: Mary Clark Transcribing
4919 H Parkway
Sacramento, CA 95823-3413
(916) 428-6439
marycclark13@comcast.net
APPEARANCES

MEMBERS OF THE BOARD PRESENT:

ERAINA ORTEGA, Chief Deputy Director, Policy, Department of Finance, designated representative for Michael Cohen, Director, Department of Finance

ESTEBAN ALMANZA, Chief Deputy Director, Department of General Services, designated representative for Fred Klass, Director, Department of General Services

CESAR DIAZ, Appointee of Edmund G. Brown, Jr., Governor of the State of California

KATHLEEN MOORE, Director, School Facilities Planning Division, California Department of Education, designated representative for Tom Torlakson, Superintendent of Public Instruction

SENATOR LONI HANCOCK

SENATOR CAROL LIU

ASSEMBLYMEMBER JOAN BUCHANAN

ASSEMBLYMEMBER CURT HAGMAN

ASSEMBLYMEMBER ADRIN NAZARIAN

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer

BILL SAVIDGE, Assistant Executive Officer

REPRESENTATIVES OF THE DEPARTMENT OF GENERAL SERVICES, OFFICE OF PUBLIC SCHOOL CONSTRUCTION (OPSC) PRESENT:

LISA SILVERMAN, Executive Officer

JUAN MIRELES, Deputy Executive Officer

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

JONETTE BANZON, Staff Counsel
CHAIRPERSON ORTEGA: Good afternoon, everyone. I’d like to call the State Allocation Board meeting to order. Call the roll.

MS. JONES: Senator Hancock.
Senator Wyland.
Senator Liu.
Assemblymember Buchanan.

ASSEMBLYMEMBER BUCHANAN: Here.

MS. JONES: Assemblymember Hagman.

ASSEMBLYMEMBER HAGMAN: Here.

MS. JONES: Assemblymember Nazarian.

Esteban Almanza.

MR. ALMANZA: Here.

MS. JONES: Kathleen Moore.

MS. MOORE: Here.

MS. JONES: Cesar Diaz.

MR. DIAZ: Here.

MS. JONES: Eraina Ortega.

CHAIRPERSON ORTEGA: Here.

MS. JONES: We have a quorum.

CHAIRPERSON ORTEGA: Great. Let’s see. I think the first item is the Minutes from the prior meeting.

MS. SILVERMAN: The Minutes are ready for your
approval.

ASSEMBLYMEMBER HAGMAN: Move it.

ASSEMBLYMEMBER BUCHANAN: Second.

CHAIRPERSON ORTEGA: We have a motion by
Assemblymember Buchanan and a second by Hagman. All those
in favor.

(Ayes)

CHAIRPERSON ORTEGA: Okay. Item No. 3 is the
Executive Officer’s Statement.

MS. SILVERMAN: Yes. We have four items to share
with you tonight. A few of them are related to the active
fund releases that we have been very active last year and
putting funds out on the streets.

So October 14th, 2013, we had the ability to fund
$285 million. That covers 112 projects. And we had a
90-day deadline in which districts had to submit the
appropriate documentation to our office and that deadline
was January 13th.

We’re happy to share that 110 projects actually
did execute and came in for those funds and so $265 million
were released. One project actually did request to rescind
and another project. It was the first occurrence, so
they’ll be -- they have a new date in line and so they
dropped to the bottom of the unfunded list with a new date.

The second item I wanted to share is the priority
in funding filing round. The information that we shared at
the last Board meeting that we had an active round that
actually closed December 12th.

With that, we had 107 requests, $375 million worth
of projects, and out of the number of projects that we had
on the unfunded list, we had over $587 million in projects
that were eligible, but this is actually the draw came in.

And so the certifications that did come in,
they’re valid from January 1st through June 30th.

And the next item we wanted to share is an update
on the folks that had a second occurrence. There was an
active round and because those folks didn’t commit to the
last round, they did fail to meet the certification request.

So we had 21 projects that did drop from the list.
That meant they lost their bond authority and so as a
result, we actually had five new projects that are tucked
away in the Consent Agenda and that will be presented and
those are five new construction projects so -- with a total
value of over $30 million that will be presented in Consent
Agenda.

And the last item we wanted to share, we did have
the announcement that there will be a charter filing round
and -- come the spring. And so we did host a webinar with
the Department of Education and the California School
Finance Authority and that was a webinar that actually is
archived on our website and we initially had over 150
registered participants that we -- at the end of the day, we
had 56 that actually participated in the online venue.

So all the -- again the webinar itself and any
questions and answers will be posted on our website.

We are hosting several other events and next week,
we’ll be joined up again with another online workshop.

CHAIRPERSON ORTEGA: Great. Thanks. Any public
comment on the issues? No? Thank you. Let’s go to Item
No. 4 which is the Consent Agenda.

ASSEMBLYMEMBER HAGMAN: So move.

ASSEMBLYMEMBER BUCHANAN: Second.

MS. SILVERMAN: And I do want to recognize on the
items on the Consent Agenda that there’s annual adjustments
for the school facility grants, the bi-annual index
adjustment for the developer fees and the adjustments for
the items approved this month will be brought forward for an
adjustment next month.

CHAIRPERSON ORTEGA: Okay. Any public comment on
the Consent Agenda? Okay. All those in favor.

(Ayes)

CHAIRPERSON ORTEGA: Any opposed? Okay. Thank
you. Let’s see. Item No. 5 is the Status of Fund Releases.

MS. SILVERMAN: So if I can draw your attention to
page 87. At the last meeting, we gave some updates with the
active 90-day, and so since we didn’t have any updated
information to share at our last meeting related to the
activities in November, we have two months to share with you
as far as the cash being released to projects.

So between the activity in November and through
the month of December, we had over a $162 million that was
released for those projects that were within the 90 days.
And that’s what we have to report for the Status of Fund
Releases.

And for the Status of Funds, we have several
projects. That’s on page 91.

We have three seismic projects that we’re bringing
forward for -- that were approved in the Consent Agenda and
so we wanted to reflect that activity in the unfunded
approval line.

So $4.4 million that were reflected in
Proposition 1D, we had some ORG projects -- Overcrowded
Relief Grant projects that we’re also making some
adjustments there.

We have a rescission in one project that was being
reflected as well and that’s $6.9 million. And again as I
shared with you earlier, there are several projects in the
new construction arena and Proposition 55 that were part of
the Consent Agenda.

So in total $34.7 million in processed unfunded
approvals we’re moving forward as part of the Consent Agenda and some adjustments as a result of rescissions of three projects that dropped out for $6.9 million.

So that’s the activity we wanted to share.

I wanted to highlight on page 100a and 100b, I know what we have presented in the past to the Board is the reflection of the projects that had been processed, true unfunded approvals that we accepted.

The Board did accept prior to November 1st and on page 100a and 100b, we wanted to show a drawdown of those projects. We did acknowledge that those projects were in-house and we had processed those, but just the reflection of all the activities we have been moving forward.

As project money has been available and rescinded, again staff is converting those projects to unfunded approvals. So -- and that’s a reflection in 100 in the new construction category. So far to date, 13 projects have converted from this list and moved over to the unfunded list.

And so that’s a reflection for the new construction area. Likewise, we have the same activity to share with you. On 100b, the accumulation of modernization projects that we processed, 13 projects have moved over. Nearly $26 million have been converted.

CHAIRPERSON ORTEGA: Okay. Thank you. Any
questions? Yes.

ASSEMBLYMEMBER HAGMAN: Just a comment. Your graphs are much -- I mean I think you used every graph in the computer system here. They’re very artsy. They’re very good. So I just wanted to say you can read all of them. Thank you.

CHAIRPERSON ORTEGA: Any public comment on this item? Okay. Let’s see. Item 7, this is the Glenn County Office of Education.

MS. SILVERMAN: So if I can direct your attention to page 113. We are presenting the County Office request presently to retain financial hardship savings on six previously funded projects.

The district is requesting to retain nearly $480,000 on six projects that were approved back in early 2005 and which they received funds.

So to date, out of the six projects that were awarded, they reported they had nearly $480,000 in project savings. And at the time, we were actually approached by the district to see what they can do as far as retaining funds.

And the regulations are very specific in which you have the ability to retain a savings if you have another project that you have identified within a period of three years. So -- or return the funds back.
At the time, the district did elect to keep the savings and wanted to apply it to a future project. And since then, we were contacted by the district back in 2012. They wanted the ability to retain the funds for some communication towers and obviously staff had an opportunity to meet with them and had some concerns about the retention of those funds for that very purpose.

And the district subsequently did file an appeal and unfortunately, from an administrative standpoint, the appeal -- original appeal came in in October and unfortunately, we didn’t have it on the record. We did locate it much later, but they did submit a subsequent appeal in April of 2013 and staff does acknowledge that the appeal should have had an earlier received date.

