



ACCM Insider

Legislature Holds Hearings Affecting ACCM Members

On December 14 and 15, the Legislature held three hearings on issues affecting ACCM members and their clients. The hearings were on:

- 1) Office of Public School Construction audit process;
- 2) State debt and how that debt affects current and future infrastructure funding and state operational program funding; and
- 3) Schools as centers of sustainable communities and how that affects school facility construction.

OPSC Audits

The hearing focused on possible recommendations for State Allocation Board adoption. The hearing was conducted by the SAB Audit Subcommittee: Senator Lowenthal, Kathleen Moore and Scott Harvey, with all members present.

SAB Audit Subcommittee

The committee heard testimony from various individuals on the prior audit practices, the intent of SB 50 to be a more streamlined, flexible and greater discretion and authority given to sds and as such the audit function would be at the end of the process to ensure the district spent the grants on school facilities. OPSC provided testimony on their current and planned future audit process. SD and consultants provided responses to the OPSC as well as public comment provided to the subcommittee. The subcommit-

tee acted to report the issues to the State Allocation Board at the January 27, 2010 meeting.

State Debt Service Costs

The Assembly Budget Committee members heard from State Treasurer Bill Lockyer and the Legislative Analyst Mac Taylor on state debt. Both had the same theme in their testimony. That theme was that state debt service costs would be growing significantly during the next decade. The costs would grow to more than 9% of the State General budget in 2014-15 even if no new bonds are approved by voters or lease purchase bonds are approved by the legislature. The 9% of general fund revenues is simply debt service cost for bonds already approved or issued.

In his prepared documents, the Treasurer indicated that there were no plans to issue additional debt during 2009-10 fiscal year. This would mean no funds for unfounded approvals unless there are loans provided from the Pooled Money Investment Account or a reallocation of some of the already sold bond funds to schools. The current and growing backlog of unfunded projects does not appear that it will be relieved before June 30, 2010 unless there is a loan or reallocation.

The LAO indicated that the Legisla-

ture does have control over its debt service and can control those costs by simply not appropriating bond money. He continued by suggesting that the state begin looking at alternative funding sources for state infrastructure projects such as requiring CA community colleges to have a matching ratio for state bond funds similar to the matching ration of the K-12 projects; requiring University of California research funds to pay for University of California research facilities which raises the question of operational funds being used for debt service.

The LAO suggested a number of other actions that could be taken for future infrastructure projects. He recommended a joint committee for infrastructure which would look at state and local government funding responsibilities, alternative funding sources and alternative matching ratios.

Both the LAO and Treasurer emphasized that there is no expectation state infrastructure programs will

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Silver Linings in State Revenue Forecast?

While the Legislative Analyst's Office (LAO) has painted a gloomy picture of the next two years for state General Fund revenues and Proposition 98 funding, the Department of Finance and Franchise Tax Board have a less gloomy view for 2009-10.

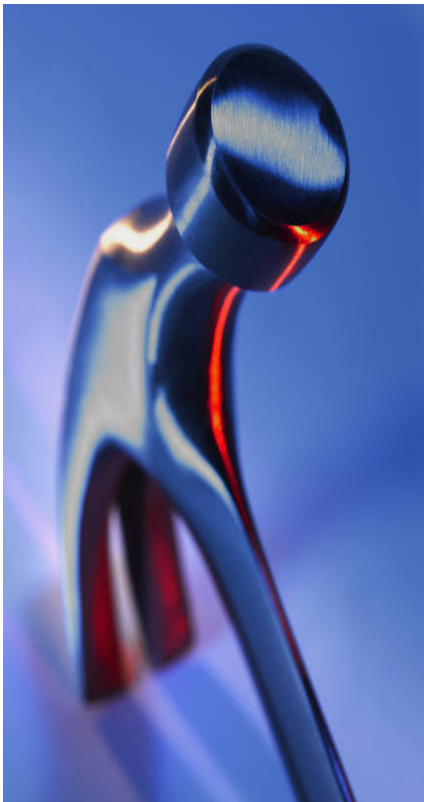
The LAO estimated an additional \$1.5 billion loss in state tax revenue for 2009-10, both predicted a \$1 billion increase in the 2009-10 Proposition 98 obligation education funding. If the economy has bottomed and is starting to grow better than the LAO predicted "sluggish" growth, then the Proposition 98 obligation for 2009-10 could increase by an additional \$800 million to a total of \$1.8 billion more owed to schools in 2009-10 and thereafter.

