

STATE ALLOCATION BOARD AGENDA

Meeting Date: January 27, 2016

State Capitol
Room 126
4:00 p.m.

Revision date: January 21, 2016

Tab #7 – Action Items:

- Insert pages 123 – 130
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Thank you,

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REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, January 27, 2016

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS

PURPOSE OF REPORT

To adopt the annual adjustment in the School Facility Program (SFP) grants based on the change in construction costs pursuant to the Education Code (EC) and SFP Regulations and to adopt a new Class B Construction Cost Index (CCI) on a permanent basis.

DESCRIPTION

This item presents the State Allocation Board (Board) with the annual adjustment to the SFP grants based on the statewide cost index for Class B construction. Each year the Board adjusts the SFP grants to reflect construction cost changes.

At the April 2015 meeting, the Board directed Staff to bring back an item to discuss adoption of a new index on a permanent basis. Staff is presenting three cost indices for the Board's consideration from RS Means, Engineering News Record, and Sierra West Group.

AUTHORITY

For the New Construction grant, EC Section 17072.10(b) states, "The board annually shall adjust the per-unhoused-pupil apportionment to reflect construction cost changes, as set forth in the statewide cost index for class B construction as determined by the board."

EC Section 17072.11(a)(3) states, "The board shall conduct an analysis of the relationship between the per-unhoused-pupil grant eligibility determined under this article and the per-pupil cost of new school construction for elementary, middle, and high school pupils."

For Modernization funding, EC Section 17074.10(b) states, "The board shall annually adjust the factors set forth in subdivision (a) according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the board."

Government Code Section 66452.6 states:

(a)(1) An approved or conditionally approved tentative map shall expire 24 months after its approval or conditional approval, or after any additional period of time as may be prescribed by local ordinance, not to exceed an additional 12 months. However, if the subdivider is required to expend two hundred thirty-six thousand seven hundred ninety dollars (\$236,790) or more to construct, improve, or finance the construction or improvement of public improvements outside the property boundaries of the tentative map, excluding improvements of public rights-of-way which abut the boundary of the property to be subdivided and which are reasonably related to the development of that property, each filing of a final map authorized by Section 66456.1 shall extend the expiration of the approved or conditionally approved tentative map by 36 months from the date of its expiration, as provided in this section, or the date of the previously filed final map, whichever is later. The extensions shall not extend the tentative map more than 10 years from its approval or conditional approval. . . .

(2) Commencing January 1, 2012, and each calendar year thereafter, the amount of two hundred thirty-six thousand seven hundred ninety dollars (\$236,790) shall be annually increased by operation of law according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the State Allocation Board at its January meeting. The effective date of each annual adjustment shall be March 1. The adjusted amount shall apply to tentative and vesting tentative maps whose applications were received after the effective date of the adjustment.

AUTHORITY (cont.)

SFP Regulation Section 1859.71 states,

The new construction per-unhoused-pupil grant amount, as provided by Education Code Section 17072.10(a), will be adjusted annually based on the change in the Class B Construction Cost Index as approved by the Board each January. The base Class B Construction Cost Index shall be 1.30 and the first adjustment shall be January, 1999.

The new construction per-unhoused-pupil grant amount, as provided by Education Code Section 17072.10(a), may be increased by an additional amount not to exceed six percent in a fiscal year, or decreased, based on the analysis of the current cost to build schools as reported on the Project Information Worksheet (Revised 05/10) which shall be submitted with the Forms SAB 50-05 and 50-06 and as approved by the Board.

SFP Regulation Section 1859.2 Definitions states, "Class B Construction Cost Index" is a construction factor index for structures made of reinforced concrete or steel frames, concrete floors, and roofs, and accepted and used by the Board.

SFP Regulation Section 1859.78 states, "The modernization per-unhoused-pupil grant amount, as provided by Education Code Section 17074.10(a), will be adjusted annually based on the change in the Class B Construction Cost Index as approved by the Board each January."

