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NEW CONSTRUCTION GRANT ADJUSTMENT

STATE CAPITOL, ROOM 126
SACRAMENTO, CALIFORNIA 95814

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APPEARANCES

MASHA LUTSUK, Operations Manager, Program Services

JOSH DAMOTH

JOSH ROSENSTEIN

P R O C E E D I N G S

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3 MS. LUTSUK: Thanks for waiting. I don't see
4 anybody else in the hallway. Thank you for coming. This is
5 the information session that we have scheduled to allow
6 opportunity for questions on the New Construction Grant
7 Adjustment report that we've just released.

8 It was available on our Website Friday afternoon,
9 but there were challenges with DGS server and not everybody
10 got an email that the report was actually available. So the
11 report is here. We have the team with us that worked --
12 that started the discussions that you recall at the
13 Implementation Committee meeting regarding the methodology
14 that we would follow for this report and the team is: Erin
15 Cunneen, who's in the audience, Josh Rosenstein, Josh
16 Damoth, and myself, Masha Lutsuk, of the Office of Public
17 School Construction.

18 So what we'll do is we'll just do a brief
19 introduction of why we're here and then Josh Damoth will go
20 through the -- quickly through the overview of the report
21 and then we can open the floor up for questions. If you
22 have questions, please use the microphones over here and --
23 to come up and ask questions.

24 If -- for those in the audience that are maybe
25 watching, just a brief introduction. The Assembly Bill 127

1 requires the State Allocation Board to analyze the grants
2 and costs of actual construction. We do this through the
3 Project Information Worksheet.

4 We brought an item to the Implementation Committee
5 this spring and summer regarding methodology for analyzing
6 the data that we collected via Project Information
7 Worksheets and we -- as we said before, we're using those
8 that were submitted to our office through March 31st of this
9 year. That was our grouping that we focused on.

10 The report that you see in front of you today
11 pretty much follows the steps that we've outlined in those
12 Implementation Committee meetings as far as back at -- those
13 meetings we talked about projects that we would be using for
14 the study, projects that we would be excluding from the
15 study, the formula that we would follow to determine the
16 percent of state share in the project, and then we also
17 talked about square footage analysis.

18 We did use some additional filters once we found
19 out how inconsistent the data was and we can tell you
20 briefly about those. The -- so I will turn it over to Josh.
21 He'll briefly go over different sections of the report and
22 then we'll open the floor up for questions. Thanks.

23 MR. DAMOTH: Okay. Thank you very much. I'm just
24 going to basically -- I know the report's really fresh and
25 just got released, so I'm just going to basically just

1 take -- give you a basic overview of how it's organized, why
2 we organized it that way, and what we're trying say, and
3 what kind of data that will be presented to the Allocation
4 Board. So, Josh, if you can go ahead and open it up here.

5 I don't know if you'll be able to read that up
6 there. Okay. So the New Construction Grant Adjustment
7 report. Basically we -- when we designed this report, we
8 assumed that the reader doesn't necessarily have -- is
9 assuming that the reader is not completely familiar with our
10 funding model. We have a lot of policymakers out there that
11 need to be educated.

12 It's been -- the SFP's been around since 1998, so
13 we started off by just going through a basic overview of the
14 funding model. Basically our program -- the three major
15 components of our program is eligibility, how do you --
16 there's a pupil grant and then in addition to that, there's
17 a supplemental grant. So basically what we're trying to do
18 is give the reader a basic background of how -- our grant
19 structure so that way -- and it's pretty complex. That way
20 our policymakers can take our report and make an informed
21 decision based on the data we give them at the end.

22 Basically we actually met with Dr. Vincent from
23 University of California, Berkeley. I'm going to be talking
24 about some of the suggestions he gave us.

25 One of the things he suggested was using something

1 called descriptive statistics. This is a statistical
2 analysis. It's taking a data set in order to try to draw a
3 conclusion, which is what the law requires us to do with
4 this report.

5 So instead of doing like an inferential model
6 which is basically taking the data set and drawing a
7 definitive conclusion, we're basically just preventing -- or
8 presenting statistics to the Board and in order to just
9 basically paint a picture of what's really going on with the
10 funding.

11 So we started off by saying, okay, the grant
12 adjustments basically have gone up kind of -- well, I'm not
13 going to go into too much detail, but basically that's what
14 we did there.

15 Some -- here's information on supplemental grants.
16 Kind of -- you can comparatively see what's going on. As
17 you can see in 2004, is that? Or is that 2003, Josh?

18 MR. ROSENSTEIN: 2002.

19 MR. DAMOTH: 2002 there's a big spike because
20 there was a bond that got passed and there was an unfunded
21 list that we had to fund. So it's kind of interesting. You
22 can see -- I think a lot of this has -- there's a lot of
23 reasons for this. I think a lot of it has to do with
24 districts are better educated today, so they know how to get
25 these supplemental grants better.

1 I think maybe -- you know, I'd like to think that
2 OPSC outreach has helped with that, just helping, you know,
3 make -- help get the money out, you know, to where districts
4 are eligible, but basically we're just painting a picture of
5 what's going on there.

6 Some grants are independent and some grants are
7 dependent, meaning that if the Board makes an increase or a
8 decrease to the pupil grant, it's going to affect other
9 grants. So we wanted to make sure that the Board got a
10 picture of how that funding is given. And the way it's
11 given is it's based -- most -- I'd say the number one
12 determinant is the number of classrooms in a project. It's
13 basically kind of a one-size-fits-all grant with some
14 supplementals where your number of classrooms determines
15 your funding.

16 Which leads us kind of to the next section. We
17 wanted to give the Board -- we have basically with the
18 Project Information Worksheet, what, in my opinion or in our
19 opinion that we've presented in the report, the richest data
20 set that's available right now. It's all self-reported by
21 school districts.

22 So we wanted to give the Board some examples of
23 the stuff that we can determine. So we went through and
24 basically talked about these are all the different types of
25 projects that are represented here. We talked about there's

1 new schools. There's addition projects. Projects range
2 anywhere from -- what is it, 960 square feet portable to
3 309,900 square foot permanent school.

4 And so in -- let me see here. We have, you know,
5 different construction types represented. We also give the
6 Board an idea of types of facilities that are being built.
7 There are -- obviously classroom's the largest. We have --
8 and then we kind of said average square foot per facility.
9 These are kind of the outdoor facilities. So just painting
10 a picture basically. We wanted to just give them a really
11 good grasp of what -- what types of projects are being
12 represented here.

13 So we also kind of provided a regional summary.
14 There are -- how many counties are there -- 26 counties that
15 were funded out of -- that are represented out of these 166
16 projects.

17 And it's pretty much -- I think it's pretty much a
18 good random sampling except for the fact that we've -- the
19 obvious exception that we've excluded financial hardship
20 projects that had a full and final apportionment, so that
21 might kind of throw this off a little bit.

22 So the key findings -- let me just take you
23 through that real quick. This is our point we're trying to
24 make.

25 There are some problems that we encountered that

1 we feel that need to be addressed before we can take this
2 further. One of the problems is that -- that we feel has
3 been addressed is we've had in the past a lack of data, but
4 through ongoing collaboration with you guys and through
5 school districts, we're building a very rich data set on
6 construction costs. So that problem is being addressed
7 through the Project Information Worksheet.

8 We also have -- we talked about the program is
9 driven by local control. The cost per -- we analyzed the
10 cost per square foot in our data set. It goes -- it ranges
11 anywhere from \$99 a square foot to \$950 a square foot.
12 There's a huge wide range.

13 So there's kind of a lack of a standard for us to
14 judge -- to compare the funding with the costs because it's
15 difficult to say what is the state's responsibility in
16 providing funding. If you take the state's funding and you
17 add the district's required matching share, what should you
18 get with that.

19 So we're having difficulty finding that line. So
20 what we've done kind of just to start that discussion, we've
21 took the CDE complete schools report. We -- well, the CDE
22 already started this by -- they studied -- or Department of
23 Education, I'm sorry. They studied 60 complete schools I
24 believe and so they came up with the mean and median square
25 foot per pupil and so the first line is that.

1 So, for example, here we got the mean square foot
2 per pupil for K-6 was 74. Then we compared that with -- if
3 you skip a line here to the new schools. These are the new
4 schools that were included in our study.

5 The new schools are actually being built almost
6 the same as CDE's recommendation -- or not recommendation,
7 but CDE's finding when they studied what they considered to
8 be a complete school.

9 So maybe there's where the Board can start if they
10 want to make some kind of policy. For reference, under the
11 lease purchase program, we used to have a set square footage
12 per pupil. As you can see here in the report, it's
13 considerably lower.

14 And then the last line, we also included all
15 projects. This is new schools in our study. This is all
16 projects in our study. Obviously all projects in our study
17 are going to be much lower, the reason being because many of
18 these projects are additions projects and they're not going
19 to include a lot of -- they don't always include the
20 subsidiary facilities like multipurpose, gym. So -- but we
21 found that very interesting that the CDE complete school is
22 very close to new schools in our report. So maybe there's
23 kind of a starting point based on what we're going to
24 conclude on this.

