

STATE ALLOCATION BOARD

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Date: May 5, 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, May 16, 2008* from 9:30 a.m. to 3:30 p.m. in the Legislative Office Building located at 1020 "N" Street, Room 100, Sacramento, California.

The Implementation Committee's proposed agenda is as follows:

- 1) Convene Meeting
- 2) Financial Hardship Program
Discussion of proposed regulatory amendments to the Financial Hardship Program
- 3) Assembly Bill 1014 (Bass)
Continued discussion of proposed changes to enrollment projection methods outlined in 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 black ink, appearing to read "Rob Cook".

ROB COOK, Executive Officer
State Allocation Board

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE MEETING
May 16, 2008

FINANCIAL HARDSHIP PROGRAM PROPOSED REGULATIONS

PURPOSE OF REPORT

To provide proposed regulation changes for the Financial Hardship (FH) program.

BACKGROUND

At the April 23, 2008 State Allocation Board (SAB) meeting, the SAB requested the Office of Public School Construction (OPSC) to bring back to the May 28, 2008 meeting proposed regulation changes to the FH program for the SAB's consideration. Changes were requested due to issues disclosed from OPSC's recent FH reviews.

STAFF COMMENTS

The OPSC has drafted proposed regulation changes for the FH program (attached). These regulation changes will bring more integrity, clarity, and uniformity to the program. The following concepts summarize the proposed regulation changes:

1. APPROVAL PERIOD EXTENDED / QUARTERLY REPORTING REQUIREMENTS

OPSC is considering extending the approval period from 6 to 12 months. However, this will be tied to quarterly reporting requirements. While the district has FH status granted by OPSC, the district shall submit certified quarterly reports that include revenues and expenditures to the OPSC.

2. REQUIREMENTS FOR THE PROGRAM

All applicants must fully disclose all financial information and resources for capital facilities funding. In addition, the applicant must create and maintain a sub-fund account for each SAB SFP project within Fund 35 (Capital School Facilities Fund) for all revenues and expenditures including, but not limited to, SFP grants and school district contributions.

3. INITIAL REVIEW

Revenues, encumbrances and expenditures allowed are defined. Encumbrances and expenditures will only be allowed for purpose of constructing or modernizing classrooms and minimum essential school facilities. Encumbrances will be allowed for COEs to build or expand an existing administrative facility if the need to build or expand is demonstrated to the satisfaction of the OPSC.

Only positive fund balances will be accepted by the OPSC. If the amounts reported are negative, the amount accepted will be limited to zero within that fund.

4. RENEWAL REVIEW

Districts will validate that expenditures are liquidating the allowed encumbrances. If there are no expenditures against the encumbrances within the 12 month period, then the encumbrances will be disallowed and considered as available district contribution.

(Continued on Page Two)

5. QUALIFYING CRITERIA

As a condition of receiving FH status and funding approval, districts will be required to develop and execute a financial plan to reduce or eliminate the need for FH and maintain fiscal stability. For the 60% bonded indebtedness test, only that portion of the indebtedness included in this calculation will be debt for the purpose of constructing or modernizing classrooms and minimum essential school facilities.

6. SAVINGS

All FH project savings must be returned when the final expenditure report (Form 50-06) is due.

7. SMALL SCHOOL DISTRICTS

For small school districts (with ADA less than 2500), the maximum district contribution from non-bond funds shall not exceed the minimum reserve balance for economic uncertainty during the 12 month FH status.

In addition to the proposed regulation changes, the following policy change is under consideration:

TWO TIER REVIEW

The first review will require the district to submit limited information for the OPSC to determine if the district meets the eligibility criteria. Limited financial data would be required to determine the bonded indebtedness criteria. The applicant must pass the first before moving forward to the second. The second review would determine the amount of district contribution.