But the County Office of Education -- their position was to keep the savings and from a project standpoint that they obviously wanted to create these -- an opportunity for their district to have a wider broadband use and upgraded technology and it would serve nearly 5,600 students, eight school districts.

Obviously, they live in a rural community. No doubt it would benefit their community, but the regulations are very specific. Savings must be used for the next project -- approved project granted by the Board.

So at this time, staff did recommend the denial of
the request and that’s where we stand administratively. These funds aren’t for a subsequent project that had been approved by the Board and at this point in time, the communication towers were never part of the original scope and administratively, we have denied their request.

CHAIRPERSON ORTEGA: Thank you. Any questions from the members? Is there any public comment on this item.

MR. QUARNE: Good afternoon and thank you for hearing us and taking on this appeal. My name is Tracey Quarne. I’m the County Superintendent of Schools for Glenn County. With me is Randy Jones. He’s the Assistant Superintendent and he’s in charge of business services.

So we do want to express our appreciation for Juan and all of his buddies that came up and spent some time with us in Glenn County. We took them to Nancy Alcorn. They were out of pear pie that day, but we hope they come back and can have a bite with us. They’re good people and kind of highlights what’s going on here.

We have a need for high-speed Internet. Currently, the majority of our students are served by whatever phone company happens to be in that neighborhood. Now it’s AT&T.

The whole school is receiving one and a half megabytes per second of Internet and that is to serve all of the students within the school and it’s not nearly enough.
It’s just not going to get the job done.

And we have many, many miles within our county which makes it even a little bit more frustrating.

So one of our districts -- I just want to give you an idea of the numbers we’re dealing with. One of the districts approached Comcast to ask them if they’d run a fiber line out to their district from the nearest point. It was $300,000 just to run the line out there. That didn’t include anything else.

Another issue that we face in some of the rural areas is being explored by Scenic. It’s a project that’s attempting to determine how to get high-speed Internet to some of these remote areas.

In our neighborhood, they’re spending $500,000 and three years to do their study. We’re spending -- we’re proposing to spend $400,000 and one year to solve our problem. I think we’ve got the right solution.

We didn’t invent the wheel. This was originally done by Imperial County in the southern part of the state very successfully.

Exactly what we’re proposing is to be able to build towers and beam the Internet via microwave to each of the districts and to the schools. And we can then deliver 100 megabytes of service to each of those facilities. That’s going up from one and a half. It’s a 60 times
increase and will solve the problem.

This gets a little dicey because the state has now mandated that all students -- and if you look at the first page in the binder I gave you.

The state has legislated Smarter Balanced Assessment System and that’s where every child when they take their state tests will test over the Internet.

If you want to do some math, if you have say 400 to 500 youngsters in a school and they’re all going to sit down and take this state test and you have one and a half megabytes of service, it’s not going to happen.

You’re going to have to put -- spread those tests out over a huge length of time. I did hear one proposal that came out of the State Department of Ed was they would expand the testing window to 12 weeks. That’s a third of a school year.

So if a youngster tests during the first week, they’re going to be at a significant disadvantage to a youngster who tests during the 12th week. So I suggest that isn’t a viable solution.

Secondly, you can get into an equity issue with the EAP. That’s the Early Assessment Program that juniors in high school can participate in. What that is, while they’re taking the state test, part of that can be comprised of a test that would apply to their SAT and their admission
to college.

    With the Internet service we currently have, that’s not a possibility. So our students are at a significant disadvantage when it comes to state testing.

    That doesn’t include the incredible disadvantages our students experience in the art of learning. I don’t think I have to tell you how many different programs and curricula is available through the Internet as compared to that time in this legislation that Lisa’s hanging on or when the funds were originally delivered to us.

    The world has changed. There are other disadvantages for the students, but I don’t want to bore you. I think you can do the math. You’ve all been students.

    What I do want to bring to your attention, there were a couple issues that have been presented in California on a previous occasion that touch on the issue of equitability and equality of education.

    The first one I want to bring to your attention, if you turn in a couple of pages, is a lawsuit that was called Serrano vs. Priest. That came out of Southern California. Baldwin Park was suing, saying their kids didn’t have the same opportunity in school as youngsters did in other districts that were better funded.

    For instance, back in that day -- and this is many
years old -- the average daily expenditure for a child in Baldwin Park was $577. In nearby Pasadena, it was 840 and in Beverly Hills, it was $1,232 per year and the parents of Baldwin Park students said this isn’t fair.

It went to the State Supreme Court and the result of that is we now have what is called this ADA, average daily attendance and apportionment system that every school district operates under in the State of California except a few which are considered basic day districts.

So this issue has come up before, this equitability and equality.

The next one that’s like 44 pages down from there is a case called Lau, L-a-u, and I don’t know how to pronounce that correctly, vs. Nichols and that was where a youngster who spoke only Chinese was going to school in San Francisco and he was not doing very well in school and his parents said my child doesn’t have an equal opportunity in school because he doesn’t understand English.

The district -- the San Francisco district said this education your child’s receiving could not possibly be more equal. He’s sitting in a classroom right next to another child. It’s the same teacher. It’s the same chalkboard. It’s the same handouts. It’s the same curricula. Everything is exactly the same, could not possibly be more equal. That was the position the district
took.

Obviously, I think you know what the end result of that. That case went to the U.S. Supreme Court and there were several passages at the time in California Ed Code that backed up the district’s position.

The U.S. Supreme Court rolled over all of those and said it’s not an equal or equitable education for this child, for Lau, L-a-u.

And the result of that is now we have nationwide imposition of English Language Learners or EL instruction. That’s where it began was at the U.S. Supreme Court.

So you go about 18 more pages in here -- in my little binder. Am I’m boring -- I hope you’re not boring.

ASSEMBLYMEMBER HAGMAN: Let me say this. I mean I’m speaking for myself, but we’re familiar with all these cases.

ASSEMBLYMEMBER BUCHANAN: Right.

ASSEMBLYMEMBER HAGMAN: We’re familiar with what the schools have to do for next year for common core testing. But none of that’s the issue -- none of the stuff you said I would disagree with you whatsoever.

The question is can we use state 30-year bond money for you to use to put in microwave towers.

MR. QUARNE: Very good. Very good.

ASSEMBLYMEMBER HAGMAN: Okay. That’s the bottom
line and I think if you’re going to argue, that’s the part I would probably stick with.

I understand the inequities. In fact, I’m authoring a bill this year to try to get all the districts some money to get Wi-Fi ready at each campus. We’ll see where it goes.

But these past things for equity bills and stuff like that, I think we’re familiar with them.

Mr. Quarne: Well, part of the reason I’m here is to get that monkey off my back. I don’t want somebody saying I didn’t do everything I could for kids in Glenn County and I’ve got 5,500 of them that could get upset.

Okay. Let’s take a look in here. In the School Facility Program, looking down into this binder a little bit, this is publication that came out in May of 2008 by the State Allocation Board.

On page 17 of that, it does state and I’ll read it for you. The only thing I would say too, Assemblymember Hagman --

Assemblymember Hagman: Um-hmm.

Mr. Quarne: -- is unfortunately in this particular instance, you are my only Board of remedy for this matter. So I did want to make sure I pointed out for the record that there’s a huge equity and equality issue.

However, on page 17, under the heading Project
Savings, it does state, A district may expend the savings not needed for a project on another high priority capital facility needs of the district. Regulation further prescribes that the state’s portion of any savings from the new construction projects or a joint-use project may be used as a district matching share fund only on a new construction project, et cetera.

ASSEMBLYMEMBER BUCHANAN: Right.

MR. QUARNE: So it’s in your literature that that is stated.

CHAIRPERSON ORTEGA: Go ahead, Lisa.

MS. SILVERMAN: A point of clarification. You can use savings if you have a 50-50 match. When it comes to hardship contribution, the state did contribute the full project and there is a regulation specifically related to financial hardship savings. So I wanted to clarify that.

MR. QUARNE: And also this Board granted an appeal to the Fresno County Office of Education for the construction of solar panels and that was a project that you said was completed and it was after the fact and you granted the appeal.

ASSEMBLYMEMBER BUCHANAN: That project technically wasn’t completed.

MR. QUARNE: It came down to 99 percent completed is what we read.
ASSEMBLYMEMBER BUCHANAN: Well, it -- I personally -- I think there were issues there. I’m not sure, you know, we -- where we were -- I don’t -- as much as whether we should have or not, I don’t -- there are different circumstances in that project and your project.

You know, from my perspective, when I travel around even my own assembly district, I’m not sure that any of the school districts that I represent are ready in terms of broadband access.

They’re not -- you know, I don’t know any of them that have enough computers yet. I don’t know any of them have enough bandwidth and I think you could travel throughout the state and do that.

We’re in a situation now where they probably would love to be in your situation where they have leftover financial hardship funds that they could put towards it. But they’re not. And we have very clear guidelines on financial hardship.