25 So -- and then basically we're talking about this

1 unclear funding model. It's a one-size-fits-all grant.
2 It's very problematic. You get money based on the number of
3 classrooms. It has nothing to do with -- it doesn't take
4 into account square footage per pupil, what type of
5 construction are you using, what are you building, what's
6 your facility component. So that makes it very hard for us
7 to make any kind of conclusive findings.

8 We also pointed out the fact that 98 out of 166 of
9 these projects under-requested. There's four reasons that
10 we've outlined. So -- meaning that a lot of money was left
11 on the table. There's a lot of reasons districts do this
12 and the law allows them to and it's perfectly fine for them
13 to do that, but we did point out that this will kind of
14 throw off our study based on what we're trying to find.

15 So -- and then we summarized all that there,
16 disparity of projects, scopes, impact of local decisions
17 affecting project costs, districts under-requesting funding,
18 and the nature of the funding model all interfere with our
19 ability to compare the costs of construction with funding.

20 So since many of our Board members need this
21 education, we've included this kind of as a -- we believe
22 that this is really an important section.

23 Then finally the fun part. We've talked about
24 this is where we have our descriptive statistics. We
25 focused on the cost per square foot and the funding per

1 square foot and comparing the two to get a -- well, cost per
2 square foot, funding per square foot, and percentage of
3 state contribution.

4 So what we've done is we've broken it down and --
5 well, we've provided a summary so you can see 2006 projects
6 from July through December, 2007, 2008. We've project
7 minimum, maximum, statistics, mean and median, and standard
8 deviation. The standard deviation is basically a
9 descriptive statistic that tells you how spread out is the
10 data. The larger the standard deviation, the more spread
11 out.

12 So as you can see, the cost per square foot are
13 much more spread out than the funding per square foot
14 because we had a much huge -- much wider variability in the
15 data. The -- actually we have a cool chart here. This is
16 permanent new schools. For permanent new schools, this is a
17 histogram basically that kind of shows the funding per
18 square foot.

19 As you can see, it doesn't necessarily represent
20 a -- it doesn't look to be too much like a bell curve.
21 There's a lot of projects here that range from 260 to
22 about -- this is about \$500 a square foot right here.
23 There's a lot of projects that go from 560 all the way up to
24 \$900 a square foot.

25 And then right here is the funding which is much

1 more of a normalized curve, you can see. And then we've
2 kind of put the two of them together so you can see the
3 disparity between the funding and the costs here.

4 So we have a market comparison. This is our
5 best -- best we could do to kind of compare with how much
6 other types of projects are costing based on Saylor costs.
7 It doesn't include many important factors such as site
8 development. It's simply there for informational purposes.

9 Then we get -- then basically what we've done is
10 we've -- for each year, we've provided descriptive
11 statistics for each grade level, each type of construction,
12 whether it's new or an addition. We've provided mean and
13 median costs per square foot, funding per square foot,
14 percentage of state contribution, as well as kind of a
15 weighted mean and median, which weights it depending on the
16 number of projects that were funded in our sample set.

17 And then we kind of draw it to a conclusion here.
18 Our conclusion basically was that costs -- what is that --
19 page 31 -- costs varied, \$99 a square foot to \$150 a square
20 foot. Funding varied -- state funding varies from \$53 to
21 \$379. Our ability to complete the study was underscored for
22 the reasons I've already said in our key findings. You can
23 read them there.

24 We've included kind of another point here from the
25 Little Hoover report that went up in June of 2009. They did

1 a report on bond spending. So we found that interesting and
2 a good -- something that policymakers may wish to consider.
3 Just has to do with significant money could potentially be
4 saved statewide by establishing templates of architectural
5 plans for school facilities. However, they do acknowledge
6 in this quote that that could be very problematic for
7 California schools because there's lots of different types
8 of climates and different regions and stuff that would have
9 to go into that kind of policy.

10 So basically we're recommending -- we're saying
11 the -- gathering data is solved. We're collecting data
12 through the Project Information Worksheet.

13 Some things to consider for the Board, recast the
14 funding model to make explicit rather than unstated
15 assumptions, basically maybe define a square footage per
16 pupil, declare state dollars per square foot, provide
17 funding that scales with the scopes so that districts
18 building a multipurpose room, maybe we can give them more
19 money. Maybe we -- if a district's only bidding portables,
20 we give them money according to that and life-cycle
21 cost-effective design as a standard.

22 So that's basically it, just really quick. I'm
23 not going to go into too much detail. We have some
24 appendices. A is -- well, I'm going to skip A and B. We
25 provided a little bit of a history for folks in Appendix C.

1 But mostly I just wanted to point out Appendix D and E.
2 We've actually outlined all of the projects that were
3 excluded and the reasons and we've outlined that.

4 We -- the only thing that wasn't -- that was new
5 from implementation was we excluded small amount of
6 outliers. There were projects that were way far outside of
7 the normal -- basically when you draw those histograms and
8 you have the curve, they're projects that were just way
9 outside, like \$1,800 a square foot. So we basically have
10 taken the approach of -- in a statistical study that these
11 outliers were extreme measurements that stood out from the
12 rest of the sample and could be faulty because they either
13 could be incorrectly recorded, very unusual.

14 So basically those categories were cost per square
15 foot, funding per square foot, cost per classroom, cost per
16 pupil, percentage of state contribution, and square footage
17 per pupil. And we took those out on either side. So
18 there's kind of a small number. You can see in the chart
19 which ones we took out.

20 And then we have two appendices kind of giving the
21 Board more detail on the supplemental grants. And finally
22 for you statistical buffs out there in the room, we did a
23 t-test on every single statistic.

24 What a t-test does is -- is we're just trying to
25 basically quantify the value of the numbers that we've given

1 because we're not necessarily drawing an inference of the
2 whole population, but we are trying to use this data to make
3 a good conclusion to the best we can.

4 So in order to quantify, some statistics are more
5 meaningful than others. So as you can see, we did a margin
6 of error for each statistic using a t-test. So you can kind
7 of just see -- for example, 2006, state contribution
8 percentage we calculated was 52.97 percent plus or minus
9 5 percent error.

10 Now that is not entirely accurate because it's
11 going to assume that the data is a normal distribution which
12 we can see from the graphs that it doesn't appear to
13 necessarily be normal. We don't know. Maybe it is, but
14 we're assuming that over time if we get an infinite number
15 of things it'll -- if it -- if it approximated a normal
16 distribution that we would be able to basically have this
17 margin of error. But basically it's just there as a way --
18 in this type of study, you always want to kind of compare
19 and see which data is more valuable than others.

20 As you can see, if you go down here, there's one
21 that's like -- here's -- like for example, this one right
22 here, it's \$219 a square foot plus or minus 165. Well,
23 that's not going to be too valuable. The reason either
24 being because it has a really large standard deviation or
25 there's a really small number of projects.

1 So that was our -- you know, an attempt to be as
2 ethical as possible and to tell the Board basically, you
3 know, some of this stuff's more meaningful than others.
4 We've put that in there, but the items with the really small
5 margin of error are probably going to be pretty close.

6 So -- so anyways that's all I -- that's basically
7 just an overview of the report, since I know it's so new.

8 MS. LUTSUK: Are there any sections of the report
9 that anyone would like to go into more detail about as far
10 as describing it? If not, then we can go straight to
11 questions.

12 MR. DUFFY: Masha, I have a question.

13 MS. LUTSUK: Would you mind coming up here so
14 everybody can hear.

15 MR. DUFFY: Josh, that was a very quick but
16 thorough summary and it helped.

17 MR. DAMOTH: Thanks.

18 MR. DUFFY: If I wanted to find complete
19 schools -- where there was a site acquisition and a complete
20 school being built and that data set alone --

21 MR. DAMOTH: Um-hmm.

22 MR. DUFFY: -- to be able to look at what the
23 costs are for building a complete school in California
24 during this time frame, where would I look in the study?

25 MR. DAMOTH: Let me see here. You want to --

1 MR. DUFFY: Is that separated and identifiable?

2 MR. ROSENSTEIN: Yes. If you use our

3 Appendix E --

4 MR. DAMOTH: Actually I would go to --

5 MR. ROSENSTEIN: Appendix E is -- you want to

6 identify specific projects or do you want to --

7 MR. DAMOTH: No.

8 MR. ROSENSTEIN: -- look at --

9 MR. DAMOTH: He just wants to o--

10 MR. ROSENSTEIN: -- general category.

11 MR. DAMOTH: The permanent new schools. Let me
12 just answer that. If you go to page -- let me go up here.

13 Okay. So if you start here on page -- actually go to
14 page 18. Take it back. Sorry about that. Page 19. So
15 first of all, these two charts, just for our -- these two
16 charts are permanent new schools.

17 MR. DUFFY: But there's -- that descriptor is not
18 something that necessarily identifies all schools that were
19 built and considered to be complete schools.

