

Stuart & Associates

Governmental Consultants

August 10, 2010

TO: Superintendents and Facilities Directors
FROM: Susan Stuart
RE: State Allocation Board – August 4, 2010

Status of Funds

The various bond measures (1D, 55 and 47) have the following amounts in authority available:

New construction – approximately \$128 million*
Modernization – approximately \$1.2 billion

The above values do not include the projects on the OPSC Workload List. If these adjustments are made, the estimated funds available for future application are:

New construction – \$215 million
Modernization – about \$1.05 billion

I've attached the SAB Status of Funds pages – they have some cool charts. Please contact me if you have any questions on this information.

* The SAB approved transfer of \$225 Million from COS to New construction, which is **not** reflected in this amount.

Acting Executive Officer's Statement

- The fifth round of ORG was approved on this agenda.
- As of July 30, 2010, there have been only 9 applications presented. The final filing deadline for this program is January 31, 2011.
- This board includes 14 projects that will receive High Performance Incentive grant funding.
- The report included the 90 day work plan of items to be presented to the SAB as well as the appeal log – which was not available for public consumption.

Consent Specials

Overcrowding Relief Grant

The Overcrowding Relief Grant can be characterized as being a portable replacement program that requires a reduction in the pupil density of a site that is at least 175 percent of the density recommended by CDE. The eligibility for this program does not include

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evidence that the district has any new construction eligibility under the standard new construction program.

10 ORG projects were provided unfunded approvals totaling \$118 million. The SAB had concerns that districts were applying for ORG funding but were declining in enrollment – questioning the need for this funding if there were available empty schools. Because of this concern the issue was sent to the Imp Committee for review.

Staff Items

Priorities In Funding

The SAB set aside \$408 Million from the last bond sale to fund shovel-ready projects. Emergency regulations were adopted and were approved by the Office of Administrative Law prior to this meeting to facilitate this process.

The response was overwhelming. 500 applications were received representing over \$1.6 billion. Since there was only \$408 million available for this purpose – only 78 projects were funded. Over \$200 million in demand for these dollars remain.

Unfunded List Order

There was great concern over the way an application was placed on the unfunded list. Staff indicated that they were listed based in the following order:

1. Date of the SAB approval
2. Facility Hardship followed by all other applications
3. Received date
4. Type of application (50, 52, 56 and 57)
5. District's CDS number (five digit code)
6. HSAA number
7. Application number (last three digits)

The SAB members agreed that the current list had been published for some time and that the list could not be reshuffled at this time. However, they felt that the order of projects on the list was not random enough. A district with a high CDS number would be always at or near the bottom of the list. A lottery system was recommended for future allocations of this type.

SAB Action

The SAB approved Staff recommendation. Staff is to work with the Implementation Committee to identify a more equitable way to order the applications on the unfunded list and present options at the August 25, 2010 meeting.

Placement of Facility Hardship Projects on Unfunded List

OPSC has been placing approved facility hardship projects at the top of the list for the specific board date the project was approved. SAB requested information as to how this process could be amended by regulation, policy or any other means. OPSC reported the SAB had the ability to re-order the unfunded list as there was no specific regulation addressing this issue.

Within the current \$408 million list there are only 10 unfunded full and final facility

hardship applications that could be placed at the top of the entire unfunded list, representing about \$22 Million. There are two types of facility hardship approvals provided by the SAB. They include:

- Full and final – The district has provided all the documentation required to construct the project including DSA and CDE approved.
- Conceptual – the district received assurance the SAB agrees that the project meets the facility hardship criteria so they can proceed with the work on design.

Although there was total agreement to place full and final facility hardship projects at the top of the unfunded list, there was concern with conceptual approvals. In those cases, it was argued that the district already will expend local funds to perfect the applications. However, there is no guarantee that the SAB will have any funds for the project once all of the required approvals are presented for funding – and the process until apportionment could take years

The SAB directed staff to place unfunded full and final facility hardship projects at the top of the unfunded list after it receives an approval by the SAB. However, the SAB was not willing to put conceptual projects on the unfunded list as it could take one to two years to complete the DSA and CDE plan approval plans process.

Site Sale Proceeds

Education Code Section 17463.7, effective July 28, 2009 - and due to sunset on January 1, 2012, permits a district to request the use of site sale proceeds for a one time non-recurring expenditure if the site was purchased with only local funds. However, the district must agree to stay out of the Deferred Maintenance Program for 5 years. The 10 year SFP exclusion was removed for these requests.

