



AUDITOR GENERAL'S COMMENTS ON THE BOARD'S RESPONSE

The Joint Legislative Audit Committee requires all agencies to respond to whether they agree with our findings and plan to implement the recommendations. However, the Board has included certain statements in its response that are inaccurate and that may mislead the reader. To provide clarity and perspective, we are commenting on the Board's response to our audit.

1. In its response, the Board indicates that its contractor's model for generating enrollment projections is dynamic and includes multiple assumptions and it provided the example that its student yield factor (the number of students each new housing unit generates) is calculated at a district level by dividing the number of new students by new housing units from the prior year (see Board response, page 2).

The National Center for Educational Statistics (NCES), which produces student enrollment projections for U.S. states and regions, indicates that all projections are based on underlying assumptions, and these assumptions largely determine projection results. The Board's enrollment projection model relies on multiple assumptions about the factors it uses to project enrollment, such as student yield and retention rates. According to the Board, the projections that result from its model "are intended to be the 'expected' scenario based on the information available at the time." However, because its contractor does not vary the model's underlying assumptions to produce multiple projections, such as by varying the expected student retention or student yield rates, the Board lacks information on how much actual student enrollment could vary if future retention or student yield rates are higher or lower than its contractor's "expected" rates.

Additionally, NCES indicates that it is important that users of projections understand the assumptions underlying the projections to determine the acceptability of projections for their purposes. However, the contractor's projections provided to the Board do not include specific information about the projections' underlying assumptions, inhibiting the Board's ability to assess the applicability of the assumptions to individual districts. For example, the Board's contractor provides information indicating that the student yield factor is considered as part of the enrollment projections, but the Board does not receive specific information about what the assumed student yield factor is. As a result, the Board may not have the necessary information to determine whether the assumed student yield factor used to produce the enrollment projections is reasonable or applicable for each district it considers for NSF Fund projects. For example, the Board indicates in its response that it calculates its student yield factor at the district level. However, this assertion is misleading and indicates a lack of understanding of the contractor's model. Specifically, the Board's fiscal year 2023 projections assumed that each new housing unit completed, regardless of where the housing unit was located within the State, would generate the same amount of student enrollment.

2. The Board's response indicates that "The latter half of the eight-year timeframe is typically the range of years that determines the size of an awarded project. Increasing the margin of error in those years by providing alternative scenarios would increase the potential for a project to be oversized or under-sized."

The Board's response appears to use the term "margin of error" to mean the uncertainty inherent in any type of projection due to factors such as changes in historical trends or errors in measurement of the projection model's variables.¹ The Board asserts that providing enrollment projections using

¹ Statistically, the margin of error is the amount of error that may exist between a sample characteristic and the population from which the sample was drawn. The Board's enrollment projections do not rely on sampling, and therefore do not have statistical margins of error.

alternative assumptions increases this uncertainty in its student enrollment projections. This assertion is misleading and inaccurate. The Board currently receives no specific information related to the uncertainty of its enrollment projections, because the contractor provides a single enrollment estimate by year for each district. Alternative enrollment projections are one way the Board could better understand and more transparently convey to the public the uncertainty inherent in its enrollment projections because the alternative projections would show how much the projections could change based on assumptions other than those the Board’s contractor believes to be most likely.