20 MR. DAMOTH: These are all the schools in our
21 study.

22 MR. DUFFY: But what is your definition of
23 permanent?

24 MR. DAMOTH: Permanent construction would be --

25 MR. ROSENSTEIN: Self-identified by the districts

1 based on classroom construction type.

2 MR. DUFFY: Okay. So that permanent construction
3 could include a stick-built building, could include modular
4 building, could include a portable building.

5 MR. ROSENSTEIN: True. Modular and portable are
6 both independently identified for classroom construction.
7 These would be just -- just classrooms are indicated, all of
8 which are permanent --

9 MR. DAMOTH: Permanent and they'd be on a
10 permanent foundation.

11 MR. ROSENSTEIN: -- construction --

12 MR. DUFFY: I think they're not hearing what
13 you're saying, Josh.

14 MR. ROSENSTEIN: The definition we used for
15 permanent construction is -- portable and modular
16 construction -- three different identifications in the PIW.

17 MR. DUFFY: I saw that.

18 MR. ROSENSTEIN: Is based on the construction type
19 of classrooms. If the district builds with both permanent
20 and portable classroom type and identified that in the PIW,
21 that would be in a separate category and not considered to
22 be permanent construction.

23 MR. DAMOTH: -- would have taken that out. So you
24 can see -- so if you go to --

25 MR. ROSENSTEIN: There's a pie chart on page 10

1 called construction type, and you can see there's a category
2 called combination which refers to those projects that were
3 part permanent and -- or portable and modular.

4 MR. DUFFY: How --

5 MR. DAMOTH: But I think I can -- let me just
6 answer your question first before I go too much further.

7 MR. DUFFY: Yes.

8 MR. DAMOTH: Page 21, there's -- this is our
9 descriptive table. So if you say construction costs per
10 square foot and you can see there's actually a footnote down
11 at the bottom. We've taken out -- out of this particular
12 chart because this chart is the subset data, we've actually
13 excluded -- three K-6, one 7-8, and one 9-12 projects are
14 not included because they are combined construction type.
15 So if they included modular and permanent or modular and
16 portable -- or portable and permanent, we took it out.

17 So if you took a look at this top line, it says
18 permanent new site meaning that this new site means it's a
19 new school and it means that it's permanent construction.
20 So --

21 MR. DUFFY: And then you have portable new site
22 that's right below that.

23 MR. DAMOTH: Exactly. And there -- is zero. So
24 if you look, there's 14 here. So here's where you're going
25 to get the mean cost per square foot was 597. The median

1 was 693. So it's actually right skewed and what that means
2 is there's actually a larger percentage of projects that are
3 on the -- that are less -- it's kind of -- let me see.
4 We've described it better here.

5 Right skewed meaning there's a larger percentage
6 of projects that are less than the median, so the projects
7 that are more than the median are kind of driving -- wait a
8 second. Yeah. I said that backwards.

9 MR. DUFFY: While you're looking at that, how far
10 back does this data go? What's the oldest project?

11 MR. ROSENSTEIN: Oldest project would have been
12 funded July 4, 2006, after the addition of the
13 (indiscernible) general site.

14 MR. DAMOTH: The reason for that is because we're
15 trying to study -- because the Legislature gave the projects
16 the boost in July of 2006. So now we're assuming that all
17 projects after that are going to have that boost, so we're
18 trying to study what the costs of construction versus the
19 funding after that point in time. So that's kind of how
20 that was -- came about.

21 MS. LUTSUK: And the majority of the projects in
22 the data set were --

23 MR. DAMOTH: Actually that's true.

24 MS. LUTSUK: -- '06, '07, '08. There was a very
25 minimal number of projects -- maybe there was one in 2004,

1 something like that.

2 MR. DAMOTH: There is a few.

3 MS. LUTSUK: -- just a handful. So the majority
4 of projects based on the on the -- just based on the simple
5 fact of when the (indiscernible) was implemented are 2007
6 and 2008 projects.

7 MR. DUFFY: What I'm not clear on is if a school
8 district found that it was -- and we've seen this happen and
9 you've heard me speak of this to the Allocation Board --
10 where a school district found that it needed to make
11 adjustments in its plan and it maybe intended to build a
12 school that was stick built that would be permanent, but
13 they built a school that is intended to be permanent, but it
14 wasn't stick built because of the need to go to modular to
15 be able to afford the school or even to individual portable
16 classrooms to afford the school.

17 Does this data differentiate that in terms of a
18 new school where it's stick-built construction, new school
19 where it's modular, or new school where there is portable?
20 And I realize that you've got the intermixing as well, but
21 would I be able to pull that out of this report?

22 MR. ROSENSTEIN: You will be able to look at the
23 differences in funding costs and -- funding and costs for
24 permanent -- for projects that were new site and permanent,
25 new site and modular, and new site and portable. But we

1 have not identified specific projects that at one point
2 during the construction process transitioned from one to the
3 other.

4 MR. DUFFY: And it's during construction. It's
5 basically districts had been approved for one and you may
6 not know the difference because they simply built the same
7 number of classrooms unless that would be reported to you.

8 MR. ROSENSTEIN: We would know what they spent,
9 but we wouldn't -- you couldn't identify a project in the
10 sample that had been transitioned during the design process
11 or at any stage from one -- one full planning to another
12 full planning.

13 MR. DAMOTH: Well, we're assuming that what they
14 would report would be what ultimately got built; right?

15 MR. DUFFY: Probably what I need to do is go back
16 to the PIW, look at the basically the terminologies there,
17 and maybe talk with you again about this, but I'm still not
18 clear if I could find out this a complete school and it's
19 considered to be permanent, but it wasn't stick built. It
20 wasn't built from the ground up. Some of it was built in a
21 factory and for cost reasons, brought onto the site. That
22 does and has happened.

23 MR. ROSENSTEIN: The construction type would be
24 self-reported by the district, so if they reported it was
25 permanent, then we would have it labeled as permanent. If

1 they brought in a modular, then hopefully they would have
2 reported it as a modular classroom and therefore it would be
3 included in the modular section.

4 MR. DUFFY: Okay. And how do you differentiate --
5 I've made an assumption and maybe that's not a good
6 assumption. How do you differentiate modular from portable?
7 Again is -- so --

8 MR. ROSENSTEIN: You're referring to the
9 instructions in the PIW and the district's originally
10 filling out --

11 MR. DUFFY: So it's simply you're taking off what
12 the district has provided you there.

13 MS. LUTSUK: Yes.

14 MR. DAMOTH: We added just basically modular
15 construction uses prefabricated building components that are
16 assembled on site. Portable construction is factory
17 built -- is a factory-built facility. So and I believe
18 Education Code kind of distinguishes --

19 MS. LUTSUK: Education Code describes the
20 portable --

21 MR. DAMOTH: Portables --

22 MS. LUTSUK: -- provides a portable definition.

23 MR. DUFFY: Yeah. And that's been there since
24 about 1986.

25 MR. DAMOTH: Yeah.

1 MR. DUFFY: The --

2 MR. DAMOTH: But I mean what it comes down is how
3 do the districts self-report and hopefully we have enough
4 projects to weed out if there's a couple that were reported
5 wrong or, you know, by mistake checked the wrong box.
6 Hopefully we have -- we do have -- that is -- our largest
7 category is permanent -- well, actually one of our largest
8 categories is permanent new site. So hopefully that -- you
9 know, that will drive out a lot of -- anybody that was
10 confused about the definition. You know, the fact that we
11 have enough in our sample set to take care of some of the
12 fluctuations in the numbers that makes sense, so --

13 MR. DUFFY: Okay. Well, you have a lot of
14 information here and I just actually saw this this morning
15 and haven't read it.

16 MR. DAMOTH: Yeah.

17 MR. DUFFY: So I --

18 MR. DAMOTH: But we do have -- if you want -- for
19 each grade level, you see this is K -- the first six lines
20 are K-6, the second six lines are 7-8 and the third six
21 lines are 9-12. So for each year, there's three charts:
22 construction costs, funding, and percentage of state
23 contribution.

24 The -- so for all three grade levels, the first
25 line would be your permanent new sites and I'm pretty

1 confident that it's pretty close to all of the permanent new
2 sites will be taken care of. So if that's what you're
3 interested in -- and that's why we broke it out. So you can
4 actually take that, you can say, okay, for example, 2008,
5 our mean permanent new school sites is \$597 a square foot
6 for K-6; state funding was \$201 a square foot; and
7 percentage of state contribution on average was
8 37.10 percent.

9 So -- and that's for that particular category. So
10 that's how you read that. And then we have that for all
11 three years, so --

12 MR. DUFFY: Can you show me the other years --

13 MR. DAMOTH: Yeah.

14 MR. DUFFY: -- same category?

15 MR. DAMOTH: The other years, 433 for 2007 was the
16 cost; 148 was the funding; and 36 percent was the average
17 state contribution. In 2006, 378 -- and that's what we
18 found real interesting. The costs drove up dramatically
19 over two years.

