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SCHOOL HOUSINGSM

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**C.A.S.H. WORKSHOP:
State Budget and Federal Funding
Update for K-12 School Facilities**

Tuesday, January 26, 2010

1:00 p.m. to 3:30 p.m.

Doubletree Hotel

2001 Point West Way

Sacramento, California

SCHOOL FACILITY PROGRAM IN CRISIS

TOM DUFFY

C.A.S.H. Legislative Director

CALIFORNIA'S COALITION *for* ADEQUATE SCHOOL HOUSING

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State Budget and Federal Funding
Update for K-12 School Facilities



School Facility Program in Crisis

By Thomas Duffy

Where have we been since 2008?

- August 2008: State Cash Flow an Issue
- December 2008 CSBA Conference: Discussion with State staff “We have plenty of money.”
 - December 10, 2008: SAB Alerted to the Issue by C.A.S.H.
 - December 18, 2008: Department of Finance Directive Freezing Bond Funds
- \$2.4 Billion in apportioned projects frozen
- Unplugging of the SFP clock
- Unfunded Approvals
- 2009 Bond Sales
 - March & April: Almost \$2 Billion sold
 - October: \$400 Million sold

What do we know? The State Agency Landscape

- State Allocation Board (SAB) New Assistant Executive Officer – Lisa Kaplan
- Office of Public School Construction (OPSC)
- Furloughs
 - Rob Cook as Executive Officer and Interim Deputy Director at General Services
 - Loss of experienced staff
 - Slower Processing
 - Proposed Change in SAB Meeting Schedule
 - Decision to Change Implementation Committee Schedule

Issues and Trends

- Audits
- Material Inaccuracy
- 60% Commensurate
- 150% Rule
- Hardship
- 6% Grant Increase
- Seismic
- Career Tech
- Grant Fund Disparity
- Special Education grant funding SB 334 implementation
- Debt Service Growth
- Level 1, 2 and 3 Fee
- Informal comments by State staff

REMAINING BOND AUTHORITY FOR NEW CONSTRUCTION

Funds Available

(as of December, 2009)

	New Construction
Proposition 1D	499.3
Seismic Mitigation Program	199.5
Proposition 47	801.9
Energy Program	0.6
Proposition 55	350.3
Energy Program	0.2
Small HS Program	<u>18.9</u>
subTOTAL	\$1,870.70

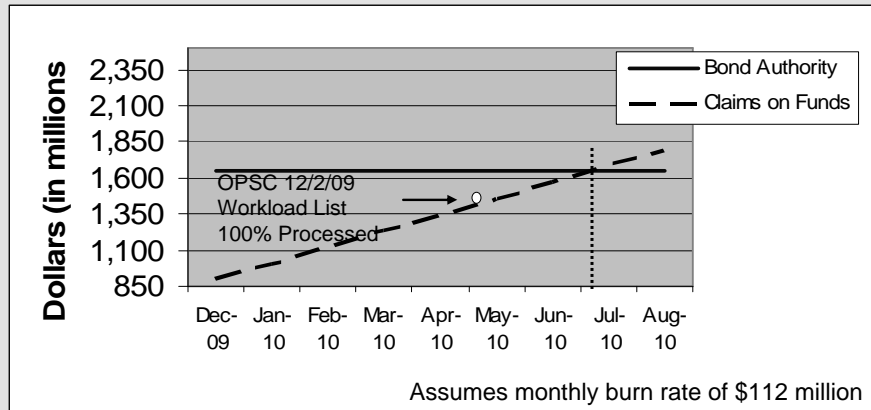
Claims on Funds

(as of December, 2009)

Unfunded Approvals*	897.5
OPSC Workload**	<u>590.5</u>
TOTAL	\$1,488.00
Estimated Total Available Funds	\$ 382.70

Where are we now?

New Construction Funds – Projection of Depletion

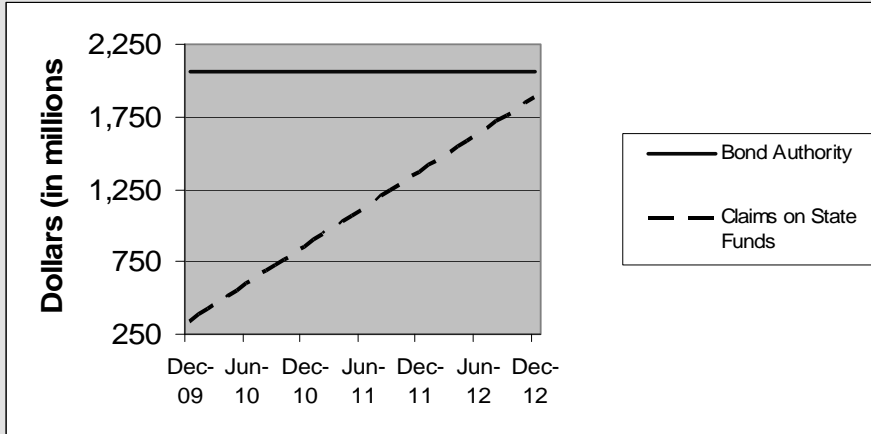


REMAINING BOND AUTHORITY FOR THE S.F.P.

