

STATE ALLOCATION BOARD

1130 K Street, Suite 400
Sacramento, CA 95814
<http://www.dgs.ca.gov/opsc>



Date: April 21, 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 2, 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) Assembly Bill 1014 (Bass)
Discussion of modified weighted mechanisms and birth rates
- 3) Use of Site Sale Proceeds
Continued discussion on regulatory amendments to address the use of site sale proceeds to fund, on a one-time basis, district's insolvent health or retirement program
- 4) Material Inaccuracy Regulations
Continued discussion on proposed regulatory amendments for protections in reporting on the Project Information Worksheet

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 that reads "Maivonne Garrity".

MAVONNE GARRITY, Chairperson
State Allocation Board Implementation Committee

MG:cr

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE

Pending Items List
May 2, 2008

A. Future Items

- Role of the Implementation Committee
- Assembly Bill 1014 (Bass)
Continued discussion on the proposed changes to the enrollment projections as a result of Assembly Bill 1014
- 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
- Financial Hardship Checklist
Continued discussion of policy implications of the Financial Hardship Checklist published January 7, 2008

STATE ALLOCATION BOARD

1130 K Street, Suite 400
Sacramento, CA 95814



IMPLEMENTATION COMMITTEE MINUTES

March 7, 2008

Legislative Office Building
Sacramento, CA

Members Present

Mavonne Garrity, SAB
Lori Morgan, SAB/OPSC
Fred Yeager, CDE
Lenin Del Castillo, DOF
Gary Gibbs, CBIA
William Savidge, CASH
Dennis Dunston, CEFPI

Mamie Starr (Alternate for Kenn Young, CCSESA)
Shawn Atlow/Lyle Smoot, LAUSD
Margie Brown/Lettie Boggs (CASBO)
Dean Tatsuno, AIA
Robert Pierce (SSD)
Cesar Diaz, SBCTC

Members Absent

Kathy Hicks, DSA
Debra Pearson, SSDA

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

January 4, 2008 Minutes

The January 2008 minutes were held open for future consideration. Committee and audience members made comments that the minutes did not reflect the concerns raised at the meeting. A discussion ensued regarding the level of detail that should be included in the minutes, and the minutes were held open subject to modifications.

Use of Site Sale Proceeds

Ms. Suzanne Reese of the Office of Public School Construction (OPSC) presented this item to discuss topics that arose at the March 2007 State Allocation Board (SAB) meeting regarding the use of site sale proceeds towards insolvent health and/or retirement programs on a single and one-time only basis.

To clarify questions regarding the definition of "insolvency", the California Department of Education (CDE) representative and the OPSC agreed to work together to define the term for CDE's California School Accounting Manual.

Some committee and audience members expressed concerns that these one-time payments will become ongoing and opposed the change in regulation to allow the payments. One

member shared 'major concerns' of the implied risks of mixing capital funding with operational funding.

A question was raised regarding whether site sale proceeds from several parcels could be combined toward a lump-sum one-time payment. OPSC stated that a lump-sum payment is acceptable under current law and proposed regulations; however, splitting these site sales and making several separate payments toward an insolvent health or retirement program would need consideration by the SAB's legal counsel. In either case, a district must receive approval from the SAB for these payments. It was reiterated that only one-time payments are acceptable under the current law.

Two audience members inquired about the SAB's intent; the question was whether the SAB meant to allow payments solely for retirees' insolvent health benefits, and not employee-wide insolvent health benefits, as they relate to Governmental Accounting Standards Board (GASB) 45. Comments were shared from a representative from the legislation's author that the proposed regulatory amendment was in response to GASB 45. The intent was not to encourage any type of ongoing payments, but rather to help districts out of fiscal crisis.

The OPSC indicated it would confer with author of the legislation, and after that discussion will consider whether to bring the item back for future discussion.

Material Inaccuracy Penalties

Mr. Rick Asbell, of the OPSC, presented this item to discuss the Material Inaccuracy Penalties item presented at the February 27, 2008 SAB meeting. Three scenarios were presented to the Implementation Committee, 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.

A question was raised regarding methodology in rescinding new construction projects. So far, the OPSC has not discovered a Material Inaccuracy for a new construction project. Another committee member stated that legal counsel would have to be consulted on this issue.

A concern was raised by a committee member that SFP Regulation Section 1859.2 goes beyond the Education Code (EC) Section 17070.51. The EC defines material inaccuracy as any certified eligibility or funding application related information found to have been falsely certified. However, the SFP Regulations provide further clarification and define a Material Inaccuracy only if a funding advantage has been obtained by the district. An opinion was expressed that either the EC has to be revised to reflect the SFP Regulation or material inaccuracy should reflect what is defined in the EC. Another committee member stated that if a material inaccuracy finding was not limited to a situation in which the district obtained a funding advantage, any eligibility or funding application related information which was inaccurate would result in a material inaccuracy. This would prohibit the district from correcting simple mistakes and misstatements that have no benefit to the district.

Concerns were raised regarding the different end points for Scenarios 2 and 3. A comment was made that the two end points should be the same. A committee member stated that there are legal issues in treating Scenario 2 and 3 the same because Scenario 3 represents a project which is invalid.

An audience member expressed the opinion that in Scenario 3 the end date for the period of funding advantage is not concrete and the interest penalty could substantially exceed the actual grant amount in certain cases. A committee member stated that the OPSC has not come across a project in which the interest penalty exceeded the grant. Another audience member stated that the end date is a moving target. However, this audience member stated that the funding advantage period may not be long enough to make the bond funds whole. A committee member stated that the purpose of the 18 month time limit on fund release was to ensure that funds are released to the district in a timely manner.

An audience member stated that EC 17070.51 fails to establish a time frame and definition for funding advantage. This member questioned whether funding advantage referred to the State losing interest on the funds or the district gaining interest on funds. According to this audience member, if the purpose is to make bond funds whole, then Scenario 1 should be treated as a funding advantage. Also the member stated that, in Scenario 3, interest should be collected until the apportionment is returned to the State.

Scenario 3 provides the district with an opportunity to re-file a new application since the project was a modernization project. However, the new apportionment is limited to the original amount of the project which was rescinded. A committee member stated that since the district is required to pay the interest penalty back then the district should be eligible for funding at a new per pupil grant at the time of re-filing. However, it was pointed out by staff that the contracts would have been entered into years prior and receiving construction cost indexes would not be appropriate as that would provide further funding advantage as a result of a district's false/inaccurate certification.

An audience member stated that since 2004, the districts are required to submit contracts along with the *Fund Release Authorization* form. So, most projects which are now facing a finding of Material Inaccuracy were funded prior to 2004. Staff pointed out that that only approximately one percent of 3,600 projects that have been audited to date have had a material inaccuracy finding by the SAB.

Due to the time constraints, and the need for further discussion, it was agreed that this item will need to be discussed further at the next meeting.

Material Inaccuracy Regulations

Mr. Rick Asbell of the OPSC presented the topic, which relates to providing districts protections from Material Inaccuracy findings that are based solely on information provided on the new *Project Information Worksheet*.