20 136 was the state funding and so percentage of
21 state contribution would have been 36 percent for that
22 category. So we kind of did that for each category. So
23 some categories are -- the state provided more than
24 50 percent. Some categories, it provided less, but that's
25 why -- but it's really hard to analyze the why. That's why

1 we in our key finding section, we talked about how while
2 these projects are under-requested, about two-thirds of
3 them, meaning that they requested less pupil grants either
4 because they -- that either could be because they didn't
5 have enough eligibility. Either they were preserving it
6 because maybe that's -- they wanted to build -- another
7 school later, so they wanted to keep some of their
8 eligibility.

9 Some of the projects were low-cost projects.
10 That's mostly the additions where they had a 60 percent
11 commensurate issue, so they had to lower their grant
12 request. And what was the other one? Local contributions.
13 So they weren't able to match, so they only asked for what
14 they could match, so --

15 MR. DUFFY: Okay.

16 MR. DAMOTH: Okay.

17 MR. DUFFY: So I'm sure I'll have more questions
18 as you go through this, but --

19 MR. DAMOTH: Sure.

20 MR. DUFFY: -- thank you for answering what I've
21 asked.

22 MS. GARRITY: Tom, while you're at the mic, could
23 you just ask -- follow-up (indiscernible).

24 MR. DUFFY: Your core facilities?

25 MS. GARRITY: Yeah. How they -- are we

1 (indiscernible). Do you think we know if they had the core
2 facilities (indiscernible).

3 MR. DUFFY: So with the complete school or what we
4 refer to as a complete school -- and you've got permanent
5 and new site --

6 MR. DAMOTH: Um-hmm.

7 MR. DUFFY: -- the -- what we saw happen during
8 the time frame that you spoke of and actually before that
9 was districts that were approved -- and as you point out in
10 your report, classrooms are what you look at.

11 MR. DAMOTH: Right.

12 MR. DUFFY: And what appear to drive the program.
13 So if a district -- and I can give you several examples --
14 went to bid and they had site work they needed to do, they
15 couldn't necessarily build all of the buildings and so they
16 chose not to build a multipurpose room or a library or a
17 gym -- there's examples of all of those -- and built the
18 classrooms only and there was -- we had suggested in the PIW
19 that -- I think it was on the back page, Josh --

20 MR. DAMOTH: Um-hmm.

21 MR. DUFFY: -- that there be information be
22 gleaned from districts about what did they leave off and,
23 you know, why was that. Is that identifiable in here? Is
24 that basically your question, Mavonne? Is that identifiable
25 in here?

1 MR. ROSENSTEIN: The sections we were referring to
2 before, those tables we were talking about the average per
3 square foot, those don't differentiate between construction
4 of -- any -- or not. If you look at our Attachment E which
5 I was pointing to earlier --

6 MR. DAMOTH: NF is --

7 MR. ROSENSTEIN: -- you break down by
8 individual -- you go through and individually identify those
9 projects and then within that section we have which core
10 facilities were built by each of those projects. So you can
11 go in and you can look at how many of those -- what we
12 identified as permanent new school -- new sites actually
13 constructed the core facilities.

14 So the information's in there, but it was not used
15 when calculating that table we showed you before.

16 MR. DUFFY: Okay. So you could see that
17 individual by -- project by project for all that are there?

18 MR. ROSENSTEIN: All 166 projects.

19 MR. DUFFY: Okay. I'll dig through, but I may --

20 MR. DAMOTH: Yeah. The tables are pretty cool.
21 You can get a lot from the tables, so -- yeah.

22 MR. DUFFY: I may need to come back to you
23 gentleman --

24 MR. DAMOTH: Sure.

25 MR. DUFFY: -- ask for --

1 MR. DAMOTH: Yeah. And we do include a table
2 here -- we say like, for example, this data set is 166
3 projects. 63 of them have multipurpose rooms. So how
4 many -- there were 43 new school -- brand new schools, so
5 it's 63 multipurpose rooms, so you can see -- let me see
6 here if these actually say -- okay. So the -- contain 3,331
7 structures, 5.5 million square feet were built. More than
8 80 percent of the structures in the study are classrooms and
9 you can go to the table to see which ones -- you know, which
10 projects included classrooms, which projects are new
11 schools.

12 So there's quite a bit of data here. These are
13 how many outdoor facilities were built. So -- but it's
14 really clear that a lot of the additions projects don't
15 include, you know, these core -- these other facilities.
16 So --

17 MR. DUFFY: And that's huge as you pointed out --

18 MR. DAMOTH: Um-hmm.

19 MR. DUFFY: -- with the 60 percent commensurate
20 test. That's --

21 MR. DAMOTH: Right.

22 MR. DUFFY: -- hugely different than building a
23 complete new school.

24 MR. DAMOTH: Right. And if you look here at
25 under-requested projects -- this is really interesting. So

1 low-cost project, meaning a district has a portable addition
2 to an existing school that could otherwise generate state
3 funding two to three times the project cost. Districts have
4 to match, so regulations cap the 60 percent commensurate and
5 the amount of money a district can request.

6 So we broke it down here for each year. These are
7 the total projects that under-requested grants. These are
8 the total gross expenditures. The number of pupil grants
9 are under-requested which is an estimate to the best of our
10 ability based on loading standards.

11 MR. DUFFY: Based on?

12 MR. DAMOTH: Based on the loading standards of the
13 classroom and it's just -- it is just an estimate, but it's
14 pretty close. And then there's the amount of fund that was
15 under-requested.

16 We broke it down. These are the ones that would
17 have hit 60 percent commensurate problems. Again it's an
18 estimate. These are ones that did it for other reasons.
19 Maybe they didn't have eligibility. Maybe they didn't have
20 local funding, whatever reason.

21 So there's a lot of stuff here. We basically just
22 tried to do -- give everybody as much as they -- you know,
23 as much as we could. We wanted everyone to have data so
24 they can take it and, you know, make conclusions on what
25 they want to do. So that's kind of our goal is to give the

1 data, so --

2 MR. DUFFY: Just one comment. I don't know how
3 old that Little Hoover Commission statement is.

4 MR. DAMOTH: It was --

5 MR. ROSENSTEIN: 2009.

6 MR. DAMOTH: -- 2009.

7 MR. DUFFY: Really.

8 MR. DAMOTH: Yeah.

9 MR. DUFFY: Well, it's -- I think assuming that
10 agreements with architects and structural engineers and
11 construction managers are based on the old model of a
12 percentage. That has been changing. During the period of
13 time when we had the high cost of construction and districts
14 having to deal with that, if there was a higher cost for the
15 project, you pay the architect. If you pay on a percentage
16 basis, you pay them more.

17 Many districts have gone to basically a fixed fee.
18 So that would negate what -- that comment from the Little
19 Hoover Commission and it's something you certainly could ask
20 districts about.

21 But the -- this is a complex business which
22 requires a whole lot of decision making and because of
23 circumstances such as we're in now where we keep hearing
24 that the bid climate is diminishing, but that doesn't mean
25 that districts are going to have a better time in building

1 because they may end up having a low bidder who really
2 doesn't know anything about building schools and that does
3 happen. There are many of us that have experienced that.

4 So the -- my point is that this is a static
5 process. It's quite dynamic. Anyway thank you.

6 MR. GONZALEZ: Well, good afternoon. I've
7 actually spent some time reading your report and read the
8 whole thing this morning.

9 I find that I have some questions for you. My
10 first question I have for you really lies in one of the
11 statements you repeat over and over again in the report that
12 the funding model is unclear. I'm not quite sure where
13 you're going to that. Are you going to the funding model
14 with regards to facilities or with regards to the way the
15 money is doled out by the State Allocation Board?

16 MS. LUTSUK: I think I'm unclear as far as
17 expectations of what shall be built with the funding
18 provided.

19 MR. GONZALEZ: So that really is -- is that a
20 funding model?

21 MS. LUTSUK: How else would you define it?

22 MR. GONZALEZ: The facilities -- we're falling
23 right back to the question of what constitutes a complete
24 school as you have on your page 11. And by the way, as I
25 look at page number 11, okay, you have 3,300 facilities on

1 page 11. One building is one facility. Therefore there's
2 an assumption that the 2,865 buildings only have classrooms
3 in them. There's no references to whether those buildings
4 have toilets in them, whether they have combined
5 multipurpose rooms.

6 If you add up the numbers, it does become 3,331.

7 MS. LUTSUK: Let me have the team respond to that
8 quickly, how the number of classrooms was arrived at.

9 MR. ROSENSTEIN: That's simply a gross number of
10 classrooms. It does not refer to classroom buildings. So
11 if a district were to build one building with ten classrooms
12 in it, it would be included in this number of facilities as
13 a ten not as a one.

14 MR. GONZALEZ: Okay. So then there's a
15 misunderstanding on my part of what you mean by 3,331
16 structures. To me a structure is a standalone document
17 or --

18 MR. ROSENSTEIN: We had no way of identifying if
19 the district built one classroom as a one standalone
20 building, three next to each other, or if they built three
21 as one --

22 MR. GONZALEZ: Okay. So these are 2,800
23 classrooms.

24 MR. ROSENSTEIN: Yes.

25 MR. GONZALEZ: Okay. So again that's -- as I read

1 this, I read one structure was equal to one building.
2 Therefore one building is -- you had 2,800 buildings that
3 had classrooms in them. That's how I read that report.

