

SENATE BILL REPORT

SB 5853

As Reported by Senate Committee On:
Ways & Means, February 28, 2019

Title: An act relating to the school construction assistance program.

Brief Description: Regarding the school construction assistance program.

Sponsors: Senators Pedersen, Warnick, Frockt, Bailey, Carlyle, Zeiger, Dhingra, Becker, Wellman, Walsh, King, Lias, Wagoner, Palumbo, Hobbs, Rivers, Keiser, Hunt, Darneille, Rolfes, Hasegawa, Conway, Braun, Billig, Kuderer, Salomon, Cleveland, McCoy, Nguyen, Short, Das, Hawkins, Takko, Saldaña, Randall, O'Ban, Wilson, C., Van De Wege and Wilson, L..

Brief History:

Committee Activity: Ways & Means: 2/14/19, 2/28/19 [DPS, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Increases the floor of the funding assistance percentage (FAP) from 20 percent to 30 percent beginning in the 2019-21 biennium.
- Adds 5 percent to the FAP for school projects with historic buildings applying to the School Construction Assistance Program (SCAP).
- Limits the bond appropriations for the SCAP to one-third of the total bond appropriations in the capital budget; the construction cost allocation will be reduced so that the SCAP bonds do not exceed one-third of the total bond appropriations.
- Phases in the student space allocation through 2024 as follows: Kindergarten - Grade 6: 130 square feet, Grades 7 - 8: 130 square feet, Grades 9 - 12: 140 square feet and students with disabilities: 146 square feet
- Directs the Office of the Superintendent of Public Instruction to develop a plan to implement further improvements in funding school construction

SENATE COMMITTEE ON WAYS & MEANS

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.

Majority Report: That Substitute Senate Bill No. 5853 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Braun, Ranking Member; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Palumbo, Pedersen, Rivers and Schoesler.

Minority Report: Do not pass.

Signed by Senator Mullet, Capital Budget Cabinet.

Minority Report: That it be referred without recommendation.

Signed by Senators Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Van De Wege, Wagoner, Warnick and Wilson, L..

Staff: Richard Ramsey (786-7412)

Background: The state's SCAP operates as a partnership between local school districts and the state to fund construction of new schools and modernize existing facilities. The state contributes funding, as well as technical assistance, in facility planning, construction, and contracting. State funding assistance is provided for instructional space. Land purchases and auxiliary facilities, such as stadiums and district administrative space, must be funded entirely with local revenues.

State funding assistance is determined using a funding formula based upon three main factors: eligible area, the construction cost allowance (CCA), and the FAP. The program is administered by the Office of the Superintendent of Public Instruction (OSPI).

The eligible space for new construction is calculated by comparing the current district-wide capacity, in square feet, to the district's projected enrollment growth and future space needs.

The state applies a FAP, known as the match ratio, to equalize state funding assistance. The FAP is specified in law. The percentage accounts for differences across school districts in wealth and the ability to generate revenue through property taxes. Districts experiencing rapid growth in student enrollments may receive extra growth points. The minimum percentage is 20 percent of recognized project costs, and can be as much as 100 percent of the recognized costs, depending on district wealth and growth.

The CCA is a per-square-foot amount determined by OSPI. For the 2017-19 capital budget—SSB 6090 (2018)—the construction cost allocation is \$219.58 per square foot.

The SSA is a square foot amount per student and is specified in regulation as follows:

- 90 square feet for students in K-6;
- 117 square feet for students in grades 7-8;
- 130 square feet for students in grades 9-12; and
- 144 square feet for students with disabilities in any grade.

Summary of Bill (First Substitute): The minimum state FAP is increased from 20 to 30 percent for the 2019-21 fiscal biennium; this will affect 46 school districts. An additional 5

percent in the FAP is allowed for projects with buildings listed on the National Register of Historic Places, the Washington Heritage Register, or on a local register of historic places.

Limits the bond appropriations for the SCAP to one-third of the total bond appropriations in the capital budget; the construction cost allocation will be reduced so that the SCAP bonds do not exceed one-third of the total bond appropriations.

Beginning in FY 2022, the SSA of 90 square feet for students in K-6 is increased by 10 square feet per year until FY 2024, when it reaches 130 square feet.

In 2024, the SSA for students in grades 7-8, 9-12, and all students with disabilities, are increased to:

- 130 square feet for students in grades 7-8;
- 140 square feet for students in grades 9-12; and
- 146 square feet for students with disabilities in any grade.

