

SENATE BILL REPORT

SB 5487

As Passed Senate, February 10, 2022

Title: An act relating to small school district consolidation incentives for infrastructure enhancement and modernization.

Brief Description: Concerning small school district consolidation incentives for infrastructure enhancement and modernization.

Sponsors: Senators Hawkins, Pedersen, Braun, Frockt, Hasegawa, Hunt, Keiser, Mullet, Nobles and Wagoner.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/14/22, 1/21/22 [DP-WM, w/oRec].

Ways & Means: 1/31/22, 2/04/22 [DP, DNP].

Floor Activity: Passed Senate: 2/10/22, 40-9.

Brief Summary of Bill

- Provides a 10 percent state funding assistance enhancement for ten years to qualifying school districts that voluntarily consolidate.
- Directs the Office of the Superintendent of Public Instruction to administer consolidation planning grants and appropriates \$200,000 from the common school construction fund for this purpose.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Wellman, Chair; Nobles, Vice Chair, K-12; Wilson, C., Vice Chair, Early Learning; Hawkins, Ranking Member; Hunt, McCune, Mullet and Pedersen.

Minority Report: That it be referred without recommendation.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Signed by Senator Dozier.

Staff: Alexandra Fairfortune (786-7416)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Billig, Braun, Carlyle, Conway, Dhingra, Gildon, Hasegawa, Hunt, Keiser, Mullet, Muzzall, Pedersen, Rivers, Van De Wege, Wagoner, Warnick and Wellman.

Minority Report: Do not pass.

Signed by Senators Schoesler, Assistant Ranking Member, Capital; Honeyford, Ranking Minority Member, Capital.

Staff: Michael Bezanson (786-7449)

Background: School District Consolidation. School district consolidation occurs when two or more school districts join to form a new school district. The consolidation process is initiated when a written petition is presented to the educational service district superintendent. The petition must be signed by:

- ten or more registered voters residing in each district or part of a district proposed to be included in the new district;
- ten or more registered voters residing in the territory of a proposed new district and approved by the board of directors of the affected school districts; or
- 10 percent or more of the registered voters residing in such affected areas.

Before consolidation can be completed, the educational service district superintendent must hold a special election of the voters of the affected districts, where a simple majority determines approval or rejection. If consolidation is approved, the educational district superintendent must write an order for the approved changes in district boundaries, as well as an equitable adjustment of assets and liabilities.

School Construction Assistance Program. The School Construction Assistance Program (SCAP), administered by the Office of the Superintendent of Public Instruction (OSPI), provides school districts with financial assistance to construct new schools and modernize existing facilities. Through SCAP, the state contributes funding, as well as technical assistance, for facility planning, construction, and contracting. State funding assistance is determined using a funding formula based on three main factors—eligible area, construction cost allocation, and the funding assistance percentage.

The eligible space for new construction is calculated by comparing the current district-wide capacity, in square feet, to the district's projected enrollment growth and future space needs.

The construction cost allocation is a per-square-foot amount determined by OSPI pursuant to state rule; as of July 1, 2021 the construction cost allocation was \$242.26 per square foot.

The state applies a funding assistance percentage, formally known as the match ratio, to equalize state funding assistance. The percentage accounts for differences across school districts in wealth and the ability to generate revenue through property taxes. Districts experiencing rapid growth in student enrollments may receive extra growth points. The minimum percentage is 20 percent of recognized project costs, and can be as much as 100 percent of the recognized costs, depending on district wealth and growth.

Summary of Bill: To encourage efficient administration in the delivery of K-12 education, qualifying school districts are eligible for a consolidation incentive in the form of enhanced state funding assistance for infrastructure enhancement and modernization.

To qualify for the incentive, two or more whole school districts with contiguous territory must reorganize to form a new school district. At least one of the participating school districts must have 1000 or fewer students enrolled at the time the consolidation is approved.

Upon consolidation, the new school district's computed state funding assistance percentage must be increased by ten percentage points, not to exceed 100 percent, for ten consecutive years.

OSPI must administer consolidation planning grants to assist eligible districts in accessing consolidation incentives, and \$200,000 is appropriated from the Common School Construction Fund for this purpose. School districts seeking consolidation planning grants must provide a brief statement describing the efficiencies that the school district intends to realize through consolidation, as well as any barriers to consolidation that the school district can identify. If applications for consolidation planning grants exceed funds available, OSPI must prioritize planning grants for school districts with the fewest enrolled students.

Appropriation: The bill contains an appropriation totaling \$200,000 from various accounts.

Fiscal Note: Requested on January 5, 2022.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Early Learning & K-12 Education): PRO: This bill is about incentivizing voluntary consolidations. If we were starting from scratch we probably wouldn't design a system with 295 school districts, which is what we have now.

This bill would promote the efficient use of the increased taxpayer dollars spent on schools while benefiting smaller districts and their students. It is not just about dollars and cents, it is about expanding opportunities for students and families. We have heard from small school districts about the growing need of capital renovations and facility enhancements, and this bill assists with that.

OTHER: Small district efficiency should be measured by metrics other than per-student cost, such as graduation rates, community support, levy support, parent participation, and so on. Sometimes consolidation saves money and other times it does not. Districts have already found ways to be more efficient and increase student opportunity through forming co-ops, sharing administrative staff, and combining athletic programs. A carrot to increase SCAP dollars wouldn't incentivize districts where levies cannot be passed. It is hard to oppose a bill that is voluntary and offers incentives, but the Legislature should slow down and have a thorough discussion about all the costs and benefits to ensure this is the right approach.

Persons Testifying (Early Learning & K-12 Education): PRO: Senator Brad Hawkins, Prime Sponsor.

OTHER: Jim Kowalkowski, Davenport School District & Rural Ed Center; Dan Steele, WA Assn of School Administrators.

Persons Signed In To Testify But Not Testifying (Early Learning & K-12 Education): No one.

Staff Summary of Public Testimony (Ways & Means): OTHER: We support that the consolidation is voluntary. But when you measure quality, it is more than cost per student. It should be measured in graduation rates, career and technical education offerings, assessment scores, and parent involvement. The state should go slow on this until it can do a full review of costs of consolidation.

Persons Testifying (Ways & Means): OTHER: Jim Kowalkowski, Davenport School District & Rural Education Center; Dan Steele, WA Assn of School Administrators.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.