CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING

STATE CAPITOL
ROOM 127
SACRAMENTO, CALIFORNIA  95814

DATE:  WEDNESDAY, JUNE 28, 2017
TIME: 4:08 P.M.

Reported By:  Mary C. Clark
Mary Clark Transcribing
4919 H Parkway
Sacramento, CA  95823
(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

JEFFREY McGUIRE, Chief Deputy Director, Department of General Services, designated representative for Daniel Kim, Director, Department of General Services

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

JUAN MIRELES, Director, School Facilities and Transportation Services Division, California Department of Education, designated representative for Tom Torlakson, Superintendent of Public Instruction

SENATOR BENJAMIN ALLEN

SENATOR JANET NGUYEN

SENATOR RICHARD PAN

ASSEMBLYMEMBER ADRIN NAZARIAN

ASSEMBLYMEMBER ROCKY CHAVEZ

ASSEMBLYMEMBER PATRICK O'DONNELL

REPRESENTATIVES OF THE STATE ALLOCATION BOARD PRESENT:

LISA SILVERMAN, Executive Officer

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

LISA SILVERMAN, Executive Officer

BARBARA KAMPMEINERT, 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 June 28th meeting of the State Allocation Board to order. Please call the roll.

Senator Nguyen.
Senator Pan.
Assemblymember Nazarian.

ASSEMBLYMEMBER NAZARIAN: Present.

MS. JONES: Assemblymember Chavez.

ASSEMBLYMEMBER CHAVEZ: Here.

MS. JONES: Assemblymember O'Donnell.

ASSEMBLYMEMBER O'DONNELL: Here.

MS. JONES: Juan Mireles.

MR. MIRELES: Here.

MS. JONES: Cesar Diaz.

Jeffrey McGuire.

MR. McGUIRE: Here.

MS. JONES: Eraina Ortega.

CHAIRPERSON ORTEGA: Here.

MS. JONES: We have a quorum.

CHAIRPERSON ORTEGA: Thank you. Okay. And if you could please call Senator Nguyen.

SENATOR NGUYEN: Oh, here. Sorry.

MS. JONES: Thank you.

CHAIRPERSON ORTEGA: No. You're just right -- so we can get started. So my plan is to move through these items as quickly as we can. There are many of the members who need to be at other hearings and meetings and we will leave the items open to let the other senators add on should they join us later in the meeting.

So let's start quickly with the action items.

We'll take up under Tab 2 the Minutes from the June 5th meeting. Any comments/questions? Motion.

ASSEMBLYMEMBER CHAVEZ: Moved.

MR. McGUIRE: Second.

CHAIRPERSON ORTEGA: Moved and seconded. Any comments on the Minutes? Seeing none, all in favor, please say aye.

(Ayes)

CHAIRPERSON ORTEGA: And let's see. The next action item is under Tab 5. Is that right, Lisa?

MS. SILVERMAN: Yes.

CHAIRPERSON ORTEGA: On the chart here? This is the item on the regulatory amendments for the program accountability.

MS. SILVERMAN: Correct. So we wanted to grab your attention on page 22, we wanted to bring back the
conforming regulations to the grant agreement amendments that we had discussed last month and reflect that into the new grant agreement template in Attachment 2.

Attachment 1 does reflect the strikeouts and the amendments. But we also wanted to update the language relating to the trailer bill language and that was actually signed yesterday by the Governor, so that's in effect as well.

And so the amendments are reflected in the amended grant agreement. And so on page 23, it's a short summary of the amendments related to the grant agreement, and at this time, we're asking the Board to adopt the amendment on Attachment 2 and file that on an emergency basis.

CHAIRPERSON ORTEGA: Okay. Thank you. Any questions or comments on the staff report?

ASSEMBLYMEMBER O’DONNELL: Move.

CHAIRPERSON ORTEGA: Moved by Mr. O'Donnell.

ASSEMBLYMEMBER CHAVEZ: Second.

CHAIRPERSON ORTEGA: Seconded by Mr. Chavez. Any public comment on this item? Okay. Seeing none, please call the roll.

MS. JONES: Senator Allen.

CHAIRPERSON ORTEGA: Item 5, the regulatory amendments update.

SENATOR ALLEN: Aye.

SENATOR NGUYEN: Aye.

MS. JONES: Assemblymember Nazarian.

ASSEMBLYMEMBER NAZARIAN: Aye.

MS. JONES: Assemblymember Chavez.

ASSEMBLYMEMBER CHAVEZ: Aye.