In financial hardship cases, the district [sic] a hundred percent of a project. And what we ask districts to do if the cost of that project comes in below the amount that we funded is that difference comes back to the state because we funded a hundred percent.

What we allow -- and I’m not sure we should even do this, but what we allow is if you have -- within three
years you have another approved financial hardship project -- and you do not have an approved financial hardship project. These towers are not an approved financial hardship project -- then we allow the district to use that savings from the first project towards the state’s share -- not for the whole project -- towards the state’s share of the new financial hardship project. Okay.

So the issue here to me is simple. You know, there were savings in these projects. You have three years to apply those savings to another approved financial hardship project.

We are beyond the three-year window. The towers are not approved financial hardship project. So I’m not saying they wouldn’t be nice to put up and it wouldn’t be nice to use this money, but I think the guidelines are very clear.

And we’re at the point where we’re at the end of the bond. There are other projects that have been in line that are hoping to get funded and for those reasons, I can’t support it.

I’m very well aware of what we’re requiring districts through common core and smarter balance. I know we had a hearing. I chair Assembly Ed. We had a hearing in my committee. Senator Liu chairs Senate Ed. She had a hearing in her committee.
And I know it’s a monumental tasks for districts. The Governor a year ago came up with some funding. Obviously, the state -- we’re going to have to figure out this problem, but when we figure it out, it’s going to have to be for all the school districts in the state and I don’t think in this situation -- and I can’t support this because I don’t think I should be -- you know, and the rules a very clear -- voting for an exception for your district.

I mean there’s just nothing here in the policies or procedures for financial hardship that allows us to put the project -- money towards a project that the district wants when it’s not even an approved financial hardship project.

CHAIRPERSON ORTEGA: Are there any comments from any other Board members? Okay. Oh, go ahead.

MS. MOORE: I’m prepared to make a comment and a motion. While we’re all working on a future bond measure and I know other funding sources to ensure that all students have access to the necessary resources and without creating a broad policy through this motion, we believe this is a unique circumstance that warrants our support.

So on behalf of the Superintendent of Public Instruction, I would make a motion to support the Glenn County Office of Education request to use hardship funds for the purposes of providing connectivity to the students of
Glenn County for equity purposes.

CHAIRPERSON ORTEGA: Is there a second? Okay. I believe that motion dies.

MR. QUARNE: Thank you for your time.

CHAIRPERSON ORTEGA: Thank you. Let’s see.

Item 8 was postponed. So we’ll move to Item 9, which is Juan.

MR. MIRELES: Madam Chair, members, the next item begins on page 132 of the agenda. This report presents options for the Board to consider **expanding the requirements to participate in the priority in funding process**.

Back in October of 2012, the Board took significant steps to promote the advancement of construction ready projects that have been approved by the Board and that have monetary reserve for them.

The Board adopted a policy to require new construction, modernization, and facility hardship projects to participate in the priority in funding process. Projects that don’t participate twice are rescinded thereby freeing up additional bond authority for other projects.

As Ms. Silverman mentioned earlier in the Executive Officer’s statement, part of this agenda includes $30 million that was made available through projects that didn’t meet that requirement.

And just to remind the members, the requirements
to participate are that districts have to submit a
certification that they can enter into contracts within 90
days of receiving a cash apportionment.

The other requirement is that if a district does
receive an apportionment that they have to submit a valid
fund release within 90 days.

The Board approved the regulations for this
process in January 2013. So the item before you today
presents options for the Board to expand those same
requirements to the Overcrowded Relief Grant Program, the
Career Tech Program, and the Charter School Facilities
Program.

Now, both the Career Tech and the Overcrowded
Relief Grant Programs are out of bond authority for new
projects while the Charter School Facility Program does have
approximately 87 million available for new projects, and the
Board has recently opened up a filing period for charter
schools to request funding.

And as with all the previous charter school
facilities, we do expect to be oversubscribed.

We’ve included some information regarding each of
the programs as part of this report. So if I could draw
your attention to the middle of page 134, we have a chart
that illustrates how many projects and how much bond
authority has been approved under the Overcrowded Relief
Grant Program.

As you can see, there’s a total of 153 million bond authority that’s been approved in projects and -- that are now on this unfunded list waiting for cash. We also listed the dates that these projects were approved by the Board.

Now, under the current process, the Overcrowded Relief Grant Program is not addressed, which means that these projects don’t have to participate in the priority in funding process, so the projects can remain on the list indefinitely.

Next on page 135, we have another chart with the same type of information for the Career Tech Program. There are currently 51 projects totaling of 57.5 million.

The Board did originally exclude these projects from participation requirements and the priority in funding process. That was due to the unique timelines for Career Tech projects. Basically they can receive an apportionment in advance of Division of State Architect and Department of Education plan approvals with the condition that once they do get a cash apportionment, they have 12 months to come in and submit their plans and plan approvals.

And lastly on page 136, again the same type of information for the Charter School Program. In this particular case, we have six projects totaling
Again they’re on the unfunded list. These projects are considered to be conversions and just like the Career Tech Program, these projects were excluded the last time that the Board took action on this process.

The Charter School has a slightly different process. They can get a preliminary apportionment and then they have four years with a possible one-year extension to come in and submit a conversion which means that they have to have the plans approved by DSA and CDE.

And at the time of conversion, they’re basically just like the new construction/modernization projects.

Charter schools also have some design and site advances that they can get and they’re on the unfunded list, but staff is not proposing that the Board consider these grants because the existing statutory timelines, the four year plus the one-year extension, do require them to come in and if they don’t, they lose their preliminary apportionment.

So staff has included a separate option to include each of the programs individually. The Board may choose one or more of the options. Staff is seeking Board direction.

So with that, I’d be happy to answer any questions.

CHAIRPERSON ORTEGA: Any questions or comments from the Board members?
SENATOR LIU: Well, I think there’s a presentation from the school district that I represent. So if I could hear the Board -- hear that presentation.

CHAIRPERSON ORTEGA: Sure. I’ll call for public comment. Just want to see -- any other questions or comments before we go to the public comment? Okay. Anyone from the public who wishes to speak on this item, please come on up.

MS. LUECK: Thank you for allowing us to comment on this item. My name is Eva Lueck. I’m the Chief Business Official for Glendale Unified. This is Alan Reising and he oversees our planning and development division, our facility program.

Glendale Unified is here because we are asking the Board not to change the regulations that were in place when our projects were adopted and approved.

We have ten overcrowded relief grant projects and they were all approved in 2013. So they are not old projects. They were approved last year.

And those projects comprise 121 classrooms that we are going to be building to replace portables on ten school sites. And when we were going through evaluating our needs, replacing portables was very high on our list for our local bond that we passed. So we do have the matching dollars.

And we really developed a plan to implement those
projects as we moved forward in a paced rate.

If we were to go forward with this regulation change, it would require us to really go under construction to implement all ten projects within a 12-month period. And logistically, that is something that’s extremely difficult for us to do. The interim housing, the bidding of the contract, lining all of that up within a 12-month period really isn’t practical and feasible and have a quality project at the end of the day.

We understand that there is a concern about having older projects on the modernization and new construction list and there was a desire to clear out older projects and allow new projects to be done.

And while we support that, we don’t really feel that projects that were just approved last year fall into that category. We would like to have some consideration for projects that were approved in 2013 and recently, that there be a period that we have to really be able to facilitate and implement them in a way that we would all be proud of.

And I think this issue is unique to us in that we have the ten projects and it’s odd that we would have ten projects all in the same cycle.

I need to share with you that when our local bond passed, around that same time period, we were told that round ten of the ORG approval process was looking like it
was going to be the last round for ORG. It was
undersubscribed and there was a desire to potentially move
dollars over into new construction and modernization
programs.

And so we were advised that if we were really
interested, we really needed to push forward and get our
projects on the list and so we did that. And we’re very
pleased that we did. We spent a little over $4 million of
local bond money to develop those plans, receive all of the
approvals. So we have a significant investment and would
just ask that you take that into consideration.

We are committed to doing our projects. We just
need a little bit longer time span than 12 months to
implement that many projects of that order of magnitude.

ASSEMBLYMEMBER BUCHANAN: So could you clarify for
me when you say a little bit more time, is your plan to do
it over two years or five years or what is your plan in
terms of getting the projects done? Because we sort of
assume if someone’s applying for funding, they’re ready to
go with the project and so --

MS. LUECK: Understand.

ASSEMBLYMEMBER BUCHANAN: That’s right. So I’m
just kind of curious as to what your time frame is for the
ten projects.

MS. LUECK: I can explain our original timeline
and then we’re going to be amending it.

Originally when we applied, it was really at a
time when there was limited dollars coming into the program.
We were actually up here asking you to expedite one of our
ORG projects that’s under construction now. There weren’t
dollars. So we never imagined there would be dollars to do
ten all at once as we were moving forward.

And so our plan -- our original plan was to look
at doing it at a pace of two per year. We thought we could
do one in each of the priority runs averaging two a year.