Some audience and committee members agreed that removing the terms "in good faith" and "in and of itself" would produce a regulatory amendment that they would agree to. An audience member also questioned how 'good faith' would be determined. The OPSC Staff stated that it wants accurate information, which is the reason for including 'good faith' in the revised regulation. Including 'in and of itself' was intended to isolate the *Project Information Worksheet* from other funding and eligibility documents that do not qualify for this exception.

A question raised by a member of the audience was whether current or future districts with Material Inaccuracy for other purposes would be charged for the review of the worksheet, as they are for other applications pursuant to School Facility Program Regulation Section 1859.104.3. The OPSC stated that those districts would not be charged for this purpose.

Another member from the audience noted that the *Project Information Worksheet* may not be considered “funding or eligibility application related information”, and thusly, for purposes of Education Code Section 17070.51, would not fall under the umbrella of Material Inaccuracy law.

The OPSC also stated that another protection is already provided for the districts in reporting information on the *Project Information Worksheet*. The form instructs districts to, “Provide actual amounts when available and estimates as necessary”. So, since some of the items reported on the worksheet will be estimates, concerns that the district may be reporting an inaccurately should be eased somewhat. Finally, Staff noted that the item may return for further consideration at the next Implementation Committee.

Introduction to AB 1014 (Bass)

Mr. Juan Mireles and Ms. Masha Lutsuk from the OPSC presented this topic to provide an overview of the current enrollment projection calculation and to review the basic principles of the cohort survival projection method in order to understand changes proposed by Assembly Bill (AB) 1014 and how these changes can be implemented. Staff then presented an analysis of 116 projections prepared using the existing method compiled from eligibility documents submitted by school districts and approved by the State Allocation Board over three time periods to illustrate how the actual enrollment compared to the enrollment projection for the same time period. The Committee members pointed out that the analysis cannot be used to make generalizations about all districts in the State as it only included data submitted by school districts to the SAB during a given period of time. Staff acknowledged that certain anomalies in school districts’ enrollments were not represented in the analysis and future research may be needed to address this issue.

Committee members suggested that staff should analyze what is wrong with the cohort survival method, rather than how it is currently working. Another concern brought up by committee members was how the current housing recession may have affected the projected enrollment, and, thus, the accuracy of the cohort survival projection method, especially in cases where the projections can be augmented with future residential unit counts. Committee members suggested looking for a way for school districts to be able to present their facility needs to the SAB and the Department of Finance (DOF) on a case by case basis for review so as to be able to select individual enrollment projection methods best suited for their needs. It was also stated that smaller school districts would benefit from pre-established methods.

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

Adjournment and Next Meeting

The meeting adjourned at 3:35 p.m. The next committee meeting is scheduled for Friday, April 4, 2008 at 9:30 a.m. and will be held at the Legislative Office Building located at 1020 N Street, Room 100, Sacramento, California.

STATE ALLOCATION BOARD

1130 K Street, Suite 400
Sacramento, CA 95814

**IMPLEMENTATION COMMITTEE MINUTES**

January 11, 2008

Legislative Office Building
Sacramento, CA

Members Present

Lori Morgan, SAB/OPSC
Fred Yeager, CDE
Chad Rohrs, DOF
Gary Gibbs, CBIA
Kathy Hicks, DSA
William Savidge, CASH

Vinceena Kelly (Alternate for Kenn Young, CCSESA)
Mark DeMan, LAUSD
Margie Brown (Alternate for Peggy Reyes, CASBO)
Brian Wiese, AIA
Steve Looper (Alternate for Constantine Baranoff, SSD)

Members Absent

Mavonne Garrity, SAB
Debra Pearson, SSSA
Cesar Diaz, SBCTC
Dennis Dunston, CEFPI

The meeting was called to order at 9:35 a.m. The minutes from the November 2, 2007 meeting were accepted.

The following announcements were made:

- Mavonne Garrity, Implementation Committee Chair, was unavoidably absent, and Lori Morgan chaired this meeting.
- The January State Allocation Board (SAB) meeting will be held on Wednesday, January 30, 2008 at the State Capitol, Room 4203 at 4:00 p.m.
- The proposed amendments to the Joint-Use Program were e-mailed to the committee members, and comments are requested by January 22, 2008. A hard copy was also provided to the Committee members present.
- The Chair announced Chad Rohrs had taken a new position outside of the Department of Finance and thanked him for his service to the Committee.

Career Technical Education Facilities Program

Office of Public School Construction (OPSC) Staff members Tracy Sharp, Josh Damoth and Candace Ly presented this topic.

Staff presented regulation amendments that clarify the eligibility requirements of projects for the Career Technical Education Facilities Program (CTEFP). The regulation amendments state that for all stand-alone CTEFP projects (new construction and modernization), all contracts for

construction must be signed and all equipment purchases must be made on or after May 20, 2006. For modernization projects that are combined with a Qualifying SFP project, the contracts for construction must have been executed on or after May 20, 2006. Some committee members expressed concern because the proposed amendments to Regulation Sections 1859.193 and Section 1859.193.1 include different requirements for stand-alone new construction projects and new construction projects that are combined with a Qualifying SFP project. Based on comments from members, Staff agreed to consider occupancy date on or after May 20, 2006 for both new construction stand-alone projects and new construction projects combined with a Qualifying SFP project. The proposed amendments to Regulation Section 1859.196 regarding the funding order of projects were accepted as presented.

Staff presented revisions to the *Application for Career Technical Education Facilities Funding* (Form SAB 50-10), which clarify and streamline the information requested on the form. Discussions took place on the cost estimates required for each subcategory (construction, equipment and site development). Staff clarified that although applicant districts are required to provide cost estimates in each sub-category, the OPSC audit will consider the overall expenditures for the project, provided that the items in the scope of the project are completed as approved by the California Department of Education (CDE) and the SAB.

Staff informed the committee that the OPSC intends to present the amendments to the SAB at the January meeting. If approved, the OPSC will pursue completing the regulatory process to have the amendments in place for the second funding cycle.

2008 Implementation Committee Calendar

The calendar was presented and no changes were proposed.

Financial Hardship Update

OPSC Staff member Lisa Silverman presented this topic.

This item was presented to provide the Implementation Committee and audience an update and overview of the progress made on the OPSC School Facility Program (SFP) Financial Hardship (FH) Work Plan that was presented at the October 23, 2007 State Allocation Board (SAB) meeting. The FH Work Plan was developed in part from recommendations and findings made by the outside independent audit review that was conducted on the FH Program earlier in 2007 to improve the FH Program.

As of part of the overview of progress given by staff, it was explained that an Advisory Workgroup Committee was established to develop proposals to improve the financial review for the FH program. There have been several meetings and discussion with the workgroup, but it is still in a developmental stage.

Another topic of discussion was the FH Checklist. Some of the Committee members and audience commented on the recent issuance of the revised FH Checklist. It was stressed by staff that the checklist is in alignment with current SFP regulations. The checklist is a tool to assist districts to provide an understanding of all required documentation needed in order to have a complete and accurate submittal for a FH application package. This in turn will help expedite the OPSC review process and ultimately districts obtaining their project approvals sooner. Clarification was also given by staff that the FH reviews and approvals are done on a district wide basis and are valid for a six month period. Staff made assurances to the

Implementation Committee and audience that as the FH Advisory Work Group developed any regulations or policy proposals for the FH Program, an item would be presented to the SAB Implementation Committee for review, feedback and input in the future.

