

STATE ALLOCATION BOARD

1130 K Street, Suite 400

Sacramento, CA 95814

<http://www.dgs.ca.gov/opsc>

Date: February 26, 2008

To: Interested Parties

Subject: **NOTICE OF THE STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE MEETING**

Notice is hereby provided that the State Allocation Board Implementation Committee will hold a meeting on *Friday, March 7, 2008* from 9:30 a.m. to 3:30 p.m. in the Legislative Office Building located at 1020 "N" Street, Room 100 in Sacramento.

The Implementation Committee's proposed agenda is as follows:

- 1) Convene Meeting
- 2) Use of Site Sale Proceeds
Discuss regulatory amendments to address the use of site sale proceeds to fund, on a one time basis, district's insolvent health or retirement program
- 3) Material Inaccuracy Penalties
Discussion of the "MATERIAL INACCURACY PENALTIES" item that was presented at the February 2008 SAB Meeting
- 4) Material Inaccuracy Regulations
Discuss proposed regulatory amendments for protections in reporting on the Project Information Worksheet
- 5) Introduction to AB 1014 (Bass)
Overview of current enrollment projection method and introduction to statutory changes as a result of AB 1014

Any interested person may present public testimony or comments at this meeting regarding the issues scheduled for discussion. Any public input regarding unscheduled issues should be presented in writing, which may then be scheduled for a future meeting. For additional information, please contact Carrie Richter at (916) 445-3159.

A handwritten signature in cursive script that reads "Mavonne Garrity".

MAVONNE GARRITY, Chairperson
State Allocation Board Implementation Committee

MG:cr

Individuals who need auxiliary aids for effective participation are invited to make their requests and preferences known to Ms. Carrie Richter at (916) 445-3159 five days prior to the meeting.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE

Pending Items List
March 7, 2008

A. Future Items

- Proposed regulations to AB 1014 (Bass), Chapter 691, Statutes of 2007
This bill allows certain alternative School Facility Program eligibility projection methodologies.
- Site Sale Proceeds
Discussion on proposed regulatory amendments regarding proceeds from the sale of a site funded in whole or part with State funds.
- Alternative Education Loading Standards and Funding
Discussion on the loading standards and adequacy of the funding provided for continuation high, community day, and county community day schools under the School Facility Program.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
MARCH 7, 2008

USE OF SITE SALE PROCEEDS

PURPOSE

To discuss regulatory amendments to address the use of site sale proceeds to fund, on a one-time basis, a district's insolvent health or retirement program.

BACKGROUND

Senate Bill (SB) 1415, Chapter 810, Statutes of 2006 (Scott) amended Education Code (EC) Section 17462. SB 1415 required the State Allocation Board (SAB) to adopt regulations that defined "Ongoing Expenditures" for purposes of EC Section 17462(a). At the March 2007 SAB meeting, the SAB approved the proposed Regulation Section 1700 that defines one-time and ongoing expenditures as required by EC Section 17462. The regulation went into effect on August 2, 2007. Although the code change tightened the law concerning the sale of surplus property, it was not intended to restrict districts from using site sale proceeds as a one-time payment to insolvent health and retirement programs.

Therefore, the SAB requested the Attorney General (AG) provide an informal opinion regarding whether, under the regulation, funds used to address the fiscal insolvency of a district's health and/or retirement program would be considered a one-time expenditure or an ongoing expenditure. The AG provided an informal opinion stating that, with appropriate amendments to the regulation, the SAB may allow the use of site sale proceeds to fund, on a one-time basis, a district's insolvent health or retirement program. See the Attachment for the AG's opinion.

AUTHORITY

Regulation Section 1700 states:

For the purpose of the provisions of EC Section 17462, the terms set forth below shall have the following meanings, subject to the provisions of the Act:

"One-time Expenditures" means costs paid by the general funds of a school district that are nonrecurring in nature and do not commit the school district to incur costs in the future, and are exclusive of Ongoing Expenditures.

"Ongoing Expenditures" means costs paid by the general or special funds of a school district in support of employee salaries, benefits and other costs that are associated with ongoing and sustained operations and services.

DISCUSSION

Revisions to Regulation Section 1700

The SAB wishes to revise the current regulation to allow the use of site sale proceeds to fund, on a one-time basis, a district's insolvent health or retirement program.

RECOMMENDATION

Present changes at the next SAB meeting.

**SCHOOL FACILITY PROGRAM
SURPLUS SCHOOL PROPERTY; USE OF PROCEEDS**

Proposed Amendments to Regulations

Section 1700. Definitions.

For the purpose of the provisions of EC Section 17462, the terms set forth below shall have the following meanings, subject to the provisions of the Act:

"One-time Expenditures" means costs paid by the general funds of a school district that are nonrecurring in nature and do not commit the school district to incur costs in the future, and are exclusive of Ongoing Expenditures.

"Ongoing Expenditures" means costs paid by the general or special funds of a school district in support of employee salaries, benefits and other costs that are associated with ongoing and sustained operations and services. However, if approved by SAB, the school district may make a single and one-time payment toward the district's insolvent health or retirement program, which for purposes of EC Section 17462 will not be considered "Ongoing Expenditures".

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
MARCH 7, 2008

MATERIAL INACCURACY PENALTIES

PURPOSE

To discuss the Material Inaccuracy Penalties item presented at the February 27, 2008 State Allocation Board (SAB) meeting.

BACKGROUND

At the February 2008 SAB meeting, the Board was presented an item which discussed the practices used by the Office of Public School Construction (OPSC) to determine the recommended length of time for the loss of self-certification in association with a Material Inaccuracy, and the methods used to calculate the interest penalty associated with Material Inaccuracy for projects with funding advantages and for projects requiring rescission. This SAB item outlined the background and methodologies used in presenting penalty recommendations to the SAB for this type of Material Inaccuracy. The SAB item identified the most common form of Material Inaccuracy as a premature or invalid certification on the *Fund Release Authorization* form that the school district entered into binding contract(s) for at least 50 percent of the construction included in the plans applicable to the State-funded project. The following is a detailed explanation of how a district can calculate the amount which is required to be under contract(s) at the time of the fund release certification to verify its own calculations and to ensure it has met the 50% requirement:

Construction costs of the work in the Division of the State Architect (DSA) approved plans and specifications for a project must be at least 60 percent of the total grant amount provided by the State and the district's matching share, less site acquisition costs for new construction projects. Of that 60 percent, at least 50 percent of the construction included in the plans and specifications applicable to the state funded project must be under binding contract(s) at the time the district signs the *Fund Release Authorization* form. Please see example below:

Total Grant Amount (district and State share, less any site acquisition costs):.....	\$1,000,000
Minimum threshold of construction costs in the DSA approved plans and specifications:.....	\$600,000
Amount which must be under contract(s) at the time of the fund release certification:.....	\$300,000

AUTHORITY

Material Inaccuracy is defined by the School Facility Program (SFP) Regulation Section 1859.2 as any falsely certified application that allowed the district an advantage in the funding process. Education Code (EC) Section 17070.51 requires the OPSC to notify the SAB if any such certifications have been found. This EC Section also provides the SAB with the authority to impose penalties if a finding of Material Inaccuracy has been made by the SAB. The penalties to the district consist of, but are not limited to:

- Repayment of additional funding received beyond the amount the district was entitled to for the project

AUTHORITY (cont.)

- Repayment of interest earned on the funding received beyond what the district was entitled to for the project
- Prohibition of self-certification for a period of up to 5 years

For a complete list of Authority citations for Material Inaccuracy, please see Attachment A.

DISCUSSION

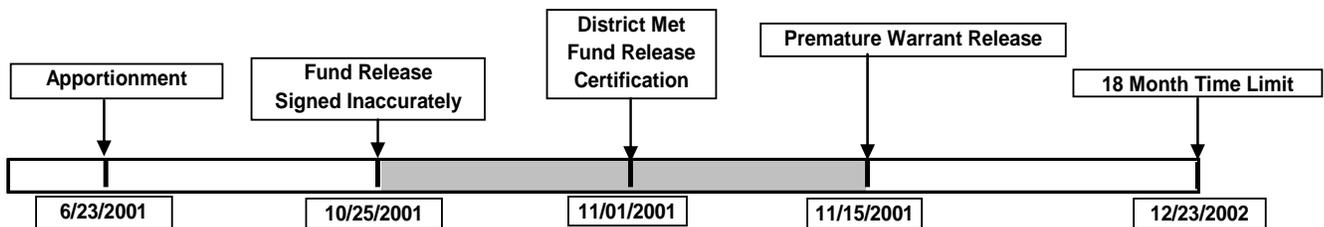
The SAB item presented three scenarios which outlined how the interest penalty associated with a Material Inaccuracy, in the form of a premature or invalid fund release certification, was calculated for each example. Also, the item encapsulated the methodology utilized in recommending the prohibition period for the loss of self-certification privileges. The penalties outlined are contingent upon a finding of Material Inaccuracy by the SAB.

Interest Penalties on Premature or Invalid Fund Releases

SCENARIO 1

PREMATURE FUND RELEASE
(NO FUNDING ADVANTAGE, NO MATERIAL INACCURACY)

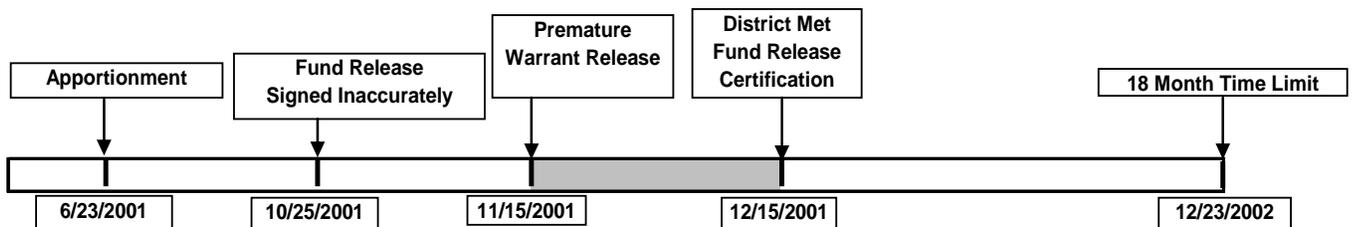
The first scenario presented in the SAB item outlined a scenario in which there was no funding advantage to the district and therefore no Material Inaccuracy. Even though the district prematurely certified on 10/25/2001 (i.e., did not have at least 50 percent of the work in the plans and specifications under contract), there was no funding advantage obtained by the district. The district met the *Fund Release Authorization* certification through various contracts on 11/1/2001, before the warrant was released and therefore received no interest or funding advantage. The shaded area on the timeline below represents the period, after the fund release authorization was signed, in which the district could still have met the *Fund Release Authorization* certification and still not have obtained a funding advantage.



