STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
May 1, 2009

# ANALYSIS OF PROJECT INFORMATION WORKSHEET DATA

## PURPOSE

To outline the methodology for analyzing project data provided via the Project Information Worksheet (PIW).

## BACKGROUND

School Facility Program (SFP) Regulation Section 1859.71 implementing Education Code (EC) Section 17072.11 stipulates that "The new construction per-unhoused-pupil grant amount, as provided by EC Section 17072.10(a), may be increased by an additional amount not to exceed six percent in a fiscal year, or decreased, based on the analysis of the current cost to build schools as reported on the Project Information Worksheet (New 09/07) which shall be submitted with the Forms SAB 50-05 and 50-06 and as approved by the Board."

On January 30, 2008, the State Allocation Board (SAB) approved the Final Adoption of the regulatory amendment and the PIW. The original effective date of the PIW form and regulations was July 10, 2008.

A brief summary of a previous study performed on the adequacy on the new construction base grant by the Grant Adequacy Ad Hoc Committee has been provided as Attachment A.

## AUTHORITY

EC Section 17072.10:

(a) The board shall determine the applicant's maximum total new construction grant eligibility by multiplying the number of unhoused pupils calculated pursuant to Article 3 (commencing with Section 17071.75) in each school district with an approved application for new construction, by the per-unhoused-pupil grant as follows:

(1) Five thousand two hundred dollars ($5,200) for elementary school pupils.

(2) Five thousand five hundred dollars ($5,500) for middle school pupils.

(3) Seven thousand two hundred dollars ($7,200) for high school pupils.

(b) The board shall annually adjust the per-unhoused-pupil apportionment to reflect construction cost changes, as set forth in the statewide cost index for class B construction as determined by the board.

(c) Any regulations adopted by the board prior to July 1, 2000, that adjust the amounts identified in this section for qualifying individuals with exceptional needs, as defined in Section 56026, as amended after July 1, 2000, in consideration of the recommendations provided pursuant to Section 17072.15, shall continue in effect.

(d) The board may establish a single supplemental per-unhoused-pupil grant in addition to the amounts specified in subdivision (a) based on the statewide average marginal difference in costs in instances where a project requires multilevel school facilities due to limited acreage. The district's application shall demonstrate that a practical alternative site is not available.

(e) For a school district having an enrollment of 2,500 or less for the prior fiscal year, the board may approve a supplemental apportionment of up to seven thousand five hundred dollars ($7,500) for any new construction project assistance. The amount of the supplemental apportionment authorized pursuant to this subdivision shall be adjusted in 2008 and every year thereafter by an amount equal to the percentage adjustment for class B construction.

(f) This section is operative January 1, 2008.

EC Section 17072.11:

(a) All of the following shall apply on and after July 1, 2006:

(1) The per-unhoused-pupil grant eligibility determined under paragraphs (1) and (2) of subdivision (a) of Section 17072.10 shall be increased by 7 percent.

(2) The per-unhoused-pupil grant eligibility determined under paragraph (3) of subdivision (a) of Section 17072.10 shall be increased by 4 percent.

(3) The board shall conduct an analysis of the relationship between the per-unhoused-pupil grant eligibility determined under this article and the per-pupil cost of new school construction for elementary, middle, and high school pupils.

(b) On or after January 1, 2008, the board shall increase or decrease the per-unhoused-pupil grant eligibility determined pursuant to subdivision (a) by amounts it deems necessary to cause the grants to correspond to costs of new school construction, provided that the increase in any fiscal year pursuant to this section shall not exceed 6 percent.

## DISCUSSION

### Purpose of the PIW

The PIW is used to collect information necessary to conduct an analysis of the relationship between the per-unhoused-pupil grant amount and the per-pupil cost of new school construction for grades K-12 pursuant to EC Section 17072.11, and to meet the requirements for bond accountability. School districts are required to submit a PIW when they submit a *Fund Release Authorization* (Form SAB 50-05) for all new construction projects requesting a 100 percent fund release, and when they submit the first annual and final *Expenditure Reports* (Form SAB 50-06) for all new construction projects after receiving the full fund release.