BACKGROUND

Statute requires an annual adjustment to the per-unhoused-pupil grant amounts of the SFP based on the change in the statewide Class B Construction Cost Index each January.

In April 2015, Staff presented three indices for the Board's consideration for the 2015 Annual Adjustment to School Facility Program grants. These indices included:

- RS Means
- Sierra West Current Construction Cost Index
- Engineering News-Record (ENR)

As part of the 2015 item, Staff presented proposed grant amounts from multiple indices that were calculated as if each index was used every year beginning in 1999. This was to provide a more accurate, historical calculation when considering which index to use moving forward. Staff recommended the Class B CCI from RS Means, because it best represents conditions in California. It includes data from twelve cities within the state, while the other indices incorporate multiple U.S. cities, only two of which are in California. The Board adopted the RS Mean index, which resulted in an increase of 4.27 percent for the 2015 SFP grants. In addition, the Board directed Staff to bring back an item to discuss adopting an index on a permanent basis in 2016

Pursuant to Government Code Section 66452.6(a)(2) as set forth above, the Board's Class B CCI adjustment determination also changes the threshold amount of public improvement costs that triggers an extension of the expiration of tentative maps. The Board's January 2015 CCI provided an increase of 0.78 percent based on the RS Means rate of change from 2012-2014. This resulted in a threshold amount of \$260,473.

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STAFF ANALYSIS/STATEMENTS*2016 CCI Adjustment Options*

Staff explored other options for the Board's consideration of a Class B Construction Cost Index for the 2016 SFP grant adjustment. The indices that are most representative of California remain the same as those presented in April 2015 as follows:

- RS Means
- Sierra West Current Construction Cost Index
- ENR

All three indices appear to meet the SFP definition of a Class B Construction Cost Index. A brief description of each index appears in Attachment A. Since 2009, the Board has adopted indices that are reflective of conditions in California. Based on this practice, Staff recommends that the Board adopt the RS Means Index.

The current rate of change between 2015 and 2016 for the three indices is included below.

Index	RS Means	Sierra West Group	ENR
Rate of Change 2015 to 2016	0.27% Increase	2.27% Increase	0.54% Increase

The following chart shows the resulting new construction per pupil grant adjustment for each index available for consideration by the Board, after re-calculating from 1999 to 2016 (showing the 2015 grant amount for comparison):

Resulting New Construction Pupil Grants			Resulting Base Grants		
			RS Means	Sierra West Group	ENR
Grade Level	Regulation Section	Current Adjusted Grant Per Pupil Effective 1-1-15	Potential Grant Per Pupil Effective 1-1-16	Potential Grant Per Pupil Effective 1-1-16	Potential Grant Per Pupil Effective 1-1-16
Elementary	1859.78	\$10,345	\$10,373	\$10,476	\$9,772
Middle	1859.78	\$10,942	\$10,972	\$11,080	\$10,336
High	1859.78	\$13,923	\$13,960	\$14,098	\$13,151
Special Day Class – Severe	1859.78.3	\$29,070	\$29,149	\$29,436	\$27,460
Special Day Class – Non-Severe	1859.78.3	\$19,442	\$19,495	\$19,687	\$18,365

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STAFF ANALYSIS/STATEMENTS (cont.)

The following chart shows the resulting modernization per pupil grant adjustment for each index available for consideration by the Board, after re-calculating from 1999 to 2016 (showing the 2015 grant amount for a point of comparison):

Resulting Modernization Pupil Grants			Resulting Base Grants		
Grade Level	Regulation Section	Current Adjusted Grant Per Pupil Effective 1-1-15	RS Means	Sierra West Group	ENR
			Potential Grant Per Pupil Effective 1-1-16	Potential Grant Per Pupil Effective 1-1-16	Potential Grant Per Pupil Effective 1-1-16
Elementary	1859.71	\$3,939	\$3,950	\$3,989	\$3,721
Middle	1859.71	\$4,167	\$4,178	\$4,220	\$3,937
High	1859.71	\$5,455	\$5,470	\$5,524	\$5,153
Special Day Class – Severe	1859.71.1	\$12,555	\$12,589	\$12,713	\$11,860
Special Day Class – Non-Severe	1859.71.1	\$8,399	\$8,422	\$8,505	\$7,933

