

Message From The Chair



Bill Savidge, C.A.S.H. Chair

Priorities, Audits and Unfunded Approvals

As California's fiscal condition turns from poor to critical, the school facilities community faces significant challenges. School facility state funding has been frozen until very recently and access to local borrowing has been diminished by both the state's fiscal issues as well as the national credit crisis. The confluence of these unfortunate developments has resulted in difficult decisions for school districts.

California's fiscal challenges and the national economic contraction are ultimately dynamics that are beyond our control, yet some of the actions taken by state decision makers in response to California's fiscal situation have made a difficult situation much worse. The following are some particular areas of concern for C.A.S.H. and its members.

DSA Project Prioritization

The Division of the State Architect (DSA) recently issued DSA Bulletin 09-04 which notified school districts that DSA has begun to prioritize project plan review and approval based on criteria relating to a project's funding sources and the notion of "shovel-readiness." Specifically, as of April 15, 2009, DSA began assigning projects underway and new projects received into one of four categories based on whether or not the project could be advanced without state funding, and if construction could start within 75 days of DSA approval. C.A.S.H. has expressed deep concern over the practical impact of a re-prioritization of the DSA bin and its larger implication on school projects and the School Facility Program (SFP). C.A.S.H. has sent letters to the State Architect and the Governor expressing concerns about the unintended consequences of this new policy. Chief among the concerns raised by C.A.S.H. was a policy that seems to endorse preferential treatment for "Haves" and discriminatory treatment against "Have Nots" among school districts statewide. The practical effect of the DSA policy is that the policy could determine which school districts will get state money and those that cannot. C.A.S.H. continues to aggressively advocate for processing by submittal date order as the most equitable way to treat projects.

OPSC Audit Policy

C.A.S.H. is also concerned about the Office of Public School Construc-

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The CASH Register solicits articles on school facility-related topics from the membership. If you are interested in submitting an article, please send it or a letter of inquiry to: Editor, CASH Register editorial office, 1130 K Street - Suite 210, Sacramento, CA 95814. Sorry, we are unable to return or acknowledge unpublished manuscripts. The views expressed herein are those of the authors and not necessarily those of the Coalition for Adequate School Housing, its board, staff or general membership.

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tion's (OPSC) effort to revise its audit policy. Members of the C.A.S.H. Legislative Advisory Committee met with OPSC management, audit personnel, and representatives of the Department of Finance (DOF) for more details. As a result of the meeting, C.A.S.H. learned that an OPSC audit team has been working for the past 4 months to create an audit plan and has recently commenced practicing and testing that plan in a handful of school districts. The proposed audit would include asking school district personnel detailed questions regarding district business practices including bidding procedures, internal controls, and planning practices as well as assessing the levels of competence of district facilities and business personnel. C.A.S.H. supports accountability for public funds, though we believe that accountability is most effective at the local level for our trustees and voters. C.A.S.H. will work with our state partners to develop simple, clear, unobtrusive, and written audit procedures to ensure accountability in the use of public funds.

Status of State Bond Funding

The March and April state bond sales will fund approximately \$1.94 billion of fund release for the \$2.4 billion in school construction projects that received a SAB apportionment on or before December 17, 2008. The State Allocation Board's (SAB) ability to approve new apportionments is still subject to the Department of Finance's (DOF) December 18, 2008 Budget Letter directing the cessation of new approvals. The SAB likely will be unable to approve new apportionments until the Pooled Money Investment Board (PMIB) takes action to approve new AB 55 loans or the State Treasurer determines to sell more state

school bonds. In the meanwhile, the SAB is granting Unfunded Approvals for school construction applications processed by OPSC. Currently, unfunded approvals total \$252 million for new construction and \$64 million for modernization projects.

The distinction between an *Unfunded Approval* and *Apportionment* is critical. Unlike an Apportionment, an Unfunded Approval does not trigger School Facility Program (SFP) requirements, such as the requirement to request a Fund Release within 18 months of Board approval. Additionally, Unfunded Approvals are not subject to the Full and Final provisions of Apportionments and can therefore be adjusted for the annual Construction Cost Index and other grant increases at the time the Board takes action to convert them into Apportionments. However, unlike Apportionments – and although this may seem semantic in our current environment – Unfunded Approvals are not considered a guarantee of state funds. They do not reserve state funds. C.A.S.H. has worked with the State Treasurer's Office (STO) and PMIB's staff throughout this process to maintain a high profile for unfunded projects, to articulate the state's obligation to fund those apportionments, and to provide interim solutions for school districts such as advocating for the state to pay interest and loan fees for projects that obtained budget financing because of the freeze on disbursements from the PMIB.

These difficult times are historically unique in their scope and intensity. C.A.S.H. will continue to aggressively lobby state decision makers to change policy that will hurt, not help school facility projects and school districts. We will continue to pursue a future statewide school bond so we are prepared for project funding when California emerges from its economic challenges. 