

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CALIFORNIA STATE ALLOCATION BOARD  
PUBLIC MEETING

STATE CAPITOL  
ROOM 4202  
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, MARCH 26, 2014  
TIME: 4:50 P.M.

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

SENATOR JEAN FULLER

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

P R O C E E D I N G S

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CHAIRPERSON ORTEGA: I'd like to call the March 26th meeting of the State Allocation Board to order. If you could call the roll.

MS. JONES: Certainly. Senator Hancock.

SENATOR HANCOCK: Here.

MS. JONES: Senator Liu.

SENATOR LIU: Here.

MS. JONES: Senator Fuller.

SENATOR FULLER: Here.

MS. JONES: 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.

1           CHAIRPERSON ORTEGA: Thank you. I'd like to  
2 welcome Senator Fuller back to the committee. It's very  
3 nice to see you. We'll try to make up time, so I want to  
4 try to get this going. Couple of agenda item order changes,  
5 just to let you know. Item 7, the Merced County Office of  
6 Education appeal is going to be withdrawn from today's  
7 agenda. It will be brought up on another date. Item 10,  
8 we're going to take up right after the Minutes because a  
9 witness needs to catch a plane.

10           So let's go right to the Minutes. Do we have any  
11 comments? Corrections? Is there a motion?

12           ASSEMBLYMEMBER HAGMAN: So move.

13           ASSEMBLYMEMBER BUCHANAN: Second.

14           CHAIRPERSON ORTEGA: Okay. All in favor.

15           (Ayes)

16           CHAIRPERSON ORTEGA: Abstentions? No. Motion  
17 carries. Item 10. Juan.

18           MR. MIRELES: Thank you, Madam Chair. At the  
19 January Board meeting, staff presented **options for the Board**  
20 **to consider the inclusion of the Overcrowded Relief Grant**  
21 **Program, the Career Tech Program, and the Charter School**  
22 **Facility Program in the participation requirements.**

23           The Board asked staff to come back and include  
24 additional timelines to illustrate the implementation of the  
25 new process. So we have included in the agenda item on

1 page 164 a couple of timelines.

2           The first one is Scenario 1, which is in the  
3 middle of the page. This is assuming that the Board adopts  
4 the regulations on an emergency basis.

5           We're anticipating that the regulations can be  
6 effective as early as May 9th. If that does happen, the  
7 first certification filing period would be May, and assuming  
8 a district does not submit a certification during that  
9 period, there is another opportunity in November to submit  
10 another certification.

11           If school districts don't submit a certification  
12 in November, the project could be rescinded as early as  
13 December 2014.

14           Now, again, if there's -- the regulations are  
15 approved on an emergency basis, Scenario 2 at the bottom of  
16 the page looks at the other requirement to participate in  
17 the program which is to submit a valid fund release within  
18 90 days.

19           In this particular case, again, we're assuming  
20 that the regulations become effective May 9th. The first  
21 occurrence to submit a certification is May. If the  
22 district doesn't submit a certification, but they do on the  
23 next certification filing period which is in November, then  
24 that means that they're eligible to receive cash between  
25 January 1st, 2015, through June 30th, 2015.

1           If there is cash and the district receives an  
2 apportionment, that starts the 90 day requirement to submit  
3 a fund release. If the district doesn't submit a fund  
4 release before August 2015, the project could be rescinded.

5           Now, we have similar scenarios starting on  
6 page 165. This is assuming that the Board approves the  
7 regulations on a nonemergency basis.

8           We're anticipating that the regulations could be  
9 effective as early as October 1st. If that happens, the  
10 first filing period to submit a certification would be  
11 November.

12           Assuming that a district doesn't submit a  
13 certification filing period, there's another opportunity in  
14 May of 2015. If districts don't submit a certification both  
15 of those periods, then the projects could be rescinded as  
16 early as June 2015.

17           Now Scenario 4, again assuming that the  
18 regulations become effective October 1st and a district  
19 doesn't submit a certification in November, the next  
20 opportunity in May/June, they do submit a certification,  
21 which means that they're able to receive cash between  
22 July 1st and December 31st of 2015, and if there is cash  
23 made available, if a district is given apportionment in  
24 December 2015, that starts the 90-day requirement.

25           They would have to submit a valid fund release

1 before March 26; otherwise, the project could be rescinded.

2           Next on page 166, we added a couple considerations  
3 for the Board. This deals with the Career Tech projects.

4           Currently, these projects can receive a  
5 reservation in advance of plan approvals. Once they receive  
6 an apportionment, then they have up to a year to submit the  
7 plan approvals to our office, and then after that, the fund  
8 release process starts.

9           We added two considerations for the Board if they  
10 wanted to keep this process. The first is that if a Career  
11 Tech Program receives an apportionment, they would have six  
12 months to submit the plans and then that would start the  
13 90-day requirement.

14           The next option is if they do receive an  
15 apportionment, then they would have up to a year to submit  
16 the plans and then that would start the 90-day process.

17           So those are the options that we have and we laid  
18 out the timelines. Again, on page 167, the first option is  
19 whether the Board wants to include the three programs with  
20 no changes to the Career Tech Program. We would need  
21 direction whether the Board wants to include them on a  
22 nonemergency or emergency basis.

23           On page 168, Option 2 is to include the programs  
24 in the nonparticipation requirements but allow career tech  
25 projects to have six months after the apportionment to start

1 the 90-day process.

2           And then Option 3 is to again include all three  
3 programs but give the Career Tech projects a year before the  
4 90-day timeline starts.

5           Then the last option is take no action. So with  
6 that, we're seeking Board direction and we'll be happy to  
7 answer any questions.

8           SENATOR LIU: When you mean no action, you mean  
9 that just the rules will stay as they are.

10           MR. MIRELES: Correct. It means that the three  
11 programs would not be added to the nonparticipation  
12 requirements.

13           SENATOR LIU: Thank you. I think, members, this  
14 is where we were last -- I can't even remember -- the last  
15 time we met when we had -- what I have in Glendale, ten  
16 projects that were processed and the district has received  
17 their construction schedule to expedite the projects and  
18 addresses specific concerns of the administration that  
19 projects need to be expedited.

20           And to meet the commitment, the district is going  
21 through a process to increase their tax rate authority on  
22 its local general obligation bonds to make sure that they  
23 have the revenues necessary to begin these projects.

24           And I think the question now is broader than just  
25 the ORG that Glendale was seeking, but also what CTE and I



1 don't know if other members have projects going on in their  
2 districts. So I'd like to see some kind -- either -- well,  
3 I'd like to see, of course, my projects getting through --  
4 my Glendale Unified, you know, getting what they need, but  
5 I'm also concerned about what else and who else is on the  
6 list and how we can come together and make sure that -- as  
7 much as we can do, given the resources that we have get  
8 done.

9 ASSEMBLYMEMBER BUCHANAN: I think with CTE -- I  
10 mean once the funding's approved, if you do give 12  
11 months -- I mean six months if they haven't finished the  
12 project and been through CDE and DSA might be pushing it  
13 because we're -- DSA right now is pushing up closer to the  
14 six-month time period, but I would think -- I mean we're at  
15 the end of the funding period, that if we took the 12-month  
16 option for the CTE programs, districts ought to be able to  
17 move forward within that time frame and some of them have  
18 had reservations for some point in time.

19 What I'd like to know -- and I know that  
20 Glendale's superintendent is here. Maybe you could come up  
21 because I have a question for you.

22 First of all, let me just say this, clearly you  
23 went back and took a critical analysis of all this to  
24 determine how you could expedite the process so we're not  
25 looking at five years anymore.

1           But when I look at the Scenario 4 where we're not  
2 doing the regulations on an expedited basis, we've got one  
3 month difference between your schedule and this schedule.  
4 And I do believe the intent for all of us has been to try  
5 and get this money out, get projects done, and put people  
6 back to work.

