

SENATE BILL REPORT

SB 5702

As Reported by Senate Committee On:
Ways & Means, February 23, 2017

Title: An act relating to improving state funding for school construction, modernization, and asset preservation.

Brief Description: Improving state funding for school construction, modernization, and asset preservation.

Sponsors: Senators Keiser, Honeyford, Frockt and Pedersen.

Brief History:

Committee Activity: Ways & Means: 2/16/17, 2/23/17 [DPS].

Brief Summary of Substitute Bill

- Expands the role and membership of the School Facilities Citizens Advisory Committee.
- Establishes five components of the school construction assistance program.
- Changes the kindergarten through third grade (K-3) class size reduction grant program to exclude from the classroom count portables installed after 1989.
- Allow districts that applied but did not receive a 2015-17 grant to be considered for a future grant by updating their grant application,
- Extends the grant program from 2017 to 2021.
- Establishes a joint legislative task force on improving state funding for school construction.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5702 be substituted therefor, and the substitute bill do pass.

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.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Bailey, Becker, Billig, Carlyle, Conway, Darneille, Fain, Hasegawa, Keiser, Miloscia, Padden, Pedersen, Rivers, Schoesler, Warnick and Zeiger.

Staff: Richard Ramsey (786-7412)

Background: The school construction assistance program (SCAP), administered by the Office of Superintendent of Public Instruction (OSPI), provides school districts with financial assistance to expand and modernize school facilities. The amount of financial assistance is based on a formula that considers the amount of square feet needed for the number of students in elementary schools, middle schools, and high schools; multiplied by an assumed cost per square foot for construction; multiplied by a state fund matching rate. The SCAP match rate depends on the relative value of assessed property in the district per student. SCAP only funds permanent school buildings, not portables.

The state Constitution authorizes school districts to issue bonds for the purpose of constructing schools. Schools are owned, designed, constructed, and maintained by local school districts. Authorization of general obligation bonds require a 60 percent majority vote.

The Legislature enacted class-size reduction goals to reach one teacher to seventeen students in K–3 by the 2017-18 school year. In 2015, via 2ESSB 6080 (Chapter 41, Laws of 2015, 3rd Special Session), the Legislature created a K-3 class-size reduction classroom grant program to help school districts expand the number of classrooms in support of the K–3 class-size reduction objective. OSPI administers the program which provides awards for modular classrooms and new schools.

Summary of Bill (First Substitute): The School Facilities Citizens Advisory Committee (Committee) is expanded to include modernization. The Committee is to advise the Governor and the Legislature, in addition to the Superintendent of Public Instruction. Committee membership includes:

- one member of the State Board of Education, appointed by the Board;
- two school directors appointed by the Superintendent of Public Instruction selected from a list of five names submitted by the Washington School Directors Association;
- two school district administrators members appointed by the Superintendent of Public Instruction selected from a list of five names submitted by the Washington Association of School Administrators; and
- the Governor must appoint the four citizen members.

The Committee may convene technical advisory work groups with expertise in school facilities. OSPI will provide administrative and technical support to the Committee. The Committee must prepare a biennial report to the Governor and the Legislature that summarizes the condition of Washington public schools and recent school construction activities. The report must be based on the inventory and condition of schools (ICOS) system. The report on recent school construction activities must include an analysis of school construction costs; the February 2017 ESD 112 K-2 capital facilities cost study will

serve as a key consideration and reference for the Committee report. The report must be submitted by September 1st in even-numbered years.

