



SCHOOL & COLLEGE LEGAL SERVICES OF CALIFORNIA

*A Joint Powers Authority
serving school and college
districts throughout the
state.*

5350 Skylane Boulevard
Santa Rosa, CA 95403

Tel: (707) 524-2690
Fax: (707) 578-0517
santarosa@sclscal.org
www.sclscal.org

General Counsel
Carl D. Corbin


Attorneys
Ellie R. Austin
Monica D. Batanero
Jennifer Henry
Sarah Hirschfeld-Sussman
Nancy L. Klein
Damara L. Moore
Jennifer E. Nix
Steven P. Reiner
Loren W. Soukup
Erin E. Stagg
Frank Zotter, Jr.

Of Counsel
Robert J. Henry
Margaret M. Merchat
Patrick C. Wilson

LEGAL UPDATE

November 16, 2018

To: Superintendents, Member School Districts (K-12)

From: Erin E. Stagg 
Associate General Counsel

Subject: Annual Development Fee Accounting
Memo No. 40-2018

Reminder: Development Fee Accounting requirements must be met **prior to December 27, 2018**. The following information and documents are provided to assist school districts in maintaining statutory compliance.

Government Code section 66006 requires that an annual accounting of development fees must be made available to the public no later than December 27, 2018. The governing board – at its next regularly-scheduled meeting at least 15 days after the accounting has been made available to the public – must review the annual accounting.

Every five years, additional findings must be made for any fund in which development fees remained unexpended at the end of a fiscal year.

I. Annual Accounting: Government Code Section 66006

School districts collecting development fees (e.g., statutory school facilities fees and other impact mitigation payments) must provide a separate accounting for each separate account or fund into which such fees or payments were deposited.

Section 66006(b)(1) requires the annual accounting for each fund include the following information:

- (A) A brief description of the type of fee in the account or fund.
- (B) The amount of the fee.
- (C) The beginning and ending balance of the account or fund.



- (D) The amount of the fees collected and the interest earned.
- (E) An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement; include the total percentage of the cost of the public improvement that was funded with fees.
- (F) An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement, as identified in paragraph (2) of subdivision (a) of section 66001, and the public improvement remains incomplete.
- (G) A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.
- (H) The amount of refunds made pursuant to subdivision (e) of section 66001 and any allocations pursuant to subdivision (f) of section 66001.¹

Each fee-collecting district must make the accounting available to the public by December 27, 2018, which is within 180 days after the last day of the fiscal year as required by statute. In addition, the governing board must review the information at its next regularly-scheduled board meeting held no earlier than 15 days after the information becomes available to the public. Notice of the time and place of this meeting, including the address at which the information may be reviewed, must be mailed at least 15 days prior to the meeting to anyone who has filed a written request with the district for such notice.

II. Every Fifth Fiscal Year: Government Code Section 66001

Government Code section 66001(d)(1) requires that for the fifth fiscal year following the first deposit into each account or fund, and every five years thereafter, the local agency must make certain findings. These findings must also be made available to the public by December 27, 2018. When a local agency fails to make the required five-year findings, the agency is required to refund the *unexpended portion* of the fee, and any interest accrued thereon. *Walker v. City of San Clemente*, 239 Cal. App. 4th 1350, 1371 (2015)(emphasis in original).

In *Walker*, the city was ordered to refund approximately \$10.5 million in unexpended fees for failing to make the required five-year findings. Specifically, the city failed to discuss the relationship between the nearly \$10 million balance in the Beach Parking Impact Fee account and the purpose for which the fee was established, nor did it demonstrate a reasonable relationship between the unexpended fees and their purpose. The city's purported findings identifying the sources and funds anticipated to complete financing for incomplete beach parking

¹ Government Code section 66001(e) requires districts to refund developer fees that are not appropriated within a five-year period from date of collection. Government Code section 66001(f) provides a method for allocating such non-appropriated fees if the administrative costs of refunding exceed the amount to be refunded.



improvements and designating the approximate dates when it anticipated receiving that funding were also insufficient.

