

SHB 1044 - S COMM AMD
By Committee on Ways & Means

ADOPTED 02/28/2024

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature intends to create a new
4 grant program through which small, financially distressed school
5 districts that generally do not participate in the current school
6 construction assistance program will be able to get the necessary
7 funds to modernize or rebuild their school buildings.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 28A.525
9 RCW to read as follows:

10 (1) Supplementary modernization and new construction grants and
11 planning grants for financially distressed school districts must be
12 awarded and determined in accordance with this section.

13 (2) Applicant eligibility criteria. Subject to subsection (4) of
14 this section, only school districts that have a student headcount
15 enrollment of 1,000 students or fewer are eligible for grants under
16 this section.

17 (3) Project eligibility criteria.

18 (a) Projects funded under this section must meet the following
19 conditions: (i) Projects must comprehensively modernize or replace
20 instructional buildings that are at least 30 years old and that are
21 recorded as poor or unsatisfactory condition by the office of the
22 superintendent of public instruction; and (ii) projects must not
23 exceed 110 percent of the statewide average cost per square foot for
24 new construction or modernization, as applicable, and as estimated by
25 the advisory committee and approved by the office of the
26 superintendent of public instruction.

27 (b) To meet the project eligibility criteria for comprehensive
28 modernization specified under (a) of this subsection, projects must
29 correct critical physical deficiencies and essential safety concerns,
30 including: (i) Seismic vulnerabilities; (ii) failing or broken
31 building and site systems; (iii) deficiencies of infrastructure and

1 components; (iv) barriers to program accessibility; (v) deteriorated
2 exterior conditions; and (vi) deficiencies in interior classroom
3 spaces. Project approaches may include modernizing, repairing,
4 reconfiguring, or replacing existing buildings, constructing new
5 buildings, and upgrading deteriorated and outdated site
6 infrastructure.

7 (c) School districts applying for a grant under this section must
8 submit separate applications for each individual school.

9 (4) Other eligibility criteria. School districts with incomplete
10 or outdated building inventories, natural hazard assessments, and
11 condition information as required by the office of the superintendent
12 of public instruction are not eligible to apply for construction
13 grants under this section but may apply for planning grants. Building
14 inventory and condition information must be provided by an
15 independent consultant certified by the office of the superintendent
16 of public instruction. A seismic building assessment must be
17 conducted by an engineer licensed as a structural engineer in
18 Washington state.

19 (5) Eligible use of grants. A grant awarded pursuant to this
20 section may only be used for the following purposes: (a) The
21 collection of the required information in subsection (4) of this
22 section; (b) all predesign and design costs including value
23 engineering and constructability review; and (c) all related costs
24 associated with the project except school district administration
25 costs as determined by the office of the superintendent of public
26 instruction.

27 (6) Required grant list.

28 (a) The superintendent of public instruction must propose a list
29 of prioritized planning and construction grants pursuant to this
30 section for school districts meeting the eligibility requirements
31 established in subsection (2) of this section to the governor by
32 September 1st of even-numbered years, beginning on September 1, 2024.
33 This list must include: (i) A description of the proposed project;
34 (ii) the proposed planning grant amount, when applicable; (iii) the
35 proposed construction grant amount, when applicable; (iv) the
36 anticipated school construction assistance program amount; (v) the
37 anticipated local share of project cost; and (vi) the estimated total
38 project cost.

39 (b) The superintendent of public instruction and the governor may
40 determine the level of funding in their omnibus capital

1 appropriations act requests to support grants under this section, but
2 their funding requests must follow the prioritized list prepared by
3 the advisory committee unless new information determines that a
4 specific project is no longer viable as proposed.

5 (7) Planning grant requirements and prioritization. Subject to
6 the availability of amounts appropriated for this specific purpose,
7 the office of the superintendent of public instruction must assist
8 eligible school districts that are interested in applying for a
9 construction grant under this section by providing technical
10 assistance and planning grants. School districts seeking planning
11 grants under this section must provide a brief statement describing
12 existing school conditions, building system and site deficiencies,
13 current and five-year projected student headcount enrollment, student
14 achievement measures, and financial constraints. If applications for
15 planning grants exceed funds available, the office of the
16 superintendent of public instruction may prioritize planning grant
17 requests with primary consideration given to school district
18 financial capacity and facility conditions.

19 (8) Construction grant requirements and prioritization.

20 (a) School districts applying for a construction grant under this
21 section must have received and completed a planning grant under
22 subsection (7) of this section or have completed construction
23 documents including drawings, specifications, total project cost
24 estimates, contract and procurement requirements, and other materials
25 required by the advisory committee, as part of the construction grant
26 application process.