SCENARIO 2

PREMATURE FUND RELEASE
(FUNDING ADVANTAGE, MATERIAL INACCURACY)

The example below represents a premature fund release with a funding advantage. The district certified on 10/25/2001 to have met the certification on the *Fund Release Authorization* form; however, the district did not comply with the fund release requirements until 12/15/2001. The funding advantage (shaded area) occurred from the date the warrant was released on 11/15/2001 to when the district met the *Fund Release Authorization* requirements on 12/15/2001. The number of days associated with the funding advantage (interest on funds that should not have been released) is 30 days.



The following is an example of how interest penalties would be calculated on the project in Scenario 2. In this example, the amount of the warrant released was \$500,000, the Pooled Money Investment Account (PMIA) rate the State was earning at the time the warrant was issued to the district was 3.526%, and the number of days of the funding advantage was 30 days. The formula for the calculation of interest penalty for the above scenario is as follows:

- *Warrant Amount times the Annual Interest Rate divided by 365 days times the Number of Days of the Funding Advantage, or*
- $\$500,000 \times (3.526\% / 365) \times 30 = \$1,449$ in recommended interest penalties to make the bond funds whole.

SCENARIO 3

INVALID FUND RELEASE
(FUNDING ADVANTAGE, MATERIAL INACCURACY COMBINED WITH
VIOLATION OF LAW REQUIRING RESCISSION)

Scenario 3 presents an additional and more serious violation of the law than Scenarios 1 and 2 because it also includes a violation of EC Section 17076.10(d). This section of law requires that once a district receives an apportionment for a project, the district has a maximum of 18 months to meet the criteria to have the funds released. When this time limit is not met, the EC requires that *the board shall rescind the apportionment and deny the district's application*. The law contains no provision for extension or exemption. In this example, the 18-month time limit expired on 12/23/2002. By the time the district had binding contract(s) for at least 50 percent of the construction included in the plans on 1/22/2003, it had already exceeded the 18-month time limit in law, the project was required by law to be rescinded, and the project approval was no longer valid. As a result, the district did not and does not qualify to receive a fund release. The fund release that occurred is invalid. Since the funds had been released to the district, the district received a funding advantage (shaded area in Figure A on page 5), and the State lost interest

SCENARIO 3 (cont.)

on these funds during the period of time that the funds should have remained in the State bond fund earning interest. Therefore, the interest is calculated from the date the warrant was released to the date the district concurred with the contract audit finding, or the date the item is presented to the SAB, whichever occurs first. This is consistent with the requirements of EC Section 17070.51(b)(1) which states in part that “the school district shall repay to the board...an amount proportionate to the additional funding received as a result of the Material Inaccuracy including interest at the rate paid on moneys in the Pooled Money Investment Account...”

For this scenario, the amount of the warrant released was \$500,000, the PMIA rate the State was earning at the time the warrant was issued to the district was 3.526%, and the number of days of the funding advantage was 767 days. The formula for the calculation of interest penalty for the above scenario is as follows:

- *Warrant Amount times the Annual Interest Rate divided by 365 days times the Number of Days of the Funding Advantage or*
- $\$500,000 \times (3.526\% / 365) \times 767 = \$37,047$ in recommended interest penalties to make the bond funds whole.
- Additionally, the \$500,000 must be returned to the State

MODERNIZATION REIMBURSEMENT

SFP Regulation Section 1859.90 provides the district with an opportunity to re-file a new application for the project which was rescinded. However, this only applies to modernization projects. Pursuant to Regulation Section 1859.79.1 (Modernization Reimbursement), the Board will provide modernization funding for a project if the district entered into a construction contract for that project after August 27, 1998. Section 1859.70 prohibits reimbursement for new construction projects citing that the Board shall only provide new construction funding if the approved application was received by the OPSC prior to the date of occupancy for any classrooms included in the construction contract.

In this scenario, when a modernization project is rescinded, and if the district wishes a new apportionment, the district is required to file a new *Funding Application* Form SAB 50-04. The project is assigned a new application number and is given a new apportionment date. This new apportionment is limited to the original amount so that the district does not benefit from its inaccurate certification. The 18 month time limit on fund release is now based on the new apportionment date. Since the district, in this example, had binding contract(s) for at least 50 percent of the construction included in the plans on 1/22/2003, it can sign the *Fund Release Authorization* form immediately following the new apportionment. In this instance, the certification made on this form would be valid since the district meets the criteria to have funds released. The district obtains a new fund release date. This process is illustrated on Figure B on page 5.

SCENARIO 3 (cont.)

FIGURE A

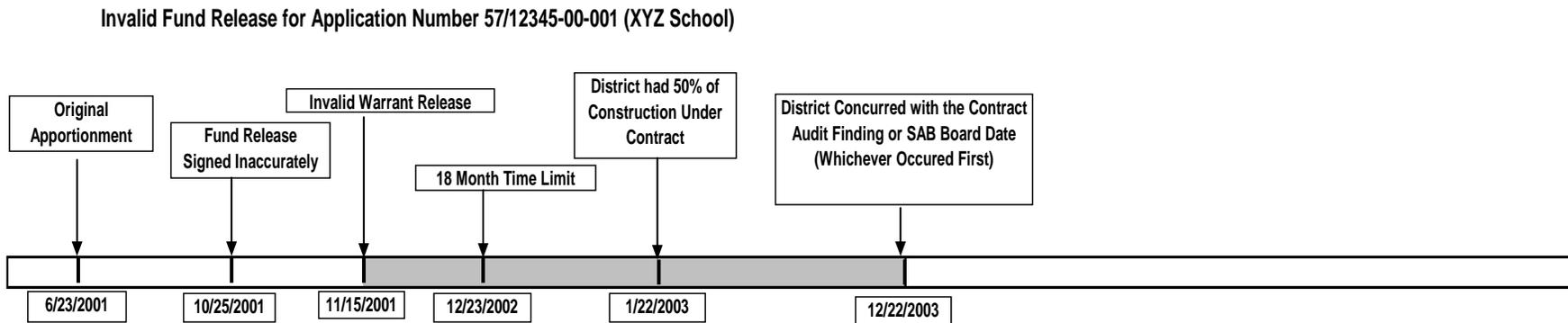
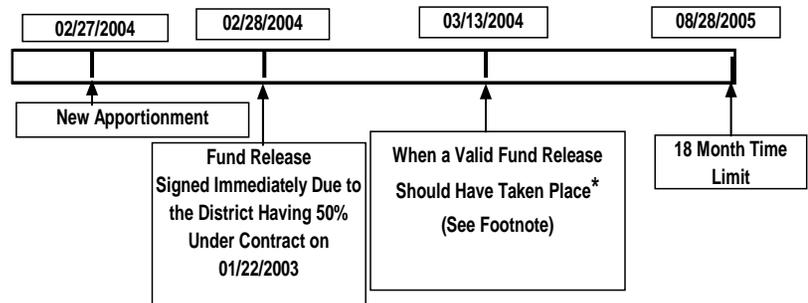


FIGURE B

Valid Fund Release for Application Number 57/12345-00-058 (XYZ School)
(Separate New Application and Apportionment)



* Instead of going through the cumbersome process of requiring the district to remit the original apportionment and then require that the State issue a warrant back to the district, the Board has authorized Staff to streamline the process and make the appropriate accounting entries to reconcile the rescission and to facilitate the new apportionment and new fund release date.

Loss of Self-Certification Recommendations for Premature Fund Releases

Loss of self-certification does not prohibit the district from completing certifications of eligibility or funding applications. However, the district is required to present proof that the certifications made are valid and true. In making loss of self-certification recommendations to the SAB, Staff considers a number of factors relative to the project(s) being audited as well as previously closed projects of the district. Those factors include:

- Did the project(s) meet the *Fund Release Authorization* requirements before the 18-Month Time Limit on Fund Release?
- Does the district have prior rescission(s) associated with premature fund releases?
- What is the cumulative total, in days, of all non-compliance for all premature fund releases for the district? (Note: Non-compliance refers to the period from warrant release date to the date the district met the *Fund Release Authorization* requirements for past and current items.)
- Does the district have other audit findings related to current or past audits?
- Are there any other mitigating circumstances to consider?

Most of these factors are incorporated in a flowchart (See Attachment B) that assists Staff in formulating a loss of self-certification recommendation to the SAB.

Revisions to the Material Inaccuracy Regulations

Based on the practices and methodologies outlined above and the loss of self-certification guidelines specified on Attachment B, some Board members expressed an interest in possible changes to the current Material Inaccuracy regulations.

While the Staff recognizes the need for formal guidelines, there are some concerns in establishing regulations that mandate specific Material Inaccuracy penalties. Currently, the SAB considers Staff's recommendations, but has the authority to impose the appropriate penalties based on the specific circumstances. Establishing regulations to impose specified Material Inaccuracy penalties prevents the SAB from having the latitude to consider extenuating circumstances.

CONSIDERATIONS

During the SAB meeting, testimony was provided that incorrectly cited EC Section 17041.2(c) which allows the district to seek a binding arbitration process if the district believes that the Material Inaccuracy penalties imposed by the Board are disproportionate to the inaccuracy certified by the district. This EC Section pertains to projects apportioned from the State School Building Lease-Purchase Fund and therefore has no bearing on projects apportioned from the 1998 State School Facilities Fund; the School Facility Program.

