
Capital Budget Committee

HB 2017

Brief Description: Addressing school districts with aged facilities and a history of capital bond failure.

Sponsors: Representatives McClintock, Callan, Leavitt, Couture, Schmidt, Waters, Barkis, Christian, Ramos, Ramel, Reeves, Santos and Hackney.

Brief Summary of Bill

- Creates a capital grant program for planning, modernization, and new construction projects in school districts with 1,001 enrollments or more.
- Specifies additional eligibility thresholds based on bond failure, facility age, and other criteria.
- Creates grant prioritization criteria, grant match requirements, and administrative processes.

Hearing Date: 1/18/24

Staff: John Wilson-Tepeli (786-7115).

Background:

Related Capital Budget Programs.

The capital budget appropriates funding to assist school districts with the costs of school construction and other capital costs through several programs and provisos. In recent biennia, the largest such appropriations have generally been for: (a) the School Construction Assistance Program (SCAP); (b) the Small District and Tribal Compact Schools Modernization Program; and (c) the School Seismic Safety Grant Program.

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.

School Construction Assistance Program. The SCAP provides state financial assistance on a formula basis to school districts for constructing new, and remodeling existing, school buildings. Only districts' permanent instructional space is eligible for state funding through the program. The Office of the Superintendent of Public Instruction (OSPI) administers the program and works with school districts on project approval and reimbursement. The state allocates SCAP funding to districts based on a set of enrollment-based space allocations, cost standards that are determined by the OSPI and adopted by the Legislature, and a statutory funding assistance percentage based on the relative property wealth of districts. Capital construction costs for instructional space that exceed the state financial assistance provided by the SCAP are generally borne by school districts. A school district must first secure local funding before it may become eligible for SCAP funding. Although voter-approved capital bonds are the most common form of local project financing, examples of other local funding include voter-approved capital levies, impact fees, mitigation payments, and interest income from a school district's capital projects fund.

Small District and Tribal Compact Schools Modernization Program. The statutory program was created under Second Substitute Senate Bill 5572 in the 2020 Legislative Session. Participation is limited to school districts and tribal compact schools with total enrollments of 1,000 students or fewer. The program provides planning and construction grants for small school districts and tribal compact schools with significant building deficiencies. Project applications are evaluated and ranked by an advisory committee of facilities professionals. This prioritization process must achieve the greatest improvement of school facilities, in the districts and state-tribal education compact schools with the most limited financial capacity, for projects that are likely to improve student health, safety, and academic performance for the largest number of students given the amount of state grant support. No local cost share is required of districts, but grants may be coordinated with SCAP funding. The 2023-25 Capital Budget contains provisions that limit program participation for the 2025-27 biennium to projects with a state funding level of \$6 million or less

School Seismic Safety Program. The statutory program was created under Substitute Senate Bill 5933 in the 2022 Legislative Session. The program provides planning and construction grants for school districts and state-tribal compact schools for remediation of seismic or tsunami hazards in qualifying buildings. A qualifying building must be in a high seismic or tsunami hazard area, as determined by various seismic or tsunami risk standards. A qualifying building must also have been constructed prior to 1998 and cannot have received a seismic retrofit to 2005 seismic standards. The state share of cost is at least two-thirds of project cost.

Summary of Bill:

A capital grant program, known as the Aging Schools Assistance Program (Program), is created for awarding grants for modernization, new construction, and planning to school districts.

Advisory Committee.

The existing Small District and Tribal Compact School Advisory Committee (Advisory Committee) must evaluate and prioritize planning and construction grants for this program. However, the Superintendent of Public Instruction (SPI) may appoint supplementary members with additional expertise as needed to evaluate project applications. The Advisory Committee may propose changes to the eligibility threshold and grant application scoring procedures to the Legislature as they learn more about the characteristics of school districts that are unable to replace or modernize their aging school facilities.

Eligibility.

Applicants. Applicant eligibility is limited to school districts with headcount enrollments of 1,001 students or more.

Bond Failure. In the 20 years preceding the date of application to the Program, the registered voters of the applying school district must have failed to approve at least four consecutive capital bond authorizations and the most recent bond election prior to the date of application must also have failed. Additionally, the applying school district's most recent failure to approve a capital bond prior to application must have received the approval of a majority of the voters voting on the proposition. If the OSPI determines that a school district applying for a grant has met the bond failure criteria, the district remains eligible so long as it also meets the other grant eligibility requirements.

