

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, September 24, 2008

MACIAS GRANT ADEQUACY STUDY

PURPOSE OF REPORT

To present the Macias Gini & O'Connell's New School Construction Grant Adequacy Study (study) for action by the State Allocation Board (SAB).

BACKGROUND

Assembly Bill (AB) 127, Chapter 35, Statutes of 2006 (Perata/Nunez) provided an increase to the new construction grant of seven percent for elementary and middle school projects and four percent for high school projects beginning July 1, 2006. AB 127 also authorized the SAB, beginning January 1, 2008, to annually increase the new construction per pupil base grant amount by up to six percent, or reduce it, by an amount determined based on an analysis of the current costs to build a school.

Since the passage of AB 127, Staff worked diligently in order to develop a means of capturing data to conduct the analysis required by statute. Staff worked with the Grant Adequacy Ad Hoc Committee and the Implementation Committee beginning in September of 2006 to create the Project Information Worksheet (PIW), which was approved by the Board at its September 2007 meeting. However, this PIW and the corresponding regulations were unable to be approved by the Office of Administrative Law, at that time, due to public comments submitted during the regulatory process. The PIW was ultimately approved by the SAB in January 2008 and became effective July 10, 2008.

During the extensive PIW feedback and revision process, it became clear to the Office of Public School Construction (OPSC) that in order to meet the deadline of January 2008 for the statutorily required analysis, the OPSC needed alternative means to obtain data and formulate recommendations for the SAB to consider adjusting the new construction grant. Therefore, the OPSC contracted with the Macias Consulting Group (MCG) in June 2007 to develop a methodology and complete an independent grant adequacy study.

The MCG developed its methodology in consultation with the Legislative Analyst's office, the Division of the State Architect, the Office of Statewide Audits and Evaluations, and the education section of the Department of Finance. During the development of the study, the MCG maintained regular open meetings with these advisors and met with the California Department of Education. The methodology was presented at a publicly noticed open meeting on October 5, 2007 and presented to the SAB at the October 2007 meeting. These meetings allowed the public the opportunity to comment on the methodology.

The MCG presented its findings on the adequacy of the New Construction Grant at the January 2008 SAB meeting. There was much discussion on the study at the Board meeting; however, no action was taken. Instead, the Board requested that a working group be created to research the report in order to achieve a better understanding and come back with a recommendation to the Board. The group met; however, consensus could not be reached regarding the outstanding issues. Therefore, a formal recommendation was never made to the Board as a result of that meeting.

The OPSC recommended and the Board approved at the May 2008 SAB meeting that the elementary, middle, and high school project grants be increased by six percent as allowed by AB 127.

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DESCRIPTION

At the August 2008 SAB meeting, the Board requested the OPSC present the Macias study for formal action since the Board has not previously taken any action on the report. Also as requested, staff provided the Board members a copy of the study and the related transcripts and minutes well in advance of today's SAB meeting.

BOARD ACTION

In considering this item, the State Allocation Board approved a motion to formally not accept the Macias Report and declared that the report does not have SAB approval for citing in any administrative, legislative, fiscal or other official purpose.

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