Also, at the SAB meeting, the loss of self-certification penalties were discussed. EC Section 17070.51(b)(2) states that, "The board shall prohibit the school district from self-certifying certain project information for any subsequent applications for project funding for a period of up to five years following the date of the finding of a Material Inaccuracy or until the district's repayment of the entire amount owed under paragraph (1)." However, the SFP Regulation Section 1859.104.1(c)(2) further clarifies EC Section 17070.51(b)(2) and requires that the district "shall be prohibited from self-certifying project information for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project. A prohibition from self-certification of project information may be less than five years as determined on a case-by-case basis by the Board." It was implied that the EC Section specifically states that the self-certification prohibition period shall end when the district repays the entire amount owed

CONSIDERATIONS (cont.)

under paragraph (1). This is only true if the SAB chooses to exercise its authority to approve a loss of self-certification other than what is recommended by Staff.

A concern was raised regarding the methodology used in calculating the number of days in which the district received a funding advantage in Scenario 3. The number of days is calculated from the date the warrant was released to the date the district concurs with the contract audit finding, or the date the item is presented to the SAB, whichever occurs first. Staff emphasizes that the district's concurrence with the contract audit finding is merely of the facts associated with the date(s) and amount(s) for the project contract(s) and does not preclude a district from appealing to the Board. The concern raised was that since there is a significant amount of time from the invalid warrant release date to when the OPSC made the audit finding, the district is penalized to a greater extent due to the length of the project completion, district reporting, and OPSC audit processes. However, Staff would like to convey that the district is solely responsible for signing the *Fund Release Authorization* form and authorizing the certification made on the Form. The district, through its proper internal controls and contract management, is able to verify whether its certifications made on the Form are valid. The district is in possession of the project documents years in advance of the project reaching audit. If a district is concerned about this issue, it is incumbent upon the district to look through records to ensure that various certifications made by the district are appropriate.

RECOMMENDATION

Discuss Material Inaccuracy penalties as outlined above and consider input as presented by the committee and attendees.

ATTACHMENT A

AUTHORITY

EDUCATION CODE SECTION 17070.51

17070.51. (a) If any certified eligibility or funding application related information is found to have been falsely certified by school districts, architects or design professionals, hereinafter referred to as a material inaccuracy, the Office of Public School Construction shall notify the board.

(b) The board shall impose the following penalties if an apportionment and fund release has been made based upon information in the project application or related materials that constitutes a material inaccuracy.

(1) Pursuant to a repayment schedule approved by the board of no more than five years, the school district shall repay to the board, for deposit into the 1998 State School Facilities Fund, an amount proportionate to the additional funding received as a result of the material inaccuracy including interest at the rate paid on moneys in the Pooled Money Investment Account or at the highest rate of interest for the most recent issue of state general obligation bonds as established pursuant to the Chapter 4 (commencing with Section 16720), of Part 3 of Division 4 of Title 2 of the Government Code, whichever is greater.

(2) The board shall prohibit the school district from self-certifying certain project information for any subsequent applications for project funding for a period of up to five years following the date of the finding of a material inaccuracy or until the district's repayment of the entire amount owed under paragraph (1). Although a school district that is subject to this paragraph may not self-certify, the school district shall not be prohibited from applying for state funding under this chapter. The board shall establish an alternative method for state or independent certification of compliance that shall be applicable in these cases. The process shall include, but shall not be limited to, procedures for payment by the school district of any increased costs associated with the alternative certification process.

(c) For school districts found to have provided material inaccuracies when a funding apportionment has occurred, but no fund release has been made, the board shall direct its staff to reduce the apportionment as necessary to reflect the actual nature of the project and to disregard the inaccurate information or material, and paragraph (2) of subdivision (b) shall apply.

(d) For those school districts found to have provided material inaccuracies when no funding apportionment or fund release has been made, the inaccurate information or materials shall not be considered, and paragraph (2) of subdivision (b) shall apply. The project may continue if the application, minus the inaccurate materials, is still complete.

AUTHORITY REGARDING PREMATURE FUND RELEASE AND RESCISSION

Fund Release Criteria

EC Section 17072.32 in part states that the essential element necessary to meet the criteria of a fund release is to have "...a binding contract for the completion of the approved project".

SFP Regulation Section 1859.90 states, "...the OPSC will release State funds that have been apportioned by the Board to the district after submittal, by the district, of the Form SAB 50-05."

Form SAB 50-05, incorporated by reference in SFP Regulation Section 1859.90, requires the district, as a condition of funding, to certify that it has entered into a binding contract(s) for at least 50 percent of the construction included in the plans applicable to the state funded project.

EC Section 17072.32(a) states, "For any project that has received an apportionment pursuant to Section 17072.30, funding shall be released in amounts equal to the amount of the local match upon certification by the school district that the school district has entered into a binding contract for completion of the approved project."

Material Inaccuracy

SFP Regulation Section 1859.2 (Definition of Material Inaccuracy), "Means any falsely certified eligibility or funding application related information submitted by the school districts, architects or other design professionals that allowed the school district an advantage in the funding process."

(Continued on Page Two)

Material Inaccuracy (cont.)

To make a finding of Material Inaccuracy, EC Section 17070.51(a) states, "If any certified eligibility or funding application related information is found to have been falsely certified by school districts, architects or design professionals, hereinafter referred to as a Material Inaccuracy, the OPSC shall notify the Board."

Material Inaccuracy Penalties

EC Section 17070.51(b) states that, "The board shall impose the following penalties if an apportionment and fund release has been made based upon information in the project application or related materials that constitutes a Material Inaccuracy."

EC Section 17070.51(b)(1) states that, "Pursuant to a repayment schedule approved by the board of no more than five years, the school district shall repay to the board...an amount proportionate to the additional funding received as a result of the Material Inaccuracy including interest at the rate paid on moneys in the Pooled Money Investment Account..."

Repayment of Material Inaccuracy Interest Penalty

SFP Regulation Section 1859.104.1(c)(1) states the district "must repay the additional funding received beyond the amount the district was entitled to for the project with interest within five years from the date the Board made the finding of Material Inaccuracy. Interest shall be assessed as prescribed in Education Code Section 17070.51(b)(1)."

Rescission of Project Apportionment

EC Section 17076.10(d) states, "If a school district has received an apportionment, but has not met the criteria to have funds released pursuant to Section 17072.32 or 17074.15 within a period established by the board, but not to exceed 18 months, *the board shall rescind the apportionment and deny the district's application.*"

SFP Regulation Section 1859.90 states, "...a district must submit the Form SAB 50-05, within 18 months of the Apportionment of the SFP grant for the project or the entire...apportionment shall be rescinded without further Board action, and the pupils housed in the project, if applicable, will be added back to the district's baseline eligibility. The district may re-file a new application for the project subject to district eligibility and priority funding at the time of resubmittal."

AUTHORITY REGARDING LOSS OF SELF-CERTIFICATION

EC Section 17070.51(b)(2) states that, "The board shall prohibit the school district from self-certifying certain project information for any subsequent applications for project funding for a period of up to five years following the date of the finding of a Material Inaccuracy or until the district's repayment of the entire amount owed under paragraph (1)." The statute further states, "...The board shall establish an alternative method for state or independent certification of compliance that shall be applicable in these cases. The process shall include, but not be limited to, procedures for payment by the school district of any increased costs associated with the alternative certification process."

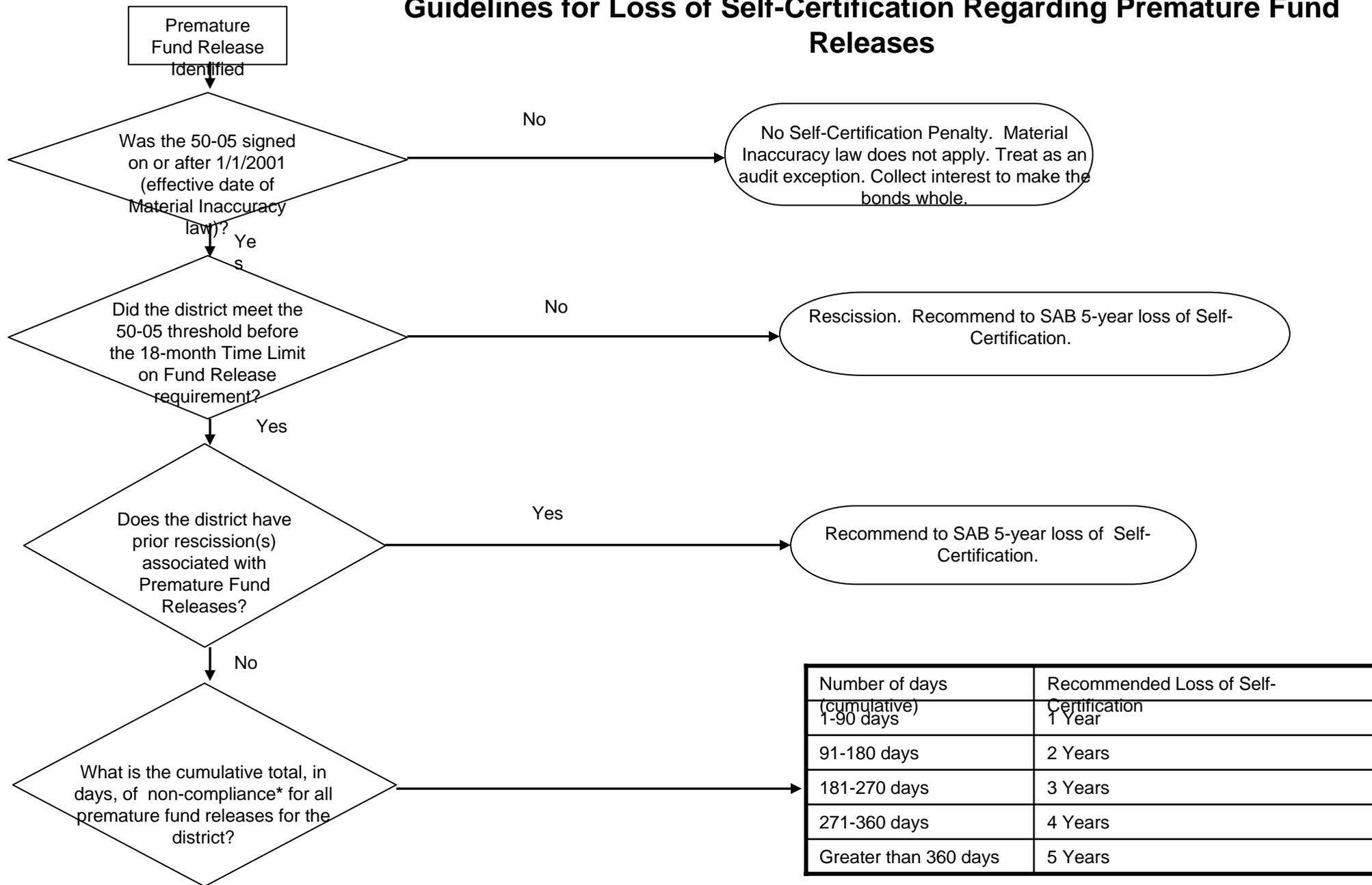
SFP Regulation Section 1859.104.1(c)(2) further clarifies EC Section 17070.51(b)(2) and requires that the district "shall be prohibited from self-certifying project information for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project. A prohibition from self-certification of project information may be less than five years as determined on a case-by-case basis by the Board."