In addition, the adopted CCI adjustment would change the threshold amount for Government Code Section 66452.6(a)(2) for the period of one year commencing March 1, 2016. The current amount is \$260,473. Depending on which index the Board adopts, the resulting threshold amount would be as follows:

	RS Means	Sierra West Group	ENR
Resulting Amount	\$261,173	\$269,233	\$258,538

The threshold amounts were calculated based on rate of change in each specific index from year to year, from 2012-2016

Conclusion

Staff has reviewed the three indices and recommends that the Board adopt the RS Means index on a permanent basis for all future grant adjustment for the following reasons:

- RS Means uses 12 cities in California, Sierra West and ENR only include 2 California cities.
- RS Means uses more construction materials when looking at costs for its index (66 instead of 23 as compared to Sierra West).

Based on the reasons above, the RS Means index is the Class B index most reflective of construction costs in California.

RECOMMENDATIONS

1. Adopt an increase for 2016 SFP grants based on the RS Means Construction Cost Index as shown in Attachment B.
2. Adopt the RS Means Construction Cost Index on a permanent basis for all future annual SFP grant adjustments.

ATTACHMENT A

CONSTRUCTION COST INDEX
 INDICES COMPARISON
 State Allocation Board Meeting, January 27, 2016

Indices	RS Means	Sierra West Group Construction Cost Index	Engineering News Record (ENR)
Cities	12 California Cities: <ul style="list-style-type: none"> • Anaheim • Bakersfield • Fresno • Los Angeles • Oxnard • Riverside • Sacramento • San Diego • San Francisco • Santa Barbara • Stockton • Vallejo 	20 U.S. Cities: <ul style="list-style-type: none"> • Atlanta • Baltimore • Birmingham • Boston • Chicago • Cincinnati • Cleveland • Dallas • Denver • Detroit • Kansas City • Los Angeles • Minneapolis • New Orleans • New York • Philadelphia • Pittsburgh • St Louis • San Francisco • Seattle 	2 California Cities: <ul style="list-style-type: none"> • Los Angeles • San Francisco
Materials Used	Based on 66 common construction materials in 12 cities. Material prices are obtained from building material suppliers in 113 cities across the United States and Canada.	Average based on 23 key construction materials in 20 cities, throughout the U.S.	Average based on 3 types of materials using spot pricing from a single source in each city.
Labor Used	Union labor.	Average of labor based on quotes for 9 union crafts in 16 cities across the U.S.	Average of city wage fringe labor rates are tracked for bricklayers, carpenters, and structural iron workers.
Wage Rates	Union or prevailing wages are used depending on the location. Building Trades Councils or Davis Bacon wage determinations are also used.	Union.	Unknown

ATTACHMENT B

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS
State Allocation Board Meeting, January 27, 2016

