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## Capital Budget Committee

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### ESSB 5702

**Brief Description:** Improving state funding for school construction, modernization, and asset preservation.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Keiser, Honeyford, Frockt and Pedersen).

#### Brief Summary of Engrossed Substitute Bill

- Expands the role and membership of the School Facilities Citizens Advisory Committee.
- Adds four new components to the existing School Construction Assistance Program (SCAP).
- Changes the kindergarten through third grade class size reduction grant program (K-3 CSRG) to exclude portables installed after 1989 from the classroom count .
- Allows districts that applied for, but did not receive, a K-3 CSRG in 2015-17 to be eligible for a future grant by updating their grant application.
- Extends the K-3 CSRG program from 2017 to 2021.
- Establishes a joint legislative task force on improving state funding for school construction.

**Hearing Date:** 3/14/17

**Staff:** Christine Thomas (786-7142).

#### **Background:**

##### Citizen's Advisory Panel

The State Board of Education (SBE) appoints members to serve on a School Facilities Citizen Advisory Panel (CAP) to maintain citizen oversight on issues pertaining to school facilities and funding for school construction. The seven members represent the SBE, the school districts, and

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citizen members at large. The CAP makes recommendations to the Superintendent of Public Instruction regarding school facilities, funding for school construction, joint planning and financing of educational facilities, and other school construction matters.

#### School Construction Assistance Program.

In the capital budget, the state provides financial assistance to school districts for constructing new and remodeling or replacing existing school buildings. The School Construction Assistance Program (SCAP), administered by the Office of Superintendent of Public Instruction (OSPI), is based on two principles: (1) state and local school districts share the responsibility for the provision of school facilities; and (2) there is an equalization of burden among school districts to provide school facilities regardless of the wealth of the districts. The SCAP provides for permanent instructional space only. Generally, the SCAP is the single largest line appropriation in the capital budget.

A school district must first secure local funding before it may become eligible for the SCAP funding. Local funding may include voter-approved capital levies and bonds, impact fees, mitigation payments, interest income from a school district's capital projects fund, or transfers from a school district's general fund with OSPI approval. Once the local share is secured, the state allocates funding to districts based on a set of space and cost standards adopted by the Legislature, and a statutory funding assistance percentage based on the relative wealth of the district.

#### Small Rural School Districts.

More than 170 school districts of the 295 school districts in Washington have fewer than one thousand enrolled students. Of those school districts, 55 have not received state funding assistance for construction or modernization of schools through the SCAP since 1985.

#### Kindergarten through Third Grade Class Size Reduction Pilot Grant Program.

In 2015 the Legislature created the K-3 Class Size Reduction Pilot Grant Program (CSRGP). The new CSRGP, administered by the OSPI, provides additional state financial assistance beyond that which is available through the SCAP to school districts for constructing new classrooms, or acquiring additional classrooms in the form of modular buildings, to support state-funded all-day kindergarten and class size reduction in K-3.

#### School Construction Technical Work Group.

In considering forming a joint legislative task force on school construction in 2017, the Legislature formed a School Construction Technical Work Group (Work Group) composed of fiscal staff from the Office of Program Research, Senate Committee Services, and the Office of Financial Management (OFM) in consultation with the OSPI, the CAP, and the Technical Advisory Group. The Work Group monitored the progress and status of new K-12 capital facilities programs. The Work Group also identified and compiled key elements and issues regarding K-12 school construction for the Legislature to consider if a joint legislative task force on school construction is formed. A final report on the key elements and issues was made to the House Capital Budget Committee in a work session on January 31, 2017.

#### Bond Proceed Uses.

The state Constitution authorizes school districts to issue general obligation bonds for capital purposes, such as constructing, modernizing, or replacing school facilities. General obligation

bond authority requires a 60 percent majority vote. Proceeds from voter-approved bonds, voter-approved levies, and state allocations for financial assistance may be used for payment of an installment purchase contract for school facilities or payments under a lease-purchase contract which is ten years or longer that contains an option by the school district to purchase the leased property for nominal consideration.