Grant Adequacy Study Update

This topic was presented by Denise Callahan of the Macias Consulting Group.

The Macias Consulting Group provided an update on the New Construction Grant adequacy study. The overview provided information regarding the type of data and the methodology being utilized to analyze the data.

A concern was raised by an audience member regarding how the Macias Report dealt with the matter of General Condition costs for projects that were built with multiple primes and whether the General Condition costs were considered as part of construction hard costs or part of non-construction soft costs.

Other concerns were also raised over the quality of information used to generate the results. Several committee and audience members continue to be extremely concerned with the report and raised issues similar to those stated at the State Allocation Board meeting. It was anticipated that the final report would be completed and available for review on the Office of Public School Construction website by January 31, 2008. A Committee member also reiterated the Executive Officer's statement regarding taking a separate look at the grants for the County projects in general.

ADJOURNMENT AND NEXT MEETING

The meeting adjourned at 2:35 p.m. It was announced that the February Committee meeting would only be held if a sufficient number of topics warranted discussion. The next committee meeting was later scheduled for Friday, March 7, 2008 at 9:30 a.m. and will be held at the Legislative Office Building located at 1020 N Street, Room 100, Sacramento, California.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
May 2, 2008

Assembly Bill 1014: ENROLLMENT PROJECTION AUGMENTATIONS

PURPOSE

To continue discussion of Assembly Bill (AB) 1014, Chapter 691, Statutes of 2007 (Bass). AB 1014 authorizes the State Allocation Board (SAB) to modify the enrollment projection calculation method used to establish eligibility for new construction funding under the provisions of the School Facility Program (SFP). This item includes the proposals for 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.

AUTHORITY

Education Code (EC) Section 17071.75(a)(2)(B) authorizes the SAB to modify the weighting mechanism used to determine the fifth-year enrollment projection, if the Board determines that they best represent the enrollment trends of the district. The Section also directs the SAB to develop and apply the modified mechanisms in consultation with the Demographic Research Unit (DRU) of the Department of Finance (DOF).

EC Section 17071.75(a)(2)(C) authorizes the SAB to supplement Kindergarten and first grade enrollment projection with an adjustment for changes in the birth rates within the school district or HSAA boundaries.

EC Section 17071.75(a)(3)(A) authorizes a school district to “submit an enrollment projection for a fifth or 10th year beyond the fiscal year in which the application is made. 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 district wide CBEDS and residency data. The board may also adopt regulations to specify the format and certification requirements for a school district that submits residency data.”

DISCUSSION

MODIFIED WEIGHTING MECHANISMS

Background

The current five-year projection method utilizes a weighting mechanism of 1-2-3 that is applied to the changes in enrollment from current and three prior enrollment years. This mechanism is applied to the change in enrollment as a grade survives to the next and captures the difference. As an example, a second grade class of 100 students would be compared to the third grade class in the following year (the exception to this is Kindergarten, which is compared to the previous year Kindergarten enrollment). If the third grade class size is 110, the change would be 110 – 100, or 10. Each year’s data is compared to the previous year enrollment and

multiplied by the appropriate weight. Currently, the change in the current year from the first previous enrollment year is weighted more heavily (i.e. multiplied by three) in order to emphasize the effect of this change under the assumption that what is currently happening to a district's enrollment will continue to occur in the next five years. In calculating the projection, four years of enrollment are used, generating three changes per grade level. In order to generate a weighted average change, these three changes are averaged by six as the total weights add up to six. The weighted average of the changes of four years of enrollment is then used to determine the projected change in enrollment from grade level to grade level to arrive at the number of pupils projected for the fifth year.

Proposal

Staff is proposing to implement three weighting mechanisms described below. It is important to note that, while mathematically there are many possible combinations of numbers, including fractional weights, only a few can be reasonably applied to the Cohort Survival Enrollment Projection System.

- 1-2-3: A continued use of the existing weighting formula for the projection method as it has shown to accurately predict future enrollment for the majority of districts. This projection method represents districts in which current enrollment trends are most relevant to five-year projections.
- 3-2-1: This mechanism is designed for districts where the more recent trends are contrary to the long term trends of the district. By weighting towards the older years, this weighting system is implying that past trends will be more prevalent in the future than the current ones.
- 1-1-1: This system is intended for districts that have varied enrollment from year to year, and do not grow or decline in a more predictable manner.

EC 17071.75(a)(2) states "The board may supplement the cohort survival enrollment projection with any of the following:... Modified weighting mechanisms, if the board determines that they best represent the enrollment trends of the district." In order to determine which weighting mechanism best represents the enrollment trends the following analysis must be conducted for each district wishing to establish an enrollment projection.

- Step 1 Gather Kindergarten through 12th grade historic enrollment for a given number of years. Historic enrollment can be represented by enrollment data gathered through the CBEDS' Aggregate Data Files section from the California Department of Education (CDE) Website. This data is then filtered to remove charter school enrollment and pupils in the "ungraded" (pupils not assigned to any specific grade level) category as these pupils are typically reported in other categories for purposes of projecting enrollment under the SFP.
- Step 2 Run a cohort survival projection method, using each of the weighted mechanisms described above. In other words, determine what the projection for each enrollment year would have been using the different weighting mechanisms and develop three sets of projection data.
- Step 3 For each set of data, compare projected enrollment for a given year to the number of pupils that actually enrolled in the district in that year. For example, a school district reports actual enrollment for 2000/01 and three prior years and uses that data to project enrollment for 2005/06. Once 2005/06 occurs, the actual enrollment data for 2005/06 is available and can be compared to the projection made five years prior. The comparison is to be done using the following formula.

$$\frac{\text{'Projected Enrollment' - 'Actual Enrollment'}}{\text{'Actual Enrollment'}}$$

Using this calculation, the ideal result would be zero, meaning that the enrollment projection resulted in the exact enrollment five years later. A positive number, converted to a percentage, would indicate the calculation resulted in over projection and a negative number would indicate that it under-projected enrollment.

Step 4 Each set of data can be converted to a set of “accuracy points” either above or below the zero line. By comparing each year’s projected enrollment to actual data in each of the three sets, a scatter plot is developed that graphically represents the accuracy of the projection method.

Step 5 The accuracy of each method can be evaluated using regression analysis¹, to determine a trend line for each of the three data sets. The trend line will indicate the average accuracy of the projection method.

Step 6 Three trend lines are then plotted on the same graph. On the one hand, at any given point in time in the past, one can see which projection method would have, on average, generated the most accurate projection. On the other hand, because the lines continue beyond the current enrollment year, it is possible to determine which of the weighting mechanisms, based on the past enrollment trends, will generate the most accurate projection five years into the future.