The proposes of SCAP are expanded from modernization and enrollment growth to five program components to include:

- Pre-2017 SCAP - For program grants awarded before the effective date, the rules, policies, and funding formula are those established in the capital budget prior to and including the 2015-17 fiscal biennium.
- School Modernization SCAP - Applies to facilities constructed or modernized before January 1, 1994. Modernization grants are for school facilities that are older than 30 years from the date they were constructed or last modernized with state financial support and require major building systems repair or replacement with an estimated cost that exceeds 40 percent of the estimated value of the facility.
- SCAP for Preservation and Renewal - Applies to facilities constructed or modernized after January 1, 1994. Preservation and renewal grants are for replacement or renewal of school facility major building systems that have reached their expected life. The Committee must review the definitions and make recommendations to the Joint Legislative Task Force on Improving State Funding for School Construction. The joint legislative task force will recommend measures to enable schools with declining enrollments to qualify for preservation and renewal grants.
- SCAP for Enrollment Growth - Grants are for school districts with under-housed students. Enrollment grants are calculated by multiplying the number of under-housed students by the space allocation then multiplying the resulting product by construction cost allowance, including the soft cost allowance and then multiplying the resulting product by the district's state funding assistance percentage. All variables for the enrollment growth grants will be set in the capital budget.
- SCAP for Small, Rural Districts - Establishes eligibility for the grants as districts with fewer than 1000 students. The joint legislative task force to recommend measures to enable school districts, that because of low assessed values or high indebtedness are not eligible for SCAP modernization grants, to become eligible in the small rural district SCAP.
- Districts with incomplete inventory and condition of schools (ICOS) information may not apply. OSPI is directed to establish rules, application materials, contracts, monitoring and reporting requirements to carry out the SCAP; OSPI is directed to adopt rules appropriate for value engineering, constructability review, building commissioning, and construction management.

Changes to the K-3 class size reduction grant program are made and include:

- clarifies that portables installed after 1992 and meet building code requirements may be considered classrooms;
- adds to the classroom exclusion 75 percent of the classrooms in elementary schools that are regularly used for English language learner programs;
- allows districts that applied but did not receive a 2015-17 grant may be considered for a future grant by updating their grant application; and
- extends the grant program from 2017 to 2021.

A joint legislative taskforce (taskforce) on improving state funding for school construction is established. The taskforce is to recommend to the Legislation specific formula enhancements

and funding for the five SCAP program components. The taskforce is established on July 1, 2018, and is to report its findings to the appropriate committees of the Legislature by December 1, 2018. It consists of eight legislators. The House of Representatives Office of Program Research and Senate Committee Services will provide staff support. OSPI and the Office of Financial Management must cooperate with the taskforce and maintain liaison representatives.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Directs the taskforce to recommend:
 - measures to enable schools with declining enrollments to qualify for preservation and renewal grants; and
 - measures to enable school districts, that because of low assessed values or high indebtedness are not eligible for SCAP modernization grants, to become eligible in the small rural district SCAP.
- For the K-3 class-size reduction grants, delays from 1989 to 1992 for the date when portables may be counted as classrooms.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: Yes.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2017. The changes to the K-3 class-size reduction grant program take effect, June 30, 2017. The Legislative task force is established on July 1, 2018.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: SCAP is the single largest appropriation in the capital budget. This reform emphasizes preservation and renewal. High growth districts and small rural districts deserve special attention. The bill contains good changes to the K-3 class-size reduction grants. While these are not the system-wide changes we've sought, this bill represents a significant step. We support the intent of the bill and support the changes to the K-3 grant program. The SCAP square foot allowances were adopted in 1979; they and the construction costs should be updated to reflect actual practices by school districts. We support the small rural school grants, emphasis on facility preservation, the changes to K-3 grants, and the expedited process.

Persons Testifying: PRO: Senator Karen Keiser, Prime Sponsor, Jim Kowalkowski, Eastern Washington Quality Schools Coalition/Davenport School District; Clifford Traisman, Highline Public Schools/Seattle Public Schools; Lorrell Noahr, WA Washington Education Association; Casey Moore, Director of School Facilities, OSPI; Jessica Vavrus, WA State School Directors' Association; Mitch Denning, Alliance of Educational Associations.

Persons Signed In To Testify But Not Testifying: No one.