

SHB 1044 - S COMM AMD
By Committee on Ways & Means

ADOPTED 04/11/2023

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature intends to create a new
4 grant program through which small, financially distressed school
5 districts that generally do not participate in the current school
6 construction assistance program will be able to get the necessary
7 funds to modernize or rebuild their school buildings.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 28A.525
9 RCW to read as follows:

10 (1) Supplementary modernization and new construction grants and
11 planning grants for financially distressed school districts must be
12 awarded and determined in accordance with this section.

13 (2) Applicant eligibility criteria. Subject to subsection (4) of
14 this section, only school districts that meet the following criteria
15 are eligible for grants under this section:

16 (a) School districts that have a student headcount enrollment of
17 1,000 or fewer students; or

18 (b) School districts that have a student headcount enrollment of
19 3,000 or fewer students that meet the following additional criteria:

20 (i) The school district is located in an educational service
21 district with rural communities that experience prohibitive access to
22 skill centers or other workforce development facilities or programs;

23 (ii) The school district has been unable to secure voter approval
24 to issue bonds for capital purposes in the prior 25 years and has had
25 at least three bond measures rejected by voters in consecutive years
26 during that 25-year period; and

27 (iii) The school district has instructional buildings that do not
28 meet structural, capacity, environmental, or emergency requirements.

29 (3) Project eligibility criteria.

30 (a) Projects funded under this section must meet the following
31 conditions: (i) Projects must comprehensively modernize or replace

1 instructional buildings that are at least 30 years old and that are
2 recorded as poor or unsatisfactory condition by the office of the
3 superintendent of public instruction; and (ii) projects must not
4 exceed 110 percent of the statewide average cost per square foot for
5 new construction or modernization, as applicable, and as estimated by
6 the advisory committee and approved by the office of the
7 superintendent of public instruction.

8 (b) To meet the project eligibility criteria for comprehensive
9 modernization specified under (a) of this subsection, projects must
10 correct critical physical deficiencies and essential safety concerns,
11 including: (i) Seismic vulnerabilities; (ii) failing or broken
12 building and site systems; (iii) deficiencies of infrastructure and
13 components; (iv) barriers to program accessibility; (v) deteriorated
14 exterior conditions; and (vi) deficiencies in interior classroom
15 spaces. Project approaches may include modernizing, repairing,
16 reconfiguring, or replacing existing buildings, constructing new
17 buildings, and upgrading deteriorated and outdated site
18 infrastructure.

19 (c) School districts applying for a grant under this section must
20 submit separate applications for each individual school.

21 (4) Other eligibility criteria. School districts with incomplete
22 or outdated building inventories, natural hazard assessments, and
23 condition information as required by the office of the superintendent
24 of public instruction are not eligible to apply for construction
25 grants under this section but may apply for planning grants. Building
26 inventory and condition information must be provided by an
27 independent consultant certified by the office of the superintendent
28 of public instruction. A seismic building assessment must be
29 conducted by an engineer licensed as a structural engineer in
30 Washington state.

31 (5) Eligible use of grants. A grant awarded pursuant to this
32 section may only be used for the following purposes: (a) The
33 collection of the required information in subsection (4) of this
34 section; (b) all predesign and design costs including value
35 engineering and constructability review; and (c) all related costs
36 associated with the project except school district administration
37 costs as determined by the office of the superintendent of public
38 instruction.

39 (6) Required grant list.

1 (a) The superintendent of public instruction must propose a list
2 of prioritized planning and construction grants pursuant to this
3 section for school districts meeting the eligibility requirements
4 established in subsection (2) of this section to the governor by
5 September 1st of even-numbered years, beginning on September 1, 2024.
6 This list must include: (i) A description of the proposed project;
7 (ii) the proposed planning grant amount, when applicable; (iii) the
8 proposed construction grant amount, when applicable; (iv) the
9 anticipated school construction assistance program amount; (v) the
10 anticipated local share of project cost; and (vi) the estimated total
11 project cost.