This proposal will not require districts to provide additional data as the CBEDS information is readily available and can be easily formatted to use in the analysis. Districts will continue to provide current and three previous years’ worth of enrollment information on the *Enrollment Certification/Projection* (Form SAB 50-01) to establish or update SFP new construction eligibility. The background calculations will be expanded to determine the most accurate weighting method. This method will be used to calculate the average change in enrollment which would then be applied to project future enrollment. School districts will not be required to perform the calculations. Instead, OPSC will provide a tool that would automatically produce the output result based on the data input by the users.

For school districts that wish to explore other weighting mechanisms, besides the pre-set ones (1-2-3, 1-1-1, 3-2-1), a similar tool can be developed that allows a district to input historical CBEDS information and custom weighting to produce an output as a trend analysis. The following requirements would apply to a district that proposes to use an alternative weighting mechanism:

1. A district would have to provide the reasoning behind the alternative weighting method and why the district feels it best represents the enrollment trends of the district.
2. Using the district’s historical data, it must demonstrate that the proposed alternative weighting method would have more accurately projected the district’s enrollment than the weighting method that would have been determined using the trend lines analysis method.

The district would submit the proposal and data to Office of Public School Construction (OPSC) with the Form SAB 50-01 for review of the alternative weighting method by the SAB with consultation with the DRU.

¹ Regression Analysis: a method for fitting a curve (not necessarily a straight line) through a set of points using some goodness-of-fit criterion. The most common type of regression is linear regression. Source: *Wolfram Math World*, <http://www.mathworld.wolfram.com/Regression.html>

BIRTH RATE AUGMENTATION

Background

A birth rate is the number of live births in a given amount of time for a given population. Commonly, birth rates are expressed by the number of live births in a calendar year per 1,000 people. The California Department of Health Services (DHS) calculates birth rates using the specific year's birth data and that year's population data (estimates and projections) as prepared by the DRU within the DOF. The DHS calculates the birth rates of the State, counties, and few selected cities. The births are assigned to a location based on the residence of the mother. Therefore, for example, if a child is born in Fresno County to a mother residing in San Diego County, the birth will be assigned to San Diego County.

A birth number (also known simply as "births") is the number of births in a given location during a given calendar year. The DHS publishes birth number data for each year for the state, counties, and ZIP codes. The birth number data is sorted by the mother's legal residence and also by location of occurrence.

Proposal

In order to adjust the enrollment projection for the effect of changes in the birth rate on pupil enrollment, the rate of change in the county level birth rate from the previous year would be applied to the projected kindergarten enrollment five years later. For example, if the county birth rate increased by 10 percent from 2003 to 2004, the projected Kindergarten enrollment in 2009 (five years after 2004) would be increased 10 percent. In order to calculate an adjustment to the enrollment projection due to changes in the birth rate, following assumptions must be made:

- Children enroll in Kindergarten at age five.
- No children skip Kindergarten and enroll directly into first grade at age six.
- Children born to mothers residing in a county will attend school in that county.

Attachment A illustrates how the birth rate adjustment will be calculated.

Issues

Birth Rate Data is Not Calculated at the School District Level

One issue with adjusting enrollment projections using changes in birth rates is applying data that is collected on state, county, and ZIP code levels to a school district. The DHS does not report birth rates or birth numbers of school districts. Also, school district boundaries do not often correspond with ZIP code areas or county boundaries, although most school districts are located entirely within one county.

Next, with the data that is readily available, it is difficult to quantify the number of children born on a sub-county level. Because birth numbers are linked with the residence of the mother, it is possible to calculate individual school district birth rates. However, this would involve locating every birth in the state each year and matching it to the correct school district. Then, the population (which is not normally calculated by school district) residing in each school district would have to be determined as well. The effort to calculate school district level birth rates would be prohibitive and ongoing. Instead of attempting to calculate school district birth rates, it would be simpler to use the county level birth rates that are already available from the DHS to calculate the adjustment to the enrollment projection.

Delay in Current Birth Rate Data Availability

Beginning on November 1 every year, school districts must use the current school year's enrollment for the enrollment projections. However, on November 1, a birth rate for the current year cannot be calculated because the year has not yet ended. In addition, it is possible that birth rates for up to two previous years may not be known because of the time it takes the DHS to process and release the information. The DHS does not finish collecting birth rate data until September of the following year, and it does not report birth rate data until later. For example,

at the end of March 2008, the DHS was preparing to release the 2006 birth rates, and it will not finish collecting the 2007 birth rate information for six more months. The OPSC will work with the DHS and the DRU to attempt to capture and report birth rate data for the first previous year; however, current year birth rate data would still be unavailable at the time when districts update the enrollment projections.

Kindergarten Attendance vs. First Grade Attendance

Currently, State law does not require parents and guardians to enroll children in Kindergarten (EC Section 48200). However, school districts must admit to Kindergarten all children who will be five years of age on or before December 2 of the current school year (EC Section 48000[a]). Although not all of the children included in a birth rate calculation for a given calendar year will actually enroll in Kindergarten five years later (children born after December 2 generally have to enroll in Kindergarten six years later) it would be difficult to obtain birth rate information based on a year beginning December 3 and ending December 2 the next year. Thus, we make the assumption that the change in a birth rate for a given year applies to the Kindergarten enrollment five years later.

Another assumption made at this time is that every first grade pupil also attended Kindergarten as it is not possible to determine the percentage of children that skip Kindergarten and enroll directly into the first grade. Staff will conduct further research into this issue for possible means of determining how many pupils skip Kindergarten and enroll directly in first grade.

10-YEAR ENROLLMENT PROJECTION

Proposal

In order to calculate a 10-year enrollment projection, the projection formula could be modified to extend the amount of historical data used in determining the weighted average change. This would stabilize the short-term growths and declines in enrollment in order to generate an overall average change. To accomplish this goal the amount of historical data to be used for the projections would increase to eight years, i.e. the current enrollment reporting period and seven years of prior historical data. The proposed amount correlates to the current practice of using four years of data for five-year enrollment projections. This 80 percent ratio of source data to the projection results in eight years of data needed for a 10-year projection.

Regulation Changes

The Form SAB 50-01 would need to be modified to include a 10-year projected enrollment calculation in addition to the five-year projection. This would allow school districts to choose either the five or 10-year projection that best suits the needs of the school district. Part A on the Form SAB 50-01, which lists enrollment data for Kindergarten through 12th grade, would need to include space for eight years of historical enrollment data rather than just four years. Part B, the pupils attending schools chartered by another district and, Part C, pupils attending continuation high schools, would all have to be expanded to include eight years of historical data as well.

Attachment B shows the proposed mathematical calculations to forecast the 10-year enrollment projection. As seen on the Attachment B, the cohort survival projection method has not been altered, but the weighted mechanisms that project enrollment have changed. The five-year projection method uses a weighted mechanism of 1-2-3, where the greatest weight is given to the most current change in enrollment. For the 10-year projection the same concept can be applied, yet the amount of historical enrollment data used would expand creating the need for a different weighting mechanism of 1-2-3-4-5-6-7.

The graphs in Attachment C illustrate the differences in projection methods for three sample school district using historical data. The solid lines indicate the actual enrollment. The lines comprised of large dashes represent a 10-year enrollment projection calculated using eight

years of historical data. The lines comprised of small dashes represent the current five-year enrollment projections, provided for comparison purposes.

