

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, October 6, 2010

OCTOBER 2010 PRIORITY FUNDING ROUND

PURPOSE OF REPORT

To establish the School Facility Program (SFP) October 2010 priority funding round.

BACKGROUND

At the May 26, 2010 meeting, the Board approved the creation of the May 2010 priority funding round using \$408.3 million in available bond funds. The priority funding apportionment option was created as a way to allow the Board to facilitate school construction projects and stimulate our State's economy. The new funding mechanism allows districts who are ready to submit a *Fund Release Authorization* (Form SAB 50-05) the opportunity to receive funding and move forward with their projects.

The priority funding round was very successful and the outreach was effective. The Office of Public School Construction (OPSC) received requests from 157 school districts for 500 of the 611 projects on the unfunded approval list (82 percent). The requests totaled \$1,612,222,537 which greatly exceeded the \$408.3 million available for apportionment. The Board made 78 apportionments totaling \$408,143,077.

Based on the success of the priority funding round approved at the May 2010 meeting, the Board approved regulation changes allowing the Board to approve future priority funding rounds on an as needed basis at the August 25, 2010 meeting.

AUTHORITY

Education Code Section 17070.35(a) states, "In addition to all other powers and duties as are granted to the board by this chapter, other statutes, or the California Constitution, the board shall do all of the following:

- (1) Adopt rules and regulations, pursuant to the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, for the administration of this chapter...
- (2) Establish and publish any procedures and policies in connection with the administration of this chapter as it deems necessary..."

Government Code Section 15503 states, "Whenever the board is required to make allocations or apportionments under this part, it shall prescribe rules and regulations for the administration of, and not inconsistent with, the act making the appropriation of funds to be allocated or apportioned. The board shall require the procedure, forms, and the submission of any information it may deem necessary or appropriate. Unless otherwise provided in the appropriation act, the board may require that applications for allocations or apportionments be submitted to it for approval."

Budget Letter 10-09 requires that if there are insufficient bond proceeds, departments and agencies are responsible for placing projects in priority order that will be funded consistent with the priority order criteria outlined (including job creation). It also indicates that if bond proceeds are not managed efficiently, additional bonds may not be sold for the program.

STAFF COMMENTS

The purpose of the October 2010 priority funding round is to distribute approximately \$71.86 million. The total amount to be made available for future apportionments is derived from the cash made available by the Board's actions at the August 25, 2010 meeting and approximately \$16.73 million from the SFP Application Rescissions item in the consent portion of this agenda. The Board will also be able to use any additional funds that become available as of November 3, 2010.

The cash available for apportionments is within several bond sources. The cash available in Proposition 1A can be used for New Construction and Modernization projects that originally received unfunded approvals out of a different bond source. The cash available is as follows:

Proposition 1A	\$24.82 million
Proposition 47	\$22.76 million
Proposition 55	\$ 1.48 million
Proposition 1D	<u>\$22.80 million</u>
Total	\$71.86 million

The procedure for the October 2010 priority funding round is outlined in the Attachment and will remain consistent with the procedure used during the priority funding round approved at the May 2010 meeting. The underlined items on the Attachment consist of changes or updates to the procedure approved by the Board at the May 2010 meeting.

RECOMMENDATIONS

1. Approve the procedure outlined on the Attachment.
2. Declare that between October 7 and November 8, 2010 the OPSC will accept requests to convert unfunded approvals to apportionments based on the conditions put forth in the procedure outlined in the Attachment.
3. Declare that projects that fail to submit a Form SAB 50-05 by March 8, 2011 shall be rescinded without further Board action and will receive a new unfunded approval date of March 8, 2011.

ATTACHMENT
PROCEDURES FOR OCTOBER 2010 PRIORITY FUNDING ROUND
State Allocation Board Meeting, October 6, 2010

The following outlines the procedures and requirements for Districts to take advantage of the priority funding round process:

1. The Board must take action to establish a 30-day filing period beginning October 7, 2010 and ending November 8, 2010, during which districts opting to participate in the priority funding round shall submit a request to convert an Unfunded Approval to an Apportionment.
2. The request to convert an Unfunded Approval to an Apportionment, signed by an authorized District representative, must include each of the project application numbers and must state the following:
 - The District understands that the time limit on fund release shall be no more than 90 days from the date of Apportionment, pursuant to the Board's action on October 6, 2010.
 - The District acknowledges that failure to submit a completed *Fund Release Authorization* (Form SAB 50-05) within the 90-day period will result in the project being rescinded without further Board action. A rescinded application will revert back to an Unfunded Approval at the bottom of the unfunded list and can not be guaranteed bonding authority. The application will receive a new Unfunded Approval date of March 8, 2011. In the case that multiple rescissions are made by the Board, each separate application will be placed at the bottom of the Unfunded Approvals List in the order of the original Unfunded Approval date (Example: Two applications are rescinded with Unfunded Approval dates of January 27, 2010 and February 24, 2010. The application that received an Unfunded Approval on January 27 would be placed on the unfunded list first, followed by the application that received an unfunded approval on February 24). The District will not be required to re-submit the application and no further application review will be required.
 - The District acknowledges that by participating in the priority funding round, the district is waiving its right to a standard 18-month timeline for fund release submittal.
3. Districts may request an apportionment for Design Only applications under the priority funding round. Design Only applications receiving an apportionment will receive an automatic fund release without submitting a Form SAB 50-05; however, Design Only applications must still submit a request to convert an Unfunded Approval to an Apportionment which contains all of the statements outlined in Section 2.
4. After the end of the established filing period, an item will be presented to the next available Board showing all requests and indicating those projects proposed to receive an Apportionment. In the event that the amount of requests received during the 30-day period exceeds the funds available, the Board shall apportion based on the Unfunded Approval date up to the available cash from each bond source up to a total of funds identified in Proposition 47, 55, and 1D bond proceeds. Any requests to participate in the priority funding round not converted to Apportionments shall retain their date order position on the Unfunded Approval list. Request letters of projects not converted to apportionments will not be returned to the district or kept by the Office of Public School Construction (OPSC).
5. If the Board is unable to apportion all applications with an identical OPSC received date, a lottery system as approved at the August 25, 2010 meeting will be used to determine which projects the Board will be able to apportion. In the event that the Board can not fully fund the next application that has been selected in the lottery process, the Board will offer the specific project the opportunity to receive partial funding for the project. If the District declines partial funding, the OPSC will present the next application in line based on lottery order the opportunity to receive partial funding for the project and so on until the remaining available cash has been depleted or the remaining lottery districts all decline

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partial funding for their projects. If a district elects to take partial funding, the apportionment will remain open until the remaining portion of the State share can be released to the District.

6. Should any of the available funds in identified bond proceeds remain available after all Apportionments have been awarded by the Board, the funds shall remain available for any other applicable School Facilities Program project apportionments by the Board. The Board shall evaluate and decide the method for apportioning the remaining funds.
7. From the date that the Board converts its Unfunded Approval to an Apportionment, the District will have 90 days to submit a completed Form SAB 50-05 that meets all of the existing requirements. The Form SAB 50-05 submittal must contain an original signature from a designated District Representative and must be physically received by the OPSC at 707 Third Street, West Sacramento, CA 95605 prior to the close of business on March 8, 2011. Projects that fail to meet this deadline shall be rescinded with no further Board action. A rescinded application will revert back to an Unfunded Approval at the bottom of the unfunded list and can not be guaranteed bonding authority. The new Unfunded Approval date will be March 8, 2011.
8. Rescinded amounts shall be available for any other School Facilities Program project apportionments by the Board using the traditional first in first out method, unless otherwise specified by the Board.