



ACCM Insider

Governor Brown's Budget Proposal

Governor Brown's proposed 2011-12 State Budget and its implications for the next five years is a challenging budget for education. It is also probably the best budget schools could expect given the state's fiscal situation. The budget does cut cash flow to schools, puts schools at-risk for an additional \$2 billion cut in June, and potentially puts schools at-risk five years from now even if the tax increases are approved.

The economy is unlikely to grow sufficiently to make up for the structural deficit. The budget does not propose additional payments from the settle-up account, nor does it address the long-standing maintenance factor. Those issues will be subject to future budgets as the state's economy improves; but education funding restoration from economic growth revenue will be subject to fierce competition to restore the health and welfare programs proposed to be cut starting in 2011-12.

School Cash Flow Cut

There will be a new \$2.2 billion deferral from 2011-12 to 2012-13 (\$2.0 billion for K-12 and \$0.2 billion for community colleges) in addition to all other deferrals including the continuation of the \$1.9 billion (\$1.7 billion for K-12 and \$0.2 billion for community colleges) from 2010-11 to 2011-12.

Effectively, schools are cut the \$2.2 billion for 2011-12 and recover the money the next year only to lose it again to another deferral. For now the budget assumes all of the new \$2.0 billion in K-12 deferrals will be from revenue limits, but that is open for negotiation.

School Funding Dependent on Tax Increase

Schools will be cut an additional \$2.0 billion in June if the proposed tax increase fails. The tax increase is a consolidated tax increase so voters will not be able to vote only to protect schools. They will also have to vote to fund realignment if they want to protect schools from the June \$2.0 billion cut. Voters might not want to approve \$6 billion in taxes for health, welfare and local jails as the price for protecting schools.

Voters also will have to approve continuing the tax for five years. This could mean the tax will end at the beginning of the next recession. We are about two years out of the last recession and business cycles tend to be from 5 to 9 years in duration.

Average Daily Attendance (ADA)

An increase of \$81.4 million in 2010-11 for school district and county office of education revenue limits as a result of an increase in projected ADA. An increase

of \$357.5 million in 2011-12 for school district and county office of education revenue limits as a result of continued projected growth in ADA for 2011-12.

School Facilities

There is no proposed school bond sale for Spring 2011. Consequently, school districts that do not have an already approved project could have to wait until August or September for state matching funds.

The proposal does not include a 2012 school bond. Because the state School Facility Program probably will not run out of money until 2012, the school bond issue could be deferred until the 2012-13 budget proposal.

The Emergency Repair Program is funded at \$53.6 million, of which \$10 million is from one-time funds and \$43.6 million is from ongoing funds.

Inside the Insider...

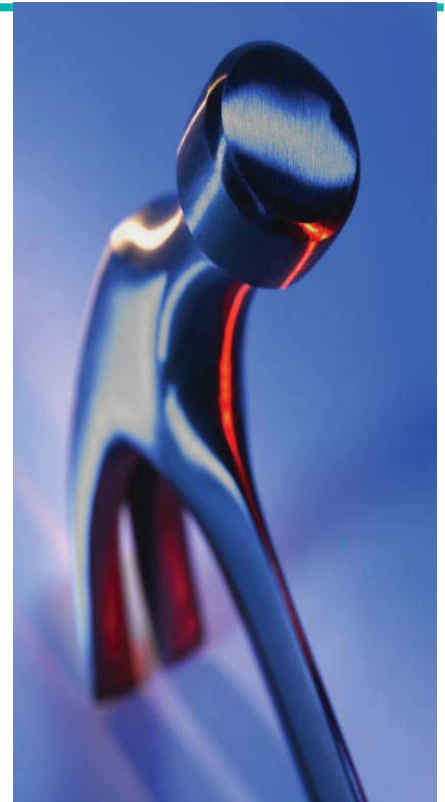
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School Facility Task Force

Superintendent of Public Instruction Tom Torlakson has proposed a task force to review the State School Building Program. Specifically, he is creating a "Schools of the Future" team that will make recommendations on how to make it easier for schools to build energy efficiency into every project.