We can certainly look at expediting that to three,
but we feel like three, given the size of some of the
projects, would be a reasonable approach.

ASSEMBLYMEMBER BUCHANAN: So if we’re
oversubscribed --

MS. LUECK: Um-hmm.

ASSEMBLYMEMBER BUCHANAN: -- and we hand out the
money on a first-come-first-serve basis, chances are pretty
good that the money will be handed out before you get to
projects four through six and seven through ten.

So how do you respond to that?

MS. LUECK: My understanding of the process -- and
I could be incorrect on this. My understanding is that
money would not be allocated past the authority that was
given through the bond issue. So it would basically be
setting aside dollars and saying those dollars are assigned
to these ORG projects that are still valid. So you would
not be handing out those dollars to another district. Does
that make -- is that --

CHAIRPERSON ORTEGA: I think that’s a pretty
important question here to resolve, so maybe staff can help
us understand that because I think -- you know, one view of
this plan of doing two per year is that you’re holding a
place in line for five years and that is kind of the
question we have here, is whether other projects who are
ready to go.

So I think this question of whether the projects
are really, from their point of view, available for that
time period; is that accurate?

MR. MIRELES: We were oversubscribed the last
filing round. We are going to be bringing back an item
before the Board to discuss how we fund projects that didn’t
receive funding in the future, whether the Board wants to
consider opening up another filing period or just go down
the list of the projects that didn’t receive funding.

So any additional money becomes available would be
part of that discussion in terms of how do we fund future
ORG rounds.

SENATOR LIU: I think part of my problem is that,
you know, these projects that Glendale is putting forward or
put together to put forward before the Board were approved in 2013 and what you’re asking us to do -- staff is asking us to change the rules while these folks have the approval. And so, you know, for me -- could there be a grace period? I mean --

ASSEMBLYMEMBER BUCHANAN: Let me advise the questions because some of the projects that are dropping off the list like for new construction had approval as well. And so we assume once a project -- once a district comes to the Board asking for an approval, that means that when they -- that they’re ready to request funds and start their project, and holding out money -- I mean we’ve never, to my knowledge, just sort of held out money and said okay, we’ll hold this out for you for five years.

So I struggle with replace -- I hate portables. So I know that what you’re going to do is make a huge difference in your district, okay, and -- but at the same time, you know, part of the intent of this Board and what we’re doing is trying to get money to schools, put people to work, and really, you know, put the money in projects that are ready to go.

We’ve never to my knowledge held money for any district for that length of time and the big problem we have, the reason we came up with this, is as long as we were reserving space because you don’t want to reserve -- and so
we’re trying to get the oversubscribed question -- is you
don’t want -- we’re not approving more projects than we have
money in the bank; right?

SENATOR LIU: Correct.

ASSEMBLYMEMBER BUCHANAN: But if we’ve got
projects on that list that aren’t ready to go, there’s
another project that can’t come up on the list that’s ready
to go. So that’s why we did it.

So I don’t know exactly what -- I mean I
understand your dilemma and appreciate it, but --

CHAIRPERSON ORTEGA: Ms. Moore.

MS. MOORE: The difference that I see here and
where we were previously when we put the priorities in
funding round together -- that was our first step that we
did in moving away from the 18-month commitment that we had
previously when this program started. We started with that
step and then we subsequently went to a step of a
nonparticipation.

Both of those steps came with a lot of grief I
think on many people’s parts and there was a lot of time for
people to consider it and come to I think a consensus that
that was how we would move forward.

We purposely left out these three programs from
the nonparticipation round at the time that we had the
opportunity to consider them and for the very reason that
they were not first-come, first-serve programs, they were programs based upon certain criteria and certain acknowledgement that it took a longer period of time to do these types of projects, but we wanted to encourage them and we had the -- because I think this large tent of types of projects.

So from what I see in here with the exception of the two that appear that they’re going to drop off for other reasons, we have 2013 -- we have projects that are in 2013. When we took the steps before, we had projects that were five, six, seven years on the list that we were addressing.

And to me this could be perhaps premature to look at these three categories of projects at this time and perhaps a year from now, we could look that. It helps with this particular district, not to say that there’s others, and certain the issue will be the ones that are in line want their access to the funds.

But I think that we should remain true to these programs that we gave them additional time, we made a choice a year ago not to put them into this program. People made their decisions accordingly and now we’re going to say no, we’re going to do it this way, for a good reason, but I think I can’t support it at this time. Perhaps a year from now, I could support it.

CHAIRPERSON ORTEGA: Mr. Hagman.
ASSEMBLYMEMBER HAGMAN: Well, I think you could do all the vet, so to speak. I do think there needs to be timelines on projects. There’s no sense of having districts be approved and waiting multiple years before they actually start a project. It’s not the intent of this bond money. It’s not the intent of the administration, but that’s the intent to get the bond monies out to get people working, plus every district has a story, that every district needs money right now.

Every districts could use some money for some kind of program, like our last appeal as well. I would love to give all our school districts that money to get all their IT stuff working and all the rest.

So there is a limited amount of capability that we would do. We’re looking at a snapshot in time here today. What can we do today. What could we do to maximize those funds we get out today.

We may be able to approve these three changes, which frankly I support because I want to get these monies moving, maybe starting at different times. Maybe start six months from now -- or three months now to give some to reaction for the districts, but I can’t also approve five years from now.

Five years from now, we may be going through two more bond cycles by then. Who knows.
SENATOR LIU: -- not ask for time.

ASSEMBLYMEMBER HAGMAN: If everything’s well.

Yeah. So that’s not right either. That’s not right to everybody else who’s waiting in line after the fact.

There needs to be a finite period of time that when you do apply you’re ready to go. Otherwise, let’s let someone else who is ready to go, who can service their students today not a couple years from now, so those benefits go out as quickly as possible.

So taking what all you said, there may be a way -- I support all three changes, but what would be a reasonable time to give notice to those schools who have projects approved right now? Another six months?

SENATOR LIU: You know, I would suggest that maybe we postpone action on this item at the present time because of the confusion and ask staff to come back with other recommendations of how we can resolve this problem with the three particular categories that we’re concerned with.

ASSEMBLYMEMBER HAGMAN: But if you don’t take some kind of action now, the same problem’s going to come up with another district six months from now because -- that’s why we bring it up, so -- we were still working under the same rules.

If you change the rules now and give enough notice for people to react, then I think that’s the fairest way to
do. If we don’t take action now, we’re not giving our opinions, we’re not even sure if we’re going to vote for this if we look at it six months from now, and then we say we want to do it now, it’s the same issue today.

So if our intention was to have this out within 90 to 180 days to start construction, that gives the school district time to go back and say can we get seven of the projects going in the next six months before this rule changes, then another 90 days past that, you know, it gives you some time to react. At the same time, we’re setting the rules up for the future.

CHAIRPERSON ORTEGA: Lisa.

MS. SILVERMAN: Point of clarification. Even if the regulations -- the policy discussion happens today, staff would still have to come back with some proposed regulation change and then additionally built on that, if the Board does approve regulation changes, we still have to go through the administrative process of having those rules -- or the regulations adopted.

So even if it was adopted on an emergency basis, potentially it wouldn’t go in effect until at best case maybe June. And then you still have certification rounds that you still have to implement and those certification round periods would open up, again if adopted in June, maybe miss that last certification round, the first certification
round they would have to -- it would have to meet would be the November-December period of 2014. Subsequent round would be spring of 2015 is when they have to submit a certification. So you still have a lot of time --

ASSEMBLYMEMBER HAGMAN: So you’re looking at 18 months best case right now.

MS. SILVERMAN: Right now. Potentially.

ASSEMBLYMEMBER BUCHANAN: Well, since we’re looking at 18 months --

MS. MOORE: You’re looking at one year because this January of 2014. So if the next round is this fall and the subsequent round is in the start of 2015, that’s one year from now.

MS. SILVERMAN: But the certification is valid the period of June -- excuse me -- July 1st through the end of December.

ASSEMBLYMEMBER BUCHANAN: Well, where I am is I’m not comfortable waiting five years because if I’m a district that has an ORG program and I’m told we’re withholding money for a district for two more years, I’m not comfortable with that.

I also, though, can support Senator Liu’s recommendation that we at least -- even if we just delay it for another meeting, if we could have the additional data that people know you can draw out the charts on what that
means in terms of the process and all of that, I think it
would give all of us a higher comfort level in terms of
having a thorough understanding of what that means for
districts.

And my message to you -- and I have no idea if I’m
the majority/the minority here, but I know when I was on a
school board, I would have moved mountains if I had to to
get these projects done.

MS. LUECK: Could I respond just to -- that our
five-year plan was our initial -- this is what we had
originally scheduled to do.

ASSEMBLYMEMBER BUCHANAN: Right.

MS. LUECK: We fully understand given the
oversubscribing to the program that’s going to be occurring
that we need to condense that down.