### What Constitutes a Complete PIW

As discussed at the April 2009 Implementation Committee meeting, there are some technical issues within the current PIW that may contribute to confusion for school districts when filling out the form. Due to these issues, some of the submitted PIWs contain errors that may require individual PIWs to be excluded from the analysis. OPSC staff proposes that the following PIWs be excluded:

PIWs That May Be Excluded

1. Forms where a district has indicated an incorrect State contribution amount where the amount is more than 10 percent less than or 5 percent more than the correct amount. [Both the State Share (50 percent amount) and State Apportionment (State Share plus Financial Hardship) will be considered].
2. Forms submitted for projects funded by a program other than new construction including but not limited to: Modernization, Joint-Use, etc.
3. Any form that has an obvious data entry error (example, the project was funded for Site Acquisition or Site Development, but the PIW does not contain a dollar amount in that section).
4. Incomplete forms where the missing information is required for analysis, such as project cost information.

Data Adjustments

In addition, staff proposes making the following corrections to submitted PIWs in order to allow for a larger data pool for analysis:

1. Once Staff has confirmed that the data provided by the District for the State apportionment information has met verification standards, as determined in number 1 (above), staff will substitute this data with the SAB approved State apportionment information.

2. Any PIW that has had an updated version submitted will have the most recent version used (for example, a project that submitted a PIW for the first Form SAB 50-06 would have the Form SAB 50-05 PIW excluded, or if a revised version of the most recent PIW is submitted, the previous PIW will be excluded).
3. Forms with incorrect total sections will have the total sections recalculated based on the information provided.

**PIWs to be Considered for Analysis**

Beyond excluding and correcting PIWs due to errors, some consideration needs to be made regarding which PIWs should be included in the analysis required by EC Section 17072.11(b). The following should be considered for exclusion:

1. Project Type

EC allows the board to increase or decrease the K-12 pupil grants to correspond to costs of new school construction. Based on this, the OPSC proposes to exclude projects containing only Severe Special Day Class (SDC) and Non-Severe SDC pupil grants as they are not subject to the grant adjustment proved by EC Section 17072.11(b).

2. Financial Hardship Projects

Districts subject to the Financial Hardship program's restriction on extra contributions may design their project to build to the grant. This limitation on over spending provides an additional restriction that may require the project to be excluded from the analysis. However, not all Financial Hardship projects may need to be excluded. Some district's qualify for Financial Hardship and receive site and/or design money for a project, but once the project is provided final funding, the district no longer qualifies for Financial Hardship and is therefore no longer limited in what additional funds may be contributed.

3. Construction Types

At this time OPSC is not proposing any consideration be made for construction types; those being permanent, modular or portable buildings. EC Section 17072.11(b) does not differentiate between the types of construction being used for the school site and references the construction costs of the projects, which can be of any construction type. The OPSC does not believe it has the authority to limit the adjustment to the per-unhoused-pupil grant amount based on construction type; however, we can provide information regarding differences in costs by construction type.

4. Variations from Funding Norm

EC and SFP regulations establish funding based on the State loading standard and the number of classrooms in the project; however, SFP regulations allow districts to request funding that is different from this loading formula. These modifications to funding could be through one of the following:

1. Districts can under-request (classrooms multiplied by loading standard is greater than pupil grants requested) either intentionally or due to an unavailability of eligibility.
2. Districts can request additional grants for the purposes of constructing Minimum Essential Facilities through Type A Use of Grants.
3. Districts can request grants from other grade categories through a Type B Use of Grants.

At the April 2009 Implementation Committee meeting, stakeholders suggested excluding all three of these pupil grant modification scenarios. For all but the first scenario, and then only when the request was restricted because eligibility is unavailable, these situations reflect a funding decision made by a district. Besides eliminating these projects from the analysis, two additional options are available for addressing these projects.

1. Including the projects as requested and compare construction costs to actual funding provided.
2. Those projects that have under-requested pupil grants will be included, and adjusted if the pupil grants added through the adjustment are less then one classrooms worth of pupil grants. As smaller projects will be effected by this increase in a greater way (in terms of percentage of funding), there may need to be a minimum project size that would be either included as requested or eliminated from analysis. Type A and B Use of Grants projects will be excluded.