The team will be chaired by Cesar Diaz, the Legislative Director of the State Building and Construction Trades Council of California and Mr. Steven E. Rodgers, Board Vice President of the San Mateo Union High School District. Additional members will be named later.

ACCM intends to be involved in this process and will also be working to create a new school bond for 2012. We expect any new school bond also will include changes to the state School Facility Program with changes that could include streamlining increased local control, and ensuring long-term adequate funding for California's needed school facilities.



ACCM Calendar

February 2011

- 3 Officers' Conference Call-1 p.m.
- 23 General Membership Meeting
-Sacramento Convention Center
Room 303
10:45 a.m. - 12:15 p.m.

March 2011

- 3 Officers' Conference Call-1 p.m.
- 17 General Membership Call-1 p.m.

Meeting dates and times subject to change.



ACCM Membership Meeting

ACCM will hold a General Membership meeting during the C.A.S.H. Annual Conference on February 23, 2011 from 10:45 a.m. to 12:15 p.m. at the Sacramento Convention Center in Room 303.

We have invited Cesar Diaz, the Legislative Director of the State Building and Construction Trades Council of California to discuss Superintendent of Public Instruction Tom Torlakson's School Facility Task Force proposal to streamline applications, green energy, and a new 2012 state school bond.

We also have invited Scott Harvey, Acting Director at the Department of General Services, to discuss his view of OPSC and DSA directions for 2011.

The C.A.S.H. Conference will have many important workshops and programs. We hope ACCM members will attend the C.A.S.H. Annual Conference, and while at the Conference, will attend the ACCM general membership meeting. We look forward to seeing you at the meeting.

Attendees will receive on disk an updated "Project Delivery Method Handbook – A Guide to California School and Community College Facility Delivery" at the meeting.

Expert Work Group Off-Site Development District Questions

The School Facility Expert Working Group convened by the Department of General Services has asked the Office of Public School Construction (OPSC) the following questions regarding reimbursement of off-site costs.

District Question #1:

Does a District have the ability not to make the off-site development improvements imposed on them by the local jurisdiction if the expense is disallowed by the OPSC?

OPSC Response:

The OPSC Plan Review Team (PVT) reviews the District's application for new construction additional grants specific to all Site Development Costs. All off-site development improvements submitted by the District are reviewed in accordance with the School Facility Program (SFP) regulation 1859.76 (b) 1 thru 6. Off-site improvements that are deemed ineligible, with respect to the regulations, are disallowed additional grant allowances. It is the District's responsibility to consult with their legal counsel regarding locally imposed jurisdictional requirements.

District Question #2:

Is it the intent of the regulation not to pay for a necessary mitigation measure?

OPSC Response:

Regulation 1859.76 (b) 1 thru 6 addresses locally mandated ordinances. The spirit of the off-site development regulation is to compensate the grant applicant for specific off-site development improvements in a reasonable, fair, and equitable manner. Specific entities that either mandate or will share in the benefits of the off-site improvements (current or future) must also share the burden of costs for such improvements in a reasonable, fair, and equitable manner. To do otherwise, would be a gift of public funds.

District Comment #3:

Districts are asked to cooperate and coordinate with local jurisdictions when planning new school sites, and the SFP program should align the funding for these requirements.

OPSC Response:

The SFP funding must comply with the regulations. The locally imposed or mandated ordinances and associated fees can only be included in the SFP project funding when the regulations allow those specific costs.

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DSA Update January 20, 2011

By Dick Cowan, Davis Reed, Inc.

Acting State Architect Chip Smith has announced a focus on Results and Efficiency for 2011 with three areas of emphasis:

- Access compliance—how do we ensure the consistency and clarity in this area that other code areas have developed?
- Certification—we have studied the issues, and taken some good steps, now we have to drive toward simplified processes for ongoing projects and cleaning up the old project backlog.
- Better Production—how can we achieve more efficiency and less manpower in both plan check and field oversight?

