

**STATE ALLOCATION BOARD**

1130 K Street, Suite 400  
Sacramento, CA 95814

**IMPLEMENTATION COMMITTEE MINUTES**

May 16, 2008

Legislative Office Building  
Sacramento, CA

**Members Present**

Rob Cook, SAB/OPSC  
Lori Morgan, SAB/OPSC  
Fred Yeager, CDE  
William Savidge, CASH  
Gary Gibbs, CBIA

Margie Brown, CASBO  
Robert Pierce, SSD  
Vinceena Kelly, CCESSA (Alternate for Kenn Young)  
Richard Conrad, DSA (Alternate for Kathy Hicks)  
Mark DeMan, LAUSD

**Members Absent**

Debra Pearson, SSDA  
Lenin Del Castillo, DOF  
Cesar Diaz, SBCTC  
Dennis Dunston, CEFPI  
Dean Tatsuno, AIA

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The meeting was called to order at 9:40 am.

**Financial Hardship Regulations**

The Office of Public School Construction (OPSC) Staff members Lisa Silverman, Jason Hernandez, and Keith Jung presented the reforms to the Financial Hardship Program.

There were several members from the Implementation Committee and the audience that expressed concerns, before staff presented, that the reforms were too broad and the State Allocation Board (SAB) did not request these reforms. Specifically the concerns were that the SAB request staff to narrow the interpretation of encumbrances and revenue, and when an application is complete. There were also comments about the delays in the current review process and the perception that the process has changed.

Staff presented the following proposals:

- Approval Period Extended/Quarterly Reporting Requirements;
- Requirements for the Program;
- Initial Review;
- Renewal Review;
- Qualifying Criteria;
- Savings; and
- Small School Districts.

There were favorable comments with extending the approval period. However, there were no favorable comments about the reporting period. The concerns were that OPSC would be capturing additional revenues and reviewing encumbrances. By adopting quarterly reports should address timing issues with revenues not being disclosed during the review process. Additionally, this would provide staff with the opportunity to examine if encumbrances that were claimed are being expended.

There were additional comments provided by the audience that the staff is adopting the “match period” that was similar to the old Lease Purchase Program. In addition, there were additional concerns that the quarterly reporting was too onerous and a burden to the districts. There were also suggestions that the quarterly reporting period be changed to semi-annual reports.

The elimination of the three year rule raised a number of concerns. Current regulations allow a district to avoid having the overspent amount captured if they elect to stay out of the program for the three years. Staff shared that a school district is not out of the program for three years rather it is a much shorter window, since a district last adjusted FH grant is typically three to four years prior to the audit closeout. With that said, the district would not have to spend anytime outside of the FH Program.

There were a number of concerns limiting the encumbrances for exclusively SFP projects. The concerns were that the cap on encumbrances does not provide the flexibility to incorporate or additional obligations or cost increase for eligible project expenditures. Staff explained that the current program does not allow additional encumbrance to be recognized after the initial FH approval. Staff also shared that district may claim their portion of the liability for an SFP project but they may not claim the state’s share of the liability.

The 60 percent debt criteria limited to debt for SFP related Minimum Essential Facilities (MEF) raised a number of concerns. Staff commented that the FH Program was not created for the State to be left with the obligation to build MEFs and classrooms. Districts have the flexibility to use debt mechanism to build their MEFs and classrooms as opposed to the districts using their funds to build non-MEFs. Staff indicated that the topic of what is a complete school is outside the scope of the FH regulation discussion.

The last concern involved the two tier review. There were a number of comments that this would further extend the delays from a six to nine month review to well beyond that timeline. Staff shared that two tier review would assist staff in determining whether a district qualifies under the criteria as specified in the regulation. Once that step has been completed then staff can request the information to determine the funds available. This would save the districts’ time in preparing extensive financial documentation when it doesn’t qualify and also saves staff time in reviewing information for only districts that qualify. Additionally, staff can have fresh financial data on the fund worksheets.

Suggestions were made that only a portion of these proposed regulations go forward. (This was later modified considering the anticipated pre-work to be completed with staff and a FH workgroup that was formed with various stakeholders including county offices and school districts.)

## **AB 1014**

OPSC Staff Juan Mireles and Masha Lutsuk continued the discussion of Assembly Bill (AB) 1014 (Bass), Chapter 691, Statutes of 2007. This topic was previously presented at the March 3, April 4, and the May 2, 2008 Implementation Committee meetings. Staff discussed suggestions made at the previous meeting regarding implementation of the following components: modified weighting mechanisms, birth rate augmentation, 10-year enrollment projections and use of residency data for High School Attendance Area (HSAA) reporting.

### *Enrollment Projection Options*

- Committee members questioned the selection of the weighting mechanism based on the most accurate projections. Staff clarified that the proposed method would evaluate the weighting mechanisms, and provide the SAB, through adopted program regulations, with a method to determine which weighting mechanism most accurately represents the enrollment trends of a particular school district.

