

Subj: **Full Disclosure, Part 2**
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Fellow Members of the CalBOC Board,

Last year I informed you of my professional involvement with the CoolSchools incentive programs in PG&E and SCE during the 2010-2012 energy efficiency program cycle. I now want to update that information as we move into the next cycle.

My client is Trane/Ingersoll-Rand, who is operating programs on behalf of both Investor Owned Utilities (IOUs). Rockwood provides programmatic design consultign services, basically laying out how "a good program should work". With the end of the last portfolio it was time to start getting ready for the next. One of the programs (CoolSchools PG&E) is most likely not being continued, while the SCE program is being continued but revamped.

In SCE we are looking at a new model for upgrades, where
 schools only commit to packages of energy measures that are cash flow positive
 Use California Energy Commission financing (instead of bonds)
 Directly purchase the equipment from a statewide master purchase agreement to substantially reduce project cost
 In some cases use District personnel, trained through the program, for the evaluation of measures and application for funding
 In some cases use District maintenance personnel who are already technically qualified in their trade, as the installers
 In cases where District personnel are used they will often times be peronnel who would have otherwise have been laid off

Potential Conflict #1. This is a different model for accomplishing school energy modernizations than the traditional "Design/Bid/Build" (aka Architect/Consulting Engineer/ "CASH" member) model. Because it potentially shows schools how they can do projects themselves at a lower cost and prove that they do not always need the CASH team, it may provoke a negative response from CASH towards the program. Because I am associated with both the new program and CalBOC, a negative response to me could accrue to our organization.

Potential Conflict #2. In the course of putting together this program I am dealing with groups such as CSBA and CASBO that I also have dealt with in my capacity with CalBOC. I try to be explicitly clear during those interactions that nothing in the design or executions of these programs should be considered to in any way affect the position of CalBOC on any issue. I also explicitly state that there should not be any assumption of a future quid pro quo in CalBOC positions in return for CSBA/CASBO support of the program.

I believe that what we are doing in the upcoming programs will help schools be more cost effective in at least some of their construction practices, and theat there may indeed be a positive (from our standpoint) spillover effect into standard school construction practices. I also however realize that there is at least a chance that this could impact CalBOC. I also firmly believe that almost anyone with the experience that we need to effectively impact school construction issues will also have some degree of conflict. However, I just as firmly believe that failing to address any potential conflicts of interest explicitly and openly can call into questions the goodwill of our organization.

For the above reasons I would like to ask the Vice President, Michael Turnipseed, to discuss this issue with members of the board in whichever medium he sees fit (e-mail, conference call, etc.). When the board has decided on whether they consider this to be a conflict of interest, I would ask Mr. Turnipseed to inform us all via e-mail.

Yours,

Michael Day

California's K-12 Educational Infrastructure Investments:

Leveraging the State's Role for Quality School Facilities in Sustainable Communities

A Policy Research Report to the California Department of Education

2012



Executive Summary

In *California's K-12 Educational Infrastructure Investments: Leveraging the State's Role for Quality School Facilities in Sustainable Communities*, the University of California, Berkeley's Center for Cities & Schools provides an analysis of the state's K-12 infrastructure policies, regulations, and funding patterns. Findings reveal the need to greatly refine school facilities planning and funding policies and practices to promote sound, efficient, and goal-oriented decision making at state and local levels. The recommendations re-envision the state's role in K-12 infrastructure as one of appropriately supporting educational outcomes and contributing to more sustainable communities through a framework of public infrastructure best practices for sound planning, effective management, adequate and equitable funding, and appropriate oversight. The recommendations build on those put forth in recent California Department of Education (CDE) reports, including *Schools of the Future* (2011), *Blueprint for Great Schools* (2011), and *Re-Visioning School Facilities for the 21st Century* (2009), and lay out a vision, policy framework, and implementation plan to equitably and efficiently improve learning environments for California's 6 million students.

Since its creation in 1998, California's School Facility Program (SFP) has provided profound support for K-12 infrastructure. As a state and local funding partnership, the SFP has invested \$101.6 billion in local and state general obligation (G.O.) bond funds in new construction and major building improvements throughout the state. State bond funds contributed \$35.4 billion to this total while Local Educational Agencies (LEAs) bond funds contributed the balance, about \$66.17 billion. On top of this, LEAs invested countless dollars from their annual school operating budgets towards facilities, an estimated \$10 to \$15 billion in local developer fees was raised, and the state contributed about \$6.2 billion in deferred maintenance funds that were matched by LEAs. Together, these capital funds – believed to total about \$118 billion between 1998 and 2011 – improved the health and safety of many school facilities, provided new schools for growing communities, relieved overcrowding through new construction and additions, contributed to community and environmental improvements, and have been a job creation engine.