SFP Regulation Section 1859.104.1(c)(3) states the district shall file all projects pursuant to Section 1859.104.2 for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project.

SFP Regulation Section 1859.104.1(c)(4) states the district shall be subject to the fee prescribed by Section 1859.104.3, which states if the SAB has made a finding of Material Inaccuracy, the SAB shall charge the district an amount of \$100 per hour for the additional hours to process and review the district's applications submitted during the timelines prescribed in Section 1859.104.1(c)(2).

ATTACHMENT B

Guidelines for Loss of Self-Certification Regarding Premature Fund Releases



*Non-compliance refers to the period from warrant release date to the date the district met the 50-05 threshold for past and current items.

ATTACHMENT C PAST MATERIAL INACCURACIES

School District	Interest Penalty Assessed?	How was interest calculated?			Premature Fund Release?	SAB Approved Loss of Self-Certification	Reason for Material Inaccuracy		
		Period from the warrant release date to the date of the SAB approved rescission	Period from the warrant release date to the date the District agreed to the audit findings	Period from the warrant release date to the date the construction contracts/School Board Award Dates meets the <i>Fund Release Authorization</i>			Funding advantage through the false certification of <i>Enrollment Certification</i> (Form SAB 50-01).	Funding advantage through the false certification of <i>Fund Release Authorization</i> (Form SAB 50-05)	Funding advantage through the Non-disclosure of Certificates of Participation
A	Y		X		Y	5 years	X		
*B1	Y	X			Y	5 years		X	
*B2	Y			X	Y	5 years		X	
C1	Y			*X	Y	****5 years		X	
C2	Y			X	Y	**5 years		X	
D	Y			X	Y	1 year		X	
E	Y	X			N/A	5 years			X
F	Y			X	Y	*****TBD		X	
G	Y			X	Y	*****TBD		X	

Footnotes:

*District B, in the same SAB item, had both premature fund releases with rescissions (B1) and premature fund releases (B2).

**District C, in the same SAB item, had both premature fund releases with rescissions (C1) and premature fund releases (C2).

***The interest calculations for District C1 were calculated incorrectly. The interest should have been calculated from the warrant release date to the date of the SAB

****Period of loss of self-certification expired when the final repayment was made.

*****Districts F and G were presented at the January 2008 SAB Meeting. The length of the self-certification penalty will be determined at a future SAB meeting.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
MARCH 7, 2008

MATERIAL INACCURACY REGULATIONS

PURPOSE

To discuss proposed regulatory amendments that give school districts' protections in reporting on the Project Information Worksheet.

BACKGROUND

The Project Information Worksheet was presented at the July and August 2007 State Allocation Board (SAB) meetings, and was adopted by the SAB at its September 2007 meeting. At its January 2008 meeting, the SAB approved revisions to the Project Information Worksheet and the submittal of the rulemaking file to the Office of Administrative Law. Staff recommended and the SAB requested that the OPSC Staff review and present proposed amendments to Regulation Section 1859.104.1 (material inaccuracies) at a future SAB meeting to clarify the purpose of the worksheet as it relates to material inaccuracies.

Staff would like to discuss providing districts with some reporting protections. Revising Regulation Section 1859.104.1 to include an exception for reporting inaccuracies on the Project Information Worksheet will make it clear to districts that the information submitted in good faith on the worksheet in and of itself will not be used to the district's detriment, unless other funding or eligibility forms were falsely certified.

AUTHORITY

To make a finding of Material Inaccuracy, EC Section 17070.51(a) states, "If any certified eligibility or funding application related information is found to have been falsely certified by school districts, architects or design professionals, hereinafter referred to as a Material Inaccuracy, the OPSC shall notify the Board."

SFP Regulation Section 1859.2 (Definition of Material Inaccuracy), "Means any falsely certified eligibility or funding application related information submitted by the school districts, architects or other design professionals that allowed the school district an advantage in the funding process."

DISCUSSION

Revisions to Regulation Section 1859.104.1

The SAB requested Staff to review and suggest changes to this regulation.

RECOMMENDATION

Present changes at the next SAB meeting.

SCHOOL FACILITY PROGRAM

Proposed Amendments to Regulations

Section 1859.104.1. Material Inaccuracy Penalties.

Information provided in good faith, for the purposes of the Project Information Worksheet only, shall not provide in and of itself the basis for a Material Inaccuracy.

When the Board makes a finding that a Material Inaccuracy occurred for a SFP Project, the district shall be subject to the following penalties:

(a) If the Material Inaccuracy finding occurred prior to the apportionment, the district shall be:

(1) Prohibited from self-certifying the project information for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project. A prohibition from self-certification of project information may be less than five years as determined on a case-by-case basis by the Board.

(2) Required to file all projects pursuant to Section 1859.104.2 for the time period required in subsection (a)(1).

(3) Subject to the fee prescribed by Section 1859.104.3.

(b) If the Material Inaccuracy finding occurred after the apportionment but no funds have been released for the project:

(1) The Board shall reduce the project apportionment by the additional funding received beyond the amount the district was entitled to for the project.

(2) The school district shall be prohibited from self-certifying project information for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project. A prohibition from self-certification of project information may be less than five years as determined on a case-by-case basis by the Board.

(3) The school district shall be required to file all projects pursuant to Section 1859.104.2 for the time period required in subsection (b)(2).

(4) The school district shall be subject to the fee prescribed by Section 1859.104.3.

(c) If the Material Inaccuracy finding occurred after the apportionment and funds were released for the project, the district:

(1) Must repay the additional funding received beyond the amount the district was entitled to for the project with interest within five years from the date the Board made the finding of Material Inaccuracy. Interest shall be assessed as prescribed in Education Code Section 17070.51(b)(1).

(2) Shall be prohibited from self-certifying project information for a period of up to five years from the date the Board made the finding of Material Inaccuracy for the project. A prohibition from self-certification of project information may be less than five years as determined on a case-by-case basis by the Board.

(3) Shall be required to file all projects pursuant to Section 1859.104.2 for the time period required in subsection (c)(2).

(4) Shall be subject to the fee prescribed by Section 1859.104.3.

(d) The Board may direct that adjustments to the school district's New Construction or Modernization baseline eligibility be made pursuant to Sections 1859.51 and 1859.61 based on the determination of Material Inaccuracy.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
March 7, 2008

Assembly Bill 1014: ELIGIBILITY PROJECTION AUGMENTATIONS

PURPOSE

To introduce Assembly Bill (AB) 1014, Chapter 691, Statutes of 2007 (Bass). AB 1014 requires the State Allocation Board (SAB) to augment the enrollment projection calculation method used to establish eligibility for new construction funding under the provisions of the School Facility Program (SFP). In order to provide the background information for the implementation of AB 1014, this item includes an overview of the current calculation of the enrollment projection under the SFP. The discussion will also include a synopsis of a recent study completed by Office of Public School Construction (OPSC) staff regarding past enrollment projections.

BACKGROUND INFORMATION

AB 1014 makes several changes to the enrollment projection calculation; thus, in order to understand the changes of this law, it is important to describe and explain the current workings of the projection formula and determination of eligibility. This background information will assist in the implementation of changes to the formula, as provided for in AB 1014.

Overview of the Determination of Eligibility

A district must demonstrate, in K-6, 7-8, and 9-12 grade levels, that existing seating capacity is insufficient to house the pupils existing and anticipated in the district using a five-year projection of enrollment. If the number of pupils existing and anticipated to be in the district exceeds the existing seating capacity, there are "unhoused pupils," meaning eligibility exists and an "eligibility baseline" is created as the basis for which grants can be provided by the State for districts to construct facilities to house these pupils, provided the funding application requirements are met. The baseline is adjusted for changes in enrollment and for facilities added.

Current and historical California Basic Educational Data System (CBEDS) enrollment data for a district is used to generate a future projection. A district reports CBEDS data to the California Department of Education (CDE), which is also submitted on the Form SAB 50-01 in order to generate the projection using a method known as the Cohort Survival Projection Method (Cohort). Any district submitting a new construction funding application on or after November 1 must use that school year's enrollment data, collected around October 15th of each year.

Options in the Establishment of Eligibility

Most districts establish eligibility for new construction funding on a district-wide basis. When filing district-wide, eligibility is determined by comparing the current and projected enrollment of the district to the classroom capacity of the entire district. However, a district may have more eligibility in one or more areas of the district if the applications are made on a High School Attendance Area (HSAA) basis using one or more attendance areas. When filing on a HSAA basis, only the current and projected enrollment of the schools in that attendance area are taken into consideration, not the entire district, and then are compared to the capacity of that attendance area. The attendance areas must serve an existing, operating comprehensive high school, and the district must demonstrate that at least one HSAA has negative eligibility at any grade level. Once a district receives funding using a high school attendance area as the basis of its eligibility, it must continue to file future new construction applications on that basis for five years.

