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CALIFORNIA STATE ALLOCATION BOARD
PUBLIC MEETING
(TELECONFERENCE)

CALIFORNIA DEPARTMENT OF EDUCATION
1430 N STREET
BOARD ROOM 1101
SACRAMENTO, CALIFORNIA 95814

DATE: WEDNESDAY, AUGUST 23, 2023

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APPEARANCES:

MEMBERS OF THE BOARD PRESENT:

GAYLE MILLER, Chief Deputy Director, Policy, Department
of Finance, designated representative for Joe
Stephenshaw, Director, Department of Finance
ANA LASSO, Director, Department of General Services
JEREMY SMITH, Appointee of Gavin Newsom, Governor of the
State of California
JUAN MIRELES, Director, School Facilities and
Transportation Services Division, California Department
of Education, designated representative for Tony
Thurmond, Superintendent of Public Instruction

SENATOR SCOTT WILK
SENATOR JOSH NEWMAN
ASSEMBLYMEMBER AL MURATSUCHI
ASSEMBLYMEMBER LAURIE DAVIES

REPRESENTATIVES OF THE STATE ALLOCATION BOARD/OFFICE OF
PUBLIC SCHOOL CONSTRUCTION PRESENT:

LISA SILVERMAN, Executive Officer
MICHAEL WATANABE, Deputy Executive Officer

Transcribed by: Melissa Reid, CDLT 266
eScribers, LLC
Phoenix, Arizona

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1 **SENATOR WILK:** Present.

2 **MS. JONES:** Senator Laird.

3 Senator Newman.

4 Assemblymember Bonta.

5 Assemblymember Muratsuchi.

6 Assemblymember Davies.

7 **ASSEMBLYMEMBER DAVIES:** Here.

8 **MS. JONES:** Juan Mireles.

9 **MR. MIRELES:** Here.

10 **MS. JONES:** Jeremy Smith.

11 **MR. SMITH:** Here.

12 **MS. JONES:** Ana Lasso.

13 **MS. LASSO:** Here.

14 **MS. JONES:** Gayle Miller.

15 **MS. MILLER:** Here.

16 We have a quorum. And we will welcome the rest of
17 our members as they arrive.

18 We are currently in Room 1101 at the Department of
19 Education headquarters at 1430 N, as in Nancy, Street, if
20 you'd like to provide public comment in person. We're
21 also conducting the meeting by Zoom. And if you would
22 like to participate in the Zoom teleconference, you can
23 do that by raising your Zoom hand. And again, we will
24 have the ability to participate that way in two ways.
25 One, by raising your Zoom hand and we will unmute you.

1 And if that fails, we will allow you then to type your
2 questions into the chat. We will read them out and then
3 respond, and that is during public comment periods.

4 If you are calling into the meeting and not here in
5 person or using Zoom, unfortunately you will not be able
6 to provide public comment. There will not be a closed
7 session at today's meeting.

8 And we will begin with our first action item, which
9 are the minutes from June 28th, 2023.

10 Ms. Silverman?

11 **SENATOR WILK:** So moved.

12 **MS. MILLER:** Thank you.

13 **MR. SMITH:** Second.

14 **MS. MILLER:** Any public comment? We have a motion
15 and a second. Any objection to a unanimous roll call for
16 the minutes? So exciting we're in person.

17 Seeing none. We will keep that open for the members
18 that are coming.

19 The next item on our agenda is the delegation of
20 authority.

21 Ms. Silverman?

22 **MS. SILVERMAN:** Yes. We are pleased to announce
23 tonight that we actually have announced a deputy
24 executive officer that replaces Ms. Kampmeiner. So to
25 my left you'll see Mr. Michael Watanabe, and we're proud

1 that he's here with us today and accepted that role.
2 Michael has twenty-two years of Office of Public School
3 Construction experience, so you don't get any deeper than
4 that bench than him. So I appreciate him being here.

5 So at this time, we're asking the Board to provide
6 us the delegation authority, so Michael can perform those
7 functions delegated by the executive officer and also
8 sign contracts and all things authorized by the State
9 Allocation Board and file regulations on behalf of the
10 State Allocation Board.

11 So with that, I'm seeking your approval.

12 **MS. MILLER:** Thank you so much. Just a personal
13 privilege, Mr. Watanabe. I have gotten to work with you
14 over these past five-and-a-half years. You are a joy and
15 a pleasure. Everything from technology assistance to
16 your deep knowledge of the program and you approach
17 everything with such humility and grace and
18 professionalism. And I think that we are certainly lucky
19 to have you and grateful to Ms. Silverman for her
20 leadership. And obviously, devastated also that Ms.
21 Kampmeindert has moved on, but I just can't think of a
22 better person. So thank you very, very much.

23 Any other comments?

24 **MR. MIRELES:** Congratulations, Mr. Watanabe. Very
25 well deserved.

1 **MS. MILLER:** Great. Is that a motion?

2 **MR. MIRELES:** Motion to approve.

3 **MS. MILLER:** Thank you.

4 **ASSEMBLYMEMBER DAVIES:** Second.

5 **MS. MILLER:** Thank you. Any public comment?

6 Then may we take the roll, please?

7 **MS. JONES:** Senator Wilk.

8 **SENATOR WILK:** Aye.

9 **MS. JONES:** Assemblymember Davies.

10 **ASSEMBLYMEMBER DAVIES:** Aye.

11 **MS. JONES:** Juan Mireles.

12 **MR. MIRELES:** Aye.

13 **MS. JONES:** Jeremy Smith.

14 **MR. SMITH:** Aye.

15 **MS. JONES:** Ana Lasso.

16 **MS. LASSO:** Aye.

17 **MS. JONES:** Gayle Miller.

18 **MS. MILLER:** Aye.

19 That is approved, yay. And we will keep that open

20 for other members to share their love with Mr. Watanabe.

21 We'll now move to the executive officer's statement,

22 please, Ms. Silverman.

23 **MS. SILVERMAN:** Yes. We have a few items that we

24 just want to provide the Board these budget updates that

25 impact the program with the California preschool and

1 transitional kindergarten, full-day kindergarten facility
2 grants program with the Senate Bill 114 signed by the
3 Governor July 10th. We just wanted to highlight there
4 has been an extension granted for the encumbrance and
5 expenditure of the funds awarded in '21/'22. And that
6 extension has been extended to June 30th of 2027.