The *Walker* decision affirms that section 66001 imposes a duty on the local agency to reexamine the need for the unexpended fees. Specifically, the *Walker* court explained, “[t]he City may not rely on findings it made 20 years earlier to justify the original establishment of the Beach Parking Impact Fee, or the findings it made 13 years earlier to justify reducing the amount of the fee. Instead, the Act required the City to make new findings demonstrating a continuing need for beach parking improvements caused by the new development in the noncoastal zone.”

To comply with section 66001(d)(1), a district must make all of the following findings ***with respect to that portion of the account or fund remaining unexpended***, whether committed or uncommitted:

- (A) Identify the purpose to which the fee is to be put.
- (B) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged. The *Walker* decision interpreted this to include an assessment of the impact of the development on the local agency, the current status of the need for the fund, the status of any improvements identified when the fee was established, what has been done since the fee was imposed, and future plans.
- (C) Identify all sources and amounts of funding anticipated to complete financing and incomplete improvements identified in Government Code section 66001(a)(2), which states if the use is financing public facilities, the facilities shall be identified. It is optional, but identification can be made by reference to a capital improvement plan as specified in Government Code sections 65403 or 66002, or in other public documents that identify the public facilities for which the fee is charged.
- (D) Designate the approximate dates on which the funding referred to in paragraph (3) is expected to be deposited into the appropriate account or fund.

In sum, the local agency must affirmatively demonstrate that it still needs the unexpended fee to achieve the purpose for which it was originally imposed, and that the agency has a plan on how to use the unexpended balance to achieve that purpose.

The findings required by this subdivision need only be made for moneys in possession of the local agency and need not be made with respect to letters of credit, bonds, or other instruments taken to secure payment of the fee at a future date. As noted above, if the findings are not made as required by this subdivision, the local agency must refund the unexpended moneys in the account or fund plus interest as provided in Government Code section 66001(e).

III. Additional Information and Suggestions

Enclosed with this letter are three forms to assist with Government Code sections 66001 and 66006 compliance. The attachments include:



- A sample resolution related to statutory fees collected under Education Code section 17620. (For districts which still have fees collected under “SB 201” — Government Code section 65970, *et seq.*—a separate resolution is available upon request.)
 - A sample Exhibit 1, to be completed and attached to the resolution addressing the information required by Government Code section 66006 (Annual Accounting).
 - A sample Exhibit 2, to be completed and attached to the resolution addressing the information required by Government Code section 66001 (Fifth-Year Accounting).
- Instructions to complete Exhibit 1 and Exhibit 2.
- Copies of relevant Code provisions.

These three documents assume that there are funds remaining in the account(s) or fund(s) in question for which a report under Government Code section 66001 is necessary. If that is not the case, please contact our office and we can provide a modified form of resolution. Finally, a reminder that even if funds remaining at the end of the fiscal year have been spent prior to the date of the accounting, it remains necessary to comply with Government Code section 66001 and complete the Fifth-Year Accounting. Although, the fact that the funds remaining have been spent will be reflected on both Exhibit 1 (reference (F)) and Exhibit 2 (references (C) and (D)).

Please contact our office with questions regarding this Legal Update or any other legal matter.

The information in this Legal Update is provided as a summary of law and is not intended as legal advice. Application of the law may vary depending on the particular facts and circumstances at issue. We, therefore, recommend that you consult legal counsel to advise you on how the law applies to your specific situation.

© 2018 School and College Legal Services of California

All rights reserved. However, SCLS grants permission to any current SCLS client to use, reproduce, and distribute this Legal Update in its entirety for the client’s own non-commercial purposes.