The ability to file on a HSAA or Super HSAA eligibility filing basis enables a district to generate eligibility within a regionalized or local area. This eligibility filing option is advantageous for a district when the building capacity in one HSAA prevents another from receiving maximum eligibility, or in other words, it enables the district to garner more eligibility to build classrooms where it is most needed. For example, one attendance area may have surplus classroom capacity while another does not have the needed seats to meet the current and projected student enrollment, or has a number of schools considered overcrowded. If the district were to file on a district-wide basis, there might be little or no overall eligibility, even though the students in one attendance area are “unhoused” or are in overcrowded schools. In this case, by filing on a HSAA-basis and accounting for all the pupils that are in the overcrowded schools, the eligibility would increase to allow construction of adequate facilities for the unhoused or overcrowded students.

Small districts (less than 2,500-pupil enrollment) have the option of reporting enrollment only once every 3 years. Extremely small districts (less than 300-pupil enrollment) may use historic average at some grade levels if desired.

Dwelling Unit Augmentation

Under the SFP, school districts are able to augment the five-year projection based on the number of pupils that will reside in dwelling units included in approved and valid tentative subdivision maps. This allows school districts to anticipate the future need that will be a result of the new houses being built and new students migrating into the district’s boundaries. Due to the nature of the calculation, if a district is already experiencing significant growth reflected in the current and past enrollment, there may be little or no increase to the projection due to dwelling units. If a district is experiencing declining enrollment, dwelling units tend to have more of a positive numerical impact on the projection.

In conjunction with the dwelling units, the enrollment projection calculation involves the use of a student yield factor (SYF), determining the average number of students that each dwelling unit will house. Districts may use either the state-wide average SYF or their own SYF report, if it will generate a higher number than the state-wide averages. The district’s SYF report is typically a part of a school facilities needs analysis, and the requirements are outlined in Government Code Section 65995.6.

Enrollment Projection Calculation

The Cohort uses previous years’ enrollment trends to project enrollment. The basic method involves calculating the ratio of the number of students in one grade during one year compared to the number of students who “survive” the year and enroll in the next grade in the following year. Fluctuations in the enrollment from year to year create a pattern from which an average survival rate can be calculated to project future student enrollment. For purposes of projecting enrollment for the SFP, the OPSC uses the current enrollment year plus the enrollment from the three previous years and then projects out the enrollment for five years.

Each grade level has a separate calculation for each year of projected enrollment. The sum of the fifth year projections becomes the five-year projection for each set of pupils (for K-6, 7-8 and 9-12):

- A. The “average change” is calculated for each grade.
- B. The fifth-year projection for each grade level is based on the current enrollment of the fifth prior grade level, plus the “average change” for each progressive grade. (For K-5th grade: the projection basis is the current K enrollment.)

A. Average change for each grade level includes three figures that are calculated, weighted, then averaged, by the following calculation:

- (Current enrollment - previous years' enrollment) (x 3), plus
- (Previous - second previous) (x 2), plus
- (second previous - third previous) (x 1)
- Divided by six

Note: Kindergarten is calculated “across” (i.e. current K enrollment – previous years' K enrollment), but all other grades are calculated “diagonally” (i.e. current 1st grade enrollment – previous years' K enrollment). This is because we have no pre-school data to compare Kindergarten enrollment to.

B. The fifth-year projection for each grade level includes: (a) the “projection basis”, plus (b) five “average changes”:

(a) The “projection basis” is the current enrollment of the fifth prior grade. For example, current sixth grade enrollment is the basis for the 11th grade calculation. For K through fifth grade: the projection basis is the current K enrollment.

(b) Five average changes are added to the basis, to progress it from current enrollment to each fifth-year projection (please see the Cohort calculation sheet, Attachment A).

AUTHORITY

Education Code (EC) Section 17071.75(a) states that projected enrollment shall be determined by utilizing the cohort survival enrollment projection system, as defined and approved by the board. It also states that the “board may supplement the cohort survival enrollment projection by the number of unhoused pupils that are anticipated as a result of dwelling units proposed pursuant to approved and valid tentative subdivision maps”.

AB 1014 amends EC Section 17071.75, and states which methodologies or augmentations may be utilized when projecting enrollment, as part of the eligibility calculation for the SFP.

SFP Regulation Section 1859.42 outlines the mathematical calculation to project standard K-12th grade enrollment.

SFP Regulation Section 1859.43 outlines the mathematical calculation to project enrollments for Special Day Class (SDC) pupils.

DISCUSSION

Cohort survival projection method analysis findings:

The OPSC has begun a second in-depth analysis of the enrollment projections generated using the Cohort method (Attachments B-1 through B-5), which specifically focuses on the five-year enrollment projection compared to the actual enrollment data. The study includes three sets of data and compares the following:

- the enrollment projected in 1999/00 to the actual enrollment realized in 2004/05
- the enrollment projected in 2000/01 to the actual enrollment realized in 2005/06
- the enrollment projected in 2001/02 to the actual enrollment realized in 2006/07

In all, Staff has reviewed 116 samples for 108 school districts that established their new construction eligibility on a district wide basis. Staff included all of that type for which we had verified data. 112 samples included an augmentation of enrollment projections with proposed new dwelling units. The results can be seen in a scatter-plot graph presented in Attachment B. The graph was prepared by comparing the actual enrollment in a given year to a projected

enrollment for that year generated five years prior. The comparison is presented as a positive or negative percentage factor. A factor of zero indicates that the projections were equal to actual enrollment in a given year. A positive percentage factor indicates that the enrollment projection was higher than the actual enrollment. A negative percentage factor indicates that the actual enrollment was higher than the projection, thus, the projections underestimated the actual enrollment.

AB 1014

This bill would authorize the board to supplement the projection with modified weighting mechanisms, subject to specified conditions, and an adjustment to reflect the effects of specified changes in birth rates. School districts would be authorized to submit an enrollment projection for either a fifth year or 10th year beyond the fiscal year in which the application is made. A school district that bases its enrollment projection calculation on a HSAA basis would be authorized to use pupil residence in that attendance area to calculate enrollment. The board would be authorized to adopt regulations to specify the format and certification requirements for a school district that submits residency data. For a more detailed break-down of the amendments to the EC made by AB 1014, please see Attachment C.

Step #1:
 Figures are calculated on a diagonal:
 $120 - 130 = -10$

Step #2:
 Figures are calculated on a diagonal, then multiplied by "2":
 $(150 - 130) \times 2 = 40$

Step #3:
 Figures are calculated across (K only), then multiplied by "3":
 $(110 - 120) \times 3 = -30$

Step #4 (Average Change):
 Add the weighted enrollment change numbers across, then divide by 6:
 $[(-10) + (-20) + (-30)] / 6 = -10$

5-YEAR ENROLLMENT PROJECTION

School District	Dwelling Units	SYF	County	Application No.						
ABC Unified	0	0.7	ABC	50/12345-00-00						
5-YEAR ENROLLMENT PROJECTION										
ACTUAL ENROLLMENT					Average Change (Div. By 6)	PROJECTED ENROLLMENT				
Year	02/03	03/04 (x 1)	04/05 (x 2)	05/06 (x 3)		06/07 1-year projection	07/08 2-year projection	08/09 3-year projection	09/10 4-year projection	10/11 5-year projection
K	140	130 -10	120 -20	110 -30	-10	100	90	80	70	60
1	130	130 0	150 20	150 20	20	130	120	110	100	90
2	140	120 -20	150 30	160 10	10	160	140	130	120	110
3	160	140 -20	150 -10	140 -10	5	165	165	145	135	125
4	145	160 15	170 10	150 -20	10	150	175	175	155	145
5	135	150 15	170 20	180 10	9	159	159	184	184	164
6	150	170 20	140 -30	160 20	-3	177	156	156	181	181
7	145	160 15	170 5	150 -20	7	167	184	163	163	188
8	140	140 0	150 10	160 10	-9	141	158	175	154	154
9	160	170 10	165 -5	165 0	21	181	162	179	196	175
10	170	180 10	175 -5	185 10	15	180	196	177	194	211
11	140	140 0	150 10	160 10	-23	162	157	173	154	171
12	145	160 15	170 25	185 15	31	191	193	188	204	185
TOTAL Elem.	1000	1000	1050	1050		1041	1005	980	945	875
TOTAL High	900	950	980	1005		1022	1050	1055	1065	1084
TOTAL	1900	1950	2030	2055		2063	2055	2035	2010	1959
Annual change		50	80	25		8	-8	-20	-25	-51

5-YEAR ENROLLMENT PROJECTION

ACTUAL ENROLLMENT					Average Change (Div. By 6)	PROJECTED ENROLLMENT				
Year	02/03	03/04 (x1)	04/05 (x2)	05/06 (x3)		06/07 1-year projection	07/08 2-year projection	08/09 3-year projection	09/10 4-year projection	10/11 5-year projection
K	140	130 -10	120 -20	110 -30	-10	100	90	80	70	60
1	130	130 -10	150 40	150 90	20	130	120	110	100	90
2	140	120 -10	150 40	160 30	10	160	140	130	120	110
3	160	140 0	150 60	140 -30	5	165	165	145	135	125
4	145	160 0	170 60	150 0	10	150	175	175	155	145
5	135	150 5	170 20	180 30	9	159	159	184	184	164
6	150	170 35	140 -20	160 -30	-3	177	156	156	181	181
7	145	160 10	170 0	150 -30	7	167	184	163	163	188
8	140	140 -5	150 -20	160 -30	-9	141	158	175	154	154
9	160	170 30	165 50	165 45	21	181	162	179	196	175
10	170	180 20	175 10	185 60	15	180	196	177	194	211
11	140	140 -30	150 -60	160 -45	-23	162	157	173	154	171
12	145	160 20	170 60	185 105	31	191	193	188	204	185
TOTAL Elem.	1000	1000	1050	1050		1041	1005	980	945	875
TOTAL High	900	950	980	1005		1022	1050	1055	1065	1084
TOTAL	1900	1950	2030	2055		2063	2055	2035	2010	1959
Average change		50	80	25		8	-8	-20	-25	-51