7           So if we did pick Option -- well, this is -- well,  
8 I'm looking at Scenario 4 of the options, but if we did move  
9 to not implement this on an emergency basis, would it not be  
10 possible for you to try and move up your last project by a  
11 month or two to be able to get these in and --

12           DR. SHEEHAN: It would be difficult. It would not  
13 be impossible. What we're asking for is if we could just  
14 start the nonparticipation effective January 1, 2015. That  
15 would allow us to do the ten projects and we are on schedule  
16 to do two upcoming in May, additional two in November --

17           ASSEMBLYMEMBER BUCHANAN: Right.

18           DR. SHEEHAN: -- and then three in May of next  
19 year and three in November the following.

20           And so we believe we can get all ten done if we  
21 are granted a January 1st nonparticipation start rate.

22           SENATOR LIU: Richard, would you just identify  
23 yourself.

24           DR. SHEEHAN: I apologize. My name's Dr. Richard  
25 Sheehan, Superintendent of Schools for the Glendale Unified

1 School District, and with me, I have my chief business  
2 official, Ms. Eva Lueck.

3 ASSEMBLYMEMBER BUCHANAN: So maybe staff can  
4 clarify for me. In Glendale's schedule, your last project  
5 would have -- your last three projects would have funding  
6 that you'd have to apply for by April 2016.

7 Scenario 4, you'd have to have a valid fund  
8 release request by March 2016.

9 MR. MIRELES: That's correct.

10 ASSEMBLYMEMBER BUCHANAN: So it looks to me like  
11 we're off a month there. Am I right or wrong?

12 MR. MIRELES: I believe that the district's  
13 schedule would have them enter into contracts in July/August  
14 of 2016. If the regulations become effective January 1st,  
15 it would give them about a six month -- additional six  
16 months to enter into contracts.

17 ASSEMBLYMEMBER BUCHANAN: So -- and maybe I'm --  
18 when I say your execution schedule has SAB funding April  
19 2016.

20 MS. LUECK: It has our application to SAB funding  
21 around November of 2015.

22 ASSEMBLYMEMBER BUCHANAN: November '15 and then  
23 funding on April 2016.

24 MS. LUECK: That's our estimate.

25 ASSEMBLYMEMBER BUCHANAN: And the application

1 would be early, but you would not -- the -- you'd have the  
2 apportionment, but the valid fund release not received date  
3 would be March 2016.

4 So are we -- am I missing something? Are we only  
5 a month off or are we more than -- March versus April 2016,  
6 are we only a month off or are we more than a month off?

7 MR. MIRELES: Again, it's our understanding that  
8 the SAB submitting of the funding application wasn't to  
9 enter into contracts. It's our understanding that they  
10 would be entering in contracts in July of that year.

11 ASSEMBLYMEMBER BUCHANAN: Okay. So could you --

12 MS. MOORE: So how I read this is that their SAB  
13 funding for April 2016 is the same as the apportionment  
14 granted in December of 2015. So they're looking at the  
15 apportionment being granted so that April --

16 ASSEMBLYMEMBER BUCHANAN: This doesn't have a page  
17 number.

18 MS. MOORE: -- which would be the subsequent  
19 funding cycle. It's not the December funding cycle. It's  
20 the subsequent one.

21 So the two things to compare are not the end date,  
22 March and April. It's the December/April.

23 ASSEMBLYMEMBER BUCHANAN: So when you're -- on  
24 your diagram, when you say SAB funding, you're not -- that's  
25 not a release date? I just want to clarify.

1 MS. LUECK: That's correct.

2 ASSEMBLYMEMBER BUCHANAN: So what does that mean  
3 on your application then?

4 MS. LUECK: Our application would be --

5 ASSEMBLYMEMBER BUCHANAN: On your chart, I'm  
6 sorry.

7 MS. LUECK: Okay. It would be that we would be  
8 entering into the funding round applying in the  
9 November/December timeline.

10 ASSEMBLYMEMBER BUCHANAN: Right.

11 MS. LUECK: And then should the Board or should  
12 bonds be sold -- could we ask our facility person to  
13 clarify, Alan Reising.

14 MR. REISING: Yeah. Again, Alan Reising with  
15 Glendale Unified Schools. It's a little bit of terminology  
16 difference.

17 The -- where it says SAB funding, that would be  
18 the actual apportionment. That would not be the release of  
19 funds.

20 So on what we show as our Phase IV, the  
21 application, that would be equivalent to the certification  
22 round. So the certification round would happen in November  
23 of '15. The apportionment would happen -- obviously, it's  
24 an estimate because it would depend on when bond sales --

25 ASSEMBLYMEMBER BUCHANAN: So when would you be

1 asking for release then?

2 MR. REISING: And then the release would happen  
3 after that April apportionment.

4 ASSEMBLYMEMBER BUCHANAN: When are you estimating  
5 you would put in your request for release?

6 MR. REISING: It would be within that 90-day  
7 period after the apportionment.

8 ASSEMBLYMEMBER BUCHANAN: Okay.

9 MR. REISING: We took some liberty to estimate  
10 when bond sales would be. You know, in two years, it's  
11 somewhat tough, but typically they're in the spring.

12 ASSEMBLYMEMBER BUCHANAN: Okay. So -- and there's  
13 no way you could move up your schedule to request your  
14 release before March of 2016?

15 MR. REISING: As Dr. Sheehan had said, it would be  
16 very difficult to be able to do that. It wouldn't  
17 necessarily be impossible, but it would be extremely  
18 difficult on the district to execute that many projects all  
19 within a short period of time.

20 ASSEMBLYMEMBER HAGMAN: Can I just ask the  
21 logistical question why -- I mean why is more difficult --  
22 why are you staggering -- I mean my premise is we have a  
23 whole bunch of districts that, if we had the money right  
24 now, could be getting money.

25 Okay. You've reserved a big chunk and you're

1 dragging it out for ten different schools for this. The  
2 whole point of having these type of things in there is  
3 because we want to get the job -- the money out quicker, get  
4 the jobs going, and all the rest of it.

5           So there's a lot of schools that are not getting  
6 the funding. So by the time you put these regulations in,  
7 you're talking if you're not doing work on a school by March  
8 2016, if we do that or -- that's a long time away.

9           MR. SHEEHAN: And we did have some extenuating  
10 circumstances. One, we had an elementary school that does  
11 not qualify for ORG, Franklin Elementary go from about 300  
12 students. We put in four dual immersion language programs.  
13 The school now has 750 students, so it's more than doubled,  
14 and we are starting with non-ORG but general obligation  
15 money.

16           We are starting construction on that in July of  
17 this year because there is a very pressing at that site.

18           We -- with what has occurred with safety concerns,  
19 we allocated money to secure all of our elementary schools,  
20 so they all have a single point of entrance now that is  
21 videotaped.

22           So we did do some reprioritization and so that has  
23 affected this. And so it's not as though we don't have  
24 other projects going on. We are constructing our College  
25 View, completing raising, leveling a school, and putting up

1 a brand new school.

2           And so we do have other projects that are going  
3 on. So I don't want to speak to just these ten in  
4 isolation.

5           And basically, we're looking at speeding up the  
6 projects and you have my commitment as the Superintendent  
7 that we will do all these ten projects to the timeline,  
8 removing 132 portables.

9           We just finished Keppel Elementary which was  
10 one -- our first ORG. The kids are moving in next week and  
11 so we are very excited by the opportunities.

12           We're just coming off of five years of drastic  
13 cuts. We finally have things moving in a positive  
14 direction. Okay? And this would have a profound effect on  
15 our district.

16           MS. MOORE: One possible solution would be then to  
17 instead of directing staff to ensure that the regulations  
18 are effective October 1st, 2014, and the submittal  
19 accordingly is that you say that they are submit accordingly  
20 so that they're effective on or about January 1st, 2015,  
21 which is a two-months delay, and then that way, the district  
22 is able to effect -- I think do three projects --

23           ASSEMBLYMEMBER HAGMAN: Well, that's actually a  
24 three-month delay. But -- I don't know. We had already a  
25 three-month delay since we first brought up this issue as



1 well, and I want to accommodate, you know, everyone we can,  
2 practically speaking.

3 We're talking about pulling money and starting to  
4 build, you know. If anything goes wrong, what, two years  
5 out --

6 MR. DIAZ: I'm curious about the efficiencies that  
7 you're building into your construction program and how  
8 you're able to expedite. Can you apply that? If we're  
9 talking about a month, is it not feasible to speed up all  
10 these projects?