ASSEMBLYMEMBER BUCHANAN: Right.

MS. LUECK: So I don’t want you to hold that to
the --

ASSEMBLYMEMBER BUCHANAN: I’m not -- I’m just
saying as we -- I can support taking a little bit more time
and, you know, within that -- whatever we decide on there
because I do think the intent is to fund project -- you
know, get projects out because your portables -- you want to
replace yours just like District B wants to replace its and
District C wants to replace its portables and so I think we
can -- you can -- maybe if we bring it back, we can draw out the timeline and what it means and maybe you can provide just a little bit more information of how we’re oversubscribed or whatever and then we can, you know, have a little bit longer discussion.

CHAIRPERSON ORTEGA: Lisa, one question of clarification. If this comes back next month, it wouldn’t really change the implementation timeline too much in terms of the effective -- what we’re talking about now, there’s a delayed effective date anyway because of the administrative law process.

So -- but coming back in February won’t make a significant change.

MS. SILVERMAN: No. No.

CHAIRPERSON ORTEGA: Okay.

MS. SILVERMAN: No.

CHAIRPERSON ORTEGA: I ask -- I will say I’m supportive of including all three of the programs in the process. I think that -- I don’t think that the -- first of all, we have the precedent and secondly, I don’t think that it was ever intended that a district would sort of look at their capital plan and kind of hold out the projects for the time period that it’s more feasible for them to implement the plan.

Recognizing that that’s a reasonable way for you
to do it, I don’t think that’s a reasonable way to tie up
the funds in the programs.

So I am supportive of moving forward on this. I
would support moving forward on it today, but if there isn’t
a motion today, then that’s fine too. I would like to see
it in February. Go ahead.

ASSEMBLYMEMBER HAGMAN: I’m supportive of all
three too. Whether or not we do it today or next February,
I think the built-in timeline, just because it takes so long
to do things, gives enough of a notice to school districts.

I think even if we approve the general concept
here, we’ll still get a report back when the language is
done; is that correct? So we would take another stab at it
and we can also input as far as effective date or a next
funding round and those type of things.

I think we have another bite of the apple as we
go. But if we could -- if the staff needs more time to work
on some of the language, if there’s consensus, at least get
started on it, even if we don’t officially approve it today
I think we should give them as notice as --

CHAIRPERSON ORTEGA: Well, let me ask if there is
a motion --

ASSEMBLYMEMBER HAGMAN: -- we can and to our
districts as well. I’ll move --

CHAIRPERSON ORTEGA: -- today.
ASSEMBLYMEMBER HAGMAN: -- all three.

CHAIRPERSON ORTEGA: Okay. So let’s go ahead and take a vote on that.

So let me just clarify. The motion is to approve the process -- add the three programs to the funding process and the staff would on the -- will come back with the draft regulations which would give us the opportunity to talk further about --

ASSEMBLYMEMBER HAGMAN: About timelines.

CHAIRPERSON ORTEGA: -- but today would be approving the policy change and directing staff to go back and make those --

ASSEMBLYMEMBER HAGMAN: And that gives much -- the most notice we possibly can for school districts right now and not do it all in one day.

ASSEMBLYMEMBER BUCHANAN: So even though I support it, wouldn’t it make sense when we approve the policy change to really have an understanding of how that policy is likely to be implemented and what the dates are going to be --

CHAIRPERSON ORTEGA: Well, I --

ASSEMBLYMEMBER BUCHANAN: -- especially when it doesn’t -- especially when one month isn’t going to impact it --

CHAIRPERSON ORTEGA: Sure.

ASSEMBLYMEMBER BUCHANAN: -- so we’re really clear
on that.

SENATOR HANCOCK: I would think so and I would think it also give time to go back and make sure that every district that’s going to be affected knows and they either have a chance to move up their timeline or understand why it’s happening.

ASSEMBLYMEMBER HAGMAN: Do you have a notice --

SENATOR HANCOCK: So if there was --

ASSEMBLYMEMBER HAGMAN: Maybe a notice process during this time period --

SENATOR HANCOCK: I think there should be, but I was even wondering if a month was enough time. I mean I would agree with Assemblywoman Buchanan and if there was a motion to say that we’re going to receive this report and ask that staff come back with the wording of the change but also inform all the affected school districts that this is their opportunity to either accelerate what they’re going to do or realize that they may lose their money.

CHAIRPERSON ORTEGA: Mr. Diaz.

MR. DIAZ: Also just to add onto that, while we’re talking about policy change, would it be helpful to convene a meeting with the Implementation Committee so that districts would have the opportunity to participate in that development.

ASSEMBLYMEMBER BUCHANAN: Isn’t that normally --
MR. DIAZ: This is a question of staff.

ASSEMBLYMEMBER BUCHANAN: Isn’t that normally done after we’ve -- no, it’s not done? Okay.

CHAIRPERSON ORTEGA: Go ahead.

MS. MOORE: I agree with extended timeline because again what I would reiterate is that getting to the point with all the other projects, we didn’t do it in one meeting. We took -- we had subcommittee hearings actually and then we came forward with Board recommendations. So there was a lot of notice to districts about a potential policy change that would have a great effect upon them.

And I think in that manner, we try to bring everyone along. To me, this is one Board meeting, one notice. There might be many districts out there that don’t know this policy discussion is going on today.

Obviously, your district does and I would support additional time to provide that type of input from districts.

ASSEMBLYMEMBER HAGMAN: Madam Chair, if we approve the general recommendations today and we bring it back either in February some draft format, can we ask staff to bring us a report of how many districts this may affect and ask them to notify them for comments before that time period and then that would cover all the bases.

I’m still looking at next year before this stuff
even takes effect. So the more notice we give these districts that this is going in that direction, I think the better off they are.

So that’s mainly what we’re all trying to say here, so they have enough time to react to get their capital improvement plans in swing and if we gave them -- you know, started the draft step, how long do you think your staff would take to make the draft regs?

MS. SILVERMAN: Yeah, we could anticipate coming back maybe in March.

ASSEMBLYMEMBER HAGMAN: So we start in January here. You give notice the next couple weeks to everybody on that list who may be affected and you say you’re going to have a meeting in March where you’re going to go over the regs. They can come out and give us their input and -- at that time because they’ll be, you know, public documents. They have a chance to look at their stuff. Gives them 60 days to kind of look at their construction period.

You take it back. It takes another three or four months before the regs take -- you know, go into effect or through the process -- the administrative process. Your first round is in September, October, November. That’s the first certification round. The second one comes up near the first of the year. That’s another 90 days after that. That’s a lot of notice. That’s a lot of notice any way we
talk about.

So I mean you’re here. You know about it right now. Would that timeline allow you to adjust what you may do when that -- would it work with you or not? Is that a fair notice with the process?

MS. LUECK: Because of our number of projects -- that’s truly our challenge. Can we put two or three or more on and get it through? Yes, but to do ten within a 12-month period, that’s our challenge.

ASSEMBLYMEMBER HAGMAN: Yeah. And that’s probably why most districts don’t apply for ten projects at once too. You know, they do one or two at a time at that unless they’re like one of the big ones like LA Unified that has a whole crew. Most of them start --

MS. LUECK: We were advised the program was going away and we really needed to get our applications in.

MS. MOORE: What about -- I mean what you’re -- the time frame you were talking about is most likely that the first strike period would be the fall. What if it moves to the first of 2015 so that they have two strikes in latter 2015 --

ASSEMBLYMEMBER BUCHANAN: Well --

MS. MOORE: -- if they don’t move projects?

ASSEMBLYMEMBER BUCHANAN: See, I want to go back to suggesting that I think there’s -- you know, when you
hear people talking, there’s support for getting money out and not just giving one district a reservation.

So today we can try ourselves to solve this or staff can come back to us in February or March and lay it out with when the rounds would be and at least then, we’d all -- I mean it would all be in front of us and we’d all have an understanding of exactly what we’re voting on.

SENATOR LIU: So in that respect, there’s no need for a vote today?

CHAIRPERSON ORTEGA: Well, I’m going to --

ASSEMBLYMEMBER BUCHANAN: Well, there’s --

CHAIRPERSON ORTEGA: I’m going to suggest two things. Mr. Hagman can withdraw his motion and we can talk about this again in February with maybe some more information about exactly what the timeline will be for effectiveness, what the -- when the first strike would come, all of those kind of questions, and that will give at least another month for people to hear about this issue and get some more input.

The second option is to call the question and see how that shakes out and move on from there. So I’m going to put Mr. Hagman on the spot.

ASSEMBLYMEMBER HAGMAN: Well, how about the pleasure of the Board. I think either one gives the same amount timeline. I think the longer we give the staff to
work on the language, I don’t think it makes a difference if we’re all --

CHAIRPERSON ORTEGA: Okay. So let’s go ahead and take a vote on the motion.

MS. JONES: Senator Hancock.