7 And those program funds that have been awarded for
8 the '22/'23 fiscal year, that has been extended to June
9 30th of 2028. Additionally, we also want to note that
10 the \$550 million, again, we're just highlighting that the
11 funds have been mentioned that it would be provided to
12 the program potentially in the '24/'25 fiscal year. So
13 that was the intent.

14 The next item we wanted to share with the Board is
15 we have over \$1.9 billion in General Fund proceeds that
16 will come to the State Allocation Board on behalf of
17 processing new construction and modernization program
18 grants for the '23/'24 budget year. And so again, we're
19 looking forward to continuing to process our program
20 grants that are on existing workload.

21 And other impacts as a result of the San Bernardino
22 City lawsuit against the State Allocation Board, we also
23 wanted to acknowledge that there is a statute change
24 related to the K-12 audit guide and what it shared before
25 was collecting of the savings from the program as a

1 result of charter school career technical education
2 program grants, and the financial hardship assistance.
3 So we'll be working hand-in-hand with the controller's
4 office in modifying the K-12 audit program as well.

5 We have some great news next month. We'll be
6 handing out \$367 million for the second filing round for
7 the California preschool and transitional kindergarten
8 and full-day kindergarten grant program. Again, just to
9 remind the Board, we received 446 applications for over
10 \$1.479 million. So great news, lots of awards to be
11 granted next month. So we're looking forward to that.

12 And then our next State Allocation Board meeting is
13 September 27th at 3:00.

14 **MS. MILLER:** Fantastic. Any questions for Ms.
15 Silverman? Seeing none.

16 Any public comment? Seeing none.

17 We will now move on to our consent agenda, please.

18 **MS. SILVERMAN:** So the consent agenda, I just wanted
19 to highlight there's one item that the item the consent
20 agenda is ready for approval, but we just wanted to make
21 an exception here. There is a construction cost index
22 adjustment or new construction costs -- new construction
23 eligibility adjustment. It's for Fountain Valley, and
24 that's on stamped page 22. That has been withdrawn.

25 And typically we do present them in September. So

1 that will be going forward in September rather than this
2 month. So that was one thing to note. And the consent
3 agenda is ready for your approval to approve over \$281.3
4 million of new construction and modernization projects
5 and over \$6.7 million for facility hardship projects.

6 **MS. MILLER:** Great. Thank you very much. Any --

7 **SENATOR WILK:** Moves.

8 **MS. MILLER:** Great. Moved by Senator Wilk.

9 **MR. MIRELES:** Second.

10 **MS. MILLER:** Seconded by Mr. Mireles.

11 Any public comment? Again, if you can raise your
12 Zoom hand in the Zoom interface. We don't have any
13 public comment on speaker cards. Anyone in the audience
14 on the consent calendar? Seeing none.

15 May we please -- any objection to a unanimous recall
16 on this one, too? Great. The consent calendar is
17 approved. We will keep the roll open, noting that
18 Assemblymember Muratsuchi has joined us.

19 After the financial reports will go through the
20 we're going to see if we get a couple other members, Mr.
21 Muratsuchi, and then go ahead and reopen the roll on all
22 the items. Thank you so much for joining us.

23 **ASSEMBLYMEMBER MURATSUCHI:** All right. Thank you.

24 **MS. MILLER:** The financial reports, please, Ms.
25 Silverman?

1 **MS. SILVERMAN:** Financial reports, I just want to
2 highlight there's been lots of disbursements over the
3 summer, so 89.9 million for June. That means proceeds
4 going out to districts and \$160.6 Million going out in
5 July. And again, these are fund release requests by
6 districts.

7 And again, in the status of funds, we just wanted to
8 highlight the Board did approve those items and the
9 consent agenda and so hoorah, we got a lot of program
10 grants awarded tonight and we're excited about that.

11 **MS. MILLER:** Great. Wonderful. Any questions on
12 the financial reports? Any public comment? Again,
13 please use the raise hand feature in Zoom. Great. We
14 will now move on to -- are you okay, Assemblymember
15 Muratsuchi, if we move to our action item and then go
16 back through all the action items when the other members
17 arrive?

18 **ASSEMBLYMEMBER MURATSUCHI:** Sounds good.

19 **MS. MILLER:** Great, thank you. I appreciate that.

20 So we will now, Mr. Watanabe, move to the
21 application of the construction cost index changes to the
22 projects previously on the unfunded list.

23 **MR. WATANABE:** Thank you. We're on stamped page 194
24 of the agenda. This is our application of construction
25 cost index or CCI for short, changes to projects

1 previously on the unfunded list. So in response to a
2 litigation, the Coalition of Adequate School Housing v.
3 the State Allocation Board, we're requesting the Board to
4 do two things as a result of the writ of mandate remand
5 from the Orange County Superior Court and the California
6 Court of Appeals.

7 They've asked us to do two things. One, is
8 reconsider the Board's decision regarding the application
9 of CCI adjustments to the apportionments for school
10 districts on Attachment A that would draw on an unfunded
11 list and later approved for apportionment in September of
12 2017.

13 And secondly, specify the basis for the Board's
14 decision. So just a little background. The Board
15 annually adjusts the CCI index each year for our per
16 pupil grants based on the Class B construction cost
17 index. We last did that in January of 2023 when the
18 Board increased the grants by 9.3 percent. And we do
19 that every year in January, generally of each year.

20 On occasions, the Board has had to adjust to address
21 the question of what to do with the unfunded list for
22 those projects. So we have two unfunded lists we're
23 talking about here. The first one on attachment A is the
24 unfunded list. We call it also the true unfunded list,
25 it's known as. These are projects that OPSC has fully

1 processed. We have determined they are eligible for
2 program funds at that time, but we elect the bond
3 authority to fund them.

4 So we present them to the Board and they get placed
5 on this unfunded list and they're waiting for a future
6 bond sale or program funds to allocate to the program.
7 The second list we're talking about is the unfunded list,
8 lack of AB 55 loans. And these are projects that are
9 also fully processed by OPSC. But in this case, we have
10 bond authority for the projects. They're just waiting
11 for cash for a bond sale to fund those.

12 We call it lack of AB 55 loans, because prior to
13 2008, when we had the fiscal crisis for the State, we
14 used to provide direct apportionments to projects, but we
15 didn't have cash in our bank accounts for those. So we
16 borrowed money from the Pulled Money Investment Board as
17 a loan and then the treasurer would sell the bonds later
18 to backfill that. So that's where that name comes from.

