

# HOUSE BILL REPORT

## HB 2985

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to excluding certain school facilities from the inventory of educational space for determining eligibility for state assistance for common school construction.

**Brief Description:** Excluding certain school facilities from the inventory of educational space for determining eligibility for state assistance for common school construction.

**Sponsors:** Representatives Riccelli, Short, Ormsby, Parker, Holy, Manweller, McCaslin, Tharinger, Peterson, Stanford, Kretz, Magendanz and Moscoso.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 2/19/16, 2/29/16 [DPS].

#### **Brief Summary of Substitute Bill**

- Excludes space in school districts, vacated by new construction in lieu of modernization, and either: (1) used for purposes of supporting all-day kindergarten or reduced class sizes in kindergarten through third grade; or (2) the district is experiencing a special school housing burden due to enrollment growth and failed bond elections, from the inventory of educational space for the purpose of calculating state assistance for school construction.
- Applies the exclusion for new school construction awarded from July 1, 2016, through June 30, 2021.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Tharinger, Chair; Stanford, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Kilduff, Kochmar, Peterson, Riccelli and Walsh.

**Staff:** Christine Thomas (786-7142).

#### **Background:**

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*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 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 instructional space, while land purchases and auxiliary facilities, such as stadiums and district administrative space, must be funded entirely with local revenues. The state allocates funding to districts based on a set of educational space and construction cost standards adopted by the Legislature and a statutory funding assistance percentage based on the relative wealth of the district.

### Inventory of Educational Space.

The OSPI maintains an educational space inventory of all school facilities for purposes of determining district eligibility for state funding assistance of school construction. State statute requires the OSPI to exclude from the inventory those spaces that have been constructed for educational and community activities from grants received from other public or private entities. The OSPI also adopts rules for removing instructional space from the inventory under certain circumstances such as school building demolitions or sales or long-term leases of school buildings. School facilities replaced by new construction in lieu of modernization are also removed from the inventory of educational space and must not be used for district instructional purposes and will not be eligible for future state funding assistance.

### Special School Housing Burden.

School districts may experience special school housing burdens resulting from such things as destruction of school buildings by fire, condemnation, or a sudden growth in school enrollments. These school districts may receive additional state funding assistance for SCAP to address these school housing burdens if funding is provided for such a purpose.

### 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 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 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.

### General Obligation Bonds.

The board of directors of a school district may borrow money and issue bonds for any capital purpose. The amount that may be borrowed is limited by the state Constitution and state statutes. The state Constitution sets a debt limit for school districts at 1.5 percent of the assessed value of property in the district, but the state Constitution permits districts to exceed this limit for construction, up to 5 percent indebtedness, with approval of at least 60 percent of the voters at an election where the total number of voters is at least 40 percent of the total

at the last preceding general election. State statute imposes a lower threshold of 0.375 percent indebtedness, but allows districts to exceed this threshold to a total indebtedness of 2.5 percent with the approval of at least 60 percent of the voters voting.

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**Summary of Substitute Bill:**

School facilities replaced by new construction, in lieu of modernizing those facilities, and that either: (1) are being used for purposes of supporting all-day kindergarten or reduced class sizes in kindergarten through third grade; or (2) the district is experiencing a special school housing burden due to enrollment growth and failed bond elections, are excluded from the inventory of educational space for determining eligibility for state assistance for new construction. The lack of district facilities must warrant such a use. The exclusion applies for state assistance for new construction awarded from July 1, 2016, through June 30, 2021.

**Substitute Bill Compared to Original Bill:**

The substitute bill also excludes from the inventory of educational space for determining state assistance for new construction, space that is used by school districts experiencing special school housing burdens due to enrollment growth and failed bond elections.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) Schools cannot use old space for instruction when they build new schools and receive state assistance. This bill is a common sense solution when times are uncommon and school districts need flexibility to comply with new programs like all-day kindergarten and reduced class sizes. Other school districts experiencing rapid growth and failed bond elections can also use this policy as a tool to solve their school space needs. There are a few concerns regarding school districts who may be "double dipping" by receiving state assistance to replace older buildings and then potentially receiving state assistance to modernize vacated space. Another concern is that the vacated spaces are generally older buildings that no longer meet programmatic needs and are costly to maintain, operate, and modernize. Double dipping may have been an issue at other times, but at a time when the state has a crisis in school housing, this bill provides a temporary fix for the next five years. The undesirable alternative to this policy is to use other spaces such as church basements. A possible amendment for the bill to consider would be to allow the waiver under current

administrative rules to use the space for phased construction. Ten years may be a better time period to allow the waiver.

(Opposed) None.

**Persons Testifying:** Representative Riccelli, prime sponsor; Gordon Beck, Office of Superintendent of Public Instruction; Michael Groesch, Puget Sound School Coalition; Tom Rockefeller, Mead School District; and Jim Hedrick, Greater Spokane Incorporated.

**Persons Signed In To Testify But Not Testifying:** None.