Section 1859.103. Savings

(a) A district may expend the **non-FH** savings not needed for a project on other high priority capital facility needs of the district including the relocation of district facilities necessary as a result of Subdivision (b) of Education Code Section 17072.12. The grants for the projects funded pursuant to Section 1859.70.2 or Section 1859.180 shall be limited to eligible expenditures, up to the State Apportionment for the project. Savings may be declared by the district in writing to the OPSC any time after the release of all funds for the project. With the exception of savings attributable to a site apportionment made pursuant to Sections 1859.74.5 or 1859.81.2;

(b) ~~The State's portion of any FH savings~~ **and interest** declared by the district **pursuant to Section 1859.104(a)** or determined by the OPSC by audit ~~must be used to reduce the SFP financial hardship grant of that project or other financial hardship projects within the district for a period of three years from the date the savings were declared by the district or determined by the OPSC audit.~~ **must be returned to the OPSC with the final expenditure report. The submittal of the savings does not preclude any additional adjustments based on the OPSC final audit determination.** Any interest earned on a financial hardship project not expended on eligible project expenditures will be treated as savings and will be used to reduce the SFP financial hardship grant for that project.

(c) The State's portion of any savings from a new construction project or a Joint-Use Project may be used as a district matching share requirement, only on another new construction project, and the State's share of any savings from a modernization project may be used as a district matching share requirement, only on another modernization project.

~~Any interest earned on a financial hardship project not expended on eligible project expenditures will be treated as savings and will be used to reduce the SFP financial hardship grant for that project.~~

Note: Authority cited: Section 17070.35, Education Code.
Reference: Sections 17070.63, 17072.12, 17077.40 and 17079.20, Education Code.

Section 1859.104. Program Reporting Requirements.

As a condition of receiving any SFP grant, a school district must follow the CDE California School Accounting Manual and create and maintain a sub-fund account for each SAB SFP project within Fund 35 (Capital School Facilities Fund) for all revenues and expenditures including, but not limited to, SFP grants and school district contributions.

A district receiving funds in accordance with the Act shall submit the following:

- (a) An expenditure report from the district on the Form SAB 50-06. The program reporting requirements are as follows:
 - (1) The first expenditure report shall be due one year from the date that any funds were released to the district for the project pursuant to Section 1859.90, or upon completion of the project, whichever occurs first. A project shall be deemed complete when either of the following occur:
 - (A) When the notice of completion for the project has been filed, all outstanding invoices, claims, change orders have been satisfied and the facility is currently in use by the district.
 - (B) Three years from the date of the final fund release for an elementary school project or four years from the date of the final fund release for a middle or high school project.
 - (2) The second and subsequent expenditure reports, if necessary, shall be due annually beginning one year from the first report, or upon completion of the project, whichever occurs first. The final expenditure report must be made no later than three years from the date of the final fund release for an elementary school project or four years from the date of the final fund release for a middle or high school project.
- (b) With the exception of projects that qualify for an apportionment pursuant to Section 1859.75.1, a progress report, in the form of a narrative from the district, shall be due 18 months from the date any funds

were released to the district for the project pursuant to Section 1859.90. The progress report shall include information regarding the progress the district has made towards substantial completion of the project. If the notice of completion has been filed within 18 months of the release of funds pursuant to Section 1859.90, or the expenditure reports required in (a)(1) or (2) indicate that substantial progress (as defined in Section 1859.105) on the project has occurred, no progress report is required.

(c) A progress report, in the form of a narrative from the district, shall be due 12 months from the date the site acquisition funds were apportioned to the district for the project pursuant to Section 1859.75.1. The progress report shall include information regarding the progress the district has made towards acquiring the site as outlined in Section 1859.105.1 and may contain other evidence of reasonable effort to substantiate progress towards acquiring the site for purposes of an extension of the site apportionment as authorized by Education Code Section 17072.13(c)(2).

(d) If an apportionment was made for a district-owned site pursuant to Section 1859.74.5, a certification that the non-school function currently taking place on the district-owned site has been discontinued or relocated. The certification must be submitted to the OPSC no later than the following dates:

(1) If the project is for an elementary school, 66 months from the date of the site apportionment.

(2) For all other projects, 78 months from the date of the site apportionment.

(e) If an Apportionment was made under the Small High School Program pursuant to:

(1) Section 1859.78.9 or Section 1859.93.2, a cost evaluation report shall be due to the OPSC no later than two complete school years after the Occupancy of the approved project.