Annual Adjustments for Eligibility

EC Section 17071.75 requires a school district to update its eligibility for new construction funding by submitting an enrollment projection for either a fifth or a 10th year beyond the fiscal year in which the application is made. In order to determine ongoing new construction eligibility, the OPSC determines the difference between the current enrollment projection and the previously determined projection and applies the difference as either a positive or a negative adjustment to the district's eligibility. AB 1014 allowed school districts to utilize either a fifth or a 10th year projection. The OPSC is now considering how the calculation of ongoing eligibility, i.e. annual enrollment updates, will require revisions to accommodate districts that may want to switch between a five to a 10 year projection and vice versa from one enrollment reporting period to another. The OPSC will bring this subject forward during future discussions at the Implementation Committee.

PUPIL REPORTING BY RESIDENCE

Background

EC Section 17071.76 and SFP Regulation Section 1859.41 outline the requirements for new construction eligibility determination based on HSAA. In order to have new construction eligibility calculated by HSAA, school districts must meet several criteria:

- Each proposed HSAA must include a currently operated high school.
- The eligibility determination must be based on existing HSAA boundaries, capacity and enrollment of the HSAA.
- School districts must show that if eligibility is determined on a districtwide basis, excess pupil capacity in one HSAA would "cancel out" projected unhoused pupils (and therefore potential new construction eligibility) in another HSAA.

In addition, before a district may switch from HSAA to districtwide reporting, eligibility must be filed on the same basis for five years after the last apportionment based on a HSAA or Super HSAA. Lastly, for new construction eligibility purposes, the HSAA or Super HSAA boundaries may only be changed due to errors or omissions by the district or by the OPSC.

Currently, school districts that have established new construction eligibility by HSAA must report pupils by school of attendance. AB 1014 adds a provision that allows enrollment reporting based on residency data. This addresses concerns school districts raised when HSAA enrollment projections were based on enrollment data only. Without taking into account both residency, pupils could be deemed adequately housed even when they live in one HSAA but are bussed to a school in another HSAA. This skews the eligibility calculations and does not adequately assess the district's housing need in a particular area.

Districts currently have the option to report pupils based on pupil residence but only for determination of eligibility for final apportionments for Critically Overcrowded Schools (COS) projects.

Proposal

The change to EC Section 17071.75 allows districts that qualify to establish new construction eligibility by HSAA the option of reporting pupils according to either attendance or residence.

Attachment D provides a detailed description of the pupils required to be reported on the Form SAB 50-01 under the residence option. The guidelines for reporting pupils under the residence

option are very similar to the existing requirements for reporting pupils under the enrollment option.

EC Section 17071.75(a)(3)(A) states that “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 CBEDS report for the district for the same enrollment year.” Because of this provision, school districts using the residence option may not report the following types of pupils on the Form SAB 50-01:

- Students residing outside the district boundaries but attending school in the district (i.e. inter-district transfers)
- Students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries and are enrolled in the same grade levels or type served by the district but the Charter School does not appear on the school district's CBEDS report.

Additional Documentation to Be Required

School districts using the residence option would be required to submit, in addition to the Form SAB 50-01, a copy of the governing board-approved attendance map and an enrollment distribution worksheet (see Attachment E). Similar documents are already required for school districts that use pupil residence data to justify eligibility for COS projects. The enrollment distribution worksheet will identify the pupils residing in each HSAA in the school district. This will allow the OPSC to reconcile the pupils residing in the entire district with the district's current CBEDS report.

For audit purposes, school districts will be required to retain information that can be used to verify the grade level and residence of the pupils reported on each Form SAB 50-01 submitted to the OPSC. School districts without self-certification privileges would be required to submit this additional documentation with the Form SAB 50-01. The format of this additional documentation is yet to be determined.

Changes of Reporting Options

If school districts are allowed to frequently switch from the residence reporting option to the enrollment option, it is possible (see Attachment F) that a school district could obtain eligibility and funds for the same pupils more than once. Due to this, the OPSC proposes a restriction on a school district's ability to switch from the enrollment option to the residency option and vice-versa.

Currently a school district that chooses to report enrollment by HSAA must use this method for five years following the approval of a state funded project based on eligibility determined by HSAA. The OPSC proposes a similar “lock” for school districts that wish to switch from HSAA residence reporting to HSAA enrollment reporting. Instead of a predetermined lock timeline, the lock would begin from the date of the last apportionment based on eligibility determined using by HSAA residence (or HSAA enrollment). The lock would end when all State funded projects based on eligibility determined under that option have been reported as complete by submitting a final expenditure report for the project. This lock on switching to and from the HSAA residence and HSAA enrollment options would not prevent a school district from switching from HSAA (either residence or enrollment options) to districtwide reporting when that five-year period has expired. But the lock on changing to/from the HSAA residence and HSAA enrollment options would be reinstated should a school district switch back to HSAA reporting before any projects apportioned under the HSAA residence or HSAA enrollment option are closed out.

5- YEAR ENROLLMENT PROJECTION WITH BIRTH RATE ADJUSTMENT

XYZ Elementary School District

ABC County

BIRTH RATE INFORMATION						
	1999	2000	2001	2002	2003	2004
	5th Prev.	4th Prev.	3rd Prev.	2nd Prev.	Prev.	Current
County Birth Rate	148	146	149	164	148	153
Rate of Change Example: $[(146 - 148) / 148] * 100 = -1.35\%$	-	-1.35%	2.05%	10.07%	-9.76%	3.38%
Projected Kindergarten Pupils Current K pupils + K average change. Example: $429 + (-17) = 412$	-	412	399	380	401	345
Birth Rate Adjustment Example: $(-1.35\% * 412) = (-5.562) \sim (-6)$	-	-6	8	38	-39	12

Grade	ACTUAL ENROLLMENT				Average Change (Div. by 6)
	01/02 3 rd Prev.	02/03 2 nd Prev. x 1	03/04 Prev. x 2	04/05 Current x 3	
K	436	462	491	429	-17
1	447	500	495	509	31
2	406	467	494	507	7
3	475	426	460	508	8
4	496	468	424	468	2
5	473	504	490	462	23
6	465	492	513	494	8
7	457	476	490	520	5
8	424	462	491	497	8
Total	4089	4257	4348	4394	

	PROJECTED ENROLLMENT				
	05/06	06/07	07/08	08/09	09/10
	1-year projection	2-year projection	3-year projection	4-year projection	5-year projection
Projection	412	399	380	401	345
Birth rate Adj.	-6	8	38	-39	12
Proj + BR Adj.	406	397	418	362	357
Projection	460	437	428	449	393
Projection	516	467	444	435	468
Projection	515	524	475	462	443
Projection	510	517	526	477	464
Projection	491	533	540	549	500
Projection	460	499	541	548	557
Projection	499	465	504	546	553
Projection	528	507	473	512	554
Total	4385	4346	4349	4330	4267

Projection with Birth Rates	Projection Without Birth Rates
K-6: 3160	K-6: 3110
7-8: 1107	7-8: 1107