Chip says he must prioritize the limited and shrinking dollars and manpower to focus on real improvements. He will try to guide efforts and solutions to issues DSA faces into the administrative and regulatory areas of authority rather than waiting for statutory changes which take much longer.

DSA has completed its filing to the U.S. Department of Justice to have the California Building Code (CBC) accepted as in compliance with the Federal ADA. Once approved and incorporated as a supplement to the 2010 CBC, the long awaited construction tolerances already in the federal law can be applied in California.

The backlog of uncertified projects has dropped from 20,000 to 17,000, primarily in scrubbing the databases which contain certification documents. The Emergency Code package to simplify certification processes including the DSA change order process has been approved by the Building Standards Commission on January 19th. Now DSA can publish the regulations and IR's that will implement the simplified processes. ACCM's voice was heard on this package and onerous language restricting districts from using CM firms to provide project inspectors was dropped.

Thoughts on the Governor's Proposal Regarding Redevelopment Agencies and Enterprise Zones

The Governor has proposed to abolish Redevelopment Agencies and Enterprise Zones commencing with the 2011-12 fiscal year. Redevelopment Agencies (RDAs) would continue access to redevelop increment funds to pay already in existence debt that had been accrued by the RDAs; however, no new debt could be made nor could any new increment property tax revenue flow to the RDAs. No new projects could be initiated by the RDAs.

The Enterprise Zone (EZ) proposal would eliminate tax credits for future business locations in an EZ. This proposal is based on reports from the Legislative Analyst and the Public Policy Institute of California. Both reports concluded that EZs did not increase employment and were not successful in meeting their purpose. For construction managers, the RDA proposal would mean that new redevelopment projects would not occur. This limitation could eliminate public redevelopment projects of more than \$1 billion per year.

The other part of the Governor's RDA and EZ proposal would place on some future ballot a proposal to allow local government to pass for economic activity and infrastructure bonds and taxes with a 55% voter approval provided that the tax or funding source for the bond was a revenue source other than property tax. This second proposal, if passed on a future ballot, could result in new economic development and infrastructure bonding in excess of \$5 billion per year.

The Governor's proposal for a future ballot proposition appears to have significant advantages for construction managers if the voters approve reducing the vote requirement for future infrastructure bonds. ACCM will consider taking a position when there is more detail on the technical provisions.

ACCM Activities and 2011 Goals

The Association of California Construction Managers represents Construction Management firms working with California's K-14 school and community college districts.

ACCM:

- Provides direct legislative lobbying on new proposed legislation that affects CMs on school facility projects;
- Provides direct administrative lobbying with the State Allocation Board, Department of Finance, Department of Education, and the Division of the State Architect, as well as many other state agencies. Our administrative lobbying is on regulations and policies that affect school construction and CM services;
- Organizes short-term coalitions to pressure for adequate pipeline funds for school facilities;
- Develops information for state agency and school district use regarding construction costs and construction methods; and
- Provides member firms information about school bonds placed on local ballots, demographic trends in enrollment by county and other information useful for working with potential K-14 clients.

2011

- This year ACCM will be working with the Superintendent of Public Instruction's School Facility Task Force for energy conservation, streamlining the school facility application process, along with a 2012 state school bond for the 2012 state ballot.
- ACCM will be active in legislation affecting school facility funding, as well as legislation affecting schools and CMs in bidding requirements, prequalification requirements and numerous other topics.
- ACCM will continue to work with the State Allocation Board as they consider developing new policies for the current School Facility Program.
- 2011 is expected to be an active year for school facility related legislation and policy. ACCM will be involved with all of the players acting in the school facility arena.

ACCM Membership Application

Membership in the Association of California Construction Managers is open to firms and individuals sharing a common interest in the promotion of construction management as a professional service. The Association's membership represents a broad spectrum of the construction industry.

Name: _____

Title: _____

Company: _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

Annual CM Revenue/Annual FEE

Less than \$2 million=\$2,000

Over \$2 million=\$4,000