(2) Section 1859.93.2, the district must provide a preliminary report on any academic data requested by CDE two complete school years after the Occupancy of the approved project. The final report shall be due no later than two complete school years after the OPSC notifies the district of the Occupancy of the last approved project.

(f) If an Apportionment was made under the Overcrowding Relief Grant pursuant to Section 1859.180, the School District must provide a certification that the replaced portables were removed from the eligible site and from service pursuant to Education Code Section 17079.30.

Note: Authority cited: Sections 17070.35, 17072.13, and 17079.30, Education Code.

Reference: Sections 17070.35, 17070.99, 17072.12, 17072.13 17076.10 and 17079.30, Education Code.

Section 1859.81. Financial Hardship.

As a condition of receiving FH status and funding approval , all districts shall:

(1) Fully disclose all financial information and resources for capital facilities funding.

(2) Follow the CDE California School Accounting Manual and create and maintain a sub-fund account for each SAB SFP project within Fund 35 (Capital School Facilities Fund) for all revenues and expenditures including, but not limited to, SFP grants and school district contributions.

(3) Financial Plan Placeholder.

Failure to meet any of the above conditions will result in the termination of the district's FH status and require the district to remit any FH apportionment(s) to the OPSC.

Except for Joint-Use Projects and Career Technical Educational Facilities Projects, a district is eligible for financial hardship to fund all or a portion of its matching share requirement after demonstrating the requirements of (a),(e)(b), and (d)(c) below:

(e) (a) The district has made all reasonable efforts to fund its matching share of the project by demonstrating it is levying the developer fee justified under law or an alternative revenue source equal to or greater than

the developer fee otherwise justified under law at the time of request for hardship and the district meets at least one of the following:

- (1) **The district's total outstanding bonded indebtedness is at least 60 percent of the district's total bonding capacity. Only the current outstanding bonded indebtedness issued solely for the purpose of constructing or modernizing classrooms and school facilities as listed in the table in Section 1859.82(b) will be used to determine if the district meets this criteria. Bonded indebtedness is described in Education Code Section 17075.15(d)(2).** The current outstanding bonded indebtedness of the district issued for the purpose of constructing school facilities in accordance with Education Code Section 17072.35 or 17074.25 as appropriate, at the time of request for financial hardship status, is at least 60 percent of the district's total bonding capacity. Outstanding bonded indebtedness includes that part of general obligation bonds, Mello-Roos Bonds, School Facility Improvement District Bonds and certificates of participation which the district is paying a debt service that was issued for capital outlay school facility purposes.
- (2) The district had a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of request for financial hardship status. The proceeds from the bond election that represent the maximum amount allowed under the provisions of Proposition 39 must be used to fund the district's matching share requirement for SFP project(s).
- (3) It is a County Superintendent of Schools.
- (4) The district's total bonding capacity at the time of the request for financial hardship status is \$5 million or less.
- (5) Other evidence of reasonable effort as approved by the SAB.

~~(a) The district is financially unable to provide all necessary matching funds for an eligible project. To determine this, an analysis shall be made of the district's financial records by the OPSC including data and records maintained by the CDE and the County Office of Education. The analysis shall consist of a review of the district's latest Independent Audit regarding funds available from all capital facility accounts, including, but not limited to, developer fees, funds generated from capital facility certificates of participation, federal grants, redevelopment funds, sale proceeds from surplus property, the appraised value of facilities approved for replacement pursuant to Section 1859.82, bond funds either encumbered, unencumbered or authorized but unsold, and savings from other SFP projects. All funds thus identified that have not been expended or encumbered by a contractual agreement for a specific capital outlay purpose prior to the initial request for financial hardship status shall be deemed available as a matching contribution.~~

~~After the initial request for financial hardship status is granted, no further encumbrances will be approved by the OPSC and all prospective revenue made available to the district's capital facility accounts shall be deemed available as matching contribution on the subsequent financial hardship review, with the exception of:~~

(b) Review - The district is financially unable to provide all necessary matching funds for an eligible project. To determine this, a review of the school district's financial records will be performed by the OPSC, including, but not limited to, data and records maintained by the CDE and the County Office of Education and the school district's latest Independent Audit Reports.