11 MR. REISING: It's a situation of, as we've said,  
12 we're working on our local bond authority now to be able to  
13 expedite the availability of those cash dollars or those  
14 bond dollars.

15 It's really a factor of looking at a cash flow,  
16 the ability to have that matching funds for -- to match the  
17 State Allocation's money and the right timing to be able to  
18 do these projects.

19 So that -- although I will say it's not impossible  
20 to do that, it would be very hard to do that. We'd be  
21 looking at possibly doing other projects that have been  
22 committed to other programs that Dr. Sheehan looked at.

23 And the other thing that we're very much in belief  
24 that by following our proposed schedule, it actually get the  
25 dollars on the streets quicker.

1           You know, it would be in the November '15  
2 certification period that our last three projects would then  
3 be rescinded from the unfunded list, and then there would be  
4 a period of time where new projects would be -- from other  
5 school districts would be brought into that, and then they  
6 also then have two rounds of certification to be able to use  
7 before they would be able to -- you know, get those dollars  
8 potentially.

9           Going this fashion, we actually are committing to  
10 getting those dollars on the street in a very structured  
11 timeline that we think is probably the quickest way to  
12 actually make these projects happen.

13           MR. SHEEHAN: On Tuesday, our Board of Education's  
14 taking action on a resolution that will increase our tax  
15 from 46 per hundred thousand to 60 and that will allow us to  
16 expedite, and instead of selling \$54 million bonds in  
17 August/September, it will allow us to sell 72 million, and  
18 then in the second year cycle, so two years from September,  
19 we'll sell an additional 72 million, whereas we had planned  
20 on selling 54 million.

21           ASSEMBLYMEMBER HAGMAN: Madam Chair, just if I  
22 may. If we made this motion for Scenario 3 with -- well,  
23 I'm not sure if -- right one anymore, but the one here for  
24 Career Tech.

25           Okay. Basically, it's still two years away.

1 There's a lot of ifs. One, does ORG get the regulations  
2 done by October 1. This is an estimate.

3 Two, do we have a funding round in November.  
4 Three, do we have a funding round in May. Okay? And if all  
5 those things go on time and if you can't make up a month  
6 within two years to get your stuff going, I think you're  
7 allowed to come back probably and appeal the case in  
8 November of '15 or to be -- to say, hey, we're 60 days out,  
9 but this our progress up to date because you have the  
10 variables of whether or not you do get the bond authority,  
11 whether or not you do get the financing, whether or not the  
12 other factors go well as well.

13 And I don't think this is a closed door one way or  
14 the other. This is basically a guideline to get -- a lot of  
15 the money's been on the books for five years for folks who  
16 said I want to build all these projects but never could get  
17 around to it for one reason or the other, to try to get that  
18 money back in the system for all the hundreds of schools on  
19 the list who try to have ready projects as well.

20 So I think we -- if we voted in whatever that  
21 option was -- I think it's 3 or 4 or whatever one it is, the  
22 one with the year for Career Tech but a nonemergency  
23 status -- it's like the latest one besides doing anything,  
24 it gives 18 months for you to figure out how progress is  
25 going for you.

1           It gives our staff the time to actually do the  
2 regulations on a nonemergency basis. It does put all the  
3 rest of the districts on some kind of notice that we're  
4 serious about you getting your projects done. That's the  
5 whole point of this.

6           It's not an unlimited pool of money. We're  
7 running out of dollars. There are so many projects and only  
8 an X amount of dollars. And then like we normally do here,  
9 if there is a problem, you could always bring it back and  
10 try to appeal to that Board, which a couple of us won't be  
11 here at that time, but, you know, in 2015 and say before  
12 that comes out, this is the progress.

13           We got seven out of ten schools down and we're 30  
14 days out. We need an extra 60 days. And I think, you know,  
15 you cross that bridge when you come to it.

16           But if any of things -- there's like ten things  
17 that have to go perfectly to even get to the timeline that  
18 you're talking about at this point. And that's what I would  
19 suggest.

20           I'll make that motion, Madam. Chair.

21           CHAIRPERSON ORTEGA: Okay. There's a motion.

22           MS. MOORE: Can I just clarify. Are we -- are you  
23 amenable to Scenario 4 not 3 which puts the last rescission  
24 date at March 2016 as opposed to June 2015?

25           ASSEMBLYMEMBER HAGMAN: Yeah. Yeah. I think

1 that's the one I was talking about anyway. I'm sorry. The  
2 March '15 one, that's the nonemergency regs.

3 MS. MOORE: One year scenario --

4 ASSEMBLYMEMBER HAGMAN: For Career Tech.

5 MS. MOORE: -- Scenario 4 for their -- their last  
6 drop dead is March 2016.

7 MR. MIRELES: That would be Option 3 on a  
8 nonemergency basis.

9 ASSEMBLYMEMBER HAGMAN: So it's Scenario 4,  
10 Option 3.

11 MR. MIRELES: Option 3 gives Career Tech projects  
12 a year before the 90-day starts and then depending on  
13 emergency/nonemergency.

14 CHAIRPERSON ORTEGA: Okay. So there's a motion.  
15 Is there a second?

16 SENATOR LIU: Then is it the motion that -- to  
17 include ORG and CTE projects in the nonparticipation policy  
18 with the effective date of being the policy beginning on  
19 January 2015?

20 ASSEMBLYMEMBER HAGMAN: Yeah. It included --

21 ASSEMBLYMEMBER BUCHANAN: It gives 12 months to  
22 complete --

23 ASSEMBLYMEMBER HAGMAN: Yeah. Yes, basically, but  
24 with the Career Tech being 12 months extended from the date  
25 of --

1           MR. MIRELES: It sounds like the Assemblymember's  
2 proposal is to submit the regulations on a nonemergency  
3 basis which means that they become effective October 1st as  
4 opposed to the proposal from Glendale which is to have them  
5 be implemented January 1st.

6           So Option 3 is just on a nonemergency basis which  
7 means that they would become effective October 1st, given  
8 the Career Tech projects --

9           ASSEMBLYMEMBER HAGMAN: And then Career Tech is a  
10 separate amendment. That was the -- you'd have six months  
11 option -- a year option, do the year option on the Career  
12 Tech because Department of Architecture is taking a while to  
13 get their stuff out. It could take up to six months for  
14 that.

15           So it's -- of everything besides taking no action.

16           SENATOR FULLER: So I'll second that.

17           CHAIRPERSON ORTEGA: Okay. There's a motion and  
18 second. Please call the roll. Sorry. Is there any other  
19 public comment on that item? Any other -- okay. Call the  
20 roll.

21           MS. JONES: Okay. Senator Hancock.

22           SENATOR HANCOCK: Aye.

23           MS. JONES: Okay. Senator Liu.

24           Senator Fuller.

25           SENATOR FULLER: Aye.

1 MS. JONES: Assemblymember Buchanan.

2 ASSEMBLYMEMBER BUCHANAN: Aye.

3 MS. JONES: Assemblymember Hagman.

4 ASSEMBLYMEMBER HAGMAN: Aye.

5 MS. JONES: Assemblymember Nazarian.

6 Esteban Almanza.

7 MR. ALMANZA: Aye.

8 MS. JONES: Kathleen Moore.

9 MS. MOORE: Aye.

10 MS. JONES: Cesar Diaz.

11 MR. DIAZ: Aye.

12 MS. JONES: Eraina Ortega.

13 CHAIRPERSON ORTEGA: Aye.

14 MS. JONES: And the motion carries. Thank you.

15 CHAIRPERSON ORTEGA: Thank you. Okay. So we're  
16 going to go back to Tab 3. This is the **Executive Officer's**  
17 **Statement.**

18 MS. SILVERMAN: In the interest of time, we just  
19 want to cover four topics today and we did send an  
20 announcement out a few weeks ago just to share with the  
21 Board that the Treasurer was successful in selling general  
22 obligation bonds, so we will have a consent only agenda  
23 scheduled for April 7th at 3:00 o'clock.

24 And so the goal is to action -- put the action on  
25 the street of approving unfunded approvals close to

1 \$340 million. So that's what we wanted to inform the Board.