Grant Amount Adjustments

		Regulation Section	Current Adjusted Grant Per Pupil Effective 1-1-15	Current Adjusted Grant Per Pupil Effective 1-1-16
New Construction	Elementary	1859.71	\$10,345	\$10,373
	Middle	1859.71	\$10,942	\$10,972
	High	1859.71	\$13,923	\$13,961
	Special Day Class – Severe	1859.71.1	\$29,070	\$29,148
	Special Day Class – Non-Severe	1859.71.1	\$19,442	\$19,494
	Automatic Fire Detection/Alarm System – Elementary	1859.71.2	\$12	\$12
	Automatic Fire Detection/Alarm System – Middle	1859.71.2	\$17	\$17
	Automatic Fire Detection/Alarm System – High	1859.71.2	\$28	\$28
	Automatic Fire Detection/Alarm System – Special Day Class – Severe	1859.71.2	\$53	\$53
	Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe	1859.71.2	\$36	\$36
	Automatic Sprinkler System – Elementary	1859.71.2	\$173	\$173
	Automatic Sprinkler System – Middle	1859.71.2	\$206	\$207
	Automatic Sprinkler System – High	1859.71.2	\$214	\$215
	Automatic Sprinkler System – Special Day Class – Severe	1859.71.2	\$548	\$549
	Automatic Sprinkler System – Special Day Class – Non-Severe	1859.71.2	\$368	\$369
	Modernization	Elementary	1859.78	\$3,939
Middle		1859.78	\$4,167	\$4,178
High		1859.78	\$5,455	\$5,470
Special Day Class - Severe		1859.78.3	\$12,555	\$12,589
Special Day Class – Non-Severe		1859.78.3	\$8,399	\$8,422
State Special School – Severe		1859.78	\$20,925	\$20,981
Automatic Fire Detection/Alarm System – Elementary		1859.78.4	\$127	\$127
Automatic Fire Detection/Alarm System – Middle		1859.78.4	\$127	\$127
Automatic Fire Detection/Alarm System – High		1859.78.4	\$127	\$127
Automatic Fire Detection/Alarm System – Special Day Class – Severe		1859.78.4	\$352	\$353
Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe		1859.78.4	\$235	\$236
Over 50 Years Old – Elementary		1859.78.6	\$5,472	\$5,487
Over 50 Years Old – Middle		1859.78.6	\$5,788	\$5,804
Over 50 Years Old – High		1859.78.6	\$7,577	\$7,597
Over 50 Years Old – Special Day Class – Severe		1859.78.6	\$17,442	\$17,489
Over 50 Years Old – Special Day Class – Non-Severe		1859.78.6	\$11,664	\$11,695
Over 50 Years Old – State Special School – Severe		1859.78.6	\$29,069	\$29,147

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ATTACHMENT B

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS
January 2016

Grant Amount Adjustments

New Construction / Modernization / Joint-Use	Regulation Section	Current Adjusted Grant Per Pupil Effective 1-1-15	Current Adjusted Grant Per Pupil Effective 1-1-16
Therapy/Multipurpose Room/Other (per square foot)	1859.72 1859.73.2 1859.77.3 1859.82 1859.125 1859.125.1	\$169	\$169
Toilet Facilities (per square foot)	1859.72 1859.73.2 1859.82 1859.125 1859.125.1	\$304	\$305
New Construction Only			
Parking Spaces	1859.76	\$13,155	\$13,191
General Site Grant (per acre for additional acreage being acquired)	1859.76	\$16,838	\$16,883
Project Assistance (for school district with less than 2,500 pupils)	1859.73.1	\$6,327	\$6,344
Modernization Only			
Two-stop Elevator	1859.83	\$105,240	\$105,524
Additional Stop	1859.83	\$18,943	\$18,994
Project Assistance (for school district with less than 2,500 pupils)	1859.78.2	\$3,374	\$3,383
Facility Hardship / Rehabilitation			
Current Replacement Cost - Other (per square foot)	1859.2	\$338	\$339
Current Replacement Cost - Toilets (per square foot)	1859.2	\$608	\$610
Interim Housing – Financial Hardship (per classroom)	1859.81	\$34,687	\$34,781
Charter School Facilities Program - Preliminary Apportionment Amounts			
Charter School Elementary	1859.163.1	\$10,399	\$10,427
Charter School Middle	1859.163.1	\$11,009	\$11,039
Charter School High	1859.163.1	\$13,972	\$14,010
Charter School Special Day Class - Severe	1859.163.1	\$29,209	\$29,288
Charter School Special Day Class - Non-Severe	1859.163.1	\$19,534	\$19,587
Charter School Two-stop Elevator	1859.163.5	\$87,700	\$87,937
Charter School Additional Stop	1859.163.5	\$15,786	\$15,829

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REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, January 27, 2016

INDEX ADJUSTMENT ON THE ASSESSMENT FOR DEVELOPMENT

PURPOSE OF REPORT

To report the index adjustment on the assessment for development, which may be levied pursuant to Education Code Section 17620.