ATTACHMENT A

For comparison purposes, the enrollment projection calculation without birth rates would result in the following projection:

Total	4391	4350	4313	4293	4217
Difference	-6	-4	36	37	50

Figures are calculated on a diagonal:
 $6593 - 6541 = 52$

Figures are calculated on a diagonal, then multiplied by "4":
 $(6973 - 6830) \times 4 = 572$

Figures are calculated across (K only) then multiplied by "7":
 $(7129 - 7204) \times 7 = 525$

Average Change:
 Add the weighted enrollment change numbers across, then divide by "28":
 $[338+4+375+408+595+918+(-525)] / 28 = 75$

Kindergarten 10-Year Projection:
 Take the current K enrollment & add the K average change, calculate across (K only) and repeat 9 times:
 $7129 + 75 + 75 + 75 + 75 + 75 + 75 + 75 + 75 + 75 = 7879$

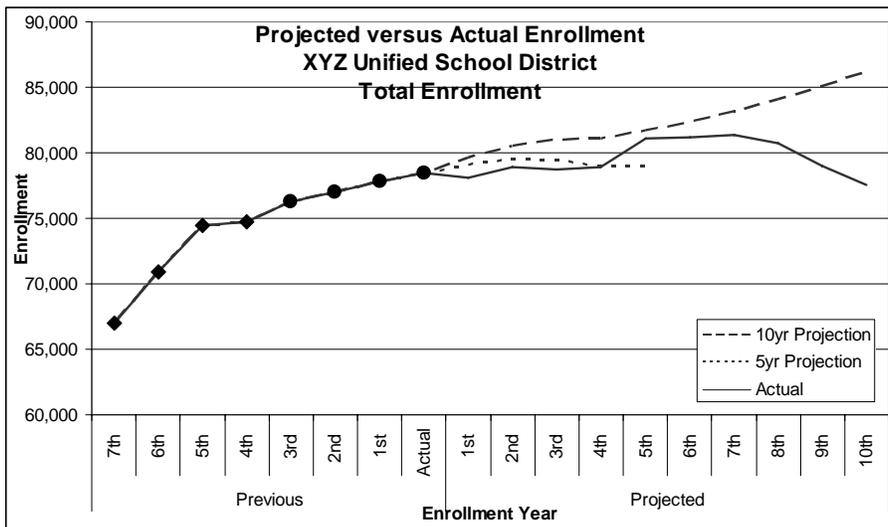
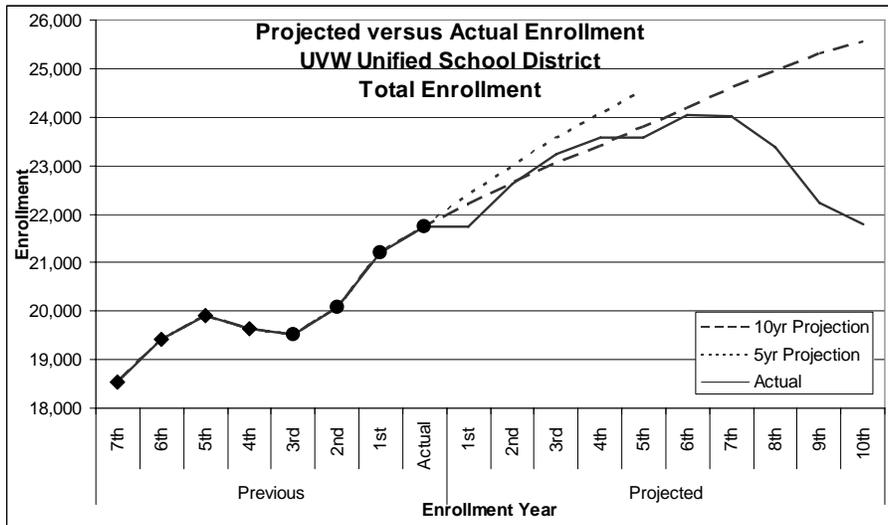
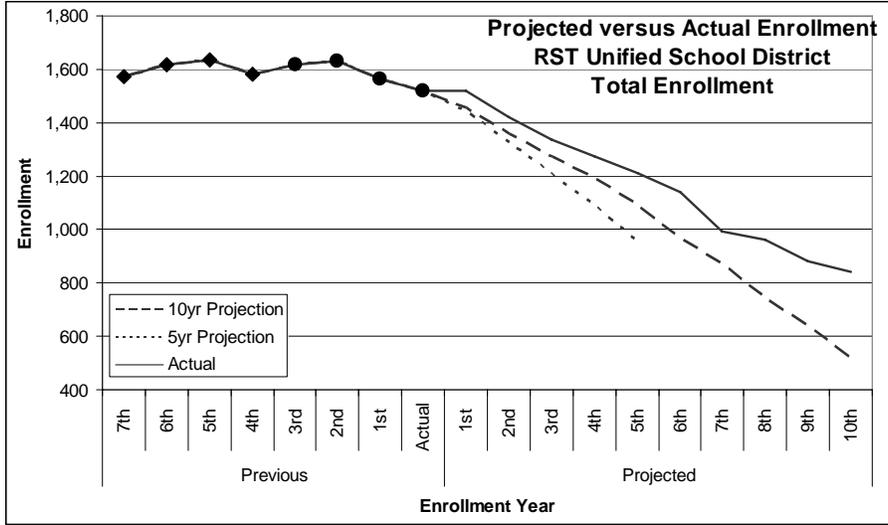
10-Year Enrollment Projection

Year	Actual Enrollment								Average Change (Div By 28)	Projected Enrollment									
	1	2	3	4	5	6	7	8		1-year projection	2-year projection	3-year projection	4-year projection	5-year projection	6-year projection	7-year projection	8-year projection	9-year projection	10-year projection
K	6365	6703	6705	6830	6932	7051	7204	7129	75	7204	7279	7354	7429	7504	7579	7654	7729	7804	7879
1	6541	6754	7035	6972	6973	7104	7089	7118	100	7229	7304	7379	7454	7529	7604	7679	7754	7829	7904
2	6698	6593	6711	6879	6867	6878	6769	6823	-183	6935	7046	7121	7196	7271	7346	7421	7496	7571	7646
3	6375	6757	6611	6671	6697	6744	6656	6559	-149	6674	6786	6897	6972	7047	7122	7197	7272	7347	7422
4	5815	6513	6808	6551	6528	6578	6515	6425	-146	6413	6528	6640	6751	6826	6901	6976	7051	7126	7201
5	5307	5830	6559	6647	6395	6378	6308	6296	-175	6250	6238	6353	6465	6576	6651	6726	6801	6876	6951
6	4912	5307	5831	6404	6456	6192	6172	6110	-174	6122	6076	6064	6179	6291	6402	6477	6552	6627	6702
7	4723	5030	5313	5403	6155	6118	5860	5885	-280	5830	5842	5796	5784	5899	6011	6122	6197	6272	6347
8	4466	4731	4883	4982	5376	5773	5813	5606	-247	5638	5583	5595	5549	5537	5652	5764	5875	5950	6025
9	5165	5497	5685	5544	5845	6069	6885	7109	985	6591	6623	6568	6580	6534	6522	6637	6749	6860	6935
10	4532	4773	5014	4937	4903	4942	5429	5863	-774	6335	5817	5849	5794	5806	5760	5748	5863	5975	6086
11	3339	3721	4091	3935	4026	3951	4092	4331	-950	4913	5385	4867	4899	4844	4856	4810	4798	4913	5025
12	2782	2743	3195	2967	3082	3213	3078	3187	-860	3471	4053	4525	4007	4039	3984	3996	3950	3938	4053
Total	67020	70952	74441	74722	76235	76991	77850	78441		79605	80560	81008	81059	81703	82390	83207	84087	85088	86178