However, our research findings indicate that policy reforms and future investment are needed to ensure these past gains are not squandered; there are time-sensitive opportunities to seize improvements at both the state and local levels that: 1) equitably distribute these benefits across all schools; and 2) enhance the collaboration of LEAs and local governments for aligning and leveraging the substantial public investments in land development patterns, K-12 infrastructure, and other infrastructure sectors. By strategically doing both, California will ensure its policies and investment priorities support educational quality and promote the state's broader infrastructure funding goals and new policy shift towards more sustainable communities. The latter includes implementation of Senate Bill (SB) 375, upholding the state planning priorities as outlined in Assembly Bill (AB) 857, and efforts discussed in detail in our report. Despite the importance of schools as community infrastructure, the state's K-12 facility program currently is disconnected from the broader efforts to align other statewide infrastructure investments around a common set of sustainability goals.

Over the next decade, we estimate that California's K-12 school facilities need about the same level of investment they had over the last decade to provide safe, modern, equitable, and sustainable learning environments for all students. We calculate that \$117 billion in total capital investment (from all sources) is needed to make good on the previous decade's historic investment. However, the investment over the coming decade should be structured differently than that of the previous decade to best address the needs in local communities across the state. Whereas much of the investment since 1998 was aimed at new construction to accommodate enrollment growth and crowding, the next decade will need to prioritize

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existing school facilities. A particular focus should be on improving substandard learning environments and eliminating deferred maintenance needs through annual capital renewals investments (an industry standard), major modernizations for both life-safety and educational program delivery, and – where necessary – full replacement of outmoded buildings that hinder health, safety, and/or quality teaching and learning.

By following the recommendations in this report, the State of California will best leverage its policy, regulatory, and funding role to link its planning and investment in K-12 school facilities to other infrastructure sectors for multiple benefits to education and local communities.

Findings: Barriers to K-12 Infrastructure Alignment

A host of policy and implementation challenges remain barriers to California maximizing its strategic use of state-level K-12 infrastructure funds. Our research findings indicate concerns of inequitable facility condition; inadequate investment, particularly in existing facilities; and lack of local government and LEA collaboration around infrastructure and land use decisions. We found likely causes for these challenges in the capital facility planning, management, funding, and accountability systems in place in the state. The key findings are:

Planning Challenges

- California's K-12 infrastructure demands differ from those of a decade ago
- California lacks clearly defined K-12 infrastructure investment priorities
- California's sustainable communities policies exclude K-12 infrastructure
- The School Facility Program has little authority over sustainable communities outcomes
- Policy and regulatory guidance for local intergovernmental planning is insufficient

Management Challenges

- California lacks the information to guide strategic K-12 infrastructure decisions
- Concerns of distrust and inefficiency plague the School Facilities Program
- California's K-12 facility grants lack flexibility for planning and design for 21st century learning

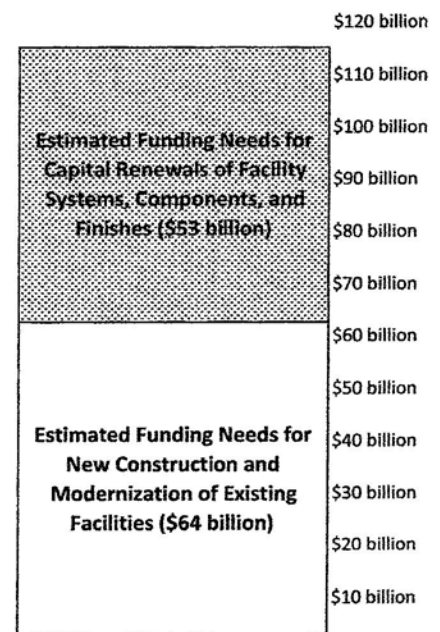
Funding Challenges

- Funding of modernizations for health, safety, and education quality has fallen short
- California's K-12 infrastructure spending has been inequitable
- LEAs will still need funding assistance for new school construction
- California's episodic and unstable schedule for K-12 infrastructure funding creates inefficiencies
- Over the next decade, California K-12 school facilities need an estimated \$117 billion in capital investments to ensure safe, modern, equitable, and sustainable learning environments for all students

Accountability Challenges

- California lacks the metrics and systems needed to ensure high value return on state and local K-12 educational infrastructure investment

Funding NEEDS for California K-12 Facilities, 2013-2023



Recommendations: Leveraging the State's Role for Quality School Facilities in Sustainable Communities

Through our analysis of California's policies and funding trends on K-12 school facilities and other infrastructure, our extensive interviews with relevant stakeholders statewide, and our study K-12 school facility programs and funding policies in all other states, we developed recommendations for strategically improving the State of California's role in K-12 school facilities, and especially the next generation of the School Facility Program (SFP). These recommendations aim to ensure that state funding is adequate and fairly allocated; that state approvals enhance accountability, but are efficient; and that state policies promote local planning to integrate K-12 facilities and sustainable community infrastructure. The recommendations further outline a coherent set of guidelines, standards, incentives, technical support, and investment priorities for California. We have focused on what the state can do to support LEAs and other local governments in delivering high-quality school facilities in sustainable communities, which involves implementation of three key elements: policy reforms, process innovations, and technology tools.