~~(d)(c) The district has not signed a contract for acquisition or construction of classrooms that replace existing facility(ies), which were included in the determination of the district's new construction eligibility pursuant to Education Code Section 17071.75, in a locally funded project during the five-year period immediately preceding the district's application for financial hardship assistance. This restriction may be lifted if the Board finds that unforeseen and extenuating circumstances existed that required the district to use local funds to replace the facility(ies). If the district's request for financial hardship status is denied by~~

the Board, the district may be deemed eligible for rental payments of \$2,000 per year per classroom under the Emergency School Classroom Law of 1979 for a two year period when relocatable classroom buildings are available and the district provides financial documentation that it is unable to afford the full rental amount and any other information satisfactory to the Board that the rental reduction is necessary. The number of classrooms eligible for the \$2,000 rental payments shall be the sum of the numbers determined in (c)(5)(B) as follows:

- (A) Determine the number of pupils by grade level that the district requested a New Construction Grant on the Form SAB 50-04 that were denied financial hardship status.
- (B) Divide the number by grade level determined in (c)(5)(A) by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number.

(d) Initial Review shall include:

- (1) Revenues – all capital facility funding that is designated for capital outlay purposes, including, but not limited to, state grants, developer fees, funds generated from capital facility certificates of participation, federal grants, redevelopment funds, sale proceeds from surplus property, the appraised value of facilities approved for replacement pursuant to Section 1859.82, bond funds either apportioned, in-excess of refinanced amounts, encumbered, unencumbered or authorized but unsold.**
- (2) Encumbrances allowed - for constructing or modernizing classrooms and school facilities as listed in the table in Section 1859.82(b). The encumbrances must meet the definition as provided in the CDE California School Accounting Manual.**
 - (i) COEs must demonstrate the need to build or expand an existing administrative facility, satisfactory to the OPSC, before an encumbrance will be allowed. Documentation demonstrating need will include, but not be limited to, a cost benefit analysis of lease versus buy or build options.**
 - (ii) Interim housing encumbrances will be allowed up to maximum allowance defined in subsection (f).**
 - (iii) The district will provide evidence that expenditures are materially liquidating the encumbrances through the life of the project to OPSC's satisfaction. If there are no material expenditures against the encumbrances within a 12 month period, then the district will be required to disencumber the funds and the OPSC will consider the disencumbered funds as district contribution.**
 - (iv) The amount of encumbrances allowed for any non-FH SFP project will be limited to district's share of the SAB approved total project costs. Any amount that is in excess of the SAB approved total project costs will be included as district contribution.**
 - (v) No encumbrances will be allowed for an SFP FH project.**
- (3) Expenditures allowed - for constructing or modernizing classrooms and school facilities as listed in the table in Section 1859.82(b). The expenditures must meet the definition as provided in the CDE California School Accounting Manual. COEs must demonstrate the need to build or expand an existing administrative facility, satisfactory to the OPSC, before expenditure will be allowed. Documentation demonstrating need will include, but not be limited to, a cost benefit analysis of lease versus buy or build options.**
- (4) For all Capital Project Funds other than Fund 35**

For purposes of determining a district's matching funds or contribution, only positive fund balances will be accepted by the OPSC. If the amounts reported are negative the amount accepted will be limited to zero within that fund.

- (e) Renewal Review is defined as a district's request to re-establish financial hardship status after their 12 month financial hardship approval has expired.**

Revenues defined in subsection (d)(1) above shall be included in a renewal review. As stated in subsection (d)(4) above, no negative fund balances will be recognized.

After the initial request for financial hardship status is granted, no further **No additional** encumbrances will be approved by the OPSC **beyond those approved at the initial FH approval.** and all **All** prospective revenue **as defined in subsection (d)(1)** made available to the district's capital facility accounts **project funds and/or capital facility funding designated for capital outlay purposes** shall be deemed available as matching **district** contribution on the subsequent financial hardship review, with the exception of:

- (1) Approved interim housing expenditures up to maximum allowance defined in subsection (f).
- (2) Funding to pay for previously recognized multi-year encumbrances approved at the initial financial hardship approval. **Expenditures that exceed the amount of the matching encumbrance approved at the initial FH approval will be disallowed and considered available as district contribution. The OPSC will validate the expenditures are materially liquidating the encumbrances through the life of the project.**

If there are no material expenditures against the encumbrances within 12 month period, then the encumbrances will be disallowed and considered as available district contribution.