ATTACHMENT B

11th Grade 10-Year Projection:
 Take the current 1st grade enrollment & add the 2nd grade average change (since 1st grade enrollment becomes the 2nd grade enrollment on the following year, calculating on a diagonal).
 Then add the 3rd grade average change, then the 4th and so forth for all 10 years:
 $7118 + (-183) + (-149) + (-146) + (-175) + (-174) + (-280) + (-247) + 985 + (-774) + (-950) = 5025$

ATTACHMENT C



Pupil Type	Current Enrollment Only Option		COS Residence Option		Proposed for Residence Option		Comments
	Exclude	Include	Exclude	Include	Exclude	Include	
Off-track and on-track students attending multi-track year round schools		x		x		x	
Students residing outside the district boundaries but attending school in the district (i.e. Interdistrict transfers)		x	x		x		State does not appear to allow school districts using the residence reporting option to report pupils who do not reside in the district. Also, the school district in which these pupils reside may not report them on a Form SA 650-01 for the enrollment or residency data options. It appears these pupils may not be counted by any district.
Students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries and are enrolled in the same grade level or type served by the district and the Charter School appears on the district's CB EDS report		x		x		x	
Students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries and are enrolled in the same grade level or type served by the district but the Charter School does not appear on the district's CB EDS report		x	x		x		State requires that any pupils reported by HSAA residence must appear on the school district's CB EDS report, therefore, these pupils may not be reported by school districts using the HSAA residence option. These pupils may be reported if a school district chooses to report by HSAA enrollment or on a districtwide basis.
Magnet school students		x		x		x	
Community school students		x		x		x	
Independent study students		x		x		x	
Students living in the district boundaries but attending other district	x		x		x		State requires that any pupils reported by HSAA residence must appear on the school district's CB EDS report, therefore, these pupils may not be reported by school districts using the HSAA residence option.
Regional Occupation Program (ROP) students	x		x		x		
Preschool students	x		x		x		
Adult Education students	x		x		x		
Students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries but are enrolled in grade levels or type not served by the district	x		x		x		
Students living inside district boundaries but are receiving Classroom-Based Instruction in Charter Schools located outside the district boundaries	x		x		x		
Students receiving Non-classroom-Based Instruction	x		x		x		
Juvenile court court school students	x		x		x		
Special Day Class students		x	x			x	
Continuation High School pupils		x	x			x	

ATTACHMENT D

DISTRICTWIDE ENROLLMENT BY PUPIL RESIDENCE

	HSAA 1								HSAA 2							
	7th Prev	6th Prev	5th Prev	4th Prev	3rd Prev	2nd Prev	Prev.	Current	7th Prev	6th Prev	5th Prev	4th Prev	3rd Prev	2nd Prev	Prev.	Current
K																
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
Elem. SDC																
Sec. SDC																
TOTALS:																

	HSAA 3								HSAA 4							
	7th Prev	6th Prev	5th Prev	4th Prev	3rd Prev	2nd Prev	Prev.	Current	7th Prev	6th Prev	5th Prev	4th Prev	3rd Prev	2nd Prev	Prev.	Current
K																
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
Elem. SDC																
Sec. SDC																
TOTALS:																

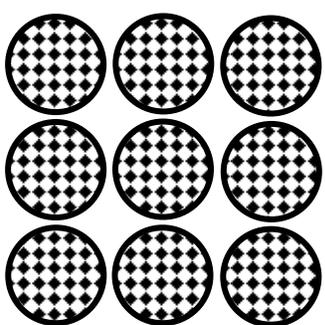
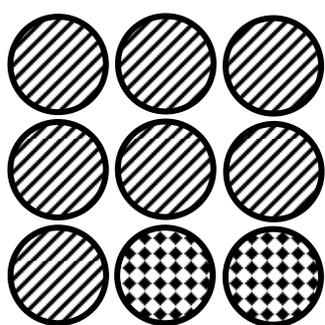
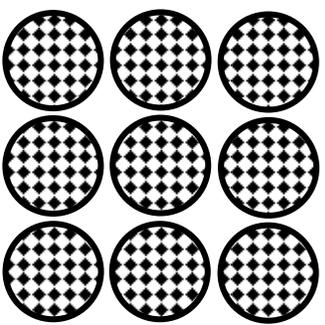
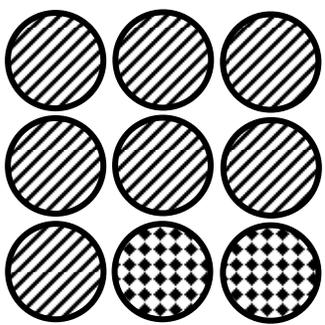
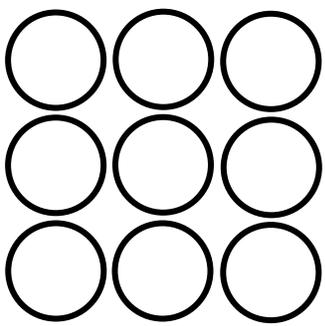
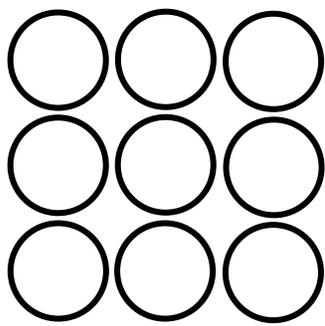
ATTACHMENT F

Key

Classroom housing students		Students residing in HSAA 1	
Classroom funded but not yet housing students		Students residing in HSAA 2	

HSAA 1

HSAA 2

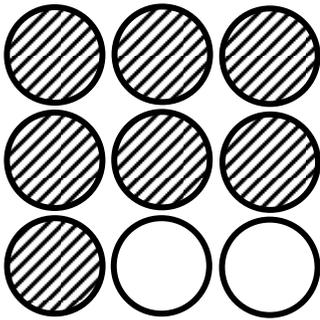


The district establishes new construction eligibility with 9 classrooms each in two HSAA's using enrollment option. All classrooms occupied and so both have eligibility of zero.