**RESOLUTION OF THE GOVERNING BOARD OF THE
_____ SCHOOL DISTRICT
REGARDING ACCOUNTING OF DEVELOPMENT FEES
FOR 2017-2018 FISCAL YEAR
IN THE FOLLOWING FUND OR ACCOUNT:**

(Government Code sections 66001(d) & 66006(b))

1. Authority and Reasons for Adopting this Resolution.

- A. This District has levied school facilities fees pursuant to various resolutions, the most recent of which is dated _____, and is referred to herein as the “School Facilities Fee Resolution” and is hereby incorporated by reference into this Resolution. These resolutions were adopted under the authority of Education Code section 17620. These fees have been deposited in the following fund or account:

(the “Fund”);

- B. Government Code sections 66001(d) and 66006(b) require this District to make an annual accounting of the Fund and to make additional findings every five years if there are any funds remaining in the Fund at the end of the prior fiscal year;
- C. Government Code sections 66001(d) and 66006(b) further require that the annual accounting of the Fund and those findings be made available to the public no later than December 27, 2018, that this information be reviewed by this Board at its next regularly scheduled board meeting held no earlier than 15 days after the findings become available to the public, and that notice of the time and place of this meeting (as well as the address at which this information may be reviewed) be mailed at least 15 days prior to this meeting to anyone who has filed a written request for it.
- D. The Superintendent has informed this Board that a draft copy of this Resolution (along with Exhibits 1 and 2 which are hereby incorporated by reference into this Resolution) was made available to the public on _____, 2018. The Superintendent has further informed this Board that notice of the time and place of this meeting (as well as the address at which this information may be reviewed) was mailed at least 15 days prior to this meeting to anyone who had filed a written request for it.
- E. The Superintendent has also informed this Board that there is no new information which would adversely affect the validity of any of the findings made by this Board in its School Facilities Fee Resolution.

2. What This Resolution Does.

This Resolution makes various findings and takes various actions regarding the Fund as required by and in accordance with Government Code sections 66001(d) and 66006(b).

3. Findings Regarding the Fund.

Based on all findings and evidence contained in, referred to, or incorporated into this Resolution, as well as the evidence presented to this Board at this meeting, the Board finds each of the following with respect to the Fund for the 2017-2018 Fiscal Year:

- A. In reference to Government Code section 66006(b)(2), the information identified in section 1 above is correct;
- B. In further reference to Government Code section 66006(b)(2), this Board has reviewed the annual accounting for the Fund as contained in Exhibit 1 and determined that it meets the requirements set forth in Government Code section 66006(b)(1);
- C. In reference to Government Code section 66001(d)(1)(A), and with respect only to that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, the purpose of the fees is to finance the construction or reconstruction of school facilities necessary to reduce overcrowding caused by the development on which the fees were levied, which facilities are more specifically identified in Exhibit 2;
- D. In reference to Government Code section 66001(d)(1)(B), and with respect only to that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, the findings and evidence referenced above demonstrate that there is a reasonable relationship between the fees and the purpose for which it is charged as more specifically identified in Exhibit 2;
- E. In reference to Government Code section 66001(d)(1)(C), and with respect only to that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, all of the sources and amounts of funding anticipated to complete financing in any incomplete improvements identified as the use to which the fees are to be put is identified in Exhibit 2;
- F. In reference to Government Code section 66001(d)(1)(D), and with respect only to that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, the approximate dates on which the funding referred to in paragraph E above is expected to be deposited into the appropriate account or fund is designated in Exhibit 2; and
- G. In reference to the last sentence of Government Code section 66006(d), because all of the findings required by that subdivision have been made in the fees that were levied in paragraphs C-F above, the District is not required to refund any moneys in the Fund as provided in Government Code section 66001(e).

4. Superintendent Authorized to Take Necessary and Appropriate Action.

The Board further directs and authorizes the Superintendent to take on its behalf such further action as may be necessary and appropriate to effectuate this Resolution.