2 The second item is to share that we're going to  
3 have a priority of funding filing period. I know it's a few  
4 months off, but just want to keep people on notice that  
5 those folks that have unfunded approvals may submit a  
6 certification filing round for the seventh open period  
7 May 14th and that closes June 12.

8 So just be cognizant of the new rules and if you  
9 are already on the -- been notified and you haven't  
10 submitted a certification once and then twice, realize you  
11 may be losing your authority associated with your project.

12 The third item is we have an upcoming charter  
13 filing round. We made that announcement a few months ago  
14 and the filing round starts April 1st. It closes May 30th  
15 and the goal is to have all those documents teed up and  
16 ready to go so we can provide awards to those charter  
17 projects that are waiting to move forward.

18 And staff has been active throughout the State.  
19 Our last Webinar will be hosted on April 1st. So again  
20 we've had great attendance and look forward to all those  
21 applications coming in soon.

22 That's all we have.

23 CHAIRPERSON ORTEGA: Okay. Thank you. The next  
24 item is the **Consent Agenda** and I would like to propose that  
25 Item No. 9 be added to the Consent Agenda, if there isn't



1 any objection. Item 9 is the San Francisco --

2 MR. MIRELES: Yeah, it's a charter school in San  
3 Francisco Unified to align the grants with the statutory  
4 requirements.

5 ASSEMBLYMEMBER BUCHANAN: I move with the addition  
6 of Item 9.

7 MS. MOORE: 2nd.

8 CHAIRPERSON ORTEGA: Any public comment? All in  
9 favor?

10 (Ayes)

11 CHAIRPERSON ORTEGA: Do we need a separate vote on  
12 the rest of the items? I'm not sure how that -- I just want  
13 to clarify that your motion was on the full Consent Agenda.

14 ASSEMBLYMEMBER BUCHANAN: Full Consent Agenda with  
15 the addition of Item 9.

16 CHAIRPERSON ORTEGA: Thank you. With that, we'll  
17 move to Item 5.

18 MS. SILVERMAN: **Financials.** We just wanted to  
19 highlight really quickly on the fund release activities. We  
20 report out whenever we have a general obligation bond sale  
21 and the matter of when projects are awarded cash, how fast  
22 we dispense the cash.

23 And so for the month of February, since we didn't  
24 have a meeting, we wanted to share with the Board we did  
25 have some activity that month.

1           \$18.1 million was dispensed and that is  
2 highlighted on page 102. And if there are no questions, we  
3 can move onto the next item which is the status of funds  
4 which is a summary of the accounts that we have open still  
5 in the active bond funds and how much activity we have going  
6 on for the month.

7           So we wanted to share with the Board, although the  
8 activity has been providing unfunded approvals and moving  
9 those items forward, we have two items in the upper category  
10 of Proposition 1D that represent some Seismic projects  
11 moving through and also we wanted to also highlight there's  
12 other projects in the Career Tech Education that are also  
13 being processed this month.

14           Significant activity in 1D is projects have been  
15 rescinding and that activity is noted on the left column.  
16 So \$3.3 million in closeout and rescissions for  
17 Proposition 1D.

18           Likewise to counter, there's some unfunded  
19 approvals in Proposition 1D, so a half million dollars  
20 there.

21           In the middle category is Proposition 55, just to  
22 reflect that there are closeouts in the left column that  
23 reflect five projects in the New Construction area for  
24 \$200,000, and likewise, we have some unfunded approvals  
25 moving through of 400,000 and that's five projects and one

1 rescission in the New Construction category.

2           And in the Charter category, we have \$12.8 million  
3 returning back to the funds for the Charter Program and that  
4 reflects a rescission.

5           And in the lower category, Proposition 47, just to  
6 reflect in the left column of \$2.2 million in activity  
7 related to some closeout adjustments; also to reflect  
8 \$.3 million of project funds being returned to the  
9 Modernization pot.

10           So there's been a series of activities in both the  
11 closeout and the unfunded approvals. Again, once we get  
12 those funds returned, we turn those projects around once we  
13 can fully fund.

14           On the next page, one minor adjustment that's  
15 happening in the Proposition 1A category in the Financial  
16 Hardship Program, we had \$100,000 return on a closeout.

17           And that's what we have to share in the  
18 financials.

19           CHAIRPERSON ORTEGA: Okay.

20           SENATOR HANCOCK: Thank you. I have nothing to  
21 ask about this specific thing, but I did have an issue that  
22 I wanted to raise and this seemed like the only place on  
23 which to do it.

24           You know, I did request a detailed report on the  
25 status of applications in process both at the Office of

1 Public School Construction and in the Division of the State  
2 Architect in four of the fund accounts: the High Performance  
3 Incentive Grant, the Seismic Program, Overcrowded Relief,  
4 and Career Tech, just so we could have a better  
5 understanding of how to manage the remaining funds in these  
6 accounts based on the applications in process.

7 The report that I got back was helpful, but it was  
8 really only half the process. It was what was in OPSC not  
9 what was also in Department of the State Architect.

10 And so I'd appreciate it if we could also have the  
11 full information about -- also that applications that are  
12 already beyond Phase 1 for Seismic Mitigation and so that we  
13 can know the total of the project applications in DSA for  
14 Seismic.

15 Last year, it was more than 120 million and --  
16 yeah, we need to know I think where that is now, especially  
17 because there were some requests later in the agenda to take  
18 money from Seismic.

19 And, you know, quite honestly, my concern is I  
20 don't want us to have an earthquake and have some project  
21 that was already to go and we use the money for something  
22 else. The Governor is also looking, as you know, in the  
23 budget at squeezing that money for other things, and I just  
24 would like to have that full accounting.

25 MS. BANZON: I'm sorry. I would just like to

1 caution the Board that if it was not agendized, we may not  
2 be able to discuss it here.

3 CHAIRPERSON ORTEGA: So why don't we suggest that  
4 the staff provide the information and, yes, we can --

5 SENATOR HANCOCK: And we can take it up next week.  
6 I didn't want to have a big discussion but would like to get  
7 the information before we make other decisions. Thank you.

8 CHAIRPERSON ORTEGA: Okay. Are there any further  
9 comments from the Board or from the public on any of the  
10 status of funds or financials? Okay. Seeing none, let's  
11 see, we're on Item 8, Cinnabar Elementary School District.

12 ASSEMBLYMEMBER HAGMAN: Move it, Madam Chair.

13 CHAIRPERSON ORTEGA: Do we have -- any comments  
14 from the Board on this item?

15 MR. DIAZ: Madam Chair, I'd like to make a motion  
16 for Cinnabar's funding. I move to reinstate the priority  
17 funding apportionment for this project effective as of  
18 March 26, 2014, but I do want to place the following  
19 conditions which will reduce the grant amount.

20 The Phase I contract in the amount of 193,000 that  
21 did not comply with the Labor Code should not be considered  
22 part of the scope of the project, and project should receive  
23 a noncompliance penalty for not meeting Labor Code  
24 requirements. That penalty is estimated at \$5,886.

25 And there shall also be a further reduction of the

1 entire prevailing wage monitoring unit grant which is \$4,268  
2 (ph), bringing the total reduction to \$203,154.

3 So the reinstatement is \$1,253,123.

4 CHAIRPERSON ORTEGA: Okay. There's a motion and a  
5 second. Is there any public comment on this issue. Okay.  
6 Seeing none, please call the roll.

7 MS. JONES: Senator Hancock.

8 SENATOR HANCOCK: Aye.

9 MS. JONES: Senator Fuller.

10 SENATOR FULLER: Aye.

11 MS. JONES: Assemblymember Buchanan.

12 ASSEMBLYMEMBER BUCHANAN: Aye.

13 MS. JONES: Assemblymember Hagman.

14 ASSEMBLYMEMBER HAGMAN: Aye.

15 MS. JONES: Assemblymember Nazarian.

16 ASSEMBLYMEMBER NAZARIAN: Aye.

17 MS. JONES: Esteban Almanza.

18 MR. ALMANZA: Aye.

19 MS. JONES: Kathleen Moore.

20 MS. MOORE: Aye.

21 MS. JONES: Cesar Diaz.

22 MR. DIAZ: Aye.

23 MS. JONES: Eraina Ortega.

24 CHAIRPERSON ORTEGA: Aye.

25 MS. JONES: That motion carries.

1           SENATOR HANCOCK: Could I just make a comment on  
2 that?

3           CHAIRPERSON ORTEGA: Sure.

4           SENATOR HANCOCK: I voted for the motion. It  
5 seems like the best thing to do under the circumstances, but  
6 I would note that I think these tiny little districts are at  
7 a big disadvantage and they did actually pay prevailing  
8 wage, but they didn't file the piece of paper.