19 So as I said, we've had a lot of discussions over
20 the years. I want to take you back to 2010 when the
21 Board for the first ever CCI just spent, there was
22 actually a decrease of a little over six percent. At
23 that time, the CCI applied to anyone approved going
24 forward for new unfunded approvals and placing them on
25 the list and they would wait for cash.

1 In 2011, the CCI went up. The Board took action at
2 that time in 2011 to apply that CCI amount to all the
3 projects waiting for cash on the unfunded lists, lack of
4 AB 55 loans at that time.

5 Fast forward to 2012, we saw a lot of dwindling bond
6 authority in the program. CCI index again went up. We
7 presented to the item to the Board to discuss options for
8 the application in those grants, application of that
9 index adjustment two products on the unfunded list at
10 that time. In parallel to this, there was a lot of Board
11 discussions going on. There was a subcommittee formed
12 for new construction and taking a look at bond authority
13 as it's dwindling down in the program. And how do we
14 address that with no future bond currently on the horizon
15 as had been in the case in the past.

16 We presented options to the Board at the January
17 meeting and to adjust all the products on the unfunded
18 list would have resulted in about a \$44 million reduction
19 in bond at thirty-four projects waiting for funding. The
20 Board asked us to come back in February of 2012 and
21 provide a history of the adjustments. And what we showed
22 back there is historically when we've been lack of
23 authority or cash for the program, the Board has adjusted
24 CCI. But we were in a different time frame in 2012.
25 There was nothing on the horizon.

1 In the past, the longest gap in time between a true
2 unfunded list or an unfunded list, lack of cash list
3 funding forming was about two years. So at that time,
4 with nothing on the rise in, the Board chose not to
5 adjust the projects on the unfunded list. They stayed on
6 the list at those originally approved amounts.

7 Going to January of 2013, CCI again went up. So
8 again, one more time we brought the options to the Board
9 and asked them what would you like to do with the
10 unfunded list at that time? At that time, we had two
11 unfunded lists for them. We had both the true unfunded
12 list that was already starting to fill up and the
13 unfunded list lack of AB 55 loans.

14 The Board made a couple of motions and neither of
15 them passed, so the project stayed by default at their
16 originally approved amounts, 2012/2013 CCIs on that
17 unfunded list where they remained that way all the way
18 through 2017, until we approved the projects. So each
19 month we published every month since 2013 -- well, let me
20 back up.

21 In 2012, also happening in concern of the program
22 and what the Board wanted to do that we -- the Board,
23 made a conscious decision to rapidly get rid of that true
24 unfunded list. There was emergency regulations approved
25 and we formed the application received beyond bond

1 authority list. There is a desire among stakeholders to
2 maintain a list to inform the legislature and the
3 administration of the need for the program. And but the
4 Board knew they wanted to change the program in some
5 manner, potentially.

6 So as a middle ground, we formed this list. The
7 applications are received by OPSC. We confirmed they
8 have all the documents needed to process the application,
9 but we don't actually process it. It literally sits in a
10 corner in the office and it sat there for five years
11 until we got to 2017. So any projects received after
12 October 31st of 2012 went to this new list.

13 Moving forward to 2016, Proposition 51 passed. The
14 Board had a variety of discussions in early 2017 about
15 how to get the money out the door as quickly as possible
16 while addressing accountability components in the
17 program. Over those discussions, in June 2016, the Board
18 chose to move projects from the true unfunded list onto
19 the unfunded list lack of AB 55 loan. They are
20 prioritized to receive Prop 51 Bond authority and then
21 cash once those eventually sold.

22 What's important to note for those projects on the
23 true unfunded list in the discussions in 2017 is, they
24 were not subject to the new rules for all projects
25 processed after that point in time. They were not

1 subject to grant agreements, which included limitations
2 on the eligibility expenditures such as technology. New
3 construction projects were not subject to the refresh of
4 eligibility or reconfirmation of eligibility for the
5 program for new construction.

6 They are all exempt through -- based on a variety of
7 feedback from stakeholders, and all those transcripts are
8 included in attachment C in this item, and they were
9 presented to the Board back in 2018. In August there was
10 a bond sale -- August 2017, there was a bond sale for the
11 program.

12 So at the September Board meeting, we presented all
13 those projects for priority funding apportionments. A
14 Board member did ask at that time what CCI year we were
15 using, and we did point out that it was that their
16 originally approved amounts as they had been placed on
17 the list in June of 2017. The Board voted and approved
18 apportionments for those projects.

19 In response to litigation, at the September 2018
20 meeting, we presented all the information and attachments
21 to the Board to decide how they wanted to handle the
22 litigation. And at that time, the Board at that time
23 chose to move forward with the litigation. And that's
24 where we are today here four years later.

25 The court found that the Board had the authority to

1 make the CCI adjustment or not to make the CCI
2 adjustment. But where the Board erred was, we didn't
3 specify the reasons and why it may have been apparent to
4 the members at that time, we did not present that item a
5 list of reasons. We just presented the amounts as
6 they've been published.

7 So on page 199 for the Board's consideration today,
8 we kind of list kind of these facts that I've laid out
9 for you. The fact that the Board has had extensive
10 discussions over time on the options of providing CCI
11 adjustments for projects on the two unfunded lists.

12 The Board has had this debate multiple times and no
13 actions were taken to adjust anyone after 2011. Projects
14 have been presented in the Board every month at their
15 originally chosen amounts or originally approved amounts.
16 It was apparent from the Board's actions in 2012 to
17 create the application to receive bond authority list,
18 that their desire to change the program and not continue
19 as the current process was.

20 And we also believe that the projects on the list
21 had a choice in 2017, especially modernization projects.
22 They could have withdrawn and resubmitted their
23 applications and gotten the current CCI. They would have
24 waited. They would have had to make that choice, though,
25 between cash in hand versus waiting. New construction

1 projects, we do acknowledge that if they had occupied
2 their classrooms, they would not be eligible to reapply
3 and do that. But that was a choice they made to stay on
4 the true unfunded list at that time.

5 We also point out that every single project approved
6 in 2012 and '13 on the true unfunded list had a special
7 condition at the bottom of every one of those funding
8 shells that specified that the Board's approval did not
9 constitute a guarantee or commitment of future state
10 funding and should not be relied on in any manner or any
11 kind. And we cautioned to place any reliance on the
12 placement of that list. So as such, we believe that
13 everyone was clearly aware of what was going on there.