Step #5 (Kindergarten 5-Yr Projection):
 Take the current K enrollment & add the K average change, calculated *across* (K only) and repeat 5 times.
 $110 + (-10) + (-10) + (-10) + (-10) + (-10) = 60$

5-YEAR ENROLLMENT PROJECTION

ACTUAL ENROLLMENT					Average Change (Div. By 6)	PROJECTED ENROLLMENT				
Year	02/03	03/04 (x1)	04/05 (x2)	05/06 (x3)		06/07 1-year projection	07/08 2-year projection	08/09 3-year projection	09/10 4-year projection	10/11 5-year projection
K	140	130 -10	120 -20	110 -30	-10	100	90	80	70	60
1	130	130 -10	150 40	150 90	20	130	120	110	100	90
2	140	120 -10	150 40	160 30	10	160	140	130	120	110
3	160	140 0	150 60	140 -30	5	165	165	145	135	125
4	145	160 0	170 60	150 0	10	150	175	175	155	145
5	135	150 5	170 20	180 30	9	159	159	184	184	164
6	150	170 35	140 -20	160 -30	-3	177	156	156	181	181
7	145	160 10	170 0	150 -30	7	167	184	163	163	188
8	140	140 -5	150 -20	160 -30	-9	141	158	175	154	154
9	160	170 30	165 50	165 45	21	181	162	179	196	175
10	170	180 20	175 10	185 60	15	180	196	177	194	211
11	140	140 -30	150 -60	160 -45	-23	162	157	173	154	171
12	145	160 20	170 60	185 105	31	191	193	188	204	185
TOTAL Elem.	1000	1000	1050	1050		1041	1005	980	945	875
TOTAL High	900	950	980	1005		1022	1050	1055	1065	1084
TOTAL	1900	1950	2030	2055		2063	2055	2035	2010	1959
Average change		50	80	25		8	-8	-20	-25	-51

Step #5 (2nd Grade 5-Yr Projection):
 Take the current K enrollment & add the K average change, calculating *across* for 3 years.
 Then add the 1st grade average change, then the 2nd grade average change, calculating on a *diagonal*:
 $110 + (-10) + (-10) + (-10) + 20 + 10 = 110$

5-YEAR ENROLLMENT PROJECTION

ACTUAL ENROLLMENT					Average Change (Div. By 6)	PROJECTED ENROLLMENT				
Year	02/03	03/04 (x1)	04/05 (x2)	05/06 (x3)		06/07 1-year projection	07/08 2-year projection	08/09 3-year projection	09/10 4-year projection	10/11 5-year projection
K	140	130 -10	120 -20	110 -30	-10	100	90	80	70	60
1	130	130 -10	150 40	150 90	20	130	120	110	100	90
2	140	120 -10	150 40	160 30	10	160	140	130	120	110
3	160	140 0	150 60	140 -30	5	165	165	145	135	125
4	145	160 0	170 60	150 0	10	150	175	175	155	145
5	135	150 5	170 20	180 30	9	159	159	184	184	164
6	150	170 35	140 -20	160 -30	-3	177	156	156	181	181
7	145	160 10	170 0	150 30	7	167	184	163	163	188
8	140	140 -5	150 -20	160 -30	-9	141	158	175	154	154
9	160	170 30	165 50	165 45	21	181	162	179	196	175
10	170	180 20	175 10	185 60	15	180	196	177	194	211
11	140	140 -30	150 -60	160 -45	-23	162	157	173	154	171
12	145	160 20	170 60	185 105	31	191	193	188	204	185
TOTAL Elem.	1000	1000	1050	1050		1041	1005	980	945	875
TOTAL High	900	950	980	1005		1022	1050	1055	1065	1084
TOTAL Annual change	1900	1950	2030	2055		2063	2055	2035	2010	1959
		50	80	25		8	-8	-20	-25	-51

Step #5 (5th Grade 5-Yr Projection):

Take the current K enrollment & add the 1st grade average change (since K enrollment becomes the 1st grade enrollment on the following year), calculating on a *diagonal*.

Then add the 2nd grade average change, then the 3rd grade average change, and so forth, for 5 years:

$$110 + 20 + 10 + 5 + 10 + 9 = 164$$

5-YEAR ENROLLMENT PROJECTION

ACTUAL ENROLLMENT					Average Change (Div. By 6)	PROJECTED ENROLLMENT				
Year	02/03	03/04 (x1)	04/05 (x2)	05/06 (x3)		06/07 1-year projection	07/08 2-year projection	08/09 3-year projection	09/10 4-year projection	10/11 5-year projection
K	140	130 -10	120 -20	110 -30	-10	100	90	80	70	60
1	130	130 -10	150 40	150 90	20	130	120	110	100	90
2	140	120 -10	150 40	160 30	10	160	140	130	120	110
3	160	140 0	150 60	140 -30	5	165	165	145	135	125
4	145	160 0	170 60	150 0	10	150	175	175	155	145
5	135	150 5	170 20	180 30	9	159	159	184	184	164
6	150	170 35	140 -20	160 -30	-3	177	156	156	181	181
7	145	160 10	170 0	150 30	7	167	184	163	163	188
8	140	140 -5	150 -20	160 -30	-9	141	158	175	154	154
9	160	170 30	165 50	165 45	21	181	162	179	196	175
10	170	180 20	175 10	185 60	15	180	196	177	194	211
11	140	140 -30	150 -60	160 -45	-23	162	157	173	154	171
12	145	160 20	170 60	185 105	31	191	193	188	204	185
TOTAL Elem.	1000	1000	1050	1050		1041	1005	980	945	875
TOTAL High	900	950	980	1005		1022	1050	1055	1065	1084
TOTAL Annual change	1900	1950	2030	2055		2063	2055	2035	2010	1959
		50	80	25		8	-8	-20	-25	-51

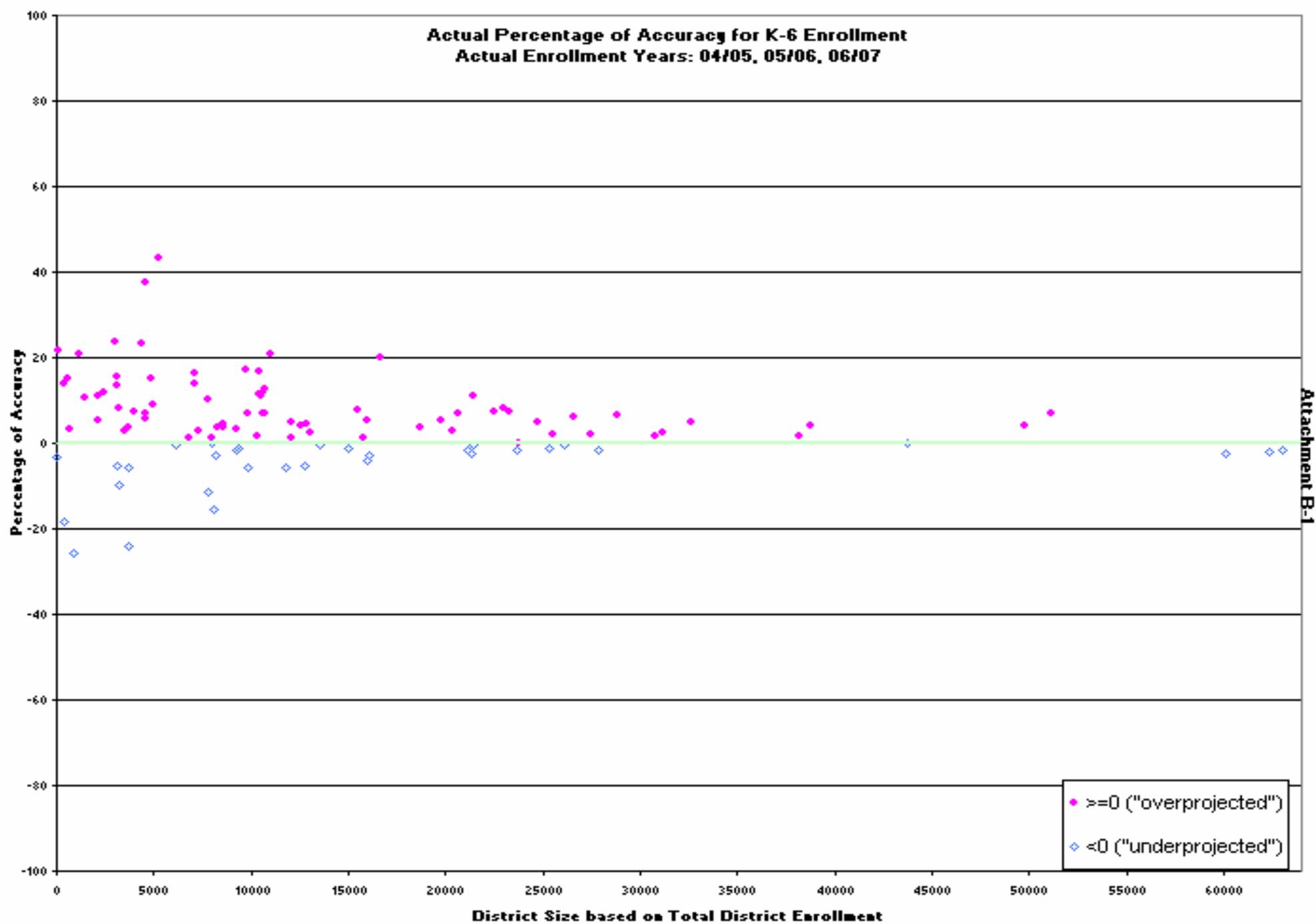
Step #5 (11th Grade 5-Yr Projection):

Take the current 6th grade enrollment & add the 7th grade average change (since 6th grade enrollment becomes the 7th grade enrollment on the following year), calculating on a *diagonal*.