12 (b) The superintendent of public instruction and the governor may
13 determine the level of funding in their omnibus capital
14 appropriations act requests to support grants under this section, but
15 their funding requests must follow the prioritized list prepared by
16 the advisory committee unless new information determines that a
17 specific project is no longer viable as proposed.

18 (7) Planning grant requirements and prioritization. Subject to
19 the availability of amounts appropriated for this specific purpose,
20 the office of the superintendent of public instruction must assist
21 eligible school districts that are interested in applying for a
22 construction grant under this section by providing technical
23 assistance and planning grants. School districts seeking planning
24 grants under this section must provide a brief statement describing
25 existing school conditions, building system and site deficiencies,
26 current and five-year projected student headcount enrollment, student
27 achievement measures, and financial constraints. If applications for
28 planning grants exceed funds available, the office of the
29 superintendent of public instruction may prioritize planning grant
30 requests with primary consideration given to school district
31 financial capacity and facility conditions.

32 (8) Construction grant requirements and prioritization.

33 (a) School districts applying for a construction grant under this
34 section must have received and completed a planning grant under
35 subsection (7) of this section or have completed construction
36 documents including drawings, specifications, total project cost
37 estimates, contract and procurement requirements, and other materials
38 required by the advisory committee, as part of the construction grant
39 application process.

1 (b) Subject to the availability of amounts appropriated for this
2 specific purpose, the advisory committee must prioritize applications
3 from school districts with the lowest remaining debt capacity, most
4 significant building deficiencies, and lowest head count enrollment.
5 The advisory committee may weigh these factors as appropriate given
6 the pool of applicants and the extent each factor deviates from the
7 statewide average.

8 (9) Eligibility and prioritization recommendations. The advisory
9 committee may propose changes to the eligibility threshold and grant
10 application prioritization criteria to the legislature as they learn
11 more about the characteristics of school districts that are unable to
12 replace or modernize their aging school facilities.

13 (10) Share of project costs. School districts receiving a grant
14 under this section must provide a district share in accordance with
15 the following requirements:

16 (a) Except as provided for under (b) and (c) of this subsection,
17 to receive a grant under this section a school district must provide,
18 for each grant awarded, a district share of project cost equal to at
19 least 50 percent of the district's remaining debt capacity pursuant
20 to RCW 39.36.020.

21 (b) To the extent that the district share requirement under (a)
22 of this subsection would, at the time of application, require the
23 estimated school district property tax rate increment associated with
24 the grant to exceed a threshold of \$1.75 per \$1,000 of assessed
25 property value, the office of the superintendent of public
26 instruction must reduce the required district share to achieve an
27 estimated property tax rate equal to this threshold.

28 (c) A school district may use federal funding, other nonstate
29 grant funding, and private donations to pay for its share under this
30 subsection. When calculating a district's share requirement under (a)
31 of this subsection, the superintendent of public instruction must
32 reduce the district's required share in a manner directly
33 proportionate to the amount of nonstate and nonschool district
34 funding provided to support the state grant.

35 (d) To determine the property tax rate threshold under (b) of
36 this subsection, the office of the superintendent of public
37 instruction must calculate the property tax rate increment associated
38 with the grant based on the estimated annualized debt service costs
39 for general obligation bonds issued with an average maturity of no
40 less than 20 years and the interest rate for state of Washington

1 general obligation bonds issued most closely to the date of
2 application for the grant.

3 (11) Coordination with the school construction assistance program
4 and local cost share. To the extent that a school district awarded a
5 grant under this section is also eligible for funding under the
6 school construction assistance program provided by RCW 28A.525.162
7 through 28A.525.180, the office of the superintendent of public
8 instruction must coordinate grant funding between the programs and
9 ensure that total state funding from a grant under this section and a
10 school construction assistance program grant does not exceed total
11 project costs minus the school district's share calculated under
12 subsection (10) of this section. School districts that receive grants
13 under this section may use the grant to fund the required local
14 funding equal to or greater than the difference between the total
15 approved project cost and the amount of state funding assistance
16 computed provided by RCW 28A.525.162 through 28A.525.180. However,
17 school districts coordinating grants provided in this section with
18 school construction assistance program funding are required to
19 contribute not less than the school district's required share as
20 calculated under subsection (10) of this section.