5. **Certificate of Resolution.**

I, _____, _____ of the Governing Board of the
_____ District of _____ County, State of
California, certify that this Resolution proposed by _____, seconded by
_____, was duly passed and adopted by the Board, at an official and
public meeting this _____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

_____ of the Board
of the _____
District of _____ County, California

EXHIBIT 1

**TO RESOLUTION REGARDING
ACCOUNTING OF DEVELOPMENT FEES
FOR FISCAL YEAR 2017-2018
FOR THE FOLLOWING FUND OR ACCOUNT:
_____ (the "Fund")**

Per Government Code section 66006(b)(1)(A-H) as indicated:

- A. A brief description of the type of fee in the Fund:
- B. The amount of the fee.
- C. The beginning and ending balance of the Fund.

See Attachment ___.

- D. The amount of the fees collected and the interest earned.

See Attachment ___.

- E. An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.

See Attachment ___.

- F. An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement, as identified in paragraph (2) subdivision (a) of section 66001, and the public improvement remains incomplete:
- G. A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid and the rate of interest that the account or fund will receive on the loan:
- H. The amount of refunds made pursuant to subdivision (e) of section 66001 and any allocations pursuant to subdivision (f) of section 66001:

N/A. No refunds or allocations were made pursuant to subdivision (e) or (f) of section 66001.

EXHIBIT 2

**TO RESOLUTION REGARDING
ACCOUNTING OF DEVELOPMENT FEES
FOR FISCAL YEAR 2017-2018
FOR THE FOLLOWING FUND OR ACCOUNT:
_____ (the “Fund”)**

Per Government Code section 66001(d)(1)(A-D) as indicated:

- A. With respect to only that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, the purpose of the fees is to finance the construction or reconstruction of school facilities necessary to reduce overcrowding caused by the development on which the fees were levied, which facilities are more specifically identified as follows:
- B. With respect to that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, there is a reasonable relationship between the fee and the purpose for which it is charged, including:
 - a. There is an ongoing need for the Fund to complete construction or reconstruction to reduce overcrowding caused by the development.
 - b. The status of improvements identified when the fee was established are as follows:
 - c. The following has been done since the fee was imposed:
 - d. Future plans include:
- C. With respect to only that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, the sources and amounts of funding anticipated to complete financing in any incomplete improvements identified in paragraph A above are as follows:
- D. With respect to only that portion of the Fund remaining unexpended at the end of the 2017-2018 Fiscal Year, the following are the approximate dates on which the funding referred to in paragraph C above is expected to be deposited into the appropriate account or fund:

INSTRUCTIONS for Exhibit 1

- **SECTION A:**

The fees may be described as: **Statutory school facilities fees**

- **SECTION B:**

The amount of the fee could be generally described as follows:

1. For unified districts (or districts not sharing the fee with another district):

\$3.79 per square foot of assessable space of residential construction; and \$0.61 per square foot of covered and enclosed space of commercial/industrial construction; but subject to the district's determination that a particular project is exempt from all or part of these fees.

Note: The \$3.79 and \$0.61 amounts are based upon the January 24, 2018, State Allocation Board index adjustment. Districts which have not increased their fees should use the actual amount of their fees.

2. For elementary or high school districts (sharing the fee with another district):

\$3.79 per square foot of assessable space of residential construction; and \$0.61 per square foot of covered and enclosed space of commercial/industrial construction; but subject to the district's determination that a particular project is exempt from all or part of these fees. Pursuant to Education Code section 17623 and an agreement with the district(s) sharing territory with the district, generally only _____ % of the maximum fee specified above is distributed to this district.

- **SECTION E:**

The identification of each public improvement on which fees were expended must be as specific as possible. This can be done by referring to the project's name if it has one (e.g., "construction of comprehensive high school #4, ABC High School), or a description of the project which identifies the nature and scope of the improvement (e.g., "construction of one new classroom of approximately 1000 square feet at ABC Elementary School"). This section should also indicate those amounts spent for administration costs associated with adopting, collecting, and reporting the fees, and any refunds made (other than those reported in section H. of Exhibit 1).

