
Capital Budget Committee

HB 2968

Brief Description: Financing public school facilities necessary to support state-funded all-day kindergarten and class size reduction in kindergarten through third grade.

Sponsors: Representatives Tharinger, DeBolt, Stanford, Smith, Dunshee, Kagi, Farrell, Lytton, Senn, Robinson, Ormsby, Walkinshaw, Hudgins, Frame, Ryu, Gregerson, Riccelli, Reykdal, Magendanz, Bergquist, Kilduff, Sells, Santos, Fey, Jinkins and Fitzgibbon.

Brief Summary of Bill

- Declares legislative intent to provide \$1 billion in fiscal years 2016 - 2025 to help finance school facilities that support state-funded all-day kindergarten and K-3 class size reduction by appropriating half of the one percent of general state revenues transferred annually to the Budget Stabilization Account to the Education Construction Fund.
- Appropriates \$186.6 million from the Budget Stabilization Account to the Education Construction Fund during the 2015-17 biennium.

Hearing Date: 2/8/16

Staff: Meg VanSchoorl (786-7105) and Christine Thomas (786-7142).

Background:

School Construction Assistance Program.

In the capital budget, the state provides financial assistance to school districts for constructing new and remodelling or replacing existing school buildings. The School Construction Assistance Program (SCAP), administered by the Office of the 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.

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

State funding assistance is provided for permanent instructional space, while land purchases and auxiliary facilities, such as stadia and district administrative space, must be funded entirely with local revenues. Portable buildings are not funded through the SCAP.

Education Funding Bills.

The Legislature is in the process of implementing two education funding bills, ESHB 2261 (2009) and SHB 2776 (2010), by their scheduled statutory due date. SHB 2276 requires the state to fund all-day kindergarten and reduced class sizes in kindergarten through third grades by the 2017-18 school year. OSPI is required by the legislation to report biennially on the educational system's capacity to accommodate increased resources for all-day kindergarten and reduced class sizes. In these reports, statewide classroom need estimates, based on school district survey responses, have varied from between 825 classrooms to 5,700 classrooms.

K-3 Class Size Reduction Pilot Grant Program.

In 2015 the Legislature passed ESSB 6080, which created the K-3 Class Size Reduction Pilot Grant Program (K-3 CSRGP). The new program is administered by the OSPI and 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 kindergarten through third grades. ESSB 6080 established a formula by which classrooms are counted and by which grant awards are calculated. Two hundred million dollars in general obligation bonds was appropriated for the program in the 2015-17 Capital Budget.

Applications for the K-3 CSRGP were opened in October, 2015 and closed December 1, 2015. Ninety school districts applied for grants, of which 56 demonstrated classroom need per the formula based on data provided by the school districts. Washington State University's Extension Energy Office (WSU's Energy Office) is validating the classroom need through site visits to the applying school districts. Pending validation from WSU's Energy Office, estimated classroom need for the grant applicants are about 1,050 classrooms. The State's share is estimated at \$384 million and the school district share is estimated at \$211 million for total project cost estimates of \$595 million. The grants are expected to be announced in spring 2016. The K-3 CSRGP expires July 1, 2017.

Budget Stabilization Account.

In 2007 the voters ratified a constitutional amendment that created the Budget Stabilization Account (BSA) as Article VII, section 12 of the state constitution. Each year, the State Treasurer must deposit 1 percent of general state revenues (GSR) into the BSA. The term GSR is defined in the constitution and is generally synonymous with the statutory State General Fund. In addition, in 2011 the voters ratified a further constitutional amendment under which extraordinary revenue growth is also deposited in the BSA.

In general, appropriations from the BSA require a three-fifths majority in each house of the Legislature, but in the case of a catastrophic event or employment growth of less than one percent, the Legislature may appropriate from the BSA with a constitutional majority vote of each house. Also, if the balance of the BSA exceeds 10 percent of GSR, the Legislature with a constitutional majority vote may appropriate the excess balance from the BSA for deposit in the Education Construction Fund (ECF). The ECF is established in statute. Under the statute, the Legislature may appropriate from the ECF for K-12 construction or higher education

construction with a constitutional majority vote, and for any other purpose with a two-thirds vote of both houses and approval by a vote of the people at the next general election.

Summary of Bill:

The Legislature intends that beginning in fiscal year (FY) 2016 through FY 2025:

- A total of \$1 billion will be provided from the BSA to assist school districts in financing the facilities necessary to support state-funded all-day kindergarten and K-3 class size reduction; and
- One half of the 1 percent of the GSR transferred to the BSA each year must be appropriated to the ECF, and, in each capital appropriations act, must be appropriated from the ECF to the OSPI solely for grants to school districts to construct, modernize, or replace public school facilities to support state funded all-day kindergarten and K-3 class size reduction.

Appropriations in the amounts of \$91,795,000 for FY 2016 and \$94,832,000 for FY 2017 are made from the BSA into the ECF.

Appropriation: A total appropriation of \$186,627,000 is made from the BSA into the ECF during the 2015-17 biennium.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.