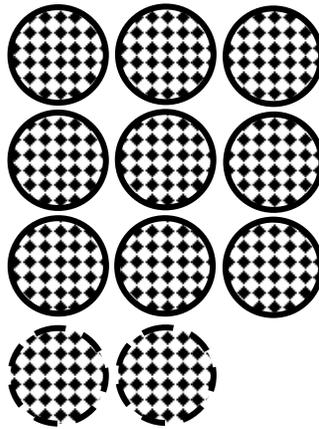
Once the district switches to residency option, it can be seen that HSAA 1 is housing 2 classrooms of students that live in HSAA 2. HSAA 2 now has positive eligibility, i.e. unhoused pupils, while HSAA 1 shows negative eligibility.

This allows a district to submit an application for two additional classrooms in HSAA 2 to house pupils in the area where they live.

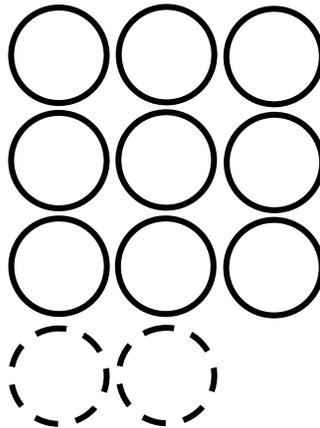
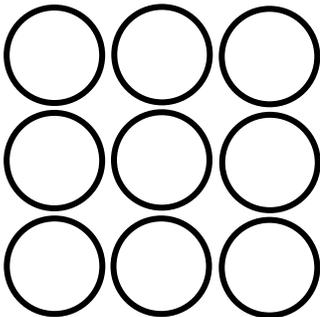
HSAA 1



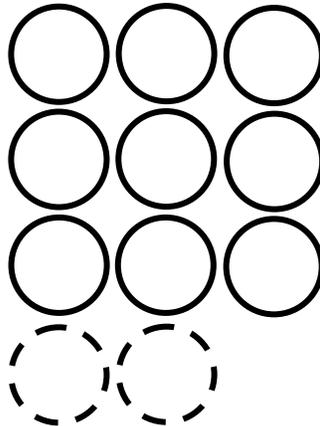
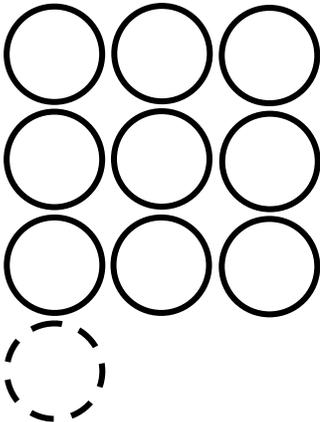
HSAA 2



Once the District has submitted an application for the construction of two classrooms in HSAA 2, the district will once again show no need for additional classrooms in HSAA 2.



If a district were to switch back to HSAA enrollment option the following year, they would now show no need in HSAA 1 and two extra classrooms in HSAA 2. This by itself does not pose any concerns.



If HSAA 1, using residency data, were to project a need for additional classroom, the eligibility would remain negative as those students would be able to occupy the classrooms vacated through the construction in HSAA 2. However, if a district were to have switched back to enrollment reporting prior to the two classrooms in HSAA 2 being occupied, HSAA 1 would now show a need for one additional classroom. This switch would provide a funding opportunity for the construction of one classroom that is not needed.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
MAY 2, 2008

USE OF SITE SALE PROCEEDS

PURPOSE

To discuss proposed regulatory amendments that allow the use of site sale proceeds, on a single and one-time only basis, toward the costs of a district's existing unfunded liability for postemployment benefits, other than pensions, as determined using the actuarial measurement methods defined in Governmental Accounting Standards Board Statement 45 (GASB 45).

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 a district's existing unfunded liability for postemployment benefits, other than pensions.

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.

In order to address this issue, a fairly broad proposed regulatory amendment was first presented at the March 7, 2008 Implementation Committee meeting. Based on discussion with members at that meeting and subsequent discussions with the California Department of Education and Staff's legal counsel, the proposed regulation was narrowed in scope in order to focus on precisely which type of one-time payment would be allowed due to GASB 45.

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. The changes to the proposed regulation allow districts to use site sale proceeds, on a single and one-time only basis, toward the cost of unfunded liabilities identified by the new accounting rules established in GASB 45.

**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 except, if approved by the State Allocation Board, a single and one-time payment toward reducing a district's existing unfunded liability for postemployment benefits other than pensions will be considered a one-time expenditure and not an ongoing expenditure if the following conditions are also met: (1) the unfunded liability was incurred prior to January 1, 2007, (2) the unfunded liability has been determined using actuarial measurement methods as defined in Governmental Accounting Standards Board Statement 45, and (3) the payment is consistent with any plan made by the district according to Assembly Bill 1802, Chapter 79, Section 43(a)(6)(A), Statutes of 2006 (Committee on Budget), as amended by Senate Bill 1131, Chapter 371, Statutes of 2006 (Committee on Budget and Fiscal Review), or a similar plan adopted by the district's governing board.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
May 2, 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* will not be audited. The worksheet will be used to collect data, and the proposed regulation ensures that reliable data are collected. The proposed regulation also makes sure that districts are not subject to Material Inaccuracy findings based on this information.

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 worksheet and the submittal of the rulemaking file to the Office of Administrative Law. The OPSC Staff recommended, and the SAB requested, that Staff review and present proposed amendments to Regulation Section 1859.104.1 (Material Inaccuracy Penalties) at a future SAB meeting to clarify the purpose of the worksheet as it relates to material inaccuracies.

The item that included these proposed regulatory amendments was first presented at the March 2008 Implementation Committee meeting. At that meeting, the Office of Public School Construction (OPSC) Staff presented proposed regulation, which stated that, "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." However, based on the March meeting's comments from audience and committee members, Staff revised the proposed regulation, for the April 2008 Implementation Committee meeting. The revised proposed regulations stated that, "A school district filing a *Project Information Worksheet* with the most accurate information available at the time of filing will not be subject to a Material Inaccuracy for that information." Based on additional comments made by members and attendees at that meeting, Staff has returned to May's Implementation Committee meeting to address those comments in the Discussion Section of this item.

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."

School Facility Program (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

At its January 2008 meeting, the SAB requested that the OPSC Staff review and suggest changes to Regulation Section 1859.104.1. 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 on the worksheet, with the District's most accurate information available at the time of the filing, will not be used in the determination of a potential Material Inaccuracy finding. The proposed regulation protects the District in submitting the most accurate information available at the time of filing the worksheet.

In response to proposals from the April 2008 Implementation Committee meeting to remove the 'most accurate information' section from the proposed regulation, Staff's legal counsel has recommended maintaining the 'most accurate information' phrase in order to hold the information reported on the worksheet to a reasonable standard. Other alternative regulations proposed by members attending the meeting were considered and discussed with Staff legal counsel. These proposals were not viable alternatives to counsel because the standard for information on the worksheet would be too low. Lastly, based on the input received from the April 2008 meeting, Staff has agreed to relocate the proposed regulation language to the end of SFP Regulation Section 1859.104.1.

SCHOOL FACILITY PROGRAM
Proposed Amendments to Regulations

Section 1859.104.1. Material Inaccuracy Penalties.

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.

A school district filing a *Project Information Worksheet* with the most accurate information available at the time of filing will not be subject to a Material Inaccuracy for that information.