9           And I am -- and because the situation with Merced  
10 was a kind of similar situation, I'm wondering if we have or  
11 could create some kind of a model calendar that would have  
12 like a checklist of everything that people have to submit or  
13 a warning system like we all have on our calendars, that 15  
14 minutes before you're supposed to be someplace tell you, but  
15 maybe for our projects remind them that their paperwork is  
16 due or they're going to lose their place because I know --

17           ASSEMBLYMEMBER HAGMAN: We give them notice  
18 already.

19           SENATOR HANCOCK: -- small districts often don't  
20 have facilities coordinators. They can't afford consultants  
21 and they have this kind of things happen.

22           MR. DIAZ: Senator, I think that's a very  
23 important point. I think that in many circumstances smaller  
24 school districts fall victim to consultants that claim to  
25 know the process.

1           They come in and they say they will handle the  
2 application all the way from start to finish and at times,  
3 those school districts do not protect themselves I think  
4 where they can in their contractual agreements with those  
5 consultants.

6           So I think it would be a good idea for a lot of  
7 the associations that are here and representatives to  
8 actually get the word out about some of these requirements  
9 that are in there because it does cause a lot of hardship to  
10 these smaller districts.

11           ASSEMBLYMEMBER BUCHANAN: Well, I would just like  
12 to thank some members here for helping work through a  
13 solution on this. We know we've been sitting on a problem  
14 with labor compliance. We switched funds around many, many  
15 times and we knew we were going to be pushed up against  
16 this.

17           I think fortunately the new labor compliance is  
18 much more straightforward and I think is going to prevent  
19 many of these problems and I think with regulations, the  
20 more we can -- and statute that we write, the clearer we can  
21 make it and the easier to comply, the better.

22           And -- but I also do want to say that I think the  
23 Merced situation is different, but we can talk more about  
24 that offline if you'd like to.

25           CHAIRPERSON ORTEGA: Any further comment on that?



1 Any comment -- let's see. We are onto Item 11. This is the  
2 **administrative costs for the Office of Public School**  
3 **Construction.**

4 MS. SILVERMAN: What we wanted to present tonight  
5 is a -- just a high-level overview of the costs that we have  
6 to administer program.

7 I know there's the most -- we look at the office  
8 and how we generate the grants and, you know, the grants  
9 have been flowing for quite some time.

10 We're at a point in time where we do have limited  
11 bond authority and that's really what's is at discussion  
12 tonight. We actually have to figure out a way that we can  
13 cover the administrative costs not only for the remaining  
14 bond authority that we have to process applications, but  
15 also to also address the ability to administer the program  
16 with the post-application approval activity.

17 So it's not just processing applications. It's  
18 also considering the -- how we put projects on the unfunded  
19 list and how they convert once we have a bond sale,  
20 monitoring the certifications that come in and likely  
21 projects that fall off as a result of the certifications.

22 So there's many steps that still have to be  
23 performed as a result of those unfunded approvals that are  
24 sitting on the unfunded list and likely the assignment of  
25 new unfunded approvals as well, and there's also the

1 compliance component of that is the two steps that we do  
2 also ensure that happens is a substantial progress check.

3           We ensure that the projects are being monitored  
4 also as well as the cost of the oversight of the closeouts,  
5 meaning that the projects are being administered and closed  
6 out as a result of the regulations that were approved at the  
7 time.

8           So we put it in perspective from a funding  
9 application when a project is funded and to the time of  
10 construction. That takes a three to four-year process and  
11 then additionally, it's a two-and-a-half-year process and in  
12 the grand scheme of things, it could take about eight and a  
13 half years from once a project is awarded funds to the time  
14 it closes out.

15           What we put together is somewhat of a synopsis of  
16 a funding of the administrative costs, and just to put it in  
17 perspective, that on page 196 -- so we're talking about a  
18 wrap-up of the program -- of the current bond program and  
19 how would that look.

20           So we did a very focused, detailed program  
21 analysis based on the workload widgets and so the  
22 projections for the costs for three years would estimate  
23 about 25 million, for a five-year basis, 39.4 million, and a  
24 seven-year basis, 49.7, and on a ten-year basis, sliding  
25 scale, the cost we would need is 57.1 million.

1           What I wanted to highlight is we're talking about  
2 opening up a filing round for charter programs. What we  
3 presented is just a ten-year cost estimation. If we do  
4 award projects, we have preliminary reservation in December  
5 as a result of the charter activity coming through.

6           Then those projects have up to five years to  
7 convert. So we're talking about a 2019 potential conversion  
8 date and then they have -- projects may sit on the unfunded  
9 list. Depending on the timing of the Treasurer sales, that  
10 could be a year to two years out.

11           So we have definitely workload beyond this  
12 ten-year projection.

13           So once the projects are occupied, you know, the  
14 projects have three to four years to complete and then when  
15 they're occupied, there's still a 30-year loan component  
16 that some charters do activate. So there is still the  
17 collection of those funds and the notifications of --  
18 sending out those various notices for the bond activity.

19           So again, I just wanted to highlight the amount of  
20 activity that we still have on an ongoing basis.

21           On page 197, what we wanted to share is what do we  
22 have left, what remaining bond authority do we have left.

23           Unfortunately, there's a lot of bond programs that  
24 have an automatic set-aside that's built in the program.

25 When these programs were initiated and the bonds were

1 enacted, the costs for administrative oversight was not  
2 built in.

3           So putting that in perspective, we're down to very  
4 limited bond authority. We have 351.1 million left in the  
5 various categories, New Construction, 20.6, 15.4  
6 Modernization, 159.1 in Seismic, Career Tech 3.7 million,  
7 Charter 1.5, High Performance 75.2, and Overcrowded Relief  
8 \$16.6 million.

9           So what's before us is how are we going to split  
10 this allocation up to cover the costs of the program.

11           I know what we presented was the cost for just the  
12 review of the Office of Public School Construction, but we  
13 also wanted to acknowledge those other costs associated with  
14 the program that would include Department of Education and  
15 the Controller's office.

16           So not having that opportunity to factor all that  
17 in, we also wanted to identify there's other costs  
18 associated with the program as well.

19           So some of the options that we did lay out was,  
20 quickly, to identify what CSFA had carved out in 2006 bond  
21 initiation. CSFA, they perform financial reviews on  
22 charters.

23           And so they had built in statute up to a  
24 2.5 percent carve-out. And so if you take that into mind,  
25 we're now just opening the Charter filing round, we could

1 introduce -- the Board could entertain a 2.5 percent  
2 carve-out based on the remaining bond authority just for the  
3 Charter Program.

4           So if that was the case, one of the options we  
5 laid out is a 2.5 percent carve-out of the \$100.5 million  
6 and that is going to be introduced in Options 2 and 3.

7           So in detail, we have -- I know -- a number of  
8 options and that's laid out on pages 201a, 201b, and 201c,  
9 d, and 3.

10           The first one is on page 201a. It's a pro rata  
11 based on the cost of \$57.1 million and that pro rata would  
12 be an equal proration with the cost of again 57.1 million  
13 for a ten-year reservation of funds.

14           And the second chart below is a seven-year  
15 reservation and again an equal allocation of those funds,  
16 and we go on to a five-year reservation and then a  
17 three-year reservation.

18           And -- so that's the first option.

19           ASSEMBLYMEMBER HAGMAN: Can I stop you there? On  
20 your 201, is that strictly DSA? I mean -- because the  
21 number's a little bit different than another chart. So --  
22 for the five years. That's not including other departments  
23 in Option --

24           MS. SILVERMAN: Right. This is just what we had  
25 presented --

1 ASSEMBLYMEMBER HAGMAN: Okay.

2 MS. SILVERMAN: -- just a review of our program  
3 costs and again we wanted to identify those program costs  
4 that we should consider as well in the program, which would  
5 include Department of Education and the Controller's office.