DESCRIPTION

The law requires the maximum assessment for development be adjusted every two years by the change in the Class B construction cost index, as determined by the State Allocation Board (Board) at its January meeting. This item requests that the Board make the adjustment based on the change reflected using the RS Means index.

AUTHORITY

Education Code Section 17620(a)(1) states the following: "The governing board of any school district is authorized to levy a fee, charge, dedication, or other requirement against any construction within the boundaries of the district, for the purpose of funding the construction or reconstruction of school facilities, subject to any limitations set forth in Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code."

Government Code Section 65995(b)(3) states the following: "The amount of the limits set forth in paragraphs (1) and (2) shall be increased in 2000, and every two years thereafter, according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the State Allocation Board at its January meeting, which increase shall be effective as of the date of that meeting."

BACKGROUND

There are three levels that may be levied for developer's fees. The fees are levied on a per-square foot basis. The lowest fee, Level I, is assessed if the district conducts a Justification Study that establishes the connection between the development coming into the district and the assessment of fees to pay for the cost of the facilities needed to house future students. The Level II fee is assessed if a district makes a timely application to the Board for new construction funding, conducts a School Facility Needs Analysis pursuant to Government Code Section 65995.6, and satisfies at least two of the requirements listed in Government Code Section 65995.5(b)(3). The Level III fee is assessed when State bond funds are exhausted; the district may impose a developer's fee up to 100 percent of the School Facility Program (SFP) new construction project cost.

In 2012 and 2014, the Board approved increases to the rates per square foot for Residential and Commercial/Industrial based on the change in the Class B construction index according to the Marshall & Swift (M&S) Eight California Cities Index.

In April 2015, the Board adopted the Class B construction cost index according to RS Means for the annual adjustment to SFP grants since the Marshall & Swift index was not available. The Board considered indices from RS Means, Sierra West, and Engineering News Record (ENR) and is considering the same three indices again for the January 2016 adjustment.

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STAFF ANALYSIS/STATEMENTS

A historical comparison of what the assessment rates for development fees would have been for 2010, 2012 and 2014 are shown below for information. According to the RS Means, Sierra West Group and ENR construction cost indices, the cost index for Class B construction increased by 1.05, 6.73 and 3.52 percent respectively during the two year period of January 2014 through December 2015, requiring the assessment for development fees to be adjusted as follows beginning January 2016:

RS Means Index Maximum Level I Assessment Per Square Foot

	<u>2010</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>
Residential	\$3.01	\$3.20	\$3.36	\$3.53
Commercial/Industrial	\$0.48	\$0.51	\$0.54	\$0.57

Sierra West Group Index Maximum Level I Assessment Per Square Foot

	<u>2010</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>
Residential	\$2.98	\$3.14	\$3.21	\$3.43
Commercial/Industrial	\$0.48	\$0.51	\$0.52	\$0.55

ENR Index Maximum Level I Assessment Per Square Foot

	<u>2010</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>
Residential	\$2.76	\$2.98	\$3.09	\$3.20
Commercial/Industrial	\$0.44	\$0.48	\$0.50	\$0.51

The RS Means Index fits most appropriately for the construction projects in California because it uses 12 cities in California, while Sierra West and ENR only include 2 California cities. Therefore, as in the "Annual Adjustment to School Facility Program Grants" item, Staff recommends that the Board adopt the RS Means index for the adjustment on the assessment for development.

RECOMMENDATION

Increase the 2016 maximum Level I assessment for development in the amount of 1.05 percent using the RS Means Index to be effective immediately.