Then add the 8th grade average change, then the 9th grade average change, and so forth, for 5 years:

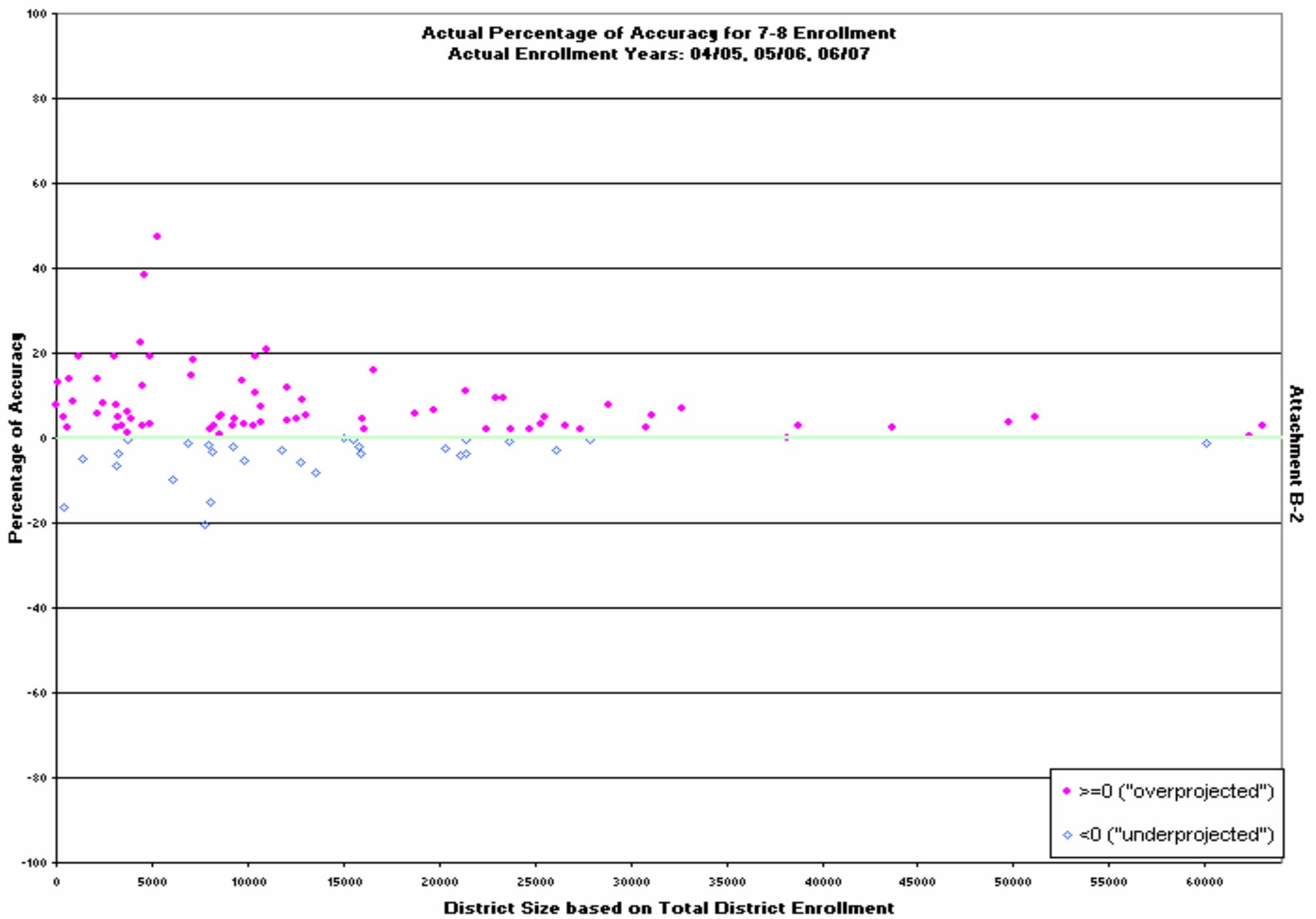
$$160 + 7 + (-9) + 21 + 15 + (-23) = 171$$

Actual Percentage of Accuracy for K-6 Enrollment
Actual Enrollment Years: 04/05, 05/06, 06/07

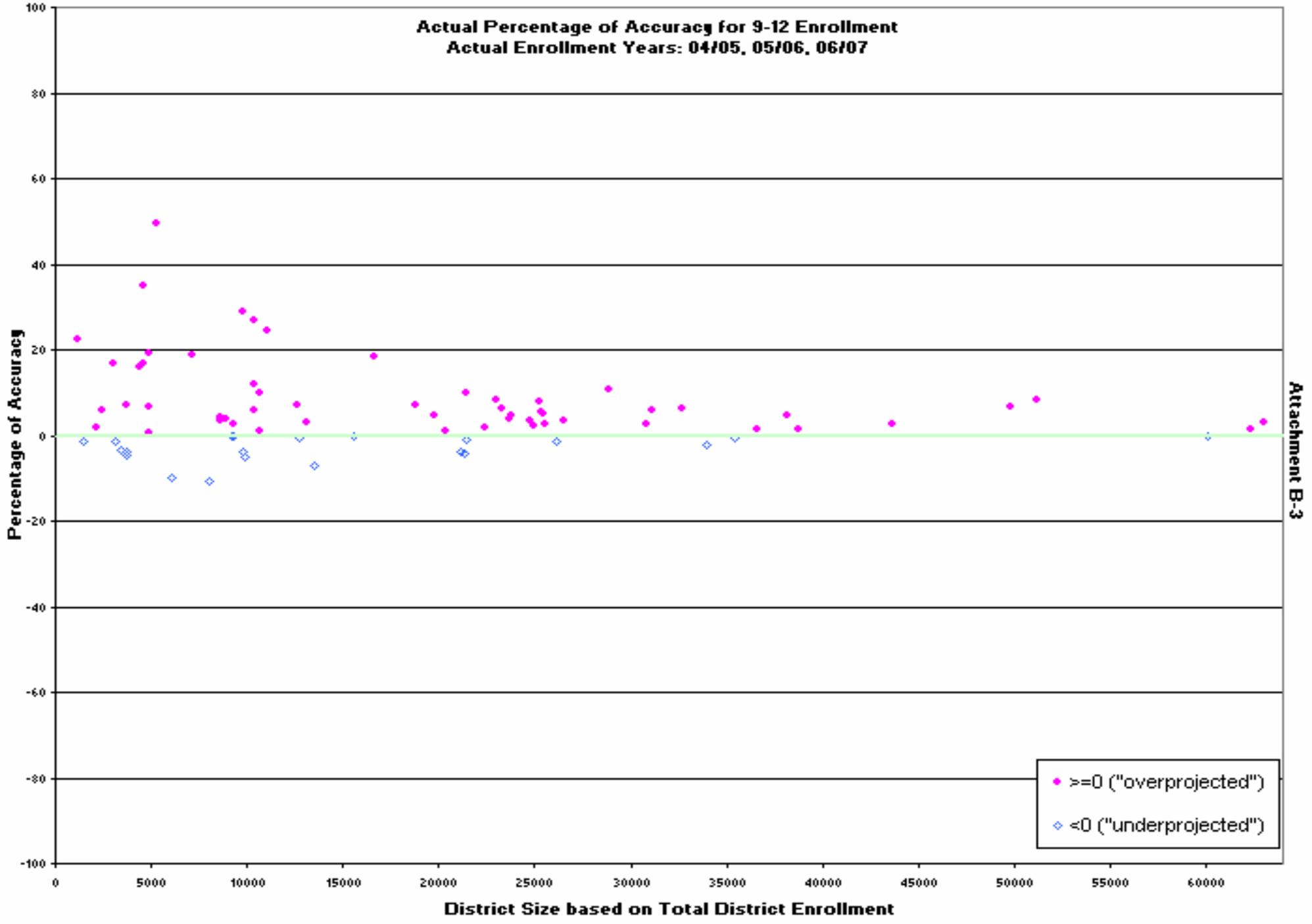


Attachment B-1

Actual Percentage of Accuracy for 7-8 Enrollment
Actual Enrollment Years: 04/05, 05/06, 06/07

