
Capital Budget Committee

SB 5789

Brief Description: Concerning the sales and use tax for school construction assistance program capital projects.

Sponsors: Senators Mullet, Schoesler, Dozier, Nobles, Pedersen and Torres.

Brief Summary of Bill

- Changes the School Construction Assistance Program formula so that the state pays for the full sales and use tax levied on all costs chargeable to a school construction project funded through this program.

Hearing Date: 2/23/24

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

Background:

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. Only districts' permanent instructional space is eligible for state funding through the program. The Office of the Superintendent of Public Instruction administers the program and works with school districts on project approval and reimbursement.

School districts are responsible for securing local funding for construction projects. If eligible, the state provides partial funding based on formulas, allowances, and costs related to certain aspects of a construction project called recognized project costs.

Recognized project costs include construction costs, architecture and engineering fees, furniture and equipment, and other related costs. Included in recognized costs is state and local sales tax

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up to 7 percent. The remaining sales tax above 7 percent is paid for entirely by the school district.

Non-recognized project costs are those costs that exceed the formulas, allowances, and costs under SCAP. These include sales and use tax above 7 percent, square footage per student above the SCAP formula, and price per square foot that is higher than SCAP's allowance as examples.

The percentage of recognized project costs that the state pays for is determined by a formula called the "funding assistance percentage," which is set forth in law. The percentage varies by the local district's ability to raise funds measured in terms of assessed value per student and the number of students in a district, as compared to the total state assessed value per student.

Summary of Bill:

The School Construction Assistance Program (SCAP) formula is modified so that the state will pay for the full sales and use tax levied on all costs chargeable to a project funded through the SCAP.

Appropriation: None.

Fiscal Note: Available.

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