1) The California State Legislature should adopt a vision and master plan for the state's K-12 infrastructure investment. A solid vision and master plan is needed for California to strategically invest its state-level K-12 school facilities funds. The state's aim should be to first and foremost address educational needs, but also to support the state's broader goals of sustainable communities. As we found in our research, the state's investment priorities on K-12 infrastructure are falling short on both. The State Legislature should establish a task force (or equivalent) to develop a vision with guiding principles and a master plan for the state K-12 facilities program. The task force should use this report as a guide. The vision, principles, and plan should then guide all state-level agencies involved with K-12 facilities, helping to create an integrated policy framework for multisectoral strategic capital planning and align the goals of K-12 infrastructure investment with the state's broader infrastructure investment goals.

a. K-12 school infrastructure should have representation on the Strategic Growth Council

2) The state should more actively promote local planning that advances quality education and sustainable communities. Improved clarity in state codes on local intergovernmental planning is needed for a collaborative shift towards ensuring high-quality schools and sustainable communities.. State policies play a role by establishing mandates and incentives to encourage local leaders to work together. Because school facilities planning and management in California is a local LEA responsibility, state policies should be designed to encourage and support well-managed local capital planning programs in addition to providing funding assistance and setting various standards.

a. K-12 school infrastructure should be included in sustainable communities policy and implementation

b. School districts need standards-based Educational Facilities Master Plans

c. Policy, regulatory, and best practices guidance from state agencies should be available to support local intergovernmental collaboration

d. K-12 facilities projects receiving state funding should meet minimum green building criteria

e. CEQA should be used to identify and implement land use and school site planning changes to support more sustainable communities

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3) The state should assemble the necessary information to strategically prioritize funding for school facilities with highest needs.

High levels of deferred maintenance and other facility deficiencies are a significant concern for California, most importantly because they hinder teaching and learning and work against education, health, safety, and other state goals. Through its ability to prioritize funding, award hardship grants, and other policy levers, the State of California can play an important role in assisting LEAs in building new schools and repairing and modernizing existing schools to best support student success and overcome the deeply entrenched achievement gap experienced by low-income, African American, and Latino students. To ensure that school facility policies and funding decisions are made in the best interests of California's children, education data, facility information, and established priorities should be the guide. Strategic decisions can only be made with good information that is available to decision makers and the public.

- a. *Develop an inventory and assessment tool that measures the conditions and qualities of all California public school facilities*

4) The California Department of Education should work with educators, communities, and design professionals to review the standards in California Code of Regulations, Title 5 to ensure they provide for effective and efficient public planning processes and are a sound basis for quality school facilities that contribute to sustainable communities.

The standards in California Code of Regulations, Title 5 (Title 5) play an important role in shaping school planning and design at the local level. These design and condition (and other) standards for existing and new public school facilities are needed so that priorities and funding adequacy can be determined based on clear benchmarks. LEAs have wide latitude in the design of their schools and the standards are structured to allow for LEA customization so long as they demonstrate to the CDE that student safety and educational appropriateness are not compromised. The state must determine what spaces/physical components a school receiving state facilities funds should minimally include – independent of the wealth of the community. The review and updating of Title 5 also needs to take into consideration the state's new sustainable communities priorities including outlining standards for intergovernmental planning for the replacement, modernization, and expansion of existing schools; siting new schools in infill locations and/or adjacent to existing/planning development that promote compact development and walkability; and promoting joint use of school and community facilities.

- a. *Conduct a statewide comparison of existing building spaces, features, and amenities*
- b. *Ensure the review and update of Title 5 supports the state's new sustainable communities priorities*

5) The state should set priorities for remedying inadequate facilities and supporting new construction.

A key priority for supporting high-quality education in California should be ensuring all schools meet the new minimum conditional standards. By having this type of funding prioritization in the short term, California will ensure that educational goals drive K-12 facility funding patterns. For example, if closing the achievement gap is a state education goal, then one step in that direction is closing the school facility condition gap. Following the statewide inventory and building conditions assessment (Recommendation 3), and the updating of Title 5 standards (Recommendation 4), the state can work with LEAs to identify statewide needs. The state (e.g., CDE) should work on a case-by-case basis with the LEAs of schools that fall below the standards to determine what investments need to be made, including building replacements and major modernizations. The state should also strategically strengthen its support to LEAs for new construction. The needs for this funding would fluctuate over