4 Going back to this other first statement that we
5 come back to is based on unstated assumptions. I'm not sure
6 how we know there's unstated assumptions.

7 MR. ROSENSTEIN: What page is this? I'm sorry.

8 MS. LUTSUK: I think --

9 MR. GONZALEZ: We're back to the question --

10 MS. LUTSUK: I think it's back to the same
11 question, yeah.

12 MR. GONZALEZ: We're back to the original question
13 about what is an unstated assumption and then what is the
14 actual school construction practices? You're saying it may
15 not match. We got to have something to compare.

16 MR. DAMOTH: I think it's kind of what we're
17 saying.

18 MR. GONZALEZ: I'm just trying to think of it --

19 MR. DAMOTH: We're trying to -- yeah.

20 MR. GONZALEZ: -- if I were sitting up on the dias
21 with the other Board members, which that would never happen,
22 but let's assume that the -- everybody's agreeing with me.
23 I would be asking the kinds of questions here. What are the
24 school construction practices. How do we know that they
25 don't match. What are the unstated assumptions. What are

1 the stated assumptions.

2 And I have nothing to work that with. It's like
3 there's this nebulous cloud out here I can't grab ahold of.

4 Things that I also wanted to make mention of is,
5 you know, there's -- if I were sitting up on the dias and
6 you told me that I contributed -- that the state's
7 contribution was 108 percent --

8 MR. DAMOTH: Um-hmm.

9 MR. GONZALEZ: -- I don't think I'd be very happy.
10 In the sense really what we're talking about is the program
11 allows for per pupil grants, site development costs, and
12 site acquisition. You've taken that off the table for the
13 site acquisition, which is appropriate. That was easy to
14 do.

15 But site development cost has always been a costs
16 what it costs. All right. It's a number that it is what it
17 is no matter where -- who builds it, who adds it on there.
18 That hasn't been netted out, but yet you include that number
19 in there and then divide it by the number of square feet
20 that are actually there. That's why you have the disparity
21 between \$99 a square foot through, you know, whatever number
22 the largest number you have.

23 It throws the wrong information out there I think,
24 that, okay, are we paying \$400, \$600 a square foot and I
25 heard that once in one of the State Allocation Board

1 meetings by someone in the audience. I can build a school
2 for a lot less than \$900 a square foot. Well, they're not
3 thinking about \$900 a square foot of permanent buildings or
4 portable or modular. They're thinking -- you guys are
5 talking about that plus site development costs.

6 I think that's got to be pared out somehow. Then
7 you have a little more I think apples and apples kind of
8 description which is kind of what you have in the Saylor
9 description.

10 If you take a look at the Saylor description,
11 which I think is on page 20 -- yes. If you take a look at
12 what Saylor has indicated here in your document, it says
13 that an elementary school can be built from anywhere from
14 237 to 279 in 2007 and then you go up from there.

15 MR. DAMOTH: Yeah. It doesn't -- that does not
16 include site development work, so --

17 MR. GONZALEZ: Exactly.

18 MS. LUTSUK: We tried to make the disclaimer
19 regarding site development and we had discussions about that
20 as far as being able to break that out at the Imp. Committee
21 and we tried to make a disclaimer throughout this document
22 about the fact that the numbers that are reported in here do
23 include site development.

24 And oftentimes it even includes site development
25 that the SFP regulations wouldn't recognize that the

1 district undertakes on their own dime.

2 MR. GONZALEZ: Right.

3 MS. LUTSUK: So we did highlight that. And as far
4 as, you know, apples to apples, we recognize the site
5 development on both the state funding and the cost of the
6 project. So we tried to make that as even as possible, but
7 we understand that some of these high dollar figures could
8 be per square foot, could be attributed to site development.

9 MR. GONZALEZ: And I believe they are, the way
10 you've presented it, and thank you for explaining it.

11 I'm showing here if I take a comparison between
12 2007 and 2008, you have a 4 to 6 percent difference
13 increase. If you take a look at 2008 to 2009, which again
14 you're saying doesn't include any site development work,
15 that's a 7 to 12 percent increase and we're getting that
16 from an independent third party, Saylor, who is somebody you
17 use all the time.

18 And I'm wondering if that couldn't be used as part
19 of your recommendation.

20 MS. LUTSUK: Well, our recommendation at this
21 point doesn't include specific, you know, let's pick this
22 number and go with it as far as cost per square foot for the
23 different types of project as a whole.

24 MR. GONZALEZ: Well, then the question -- you
25 know, the next thing would be well, why do we have hospitals

1 and prisons on this list.

2 MR. DAMOTH: Just for people that -- if you have
3 no idea where to start, like what other types of
4 construction --

5 MS. LUTSUK: These would be the other types of
6 construction that are undertaken across the state that have
7 probably very similar requirements as far as how schools
8 have various, you know, like DSA requirements and things
9 like that, high standards for construction and safety. So
10 these would be the facilities that would be close to schools
11 as far as the level of regulation is concerned.

12 MR. DAMOTH: And just to point out, there already
13 was a 6 percent increase in 2009, so this would be on top of
14 that if there is another one. So -- and we're not really
15 making a recommendation right now. Basically against we're
16 just giving the Board this report so they can kind of take a
17 look at that.

18 MR. GONZALEZ: Well, wasn't that increase that we
19 talked about last, the 127 increase, based on the prior
20 year's increase and the change in costs, that was approved
21 the Board kind of -- the 6 percent?

22 MR. DAMOTH: Oh -- I'm talking about the 6 percent
23 in January of this year for the -- that's just the annual
24 construction cost index increase that goes every year.

25 MR. GONZALEZ: Okay.

1 MR. DAMOTH: So -- and then on top of that, there
2 was the other 6 percent last year for 2008 for the AB127,
3 so --

4 MR. GONZALEZ: Okay. I think you have some
5 good -- you know, you guys took a long time -- excuse me.
6 I'll say -- didn't mean that. I meant that you guys did a
7 lot of work here. There's a lot of numbers crunching here.
8 There's a lot of stuff and I did a lot of duplicate work in
9 looking at some of the numbers you have.

10 I have additional comments, but it's just us here.
11 But, you know, you guys really put a lot of effort into this
12 thing. I think that you've got some good nucleus. It may
13 be some future legislation, but we still need to get the
14 answer to the Board about what percentage we may want to
15 recommend. And I was looking for something in the
16 conclusions that might lead to some kind of an initial
17 recommendation. Are you going to be recommending anything?

18 MS. LUTSUK: The data that we provide just shows
19 such a wide range of projects and a wide range of costs
20 reported that it becomes almost impossible to pick one best
21 solution and possible to pick a number of solutions that
22 would be just as equally fine. So --

23 MR. GONZALEZ: Would you also incorporate the
24 adjustment that the Board might ordinarily take in 2010?

25 MS. LUTSUK: Well, this is just overall kind of a

1 weird cycle right now because we are approaching that
2 adjustment in January, yet none of the funding is final for
3 any project. So not quite certain how they're going to
4 handle that, but given the fact that that's why we wanted to
5 present to the Board a history of grant approvals and
6 increases too because there was -- given the fact that we
7 had the 7-7-4 and then another 6 percent and then another
8 6 percent for the CCI, that may factor into the decision of
9 whether they want to do another one or wait it out till
10 January to see what happens with the CCI. Hard to tell.
11 We're not -- we don't have an insight into those
12 discussions.

13 MR. GONZALEZ: Well, thank you for letting me ask
14 some questions.

15 MR. DAMOTH: No problem. Yeah. Thanks.

16 MR. YEAGER: Hello. Fred Yeager, Department of
17 Education. I've got four questions on my first read -- a
18 couple -- was there a reference back to the original LAO
19 study that established the SB50 grants as to what that
20 entailed?

21 MS. LUTSUK: No, not as part of this project, as
22 far as, you know, using it --

23 MR. YEAGER: Right.

24 MS. LUTSUK: -- specifically for reference.

25 MR. YEAGER: Where the initial number came from.

1 Okay. And so in this, I notice there is not a per student
2 amount determined -- figured anywhere, what that change has
3 been. It's all in square footage; right? Is that --

4 MS. LUTSUK: The initial table that we have about
5 per pupil grants --

6 MR. DAMOTH: Let's see here. Are you talking
7 about --

8 MS. LUTSUK: -- it does talk about the -- this
9 one -- this particular one is per --

10 MR. YEAGER: Right, right.

11 MS. LUTSUK: -- pupil grant adjustment, but as far
12 as taking the -- figuring in how many pupils were housed in
13 a particular project and what that results in?