- **SECTION F:**

If the district has not made the determination identified, the following may be inserted: **N/A. The District has not made this determination.**

SCLS Memo No. 40-2018 Annual Development Fee Accounting
Instructions to Exhibits 1 and 2

- SECTION G:

If the district has not made any transfers or loans, the following may be inserted: **N/A. The District has not made any such interfund transfers or loans.**

- SECTION H:

The Exhibit 1 template assumes that no refunds or allocations under the specified statutes have been made. The refunds referred to are not refunds made under the district's exemption procedures, but refunds made if the district fails to identify an approximate starting date for a project once it has determined that there are sufficient funds to complete it.

INSTRUCTIONS for Exhibit 2

With respect to Exhibit 2, remember that this report **only** applies to any money remaining **unexpended** in the fund or account at the end of the fiscal year.

- With respect to SECTION A of Exhibit 2, information as to how any money remaining unexpended in the fund or account at the end of the fiscal year will be spent must be inserted. This information must be as specific as possible, referring to the particular project or projects on which the money will be spent. This can be done by referring to the project's name if it has one (e.g., "construction of comprehensive high school #4, ABC High School), or a description of the project which identifies the nature and scope of the improvement (e.g., "construction of one new classroom of approximately 1000 square feet at ABC Elementary School"). This section should also indicate those amounts spent for administration costs associated with adopting, collecting, and reporting the fees.
- With respect to SECTION B of Exhibit 2, information demonstrating a reasonable relationship between the fee and the purpose for which the fee was originally changed should be as specific as possible. District's must consider that the requirements of section 66001 impose a duty to *reexamine* the need for the unexpended fees under the *Walker* decision.
- With respect to SECTIONS C and D of Exhibit 2, the information to be provided relates to the project or projects identified in section A. of Exhibit 2.

State of California

GOVERNMENT CODE

Section 66006

66006. (a) If a local agency requires the payment of a fee specified in subdivision (c) in connection with the approval of a development project, the local agency receiving the fee shall deposit it with the other fees for the improvement in a separate capital facilities account or fund in a manner to avoid any commingling of the fees with other revenues and funds of the local agency, except for temporary investments, and expend those fees solely for the purpose for which the fee was collected. Any interest income earned by moneys in the capital facilities account or fund shall also be deposited in that account or fund and shall be expended only for the purpose for which the fee was originally collected.

(b) (1) For each separate account or fund established pursuant to subdivision (a), the local agency shall, within 180 days after the last day of each fiscal year, make available to the public the following information for the fiscal year:

(A) A brief description of the type of fee in the account or fund.

(B) The amount of the fee.

(C) The beginning and ending balance of the account or fund.

(D) The amount of the fees collected and the interest earned.

(E) An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.

(F) An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement, as identified in paragraph (2) of subdivision (a) of Section 66001, and the public improvement remains incomplete.

(G) A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.

(H) The amount of refunds made pursuant to subdivision (e) of Section 66001 and any allocations pursuant to subdivision (f) of Section 66001.

(2) The local agency shall review the information made available to the public pursuant to paragraph (1) at the next regularly scheduled public meeting not less than 15 days after this information is made available to the public, as required by this subdivision. Notice of the time and place of the meeting, including the address where this information may be reviewed, shall be mailed, at least 15 days prior to the meeting, to any interested party who files a written request with the local agency for mailed

notice of the meeting. Any written request for mailed notices shall be valid for one year from the date on which it is filed unless a renewal request is filed. Renewal requests for mailed notices shall be filed on or before April 1 of each year. The legislative body may establish a reasonable annual charge for sending notices based on the estimated cost of providing the service.

(c) For purposes of this section, “fee” means any fee imposed to provide for an improvement to be constructed to serve a development project, or which is a fee for public improvements within the meaning of subdivision (b) of Section 66000, and that is imposed by the local agency as a condition of approving the development project.

(d) Any person may request an audit of any local agency fee or charge that is subject to Section 66023, including fees or charges of school districts, in accordance with that section.