Facility Age. Projects must comprehensively modernize or replace facilities that are at least 50 years old and which have not been modernized in the past 30 years.

Project Cost Limitations. Projects must not exceed 110 percent of the statewide average cost per square foot for new construction or modernization, as applicable, and as estimated by the Advisory Committee and approved by the OSPI. However, if upon review, the Advisory Committee determines that districts applying for grants may experience unusual project or bidding conditions, the Advisory Committee may allow individual exceptions to this cost threshold.

Facilities Information. School districts with incomplete or outdated building inventories, natural hazard assessments, and condition information as required by the OSPI are not eligible to apply for construction grants through this program but may apply for planning grants. Building inventory and condition information must be provided by an independent consultant certified by the OSPI. A seismic building assessment completed as part of fulfilling applicant eligibility requirements must be conducted by an engineer licensed as a structural engineer in Washington.

Facility and Space Types. The following eligibility conditions apply to projects with noninstructional space in this program: (a) noninstructional facilities that are used by students, such as stadia, grandstands, and sports fields, as determined by the OSPI, are eligible project types to the extent that they meet the other project eligibility criteria of the Program; (b) the eligibility of a noninstructional facility for the Program does not qualify other facilities on a

school campus for modernization or replacement eligibility; (c) noninstructional space for the general administration and operation of the district is not eligible for a grant; and (d) the noninstructional space funded by the state through a grant must not exceed the space standards established by the Advisory Committee based on their review of applicable industry standards.

The following eligibility conditions apply to projects with instructional space in this program: (a) school districts may receive grant funding for space that exceeds the student space allocations of the SCAP only for the replacement or modernization of existing school district space that otherwise meets the project eligibility criteria of the Program; and (b) the amount of additional instructional space per enrolled student at each school funded by the state through a Program grant must not exceed the student space allocations for instructional space established by the OSPI for the SCAP.

Other Criteria. Instructional facilities that are otherwise eligible for a Program grant that contain or include additions or annexes that do not meet the age requirements of the Program are eligible to the extent that the applying school district determines that it would be most cost-effective to modernize or replace these facilities as part of the larger project for which the application is made.

Grants.

Required Grant List. The OSPI is required to propose a list of prioritized planning and construction grants for eligible school districts by September 1 of even-numbered years. This grant list must include specified information related to the amount of state funding from this program, as well as other information about the project's cost and prioritization score. The OSPI and the Governor may determine the level of funding for the Program in their capital budgets requests, but they must follow the prioritized list prepared by the Advisory Committee unless new information determines that a specific project is no longer viable as proposed.

Grant Prioritization. The Advisory Committee must prioritize construction grants based on school conditions, district financial capacity, and student health and safety. The SPI may prioritize planning grants, if applications exceed funding available, with primary consideration given to district financial capacity and facility conditions. At least one representative from the Advisory Committee and at least one representative from the OSPI must visit each project site for which a construction application is received.

Use of Grants. Program grants may only be used for the following purposes: (a) the collection of building condition, inventory, and natural hazard information; (b) all predesign and design costs including value engineering and constructability review; and (c) all related costs associated with the project, except for any school district costs that are associated with the general administration and operation of the district, as determined by the OSPI.

Grant Matching Requirements. School districts receiving a Program grant must provide a non-state share of project costs equal to 25 percent of the total project cost. A school district may use

federal funding, other nonstate grant funding, and private donations to pay for its share. The OSPI may not also provide SCAP funding for a project funded with a Program grant. A process is established related to securing the district share of project costs and the priority of new applications, such that existing projects may retain their relative priority from one biennium to the next.

Administrative Reporting Requirements.

Grants may not be awarded until the recipient has identified available local and other resources sufficient to complete the approved project considering the amount of state grant funding. The grant must specify reporting requirements for the district, which must include: (a) updating school inventory and condition data; (b) submitting a final project report; and (c) implementing and maintaining an asset preservation program for the facility receiving grant funding.

Small District and Tribal Compact Schools Modernization Program.

Grant prioritization for the new Program is added to the duties of the existing program's Advisory Committee.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.