Senator Liu.

Assemblymember Buchanan.

Assemblymember Hagman.

ASSEMBLYMEMBER HAGMAN: Aye.

MS. JONES: Assemblymember Nazarian.

Esteban Almanza.

MR. ALMANZA: Aye.

MS. JONES: Kathleen Moore.

Cesar Diaz.

Eraina Ortega.

CHAIRPERSON ORTEGA: Aye.

MS. JONES: Okay. This motion does not carry.

CHAIRPERSON ORTEGA: So at the Chair’s discretion, I’m going to ask that the item come back in February with the more detailed analysis that you’ve heard from various members on the Board and I think we can perhaps figure out how to move forward then.

MS. SILVERMAN: Definitely.

CHAIRPERSON ORTEGA: Okay. Thank you.

MS. LUECK: Thank you.
CHAIRPERSON ORTEGA: Let’s see. Item No. 10.

Assemblymember Buchanan on the spot for Item No. 10 (Program Review Subcommittee Report).

ASSEMBLYMEMBER BUCHANAN: We spent over a year taking a look at the various programs that we fund through the State Allocation Board. We’ve taken a look at how we determine eligibility, a number of projects, and I just want to sort of go over some highlights and then answer any questions. I don’t want to spend, you know, an hour reading the report to you.

But some of the highlights: With respect to new construction eligibility, it was clear to us as we looked at numbers that especially having been through a significant transition period, recession with the housing market, that we need to have school districts reestablish their eligibility.

And so that is a proposal going forward if we do have a new bond.

With respect to funding, the major recommendations or observations we have is we believe there’s a desire to come up with a better definition of a classroom. Right now, the idea that a classroom has to be exactly 960 square feet for, what is it, a loading factor of 25 or 27 students, where a district may want a classroom that’s just under 3,000 square feet for three times that number of students,
but our regulations only allow us to fund one classroom.

Some of that is outdated and we have a recommendation therefore that we take a look at these definitions, even with respect to online learning and others and that we conform with the Title 5.

With respect to portables -- and this crosses over with both new construction and modernization. We don’t believe that it’s a wise use of state taxpayer dollars to fund portables. I’m talking about the wheel-on portables that we’ve seen throughout the state, particularly, you know, the explosion that came after class size reduction.

So we believe that we should not be using new construction dollars to fund the portable classrooms and I will speak to that a little bit more when we move down to modernization.

Moving onto modernization, the major finding there with eligibility is that this is another area where we should reestablish eligibility counting all the facilities and classrooms on a campus or that a district has and along with the age and reestablish that.

We believe that when we look at funding we need to consider whether we should have a very strict interpretation of funding like we do now or whether we should be a little bit more flexible because very few schools have a situation where the enrollment equals the capacity of the school.
And to give you an example, you could have a special day class with a capacity of 15 students and you only have 12 students this year. You might have 15 students next year, but it costs the same to modernize that classroom whether you have 12 or 15 and it’s much more cost effective if you’ve got a contract to go in and do the whole building at one time rather than parts of the building.

So we didn’t give a specific recommendation in terms of how you would modify the formula, but we believe there should be some consideration that if a building -- or a school is at 90 or 80 or 85 percent capacity that we then provide funds to modernize all of the buildings.

We also believe that modernizing the roll-on portables is not a good expenditure of state dollars and we should not being modernization funds to do that. We would propose actually providing new construction funds to replace the portables so that we actually have stick-built buildings that last a much longer time frame.

We looked at consolidating all the special programs and thinking that there may be on average a certain amount that all districts get and we could come up with one funding amount instead of trying to break it down into many and came to the conclusion that most of them are unique and the one area that we felt could be consolidated both in the modernization and new construction was the area of the fire
alarms.

With respect to facility maintenance, we do believe that there should be some sort of requirement or effort on the parts of school districts to adequately maintain their facilities because ultimately, the care you take actually adds to the life cycle and reduces the cost of modernization down the road.

We believe there should be a statewide school facilities inventory and we listened to a number of different people talk about this, but it’s sort of ironic that in the State of California we can’t tell you, you know, really how many schools or classrooms or types of buildings that we have or the age of the buildings and that -- we are not looking at an inventory that gets down to how many electrical outlets you have or how old certain fixtures are, you know, the kind of inventories that some districts actually use to manage their maintenance programs, but we’re looking at a high-level inventory that would help us even as the state better plan because we’d know how many schools were 30, 40, 50 years old and hadn’t been modernized, and we’d be able to compare enrollments with capacity and have a better idea of how many additional classrooms we had.

Financial Hardship Program: We believe the Financial Hardship Program should be a program of last resort. So one area in particular is right now you can
qualify for financial hardship if you’re at 60 percent of your bonding capacity. We believe you should be at a hundred percent of the bonding capacity, but overall, we need to take a look at that program.

But we also recognize right now it’s -- we talk about a bonding capacity of 5 million or less and we believe there’s got to be some way of redefining the regulations so that, you know, if a district is within -- I mean Assemblymember Hagman gave the example, if a district is within a couple hundred thousand or so of its bonding capacity, do we really want it to go out and have an election.

You know, you could -- and I don’t know. The $5 million seemed arbitrary. I don’t know what the right number is, but if you had a bonding capacity say of 2 million and you’re -- or say 6 million but the modernization of a high school is going to cost 10 million or whatever, you know, there’s got to be some way that there’s reasonableness and flexibility but still holding true to financial hardship again being a program of last resort.

With respect to County Offices of Education, we recognize that they are financial hardship, but we also recognize that districts that participate in countywide programs should also have an obligation or a responsibility
to help fund the facilities that their students use. And let me just give you a simple example.

If you have a district -- I’ll use like West Contra Costa in Senator Hancock’s district. West Contra Costa is its own SELPA. So that means for its special needs students when it plans its school, it has to plan to include the pans for special day classes or programs for students with autism. I mean it has to plan that and it has to be an integral part and they -- and the district even participating in state programs has to contribute its share -- its matching share in order to access the state dollars.

If you have other smaller districts that participate in the Alameda County SELPA, okay, right now the county can apply for financial aid to add a special day class and those districts aren’t required to make the same kind of contribution, even though the students in those programs come from the districts and the districts ultimately are the ones that have responsibility for their education.

And so you’ll notice that in this area we give the example because we believe that in programs like that, that are -- that serve students in participating districts, those participating districts should also have some kind of obligation to help fund the county share of those programs.
It shouldn’t be a free pass because they’re in a county program and we believe that that will also force better planning on the part of the districts to help take care of -- you know, design facilities that can meet the needs of unique populations.

And finally, you know, our analysis shows that there clearly is a need for a school facilities bond and we’ve come to the conclusion -- I mean the last one, if you take a look at it, we’ve had $35 billion I believe that’s been passed through state bonds and we’ve had 66 billion that has been passed through local bonds.

Many of these local bonds are passed, you know, by voters because they understand that it will be leveraged with state bonds and another $10 billion from developers in developer fees.

So that 35 billion has leveraged $76 billion in local and private funds to rehabilitate the schools in the State of California.

So I don’t know if any of the other members would like to add, but we also recognize that it’s not the role of this body to pass legislation and so we’re happy to answer any questions and what we ask is that the committee accept the report.

CHAIRPERSON ORTEGA: Any comments or questions from members?
SENATOR HANCOCK: Do we have to move to accept the report or can we just say we accept it?

CHAIRPERSON ORTEGA: I think it would just be an acceptance of the report.

SENATOR HANCOCK: Yeah. I just wanted to say that I think it’s an incredibly thoughtful and well done report and to really commend the committee for doing it.

In some of the separate -- you know, some of the separate programs -- the special programs funding, I think that’s an interesting way to put it. I think we should really look, though, at consolidating as many of them as we possibly can, i.e., you should seismically upgrade if you need to if you’re doing modernization or new construction.

And frankly, now that we have the new Green Code, schools are building to higher quality, but we could also require the high performing schools because that has some things that aren’t in the Green Code or even in our new Energy Codes like windows that open which have been proved in testing to increase math and reading scores. You know, healthy -- really healthy schools.

ASSEMBLYMEMBER BUCHANAN: I’m smiling because whenever we met with architects in our school district, we would say we want windows that open.

SENATOR HANCOCK: And, you know, so that -- but all of those things would probably be better served -- some
of those very basic things about health and safety and saving money in the long run like energy efficiency would be best served if they were simply required when the state helps pay for something.

ASSEMBLYMEMBER BUCHANAN: And I don’t necessarily disagree with you. We just felt some of those decisions were probably out of our --

SENATOR HANCOCK: No. You’re --

ASSEMBLYMEMBER BUCHANAN: -- jurisdiction -- yeah. But -- yeah, I mean in seismic when we had the seismic committee, it’s sort of like if the school is unsafe to be occupied, I mean to me you’re talking about new construction. I’m not sure we should have all the separate parts.