MS. JONES: Assemblymember O'Donnell.

ASSEMBLYMEMBER O'DONNELL: Aye.

MS. JONES: Juan Mireles.

MR. MIRELES: Aye.

MS. JONES: Jeffrey McGuire.

MR. McGUIRE: Aye.

MS. JONES: And Eraina Ortega.

CHAIRPERSON ORTEGA: Aye.

MS. JONES: The motion carries.

CHAIRPERSON ORTEGA: We'll leave that item open for the other two members.

MS. JONES: Okay.

CHAIRPERSON ORTEGA: We'll move to the regulatory amendments for the Financial Hardship Program.

MS. KAMPMEINERT: So we've brought before you amendments to the regulations for the Financial Hardship Program for districts applying for assistance with their local match.

The current process requires them to submit
documents for a financial hardship approval in advance of submitting a funding application. These regulations would reverse that order and allow districts to submit a funding application, indicate that they want financial hardship, and then when OPSC is ready to process, we would request the financial hardship information and do the review at that time.

We believe this will streamline the process and ensure that the financial information is relevant to the time in which we're processing the application. So we have some regulations included that outline that change and the timelines that we would notify districts in advance of processing the application so that they're prepared to submit the documents.

CHAIRPERSON ORTEGA: Okay. Any questions on the staff report? Okay. Any public comment on this item? All right. Do we have a motion?

ASSEMBLYMEMBER NAZARIAN: So move.

CHAIRPERSON ORTEGA: Moved by Mr. Nazarian.

ASSEMBLYMEMBER CHAVEZ: Second.

CHAIRPERSON ORTEGA: Second by Mr. Chavez. Let's see if we can say all in favor say aye.

(Ayes)

CHAIRPERSON ORTEGA: Okay. Everyone present voting aye. We'll leave that open for Senator Pan and
Mr. Diaz.

Tab 6 is the information item.

MS. KAMPMEINERT: Yes. We have a report for the Board. After the June 5th meeting, we had a number of questions from school districts and stakeholders about what the Board's action on the projects on the acknowledged list moving forward to the work list meant for the processing.

So in this report, we have outlined the -- at a high level, what the Board did a few weeks ago and then we also touched on some of the main points in our processing process.

So we wanted to remind folks that under the new process, we will be going forward with the applications. For new construction funding applications, districts will need to update their enrollment for the current enrollment year, which is '16-'17 and for the year in which we're processing as we move forward.

And we also wanted to let folks know that we will be processing the funding applications and eligibility associated with the funding applications.

Small school districts have one component in statute that we wanted to address. We got a number of questions on this in the last few weeks.

When small school districts establish or update their new construction eligibility, they are not to be
subject to a decrease for three years from the date of the Board approval.

So there was some concern that with us processing new construction eligibility tied to funding applications that this would have an impact on the small school districts that wanted to submit eligibility so that they could lock that eligibility in place for the next three years.

So we believe that administratively we can accomplish this by processing the new construction eligibility for the small school districts and these are the districts that have 2,500 students or less, that we would be able to process that eligibility even if it does not have an associated funding application.

But in order to make sure that we're in alignment with the Board's decision in the last few weeks, we would begin with the '16-'17 enrollment year. We would not be going back retroactively.

So we would start with the current year. Districts would be allowed to submit in this year and then in future years if they want to continue to lock it moving forward.

We can't guarantee that we will process within the locked period, but at least we can lock in the eligibility moving forward. Hopefully, this will provide a little bit of reassurance to those small school districts that this
component of the program is still in effect.

We also wanted to remind the districts that the state agency approvals do still need to be updated and that they will not lose their place in line for processing while they do that and a reminder that grant agreements are in effect for this batch of projects that was moved over to the workload list and moving forward.

And then as a part of this item, we had gotten a lot of questions on financial hardship, but the action item that the Board just approved takes care of that process.

So we plan to turn this into an FAQ document that we will be posting on our website with some additional, more technical aspects of the program, questions that we're getting, and make this info available to districts so that we can keep going on the processing, and I'd be happy to answer any questions.

CHAIRPERSON ORTEGA: Thank you. Any questions for the staff? Sure. Go ahead.

MR. MIRELES: In regards to the small school district lock, we appreciate staff highlighting the process that's aligned with the Board's action June 5th, but we do have a concern that we can't guarantee that we're going to process these funding applications for small school districts within the three-year lock.

We would like to ask staff to come back with an
action item that will include regulations that will allow us to ensure that these funding applications will be processed within this three-year lock to maintain this protection that small school districts have had since 2000.