- (3) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the Federal Renovation Program when the amount expended out of that fund does not exceed the maximum Federal Renovation Grant amount.
- (4) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the School Facilities Needs Assessment Grant Program or Emergency Repair Program when the amount expended out of that fund does not exceed the maximum grant amount apportioned.
- (5) Funding that is transferred into a Special Reserve Fund and is used for the express purpose of the Career Technical Education Facilities Program when the amount expended out of that fund does not exceed the applicant's share of the maximum grant amount apportioned.
- (6) Funding that is transferred into a Special Reserve Fund and used for the express purpose of the Overcrowding Relief Grant when the amount expended out of that fund does not exceed the amount of the site acquisition and design costs of the project and the district has submitted an approved Form SAB 50-11.
- (7) Funding that is used for the express purpose of reimbursing the State a proportionate share of financial hardship received when there has been a transfer of a special education program and title to the facility. In addition, the funding was used within five years of the title transfer.
- ~~(8) All other capital facility funding for a period of three years when no subsequent financial hardship request is made during this period, with the exception of the funding identified in (6). The three-year period begins with the date of the most recent financial hardship new construction or modernization adjusted grant funding apportionment.~~
- ~~(9)~~**(8)** When Overcrowding Relief Grant funding is set aside pursuant to (6) and the School District has not submitted, or the OPSC has not accepted, a Form SAB 50-04 for an Overcrowding Relief Grant within three years from the date of deposit into the Special Reserve Fund, or the School District has not met the requirements in Sections 1859.90 or 1859.105, remaining funds plus interest accrued at the Pooled Money Investment Board rate at that time period shall be deemed available as

matching contribution on a subsequent financial hardship project or be captured through an audit adjustment pursuant to Section 1859.106.

The financial hardship analysis is subject to approval by the Board.

(9) Funding designated for a COE to build or expand an existing administrative facility. However, COEs must demonstrate the need to build or expand an existing administrative facility, satisfactory to the OPSC; otherwise this designated funding will be considered available. Documentation demonstrating need will include, but not be limited to, a cost benefit analysis of lease versus buy or build options.

~~(b)~~ From the funds deemed available as a matching contribution, the district may retain.

(f) For purposes of subsections (d) and (e) above, the maximum approvable encumbrance and matching expenditure amount for interim housing is limited to \$19,776 per classroom in each enrollment reporting period for the cost to provide interim housing for the currently unhoused pupils of the district. The amount shown shall be adjusted annually in the manner prescribed in Section 1859.71. The number of classrooms needed for interim housing for the currently unhoused pupils shall be the sum of the positive numbers determined in ~~(b)(f)(7)~~ as follows:

- (1) Determine the current enrollment of the district by grade level as shown on the latest Form SAB 50-01.
- (2) Determine the New Construction Grants apportioned by grade level for all SFP projects and LPP funded under the provisions of Sections 1859.12 or 1859.13 where the district has submitted Form SAB 50-06 indicating that the project is 100 percent complete.
- (3) Subtract ~~(b)(f)(2)~~ from ~~(b)(f)(1)~~.
- (4) Determine the number of classrooms by grade level reported in Part 1, Line 8 on Form SAB 50-02.
- (5) Multiply the classrooms determined in ~~(b)(f)(4)~~ by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe.
- (6) Subtract the product determined in ~~(b)(f)(5)~~ from the difference determined in ~~(b)(f)(3)~~ by grade level.
- (7) Divide the difference by grade level determined in ~~(b)(f)(6)~~ by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number.

