

How were the indexes used under Lease Purchase Program (LPP)?

The LPP grant amounts were determined on a square footage basis. The OPSC would determine by using the DSA approved plans whether the building type was Class B or Class D for each building. A school construction project could have consisted entirely of one building class type or a combination of both. The grant amount was based primarily on the verified square footage of each building for each class type.

What index did the SAB use under the LPP?

The former Office of Local Assistance (OLA) used the adjustment factors from M&S since the mid-1960's. Over time, different index baselines were established providing that the adjustment factor could begin at 1.00 after periods of inflation. The baseline for the building class indices were re-established in September 1987. For ten years (1987 to 1996), LSI provided the Class D adjustment factor while M&S provided the Class B. During that time the OLA continued to record the M&S factors for both building classes and based upon this data the SAB proposed that the LSI and M&S Class D factors resulted in equal indices. The M&S index was more readily available on a monthly basis; therefore the SAB approved the use of M&S exclusively in September 1996.

What is the difference between Class B and Class D?

Class B refers to buildings made of reinforced concrete or steel frames, concrete floors, and roofs. Class D refers to structures that are constructed primarily of wood. The terms appear to have been developed for the purpose of classification in construction cost indices.

Why is the Class B CCI used for SFP?

Senate Bill 50 (Greene) created the SFP in 1998 and required the SAB to use the annual percent change in the Class B index to adjust the pupil grant amounts provided for modernization and new construction projects.

Can the Board adjust the CCI more than once a year?

EC Section 17072.10(b) which states, "The Board shall annually adjust the per un-housed pupil apportionment to reflect construction cost changes, as set forth in the statewide cost index for class B Construction as determined by the Board." The board can only make this adjustment annually, to mean only once in a 12 month or 365 day period.

Do the indices incorporate prevailing wage rates?

Each company tracks the local union wages for each city surveyed for the index. A majority of local union wages make up the prevailing wage in most states. "Prevailing Wage" is defined by the Department of Industrial Relations (DIR) as the hourly wage, usual benefits and overtime, paid to the majority of workers, laborers, and mechanics within a particular area. California prevailing wage rate is established by the DIR for each trade and occupation based on surveys given in a given area for the predominant wages. According to the DIR, the majority of predominant wages are the union wages. For example, ENR has price reporters covering 20 U.S. cities that check prices locally.

The prices are quoted from the same suppliers each month and ENR computes its latest indexes from these figures and local union wage rates.