The OSPI is to develop a plan to implement further improvements in funding school construction, to include:

- consideration of the recommendations of the Joint Legislative Task Force on Improving State Funding for School Construction;
- a school preservation and renewal program for schools constructed or modernized after 1994;
- project the space and costs necessary to meet student enrollment growth over 10 years;
- project the costs of the preservation/ renewal program and small schools preservation over 10 years; and
- identify options for state support for school construction that exceed revenue to the Common School Construction Account and 35 percent of projected state bond capacity.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute): Removes increases in the construction cost allocation.

Limits the bond appropriations for the SCAP to one-third of the total bond appropriations in the capital budget; the construction cost allocation will be reduced so that the SCAP bonds do not exceed one-third of the total bond appropriations.

Limits the phase-in of square foot increases to the student space allocation through 2024 at which point they will be as follows:

- Kindergarten - Grade 6: 130 square feet;
- Grades 7 - 8: 130 square feet;
- Grades 9 - 12: 140 square feet; and
- Students with disabilities: 146 square feet.

Directs OSPI to develop a plan to implement further improvements in funding school construction, to include:

- consideration of the recommendations of the Joint Legislative Task Force on Improving State Funding for School Construction;

- a school preservation and renewal program for schools constructed or modernized after 1994;
- project the space and costs necessary to meet student enrollment growth over 10 years;
- project the costs of the preservation/ renewal program and small schools preservation over 10 years; and
- identify options for state support for school construction that exceed revenue to the Common School Construction Account and 35 percent of projected state bond capacity.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2019.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Parents sending their children to school expect a healthy and safe school environment, the space to learn and play, the room to work collaboratively and in flexible environments. They also expect the space for their children to enjoy student lunch, libraries that encourage reading, and exploration in hands-on courses like shop, robotics, computers, art, and music. The PTA has supported smaller class sizes in the early years and building more classrooms to support full day kindergarten. We would like to ask for you to consider renewing the K-3 classroom grant program that started in 2015. Only 20 out of the 91 districts applying received funding for what was expected to be a three biennia program.

Thank you for making school construction a priority in the capital budget. Even if you are fully funding the formulas, which you have heard are very much outdated, means the full funding that is provided actually fails to meet school districts' basic needs or the actual costs of construction. We very much support the increase or updates to the formulas. We are a bit concerned about the long phase-in. However, we understand the budget constraints affecting both budgets and so we are willing to support the long phase-in.

Providing students, especially disabled students, greater square foot allocation makes good sense. Increasing the construction cost allowance is really a challenge. That is where some of us really get in a bind.

OSPI strongly supports this bill. The bill implements the recommendations of the Joint Legislative Task Force on improving state support for school construction, by adjusting the student space allocation, increasing the construction cost allowance and increasing the state funding assistance percentage.

Seattle Public Schools supports this bill. School construction is a huge priority in a school district like Seattle that has an older building stock and has a huge school construction need. For two current projects, Lincoln High School and Magnolia Elementary School, had this bill

been in place the district would have received an additional \$8 million. Thank you to the sponsor for adding the incentive related to land marking.

The 67 percent of state bond capacity that would go to SCAP under this bill is breathtaking. You need to take a step beyond the joint task force and do a forecast of the different major components than what is in this bill. The total square footage that is in the old tired schools that really need major renovation or replacement is declining. The newer buildings, since 1993, are better buildings and will be cheaper to maintain. Then we can actually forecast growth. This results in a long-term ten year trend of growth. Perhaps the next step is to begin this process for four years, then pause and wait for more information about the final four years

OTHER: Local school districts are passing capital construction bonds at historic rates in response to lower class sizes in grades K-3, all-day kindergarten and the implementation of increased lab science standards for high school graduation. However, the state's matching program to build schools has not responded to these changes in the basic education program; this makes it difficult for school districts to implement these legislative mandates. Significant state funding needs to be provided to reduce the gap between the actual cost of school construction and the current funding formula drivers. While the state Constitution creates a state-local partnership for funding common school buildings the current funding formula, with outdated funding drivers, has created a lopsided partnership requiring a higher proportion of local funding. The current square footage funding drivers for SCAP date from 1979; our program has changed much over the past forty years. The Washington Education Association supports changes to SCAP that will result in safe healthy and modern schools. This change is long overdue and for that reason we have concerns about the fifteen year phase in of this bill.

Persons Testifying: PRO: Senator Jamie Pedersen, Prime Sponsor; Dan Steele, Washington Association of School Administrators, Washington Association of School Business Officials; Sherry Rudolph, Washington State PTA; Mitch Denning, Alliance of Educational Associations; Tyler Muench, OSPI; Clifford Traisman, Seattle Public Schools; Brian Sims, Washington State School Directors Association.

OTHER: Lorrell Noahr, Washington Education Association.

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