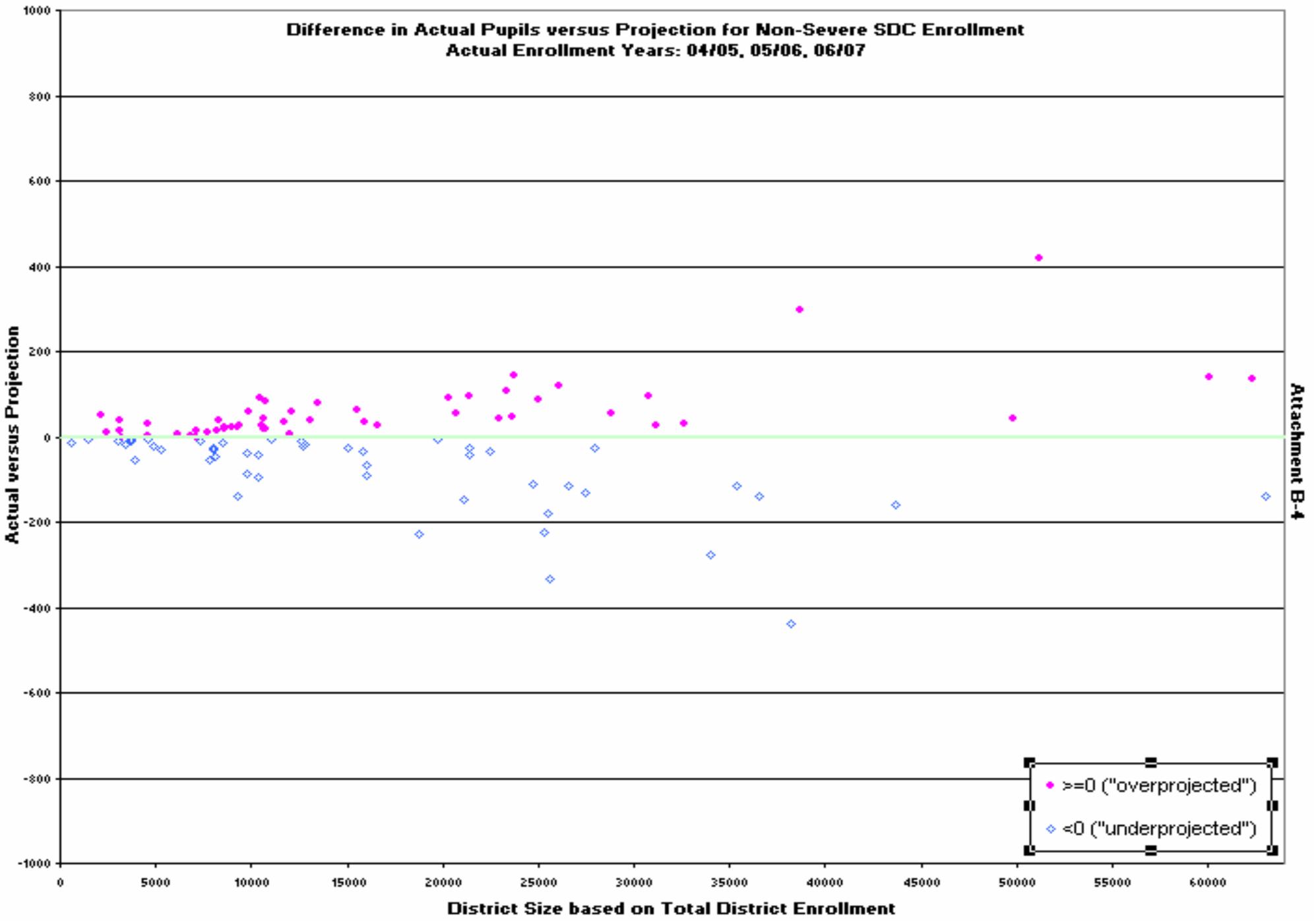


Actual Percentage of Accuracy for 9-12 Enrollment
Actual Enrollment Years: 04/05, 05/06, 06/07



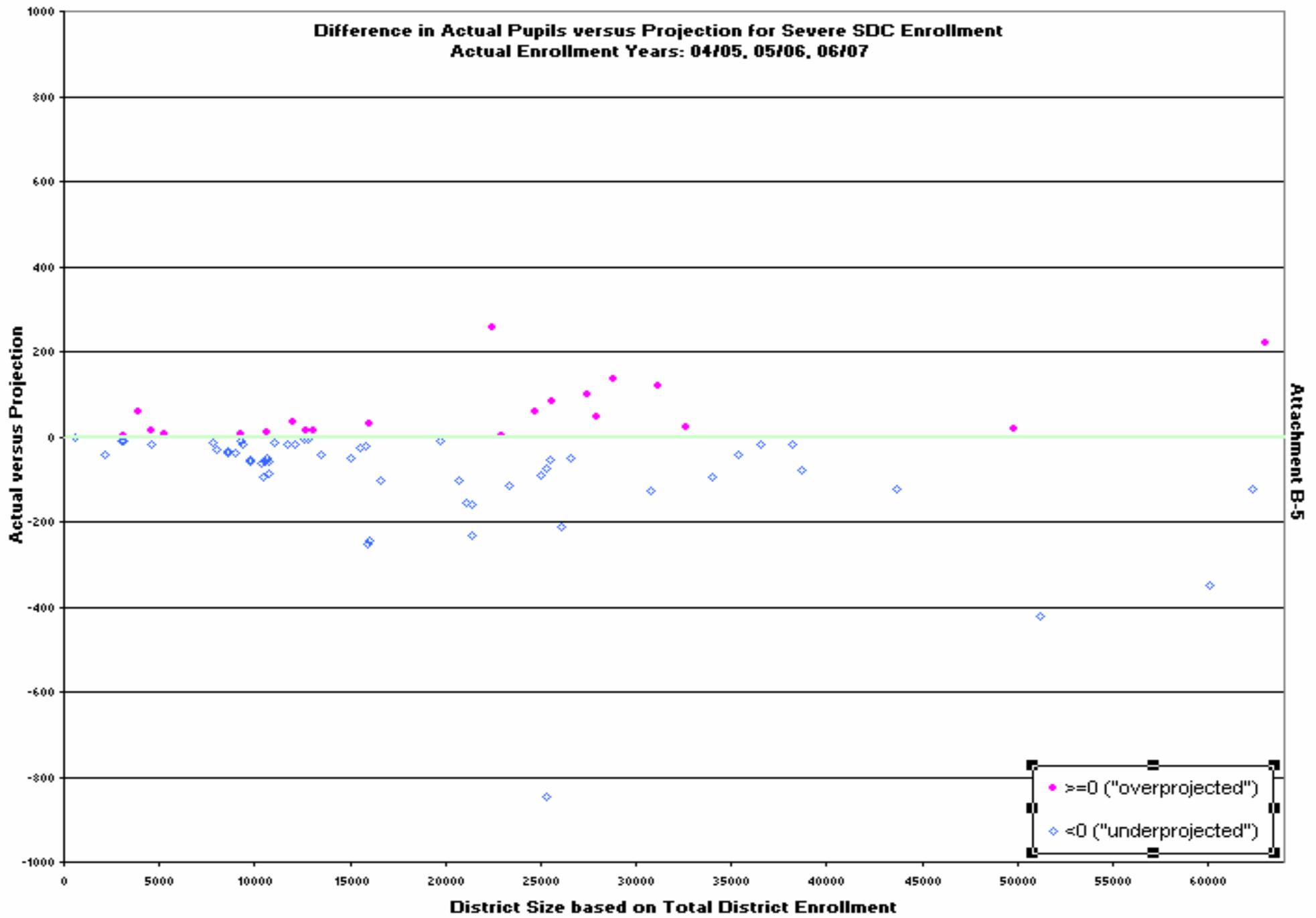
Attachment B-3

Difference in Actual Pupils versus Projection for Non-Severe SDC Enrollment
Actual Enrollment Years: 04/05, 05/06, 06/07



Attachment B-4

Difference in Actual Pupils versus Projection for Severe SDC Enrollment
Actual Enrollment Years: 04/05, 05/06, 06/07



Attachment B-5

ATTACHMENT C
Assembly Bill 1014 (Bass)
Revision to Eligibility Projection Method

EDUCATION CODE SECTION	DESCRIPTION	REGULATORY ACTION
<p>17071.75(a)(2) A school district shall calculate enrollment projections for the fifth year beyond the fiscal year in which the application is made. Projected enrollment shall be determined by utilizing the cohort survival enrollment projection system, as defined and approved by the board. The board may supplement the cohort survival enrollment projection by the number of unhoused pupils that are anticipated as a result of dwelling units proposed pursuant to approved and valid tentative subdivision maps. with any of the following:</p>	<p>The enrollment projection can be augmented for any combination, or none, of the three modification options: Dwelling Units, Modified weighting mechanisms and Birthrates.</p>	<p>YES</p>
<p>17071.75(a)(2)(A) The number of unhoused pupils that are anticipated as a result of dwelling units proposed pursuant to approved and valid tentative subdivision maps.</p>	<p>The Dwelling Unit Augmentation section has been moved. Language has not changed.</p>	<p>NO</p>
<p>17071.75(a)(2)(B) Modified weighting mechanisms, if the board determines that they best represent the enrollment trends of the district. Mechanisms pursuant to this subparagraph shall be developed and applied in consultation with the Demographic Research Unit of the Department of Finance.</p>	<p>Currently the Cohort Survival Enrollment Projection System calculates an average year-to-year change of enrollment by using the current and last three years of enrollment, by grade. The current weighting emphasizes the more current years' changes. AB 1014 allows any district to utilize alternative weighting mechanisms. Any change in the weighting will require approval by both the OPSC and the Demographic Research Unit of the Department of Finance.</p>	<p>YES</p>
<p>17071.75(a)(2)(C) An adjustment to reflect the effects on kindergarten and first grade enrollment of changes in birth rates within the school district or high school attendance area boundaries.</p>	<p>Districts can now adjust the calculation of kindergarten and first grade enrollment through the use of local birthrates. This would be based on the location of the births relative to a district or HSAA's boundaries. Currently enrollment is calculated using attendance with kindergarten enrollment calculated based on changes in previous years' kindergarten enrollment. Births are tracked by county and zip code.</p>	<p>YES</p>

ATTACHMENT C
Assembly Bill 1014 (Bass)
Revision to Eligibility Projection Method

EDUCATION CODE SECTION	DESCRIPTION	REGULATORY ACTION
<p>17071.75(a)(3)(A) A school district may submit an enrollment projection for either a 5th year or a 10th year beyond the fiscal year in which the application is made.</p>	<p>Districts currently may only utilize a five-year projection. The law now provides districts the option to base new construction funding eligibility on a ten-year projection.</p>	<p>YES</p>
<p>17071.75(a)(3)(A) Continued A school district that bases its enrollment projection calculation on a high school attendance area may use pupil residence in that attendance area to calculate enrollment. A school district that utilizes pupil residence shall do so for all high school attendance areas within the district. A pupil shall not be included in a high school attendance area enrollment projection based on pupil residence unless that pupil was included in the California Basic Educational Data System (CBEDS) report of the district for the same enrollment year. The board may require a district to provide a reconciliation of the districtwide CBEDS and residency data. The board also may adopt regulations to specify the format and certification requirements for a school district that submits residency data.</p>	<p>Districts currently base the enrollment of a HSAA on the enrollment of the schools contained within. As such, a HSAA that has students bussed into it from another HSAA, will show full capacity, and likewise the HSAA from which the students are coming will not show any need for classrooms. By basing eligibility on the location of the student's homes, it would allow HSAA's to demonstrate greater eligibility even though its students are being bussed elsewhere, allowing classrooms to be built in schools closer to student's homes.</p>	<p>YES</p>