14 We knew at the time in 2017 that a lot of these
15 projects were reimbursement. What we've laid out on page
16 201, just from an additional consideration for the Board,
17 is at the time the Board made the decision in 2001, over
18 90 percent of the projects were already completed based
19 on data we have from the Department of State Architect
20 and their closeout data. Construction cost indexes are
21 intended to cover the cost of construction at that time,
22 though, we do acknowledge that we do reimbursement
23 projects at the current CCI versus the year they actually
24 constructed.

25 On page 202, we lay out for the Board the impact of

1 today's decision. If you had \$100 back in 2012 and you
2 increased it by the CCI annually up until 2017, it's
3 roughly a 15.7 percent increase in the grants. If the
4 Board chooses to make those adjustments today, we'd have
5 to actually run the numbers for each project and process
6 them based on those amounts. But we're estimating
7 roughly a \$55 million adjustment would be needed to
8 provide 2017 CCI to these attachment A projects.

9 And then lastly, on page 203, we've kind of laid out
10 on what we have in attachment A is responses from fifteen
11 school districts and representatives and stakeholders to
12 our preliminary report of this item and their responses.
13 We've summarized them for you on page 203. A lot of it
14 you'll see has some similarities that we've kind of laid
15 out there, and these have all been prior topics already
16 discussed and considered by the Board in the past. We've
17 elected not to include any legal arguments here, as the
18 Court has already weighed in on the legal arguments of
19 the Board's authority to make these adjustments or not
20 make these adjustments.

21 So with that inclusion, we think the Board correctly
22 exercised its discretion in 2017, when it declined to
23 apply the CCI adjustments. We believe it was fiscally
24 prudent for the district at that time, given the extended
25 gap in time of up to five years that projects had been

1 sitting on that list. We don't believe retroactively
2 applying the CCI adjustment would be appropriate, and it
3 would prematurely exhaust funds that were already
4 subscribed today by over 2 billion, even with the 2
5 billion cast, at least I mentioned earlier, that was just
6 provided to our program this year.

7 With that, the Board does need to take action one
8 way or another and explain the reasons for it, whether it
9 be the comments from staff or other considerations. They
10 would like to indicate that we have a response due to the
11 courts that is due August 31st of 2023.

12 **MS. MILLER:** Great. Thanks.

13 **MR. WATANABE:** And I'll be open for questions.

14 **MS. MILLER:** Great. Thank you. So I'm just going
15 to note, as Mr. Malloy (ph.) will in the chat as well,
16 that our Zoom interface, we will not be able to hear you
17 in the room. So if you could please use the Q&A function
18 in Zoom, we will read each question aloud for public
19 comment. So please, again, if you're using Zoom, please
20 use the Q&A function and not the raise hand function.
21 Apologies for that.

22 So with that, we're going to move to public comment.
23 If you haven't already submitted a speaker part, please
24 do that. We have, I think -- how many do we have, Ms.
25 Jones.

1 **MS. JONES:** We have eight.

2 **MS. MILLER:** We have we have eight people. So I'm
3 going to ask you not to repeat yourselves. We do have --
4 our members do have a stop here at 5. So we're going to
5 really do our best to get out of here. If in fact, you
6 keep going along, we'll begin to limit you. So we just
7 ask that you're really conscious of your time and
8 statements.

9 So with that, and in the order I received these,
10 we're going to call on John Shook from the Savanna School
11 District, please. And if you could line up in this
12 order. Jim Havarti (sic) also from Savanna, Sue Johnson
13 also from Savanna and Alan Reising, and I apologize if
14 I'm pronouncing it incorrectly, from Cash. Stacy
15 Ambrozich from Val Verde Unified School District. Jeremy
16 Cogan from Santa Ana Unified School District. Martin
17 Home (ph.) from Towle Rosini (ph.), I think that's a law
18 firm. And Glenn Gould from was it Orbach Huff &
19 Henderson, in that order.

20 So thank you for being here, please, Mr. Shook.

21 **MR. SHOOK:** Well, thank you for having us here
22 today. Good afternoon, Madam Chair. My name is John
23 Shook. I'm from Savanna School District. I'm currently
24 vice president of the Board of Education and representing
25 all our Board members. With this from the State

1 Allocation Board, our community is eighty-four percent
2 economically disadvantaged. So as taxpayers, we passed
3 bonds back-to-back and we talked to them, talked to our
4 constituents and our voters that said that the State is
5 going to help us out. We'll pass the bond. But the
6 State is also going to help us out by passing -- by
7 reinstating some of the district monies so that we can
8 also build more and expansive buildings and facilities
9 for our kids.

10 And this is all before pre-K and TK that's coming
11 in. That's a whole nother story. So listening to us in
12 our Board meetings and walking the streets and the
13 supermarkets and stuff like that and saying that the
14 State Allocation Board's withholding these funds from us
15 and they're asking us why, why, why? And we said, we've
16 gone to court.

17 It's just imperative to us that we collect these
18 monies back, especially for us, not only the school
19 district, but for our taxpayers that supported us in this
20 whole bond program. They expect this -- that it's going
21 to be made whole, that the State is going to return the
22 monies to us that are owed to us. And at this time, we
23 really could not afford to do a COP.

24 We're using general fund moneys now to help offset
25 some of our facilities cost. And it's just -- we're just

1 maxed out on our bonding capacity. So we're just asking
2 for your approval on this measure. Thank you.

3 **MS. MILLER:** Great. Thank you very much.

4 If we may have the next speaker, Jim Havarti from
5 Savanna, also, School District. Thank you.

6 **MR. HARRIS:** So thank you, Madam Chair, for allowing
7 me to address the honorable members here of the SAB
8 present today.

9 **MS. MILLER:** Do you mind stating your name for the
10 record, sir?

11 **MR. HARRIS:** Yes. My name is Jim Harris. I
12 apologize for the writing. I was writing on my hand.

13 **MS. MILLER:** Oh, my gosh. I apologize.

14 **MR. HARRIS:** Sure. I represent the students and
15 staff of the Savanna School District. Savanna serves
16 children and students from the ages of eight weeks old to
17 twelve years of age. Eight weeks old is, that's a new
18 one for us this year.

19 I'm here today to ask you all to please approve the
20 increase in the construction cost index to the
21 apportionments made on September 6th, 2017. That CCI was
22 expected and budgeted to be used based upon historical
23 expectations of receiving a CCI at the time in which
24 apportionment are disbursed.