14 MR. YEAGER: Right.

15 MS. LUTSUK: No, we have not done that.

16 MR. YEAGER: So the assumption if the Board wanted
17 to make an adjustment, they could look at one of these
18 tables and say if the state has been funding 35 percent of a
19 new school, then we should adjust the grant 15 percent. Is
20 that sort of the logic that would --

21 MR. DAMOTH: If that's what they want to do --

22 MR. YEAGER: -- follow through and would that
23 match presumably the per student amount -- I would guess.
24 So okay.

25 And then just one -- one number did seem odd to me

1 on page 11 that -- and maybe I'm reading it wrong. Average
2 square foot per classroom is 1,300 square feet? Seemed --

3 MR. DAMOTH: Where was this again? I'm sorry.

4 MR. YEAGER: Page 11 on Table 3. Sorry.

5 MS. LUTSUK: Give us a second to navigate.

6 MR. YEAGER: Okay. That one there. You just --
7 yeah. Just seems --

8 MR. DAMOTH: That's what -- yeah. That's what
9 they reported. It does seem rather -- it does seem a little
10 high.

11 MR. YEAGER: Right.

12 MR. DAMOTH: I don't know if that includes --

13 MR. YEAGER: Yeah. So how that reads is out of
14 the 2,900 facilities, percent of the facilities means
15 86 percent of what -- of all the projects included
16 classrooms. Is that what that's saying?

17 MR. DAMOTH: Of all the facilities. 86 percent of
18 the facilities reported --

19 MR. YEAGER: Right. And those facilities --

20 MR. DAMOTH: -- classrooms.

21 MR. YEAGER: -- totaled 3.7 million and then
22 68 percent of 3.7 million was classrooms. Is that sort of
23 how that --

24 MR. ROSENSTEIN: No. 68 percent of the
25 549 million. So if you look -- there's a number of

1 facilities --

2 MR. YEAGER: Okay. I see.

3 MR. ROSENSTEIN: -- and at the bottom, the total
4 and then percentage refers to that first total.

5 MR. YEAGER: So 68 percent of the total square
6 footage built was for classrooms.

7 MR. DAMOTH: Correct.

8 MR. ROSENSTEIN: Correct.

9 MR. YEAGER: Okay.

10 MS. LUTSUK: But remember too that this is a
11 very -- this is not a very detailed statistic --

12 MR. YEAGER: Right, right, right, right.

13 MS. LUTSUK: -- as some of the other ones.

14 MR. YEAGER: This is very high level. I
15 understand.

16 MS. LUTSUK: It takes just a few large science
17 classrooms and you're, you know, over your 900 square foot
18 standard -- or 960, whatnot, for portables.

19 So this is -- this particular statistic does not
20 give you the insight that other numbers do like standard
21 deviation, mean and median. This is just your most basic
22 arithmetical average.

23 MR. DAMOTH: We kind of didn't -- we just wanted
24 to keep it very high level, but we did want to give them
25 this information just so they can kind of -- this is kind of

1 painting a picture I think.

2 MR. YEAGER: Right. And you know -- and then
3 perhaps as a useful comparison, you know, looking back to
4 the old historical distribution of the LPP square footage
5 where it would be roughly --

6 MR. DAMOTH: Which is right here.

7 MR. YEAGER: -- 60 percent of a space would have
8 been for the classroom at the elementary and the other for
9 the support. So there may be some analysis here as to
10 whether certain things are being shortchanged.

11 Let me see. On --

12 MR. DAMOTH: Right. This is exactly the type of
13 discussions we're trying to get going.

14 MR. YEAGER: Right. So I didn't get much time
15 between the World Series to really plow into it. And the
16 Little Hoover statement, in looking back -- and I believe
17 that was in June they released -- they also mention
18 something else in that statement and that wasn't included in
19 here about mass buying capacity.

20 MR. DAMOTH: About what? Say it again.

21 MR. YEAGER: That pooling purchasing for air
22 conditions, whatever, carpet could also lead to substantial
23 cost and that wasn't noted there.

24 And then I know the Project Information Worksheet
25 asks about reuse of plans. Was that tested as to being a

1 significant change in cost?

2 MR. DAMOTH: It --

3 MR. YEAGER: So out of the 43 projects under new
4 schools, how many of those were reuse of plans as indicated
5 on the -- and did that mean anything statistically?

6 MR. ROSENSTEIN: We did look at it initially. It
7 was not included in the final iteration of the data for the
8 report.

9 MR. YEAGER: Okay.

10 MR. ROSENSTEIN: But, yes, we did look at it --

11 MR. YEAGER: Do you recall whether it supports
12 that Little Hoover finding or --

13 MR. ROSENSTEIN: I don't recall. I'm sorry.

14 MR. YEAGER: All right.

15 MS. LUTSUK: But we could certainly go back and
16 instigate if the --

17 MR. YEAGER: All right. Okay.

18 MS. LUTSUK: -- be an interest to the Board, we
19 can go --

20 MR. YEAGER: That's it for now. Thank you.

21 MR. HANCOCK: Thank you. Bruce Hancock, Hancock,
22 Gonos & Park. Thanks for the opportunity to talk with you
23 about the report. I first have to admit that I haven't read
24 the report. I've scanned the Executive Summary and some
25 other parts of the report. And my comment is more -- I have

1 more of a comment than a question, but it concerns the issue
2 of leaving money on the table. I think it's a term that's
3 used in the beginning of the report in the Executive Summary
4 and then in other places in the report, you talk about
5 projects being -- I think right there it's what,
6 under-requested or in other places under-funded. And you
7 give several examples of that happening.

8 Maybe it's a product of how the data comes in
9 because obviously -- for instance, you give one example of a
10 project where the district had maximum eligibility of 300
11 pupil units but built a project with a capacity for 450.

12 Obviously you need somehow to take that into
13 account. That can't be held as an example of the grants
14 being inadequate to fund -- 300 grants being inadequate to
15 fund 450 capacity obviously.

16 But in the report, it's referenced a number of
17 ways, I think, that almost as though there were some choice
18 in the matter, in other words, almost as though the
19 under-funding of the project, which admittedly needs somehow
20 to be accounted for, was because the district left money on
21 the table and that's a bit of a problematic position because
22 it makes it sound like at least in some cases the
23 under-funding of a project was something that could have
24 been done otherwise, could have been corrected had the
25 district just done it right.

1 Under-funding or leaving money on the table to me
2 would be -- an example would be if a district was able to
3 ask for grants for site development but didn't. You know,
4 didn't check the box or didn't ask for the elevator
5 allowance or whatever it might be and could have gotten it
6 had they done so. Then it would be clear to me that they
7 had left money on the table in that case.

8 But maybe -- if I'm missing a point, help me
9 understand, but the whole idea that seems to go through the
10 report is that there's an under-requesting, an under-funding
11 for four reasons I believe that you cite, but none of those
12 I think are -- really get to the issue of whether the grants
13 were, you know, adequate to construct the state's project.
14 Obviously they shouldn't be -- have to be adequate to also
15 construct the district's optional project.

16 MR. DAMOTH: Right.

17 MS. LUTSUK: Well, I think we identify that this
18 issue actually inhibits our ability to be able to state
19 whether or not the funds were adequate or not and that's why
20 we felt that it -- there's a need to highlight it.

21 I myself did not like the word under-requested,
22 but we couldn't come up with a better word and that's why we
23 try to give it a very thorough explanation and even, you
24 know, you see the section being titled requesting all or
25 portion of funding and we focused on the relationship

1 between pupil grants and the number of classrooms rather
2 than items such as, you know, site development and all the
3 supplemental grants which we actually hope to address when
4 we are reviewing projects and give the district the full
5 benefit of allowance and sometimes they waive those
6 allowances for various reasons.

7 So I'm understanding that under-requested may not
8 be the best word, but coming up with a tag for that type of
9 situation was the best we could do with that term.

10 MR. HANCOCK: The problem being that you're
11 referencing being, back to your own example in the report,
12 of a case where a district had only 300 eligibility but had
13 project submitted to you -- or a set of plans submitted to
14 you that had a capacity of 450. That's the problem that
15 you're wrestling with that you don't really -- you don't
16 have a way to somehow pare that down or prorate it or
17 something easily.

18 MS. LUTSUK: Um-hmm.

19 MR. HANCOCK: The square footage I guess, which is
20 something that I appreciate that you did and something that
21 many of us have been kind of championing, I think that sort
22 of gets past that problem because -- at least I hope it does
23 because you know the square footage of the whole project and
24 you know the cost of the whole project, not just the state
25 portion, and therefore you come up with a cost per square

1 foot that should be reflective of both pieces, the state
2 piece and the district piece at least to some degree.

3 But I guess just wanted to express a little bit of
4 a feeling that could be a little misleading to folks who are
5 not really familiar with the program when they read that
6 districts left money on the table when they didn't leave
7 anything that they had entitlement to -- or probably they
8 did, but that wasn't part of the study, and it could lead
9 folks to believe that there's an easy answer and that is
10 that if people just filed their applications correctly, we
11 wouldn't have a funding problem.

12 And I know that's not what you're trying to say
13 and -- but it just struck me as -- just not quite accurate
14 in a sense, but I do recognize the problem you're trying to
15 wrestle with.

16 One last thing, it's something that I kind of go
17 on about a lot and that is what is the definition of a
18 project when we talk about it, and in my mind, it's always
19 been what the state funds. But I think often it's used to
20 represent what's in the plans.