21 (12) Disbursement of grant funds and reporting requirements. The
22 office of the superintendent of public instruction must award grants
23 under this section to school districts. The grants must not be
24 awarded until the recipient has identified available local and other
25 resources sufficient to complete the approved project considering the
26 amount of state grant funding. The grant must specify reporting
27 requirements for the district and must include:

28 (a) Updating all school inventory and condition data considered
29 necessary by the office of the superintendent of public instruction;

30 (b) Submitting a final project report as specified by the office
31 of the superintendent of public instruction in consultation with the
32 advisory committee and approved by the school facilities citizen
33 advisory panel created under RCW 28A.525.025; and

34 (c) Implementing and maintaining an asset preservation program
35 for the facility receiving grant funding as required by the office of
36 the superintendent of public instruction's asset preservation
37 program.

38 (13) For the purposes of this section, "advisory committee" means
39 the advisory committee created under RCW 28A.525.159.

1 **Sec. 3.** RCW 28A.525.159 and 2020 c 299 s 1 are each amended to
2 read as follows:

3 (1) School construction assistance program grants for small
4 school districts and state-tribal education compact schools must be
5 determined in accordance with this section.

6 (2) Eligibility. School districts and state-tribal education
7 compact schools with enrollments that are less than or equal to one
8 thousand students are eligible for small school district
9 modernization grants. The advisory committee specified in subsection
10 (4)(a) of this section may recommend amendments to the eligibility
11 threshold as they learn more about the characteristics of school
12 districts and state-tribal education compact schools that are unable
13 to modernize their aging school facilities. Districts with incomplete
14 information in the inventory and condition of schools data system are
15 not eligible to apply for construction grants but may apply for
16 planning grants.

17 (3) The office of the superintendent of public instruction must
18 assist eligible school districts and state-tribal education compact
19 schools that are interested in applying for a small school district
20 modernization grant under this section by providing technical
21 assistance and planning grants within appropriations for this
22 purpose. Districts and state-tribal education compact schools seeking
23 planning grants must provide a brief statement of the school
24 condition, its deficiencies, student enrollment, student achievement
25 measures, and financial limitations of the district or state-tribal
26 education compact school. If applications for planning grants exceed
27 funds available, the office of the superintendent of public
28 instruction may prioritize the recipients of planning grants in order
29 to help districts and state-tribal education compact schools with the
30 most serious apparent building deficiencies, and the most limited
31 financial capacity.

32 (4) Prioritized construction grants and advisory committee.

33 (a) The superintendent of public instruction must propose a list
34 of prioritized grants to the governor by September 1st of even-
35 numbered years. The superintendent of public instruction must appoint
36 an advisory committee to separately prioritize applications from
37 small school districts and state-tribal education compact schools and
38 from financially distressed school districts for grants under section
39 2 of this act. Committee members must have experience in financing,
40 managing, repairing, and improving school facilities in small school

1 districts or state-tribal education compact schools but must not be
2 involved in (~~(a small school district modernization program)~~) grant
3 request under this section or section 2 of this act for the biennium
4 under consideration. The office of the superintendent of public
5 instruction must provide administrative and staff support to the
6 (~~(advisory)~~) advisory committee and coordinate activities to
7 minimize costs to the extent practicable. The office of the
8 superintendent of public instruction in consultation with the
9 advisory committee must design a grant application process with
10 specific criteria for prioritizing grant requests.