~~From the funds deemed available as a matching contribution, the district may also retain~~ **For purposes of subsections (d) and (e) above, the maximum approvable encumbrance and matching expenditure amount for a portable toilet is limited to \$19,776 per portable toilet unit in for each reporting period if the district has a minimum need of eight classrooms as determined above.** ~~for the cost to provide necessary interim toilet facilities for the currently unhoused pupils of the district. The amount shown shall be adjusted annually in the manner prescribed in Section 1859.71. The number of toilet facilities needed for interim housing shall be the sum of the positive numbers determined in ~~(b)(f)(7)~~ divided by eight rounded up to the nearest whole number.~~

~~If the district's available funds, as determined by the OPSC analysis less costs for interim housing, is less than its matching share, the district will be deemed to have met the requirements of this Subsection.~~

(g) Quarterly reporting requirement

The district shall submit certified quarterly reports that cover the full term of FH status that include revenues and expenditures as defined in subsections (d)(1) and (3) above to the OPSC on the following dates:

April 15 (January 1 through March 31);
July 15 (April 1 through June 30);
October 15 (July 1 through September 30);
January 15 (October 1 through December 31)

Any available revenues as a result of the quarterly review shall be considered available as district contribution. The district contribution will reduce the FH apportionment on SFP projects that have: (1) not been apportioned, (2) been apportioned and not received a fund release, and/or (3) declared/applied as savings for those projects that have received a fund release. The district contribution shall not exceed the state's share of FH assistance. The district will provide evidence that expenditures are materially liquidating the encumbrances through the life of the project to OPSC's satisfaction. If there are no material expenditures against the encumbrances within a 12 month period, then the district will be required to disencumber the funds and the OPSC will consider the disencumbered funds as district contribution.

Failure to comply with the quarterly reporting requirements will terminate the district's FH status and the district shall remit any FH apportionment(s) to the OPSC.

(h) For small school districts (with ADA less than 2500) the maximum district contribution from non-bond funds (bonds as defined in E.C. Section 17075.15(d)(2)) shall not exceed the minimum reserve balance for economic uncertainty (as defined in CCR, Title 5, Div. 1, Ch. 14, Subch. 8, Art. 1, Sec. 15443) during the 12 month FH status.

For example:

<u>Minimum Reserve Balance for Economic Uncertainty (GF \$1,122,764 X 3%)</u>	<u>\$33,683</u>
<u>All available Capital Project Funds as a result of the OPSC financial hardship review</u>	<u>\$223,712</u>
<u>Maximum Contribution would not exceed</u>	<u>\$33,683</u>

If the district meets the financial hardship requirements in this Section, the amount of financial hardship is equal to the district's matching share less funds deemed available in (a)(b).

The financial hardship analysis is subject to approval by the Board.

Once a district has been notified by the OPSC that it meets the requirements of financial hardship in this Section, the district may file Form SAB 50-04 under the provisions of financial hardship anytime within a period of ~~180 calendar days~~ 12 months from the date of the OPSC notification. If the district does not submit Form SAB 50-04 under the provisions of financial hardship within ~~180 calendar days~~ 12 months of the OPSC notification of approval of financial hardship status, the district must re-qualify for financial hardship status under the provisions of this Section by submittal of a new request for financial hardship status.

If the district submits Form SAB 50-04 within ~~180 calendar days~~ 12 months of the OPSC notification of approval of financial hardship and the project(s) has been included on an unfunded list for more than ~~180 calendar days~~, 12 months a review of the district's funds pursuant to (a) (b) will be made to determine if additional district funds are available to fund the district's matching share of the project(s). Financial hardship approval status by the OPSC for a separate design and/or site apportionment does not apply to any subsequent funding for the project(s).

Note: Authority cited: Sections 17070.35, 17075.15, 17078.72 and 17592.73, Education Code.
 Reference: Sections 17071.75, 17075.10, 17075.15, and 17079.20, Education Code.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
May 16, 2008

Assembly Bill 1014: ENROLLMENT PROJECTION AUGMENTATIONS

Assembly Bill (AB) 1014, Chapter 691, Statutes of 2007 (Bass) authorizes the State Allocation Board (SAB) to supplement the enrollment projection calculation method used to establish eligibility for new construction funding under the provisions of the School Facility Program (SFP). At the May 02, 2008 SAB Implementation Committee meeting, Office of Public School Construction (OPSC) Staff presented proposals for the implementation of the following components:

- modified weighting mechanisms,
- birth rate augmentation,
- 10-year enrollment projections,
- use of residency data for High School Attendance Area (HSAA) reporting.