21 MR. DAMOTH: You're saying -- say again. What's
22 the definition of a project?

23 MR. HANCOCK: Yeah.

24 MR. DAMOTH: Okay. Meaning what -- by project,
25 you mean what it's supposed -- or what kind of the standards

1 are or --

2 MS. LUTSUK: No, no, no, no. It's --

3 MR. DAMOTH: I'm confused.

4 MR. ROSENSTEIN: You mean that a district submits
5 plans with 15 classrooms but only requests for 10, the
6 project is 10 classrooms, and --

7 MR. HANCOCK: Yes.

8 MR. ROSENSTEIN: -- then the district has a
9 separate project of five classrooms.

10 MR. HANCOCK: You could put it that way. And you
11 know what, it's not a major point. I'm just -- it's
12 something that comes up -- in my mind comes up over the last
13 few years, it's come up a number of times --

14 MR. DAMOTH: I would --

15 MR. HANCOCK: -- where OPSC sometimes will refer
16 to what's in the plans as the project when really in my mind
17 it's what the district is eligible to file for.

18 MR. DAMOTH: So a set of plans will include, for
19 example, five new classrooms and a career tech classroom and
20 the career tech classroom's not being funded. It's being
21 funded somewhere else, so that wouldn't -- okay.

22 MR. HANCOCK: Or not -- or not funded at all.

23 MR. DAMOTH: Right. Okay. Gotcha'. Yeah.

24 MR. HANCOCK: You know, it's --

25 MR. DAMOTH: Now there's a --

1 MR. HANCOCK: -- not a major point. It's just
2 being careful about the term. It can -- if you're not
3 careful about the term -- if we're not careful about it, we
4 can get into confusion about what we're actually talking
5 about. Thanks very much.

6 MS. GARRITY: Bruce's -- I too was struck by the
7 leaving money on the table and I was kind of -- I haven't
8 read the study completely, so I wasn't quite sure what
9 explanation there might be for that phenomenon, but hearing
10 the exchange just now, it makes me question whether or not
11 one conclusion from recognition that there -- that the
12 projects that are being built are greater than the funding
13 that's being provided could be that our eligibility
14 calculations aren't truly capturing the full extent of the
15 need out there.

16 And I don't think I saw that in the report, but
17 would you consider that to be a possibility too, for
18 districts not coming for -- you know, if they're building a
19 project for 450 pupils but they're only coming in requesting
20 300 pupil grants?

21 I heard you say one explanation might be that they
22 don't have more local match. That's as far as they could
23 go, but --

24 MS. LUTSUK: Well, this would be the relationship
25 between the state loading standard and the number of

1 classrooms in the project and we bring up eligibility in
2 that respect to highlight the fact that sometimes the
3 district's baseline eligibility for -- due to various
4 adjustments may be only 300 pupils and those are the pupils
5 that they will take.

6 MS. GARRITY: Yeah.

7 MS. LUTSUK: So that is -- the reason why the
8 district's baseline eligibility could be only 300, they
9 vary. As you know, we start with the enrollment projection
10 which we discussed thoroughly when we did the implementation
11 of AB1014 as far as how accurate are we with our numbers for
12 different types of districts, but then a number of things
13 happen.

14 A district can start projects. A district may
15 have projects that start but don't go forward. They do the
16 reduction to cost incurred. There could be, you know, a
17 number of different things.

18 The regulations section that governs adjustments
19 is I think approaching two pages long at this point. So
20 you're correct that it starts with the projection and the
21 projection is only as good as the projection could be
22 because it's a statistical estimate, but there are a number
23 of things that happen that may result in the district's
24 eligibility being lower than they wish for it to be to fund
25 a certain project.

1 MS. GARRITY: Okay.

2 MS. LUTSUK: And also just for formality, could
3 you say your name for the record.

4 MS. GARRITY: Yeah. Mavonne Garrity with Senator
5 Lowenthal's office. Thank you.

6 MR. SMOOT: Good afternoon. Lyle Smoot, Los
7 Angeles Unified School District. I'm sure that we will
8 dissect -- you know, all of us will dissect this report a
9 few hundred more times in the coming weeks and months and so
10 I want to say that I think it's great that we have a -- as
11 my good friend Bill Vangundy (ph) used to say, a plan to
12 deviate from.

13 So I'm glad to see this report come out and I just
14 have a number of questions so that I'll know what I'm
15 looking at as I'm going through the report in detail.

16 It says there's 166 projects and those are split
17 between permanent and all kinds of things and new schools,
18 new sites, and additions. How are those 166 projects
19 chosen? Is that in here someplace? I admit I haven't read
20 the report in detail, so I'd just like to know of the 166
21 projects, is that representative of every PIW -- PIW?
22 Yeah -- that was sent in after July of '06 or is that
23 representative of some subset and if so how were the 166
24 chosen.

25 MR. ROSENSTEIN: As we discussed at

1 Implementation, we started with the PIWs that had been
2 submitted starting July 1st, 2008, through March 31st, 2009.
3 We pared that down to projects that were funded after
4 July 1st, 2006, as in they'd been eligible for the 7, 7, and
5 4 percent increase and general site -- requested general
6 site, that they were eligible for it, but it was in the mix.

7 We then utilized the categories that were
8 discussed at Imp. We removed all (indiscernible)
9 classrooms, those projects that received full financial
10 hardship, use of grant projects.

11 MR. SMOOT: Because that is explained in the
12 report.

13 MR. ROSENSTEIN: Yeah. It is all explained --

14 MR. SMOOT: That's fine. As long as it's
15 explained in the report, when I go through it in detail,
16 that's all I need to know.

17 MR. ROSENSTEIN: Okay.

18 MR. DAMOTH: And then there's even a little chart
19 here for each project that was excluded.

20 MR. SMOOT: Okay. Now, how do those -- these are
21 PIWs. How many of those were 100 percent? All of them?

22 MR. DAMOTH: -- 100 percent full and final?

23 MR. SMOOT: 100 percent completed projects.

24 MR. ROSENSTEIN: We did not break down -- once we
25 exclude the project, we didn't seek to break it down any

1 farther than that.

2 MR. SMOOT: So these could be --

3 MR. DAMOTH: Estimates and --

4 MR. SMOOT: It could be the first one or the
5 second or the last one, you don't know.

6 MR. ROSENSTEIN: Because they -- yeah, because
7 they met categories that were -- we discussed at
8 Implementation Committee for exclusion.

9 MR. SMOOT: And of course one of the reasons I ask
10 that is because we have a lot of concerns about the first
11 two being based on, like you just said, estimates,
12 incomplete projects, et cetera, et cetera.

13 So I just would like to know that if possible.

14 MR. DAMOTH: Actually it's been a while since we
15 did this section. On page 54, we have Appendix E. On
16 page 154, there's a category --

17 MR. SMOOT: Can you put it on there for me? I
18 don't -- I didn't even print a report out. My printer ran
19 out of ink.

20 MS. LUTSUK: You were asking us about projects
21 that were excluded. So for that one, we showed you one
22 attachment. For the projects that were included in the
23 study, they're listed --

24 MR. DAMOTH: It says percent complete right here.

25 MS. LUTSUK: -- and you can see --

1 MR. SMOOT: Okay.

2 MS. LUTSUK: -- percent complete on those. So
3 it's indirectly --

4 MR. DAMOTH: So 50-0-5 means --

5 MR. SMOOT: So we could go through it and add them
6 up. Yep. Okay.

7 MS. LUTSUK: Yeah. Indirectly you can get there.

8 MR. SMOOT: Okay. That's good. That's all I need
9 to know. You've stated that the state funding provided up
10 to 108 percent of the project cost?

11 MR. DAMOTH: That was the -- we did -- that was
12 the min and max, correct. So for one of the --

13 MR. SMOOT: Yeah. And I -- I'm just wondering did
14 you study any of those that got more than whatever because
15 if you look at the commensurate test and how it works and
16 what means, it shouldn't be -- there should not be a way
17 that the state can provide more than I think it's 83 percent
18 of the construction cost.

19 So there's no way you can get to 108 percent of
20 project cost based on the commensurate test unless one of
21 two things happens: either the project scope is
22 substantially reduced or you get an unbelievably good bid
23 based on the estimate.

24 I'd just like to know if you've actually looked at
25 any of those that come out at high percentages to see how

1 does that happen because it's impossible if everything is
2 working.

3 MS. LUTSUK: We haven't specifically looked at
4 those, but --

5 MR. SMOOT: Okay. Are you going to?

6 MS. LUTSUK: There's probably a number of
7 different things that the Board could ask us to look at
8 after this -- you know, after they see this report. So if
9 this is one of them, we'll definitely explore it.

10 MR. SMOOT: Yeah.

11 MS. LUTSUK: This is not to say that our work is
12 done.

13 MR. SMOOT: Okay. Now, would you mind turning
14 to -- putting that on page 23 for a second.

15 MR. ROSENSTEIN: Sure.

16 MR. SMOOT: And this kind of goes back to
17 something Tom was talking about and I think Fred too. If
18 you look at the permanent new site there, the mean state
19 funding is 37 percent.