CHAIRPERSON ORTEGA: Okay. Any objection as to the staff bringing a report back on that item? Okay. Seeing none, we'll ask the staff to do that for the next meeting.

And I have a public speaker I think on this item, Julie Arthur. Ms. Arthur, is this item -- please come on up.

MS. ARTHUR: Good afternoon, Chairman Ortega, members of the State Allocation Board. As you mentioned, my name's Julie Arthur. I'm the Executive Director of Facilities, Planning, and Development for Palm Springs Unified School District, but I'm also here today representing CASH as vice chair and I'm here to speak on behalf of our members.

The purpose here today is to talk about our concern and theirs on how districts will be treated in the future. Specifically, we believe that the SAB action on June 5th's Board meeting approving Option 1 is inconsistent to statute, specifically, Statute 170171.75, ongoing eligibility for new construction calculations.

It specifically refers to eligibility as being
determined in the fiscal year in which the application is submitted.

So this adoption of Option 1 and the direction of the Board to OPSC staff to require the reestablishment of eligibility in the year the project is processed by OPSC, this directive is not consistent with statute.

So what we are asking, we're asking the Board to correct this action. Thank you.

CHAIRPERSON ORTEGA: Okay. Thank you. Mr. Allen.

SENATOR ALLEN: Well, I mean I didn't vote with the majority, so I would presume someone who voted with the majority -- I would obviously agree with correcting -- making a change item -- the majority -- so I would assume it would take someone from the majority wanting to shift their vote from last month.

CHAIRPERSON ORTEGA: A couple of things. I mean I don't think that -- the action we took last meeting is not really what's properly before us on this meeting.

The action we took under Tab 5 was to conform it to the trailer bill and to make additional changes.

We have in the past had discussions about revisiting past actions. It's not something that we typically do at this Board. I'm happy to hear your comments. They're reflective of the comments that you made at the last meeting, so, you know, we're certainly aware of
your concern.

I'm happy to let other Board members -- I know Mr. O'Donnell also did not agree with the past action. I think, speaking for my vote, obviously, I'm still, you know, in support of the action of the Board from the June 5th meeting. So Mr. O'Donnell.

ASSEMBLYMEMBER O'DONNELL: Yes. Thank you. This -- they -- you know, then we got some Brown Act stuff going on probably too, I imagine. I don't know. But -- so I don't know that we could exactly do that today.

But I just -- from my perspective, I'd like to maybe sit down with some of your folks and get more educated on some of the, you know, legal ramifications or statutes that you've cited so then I'm fully educated on your perspective as you sit today. So I'm sure we'll have that conversation. Not here.

MS. ARTHUR: Right. That would be wonderful.

ASSEMBLYMEMBER O'DONNELL: Going forward. Thank you.

CHAIRPERSON ORTEGA: I think the other issue that I would raise just in response is that, as we discussed it at the last meeting, we talked about having -- we didn't have any testimony before us that was from a district who was going to be facing the impact of the action that we took at the meeting. So we were not really clear as to who and
when the issue might come up.

    So I think that's why we took the motion with the
directions to staff that they would bring an appeal to the
Board when the eligibility question caused someone to be
disadvantaged in the program, and because the applications
have not been processed yet, we haven't reached that point.

    So I think -- I guess from a procedural standpoint
it would make more sense to me for us to also see an actual
application being affected by the changes the Board approved
and then consider these issues under -- and I'm going to --
our counsel is interested in making a comment.

    MS. BANZON:  I just want to remind the Board that
this is not an action item, so as much as possible not to go
into discussion.

    CHAIRPERSON ORTEGA:  Sure.

    MS. BANZON:  Thank you.

    CHAIRPERSON ORTEGA:  Thank you. Yes.

    ASSEMBLYMEMBER O'DONNELL:  Just one more comment.

    Piggybacking, you know, on the comments, right, I'd like to
sit down with you, but also maybe you could bring me some
evidence.  I thought we did hear some conversations at our
last hearing, some comments from districts that were going
be to impacted.  I thought mine was, if I recall correctly,
Long Beach Unified.

    So not today, but going forward, I really would
like to sit down with you and then please come ready to
educate me on, you know, the legal ramifications, but also
the practical ramifications at the district level, from
across the state.

MS. ARTHUR: Absolutely. So I think most
districts right now that will be affected, it's going to be
months before they're actually going to have that
information --

CHAIRPERSON ORTEGA: Yeah.

