

SENATE BILL REPORT

SB 5789

As Passed Senate, February 9, 2024

Title: An act relating to the sales and use tax for school construction assistance program capital projects.

Brief Description: Concerning the sales and use tax for school construction assistance program capital projects.

Sponsors: Senators Mullet, Schoesler, Dozier, Nobles, Pedersen and Torres.

Brief History:

Committee Activity: Ways & Means: 2/03/24, 2/05/24 [DP].

Floor Activity: Passed Senate: 2/9/24, 48-1.

Brief Summary of Bill

- Changes the School Construction Assistance Program formula so that the state will pay for the full sales and use tax levied on all costs chargeable to a school construction project.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

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

Staff: Michael Bezanson (786-7449)

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.

Background: The School Construction Assistance Program (SCAP) provides funding assistance to school districts that are undertaking a major new construction or modernization project. Projects must meet eligibility requirements.

School districts are responsible to secure local funding for construction projects. If eligible, the state provides partial funding based on formulas, allowances, and costs related to certain aspects of a construction project called recognized project costs.

Recognized project costs include construction costs, architecture and engineering fees, furniture and equipment, and other related costs. Included in recognized costs is state and local sales tax up to 7 percent. The remaining sales tax above 7 percent is paid for entirely by the school district.

Non-recognized projects costs are those costs that exceed the formulas, allowances, and costs under SCAP. These include sales and use tax above 7 percent, square footage per student above the SCAP formula, and price per square foot that is higher than SCAP's allowance as examples.

The percentage of recognized project costs that the state will pay for is determined by a formula set forth in law called the funding assistance percentage. The percentage varies by the local district's ability to raise funds measured in terms of assessed value per student and the number of students in a district. A district's funding assistance percentage applies to a calendar year.

Summary of Bill: The SCAP formula is modified so that the state will pay for the full sales and use tax levied on all costs chargeable to the school construction project.

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: PRO: Funding for this bill is all money coming out of the capital budget and has no impact to the operating budget. If the bill were to pass, more schools would be able to move forward with construction. School districts have stated that if they could ensure voters that all money they voted for would stay in the community for support of schools, it would strengthen their argument and help to pass bonds. This bill will further assist small school districts in passing bonds and accessing SCAP funds.

As an example, the bill would allow Seattle to retain up to \$16 million per year to invest in schools. These are dollars that would stay in the community as community assets. It is a

huge advantage for public school districts. SCAP is an antiquated formula. Until a broader SCAP formula change, this bill would go a long way to bridging the gap in assisting schools.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Jerry Pugh, Colfax School District; Clifford Traisman, Seattle, Bellevue, Highline, Northshore Public School Districts .

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