**Methodology**

While the purpose of this study is to provide the required adjustment to the K-12 per-unhoused-pupil grant amounts, the EC does not restrict different changes from being made to each grade level. The OPSC, therefore, proposes dividing the PIWs selected for analysis into three categories:

1. Projects containing K-6 pupil grants
2. Projects containing 7-8 pupil grants
3. Projects containing 9-12 pupil grants

One item for discussion would be how and where to include projects that used multiple categories of pupil grants, for each of the various reasons for doing so (i.e., Use of Grants, multi-category schools and one/multi-category schools that include SDC grants).

**Method of Calculation**

At the April 2009 Implementation Committee meeting, OPSC presented a method of calculating how well the State apportionment provides at least 50 percent of the total funds needed for a project's construction costs less site acquisition work by the following calculation:

> Using the information provided on the PIW and original funding approval, divide the total State apportionment less financial hardship and site acquisition by the total project cost. The formula would be the following (PIW section and line items indicated in italics):

*-SAB Approval-* *-SAB Approval-* *-SAB Approval-*

$$\frac{\text{Total apportionment(s)} - \text{Financial hardship} - \text{Site acquisition cost}}{\text{Total project cost}}$$

*-Costs 8-*

A blank copy of the PIW has been included for reference as Attachment B.

During the discussion, it was mentioned that the role of the PIW study was to determine the adequacy of the per-unhoused-pupil grant amounts and that those costs unrelated should be excluded from consideration. The discussion identified site acquisition and site development costs as being unrelated to the per-unhoused-pupil grant amounts, therefore, the OPSC presents the following additional method for consideration:

> Using the information provided on the PIW and original funding approval, divide the total State apportionment less financial hardship, site development and site acquisition by the sum of the total project cost less site development in contract(s). The formula would be the following (PIW section and line items indicated in italics):

*-SAB Approval-* *-SAB Approval-* *-SAB Approval-* *-SAB Approval-*

$$\frac{\text{Total apportionment(s)} - \text{Financial hardship} - \text{Site development} - \text{Site acquisition cost}}{\text{Total project cost} - \text{Site development in contracts(s)}}$$

*-Costs 8-* *-Costs 2c2-*

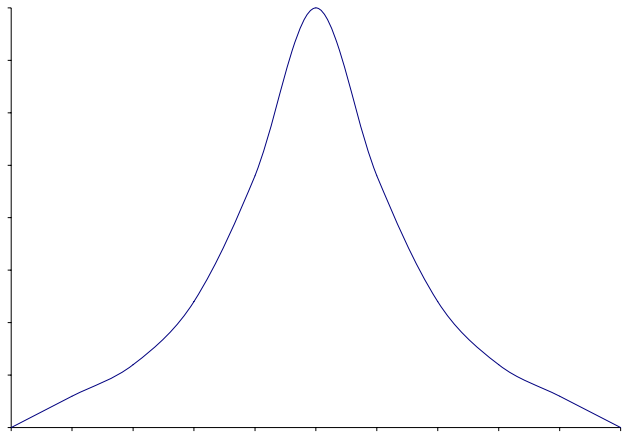
The use of this method will depend on the ability of school districts to report site development costs separately from the main construction costs consistent with SFP definition of site development; districts have indicated in the past that this would be difficult.

**Data Analysis**

Once it has been determined as to what PIWs will be used, which project details will be considered, and what constitutes construction costs, a method of comparison of the data must be selected. It is also possible to use more that one method to compare the results to arrive at a grant adjustment recommendation. The following are proposed methods for discussion:

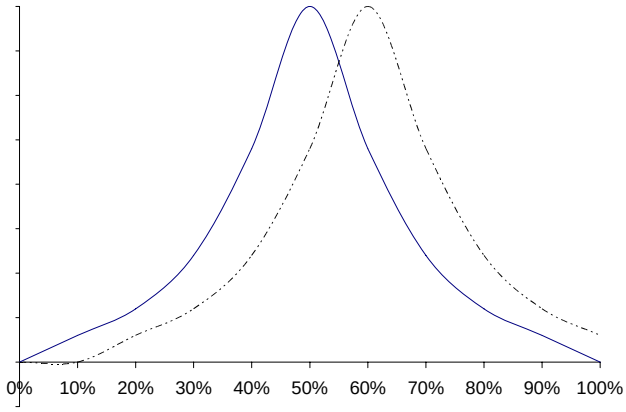
1. Bell Curve Comparison

The label "bell curve" refers to the visual description of a graphed set of data that contains a normal distribution; that being a set of data clusters around the mean (average) with an ever decreasing number of points the closer the number moves towards zero or out past the average.