- An audience member asked if school districts would be limited to three alternative options for weighting mechanisms. Staff explained to the audience that the intent is to provide each district with the tools to analyze three standard weighting methods and also allow for a district to analyze any number of alternative weighting schemes in conjunction with the standard weights.
- Audience members were concerned that the use of 20 years of enrollment data is too excessive as the 20-year old enrollment patterns may have little relevance to current conditions. Staff explained that the data made available by the California Department of Education (CDE) included 20 years. This allowed for a thorough and extensive analysis as well as the testing needed to develop the AB 1014 implementation proposals. Any regulations that would be developed and require the use of historic data would need to specify the amount of data, such as 20 years or less.
- Audience members stated “custom option” for the development of the alternative weighting mechanism still needs to be clarified as a custom weighting mechanisms, not entirely “custom projection” and that it needs to be emphasized that the regular projection methodology still exists. Staff acknowledged the concern from the audience and re-emphasized that the existing projection method using the established cohort survival projection system would remain as an option that school district can choose to use for projecting enrollment.
- Committee members wanted to see more information on how charter schools enrollments were treated in the trend line analysis so as to ensure that the analysis used data comparable to the pupils that a district would report on the *Enrollment Certification/Projection* (Form SAB 50-01).
- Audience members wanted to know if school districts could augment the 10-year enrollment projection with proposed new residential dwelling units and asked Staff to review the language of the bill with Legal Counsel to address the issue.

#### *Modified Weighting Mechanisms*

Existing SFP Regulations allow school districts with less than 300 pupils to report the previous five year average for any grade level for any year when the enrollment for that grade level has decreased by more than 50 percent from the previous year. Staff proposes to utilize a similar approach to districts of any size that experience a certain amount of enrollment decline for one or two school years due to a one-time event beyond control of the school district.

- Audience members wanted anomaly to be properly defined. Audience members wanted to know if the current economic recession would be considered an anomaly and would be recognized in an overall trend line. Staff clarified that the intent of the regulation is to accommodate temporary enrollment changes due to an anomalous event while the current economic downturn may lead to long term enrollment changes. Staff also suggested that the proposed ten-year enrollment projection may be helpful for school districts with positive historic enrollment trends and a more recent decline in enrollment which is contrary to the long-term trends.

#### *Birth Rate Augmentation*

Staff proposed utilizing birth rates, widely defined as the number of births per 1,000 people, in determining the augmentation to Kindergarten enrollment projection. Staff proposed to use county level data for birth rate augmentation. Staff has found that generating reliable school district level birth rates will be difficult because the data needed to generate a birth rate are not collected at the school district level. Staff found that birth data is reported on County and Zone Improvement Project (ZIP) Code levels; however, ZIP Codes do not correspond with school district boundaries.

- Audience members wanted to know if a school district could use district level birth rates if they have that information.
- Audience members expressed concern over the interpretation of a birth rate as the number of births per 1,000 people. They indicated that districts often use birth numbers as an indicator of future Kindergarten enrollment as there is typically a strong correlation between the number of births in the area and the number of Kindergarteners five years into the future. Staff agreed to research the suggestion and report back on the feasibility of using this method.
- Audience members wanted to know if census data could be used for birth rate augmentation. Staff members acknowledged the request made by the audience and clarified that the census data was different because it was only collected once a decade. The law indicates birth rate adjustment, not birth adjustment.
- Audience members pointed out that the population will be “watered down” by birth rate increase. Staff acknowledged this point, yet explained that the students will show in the California Basic Education Data System (CBEDS) if more people move in.
- Audience members explained that their school district can match births five years previous with like-kind enrollment and that this data is most accurate. Building on this point, audience members wanted to know why can't a percentage of like-kind local births be implemented. Staff welcomed public comments on birth rates to further expand on the topic and would spend additional time analyzing the law and structure of the bill.
- Audience members wanted to substitute birth rate adjustment for like-kind enrollment yet wanted to ensure that enrollment projections were valid. Staff welcomed public comments on birth rates to further expand on the topic and would spend additional time analyzing the law and structure of the bill.
- Audience members mentioned that some districts encompass the entire county and therefore they do not have zip code problems. Staff welcomed public comments on birth rates to further expand on the topic and would be willing to do a test case study.
- Audience members raised concerns over the fact that they may run out of birth rate data to project enrollment. Staff pointed out that the Department of Finance projected births may be used to alleviate this potential problem.

### *Birth Rate Augmentation*

Staff has previously pointed out the difficulty in identifying pupils that enter the public school system at the first grade level rather than Kindergarten. Staff is seeking input from stakeholders on possible methods of identifying such pupils.

- Audience members pointed out that survival coefficient is already in the Form SAB 50-01.
- Audience members stated that the survival coefficient was already in the cohort, but it is a rate, not a number progression, it is raw and the number exaggerates the impact. Staff acknowledged the points and agreed conduct further research.

### *Pupil Reporting by Residence*

AB 1014 allows for HSAA enrollment reporting based on residence. Staff is reviewing options for verification of the data, on as needed basis, and is seeking input from stakeholders on designing a method for verifying residency data.

- Audience members made a point of clarification that student ID's have no name, so it is easy to identify individual students from resident schools of attendance.
- Staff acknowledged the point of reference made by the audience member.
- Audience members suggested an extra line adjustment for students who don't live in correct HSAA. Start with CBEDS and adjust for students who attend and live in the area.
- Staff acknowledged the point and will conduct further research on the suggestion.
- Audience members brought up a potential problem that the residency data does not always match the CBEDS data. As a suggestion to fix this problem the audience members suggested that school districts be able to collect October residency data that comes with October CBEDS data and be able to self correct.
- Staff acknowledged the potential problem and will conduct further research on the suggestion.

Staff informed the committee that OPSC intends to present further information on proposed implementation steps for AB 1014 with the goal to finalize regulations of this bill in summer of 2008. Staff also acknowledged that they will be working in conjunction with the Department Of Finance, Demographics Research Unit and those members will be requested to be at future Implementation Committee meetings to discuss proposed changes.

#### **Adjournment and Next Meeting**

The meeting adjourned at 3:35 p.m. The next committee meeting is scheduled for Friday, June 6, 2008 at 9:30 a.m. and will be held at the Legislative Office Building located at 1020 N Street, Room 100, Sacramento, California.