SENATOR HANCOCK: No. I --

ASSEMBLYMEMBER BUCHANAN: Yeah.

SENATOR HANCOCK: Yes. I think that’s right and I agree --

ASSEMBLYMEMBER BUCHANAN: So thank you.

SENATOR HANCOCK: -- with you too that what we’re talking about is the need for legislation if and when a new bond comes forward.

CHAIRPERSON ORTEGA: Mr. Hagman.

ASSEMBLYMEMBER HAGMAN: Well, I just want to thank Ms. Buchanan for -- and the staff, frankly. I mean it’s
been a year out of our life here for those who have served on the subcommittee. I don’t know how many meetings or how many hours of study and discussions. Not that everything was black and white, but there’s a lot of consensus built in for all those who participated. I mean the overall is that this program basically works and it’s been working for a while.

There’s minor tweaks we’d like to see to make sure that things are more equitable and fair as possible in the way it goes through and for perceived or real -- taken advantage of it or not, make sure those things are there.

But it was very comprehensive and, you know, for someone like myself who’s a pretty fiscal conservative out there for state dollars, you know, it’s something that really reinforced that this program is worthwhile to keep going in the future somehow and that it has done a lot of good and I think to have -- be a partnership with the school districts -- a true partner, that’s exchange of information, it’s trust in each other which I think the more steady this program goes, the more -- as well as the marriage over the last few years, I think that level of trust would be built up to the districts and the state departments where that information can be shared properly.

I think there’s a lot of things we have to be looking at as a Legislature to make sure we’re flexible
enough to handle the changes in the future. Like right now we’re asking for common core, but we don’t have the right data to know what that’s going to take, to get people that can actually do all that.

So the built-in -- the data gathering systems is something we’ve been talking about for a long time so we can make educated decisions and educated choices both on this Board and the legislature coming up in the future.

But it was very well done. I’d like to thank -- for including, Madam Chair, and Madam Sub-Chair for all the different days and I think you did an excellent job. Thank you.

ASSEMBLYMEMBER BUCHANAN: Thank you.

SENATOR LIU: Thank you. And I too wanted to just add my voice to thank the subcommittee for fine work and would be pleased to accept the report. I do know that the Governor’s budget summary outlined a twist to the conversation about the future of school facilities funding, even questioned the role the state would play.

So I think this is ongoing dialogue and it will be an interesting place to be in the future here. So thank you. Thank you, Joan.

MS. MOORE: I just wanted to quickly also thank for the opportunity to participate in the discussion and compliment our Chair because of the tremendous amount of
information and the tremendous amount of input and
compliment the staff on the report.

I also wanted to compliment -- we had a lot of
testimony. We’ll continue to have testimony I think on this
issue. We’ve had two letters that we’ve received concerning
it and wanted to thank the public for participating in the
process. It was very transparent and public and it will go
forward as a foundational document as the bond discussion
goes on in the future. Thank you.

CHAIRPERSON ORTEGA: Thank you, Assemblymember
Buchanan and the committee members.

ASSEMBLYMEMBER BUCHANAN: Thank you.

CHAIRPERSON ORTEGA: I want to also thank the
staff and I do want to ask if there’s any public comment on
the -- yes, please.

MS. HANNAH: Good afternoon. I’m Jenny Hannah and
I’m Vice Chair of CASH, Coalition for Adequate School
Housing, and I’m from the Kern County Superintendent of
Schools Office, so I represent a unique area that I
sometimes definitely refer to as middle earth the State of
California that is a, you know, very different area in terms
of what our school districts are able to do locally to
prepare for capital improvements, modernization, and
preparing for growth of which my understanding is in the
next ten years, we’re to be a growth area for the state.
So a statewide school facility program is very important to us as I’m sure it is to a lot of districts in California but uniquely to the Central Valley and our school district. So I also want to thank the committee and Senator Buchanan for doing the heavy lifting on -- excuse me -- Assemblymember Buchanan -- sorry.

ASSEMBLYMEMBER BUCHANAN: That’s okay.

MS. HANNAH: I elevated you. Congratulations -- for doing the heavy lifting on this work. We all know this is a complicated program and to go through it and to detail out as much as was done, especially with the -- for allowing us as school districts and folks to come forward and give you comments.

We know that we’ve been in agreement with you at times and in friendly disagreement with you at times and as Kathleen Moore mentioned, CASH did submit a letter in response to the report. We hope that you all have received that and we want to make sure that everyone has copies of that.

We’ve been here, we’ve dialogued with you. We want to continue to do that as a membership group. We think that’s really important to keep the communication open.

We recognize that much of what we comment on and input about will impact this program and what the state will do about expenditures for a school facility program.
And what I want to leave you with is that our organization believes this to be one of the items that clearly needs more work and more discussion about grant development on the modernization or -- whatever we want to call it in terms of our older school facilities infrastructure.

Our schools and equity and all of the things that are tied up in providing good education for all of our kids in California will really be centered around what we do with a modernization program I believe in the state and I think that new construction is kind of a whole clean issue, a little easier to deal with and talk about how the state’s match is going to be allocated on that.

The modernization or capital renewal program is going to be a little messier and it’s going to take a lot of work and a lot of attention to what do we need to include in that program that has been left out in the current program because I think as our organization believes that the current grant does not adequately address our infrastructure. Thank you very much.

CHAIRPERSON ORTEGA: Thank you.

MR. KITAGAWA: Good evening. My name is Brandon Kitagawa and I’m with Regional Asthma Management & Prevention and we’re part -- we work with the network of health and -- school and health equity stakeholders and have
been sort of reviewing the discussion around the program. And we too would like to commend the subcommittee and the staff for spending over a year really exploring and examining the program.

I think these recommendations take several steps forward from a health and equity perspective and want to highlight -- we highlighted those in a letter that we submitted and just wanted to highlight them quickly here.

I mean most importantly we’re really happy to see the subcommittee address the maintenance issue. I think that this investment in day-to-day maintenance is an issue for health and equity issues and its disassociation with construction and modernization money, you know, has played a part in unhealthy school facilities.

And so we’re really happy to see this subcommittee recognize that and try to -- recommend connecting those funding sources.

Second, we really support the recommendation around eliminating funding for portable classrooms or incentivizing the replacement of portables with permanent structures. And while we’d like to have seen more recommendations around the assessment of conditions of school facilities, we’re really supportive of doing basic school inventory that can really help evaluate the program in the future and assess future needs.
And like I said, overall we support the recommendations. We do think that there are a few places we could have pushed health and equity further. I think we were probably most disappointed in to not significantly discuss the current approach of funding on a first come, first serve basis. I think given the statement in the Governor’s budget that it should be an issue that I imagine the Legislature will take up moving forward.

I think we were concerned that the recommendations on the Financial Hardship Program -- we just want to make sure that whatever -- it’s sort of the devil’s in the details. And so whatever actually comes out, you know, doesn’t -- you know, that change would come at the cost of housing students and staff in facilities not really healthy for them.

And I think finally, I think while we understand that this Board isn’t making recommendations on the size of a potential bond or anything like that, we would encourage a recommendation that the proportion that -- of that money that goes to modernization increase sort of reflecting projected change in enrollment growth.

So again we thank the subcommittee for all their work and we look forward to the process moving forward.

MR. OWEN: Good afternoon. My name is -- thank you for allowing me to take some time to speak. My name is
Glenn Owens. I’m a board member of the School Facilities Manufacturing Association and a recent board chair.

We also want to commend the subcommittee for the work that they went through. I myself attended many of the meetings. I attended meetings on behalf of SFMA with Assemblymember Buchanan, met with Assemblymember Hagman’s staff. I really appreciated the openness and the opportunity to be a part of the dialogue. So that was quite good.

I want to reiterate the SFMA position. It was mentioned as one of the letters that came to the subcommittee in that we believe that -- and I think you as well believe that permanent modular construction is certainly a part of -- a positive part and a positive choice for school districts as part of future funding facilities.

Due to their design flexibility, the speed of the delivery, the inherent green construction methods, and the strict compliance to code, including the California Green Code, we think are extremely valuable and flexible options for school districts now and in the future.

We think they should be included as part of future funding consideration and available to the school districts.

The issue I think is what defines the difference between permanent modular and a portable building and I think that’s somewhat of a gray area that needs continued
dialogue because we’re not sure that -- you know, regardless
of how many of each of their components are delivered to
their site at once, they’re still made under the same strict
manufacturing guidelines and codes that are required.

So we appreciate the opportunity again to be a
part of the dialogue and we thank you for the consideration.

CHAIRPERSON ORTEGA: Go ahead.

ASSEMBLYMEMBER BUCHANAN: I just -- as we draw to
a close on this item, I also want to extend my deep
appreciation to staff for all of its work. I have a binder
that I’ve -- it doesn’t include 2012, but of all the reports
that you put together and they were very well done, very
professional and the information you provided I think was
just invaluable in helping us better understand the program
and come to the conclusions that we did.

