

Stuart & Associates

Governmental Consultants

TO: Dr. Joe Ovick

FROM: Susan Stuart

DATE: March 30, 2007

RE: March 28, 2007 State Allocation Board Meeting

Status of Funds

SFPD Bond Funds (Proposition 1D)

- ◆ New Construction - Approximately \$1.9 Billion
 - Seismic funding included in above amount
 - Small High School – up to \$200 Million from new construction and modernization funds may be used for Small High School Program
- ◆ Modernization – Approximately \$2.94 Billion
 - Small High School – up to \$200 Million from new construction and modernization funds may be used for Small High School Program
- ◆ Career Technical Education – Approximately \$500 Million
- ◆ High Performance Schools – Approximately \$100 Million
- ◆ Overcrowding Relief – Approximately \$1 Billion
- ◆ Charter School – Approximately \$500 Million
- ◆ Joint Use – Approximately \$29 Million

SFP Bond Funds (Propositions 47 and 55)

- ◆ New Construction
 - New Construction - Approximately \$1.75 Billion
 - Energy – Approximately \$2.5 Million
 - Small High School – \$20 Million
 - Charter School
 - Applications – approximately \$43.2 Million
 - Relocation/DTSC fees – approximately \$13.1 Million
 - Hazardous Waste Removal – approximately \$2.6 Million

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- ◆ Modernization
 - Modernization - Approximately \$34.4 Million
 - Small High School – \$5 Million
- ◆ Critically Overcrowded Schools
 - 15% reserve – Approximately \$357.4 Million
- ◆ Joint Use – Approximately \$1.3 Million

Prior Bond Funds

- ◆ Proposition 1A (SFP) Bonds
 - New Construction – Approximately \$5.1 Million
 - Modernization – Approximately \$1.8 Million
 - Hardship – Approximately \$12.3 Million
 - Class Sized Reduction – None Available
- ◆ Lease-Purchase Bonds – Approximately \$56.5 Million

SB 6 (*Williams Settlement*)

- ◆ Needs Assessment Program – \$2.5 Million
- ◆ Emergency Repair Program (ERP) – \$317.7 Million

Deferred Maintenance and ERP Funding

OPSC presented a report of those districts that had not deposited the full Deferred Maintenance match. District's that do not provide the full match are precluded from participating in the Emergency Repair Program. In addition, the State's portion of the Deferred Maintenance match would be reduced to the level of the district's contribution.

Emergency Repair Grant Program

At the January 2007 meeting, the SAB approved regulations to implement the Emergency Repair Grant Program without addressing consultant fees. The regulations originally excluded consultant fees as an eligible project cost. Several testified at this meeting to advocate for the inclusion of consultant fees as part of the project cost.

Although at the last Implementation Committee there was consensus to permit the lesser of five percent or \$5,000 per application, staff presented new language related to consultant fees that would permit the lesser of two percent or \$5,000 per application. Although several spoke to this issue, the Chair's position was that districts should share in the consulting costs to minimize the

draw on limited ERP funding. The SAB approved the Staff's recommendation.

In addition, OPSC acknowledged that those ERP applications that were funded in the last couple meetings sans consulting fees would be treated the same and given an additional apportionment for consulting fees.

Repayment of Funds Due to the State

At a prior SAB meeting a district expressed concern over their ability to return unexpended SFP funds within 60 days of being invoiced. The SAB requested Staff to present regulations that would permit districts with financial difficulties to repay amount due over a five year period.

These regulations have gone through the hearing process and are now approved for approval to the Office of Administrative Law.

Sale of Surplus Property

When SB 1415 (Scott) – Statutes of 2006 was enacted, it changed the rules for depositing the proceeds from the sale of site proceeds into the general fund. This law now requires that districts agree they will not apply to the State for any capital facilities needs for the next ten years - and that the funds being deposited into the general fund will be used for a "One -Time Expenditures".

Senator Scott asked legal counsel whether the funds could be used for employee benefits as a one time deposit. SAB counsel will draft the question for review by Senator Scott and request an interpretation.

The SAB approved the regulations implementing this new law.

Grant Adequacy

Staff presented a report on the status of the grant adequacy review for new construction under the SFP. OPSC indicated that the major hurdle was defining a complete school. CDE offered to present a number of approved plans that represent an adequate school facility which meet Title 5 requirements.

OPSC must provide guidance about the adequacy of funding prior to January 1, 2008 in order for the SAB to provide up to six percent augmentation of the per pupil grant pursuant to AB 127 (Perata/Nunez)

Labor Compliance Plans Funding

The SAB legal counsel provided an opinion stating the SAB has the discretion to increase the SFP allowance for the implementation of a Labor Compliance Plan (LCP) pursuant to Labor Code 1771.7(e). However, the SFP regulations only permit the funding of LCP on projects funded with 2002 and 2004 bond funds. The SAB must adopt regulation changes to permit the funding of LCP where the district implemented voluntarily.

The SAB directed that the Implementation Committee consider regulatory changes and present them as soon as possible.

Labor Compliance Plan Audits

OPSC provided a report to the SAB of projects that have been audited in which the project was funded including costs for a Labor Compliance Plan. In the report, OPSC stated 86 percent of new construction projects and 92 percent of modernization projects did not fully expend the funds apportioned for this purpose. The average new construction project only used 60 percent of the funds apportioned to pay for LCP services. In the case of modernization projects, districts only used 38 percent of the funds for LCP services.

OPSC requested that while reviewing the funding for LCP expenses when voluntarily implemented, the Implementation Committee should also provide input to reduce the funding for LCP.

Overcrowding Relief Grant Program

Last month OPSC was requested to report back on the ability of an application for Overcrowding Relief Grant (ORG) to receive a multi-story apportionment. OPSC met with interested parties and reported that ORG applications may request multi-story apportionments.

Unfortunately, the report was not presented to the interested parties prior to the SAB meeting and they did not have sufficient time to react to the content. The SAB requested that the staff and the interested parties review the content of the report and bring this item back next month.

Los Angeles Unified School District

The Los Angeles Unified School District (LAUSD) showed a power point presentation on their school construction program. The SAB complimented the LAUSD on the success of their school construction program.

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The next SAB meeting will be April 25, 2007.

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