25 It's my understanding that the September 6th, 2017

1 funding round is the only time that CCI was not issued.
2 Like Savanna, it's my understanding that most, if not
3 all, school districts continue to develop budgets based
4 upon expectations that the SAB will increase the per
5 pupil grant award annually to offset the CCI or
6 inflation. We're all understanding inflation these days
7 at or prior to disbursing punishments.

8 Had the CCI at that time been increased as expected
9 almost six years ago, those funds would have immediately
10 been used to move forward with a plan to provide
11 desperately needed restrooms as promised to our Hanson
12 students. It's one of our schools -- one of our
13 elementary schools. The cost -- at the cost of
14 construction in that fiscal year, as you can imagine, the
15 proximity and number of toilets can be a critical issue
16 with very young children.

17 And now we're serving very, very young children.
18 When they have to go, they have to go. So restrooms are
19 so important. Now, another six years has passed and of
20 course, cost of construction continues to rise, not to
21 mention the increased costs related to the ever-changing
22 building codes. So those also obviously kick up
23 construction costs.

24 To one example, the restroom that I'm speaking of
25 would have cost, and my numbers go back to 2020,

1 \$605,000. Today's cost is \$720,000 for that same
2 restroom. The CCI is so important to schools. It's
3 something we really rely on to serve our students.

4 Unfortunately, the SAB members in 2017 did not hear
5 an appeal from Savanna School District or any other
6 districts. The SAB chair at that time acted alone and
7 rejected our appeal by means of a letter sent by that SAB
8 chair at that time. This SAB chair is so much nicer.

9 So I'm hopeful that the members of this body
10 overturn the wrong decision made in 2017 by reversing
11 that decision and providing the CCI adjustments to the
12 districts that were negatively impacted. If so, children
13 will benefit from that decision. Thank you.

14 **MS. MILLER:** Thank you very much. I appreciate it.

15 Dr. Sue Johnson, please, also from Savanna. Just
16 noting, if you could just please keep the comments brief,
17 would really appreciate it. Thank you.

18 **DR. JOHNSON:** Thank you. I'm Sue Johnson,
19 superintendent of Savanna School District. This is --
20 lower it?

21 **MS. MILLER:** I just want to make sure our folks on
22 Zoom can hear. Thank you, Dr. Johnson.

23 **DR. JOHNSON:** This is my thirty-fourth year in the
24 district, my eighteenth is superintendent, so I have a
25 long history and a commitment to this school district and

1 to the families we serve. And with eighty-four percent
2 of our children economically disadvantaged, we feel that
3 we have been treated differently from others. And maybe
4 it's because we're a small district that doesn't have the
5 funds to reach out and support our kids. Or maybe
6 because we're not -- we're poor. I mean, the district is
7 not an affluent district.

8 We were unilaterally denied by the chair and we
9 weren't provided with that opportunity to appeal to the
10 Board. And to kind of rub salt into the wound. We ended
11 up with Cyprus' denial, and they ended up with our denial
12 at the time. So that was even more confusing for us.

13 We feel that we've had unequal treatment, and the
14 denial has impacted our children who are highest risk of
15 just not having the same equity, the same parity. And
16 that is not what we're looking for because we want to
17 treat all of our children equal. We want the parity.

18 We truly appreciate Ms. Silverman's ability and her
19 visit to our district back in 2018 to help us find other
20 funding. That didn't -- we weren't able to locate other
21 funding, but it didn't address the lack of CCI. Every
22 year we're forced to delay, as Mr. Harris said, the costs
23 go up.

24 So our community really deserves this. Our students
25 at grade school during the 2012 modernization year, that

1 was eleven years ago. They're now in high school. The
2 children in 2017 are going to promote to seventh grade
3 next year. So we've gone through a whole generation of
4 children that -- where we haven't been able to provide
5 that same equity. We hope that you're able to help us
6 provide the equity to the next generation by doing the
7 right thing for kids, by doing the right thing for our
8 community, by doing the right thing to right this wrong.

9 We could have removed our name from the list, but we
10 didn't know it was going to happen. We had no notice of
11 that meeting. And then you're rolling the dice that
12 you're going to get back on the list. So we really
13 appreciate your time and your consideration of this
14 matter. It's very important to us. Thank you.

15 **MS. MILLER:** Thank you. And congratulations on
16 thirty-four years in service to the students of Savanna.

17 Next, I don't want to do this wrong again. Mr. Alan
18 Reising. Sorry. Okay.

19 **MR. REISING:** Thank. Thank you. Again, my name is
20 Alan Reising, and I'm the current chair for the Coalition
21 for Adequate School Housing, better known as CASH. CASH
22 membership represents over eighty percent of the students
23 in our state today. I'm here to talk to you a little bit
24 about the concept of fairness and equity to the students
25 and children that are served by these projects.

1 And make no mistake, I use that very specifically.
2 These projects are to serve students in our state. They
3 make a meaningful benefit to the students and how they
4 are able to perform in our schools. This Board, since
5 the inception of the school facilities program, has
6 awarded thousands upon thousands of projects over \$50
7 billion worth of projects. But only these 129 projects
8 are not being treated fairly and equitably in the
9 program.

10 It's important to remember that since the conception
11 of the program in 1998 until 2012, every project awarded
12 was benefited from construction cost increases at the
13 time of that apportionment. Similarly, since 2017 and
14 18, again, every project benefited from the construction
15 cost index at that time or that apportionment. But only
16 these 129 projects did not benefit from that.

17 Only these students that are represented by these
18 129 projects did not benefit from that fairness and
19 equity. These school districts entered the program
20 assuming that they were going to be treated fairly and
21 equitably. They did nothing wrong. They followed the
22 rules. They did not violate a rule or a procedure.

23 They entered the program with the full expectation
24 that they would be treated equitably. But only these 129
25 projects didn't get that funding. And make no mistake,

1 the removal of that funding will impact children.
2 Districts were forced to make decisions on things like
3 reducing scope, pulling functionality out of these
4 projects that could benefit children on a daily basis.

5 They had to maybe cancel other projects, remove work
6 from other schools that could have benefited from that
7 money, or they had to take loans out that was paid off
8 from general fund proceeds or other revenue streams that
9 would have benefited the lives of children in their
10 school districts. Districts were faced with really bad
11 choices that they had to make in order to move these
12 projects forward with the lack of those proceeds.