27 (b) Subject to the availability of amounts appropriated for this
28 specific purpose, the advisory committee must prioritize applications
29 from school districts with the lowest remaining debt capacity, most
30 significant building deficiencies, and lowest headcount enrollment.
31 The advisory committee may weigh these factors as appropriate given
32 the pool of applicants and the extent each factor deviates from the
33 statewide average.

34 (9) Eligibility and prioritization recommendations. The advisory
35 committee may propose changes to the eligibility threshold and grant
36 application prioritization criteria to the legislature as they learn
37 more about the characteristics of school districts that are unable to
38 replace or modernize their aging school facilities.

1 (10) Share of project costs. School districts receiving a grant
2 under this section must provide a district share in accordance with
3 the following requirements:

4 (a) Except as provided for under (b) and (c) of this subsection,
5 to receive a grant under this section a school district must provide,
6 for each grant awarded, a district share of project cost equal to at
7 least 50 percent of the district's remaining debt capacity pursuant
8 to RCW 39.36.020.

9 (b) To the extent that the district share requirement under (a)
10 of this subsection would, at the time of application, require the
11 estimated school district property tax rate increment associated with
12 the grant to exceed a threshold of \$1.75 per \$1,000 of assessed
13 property value, the office of the superintendent of public
14 instruction must reduce the required district share to achieve an
15 estimated property tax rate equal to this threshold.

16 (c) A school district may use federal funding, other nonstate
17 grant funding, and private donations to pay for its share under this
18 subsection. When calculating a district's share requirement under (a)
19 of this subsection, the superintendent of public instruction must
20 reduce the district's required share in a manner directly
21 proportionate to the amount of nonstate and nonschool district
22 funding provided to support the state grant.

23 (d) To determine the property tax rate threshold under (b) of
24 this subsection, the office of the superintendent of public
25 instruction must calculate the property tax rate increment associated
26 with the grant based on the estimated annualized debt service costs
27 for general obligation bonds issued with an average maturity of no
28 less than 20 years and the interest rate for state of Washington
29 general obligation bonds issued most closely to the date of
30 application for the grant.

31 (11) Coordination with the school construction assistance program
32 and local cost share. To the extent that a school district awarded a
33 grant under this section is also eligible for funding under the
34 school construction assistance program provided by RCW 28A.525.162
35 through 28A.525.180, the office of the superintendent of public
36 instruction must coordinate grant funding between the programs and
37 ensure that total state funding from a grant under this section and a
38 school construction assistance program grant does not exceed total
39 project costs minus the school district's share calculated under
40 subsection (10) of this section. School districts that receive grants

1 under this section may use the grant to fund the required local
2 funding equal to or greater than the difference between the total
3 approved project cost and the amount of state funding assistance
4 computed provided by RCW 28A.525.162 through 28A.525.180. However,
5 school districts coordinating grants provided in this section with
6 school construction assistance program funding are required to
7 contribute not less than the school district's required share as
8 calculated under subsection (10) of this section.

9 (12) Disbursement of grant funds and reporting requirements. The
10 office of the superintendent of public instruction must award grants
11 under this section to school districts. The grants must not be
12 awarded until the recipient has identified available local and other
13 resources sufficient to complete the approved project considering the
14 amount of state grant funding. The grant must specify reporting
15 requirements for the district and must include:

16 (a) Updating all school inventory and condition data considered
17 necessary by the office of the superintendent of public instruction;

18 (b) Submitting a final project report as specified by the office
19 of the superintendent of public instruction in consultation with the
20 advisory committee and approved by the school facilities citizen
21 advisory panel created under RCW 28A.525.025; and

22 (c) Implementing and maintaining an asset preservation program
23 for the facility receiving grant funding as required by the office of
24 the superintendent of public instruction's asset preservation
25 program.

26 (13) For the purposes of this section, "advisory committee" means
27 the advisory committee created under RCW 28A.525.159.

28 **Sec. 3.** RCW 28A.525.159 and 2020 c 299 s 1 are each amended to
29 read as follows:

30 (1) School construction assistance program grants for small
31 school districts and state-tribal education compact schools must be
32 determined in accordance with this section.

33 (2) Eligibility. School districts and state-tribal education
34 compact schools with enrollments that are less than or equal to one
35 thousand students are eligible for small school district
36 modernization grants. The advisory committee specified in subsection
37 (4)(a) of this section may recommend amendments to the eligibility
38 threshold as they learn more about the characteristics of school
39 districts and state-tribal education compact schools that are unable

1 to modernize their aging school facilities. Districts with incomplete
2 information in the inventory and condition of schools data system are
3 not eligible to apply for construction grants but may apply for
4 planning grants.