6 SENATOR HANCOCK: If I could just piggyback on  
7 that. I think that would be a very important thing to  
8 include so that we know the total amount of the  
9 administrative costs that we're considering and maybe we  
10 could just ask you guys to come back -- it wouldn't be  
11 April, but at the May meeting with reconfigured numbers that  
12 would reflect CDE's administrative costs and any other  
13 administrative costs that have to factored in.

14 ASSEMBLYMEMBER HAGMAN: I think that's what they  
15 came out in this --

16 CHAIRPERSON ORTEGA: I think Mr. Hagman has a --

17 SENATOR HANCOCK: Yeah, they have, but -- but we  
18 just had it on our desks right now and it would seem to me  
19 that I'd at least like to review it, see what we're going to  
20 do about it, and I'm wondering honestly if there is any  
21 potential to get a general fund allocation here because  
22 really, we should have been setting aside the administrative  
23 costs from 2006 onward.

24 So it's going to be a disproportionate hit if we  
25 take it on just a few of the programs with larger fund

1 balances now.

2 MR. ALMANZA: I think we're proposing a set-aside  
3 and we're not budgeting any money. It's a reservation. So  
4 if the Legislature and the Governor decide to fund it with  
5 general fund in three years, I suppose that could happen.

6 SENATOR HANCOCK: Well, we'll see. I --

7 CHAIRPERSON ORTEGA: Yeah. I think that's helpful  
8 to make sure that we understand what we're -- what we're  
9 doing is reserving cash and saying we're not going to  
10 encumber the cash for other projects.

11 How it gets budgeted in future years is up to a  
12 future budget. So what we're doing here is just ensuring  
13 that we don't spend the money so that it's not available.

14 SENATOR HANCOCK: Okay. And we're voting on a  
15 chart that we just got at the start of the meeting.

16 ASSEMBLYMEMBER HAGMAN: I'm the one that brought  
17 this up I think a couple meetings ago. What I've seen is  
18 that we're coming down to the end of the funds and all  
19 administration should be covered by the bond funds.

20 And so before we obligate all the monies out --  
21 there's very little left compared to what we started with --  
22 is I was hoping to get that administration part covered, and  
23 I think there's a number of different ways we could -- but  
24 it's not finalized because what happens is we may agree on a  
25 practice today, but the budget language will change that,

1 but we know we will always have that.

2 But also as time goes on, we'll get money coming  
3 back into the system. So we're about to figure out we've  
4 put more out.

5 But at least we know we don't go to zero and not  
6 have the options, you know, two years down the road.

7 But even if we pass these -- the regs we just  
8 passed, you're still looking at 2016 of districts not going  
9 to be able to -- or potentially not be able to perform and  
10 have to rescind their money.

11 So we're still looking at least two or three years  
12 to get pots of money back, and then you put it back out on  
13 the streets again, that's just getting it further.

14 My only concern is, you know, the number of years  
15 and that's more an administrative thing right now.

16 I came in and generally, most of the Board's  
17 revisions I've been on where we're having other sources of  
18 funds, those sources of funds should be done -- the  
19 administration should be taken out of those funds.

20 So we need to do a five-year plan right now. You  
21 know darn well this program's going to go past five years  
22 even without any additional money. It may take us five  
23 years before we get the money out on the street.

24 But at least it's a start and because I think if  
25 you hold it all back, that if you have money come in, you



1 have to put -- it's going to extend longer. So I think if  
2 you settled on the five years, you know we're going to have  
3 more need than just the five years, but you also expect to  
4 have money coming back later and you could vote on that  
5 additional time period.

6 It also shows that for any future bond we should  
7 have the auto set-aside, so we don't have to worry about  
8 this later and get the money off the top versus the back.

9 But, you know, I think the numbers to the  
10 Senator's question is we have Attachment A in here. We have  
11 our handout. The only difference is the amount is a little  
12 more detailed as far as what goes on either report.

13 So from like the five-year plan, it was  
14 39.4 million for OPSC and 52.7. I assume that's other  
15 departments and can you explain what the divisions were on  
16 that.

17 MS. SILVERMAN: Yeah. We just factored in  
18 additional costs that would -- and again we didn't want to  
19 get into the science of who -- and how much -- you have two  
20 dimes and I got one nickel.

21 So we just figured if we covered just the cost on  
22 a straight proration of the remaining bond authority on a  
23 five-year, which would be a 15 percent straight allocation  
24 of the 351 million and that would represent the cost of all  
25 the programs.

1           CHAIRPERSON ORTEGA: If I could just further  
2 clarify what was before us in the original agenda is a  
3 wind-down analysis and the costs needed only for OPSC.

4           What's on the handout as proposed alternative is a  
5 15 percent for admin in total which would cover OPSC's  
6 costs, CDE's costs, and any other costs that were developed  
7 as part of the budget at a later date.

8           It would set aside the cash for the total as more  
9 of an admin item rather than OPSC's costs and I think --  
10 Senator Hancock, I think there was an attempt to spread the  
11 costs in a way that more reflected the workload of the  
12 program in the long term and to not hit any -- one  
13 particular program any harder than any other.

14           And so there was an attempt to kind of address  
15 some of the concerns that had been raised to staff. So I  
16 think that's what the attempt is in the handout.

17           ASSEMBLYMEMBER HAGMAN: And I didn't want it to be  
18 a surprise attack here. Ms. Moore -- but -- I think  
19 questioned some of the -- and I understand for the next two  
20 or three years, we need CDE's approval of applications  
21 coming out as we get the monies out.

22           But, you know, I'm sure that the budgetary  
23 process, even if we hold 57 -- 52.7 million out, some of  
24 these other departments getting funds from this will not  
25 have the same kind of role as long as we're not putting

1 things out.

2           Once a project's approved, the other functions of  
3 CDE should be, you know, paid for by the areas and whether  
4 or not you want to block out that much and see how much more  
5 you get in later five years down the line, I'm good with  
6 that.

7           But I -- you know, I'm sure that's through the  
8 budgetary process no matter what the workload for each extra  
9 department would be and -- Controller automatically gets  
10 their money off the top; right?

11           MS. SILVERMAN: Controllers, they have to process  
12 the checks and so that's one of their roles and they also  
13 have an oversight component and they --

14           ASSEMBLYMEMBER HAGMAN: Yeah. They have to watch  
15 the whole thing the whole time. So they're from start to  
16 beginning.

17           CDE's main component is the approval and make sure  
18 they fit the criteria. You guys have to approve everything  
19 starting at the beginning as well, but --

20           SENATOR HANCOCK: And then what about DSA?

21           ASSEMBLYMEMBER HAGMAN: They get

22           MS. SILVERMAN: They're --

23           ASSEMBLYMEMBER HAGMAN: -- basis I believe. So  
24 they get their fees -- out of the dollars we allocate out,  
25 they get paid back in by those applications from those

1 dollars. So they won't -- and that's another thing.

2 I like the fee for service almost. You know, set  
3 aside automatic set-aside for a future bond and then almost  
4 like a fee for service for the departments because you  
5 can't -- if you do a long enough bond, you may go for a  
6 decade.

7 Your costs of doing that process may go up as  
8 well. So let's say you said I'm going to pay DSA \$100 for  
9 each plan review and ten years later, it's up to 450. It's  
10 not fair. They're not getting full -- so it's nice to have  
11 that flexibility to set aside a round, but fee for service  
12 would more reflect the workload of each department coming  
13 out, but that's future discussion.

14 Right now, we just need to set it aside and I've  
15 been most critical and I'm the one who brought this up, so I  
16 guess I'll make the motion.

17 Out of all the different programs, so we don't  
18 have a big chunk coming out of Seismic and a big chunk  
19 coming out of Charter, I like Option -- I guess -- I'm going  
20 to call it B, the second one -- second half of the handout.

21 You know, I still have my concerns that five years  
22 is not enough and I'd rather see ten years in there, but I  
23 think you'll have more money coming back in after five years  
24 and so I think, you know, the administration will be covered  
25 by the rescissions -- you know, the money coming back in

1 after that time period, but at least we know not to go past  
2 the -- so I'll motion number -- I'll call it B, second half  
3 of the handout.