11 (b) The advisory committee created in (a) of this subsection must
12 evaluate final applications from eligible school districts and state-
13 tribal education compact schools. The advisory committee must submit
14 a prioritized list of grants to the superintendent of public
15 instruction. The list must prioritize applications to achieve the
16 greatest improvement of school facilities, in the districts and
17 state-tribal education compact schools with the most limited
18 financial capacity, for projects that are likely to improve student
19 health, safety, and academic performance for the largest number of
20 students for the amount of state grant support. The advisory
21 committee must develop specific criteria to achieve the
22 prioritization. The submitted prioritized list must describe the
23 project, the proposed state funding level, and the estimated total
24 project cost including other funding and in-kind resources. The list
25 must also indicate student achievement measures that will be used to
26 evaluate the benefits of the project. The superintendent of public
27 instruction and the governor may determine the level of funding in
28 their omnibus capital appropriations act requests to support small
29 school district modernization grants, but their funding requests must
30 follow the prioritized list prepared by the advisory committee unless
31 new information determines that a specific project is no longer
32 viable as proposed.

33 (5) Coordination with the school construction assistance program.

34 (a) The full administrative and procedural process of school
35 construction assistance program funding under RCW 28A.525.162 through
36 28A.525.180 may be streamlined by the office of the superintendent of
37 public instruction in order to coordinate eligible school
38 construction assistance program funding with the small school
39 district modernization grants. Such coordination must ensure that

1 total state funding from both grants does not exceed total project
2 costs minus available local resources.

3 (b) Projects seeking small school district modernization grants
4 must meet the requirements for a school construction assistance
5 program grant except for the following: (i) The estimated cost of the
6 project may be less than forty percent of the estimated replacement
7 value of the facility, and (ii) local funding assistance percentage
8 requirements of the school construction assistance program do not
9 apply. However, available district and state-tribal education compact
10 school resources are considered in prioritizing small school district
11 modernization grants.

12 (6) Disbursement of grant funds and reporting requirements. The
13 office of the superintendent of public instruction must award grants
14 to school districts and state-tribal education compact schools. The
15 grant must not be awarded until the district or state-tribal
16 education compact school has identified available local and other
17 resources sufficient to complete the approved project considering the
18 amount of the state grant. The grant must specify reporting
19 requirements from the district or state-tribal education compact
20 school, which must include updating all pertinent information in the
21 inventory and condition of schools data system and submitting a final
22 project report as specified by the office of the superintendent of
23 public instruction in consultation with the school facilities
24 (~~(citizens—[citizen])~~) citizen advisory panel specified in RCW
25 28A.525.025.

26 **Sec. 4.** RCW 28A.515.320 and 1996 c 186 s 503 are each amended to
27 read as follows:

28 (1) The common school construction fund is to be used exclusively
29 for the purpose of financing the construction of facilities for the
30 common schools. The sources of said fund shall be: (~~(1)~~) (a) Those
31 proceeds derived from sale or appropriation of timber and other crops
32 from school and state land other than those granted for specific
33 purposes; (~~(2)~~) (b) the interest accruing on the permanent common
34 school fund less the allocations to the state treasurer's service
35 (~~(account—[fund])~~) fund pursuant to RCW 43.08.190 and the state
36 investment board expense account pursuant to RCW 43.33A.160 together
37 with all rentals and other revenue derived therefrom and from land
38 and other property devoted to the permanent common school fund;
39 (~~(3)~~) (c) all moneys received by the state from the United States

1 under the provisions of section 191, Title 30, (~~United States Code~~)
2 U.S.C., Annotated, and under section 810, chapter 12, Title 16,
3 (Conservation), (~~United States Code~~) U.S.C., Annotated, except
4 moneys received before June 30, 2001, and when (~~thirty~~) 30
5 megawatts of geothermal power is certified as commercially available
6 by the receiving utilities and the department of (~~community, trade,~~
7 ~~and economic development~~) commerce, (~~eighty~~) 80 percent of such
8 moneys, under the Geothermal Steam Act of 1970 pursuant to former RCW
9 43.140.030; and (~~(+4)~~) (d) such other sources as the legislature may
10 direct. That portion of the common school construction fund derived
11 from interest on the permanent common school fund may be used to
12 retire such bonds as may be authorized by law for the purpose of
13 financing the construction of facilities for the common schools.