The Department of Finance confirmed the State Controller's revenue numbers which show an increase in the state General Fund revenues from the proceeds of taxes compared to the estimates made when the 2009-10 budget was adopted in July. While this increase does not fully restore the General Fund revenues and the losses that occurred in July, August and September, it does reduce the amount of red ink in the state General Fund to about \$600 million.

Additionally, the Franchise Tax Board has reported that taxes owed, but not paid, have increased by approximately \$400 million in the first three months of 2009-10. This \$400 million will eventually have to be paid and is not showing in the De-

partment of Finance or Controller's revenue numbers. If the \$400 million were counted, the state would be very close (within \$200 million) to the state General Fund revenues from proceeds of taxes that were included in the final budget agreements, as adjusted after the May Revision.

This most recent data, as well as some of the national data, indicating that the recovery could be potentially sooner in California than previously expected and, in the nation, a stronger economic recovery than previously anticipated can give a glimmer of hope that the budget problems for 2010-11 will not be as severe as presented by the Legislative Analyst's Office.



Publication Guidelines

The *ACCM Insider* is published bi-monthly by the Association for California Construction Managers (ACCM) and distributed to ACCM Members.

The *ACCM Insider* solicits articles from the membership and state agencies on construction management related topics. Articles are due no later than the end of the first week of the publication month. If you are interested in submitting an article, please send it via email to Meagan Poulos at mpoulos@m-w-h.com or by mail to ACCM, 1130 K Street, Suite 210, Sacramento, CA 95814. The views expressed herein are those of the authors and not necessarily those of the ACCM, its board, staff or general membership.

2009-10 Publication Schedule

<u>Month of Publication</u>	<u>Article Due</u>
February	February 5, 2010
April	April 2, 2010
June	June 4, 2010

New State School Facilities Program?

Recent comments regarding the state's debt burden by the State Treasurer, Legislative Analyst's Office, and members of the California Legislature all indicate a desire to reduce the state's future debt burden. Reducing the debt burden can be accomplished by: 1) not selling already authorized bonds; 2) not placing new bonds on the ballot; and 3) transferring infrastructure obligations from the state to local governments.

The current expectation is that the Governor's budget will include a proposal to shift more of the school

construction and modernization financing obligations from the state to school districts. The form of this proposal is unknown at this time; however, in past budgets the Governor has proposed a shift of the sharing arrangement from 50% local/50% state to 60% local / 40% state for new construction. It is highly possible the state will propose something similar to 60% local / 40% state for modernization as well.

(Hearings, Continued from Page 1)

end. The challenge will be to find ways to lessen the state obligation for funding such projects while also ensuring such projects go forward.

to the same level but he also had questions regarding how the policy proposals could be implemented.

The second hearing discussed the importance of integrating school facilities into the community, encouraging smaller schools on smaller sites, increasing the environmental, pupil health and social functions of schools by encouraging more walking to and from schools and having more coordination among state, city, county and school entities in land use planning and implementation. These and some of the other issues discussed at the hearing all have important policy implications, but they did not have a strong recommendation on how to pay for the increased costs associated with implementing the policies. Senator Lowenthal kept raising the issue that the state is broke and cannot afford increased school infrastructure costs. Senator Cox did not raise the fiscal concern

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School Bond Election Database

Here is a great source of information on elections around the country and specifically for California ballot information.

Research into the passage of school bonds in the state led to this site. Keep clicking and you can go deeper and deeper into the county and school district bond election data.

http://ballotpedia.org/wiki/index.php/School_bond_elections_in_California_school_bond_elections

<http://ballotpedia.org/wiki/index.php/California> can access county by county info. and then can click on every local ed. vote, etc. etc.

http://ballotpedia.org/wiki/index.php/Parcel_tax_elections_in_California parcel taxes

New Local Funding Initiative Cleared to Gather Signatures

The Attorney General has completed the Title and Summary for the initiative that would reduce the two-thirds vote requirement for passing city, county and special district bonds to 55% and allowing city, county and school district parcel taxes to be levied at 55% approval rather than two-thirds. The circulation deadline to qualify the initiative for the November ballot is May 3, 2010. The following is the title and summary as well as the summary of provisions provided by the proponents.

Official Title and Summary

Changes Voter Approval Requirement for Local Bonds and Taxes to 55% from Two-Thirds so Long as Accountability Requirements Met. Initiative Constitutional Amendment and Statute.

