



# CLIENT NEWS BRIEF

May 2010

Number 18

## STATE ALLOCATION BOARD ADOPTS A ONE-TIME ALTERNATIVE METHOD TO DETERMINE PRIORITY FOR RELEASE OF FUNDS FOR SHOVEL-READY PROJECTS

On May 26, 2010, the State Allocation Board ("SAB") approved a one-time, alternative method of prioritizing the funding of school new construction and modernization projects on the SAB's list of approved but unfunded projects ("Unfunded List"). The purpose of this alternative procedure is to comply with the State's directive that agencies prioritize funding "shovel-ready" projects that will enhance job creation and economic stimulus.

Up till now, the SAB has released state school construction bond funds, when available, for projects based on the date they were approved and placed on the Unfunded List. Once funds are awarded to a school district, the district has 18 months to submit a Form SAB 50-05 to request release of the funds.

The new procedure is being established solely to distribute the approximately \$408 million in state bond funds that are now available, and does not permanently change SAB's procedure. In effect, it will allow districts on the Unfunded List to jump to the front of the line if they can demonstrate that they will be able to apply for a release of the funds within 90 days of the apportionment, instead of the usual 18 months. All districts on the Unfunded List, including financial hardship districts, will be eligible to participate in the new program.

The SAB will adopt emergency regulations to govern the new procedure before any apportionments are made, but is beginning to implement the program now. School districts on the Unfunded List have until June 28, 2010 to provide a statement signed by an authorized representative notifying the Office of Public School Construction ("OPSC") that they wish to participate in the alternative program.

The SAB will make apportionments at its August 4, 2010 meeting. The 90-day time limit to request fund release begins then. If a fund release application (SAB 50-05) is not submitted within the 90-day period, the project will go back on the Unfunded List with a priority date of November 2, 2010. If the \$408 million estimated to be available is insufficient to fund all the

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projects that opt in, the funds will be distributed based on the districts' date order in the Unfunded List. Any unfunded projects will retain their priority order under the normal procedure.

A school district with a project on the Unfunded List should carefully evaluate whether the district will be able to submit a Form SAB 50-05 fund release request within 90 days after August 4, 2010. This means that the district must be in a position to enter into a construction contract and issue a Notice to Proceed, and must be prepared to complete and submit a Form SAB 50-05 before November 2, 2010. The benefit of this alternative procedure is that districts get a chance to obtain funding and commence construction on projects this year. On the other hand, if for some reason a school district finds that it is not in a position to submit a fund release request before November 2, 2010, it could lose its current priority position on the Unfunded List, and have to wait even longer to be funded. School districts will also need to make decisions about whether to opt in fairly quickly, as districts must notify OPSC by June 28 that they are doing so.

Note that this alternative procedure applies to both new construction and modernization projects, and is also available to financial hardship districts for site acquisition and planning money, and to districts seeking "reimbursement" funding for money already spent on projects on the Unfunded List.

If you wish to participate in this program, and would like to receive assistance in preparing a request to OPSC, please let us know. For additional information on school funding and construction in general, please contact one of our [seven offices](#) located statewide or consult our [website](#).

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