MS. ARTHUR: -- and update their eligibility which
does actually take districts several months to do. From
collecting their information onto track maps, to their
CBEDS, depending on the timing on that, it does take time
and what's going to be processed now it appears that most of
the items that this affects that were on the former
acknowledged list, well, those we're actually not going to
see processed for some time as this first bond sale will go
to those that were on the unfunded list.

CHAIRPERSON ORTEGA: Right.

MS. ARTHUR: So we're actually looking at months
of this and that's why we were hoping to have the discussion
now. We didn't want to leave this sit. It's something we
feel is important as it relates to a lot of districts,
especially County Offices of Education who are financial
hardship and so looking at how their funding will be
determined.

CHAIRPERSON ORTEGA: All right. Thank you. Any other comments from Board members? All right.

Any other public comment on this item? Again this was an informational item.

Please have the record reflect that Mr. Diaz and Dr. Pan have joined the meeting.

MS. ARTHUR: Thank you.

CHAIRPERSON ORTEGA: Thank you. Lisa, what I'm going to do is let's return to the item under Tab 5 -- Lisa Jones -- the regulatory amendment for increased program accountability, if you could call the absent members.

MS. JONES: Yes. Okay. That would be, Senator Pan, how do you vote on the grant agreement, which is under Tab 5?

SENATOR PAN: Hold on. I'm going to get my --

CHAIRPERSON ORTEGA: This is the conforming changes to the item from last meeting.


MS. JONES: Thank you. And then Cesar Diaz?

MR. DIAZ: Aye.

MS. JONES: Thank you. That motion does carry.

CHAIRPERSON ORTEGA: And then the next open item is the regulatory amendments for the Financial Hardship Program.
MS. JONES: Okay. And how do you vote, Senator Pan?

SENATOR PAN: Aye.

MS. JONES: Okay. And Cesar Diaz?

MR. DIAZ: Aye.

MS. JONES: Thank you.

CHAIRPERSON ORTEGA: Okay. And, Ms. Silverman, I think that's it for the action items, right?

MS. SILVERMAN: That's -- the Minutes or --

MS. JONES: Did you want to do the Minutes?

CHAIRPERSON ORTEGA: Sure. Let me -- well, the roll is open. All in favor of approval of the Minutes say aye.

(Ayes)

CHAIRPERSON ORTEGA: We didn't have enough votes on the Minutes. It's very important to --

MS. JONES: Thank you.

CHAIRPERSON ORTEGA: -- on the record. So the action items are complete for those members who had an appointment, and, Lisa, we'll return to the Executive Officer's Statement.

MS. SILVERMAN: I'm going to highlight that we shared --

CHAIRPERSON ORTEGA: But, please, I still need six people to be here.
MS. SILVERMAN: It shouldn't take longer than a
minute or so. We wanted to share with the Board that the
charter round closed that day, June 5th, and we actually had
a $2.5 billion dollars in applications that came to the
door. So it will be a very competitive process and there's
$500 million in the charter program.

We also wanted to highlight that the action the
Board took for the projects moving over with the Prop. 51
designation -- true unfunded list, it was -- those projects
had the ability to submit during the certification round and
we had other projects on the certification round as well.

So we had an interest through that closing date of
$444 million in applications that are competing for a fall
bond sale. So wanted to highlight that to the Board.

We have a few apportionments that are outstanding
for April. We have nine to be exact and those projects have
until July 24th to come in and perfect.

And then the historical building regulations that
we've been long waiting for have also been approved by the
Office of Administrative Law and those are in effect as of
June 19th, so we'll be moving items and instead of having
appeals in the Consent Agenda.

And with that, we have a meeting on August 23rd.
CHAIRPERSON ORTEGA: Okay. All right. And the --
MS. SILVERMAN: There is no Consent. Yeah.
There's no Consent items. There's nothing to report as far as action items in the financial reports, other than the fund releases, we did want to share that $26.4 million went out in June. We have the workload report.

CHAIRPERSON ORTEGA: Okay. And workload items are under Tab 6.

MS. SILVERMAN: Right. And we wanted to highlight there's no activity for July, but we do have a few items slated for August.

CHAIRPERSON ORTEGA: Okay.

MS. SILVERMAN: And one of them noted is the Career Tech Education item.

CHAIRPERSON ORTEGA: All right. Any other comments from members? Any public comment on items not on the agenda? Okay. Seeing none, we'll be adjourned. Thank you, everyone.

(Whereupon, at 4:25 p.m. the proceedings were adjourned.)
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