The following items provide additional information on the issues discussed at the prior meeting.

MODIFIED WEIGHTING MECHANISMS

1. Enrollment Projection Reporting Options

Existing SFP Regulations provide for an enrollment projection calculation using the Cohort Survival Enrollment Projection System (Cohort) with a 1-2-3 weighting mechanism which generates an average enrollment change for each grade level with the greatest weight applied to the most current change. AB 1014 supplements this method with modified weighting mechanisms. Therefore, applicant school districts will continue to be able to utilize the enrollment projection method as currently calculated per SFP Regulations if they do not wish to supplement the projection with the alternative weighting mechanisms.

If a school district wishes to consider the alternative mechanisms, future SFP Regulations will provide a methodology for determining the applicable weighting mechanism, i.e. a weighting system that had showed to be the most accurate for a particular school district, given a set of assumptions and parameters. This methodology will consider three different weighting methods, as outlined in the previous discussion item. If a school district wishes to consider another weighting method beyond the three standard ones, it can conduct an analysis to present to the SAB that may indicate that another weighting method provides a more accurate projection than the three standard methods, given a set of assumptions and parameters.

Attachment A provides an overview of the different enrollment projection calculation options to be made available to school districts through implementation of AB 1014.

2. What specific anomalies in enrollment trends could not be predicted by the current modified weighting mechanism or the proposed weighting mechanism?

The Cohort assumes that anomalies in historic enrollment data are part of the district's normal enrollment trends. Thus, these anomalies can have a significant impact on future enrollment projections of a school district. For example a natural disaster, such as an earthquake, can lead to sharp temporary drops in enrollment at a given school district. The enrollment decline will result in a sharp decline in projected enrollment.

Staff believes that this issue cannot be addressed with modified weighting mechanisms. The Cohort methodology aims at evaluating the enrollment trends in order to project future enrollment. A possible solution is to modify the data that is used for the projections rather than modify the projection method itself. A temporary event should not be captured in the data as it should not have a permanent impact on future projections.

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. Staff will conduct further analysis and propose SFP Regulation revisions to implement the option and provide the necessary parameters and requirements for districts wishing to exercise this option.

BIRTH RATE AUGMENTATION

3. Use of birth numbers in lieu of birth rates for supplementing Kindergarten and first grade projection

The use of birth rates over birth numbers is clearly identified in statute. A birth rate is widely defined as the number of births per 1,000 people. Calculation of the changes in birth rates provides a measure of the change in births relevant to the population. It is possible that individual school districts utilize birth numbers for purposes of generating local level projections. Such analysis must be predicated on various assumptions and estimations that may result in more inaccurate projections and may require significant resources on the part of the school district.

4. Can ZIP Code level data be used to examine the changes in birth rates?

Staff proposes to use county level data for birth rate augmentation. California Department of Health Services does not provide birth rate information on a ZIP Code level. The only data available is birth numbers on ZIP Code level. If population data were available by ZIP code level, birth rates by ZIP Code could be calculated. However, a district's boundaries do not necessarily conform to their respective ZIP Code's boundaries. Therefore, ZIP Code level data could not be easily applied to individual school districts' projections.

5. Can the birth rate adjustment be based on a school district birth rate rather than a county birth rate?

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 ZIP Code levels; however, ZIP codes do not correspond with school district boundaries, as discussed above. Therefore, the number of births in a school district would have to be estimated. Next, the Department of Finance does not project or collect annual population data on a sub-county level, so any estimates of the overall population residing within a school district's boundaries would also be inexact. Using estimated birth rates would impede the accuracy of districts' enrollment projections. Staff has found that the most reliable and readily available birth rate data are the county level birth rates reported by the Department of Health Services.

6. Birth rate augmentation for first grade projections

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.

PUPIL REPORTING BY RESIDENCE

7. Verification of pupil counts reported by a district using High School Attendance Area (HSAA) reporting

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.

ENROLLMENT PROJECTION OPTIONS UNDER AB 1014

[Cohort Survival Enrollment Projection System (Cohort) as projection method for all options]