(e) The Legislature finds and declares that untimely or improper allocation of development fees hinders economic growth and is, therefore, a matter of statewide interest and concern. It is, therefore, the intent of the Legislature that this section shall supersede all conflicting local laws and shall apply in charter cities.

(f) At the time the local agency imposes a fee for public improvements on a specific development project, it shall identify the public improvement that the fee will be used to finance.

(Amended by Stats. 1996, Ch. 569, Sec. 2. Effective January 1, 1997.)

State of California

GOVERNMENT CODE

Section 66001

66001. (a) In any action establishing, increasing, or imposing a fee as a condition of approval of a development project by a local agency, the local agency shall do all of the following:

(1) Identify the purpose of the fee.

(2) Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged.

(3) Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.

(4) Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

(b) In any action imposing a fee as a condition of approval of a development project by a local agency, the local agency shall determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

(c) Upon receipt of a fee subject to this section, the local agency shall deposit, invest, account for, and expend the fees pursuant to Section 66006.

(d) (1) For the fifth fiscal year following the first deposit into the account or fund, and every five years thereafter, the local agency shall make all of the following findings with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted:

(A) Identify the purpose to which the fee is to be put.

(B) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.

(C) Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements identified in paragraph (2) of subdivision (a).

(D) Designate the approximate dates on which the funding referred to in subparagraph (C) is expected to be deposited into the appropriate account or fund.

(2) When findings are required by this subdivision, they shall be made in connection with the public information required by subdivision (b) of Section 66006. The findings required by this subdivision need only be made for moneys in possession of the local agency, and need not be made with respect to letters of credit, bonds, or other instruments taken to secure payment of the fee at a future date. If the findings are not

made as required by this subdivision, the local agency shall refund the moneys in the account or fund as provided in subdivision (e).

(e) Except as provided in subdivision (f), when sufficient funds have been collected, as determined pursuant to subparagraph (F) of paragraph (1) of subdivision (b) of Section 66006, to complete financing on incomplete public improvements identified in paragraph (2) of subdivision (a), and the public improvements remain incomplete, the local agency shall identify, within 180 days of the determination that sufficient funds have been collected, an approximate date by which the construction of the public improvement will be commenced, or shall refund to the then current record owner or owners of the lots or units, as identified on the last equalized assessment roll, of the development project or projects on a prorated basis, the unexpended portion of the fee, and any interest accrued thereon. By means consistent with the intent of this section, a local agency may refund the unexpended revenues by direct payment, by providing a temporary suspension of fees, or by any other reasonable means. The determination by the governing body of the local agency of the means by which those revenues are to be refunded is a legislative act.

(f) If the administrative costs of refunding unexpended revenues pursuant to subdivision (e) exceed the amount to be refunded, the local agency, after a public hearing, notice of which has been published pursuant to Section 6061 and posted in three prominent places within the area of the development project, may determine that the revenues shall be allocated for some other purpose for which fees are collected subject to this chapter and which serves the project on which the fee was originally imposed.

(g) A fee shall not include the costs attributable to existing deficiencies in public facilities, but may include the costs attributable to the increased demand for public facilities reasonably related to the development project in order to (1) refurbish existing facilities to maintain the existing level of service or (2) achieve an adopted level of service that is consistent with the general plan.

(Amended by Stats. 2006, Ch. 194, Sec. 1. Effective January 1, 2007.)

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, January 24, 2018

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 new construction project cost.

A historical comparison of the assessment rates for development fees for 2014 and 2016 are shown below for information. According to the RS Means, the cost index for Class B construction increased by 8.78, during the two year period from January 2016 to January 2018, requiring the assessment for development fees to be adjusted as follows beginning January 2018:

	<u>2014</u>	<u>2016</u>	<u>2018</u>
Residential	\$3.36	\$3.48	\$3.79
Commercial/Industrial	\$0.54	\$0.56	\$0.61

RECOMMENDATION

Increase the 2018 maximum Level I assessment for development in the amount of 8.78 percent using the RS Means Index to be effective immediately.