5 (3) The office of the superintendent of public instruction must
6 assist eligible school districts and state-tribal education compact
7 schools that are interested in applying for a small school district
8 modernization grant under this section by providing technical
9 assistance and planning grants within appropriations for this
10 purpose. Districts and state-tribal education compact schools seeking
11 planning grants must provide a brief statement of the school
12 condition, its deficiencies, student enrollment, student achievement
13 measures, and financial limitations of the district or state-tribal
14 education compact school. If applications for planning grants exceed
15 funds available, the office of the superintendent of public
16 instruction may prioritize the recipients of planning grants in order
17 to help districts and state-tribal education compact schools with the
18 most serious apparent building deficiencies, and the most limited
19 financial capacity.

20 (4) Prioritized construction grants and advisory committee.

21 (a) The superintendent of public instruction must propose a list
22 of prioritized grants to the governor by September 1st of even-
23 numbered years. The superintendent of public instruction must appoint
24 an advisory committee to separately prioritize applications from
25 small school districts and state-tribal education compact schools and
26 from financially distressed school districts for grants under section
27 2 of this act. Committee members must have experience in financing,
28 managing, repairing, and improving school facilities in small school
29 districts or state-tribal education compact schools but must not be
30 involved in (~~a small school district modernization program~~) grant
31 request under this section or section 2 of this act for the biennium
32 under consideration. The office of the superintendent of public
33 instruction must provide administrative and staff support to the
34 (~~{advisory}~~) advisory committee and coordinate activities to
35 minimize costs to the extent practicable. The office of the
36 superintendent of public instruction in consultation with the
37 advisory committee must design a grant application process with
38 specific criteria for prioritizing grant requests.

39 (b) The advisory committee created in (a) of this subsection must
40 evaluate final applications from eligible school districts and state-

1 tribal education compact schools. The advisory committee must submit
2 a prioritized list of grants to the superintendent of public
3 instruction. The list must prioritize applications to achieve the
4 greatest improvement of school facilities, in the districts and
5 state-tribal education compact schools with the most limited
6 financial capacity, for projects that are likely to improve student
7 health, safety, and academic performance for the largest number of
8 students for the amount of state grant support. The advisory
9 committee must develop specific criteria to achieve the
10 prioritization. The submitted prioritized list must describe the
11 project, the proposed state funding level, and the estimated total
12 project cost including other funding and in-kind resources. The list
13 must also indicate student achievement measures that will be used to
14 evaluate the benefits of the project. The superintendent of public
15 instruction and the governor may determine the level of funding in
16 their omnibus capital appropriations act requests to support small
17 school district modernization grants, but their funding requests must
18 follow the prioritized list prepared by the advisory committee unless
19 new information determines that a specific project is no longer
20 viable as proposed.

21 (5) Coordination with the school construction assistance program.

22 (a) The full administrative and procedural process of school
23 construction assistance program funding under RCW 28A.525.162 through
24 28A.525.180 may be streamlined by the office of the superintendent of
25 public instruction in order to coordinate eligible school
26 construction assistance program funding with the small school
27 district modernization grants. Such coordination must ensure that
28 total state funding from both grants does not exceed total project
29 costs minus available local resources.

30 (b) Projects seeking small school district modernization grants
31 must meet the requirements for a school construction assistance
32 program grant except for the following: (i) The estimated cost of the
33 project may be less than forty percent of the estimated replacement
34 value of the facility, and (ii) local funding assistance percentage
35 requirements of the school construction assistance program do not
36 apply. However, available district and state-tribal education compact
37 school resources are considered in prioritizing small school district
38 modernization grants.

39 (6) Disbursement of grant funds and reporting requirements. The
40 office of the superintendent of public instruction must award grants

1 to school districts and state-tribal education compact schools. The
2 grant must not be awarded until the district or state-tribal
3 education compact school has identified available local and other
4 resources sufficient to complete the approved project considering the
5 amount of the state grant. The grant must specify reporting
6 requirements from the district or state-tribal education compact
7 school, which must include updating all pertinent information in the
8 inventory and condition of schools data system and submitting a final
9 project report as specified by the office of the superintendent of
10 public instruction in consultation with the school facilities
11 (~~citizens~~~~[citizen]~~) citizen advisory panel specified in RCW
12 28A.525.025.