14 (2) The interest accruing on the permanent common school fund
15 less the allocations to the state treasurer's service fund pursuant
16 to RCW 43.08.190 and the state investment board expense account
17 pursuant to RCW 43.33A.160 together with all rentals and other
18 revenues accruing thereto pursuant to subsection (~~(+2)~~) (1)(b) of
19 this section prior to July 1, 1967, shall be exclusively applied to
20 the current use of the common schools.

21 (3) To the extent that the moneys in the common school
22 construction fund are in excess of the amount necessary to allow
23 fulfillment of the purpose of said fund, the excess shall be
24 available for deposit to the credit of the permanent common school
25 fund or available for the current use of the common schools, as the
26 legislature may direct. Any money from the common school construction
27 fund which is made available for the current use of the common
28 schools shall be restored to the fund by appropriation, including
29 interest income (~~(foregone [forgone])~~) forgone, before the end of the
30 next fiscal biennium following such use.

31 (4) Appropriations for the small school districts project
32 prioritized list submitted under RCW 28A.525.159 are the first
33 priority of appropriations from the common school construction fund,
34 after payment of principal and interest on the bonds authorized in
35 RCW 28A.527.040 from that portion of the common school construction
36 fund derived from interest on the permanent common school fund.
37 Appropriations from the common school construction fund must be
38 prioritized as follows, as fund balance allows:

39 (a) Beginning with appropriations enacted for the 2025-2027
40 fiscal biennium, no less than \$60,000,000 of new appropriations in

1 the biennial capital budget must be used to fund the small school
2 districts project prioritized list, and any remaining amounts in the
3 common school construction fund may be appropriated for other common
4 school construction purposes.

5 (b) Beginning with appropriations enacted for the 2027-2029
6 fiscal biennium, no less than \$70,000,000 of new appropriations in
7 the biennial capital budget must be used to fund the small school
8 districts project prioritized list, and any remaining amounts in the
9 common school construction fund may be appropriated for other common
10 school construction purposes.

11 (c) Beginning with appropriations enacted for the 2029-2031
12 fiscal biennium and each biennium thereafter, no less than
13 \$80,000,000 of new appropriations in the biennial capital budget must
14 be used to fund the small school districts project prioritized list,
15 and any remaining amounts in the common school construction fund may
16 be appropriated for other common school construction purposes."

SHB 1044 - S COMM AMD

By Committee on Ways & Means

ADOPTED 04/11/2023

17 On page 1, line 2 of the title, after "challenges;" strike the
18 remainder of the title and insert "amending RCW 28A.525.159 and
19 28A.515.320; adding a new section to chapter 28A.525 RCW; and
20 creating a new section."

EFFECT: (1) Expands eligibility to participate in the grant program to include school districts with a student headcount enrollment of 3,000 or fewer students that meet the following additional criteria:

(a) The school district is located in an educational service district with rural communities that experience prohibitive access to skill centers or other workforce development facilities or programs;

(b) The school district has been unable to secure voter approval to issue bonds for capital purposes in the prior 25 years and has had at least three bond measures rejected by voters in consecutive years during that 25-year period; and

(c) The school district has instructional buildings that do not meet structural, capacity, environmental, or emergency requirements.

(2) Eliminates the 100-point scoring scale used by the advisory committee to prioritize construction grant applications, including the related equations used to assign points based on certain criteria. Removes references to the scoring system throughout the bill language.

(3) Directs the advisory committee to prioritize those school districts with the lowest remaining debt capacity, most significant

building deficiencies, and lowest head count enrollment. Allows the advisory committee to weigh such factors as appropriate given the pool of applicants and the extent each factor deviates from the statewide average.

(4) Makes the prioritized project list of the Small School District Modernization Grant Program the first priority of the Common School Construction Fund after payment of principal and interest for skill center bonds.

(5) Starting in 2025-27, no less than \$60 million in new appropriations in the capital budget must be used to fund the small school district prioritized list, and any remaining amounts in the common school construction fund may be appropriated for other common school construction purposes. This amount increases to \$70 million in 2027-29 and increases to \$80 million in 2029-31 and every biennium thereafter.

--- END ---