### **Summary of Bill:**

#### Citizen's Advisory Committee.

The School Facilities Citizens Advisory Committee (Committee) is expanded and members are appointed by several entities. The Committee advises the Governor and the Legislature, in addition to the Superintendent of Public Instruction. Committee membership includes:

- One member of the SBE, appointed by the SBE;
- Two school directors appointed by the Superintendent of Public Instruction (SPI) selected from a list of five names submitted by the Washington School Directors Association;
- Two school district administrators members appointed by the SPI selected from a list of five names submitted by the Washington Association of School Administrators; and
- The Governor must appoint four citizen members.

The Committee must prepare a biennial report to the Governor and the Legislature by September 1st of even-numbered years that:

- Summarizes the condition of K-12 public schools based on data in the ICOS system;
- Summarizes recent school construction activities, including an analysis of school construction costs;
- Identifies school districts with incomplete ICOS data; and
- Recommends changes to state financial assistance that reflect average school construction costs.

#### Expanded School Construction Assistance Program.

In addition to providing state funding assistance to modernize existing schools and constructing new schools for enrollment growth, the SCAP is redefined and expanded to five total program components that include:

- Pre-2017 SCAP - For program grants awarded before the effective date, the rules, policies, and funding formula are those established in the capital budget prior to and including the 2015-17 fiscal biennium.
- School Modernization SCAP - Applies to facilities constructed or modernized before January 1, 1994. Modernization grants are for school facilities that are older than 30 years from the date they were constructed or last modernized with state financial support and require major building systems repair or replacement with an estimated cost that exceeds 40 percent of the estimated value of the facility.
- SCAP for Preservation and Renewal - Applies to facilities constructed or modernized after January 1, 1994. Preservation and renewal grants are for replacement or renewal of school facility major building systems that have reached their expected life. The Committee must review the definitions and make recommendations to the Joint Legislative Task Force on Improving State Funding for School Construction. The joint legislative task force will recommend measures to enable schools with declining enrollments to qualify for preservation and renewal grants.

- SCAP for Enrollment Growth - Grants are for school districts with under-housed students. Enrollment grants are calculated by multiplying the number of under-housed students by the space allocation then multiplying the resulting product by construction cost allowance, including the soft cost allowance and then multiplying the resulting product by the district's state funding assistance percentage. All variables for the enrollment growth grants will be set in the capital budget.
- SCAP for Small, Rural Districts - Establishes eligibility for the grants as districts with fewer than 1000 students. The joint legislative task force to recommend measures to enable school districts, that because of low assessed values or high indebtedness are not eligible for SCAP modernization grants, to become eligible in the small rural district SCAP.

OSPI is directed to establish rules, application materials, contracts, monitoring and reporting requirements to carry out the SCAP. OSPI is also directed to adopt rules appropriate for value engineering, constructability review, building commissioning, and construction management. School districts with incomplete inventory and condition of schools (ICOS) information may not apply.

#### Kindergarten through Third Grade Class Size Reduction Grant Program.

Changes to the K-3 CSRG program include:

- Clarifying that portables installed after 1992 that meet building code requirements are included in the classroom count;
- In addition to other exclusions from the classroom count, also excludes 75 percent of classrooms in elementary schools that are regularly used for English language learner programs;
- Makes eligible those school districts that applied for, but did not receive, a K-3 CSRG in 2015-17 to be eligible for future grants by updating their grant application; and
- Extends the grant program from 2017 to 2021.

#### School Construction Joint Legislative Task Force.

A Joint Legislative Task Force (Task Force) on Improving State Funding for School Construction comprises eight legislators. The Task Force must report findings and recommendations to the Legislature by December 1, 2018. The findings and recommendations must include improvements to state financial assistance to be implemented over several biennia while considering the biennial recommendations of the Citizen's Advisory Committee in its interim report due to the Task Force by July 1, 2018. The Office of Program Research of the House of Representatives and Senate Committee Services will provide staff support. The OSPI and the OFM must cooperate with the Task Force and maintain liaison representatives.

#### Bond Proceed Uses.

School districts no longer may use voter-approved bond proceeds or state financial assistance for installment purchase contracts or lease-purchase contracts for school facilities.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2017. The K-3 CSRG section takes effect on June 30, 2017.