

HOUSE BILL REPORT

ESB 5344

As Reported by House Committee On:
Education

Title: An act relating to a public school revolving fund.

Brief Description: Establishing a school modernization loan program.

Sponsors: Senators Schoesler, Dozier, Braun, Wagoner, Warnick, MacEwen and Torres.

Brief History:

Committee Activity:

Education: 2/19/24, 2/20/24 [DP].

Brief Summary of Engrossed Bill

- Establishes a modernization loan program for school districts and state-tribal education compact schools with significant building system deficiencies.
- Directs the Office of the Superintendent of Public Instruction (OSPI), in coordination with the Office of the State Treasurer, to administer the program.
- Establishes a seven-member advisory committee to assist the OSPI in designing the loan application process, developing the prioritization criteria, and evaluating grant applications.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass. Signed by 15 members: Representatives Santos, Chair; Shavers, Vice Chair; Rude, Ranking Minority Member; McEntire, Assistant Ranking Minority Member; Bergquist, Couture, Eslick, Harris, McClintock, Nance, Ortiz-Self, Pollet, Steele, Stonier and Timmons.

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.

Staff: Ethan Moreno (786-7386).

Background:

Under the Washington Constitution, obligations for public school capital construction costs are a shared responsibility of the state and local school districts. Examples of state programs that provide financial support for the capital costs of public schools and school districts are provided below.

Small School District and State-Tribal Education Compact Schools Modernization Program.

The Small School District and State-Tribal Education Compact Schools Modernization Program (Program) provides planning and construction grants for small school districts and state-tribal education compact schools that are unable to modernize their aging school facilities. Projects are evaluated and ranked by an advisory committee of facilities professionals. This prioritization process must achieve the greatest improvement of school facilities, in the recipient districts and schools, for projects that are likely to improve student health, safety, and academic performance for the largest number of students for the amount of state grant support.

The Superintendent of Public Instruction (SPI) is required to propose a list of prioritized grants by September 1 of even-numbered years. The resulting lists are provided to the Governor and the Legislature for consideration during the state's biennial budget development process.

Participation in the Program is limited to school districts and state-tribal education compact schools with total enrollments of 1,000 students or fewer. No local cost share is required of districts, but grants may be coordinated with funding from the School Construction Assistance Program. Although statute does not limit the scope of modernization projects funded through the program, the work funded has generally modernized parts of school facilities, including heating, ventilation, air conditioning, electrical, and roofing improvements.

School Construction Assistance Program.

The School Construction Assistance Program (SCAP) provides state financial assistance on a formula basis to school districts for constructing new, and remodeling existing, school buildings. The Office of the Superintendent of Public Instruction (OSPI) administers the SCAP and works with school districts on project approval and reimbursement, but school districts must secure local funding before they may be eligible for SCAP funding.

The state allocates SCAP funding to school districts through the omnibus capital budget based on space and cost standards 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 financial assistance provided by the SCAP are generally borne by school districts.

State-Tribal Education Compact Schools.

State-tribal education compact schools are public schools that are governed and operated according to the terms and conditions of a compact. The compacts, which must meet requirements established in statute and through administrative rules established by the SPI, are negotiated between the SPI and the governing body of a tribe in Washington or the governing body of a school in the state that is funded by the federal Bureau of Indian Affairs, a tribe, or a tribal consortium.

Washington's seven state-tribal education compact schools are exempt from all state statutes and administrative rules applicable to school districts and school district boards of directors, except those made applicable in statute and through a compact.

Summary of Bill:

Subject to required funding, the Office of the Superintendent of Public Instruction (OSPI), in coordination with the Office of the State Treasurer (Treasurer), must administer a modernization loan program for school districts and state-tribal education compact schools with significant building system deficiencies. The OSPI and the Treasurer may adopt rules to implement the program.

The OSPI must assist school districts and state-tribal education compact schools interested in seeking loans by providing technical assistance and planning grants. Planning grants may not exceed \$75,000 per applicant and the Superintendent of Public Instruction (SPI) may prioritize planning grants for school districts and state-tribal education compact schools with the most serious building deficiencies and the most limited financial capacity.

A seven-member advisory committee must assist the OSPI in designing the loan application process, developing the prioritization criteria, and evaluating grant applications. The advisory committee, which must also prioritize the list of proposed projects, consists of:

- four members of the Legislature, one of whom is appointed by the chairperson of each of the two largest political caucuses in the Senate and House of Representatives; and
- three members who have experience in financing and managing school facilities, as appointed by the SPI.

The advisory committee must receive administrative and staff support from the OSPI.

Following the prioritization of projects by the advisory committee, the SPI must submit a list of the proposed modernization projects to the Governor and Legislature by January 8, 2025, and annually on each November 1. The list must include:

- a description of each project;
- the proposed state funding level, not to exceed \$6 million or 10 percent of the amount

- appropriated for this purpose, whichever is greater;
- estimated total project costs; and
- local funding resources to be used for repayment.

The Treasurer must administer the modernization loans approved by the Legislature and loan funds may be awarded only after the Legislature approves the list of proposed projects. The awarded loans may not exceed a 1 percent interest rate or a period of 20 years.

If the funded modernization project is also eligible for funding through the School Construction Assistance Program (SCAP), the OSPI must expedite and streamline the applicable administrative requirements, timelines, and matching requirements for the modernization loan to be used promptly. Modernization loan funds provided plus state funds provided in the SCAP grant may not exceed total project costs minus available local resources.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This is an idea that the Senate has been working on: creating a loan fund for schools that mirrors the public works trust fund. In a K-12 context, the loan fund becomes a tool to finance loans with little or no interest and hold down construction costs. The funding for the loan program is specified in the Senate capital budget.

(Opposed) None.

Persons Testifying: Senator Mark Schoesler, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.