20 MR. ROSENSTEIN: The one for K-6 on top?

21 MR. SMOOT: Pardon?

22 MR. ROSENSTEIN: The one for K-6?

23 MR. SMOOT: Yes. Is that page 23?

24 MR. DAMOTH: So this is -- in case anyone can't
25 read it, this is 2008 percentage of state contribution.

1 MR. SMOOT: Right. Right. And if you look at
2 page 26 and 29, you'll see that the other years are
3 represented.

4 But if you look at permanent new site and get 37
5 percent, down below five or six lines, you get permanent new
6 site at 32 percent, and further down, you get permanent new
7 site at 39 percent, which is, you know, pretty much what we
8 in Los Angeles are finding -- actually we're finding that
9 our percentages for those years were worse than that.

10 They're getting a little better because we are
11 getting better bids now, but then to represent -- and this
12 is I think one of the things we were talking about in the
13 Implementation Committee -- to represent that the overall
14 average is 47.64 percent I think is a -- is misconstruing
15 the reality of a permanent new site complete school, and I
16 think those numbers clearly show that. So I just want to
17 point that out that those numbers and they're relatively
18 small numbers of projects are very concerning.

19 MR. DAMOTH: 47.64 percent represents a weighted,
20 so that average is weighted. So the 37.1 percent at the top
21 is weighted based on the 14 count while the 40.59 percent
22 below it is weighted 7 count. So the 47.64 percent isn't a
23 flat average.

24 The -- those three numbers you provided are
25 included in that at a weight that -- in which they represent

1 an overall sample.

2 And if you're interested, we also do have a flat
3 average on page 18. So for 2008 -- so just in case -- so we
4 have that too. It's actually turned out pretty close,
5 but -- but that's why we broke it down like this so people
6 can take this chart and go to whichever category they want
7 and see what they want.

8 MR. SMOOT: Well, we will obviously be doing that
9 in the coming days and weeks and months as we go through
10 this thing. I just want to point out to you that it looks
11 to me like there's a pretty clear statement there right from
12 your charts.

13 Even if these -- these are, you know, based on
14 PIWs that don't represent complete projects -- and typically
15 I think your complete project PIWs are going to be 10 to
16 20 percent higher than the earlier ones personally. I just
17 think that's an interesting outcome, so -- that's it. Thank
18 you.

19 MS. LUTSUK: Anyone else? No? All right. Shall
20 we call it a day? Thank you all for coming. Oh, one more.
21 Okay. No problem. We have the time.

22 MS. GARRITY: I'm just wondering -- you know --

23 MS. LUTSUK: Mavonne, I'm sorry, but we do have
24 people in the audience.

25 MS. GARRITY: I just wanted more information about

1 the charts on page 19. I don't really --

2 MS. LUTSUK: Okay. So there's a request for more
3 information or a description maybe about our charts on
4 page 19? Is that --

5 MR. DAMOTH: Yeah.

6 MS. LUTSUK: This is what you're looking at?

7 MS. GARRITY: Yeah. (Indiscernible-away from mic)

8 MR. DAMOTH: Sure.

9 MS. LUTSUK: Well, we'll have -- we'll see if we
10 can magnify it and walk through it maybe with an example,
11 guys?

12 MS. GARRITY: Sure.

13 MR. DAMOTH: Yeah. These are basically --

14 MS. LUTSUK: Just pick a number.

15 MR. DAMOTH: These are all permanent new
16 schools -- permanent construction new schools for -- what is
17 the first given year -- for all. Yeah, just the overall all
18 of them.

19 And what it does is on the bottom, it winds up the
20 dollars and then each of the blue line represent a count.

21 So, for example, this blue line -- and this is
22 cost per square foot. So, for example, six projects. You
23 see number six. You follow it down. This is about 420.

24 So six projects were pretty close to \$420 a square
25 foot. So this just takes every project that was a permanent

1 new school site and measures it up how much it costs per
2 square foot and then what this purple line does, it's a
3 cumulative total. So if you -- I'm going to back it out
4 just a bit here.

5 So if you want to know 50 percent, over here is
6 the percentage. So I'm going to follow it all the way over
7 and approximately right here is the 50 percent mark. So --

8 MS. LUTSUK: -- should say what the dollar is.

9 MR. DAMOTH: Which is what, about 480 it looks
10 like. So it looks like about -- this is about the halfway
11 point. So it just kind of -- and then if you go to the next
12 chart, it's the same thing for funding.

13 MS. LUTSUK: So does it -- can you back up just a
14 little bit.

15 MR. DAMOTH: Yeah.

16 MS. LUTSUK: So would it be fair to say that in
17 this particular group of projects, the first 50 percent of
18 projects, if we arrange them from lowest to highest by cost
19 per square foot --

20 MR. DAMOTH: Um-hmm.

21 MS. LUTSUK: -- reported a cost per square foot
22 of --

23 MR. ROSENSTEIN: 480 --

24 MS. LUTSUK: -- \$480 or less. So that's what the
25 pink allows you to do.

1 MR. ROSENSTEIN: That's right.

2 MS. LUTSUK: That's why you go from zero to a
3 hundred percent. So it's -- so it shows you on aggregate
4 what that's -- and you could see the counts and the sample
5 size here is not -- it's 43 new schools. Okay?

6 MR. DAMOTH: Yeah. And then this one down here is
7 the funding. So the funding is much -- it's interesting.
8 The funding is much more standard -- or I guess normalized
9 is the right word, but basically see it forms more of a
10 curve. It's clumped more in one spot. So it's way more
11 predictable. Thank you, Josh. That's the word I was
12 looking for.

13 So -- but you can see the funding goes anywhere
14 from 120 all the way up to \$320 a square foot. And then
15 this is the same graphs. We just superimposed them on top
16 of each other so you can kind of see.

17 MS. LUTSUK: Okay. Anybody else?

18 MR. DUFFY: I just have a follow-up. My questions
19 earlier were really about the complete school or the whole
20 school site acquisition and, Josh, you ran down through
21 those percentages that were identified as means and they
22 were all in the 30s and Lyle referred to them again.

23 I don't know if you mentioned page 18 earlier when
24 you were giving your summary, but you've got here a state
25 contribution percentage in Table 7 of 52.9 percent under

1 mean.

2 MR. DAMOTH: Um-hmm. 2006.

3 MR. DUFFY: So -- in 2006.

4 MR. DAMOTH: Yeah.

5 MR. DUFFY: And then if you go out to 2007 and
6 it's 50.3 percent. So just -- numbers and statistics are
7 funny things and they sometimes give you sort of weird
8 answers, but how could you explain that the state
9 contributed more than 50 percent when all the limiters are
10 in the program to forestall that kind of thing happening?
11 Can you give me the mathematical --

12 MR. DAMOTH: Because this chart on page 18
13 includes all projects, including additions, so --

14 MR. DUFFY: Right. But still --

15 MR. DAMOTH: -- including portables --

16 MR. DUFFY: -- 52 percent?

17 MR. DAMOTH: Right. On average. If you take --
18 what we did was we took the percentage of state contribution
19 for each project individually and divided -- and then -- we
20 added that up and then divided by the number of projects.

21 MR. DUFFY: Can you start again?

22 MR. DAMOTH: Take the percentage of state
23 contribution for each individual project, add those up, and
24 then we took a mean. So that's how that was derived, so --
25 it was basically an overall and so a lot of these projects

1 are additions. I think about two-thirds of them are
2 additions projects.

3 MR. DUFFY: Well, you've got a nice graph in here
4 that identifies exactly that.

5 MR. DAMOTH: So that's what that means.

6 MR. DUFFY: The two-thirds of this -- this is on
7 page 10 -- that 67 percent, right at two-thirds, 112
8 projects were additions whereas what you referred to as new
9 site were 54 projects, 33 percent of those that were looked
10 at.

11 Okay. Just -- we don't want to mislead
12 policymakers about -- that the program is overfunding, but
13 the fact that you have a predominance of projects that are
14 additions and with some of the qualifiers you talked about
15 earlier, that districts aren't always asking for all of the
16 funds, they may not have local funds to match, they may not
17 want to use all their eligibility, all of those kinds of
18 things mean that there's flexibility within the program
19 which is something that I think districts like to have, but
20 what we've consistently said about the programs -- you know,
21 C.A.S.H. has done studies on this. In fact at this at the
22 same time you were. We come to the conclusion that you come
23 to on the permanent schools where the state funding level is
24 in -- you know, it's low.

25 It's not -- it's -- you're off the mark, that 34,

1 36 percent number seems to be fairly consistent across those
2 three years.

3 Thank you.

4 MS. LUTSUK: Any other comments or questions? All
5 right. I'd like to thank staff and those that helped us set
6 up this meeting. Again sorry about the short notice, but we
7 are glad that the report is out. So thank you, guys.

8 (Whereupon, at 3:00 p.m. the proceedings were recessed.)

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