13 But any way you look at it, children ended up losing
14 in this mix by not getting these additional construction
15 cost increases.

16 **MS. MILLER:** If you want to wrap it up, sir, please.
17 Thank you.

18 **MR. REISING:** Yeah. So at this time, I want to
19 basically compel you take the opportunity to rectify an
20 error, an abuse of discretion that happened back in 2012.
21 It was a prior Board that made that decision. But it's
22 your opportunity today to make that right and to really
23 think about the students of our of our state and how
24 these this monies can positively impact those school
25 districts and how they serve their children.

1 So again, I can tell you to increase the -- provide
2 the construction cost increase to all 129 projects on
3 this list to benefit the students of our state. Thank
4 you.

5 **MS. MILLER:** Thank you. Stacy Ambrozich. Did I get
6 that wrong too, from Val Verde?

7 **MS. AMBROZICH:** It's Stacey Ambrozich. Close. It's
8 a little difficult. I'm here representing Val Verde
9 Unified School District. First, allow me to thank you to
10 the State Allocation Board and OPSC for the many projects
11 that we've been successful on.

12 The issue that I'm here to speak about is, like my
13 colleagues, is the apportionment that was made in 2017
14 using 2012 dollars. This took the district and many
15 districts by surprise. Lack of communication between the
16 State Allocation Board and districts, even with written a
17 written appeal, came back with no comment.

18 We were kind of left wondering what's going on.
19 This has not happened and taken place in the past, nor
20 has it in the future -- since then. To further the
21 issue, the OPSC stated the districts were about 92
22 percent, complete with their projects by the time the
23 payments were made. That's probably a true statement.
24 However, we descoped our projects drastically.

25 One of the one of our biggest was the performing

1 arts. And that did not -- we have no place for music --
2 for our kids, for music or any other of the art programs
3 to perform. When the district -- excuse me. I'm trying
4 to read this. Working in good faith, the districts had
5 the short -- the funding shortfall based on the State
6 Allocation Board's change and their past practice. Many
7 eligible items under the school facility programs also
8 became ineligible, making it kind of a double hit to the
9 districts.

10 The only thing that we're asking is that the State
11 Allocation Board reconsider and to fund at the 2017
12 eligibility, making the districts whole. We appreciate
13 your consideration.

14 **MS. MILLER:** Thank you very much.

15 Jeremy Cogan from Santa Ana Unified.

16 **MR. COGAN:** Thank you, Madam Chair, and members of
17 the Board. My name is Jeremy Cogan. I am with Santa Ana
18 Unified and live in Laguna Niguel. It's good to see you,
19 Assemblymember Davies. Like my peers before me, I'm here
20 to urge the State Allocation Board to reconsider
21 providing these construction cost index updates to
22 districts.

23 And in Santa Ana Unified, our Mitchell Child
24 Development Center was really forced to cut back on some
25 really critical portions of the project. We could not

1 build any of the shade structures, any of the playground
2 equipment that had been part of the original concept of
3 the project that all had to be cut. And like my
4 colleagues before me, were we to do that now, we'd
5 obviously have a significantly greater cost to implement
6 that.

7 The shortfall affects a program serving special
8 needs toddlers and preschoolers, fourteen early childhood
9 autism programs, as well as mild-moderate, moderate-
10 severe and medically fragile students. They all have
11 insufficient playground equipment and inadequate
12 protection from harsh sunlight or inclement weather. I'd
13 like to say that we could have advocated for these
14 students back in 2017, but there was no notice made to
15 school districts like ours that we would get anything
16 other than what had been our assumption of the normal
17 update to the construction cost index.

18 As a matter of fact, the agenda then stated only
19 priority funding apportionments, a title that didn't
20 provide sufficient information about the action to be
21 taken. This is concerning given SAB's rules, but had it
22 been properly agendized, we would have come before the
23 SAB to advocate for our kids.

24 I'd like to tell the families back in Santa Ana that
25 we had the opportunity to appeal back then. But the SAB

1 refused to hear the district's appeal of its
2 apportionment decision and it was returned to the
3 district without any action being taken. That left us no
4 choice but to join many of our peers in the action taken.

5 So quite simply, as my peers and my colleagues have
6 stated, I'm going to add to the chorus and say that we
7 really do hope that this is very carefully looked at and
8 reconsidered. This means a lot to these special needs
9 kids.

10 It means a lot to every kid in every district that
11 has been impacted by this, everyone on the list and
12 whether or not the outcome changes today, I sincerely
13 hope this is taken into consideration with policy making
14 going forward. Thank you.

15 **MS. MILLER:** Thank you very much. Thank you.

16 Martin Home, please.

17 **MR. HOME:** Good afternoon.

18 **MS. MILLER:** Good afternoon.

19 **MR. HOME:** My name is Mark Home. I'm an attorney,
20 too, with Towle Rosini. Thank you for so much for having
21 us. It's nice to see everybody in person instead of
22 watching it on the computer. But something, and I had
23 the pleasure of representing CASH, Bakersfield, Central
24 Unified, Cypress, and Savanna in the litigation.

25 And one thing that came up during the litigation

1 that we spent a lot of time on is one of your
2 regulations. It's 1859.107. Your attorneys took the
3 position and said, hey, if you're on this unfunded list,
4 this says you may -- capital words MAY, get an adjustment
5 in the future.

6 So what disappointed me with the court was this
7 regulation was passed in 1999. God, that was a long time
8 ago. But when this Board passed that regulation, it went
9 through all the categories and it said, hey, if you've
10 already been approved and received your apportionment,
11 which is not the case here, you do not get any changes in
12 the program and you do not get a CCI adjustment. You got
13 your money, so you're good if you've submitted your
14 application, but OPSC has not processed it, that would be
15 the applications beyond, right?

16 So they've got it. They've looked at it, but it's
17 not been processed. You get changes in the program and
18 you get CCI adjustment. Here's the important one. If
19 you're on an unfunded list like we had here, you do not
20 get changes in the program. However, you do get the CCI
21 index adjustment, exactly this case. The Board passed
22 this. I think you called it a guideline for processing.

23 And it was so important that OPSC sent out a mass
24 mailer in November of 1999 to every school district
25 setting forth --

1 **MS. MILLER:** Sir, these arguments were made in court
2 and addressed by the court. So everyone else has had
3 about two and one half minutes. So I don't want to
4 relitigate what happened in court so, please.