Program Balances as of November 4, 2009 (in millions)

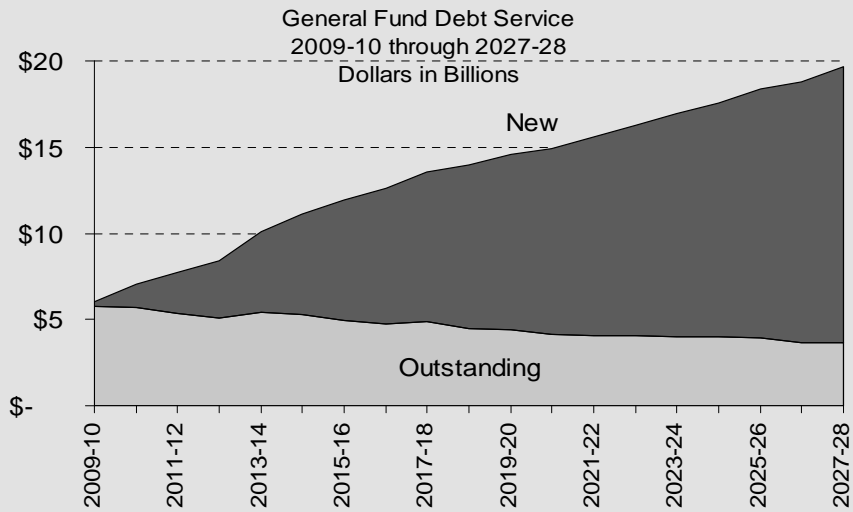
CTE	\$90.9
HPSG	\$88.7
ORG	\$901.0
CSFP	\$201.6
Prop. 55 COS	\$625.6
Joint Use	\$5.0