13 **Sec. 4.** RCW 28A.515.320 and 2023 c 470 s 2006 are each amended
14 to read as follows:

15 (1) The common school construction fund is to be used exclusively
16 for the purpose of financing the construction of facilities for the
17 common schools. The sources of said fund shall be: (~~(1)~~) (a) Those
18 proceeds derived from sale or appropriation of timber and other crops
19 from school and state land other than those granted for specific
20 purposes; (~~(2)~~) (b) the interest accruing on the permanent common
21 school fund less the allocations to the state treasurer's service
22 fund pursuant to RCW 43.08.190 and the state investment board expense
23 account pursuant to RCW 43.33A.160 together with all rentals and
24 other revenue derived therefrom and from land and other property
25 devoted to the permanent common school fund; (~~(3)~~) (c) all moneys
26 received by the state from the United States under the provisions of
27 section 191, Title 30, United States Code, Annotated, and under
28 section 810, chapter 12, Title 16, (Conservation), United States
29 Code, Annotated, except moneys received before June 30, 2001, and
30 when thirty megawatts of geothermal power is certified as
31 commercially available by the receiving utilities and the department
32 of commerce, eighty percent of such moneys, under the Geothermal
33 Steam Act of 1970 pursuant to RCW 43.140.030; and (~~(4)~~) (d) such
34 other sources as the legislature may direct. That portion of the
35 common school construction fund derived from interest on the
36 permanent common school fund may be used to retire such bonds as may
37 be authorized by law for the purpose of financing the construction of
38 facilities for the common schools.

1 (2) The interest accruing on the permanent common school fund
2 less the allocations to the state treasurer's service fund pursuant
3 to RCW 43.08.190 and the state investment board expense account
4 pursuant to RCW 43.33A.160 together with all rentals and other
5 revenues accruing thereto pursuant to subsection ~~((+2))~~ (1)(b) of
6 this section prior to July 1, 1967, shall be exclusively applied to
7 the current use of the common schools.

8 (3) To the extent that the moneys in the common school
9 construction fund are in excess of the amount necessary to allow
10 fulfillment of the purpose of said fund, the excess shall be
11 available for deposit to the credit of the permanent common school
12 fund or available for the current use of the common schools, as the
13 legislature may direct. Any money from the common school construction
14 fund which is made available for the current use of the common
15 schools shall be restored to the fund by appropriation, including
16 interest income forgone, before the end of the next fiscal biennium
17 following such use.

18 (4) Appropriations for the small school districts project
19 prioritized list submitted under RCW 28A.525.159 are the first
20 priority of appropriations from the common school construction fund,
21 after payment of principal and interest on the bonds authorized in
22 RCW 28A.527.040 from that portion of the common school construction
23 fund derived from interest on the permanent common school fund.
24 Appropriations from the common school construction fund must be
25 prioritized as follows, as fund balance allows:

26 (a) Beginning with appropriations enacted for the 2025-2027
27 fiscal biennium, no less than \$60,000,000 of new appropriations in
28 the biennial capital budget must be used to fund the small school
29 districts project prioritized list, and any remaining amounts in the
30 common school construction fund may be appropriated for other common
31 school construction purposes.

32 (b) Beginning with appropriations enacted for the 2027-2029
33 fiscal biennium, no less than \$70,000,000 of new appropriations in
34 the biennial capital budget must be used to fund the small school
35 districts project prioritized list, and any remaining amounts in the
36 common school construction fund may be appropriated for other common
37 school construction purposes.

38 (c) Beginning with appropriations enacted for the 2029-2031
39 fiscal biennium and each biennium thereafter, no less than
40 \$80,000,000 of new appropriations in the biennial capital budget must

1 be used to fund the small school districts project prioritized list,
2 and any remaining amounts in the common school construction fund may
3 be appropriated for other common school construction purposes."

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4 On page 1, line 2 of the title, after "challenges;" strike the
5 remainder of the title and insert "amending RCW 28A.525.159 and
6 28A.515.320; adding a new section to chapter 28A.525 RCW; and
7 creating a new section."

EFFECT: (1) Removes the 100-point scoring scale used by the advisory committee to prioritize construction grant applications, including the related equations used to assign points based on certain criteria. Removes references to the scoring system throughout the bill language.

(2) Directs the advisory committee to prioritize those school districts with the lowest remaining debt capacity, most significant building deficiencies, and lowest head count enrollment. Allows the advisory committee to weigh such factors as appropriate given the pool of applicants and the extent each factor deviates from the statewide average.

(3) Makes the prioritized project list of the Small School District Modernization Grant Program the first priority of the Common School Construction Fund after payment of principal and interest for skill center bonds.

(4) Starting in 2025-27, no less than \$60 million in new appropriations in the capital budget must be used to fund the small school district prioritized list, and any remaining amounts in the common school construction fund may be appropriated for other common school construction purposes. This amount increases to \$70 million in 2027-29 and increases to \$80 million in 2029-31 and every biennium thereafter.

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