5 **MR. HOME:** I just want to make sure that these
6 members are aware of that. Because I know none of you,
7 maybe one, was on the Board. And I just want to make
8 sure that you're aware of that.

9 **MS. MILLER:** We don't need to restate arguments. We
10 can summarize them differently. Thank you. But no,
11 please finish. But finish without describing the entire
12 oral argument the team.

13 **MR. HOME:** That was I just wanted to address that
14 and I haven't addressed the others. It was just that one
15 point with the regulation. It was disappointing to me
16 that the court didn't really even address that. And --

17 **MS. MILLER:** They did hear it.

18 **MR. HOME:** They did hear it. Thank you.

19 **MS. MILLER:** Thank you.

20 Glenn Gould, please.

21 **MR. GOULD:** Good afternoon. My name is Glenn Gould.
22 I am with the law firm Orbach, Huff & Henderson. We were
23 attorneys of record for both the Val Verde Unified School
24 District and the Santa Ana Unified School District and
25 the writ proceeding. I'm not going to revisit the legal

1 arguments, but I do want to make a couple of what I think
2 are important points.

3 There's an overarching theme throughout this
4 process, which is a lack of communication between this
5 Board, OPSC, and the member districts who were impacted
6 by these apportionments. We've heard about the
7 agendizing of the item and how that was inadequate, which
8 is why nobody showed to contest these appointments.

9 But also on the back end, meaning at the point in
10 time when the SAB finally took up the apportionments in
11 2017, we've heard that -- from Mr. Watanabe, that ninety-
12 two percent of the projects had been completed. That's
13 frankly not a completely accurate statement. Many of
14 those projects had to be scoped because the money wasn't
15 there.

16 And I don't know of any attempt made by OPSC to talk
17 to these impacted districts and figure out whether that
18 statement was even accurate, to make any determination as
19 to what the adverse impacts were to these districts. And
20 in light of that, the action that was taken, that's very
21 disappointing. And I would suggest to you as what is
22 essentially a new Board from 2017 and your composition,
23 that moving forward, the problem needs to be addressed or
24 problems.

25 The problem of communication, when you're taking an

1 action that is anomalous with the actions you've taken
2 before and making sure that everybody understands what
3 you're doing, so they have an opportunity to be heard.
4 This is the first opportunity they've had to be heard.
5 The other thing I would say is that I would hope that
6 moving forward, there will come some point in time where
7 the regulations get changed, revised, so that we can make
8 sure that districts in the future receive a full
9 apportionment that they're due. Thank you.

10 **MS. MILLER:** Thank you very much.

11 Any other public comment in person? Seeing none.

12 I'm going to read a comment from Anne Silvas from
13 Cypress School District. And if you could, please, if
14 anyone else has anything, please put it in the Q&A. And
15 I'm reading it directly. And again, I apologize. You
16 don't have the opportunity to present on Zoom.

17 Good afternoon, members of the Board. My name is
18 Anne Silvas, and I'm the superintendent of Cypress School
19 District, which serves 3,400 students in transitional
20 kindergarten through sixth grade in Orange County. I
21 want to start by expressing my appreciation that this
22 matter is finally being discussed in a public meeting
23 because it affords affected school districts the
24 opportunity to address the Board on the impact of your
25 decision today.

1 When we attempted an appeal to the State Allocation
2 Board in 2017, we were summarily dismissed in a rejection
3 letter from then Board Chair Irene Ortega. Nearly six
4 years later, we finally get our chance. However, I am
5 extremely disappointed that my comments cannot be heard
6 directly by the Board, but rather must be read and
7 consequently interpreted by another reader.

8 I understand when resources are limited, tough
9 decisions must be made, but how do you make informed
10 decisions without sufficient information or consideration
11 of the impact they will have on those affected? The
12 assumptions made by the Office of Public School
13 Construction in their recommendation to you are both
14 superficial and flawed.

15 To my knowledge, no one ever reached out to school
16 districts on the 2012/'13 unfunded list to find out what
17 did or didn't happen when with school modernization
18 projects as a result of significant delays in funding, at
19 least no one reached out to me. So I would like to share
20 with you what happened in Cyprus.

21 Steve Luther Elementary School was nearly 50 years
22 old and in desperate need of modernization. Our students
23 and staff deserve better. The project simply couldn't
24 wait, so we had to stretch and secure bridge financing.
25 We issued certificates of participation in anticipation

1 of state funding. That's how important this
2 modernization project was to the district.

3 While their project may be complete today, we're
4 still paying the bill. So this notion that we don't need
5 the additional CCI adjustment is quite honestly
6 offensive. How does OPSC know what we need? They don't
7 because they never asked. But now you know. Ours is
8 just 1 story, 1 of 129.

9 Additionally, the statement made this afternoon that
10 we had a "choice" is false. It was a false choice. The
11 bottom line is this, if you do not apply the CCI
12 adjustment as applied in the two subsequent funding
13 rounds after hours, you will be unfairly penalizing the
14 students of the Cypress School District as well as the
15 students in 128 other California school districts. The
16 Board is not bound by the decisions of the past.

17 Therefore, I urge you to make the right decision
18 today their fair decision, and apply the CCI adjustment.
19 Thank you.

20 And again, I sincerely apologize, Superintendent
21 Silvas, that you are not able to answer that in person.

22 Any other -- anyone else in the audience that wants
23 to comment? I'm going to just make one more plea for
24 public comment online. You can put it in the chat, you
25 can put it in the Q&A. We'll just give you about ten

1 seconds if you'd like to make a comment and wait for you
2 to type in your answer.

3 All right. Well, seeing none, I do want to address
4 some of the comments and then I'll open it up to the
5 Board for comments. I think that the -- what we heard
6 from the attorneys and I think it's an important one, is
7 that many of the arguments you heard today were addressed
8 by the court.

9 And this Board is always making decisions based on
10 the construction cost index changes and the time value of
11 money. And that's really what we're talking about here
12 today. Ninety percent of these projects are complete.
13 And this idea that in the past the Board has acted
14 consistently with the year of construction and
15 application is a really important one. Because the only
16 way to fairly fund the rest of the State is that we are
17 consistently dealing with the year in which construction
18 occurred.

