

SENATE BILL REPORT

SSB 5126

As Passed Senate, February 28, 2023

Title: An act relating to providing common school trust revenue to small school districts.

Brief Description: Providing common school trust revenue to small school districts.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Pedersen, Hawkins, Wellman and Wilson, C.; by request of Superintendent of Public Instruction).

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/16/23, 1/25/23 [DP-WM, DNP, w/oRec].

Ways & Means: 2/02/23, 2/16/23 [DPS, DNP, w/oRec].

Floor Activity: Passed Senate: 2/28/23, 43-5.

Brief Summary of First Substitute Bill

- 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.
- 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.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Wellman, Chair; Nobles, Vice Chair; Wilson, C., Vice Chair;

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Hawkins, Ranking Member; Hunt, Mullet and Pedersen.

Minority Report: Do not pass.
Signed by Senator Dozier.

Minority Report: That it be referred without recommendation.
Signed by Senator McCune.

Staff: Alexandra Fairfortune (786-7416)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5126 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hasegawa, Keiser, Muzzall, Nguyen, Pedersen, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Minority Report: Do not pass.
Signed by Senator Schoesler, Ranking Member, Capital.

Minority Report: That it be referred without recommendation.
Signed by Senators Gildon, Assistant Ranking Member, Operating; Hunt.

Staff: Michael Bezanson (786-7449)

Background: Small School District Modernization Grant Program. In 2020, the Legislature passed 2SSB 5572, establishing the Small School District Modernization Grant Program (grant program) for school districts and state-tribal compact schools with 1000 or fewer enrolled students. Applicants may seek planning grants or construction grants to update school facilities that have significant system deficiencies but do not require full replacement. To be eligible, small districts must have such low property value that replacing or modernizing the school facility through the School Construction Assistance Program would present an extraordinary tax burden on property owners or exceed allowable debt.

The grant program is administered by the Office of the Superintendent of Public Instruction (OSPI) and an appointed advisory committee that evaluates applications and develops a prioritized list of grant recipients. When prioritizing applications, the advisory committee must seek to achieve the greatest improvement of school facilities in small districts and state-tribal compact schools with the most limited financial capacity for projects that are likely to improve student health, safety, and academic performance for the largest number of students. District and state-tribal education compact school resources may be considered in prioritizing grants, but local funding assistance percentage and replacement value percentage requirements applicable under the School Construction Assistance Program do

not apply.

The final prioritized list must describe the project, the proposed state funding level, and the estimated total project cost including other funding and in-kind resources. The list must also indicate student achievement measures that will be used to evaluate the benefits of the project. The Governor and OSPI may determine the level of funding for small district modernization grants in their capital budget requests, but must follow the prioritized list developed by the advisory committee.

During the 2021-23 biennial budget, \$1.1 million in planning grants, \$33.795 million in construction grants, and \$4.218 million for state-tribal compact schools were awarded. An additional \$7.612 million in construction grants were awarded in the 2022 supplemental capital budget. Planning grants have been awarded to 29 school districts and construction grants have been awarded to 15 school districts and five state-tribal compact schools.

Common School Construction Fund. The Common School Construction Fund may be used exclusively for financing construction of facilities for common schools. The revenue sources for the fund include:

- sale or appropriation of timber and other crops from school and state land;
- rentals and other revenue derived from land and other property devoted to the fund;
- federal grants; and
- investment earnings.

Summary of First Substitute Bill: The prioritized project list of the Small School District Modernization Grant Program receives first priority of appropriations from the Common School Construction Fund, after payment of principal and interest on bonds.

Appropriations from the Common School Construction Fund must be prioritized as follows:

- beginning in 2025-27, no less than \$60 million dollars of new appropriations in the biennial capital budget must be used to fund the small schools project prioritized list;
- in 2027-29, no less than \$70 million dollars of new appropriations in the biennial capital budget must be used to fund the small schools project prioritized list;
- in 2029-31 and every biennium thereafter, no less than \$80 million dollars of new appropriations in the biennial capital budget must be used to fund the small schools project prioritized list; and
- any remaining amounts in the Common School Construction Fund in excess of those amounts listed above may be appropriated for other common school construction purposes.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Early Learning & K-12 Education): PRO: Washington has been working on school construction funding for 15 years and has not made much progress on the SCAP formula. This is a different approach. One of the things that SCAP doesn't try to address is those districts that don't have enough of a property tax base to qualify for a match. Those are some of the kids in our system that are left the most alone and unhelped. There is a corresponding relationship with those districts and districts with trust lands. When we have revenues coming out of trust lands we should fund the projects that have been vetted before we spend the money on other capital needs. We need to step in and help make sure that there is a base level of school facilities available to kids across the state. These are projects that include basic improvements and upgrades needed to maintain healthy and safe learning environments, such as HVAC systems that need to be replaced. These schools also often serve as community centers for small communities.

Persons Testifying (Early Learning & K-12 Education): PRO: Senator Jamie Pedersen, Prime Sponsor; Jim Kowalkowski, Rural Education Center; Tyler Muench, Office of Superintendent of Public Instruction; Logan Endres, Washington State School Directors' Association (WSSDA); Viviann Kuehl, Washington State School Directors' Association (WSSDA); Mitch Denning, WA Assn. of Maintenance & Operation Administrators.

Persons Signed In To Testify But Not Testifying (Early Learning & K-12 Education):
No one.

Staff Summary of Public Testimony on Original Bill (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: The School Construction Assistance Program doesn't help small districts that don't have enough of a tax base to raise the money to fix their facilities. This program will help the smaller schools with less than 1000 students by making sure that funding is fair for all districts across the state. 40% of school districts in the state are asking for this help.

Persons Testifying (Ways & Means): PRO: Senator Jamie Pedersen, Prime Sponsor; Tyler Muench, Office of Superintendent of Public Instruction; Logan Endres, Washington State School Directors' Association (WSSDA); Mitch Denning, WA Assn of Maintenance & Operation Administrators; Jim Kowalkowski, Rural Education Center.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.