

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, March 22, 2006

LABOR COMPLIANCE PROGRAM GRANTS

PURPOSE OF REPORT

To provide a report regarding the adequacy of Labor Compliance Program (LCP) apportionments.

BACKGROUND

At the July 2003 State Allocation Board (SAB) meeting, the Board approved regulations that provided a per-pupil grant increase to accommodate the State's share of increased costs of a new construction or modernization project for the initiation and enforcement of a LCP. Staff was directed to present a report to determine the adequacy of the LCP funding.

AUTHORITY

Labor Code Section 1771.7 states in part that the SAB shall increase per-pupil grant amounts to accommodate the State's share of the costs of initiating and enforcing a LCP. The law provides that a SFP project is eligible for an increase in the per-pupil grant amount if both of the following conditions are met:

- The project was or will be funded from the proceeds of Propositions 47 or 55.
- The Notice to Proceed for the initial contract for construction of the project was issued on or after April 1, 2003.

Labor Code Section 1771.7 also provided for an exception to the full and final apportionment provisions in the law to accommodate LCP costs on projects that have already received their full apportionment amount without the LCP funding but were eligible for the funding.

DESCRIPTION

Currently, the SAB has provided LCP funding for 2,744 projects. For the purposes of this report, Staff was able to use a sample size of 61 projects or two percent of all projects that have received LCP funding. The sample size is limited because the vast majority of the projects are not due for audit; thus, the cost data is unavailable. The amounts reported by the districts are compared to the total amount of LCP funds provided (includes the State and district share). The data obtained indicates the following for new construction and modernization:

- New Construction (Sample size of eight projects as shown on Attachments A and C)
  - Seven projects spent less than the apportioned amount.
  - One project spent more than the apportioned amount.
  - The average amount apportioned (including the State and district share) was \$39,707. Of this amount, the average expenditure was \$16,358, which resulted in \$23,348 (58.8 percent) excess funding.

DESCRIPTION (cont.)

- Modernization (Sample size of 53 projects as shown on Attachments B and C)
  - 45 projects (85 percent) spent less than the apportioned amount.
  - Six projects (11 percent) spent more than the apportioned amount.
  - Two projects (four percent) spent the same amount as the apportioned amount.
  - The average amount apportioned, (including the State and district share) was \$24,519. Of this amount, the average expenditure was \$15,133, which resulted in \$9,385 (38.2 percent) excess funding.

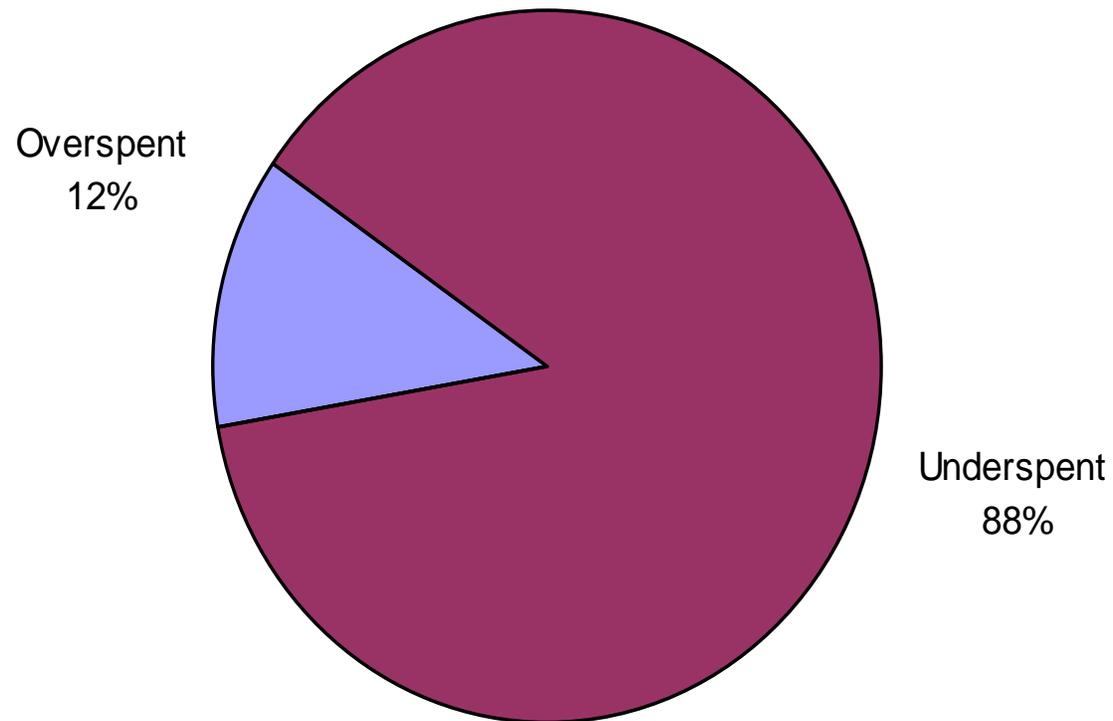
The small size of only 61 projects overall is inadequate to properly assess whether the LCP apportionment is sufficient; therefore, an analysis with a larger sample size when additional LCP funded projects are in close-out would provide a better basis for determining the adequacy of the grant. As a result, Staff does not recommend any adjustments at this time.