19 A regulation change, like we heard from one of the
20 attorneys I understand, is something the Board can
21 consider. But the idea that we would make this
22 adjustment when what the court has asked us to do is
23 simply make the decision that, yes, these school
24 districts are getting this funding. We are not talking
25 about the year in which we're reimbursing the schools

1 for, especially because while we all pay off
2 construction, I'm still paying off my house, too.

3 Even though it was built a long, long time ago. The
4 bank is not going to now tell me, you know what, you're
5 going to get a little inflation adjustment and now you
6 can I'm going to give you a little bit more money and
7 less and now you get to pay a different amount.
8 Unfortunately, that's not how construction works. So
9 while this was a decision that boards made, the Board
10 continues to make this decision over and over again in
11 2012, '13 and again in '17.

12 So I will also just note that the idea that the
13 Board does agree on a CCI every single year because the
14 cost of construction changes and fluctuates. So it's a
15 really, really important point. The idea that it's not
16 noticed with every single project is precisely because
17 it's the year in which construction occurs.

18 So with that, we'd love to open it up to -- we'd
19 love to welcome Senator Weiner. Excuse me, Senator
20 Newman. My God, I'm so sorry. And you don't actually
21 look anything alike. And yeah. And --

22 **UNIDENTIFIED SPEAKER:** (Indiscernible). Governor
23 Newman.

24 **MS. MILLER:** Oh, well there you go. Well, yeah.
25 Well, at least you were promoted earlier. I don't know.

1 But with that, open it up to any other Board members for
2 questions or comments.

3 Mr. Smith?

4 **MR. SMITH:** Thank you, Madam Chair. I'd like to
5 just, if it's appropriate, to make a motion.

6 **MS. MILLER:** Thank you. We have a motion. Do we
7 have a second?

8 **ASSEMBLYMEMBER DAVIES:** Second.

9 **MS. MILLER:** Great. Thank you, Assemblymember
10 Davies. We have a motion and a second.

11 And with that, any other questions from the Board?
12 Seeing none.

13 Are you looking at me? No. Okay. I thought I was
14 getting a look from our attorney. And we like attorneys
15 here, for the record. We have an amazing one.

16 So with that, we have a motion and a second. I'm
17 going to confirm that there's no other public comment
18 from the audience. No other public comment online.
19 Great.

20 Secretary, will you please call the roll?

21 **ASSEMBLYMEMBER MURATSUCHI:** Yes. Actually, Madam
22 Chair?

23 **MS. MILLER:** Yeah, please.

24 **ASSEMBLYMEMBER MURATSUCHI:** So the motion is --

25 **MS. MILLER:** Thank you.

1 **ASSEMBLYMEMBER MURATSUCHI:** -- to adopt the
2 supplemental report?

3 **MS. MILLER:** Your microphone has to be on.

4 **ASSEMBLYMEMBER MURATSUCHI:** So just to clarify, the
5 motion is to adopt the supplemental report as this
6 decision in the matter?

7 **MR. SMITH:** Thank you, Assemblymember.

8 I was I was going to say that, but essentially I
9 said I make a motion to approve the staff recommendation
10 and the reports.

11 **MS. MILLER:** Any other questions? Nope. Seeing
12 none.

13 May we please call the roll?

14 **MS. JONES:** Certainly. Senator Wilk.

15 **SENATOR WILK:** Aye.

16 **MS. JONES:** Senator Newman.

17 **SENATOR NEWMAN:** Aye.

18 **MS. JONES:** Assemblymember Muratsuchi.

19 **ASSEMBLYMEMBER MURATSUCHI:** No.

20 **MS. JONES:** Assemblymember Davies.

21 **ASSEMBLYMEMBER DAVIES:** Aye.

22 **MS. JONES:** Juan Mireles.

23 **MR. MIRELES:** Aye.

24 **MS. JONES:** Jeremy Smith.

25 **MR. SMITH:** Aye.

1 **MS. JONES:** Ana Lasso.

2 **MS. LASSO:** Aye.

3 **MS. JONES:** Gayle Miller.

4 **MS. MILLER:** Aye.

5 The staff report is adopted.

6 Next, for the ninety-day workload, Ms. Silverman.

7 Anything to report?

8 **MS. SILVERMAN:** The ninety-day workload and appeals
9 log is open for your approval.

10 **MS. MILLER:** All right. Thank you very much. We
11 have no further business to come before the Board.

12 We are going to go back through and make sure that
13 we -- for the members that weren't here, that we open it
14 up for your votes. Our first order of business was the
15 minutes. If we can call the roll for our absent members,
16 please.

17 **MS. JONES:** Okay. Senator Newman.

18 **SENATOR NEWMAN:** Aye.

19 **MS. JONES:** Senator Muratsuchi. I mean, sorry.

20 Assemblymember Muratsuchi. I'm sorry.

21 **ASSEMBLYMEMBER MURATSUCHI:** Aye.

22 **MS. JONES:** Thank you.

23 **MS. MILLER:** All right. Thank you. The minutes are
24 approved.

25 Next, we had the delegation of authority to Mr.

1 Watanabe as deputy executive officer.

2 **MS. JONES:** Senator Newman.

3 **SENATOR NEWMAN:** Aye.

4 **MS. JONES:** Assemblymember Muratsuchi.

5 **ASSEMBLYMEMBER MURATSUCHI:** Aye.

6 **MS. JONES:** Thank you.

7 **MS. MILLER:** The delegation of authority is
8 approved.

9 Next, we had the consent agenda.

10 **MS. JONES:** Senator Newman.

11 **SENATOR NEWMAN:** Aye.

12 **MS. JONES:** Thank you. Assemblymember Muratsuchi.

13 **ASSEMBLYMEMBER MURATSUCHI:** Aye.

14 **MS. JONES:** Thank you very much.

15 **MS. MILLER:** Great. And that now, Ms. Jones, does
16 that conclude our meeting?

17 **MS. JONES:** And that does take care of all the
18 votes. Thank you.

19 **MS. MILLER:** Thank you, everyone for your time. We
20 are adjourned at 5 p.m. Thank you.

21 (End of recording)

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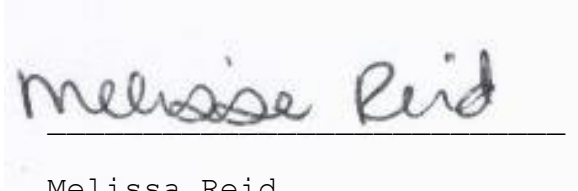
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Melissa Reid
eScribers, LLC

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