Modernization Funds – Projection of Depletion

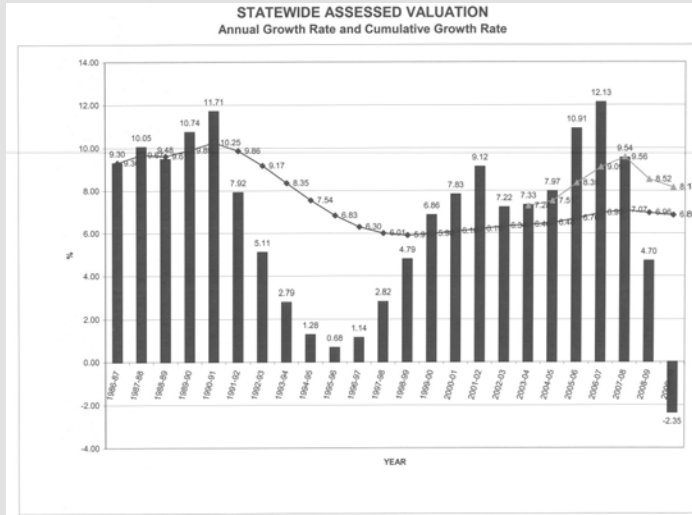


Assumes monthly burn rate of \$43 million

General Fund Debt Service 2009-10 through 2027-28

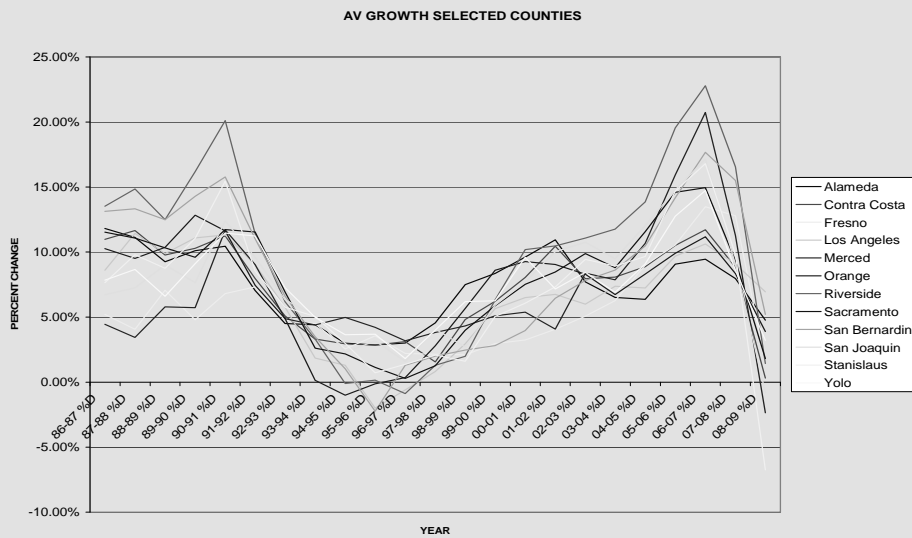


Annual Growth of Statewide Assessed Valuation 1986-87 Through 2008-09



Murdoch, Walraft & Holmes — 8/25/2009

AV Growth Selected Counties



While Waiting for State Bond Sale Financing Options

Short Term

TRANS

BANs

Leases

Inter Fund Borrowing

Financing Options – Cont'd

Longer Term

COPs

GO Bonds

Prop 39 55%

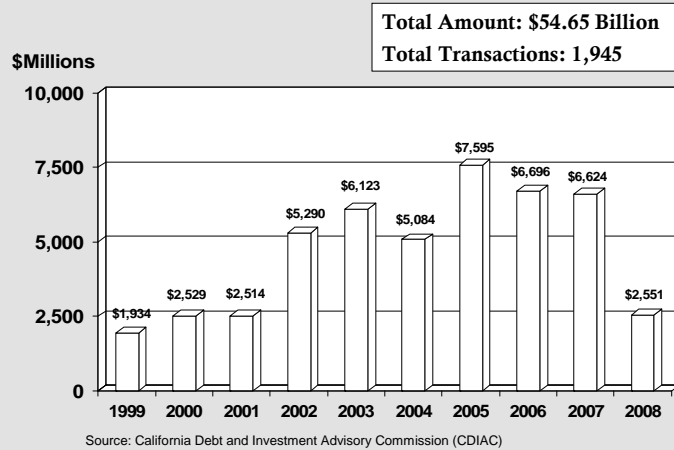
Traditional 66 2/3%

Tax Rate Limitations

- Elementary & High School Districts 1 ¼% of Assessed Value
- Unified School Districts 2 ½% of Assessed Value
- \$30/100,000 AV for Elementary & High School Districts
- \$60/100,000 AV for Unified School Districts

Privately Negotiated Loans

Annual K-12 GO Bond Volume



Developer Fees and the SFP

- Level 1 Developer Fees 1987
- SB 50 Funding Mechanism 1998
- Level 2 and Level 3 Developer Fees
- Government Code 65995.7
 - “...state funds are not available if the State Allocation Board is no longer approving apportionments for New Construction pursuant to Article 5 (commencing with Section 17072.20) of Chapter 12.5 of Part 10 of the Education Code due to a lack of funds available for New Construction.”
- Residential Housing Starts in 2009: 40,000 Units
- Policy Dilemma

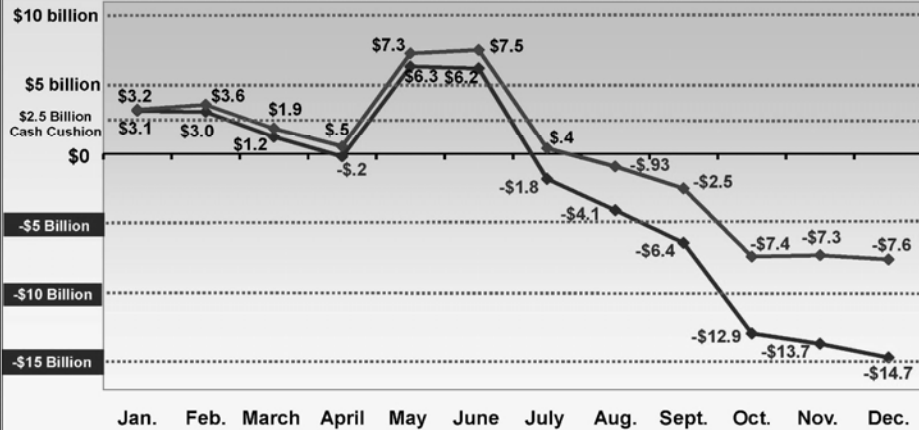
California's General Fund Cash Outlook

For the Months of January - December 2010

Based on Department of Finance January 2010 Budget Data
(In Billions of Dollars)

Red Line = Estimated Minimum Monthly Cash Balances Assuming No Action

Blue Line = Estimated Minimum Monthly Cash Balances Assuming Full and Timely Adoption of the Governor's Proposed Budget (Excludes 2010-11 External Cash Flow Borrowing)



California State Controller's Office

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