4 CHAIRPERSON ORTEGA: Thank you. Go ahead.

5 ASSEMBLYMEMBER BUCHANAN: So I just want to get it  
6 straight because when we tell people we're taking 15 percent  
7 out and you pay architects around 9 percent, it's a lot, but  
8 I assume that's because of we're making up for lost time, so  
9 to speak, for projects that are already in process that we  
10 didn't make a reservation, but we still have auditing and  
11 other sorts of obligations; correct?

12 MS. SILVERMAN: That's correct.

13 ASSEMBLYMEMBER BUCHANAN: I just want to clarify  
14 that --

15 MS. SILVERMAN: That's --

16 ASSEMBLYMEMBER BUCHANAN: -- for anyone who looks  
17 at the 15 percent because I do agree for future bonds we  
18 ought just decide if it's the same as charters at  
19 2 and a half percent or whatever, we ought to decide what  
20 that is and handle it in a different way.

21 ASSEMBLYMEMBER HAGMAN: I would say too -- I  
22 mean -- family is that, you know, the 10 percent -- all that  
23 work for the most part's done up front. You're not going --

24 ASSEMBLYMEMBER BUCHANAN: Oh, I know. I'm just  
25 saying if a layperson looks at this --

1 ASSEMBLYMEMBER HAGMAN: Yeah. It seems like  
2 there's a chunk, yeah.

3 ASSEMBLYMEMBER BUCHANAN: -- and they don't  
4 understand the context of it, it looks very high.

5 So I was -- I can support the motion, but I would  
6 like to maybe suggest that -- a different approach that  
7 would give us more flexibility and that is that we reserve  
8 that funding, but, you know, to move money around in some of  
9 these categories, you either have to have a vote of the  
10 members here or a two-thirds vote of the Legislature, and as  
11 we wind down, I also think we want to have as much  
12 flexibility as we can.

13 Is there a reason we can't reserve the funding and  
14 on a year-to-year basis determine or vote on where we take  
15 that funding? And of course, then you can also determine  
16 how you allocate based on what the actual workload is of the  
17 different agencies.

18 But if you take this proposal and you take all of  
19 the remaining New Construction and Mod dollars, that  
20 potentially puts you in a little -- in a difficult situation  
21 when we may end up with more Seismic dollars.

22 I mean so I'd just like to suggest that we think  
23 about --

24 ASSEMBLYMEMBER HAGMAN: I agree where you're  
25 going, but let me -- the alternative on this.

1           If you don't set aside, I mean particular bond  
2 categories --

3           ASSEMBLYMEMBER BUCHANAN: Right.

4           ASSEMBLYMEMBER HAGMAN: -- then it's by what's  
5 coming in. So then you're forced to make a decision. You  
6 could always readjust this two years from now and say we're  
7 going to allocate up to that -- whatever that limit is and  
8 then as money comes back, as priorities change, you can sit  
9 there and reopen that up and say, okay, we're going to do  
10 this.

11           But once you spend it, you can't go back. And so  
12 that's why you got to put the stop -- you know, you're  
13 working down to a certain level, stopping until you can  
14 readjust it later.

15           But if you don't put what category it comes from  
16 and money just goes out, you may be left with all Seismic.

17           ASSEMBLYMEMBER BUCHANAN: Aren't you setting aside  
18 a certain percentage of the remaining bond authority? Isn't  
19 that what we're doing by taking --

20           ASSEMBLYMEMBER HAGMAN: But it can't just be in  
21 category. You have to initially start with --

22           ASSEMBLYMEMBER BUCHANAN: Right. I know.

23           ASSEMBLYMEMBER HAGMAN: -- a place you're taking  
24 it from.

25           ASSEMBLYMEMBER BUCHANAN: So I'm just suggesting

1 that we determine on a year-to-year basis. If we're taking  
2 out 15 percent of the remaining bond authority, bonds to be  
3 sold, that on a year-to-year basis, we determine from what  
4 categories we're taking those funds.

5 So annually, we -- you know, we're -- depending on  
6 how much we sell, we're going to take out, but annually  
7 then, based on estimated bond sales or whatever, we take a  
8 look at from what categories we're going to take it and we  
9 make that reservation.

10 So -- I just think that gives us a little bit more  
11 flexibility.

12 ASSEMBLYMEMBER HAGMAN: I think we're saying the  
13 same thing, but what you're doing is today, if you take this  
14 action on Option B --

15 ASSEMBLYMEMBER BUCHANAN: Right.

16 ASSEMBLYMEMBER HAGMAN: -- you're not going to go  
17 out for Modernization or New Construction any more rounds  
18 because you're just putting that aside.

19 ASSEMBLYMEMBER BUCHANAN: Right.

20 ASSEMBLYMEMBER HAGMAN: Now, a year from now, if  
21 you have rescissions, you have money coming back in, and all  
22 of a sudden, then you have, you know, 250 million left in  
23 New Construction, you can make the decision, okay, we're  
24 going to go spend that, you know, down to 220.

25 You could make annual adjustments, but if you say



1 just reserve 52, the accountants won't know where to pull 52  
2 from and they'll spend the 20.6 out in the funding round.  
3 They'll spending the 15.4 in the funding round and if  
4 nothing comes back, then the only thing left over is Charter  
5 and Seismic, then you're out of all the dollars.

6 So I think you put the reservation in now. You  
7 can adjust it a year from now, two years from now, three  
8 years from now, but you just don't go now. So you just  
9 hold --

10 ASSEMBLYMEMBER BUCHANAN: So if we have a New  
11 Construction project come up that we're -- we really felt  
12 should be funded, then at the time it would come up this  
13 year, we would have to --

14 ASSEMBLYMEMBER HAGMAN: Then you have to come back  
15 and get the vote --

16 ASSEMBLYMEMBER BUCHANAN: -- at the same time.

17 ASSEMBLYMEMBER HAGMAN: -- to do that. Yeah. But  
18 my concern is also with the workload, we a while back made a  
19 policy to keep taking applications based on the idea we may  
20 or may not have a new bond. We'll know pretty soon if we  
21 have one -- for this year, at least whether or not it goes  
22 on the ballot.

23 ASSEMBLYMEMBER BUCHANAN: We're working on --

24 ASSEMBLYMEMBER HAGMAN: But where -- yeah, where's  
25 that stop? Do you want -- let's say this thing does not

1 somehow make it out this year. Do you want -- so you're  
2 going to keep taking applications for the next five years?

3 ASSEMBLYMEMBER BUCHANAN: So could we -- to maybe  
4 get us out of here by 6:00, could we maybe modify your  
5 recommendation to the extent that we reserve that amount  
6 according to --

7 ASSEMBLYMEMBER HAGMAN: Plan B.

8 ASSEMBLYMEMBER BUCHANAN: -- Plan B with a  
9 provision that the Board has the ability to make --

10 ASSEMBLYMEMBER HAGMAN: Modify --

11 ASSEMBLYMEMBER BUCHANAN: -- modify as necessary.

12 ASSEMBLYMEMBER HAGMAN: As we go forward.

13 ASSEMBLYMEMBER BUCHANAN: Okay.

14 SENATOR HANCOCK: What does that mean then  
15 actually? First come, first served in any category? How do  
16 we modify as necessary?

17 ASSEMBLYMEMBER BUCHANAN: Well, I think -- I think  
18 if there were -- say there were a \$10 million New  
19 Construction project that came up two or three months from  
20 now that we had -- there's a compelling reason why we needed  
21 to fund it, then you'd have to take the money -- you know,  
22 10 million of that money you reserved from another category  
23 and take it out of another one. I mean --

24 ASSEMBLYMEMBER HAGMAN: The only problem I see --  
25 we already have a multi -- hundred million if not billion

1 dollar waiting list for New Construction dollars.

2 ASSEMBLYMEMBER BUCHANAN: Right.

3 ASSEMBLYMEMBER HAGMAN: So why would you -- I  
4 would say look at it a year from now and see what projects  
5 were completed or not and then you can just do it each year  
6 before the budget section. Just do it that way.

7 But you don't want to just -- otherwise you're  
8 still doing all that work but really don't know where to  
9 pull the money from.