Ed Code 17463.7

This code eliminated the 10 year lock-out if the property sold was originally purchased with local funds and the district certifies to the following:

- It has no major deferred maintenance needs
- Site sale does not violate local bond restrictions
- The property is not suitable to meet projected school construction needs for the next ten years.
- Evidence that a plan was presented to the local board defining the one-time expenditure and it does not result in on-going obligations.
- The one-time expenditure is not related to on-going operations.

Once the district can certify to the above, they can take the action after presenting appropriate documentation to the SAB. It does not require SAB approval. Future requests can be placed in the consent portion of the agenda.

Critically Overcrowded Schools Program

Propositions 47 and 55 funded the Critically Overcrowded School (COS) Program which was created to reduce overcrowding at schools. However, this program required the

district have new construction eligibility to complete the application.

Reserve

Along with the funds set aside for initial estimated application costs, the SAB was required to reserve an additional 15 percent for other possible expenditures including higher site acquisition costs and toxic clean up costs. Since many of these projects have been converted or withdrawn, the staff proposed to reduce the reserve to a new 15 percent level.

SAB Action

SAB approved the transfer of \$225 Million in COS funding to the new construction program. In addition, the SAB at the request of LAUSD determined the \$232 million remaining for project conversions be re-evaluated at the end of this calendar year.

High Performance Incentive Grant

The SAB recently approved changes in the regulations relating to the HPI Grant to stimulate increased participation in the program. There has been controversy relating to an option to use third party reviewers to compute the HPI score. DSA indicated that there is progress being made that will allow the DSA and CHPS scoring methods to be compatible. They agreed to the following goals:

- Encourage a “holistic sustainability” with CHPS verification
- Avoid duplication of efforts by DSA and CHPS
- Streamline the combined reviews
- Save district money
- Increase the number of high performing schools.

One option is to have DSA evaluate the HPI requirements and provide their compatible scoring sheet to CHPS to complete the CHPS certification process. DSA will continue discussions with CHPS and report back to SAB.

REPORTS

Joint Use

OPSC reported that they had received 5 applications during this filing period ending March 1, 2010. Only 4 qualified for the program representing approximately \$5.9 Million. Although \$1 million is available due to rescissions, the SAB does not have any funding available for this program at this time. The SAB directed staff to look at all the funding sources in the next few weeks and report the on any options that would provide funding for joint use projects.

OPSC and DSA Operations

Stephen Amos, Chief Deputy Director of DGS, made a presentation on the status of improving operations at OPSC and DSA. DGS is expecting to make public a draft Action Plan that will improve services provided by these two agencies by October 1, 2010. The process includes the use of expert working groups and sub-working groups. The goal is to:

- Provide consistency in application
- Develop accountability for decisions
- Improve customer service
- Provide better interface between CDE, DSA and OPSC through computerized systems.

It was suggested that this be an annual evaluation.

Cost of Analysis

Senator Hancock asked how this process is being funded. Mr. Amos indicated that the DSA items are being funded through their budget and that DGS budget is absorbing the cost of reviewing OPSC processes.

SAB Subcommittees

Senator Lowenthal expressed concern that DGS is advancing without the benefit of input from the SAB subcommittees that are simultaneously looking into the same areas of concern. The Chair indicated that the draft Action Plan would be advisory in nature and there would be a need to fold in the recommendations from the SAB subcommittees.

Stakeholders

Assemblymember Fuller indicated that more stakeholder involvement be included in the process. Assembly member Brownley suggested the process become more transparent and information on these proceedings be available online. Mr. Amos said reports on the progress would be posted online.

Other Items of Interest

Bond Sales

Further bond sales are contingent on the State can passing a “balanced” budget. Barring prolonged budget discussions, the next bond sale could be held in the next 2 months.

Career Technical Education

The third round of Career Technical Education applications is being reviewed by the OPSC and they should be presented to the SAB for approval this summer. A fourth round has not been discussed.

Education Specification

Districts are reminded Education Code requires local boards to develop approved Education Specification for all facilities projects. If you plan to file for the construction of a new school or the replacement of more than 50 percent of an existing school, CDE will require that you present the current approved Education Specification as a condition for approving the project. If you need recommendations on firms that can assist in this process, please contact our office.

Next SAB

The next SAB meeting will be held on August 25th at 4:00, room TBD.