So I am very grateful for all the work you did and
then to those who served on the subcommittee, Ms. Moore,
Mr. Diaz, Mr. Almanza, Assemblymember Hagman, and
Assemblymember Nazarian came to some of the later committees
because he’s new -- to the meetings because he’s new, but
it’s pretty amazing that I think with exception of people
being sick one or two days, even the meetings we had during
the interims -- during the recess, everyone showed up and
stayed for the whole meeting.

And a couple of them we had to start ten minutes
late because Mr. Hagman's plane got in late, but he made the
effort to come up from Southern California so that everybody
participated in very meeting. And I think ultimately you
get better results and a deeper understanding and a better
path to move forward when you have -- can have that kind of
rich participation.

So it was very informative for me and again I
appreciate all the work that everyone did and hopefully
we'll have people agree with us that this is a great program
and we need to find a way to ensure that it continues into
the future.

CHAIRPERSON ORTEGA: Thank you. So with that, the
report will be accepted and we'll move to Item 11 which is
Lisa.

MS. SILVERMAN: I know it's getting late here, but
I want just to give the Board an update. Again this is just
a report, just a reflection of some of the activities that
we -- the Board did accomplish in 2013, a good deal -- all
the work that we did serve obviously associated with the
Program Review Subcommittee. So thankful for that
opportunity.

But again as far as the funding process, we have
unfunded approvals and apportionments and the fact that we
convert projects into cash and opportunities for the school
districts, there's also that activity of some of the
closeouts, the rescissions that happen on the fiscal side of
the shelf that also need -- duly noted. Those program funds
do get referred back to provide additional funds to projects
that are waiting on the waiting list.

But in total, out of the $35 billion authorized to
the voters, we are close to $34 billion of funds being
issued and over 1,100 projects have been -- received awards
in this program. So again a significant amount of
accomplishments in the program since 1998.

As far as Board meetings, I know we were on a
standard month-to-month basis with some of our meetings, but
some of those meetings we had to have -- they were
abbreviated meetings as a result of the workload
considerations and primarily if we got cash. When we had a
bond sale, we had the opportunity to have -- put on the
agendas and again that provided opportunities saving some of
the members some time, also providing some quick
opportunities to take action and award projects some cash.

As far as the appeals -- the summary of appeals
that we had, 26 that were logged in in 2013, over half of
them were dispensed administratively or withdrawn. And
again that’s an active role that we’ve been playing to try
to resolve some of the issues before you.

And the chart of the funding process and the
applications since the change in our process with the 90-day
filing requirements for -- to participate in a bond sale for
the certification process, once the funds are released and
awarded to a district, a district has three to four years to
complete their project and once those three to four year
timelines have been achieved where we’ve received a final
expenditure report and a hundred percent of the activities
have wrapped up, then again there is that ability to come
back and review the project as a compliance mechanism.

But the accomplishments as stated on page 191,
again the approvals the Board provided was nearly
$300 million for 2013. A significant amount of the activity
related to the Overcrowded Relief Grant Program and the
project funds that we had available.

Several seismic projects did go through with
approvals, over 12 last year. So again trying to get some
significant outreach and some opportunities to school
districts in relation to those program funds.

And as far as the chart we have on 192, nearly
over $900 million were awarded the ability to access the
cash. So quite a significant amount of projects moved over
from the unfunded list and we had cash available for them.

And on page 193, again the significant amount of
over $1 billion awarded to projects when we had bond funds.
So again that’s great news. They actually did receive cash
in their hands.
And as far as the closeout and the rescissions that we have noted, nearly 25 billion -- or over 25 million -- I apologize not billion -- $25 million were -- reverted back to the program fund. So again that gives us the ability to knock off some of those projects on that true unfunded list and move those over to unfunded approvals.

As far as the policy meetings, we had nine policy meetings related to the Program Review Subcommittee, 31 items that we published at an aggressive pace towards the end. Push the gas pedal and we had to move. So it was great.

And we had three regulations that were approved by the Board. A couple more charts we wanted to share as far as the true projects that had an unfunded approval, we had processed nearly $420 million.

And as I shared with you today in the financials, we have that new chart, how we are migrating some of those projects off the list. And so those folks that are on the true unfunded list, this is a reflection of those -- that workload, but we also wanted to share with you the stat on page 196.

These are the applications that we can’t process. The Board did take a position of not to process applications, but we do have an acknowledge list of those projects and so -- and these are just estimates, projects
worth a value of $335 million in both the new construction and modernization area and then we have some nice illustrations and attachments that show you the distribution of program funds by county and the enrollment associated with that.

And with that, I’ll open up to any questions.

CHAIRPERSON ORTEGA: Any questions?

ASSEMBLYMEMBER HAGMAN: Madam Chair -- and maybe the staff can answer this too. I was just kind of thinking about this as we wind down the bond funds. If I’m correct, doesn’t the administration take its -- it gets funded out of the bond proceeds; correct?

MS. SILVERMAN: Right.

ASSEMBLYMEMBER HAGMAN: Okay. So I think this logistically -- if we stopped -- if we ran out of money today and have all the stuff in the queue, you probably have four or five years’ worth of follow-up administrative work at the bare minimum to close out the fiscal stewards of those projects --

MS. SILVERMAN: Yes. Beyond that, yes.

ASSEMBLYMEMBER HAGMAN: So I’m going -- I know we do -- yeah, we do our budgets every year and without -- I’m just kind of thinking this through. If we don’t get a new bond funded, is the administration socking the money away or is that something we should be thinking about now because if
we don’t -- we can’t spend any money, then have nobody watching the till --

CHAIRPERSON ORTEGA: Sure. I think it’s a legitimate issue to start thinking about as we have the conversation throughout the year about the future of the program, but I think the specifics of how that would be handled would be proposed in a future budget.

ASSEMBLYMEMBER HAGMAN: Well, if we ran out this year, it should be in probably this budget or at least among the Board members, we should carve out a certain set of money at the bare minimum, just a stopgap, to keep the follow-up process going.

If so, we need to give that direction to our staff not to allocate past that amount unless you plan to replace it somehow or with general funds which I never -- don’t think this Governor’s going to do.

So I think at least we should figure out where that pot of money should be coming from out of the different bond funds, what that limit would be at the, you know, maximum, whatever you want to look at it.

If we were to stop today funding new projects, how long would that go and then only allocate up to that limit, but that should be established before we down to zero, zero, zero in all the tanks to make sure that our fiscal stewards can follow these projects over a period of time.
MS. MOORE: To my knowledge, what the process has been in the past is that the State Allocation Board approves the budget and then it goes into the budget process and we -- the last action we took was over a three-year period funding through ’14-‘15.

ASSEMBLYMEMBER HAGMAN: I think the Governor takes a whack at it too.

MS. SILVERMAN: The Governor proposes a set-aside for the budget and the Budget Act as proposed did conform with the Board’s action that it took a few years ago, so I think the allocation set aside for the ’14-‘15 budget does coincide with the action that Board will take.

ASSEMBLYMEMBER HAGMAN: But we’re taking a one-year look at it each time we do a budget on our side -- the state budget.

CHAIRPERSON ORTEGA: Right.

ASSEMBLYMEMBER HAGMAN: What I’m saying is if he’ll project it unless we really drag this out, at the end of this year, our funds will be practically gone, at least obligated.

I’m talking about ’15, ’16, ’17, ’18, ’19, ’20, whatever it takes to complete their administrative duties, at least we should not allocate past that minimum amount if it’s coming out of the same source we’re funding people out of. And that I don’t know. That’s what I’m hoping that --
you guys and the budget people to start looking at it.

CHAIRPERSON ORTEGA: Yeah. Do we know -- I think 
a large part of this conversation is more appropriate for 
the Budget Subcommittee, but I think we will certainly --

ASSEMBLYMEMBER HAGMAN: Yeah, because it won’t be 
one year allocation, is be a freeze on multiple years -- 
okay. Thank you.

MS. SILVERMAN: Okay.

CHAIRPERSON ORTEGA: Go ahead. Next time.

MS. SILVERMAN: Is the joint-use update. We have 
been producing quarterly reports just to provide an update 
of some of the funds that we’ve disbursed in the joint-use 
area and again we still have one project that still is -- 
have cash set aside for them and the ability to access the 
cash is there.

And so we’re waiting for one project, Santee, and 
they have until December to come in for -- to activate the 
cash.

So we’re -- we have been -- have regular 
communications with them and they’re giving us some 
reassurances that they’re going to come in.

And the next is the workload. We have the 
workload projection for the next three months and we also 
have the 90-day -- so if we have any questions.

CHAIRPERSON ORTEGA: Any questions from the Board
members? Any other public comment? Okay. I think that’s it. We will stand adjourned. Thank you, everyone.

(Whereupon, at 5:38 p.m. the proceedings were adjourned.)
REPORTER'S CERTIFICATE

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