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.

(Continued on Page Two)

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

	2010	2012	2014	2016
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

	2010	2012	2014	2016
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

	2010	2012	2014	2016
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.

This Item was approved by the State Allocation Board on January 27, 2016.