RECOMMENDATION

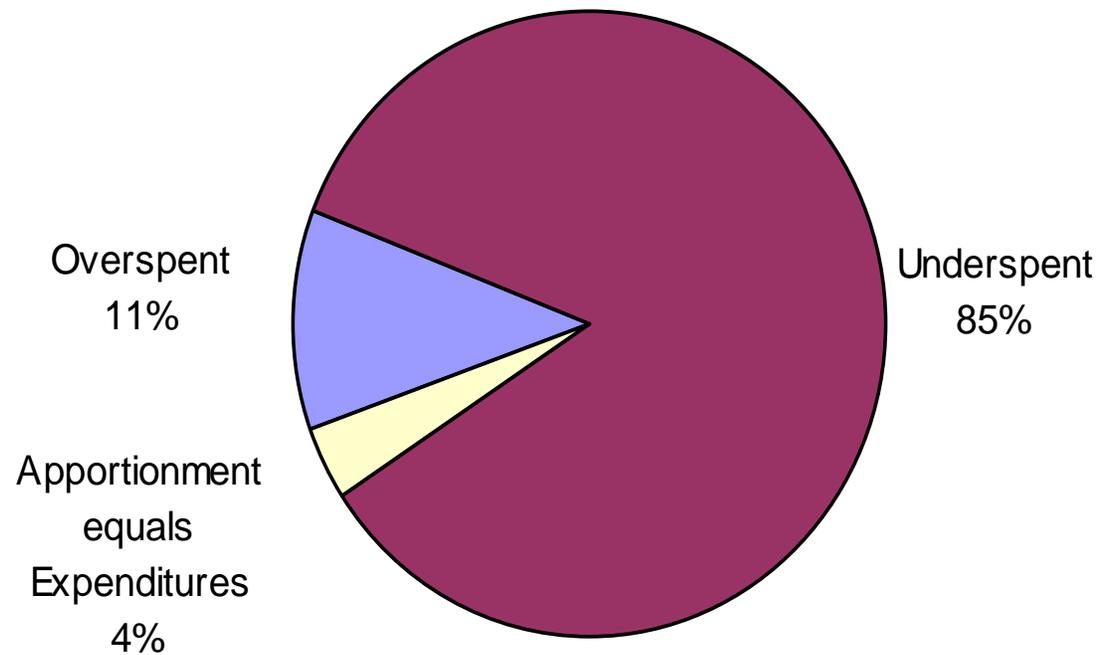
Accept this report.

This Item was approved by the State Allocation Board on March 22, 2006.

**ATTACHMENT A**  
**LCP STATE GRANT, FINANCIAL HARDSHIP, AND**  
**DISTRICT SHARE vs. LCP EXPENDITURES**  
**(NEW CONSTRUCTION)**  
**SAMPLE SIZE 8 PROJECTS**



**ATTACHMENT B**  
**LCP STATE GRANT, FINANCIAL HARDSHIP, AND DISTRICT SHARE**  
**vs. LCP EXPENDITURES**  
**(MODERNIZATION)**  
**SAMPLE SIZE 53 PROJECTS**



## ATTACHMENT C AVERAGE LCP GRANT, FINANCIAL HARDSHIP, AND STATE GRANT vs. AVERAGE AMOUNT SPENT

