

HOUSE BILL REPORT

HB 2968

As Reported by House Committee On: Capital Budget

Title: An act relating to financing public school facilities necessary to support state-funded all-day kindergarten and class size reduction in kindergarten through third grade.

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 History:

Committee Activity:

Capital Budget: 2/8/16 [DP].

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 kindergarten through third grade class size reduction by appropriating half of the 1 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.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 8 members: Representatives Tharinger, Chair; Stanford, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Kilduff, Kochmar, Peterson and Riccelli.

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

Background:

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.

School Construction Assistance Program.

In the capital budget, the state provides financial assistance to school districts for constructing new and remodeling 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.

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, Engrossed Substitute House Bill 2261 (2009) and Substitute House Bill (SHB) 2776 (2010), by their scheduled statutory due date. Substitute House Bill 2276 requires the state to fund all-day kindergarten and reduced class sizes in kindergarten through third grade (K-3) by the 2017-18 school year. The 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.

Kindergarten through Third Grade Class Size Reduction Pilot Grant Program.

In 2015 the Legislature passed Engrossed Substitute Senate Bill (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 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. Engrossed Substitute Senate Bill 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 1 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.
- 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.

Staff Summary of Public Testimony:

(In support) There is a crisis in need for classroom space in Washington State to support all-day kindergarten and class size reductions in kindergarten through third grade. This bill provides a long term strategic plan, that follows the spirit of Initiative 601 in regards to school construction, to provide school facilities to implement smaller class sizes and all-day

kindergarten, which is very much supported and appreciated. Sufficient school facilities are needed to achieve a long term vision of creating better learning experiences for students. Continuing to support construction moneys for smaller class sizes would allow school districts to plan for facilities and bond elections. The bill should be expanded to allow class size reductions for all grades with an emphasis on kindergarten through third grades. The bill should make clear that providing additional funding for classrooms to support all-day kindergarten and smaller class sizes is to supplement state funding assistance provided in the SCAP, and that it is not supplanting state assistance through the SCAP for the long term. Policies of the SCAP formula should be considered as additional funding in the existing program would not resolve classroom needs for all-day kindergarten and smaller class sizes. This is because the artificial formula in the SCAP does not recognize true square footage needs of school districts. The needs of rural school districts who struggle to pass bond elections to raise local matching dollars should be considered, as well as adjusting the 60 percent majority requirement for passing bond elections. School siting under the Growth Management Act is another barrier for school districts who wish to participate in the additional construction funding provided in the bill.

(Opposed) We are concerned about using BSA cash for additional classroom construction. The BSA is meant to act as a reserve to be used against operating budget cuts during economic slow-downs. It currently holds only 25 days' worth of funds. An alternative proposal is to count certain additional tax revenues as general state revenues, which would increase the state's debt capacity and allow for additional bond-funding of K-3 classrooms.

Persons Testifying: (In support) Representative Tharinger, prime sponsor; Jean Marcyznski, West Valley School District and Eastern Washington Quality School Coalition; Kevin Foster, Valley School District; Mitch Denning, Alliance of Educational Associations; Jessica Vavrus, Washington State School Directors' Association; Shawn Lewis, Spokane Public Schools; Julie Salvi, Washington Education Association; Michael Groesch, Puget Sound School Coalition; and Charlie Brown, Tacoma and Bethel School Districts.

(Opposed) Wolf Opitz, Treasurer's Office.

Persons Signed In To Testify But Not Testifying: None.