Summary Date: 12/04/09

Circulation Deadline: 05/03/10

Signatures Required: 694,354

Proponents: James C. Harrison and Margaret R. Prinzing (510) 346-6200

Changes voter approval requirement to 55% from two-thirds for local infrastructure bonds, property taxes to repay bonds where taxes exceed 1% of the property's assessed value, and certain local taxes where taxes are to be used only as voters specify. Allows 55% vote only when certain "accountability requirements" are

satisfied. Prohibits state from taking local tax revenues and requires public hearings on fund use, independent audits, and citizens' oversight committees. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: Major increases in local government revenues and spending. Depending on local voter approval of future tax and bond proposals, local government spending related to these new revenues would probably reach at least billions of dollars annually over time. (09-0052.)

The initiatives proponents state it would empower local voters to determine local priorities by a 55% vote, while mandating strict new accountability requirements.

Local voters would be authorized to approve local tax and bond measures by a 55% vote, instead of the drastic 2/3 vote requirement currently in place, for dedicated and specific purposes such as schools, public safety, traffic congestion relief, hospitals, police, and fire protection and other local services and infrastructure.

Strict new government accountability requirements would:

-Require a specific list of projects, programs or services to be funded

by any local measure;

-Create independent citizens oversight committees to ensure funds are spent as authorized;

-Require annual, independent fiscal & performance audits be made available to the public; and

-Prohibit funds from local voter-approved ballot measures from being taken by the State.

Only measures that are for dedicated purposes and subject to the accountability requirements could be put on the ballot in cities, counties, school districts, community college districts, and special districts for approval by a 55% vote of the people.

This measure does not raise taxes and does not allow local politicians to raise taxes. It authorizes 55% of local voters to make their own decisions about funding vital services and infrastructure.

This proposed measure applies the same reasonable threshold that voters already approved in 200 for local school construction bonds to funding decisions for other vital local services.

We have received no information from any possible opponents to the initiative.



Cowan's Corner

Dick Cowan represented ACCM and led the Second Annual Forum on School Alternate Delivery at the Division of the State Architect (DSA) Headquarters on December 7. This year's Forum focused on how Alternative Delivery practitioners could help project inspectors and testing laboratory personnel do their job better.

Some suggestions that emerged from the Forum were:

- Extra preparation is necessary to ensure the whole team is ready for the extra level of change order management. Managing the response from multiple warranties from multiple-prime contractors on multiple-prime projects would be helpful at level of separate tracking and will pay off.
- Multiple-Prime construction managers must assign an experienced and knowledgeable Superintendent to serve as a strong ringmaster and prioritize multiple inspection and testing requests.
- Design-builders should communicate to designers that they must still support project inspectors and testing personnel with technical answers even though they are under contract to a builder. The code obligations of designers do not change even though they are contracted differently.
- Agency CM personnel aiding districts in hiring and manag-

News from DSA by Dick Cowan, Davis Reed

ing contracts for design, testing, and inspection must manage for their client's interest, but not step over the line of taking on design responsibility. IR A 24 gives examples of code responsibility that must remain with the designers of record.

- Where lease-leaseback is used to accomplish tightly scheduled work, the testing and inspection staff needs to plan to match that level of effort. Assistant inspectors may be needed and extra and early notice for weekend testing should be planned for.
- If extensive leaseback value engineering ideas are to be incorporated into school work, even after plans have already been stamped, the designers of record should review the field change documents they anticipate and document these cost savings ideas with the project inspector.
- When the CM At-Risk gives a guaranteed price for a project, he now stands in the shoes of the builder and can no longer administer contracts for testing and inspection for that project. Districts need to ensure that inspectors and labs know they must openly raise quality, safety or field supervisory concerns, even if the people who administered their contract previously are now the "builder" for the project.

The 2007 Code Amendments staffed by DSA with ACCM input are under review by the Build-

ing Standards Commission and are on track to be published in July 2010 and effective January 2011.



One of the issues being worked by DSA is the use of new technologies such as solar panels and fuel cells in California schools. Existing codes have little guidance and DSA staff has little experience with these new technologies; how can we equip project inspectors to spot problems and deal with them effectively? Any ACCM member who would like to work on this subject, please contact Dick Cowan.

Federal Guidelines to include construction tolerances on ADA construction are still not available. In the meantime DSA has published an important IR 11B-8 which has three suggestions: When an ADA requirement gives a range, design to the middle of the range and tolerances are automatically available. When ADA requirements are a minimum or a maximum, don't design to the limit of the maximum or minimum, give yourself some room. When an ADA requirement is an absolute measurement, DSA does not have the legal authority to publish a tolerance until the Federal Guides are published. But, DSA Field Engineers are empowered to examine situations and grant acceptances on a case-by-case basis. In the meantime, lay out those toilet room partitions with great care!