10 ASSEMBLYMEMBER BUCHANAN: Right. Okay.

11 ASSEMBLYMEMBER HAGMAN: So keep it for a year and  
12 then come back and look at it again next year and see if  
13 that's still your same priority a year from now.

14 It still modifies it, but you don't keep taking  
15 applications. Right now, you could spend all the New  
16 Construction money today if you wanted. You could do a lot  
17 of money today if you wanted to.

18 But what we're saying is once you do that -- I  
19 mean the smaller programs that didn't have much money to  
20 begin with are going to get hit hard.

21 CHAIRPERSON ORTEGA: Okay. So we have a motion to  
22 adopt Plan B as we're calling it which would reserve  
23 \$52.7 million across a variety of programs.

24 I'll just say for the record, it would hold New  
25 Construction at 20.6 and Modernization at 15.4 and the

1 balance would be prorated across the rest of the programs.

2 That equates to about 15 percent of \$351.1 million  
3 left in the program. That's the motion on the floor. Is  
4 there a second?

5 We have a motion and a second. Please call the  
6 roll.

7 MS. JONES: Hancock?

8 SENATOR HANCOCK: Aye.

9 MS. JONES: Liu.

10 SENATOR LIU: Aye.

11 MS. JONES: Fuller.

12 SENATOR FULLER: Aye.

13 MS. JONES: Buchanan.

14 ASSEMBLYMEMBER BUCHANAN: Aye.

15 MS. JONES: Hagman.

16 ASSEMBLYMEMBER HAGMAN: Aye.

17 MS. JONES: Nazarian.

18 ASSEMBLYMEMBER NAZARIAN: Yes.

19 MS. JONES: Almanza.

20 MR. ALMANZA: Aye.

21 MS. JONES: Moore.

22 MS. MOORE: Aye.

23 MS. JONES: Diaz.

24 MR. DIAZ: Aye.

25 MS. JONES: Ortega.

1 CHAIRPERSON ORTEGA: Aye.

2 MS. JONES: Motion carries.

3 CHAIRPERSON ORTEGA: Thank you. And now to  
4 Item 12. And I'm going to stop for one second to say what I  
5 always forget to say. Is there any public comment on Item  
6 No. 11? Seeing none, we'll move onto Item No. 12.

7 MR. WATANABE: Thank you. Michael Watanabe with  
8 the Office of Public School Construction. We are on stamped  
9 page 202.

10 The purpose of this item is to **determine the**  
11 **amount of funding available for 2014 charter facilities**  
12 **round.**

13 At the November 2013 meeting, the Board  
14 established a filing round for charter school facilities  
15 beginning April 1st, 2014, and closing on May 30th, 2014.

16 At that time, we were recommending that all bond  
17 authority remaining in the Charter School Program be  
18 available for this round.

19 As response to a stakeholder concern, the Board  
20 requested us to bring back an item for discussion to talk  
21 about the amount available and that's what this item is for.

22 There are three considerations in determining the  
23 amount of funding available. Right now, after the Consent  
24 Agenda was approved at this Board, there's 100.5 million  
25 remaining across Propositions 47, 55, and 1D.

1           First for consideration is currently there are 28  
2 projects with active preliminary apportionments in the  
3 Charter School Program.

4           We have already reserved 313.5 million in bond  
5 authority. As a response to the stakeholder concern in  
6 December, we reached to all 28 of those projects to find out  
7 the status of their project.

8           On the top of page 2, you'll see we got some  
9 responses back from 23 districts. Of those -- of 23 charter  
10 projects. Two of those charter projects indicated sometime  
11 in the future they may rescind. They would put back  
12 approximately 50 million back into the program.

13           Seven indicated they would need more money to  
14 convert their projects and nine indicated they would need  
15 less than their reserve and five did not know at that time.

16           To date, approximately 287 million has been  
17 returned to the program through rescissions and conversions  
18 under the original preliminary apportionments.

19           In the chart there on page 2, you see, based on  
20 the last two rounds, about 80 percent of the projects  
21 converted at a lower rate.

22           At the end of the day, we won't know until the  
23 projects actually come in for final conversion what they  
24 need. Their final requests will be subject to what they're  
25 approved at the beginning for the preliminary apportionment

1 and what they can qualify for financial soundness when they  
2 walk in the door.

3           You'll see on the last column in that chart, these  
4 applications are due between 2015 and 2016. So it's still a  
5 little ways away.

6           Second item for your consideration in the amount  
7 is the Charter School Facilities Program grants are based on  
8 New Construction grants and back in 2008, as a result of  
9 AB-127, the Board was allowed to approve an increase in the  
10 New Construction grants by 6 percent, which was approved at  
11 that Board. However, we did not adjust the charter school  
12 grants to match that.

13           When we look at these 28 projects, 17 of them were  
14 voluntarily reduced at the time they were issued their  
15 preliminary apportionments in order to qualify for their  
16 financial soundness.

17           However, there are still these 11 projects that  
18 could have qualified for that 6 percent increase.

19           What we have done on the attachment is recalculate  
20 what they would be eligible for and that would be  
21 Attachment C.

22           These projects -- we could take an item to adjust  
23 them all as they should have been funded back when they  
24 received their original apportionments, but to do so right  
25 now would trigger a new financial soundness review for all

1 these projects.

2           Rather what we're recommending is we take out of  
3 that 100.5 million, we take 7.6 million out of that off the  
4 top and save it for these specific projects only until they  
5 convert.

6           At the time they convert, we'll look at their full  
7 project and see if they are still eligible for these  
8 amounts, and if so, they'd be eligible for it at that time.

9           If they are not eligible for that amount for  
10 whatever reason, that amount would become available for any  
11 other charter school purpose.

12           And then finally the last item to consider for the  
13 reserve and the carve-out, as I mentioned the last item  
14 typically Charter School Finance Authorities had  
15 2 and a half percent reserved off the top of the bond funds.

16           With the Board's action, it'd be easier if you to  
17 page 3 of the item. If we started with 100.5 million and  
18 carved out the 7.6 million for the preliminary  
19 apportionments that need the 6 percent and we take the  
20 50 percent --

21           ASSEMBLYMEMBER HAGMAN: Can I stop there because  
22 this is old, we just carved out 5.3 versus --

23           MR. WATANABE: Right. So we carved out  
24 5.3 million. That will leave 87.6 available for this round.

25           ASSEMBLYMEMBER HAGMAN: Madam Chair, make a motion



1 to put out 87.6.

2 MS. MOORE: Second.

3 CHAIRPERSON ORTEGA: Okay.

4 ASSEMBLYMEMBER BUCHANAN: So we're adopting  
5 Recommendation 1 with 5.3 instead of 2.51 for  
6 administration?

7 ASSEMBLYMEMBER HAGMAN: Yeah.

8 MR. WATANABE: Correct.

9 CHAIRPERSON ORTEGA: Okay. And the balance of the  
10 staff recommendation; right? Is there a second? Ms. Moore  
11 seconded? All in favor?

12 (Ayes)

13 CHAIRPERSON ORTEGA: Any opposed? Any  
14 abstentions? Thank you. Any public comment on that item  
15 once again? No. Seeing none, it passes. Let's see.  
16 Item 13.

17 MS. SILVERMAN: The **workload** is ready for your  
18 approval. Just wanted to highlight that we've been meeting  
19 on a somewhat irregular basis and just wanted to alert the  
20 Board that we do have a consent only agenda come April 7th  
21 and we will be reviewing the workload and working closely  
22 with the Chair and Vice Chair to determine whether or not  
23 we're going to have an April meeting. And --

24 CHAIRPERSON ORTEGA: Okay.

25 MS. SILVERMAN: -- so we'll get back.

1                   CHAIRPERSON ORTEGA: Okay. Any other comments  
2 from the Board? Any further public comment?

3                   If not, we are adjourned. Thank you.

4                   (Whereupon, at 5:59 p.m. the proceedings were  
5 adjourned.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

REPORTER'S CERTIFICATE

STATE OF CALIFORNIA            )  
  )  ss.  
COUNTY OF SACRAMENTO        )

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

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

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

That I am a disinterested person to said action.

IN WITNESS WHEREOF, I have subscribed my name on April 9, 2014.

---

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