Once the method of calculation (above) has been determined and the actual percent of each project has been determined, the results should present themselves in this format, where the numerical count of projects tends to cluster towards an unknown average. There would then be an ever decreasing number of projects that are funded at a percentage of state participation under the average and an ever deceasing number of projects funded over the average.

The Bell Curve Comparison option, assuming the data provides a usable distribution, would seek to shift the distribution as a whole by applying the percentage change to the project funding and then determining the adjusted funding level. For example:



The above graph presents an example where the average project is funded at a 50 percent share, and shows an equal distribution of projects that are over and under-funded. A percentage change to the per-unhoused-pupil grant amount applied to all of the projects would have the graph shift in the direction of the change.

2. Square Footage Cost Comparison

At the April 2009 Implementation Committee meeting, an audience member proposed a method for analyzing the data that involved comparing project's costs per square foot. In summary, this method would separate the selected projects based on the year of funding and then would further categorize them by grade level. The cost per square foot would be determined by dividing the adjusted bid amount by the total square feet in the project. The average cost per square foot for all projects in a particular year would be compared against the average cost per square foot for projects in the previous year to determine the average percent change. This difference, after taking into account the yearly Construction Cost Index increase, would be used in determining if an increase or decrease to the grant should be recommended to the SAB for the following year. These calculations would be done at each of the three grade categories, as stated above.

To account for projects that may greatly skew the results, due to things such as over building and choices in material, projects that are three or more standard deviations from the mean would be excluded from the analysis.

Attachment A

## Background

The State Allocation Board (Board) directed Staff, at the May 2005 meeting, to form a committee to determine if the School Facility Program (SFP) new construction grants were adequate to build schools in California. The Grant Adequacy Ad Hoc Committee (Committee) was assembled in December 2005 with representatives from several school districts, architectural, construction, and construction management firms, consultants, the California Building Industry Association, the Department of Finance, the California Department of Education, the Board, and the Office of Public School Construction. Specifically, the Board requested that the committee address mainly two issues: one, the equitability of the SFP new construction base grant amount to the equivalent allowances provided under the Lease-Purchase Program (LPP) when the State converted programs in 1998; and two, if the grants were sufficient to build a complete new school at the time of the study.

## First Objective - Methodology Description

The Committee tackled the first assignment from the Board by reviewing historical data. They complied a list of 402 projects funded and completed under the LPP over a five year time span, from June 1995 to August 2000. Projects that were additions to existing sites and reconstructions were removed from the list because they did not represent complete new schools. County office of Education projects, continuation high schools, and non-traditional grade configurations (i.e. K-8, 7-12) were also stricken from the list as they are non-traditional schools. This left 64 elementary, 34 middle, and 29 high school projects for the analysis.

Since the allowances provided under the LPP were categorized differently than they are under the SFP, the Committee determined which LPP allowance categories were comparable to the SFP new construction base grant, enabling a like comparison to be made between the LPP and SFP. A comparison was then made as to how much was allocated for a project under the LPP to what could have been allocated under the SFP for the same project based on the number of classrooms constructed. The percentage by which the SFP new construction base grant exceeded or was deficient to the LPP was then calculated.

## First Objective – Results

The small data set contributed to substantial variations in results indicating projects were both over and under funded by the SFP program. During the analysis, the Committee was unable to definitively conclude whether the general site allowance was included in the SFP base grant at the time of conversion. The majority of the Committee eventually agreed to this finding resulting in the adoption by the Board of amendments to the SFP Regulations to provide a new construction additional grant for general site development at the June 2006 meeting.

## Second Objective - Methodology Description

For the second assignment, the Committee planned to compare actual costs incurred on projects versus what was provided by the State. The Committee sent surveys to school districts that had completed a new construction project in the last several years. The surveys were intended to provide information regarding actual costs incurred on projects versus what is provided by the State, as well as explore other contributing factors that could have resulted in insufficient funding, such as overbuilding.

## Second Objective – Results

Due to the small number of surveys returned, and the quality of information provided, the surveys were not able to be used in any form of analysis.