
HOUSE BILL 1538

State of Washington **69th Legislature** **2025 Regular Session**

By Representatives McEntire, Couture, Rude, Leavitt, and Doglio

Read first time 01/23/25. Referred to Committee on Capital Budget.

1 AN ACT Relating to capital financial assistance to small school
2 districts with demonstrated funding challenges; amending RCW
3 28A.525.159; adding a new section to chapter 28A.525 RCW; creating a
4 new section; and providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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

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

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

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

20 (3) Project eligibility criteria.

1 (a) Projects funded under this section must meet the following
2 conditions: (i) Projects must comprehensively modernize or replace
3 instructional buildings that are at least 30 years old and that are
4 recorded as poor or unsatisfactory condition by the office of the
5 superintendent of public instruction; and (ii) projects must not
6 exceed 110 percent of the statewide average cost per square foot for
7 new construction or modernization, as applicable, and as estimated by
8 the advisory committee and approved by the office of the
9 superintendent of public instruction.

10 (b) To meet the project eligibility criteria for comprehensive
11 modernization specified under (a) of this subsection, projects must
12 correct critical physical deficiencies and essential safety concerns,
13 including: (i) Seismic vulnerabilities; (ii) failing or broken
14 building and site systems; (iii) deficiencies of infrastructure and
15 components; (iv) barriers to program accessibility; (v) deteriorated
16 exterior conditions; and (vi) deficiencies in interior classroom
17 spaces. Project approaches may include modernizing, repairing,
18 reconfiguring, or replacing existing buildings, constructing new
19 buildings, and upgrading deteriorated and outdated site
20 infrastructure.

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

23 (4) Other eligibility criteria. School districts with incomplete
24 or outdated building inventories, natural hazard assessments, and
25 condition information as required by the office of the superintendent
26 of public instruction are not eligible to apply for construction
27 grants under this section but may apply for planning grants. Building
28 inventory and condition information must be provided by an
29 independent consultant certified by the office of the superintendent
30 of public instruction. A seismic building assessment must be
31 conducted by an engineer licensed as a structural engineer in
32 Washington state.

33 (5) Eligible use of grants. A grant awarded pursuant to this
34 section may only be used for the following purposes: (a) The
35 collection of the required information in subsection (4) of this
36 section; (b) all predesign and design costs including value
37 engineering and constructability review; and (c) all related costs
38 associated with the project except school district administration
39 costs as determined by the office of the superintendent of public
40 instruction.

1 (6) Required grant list.

2 (a) The superintendent of public instruction must propose a list
3 of prioritized planning and construction grants pursuant to this
4 section for school districts meeting the eligibility requirements
5 established in subsection (2) of this section to the governor by
6 September 1st of even-numbered years, beginning on September 1, 2028.
7 This list must include: (i) A description of the proposed project;
8 (ii) the proposed planning grant amount, when applicable; (iii) the
9 proposed construction grant amount, when applicable; (iv) the
10 anticipated school construction assistance program amount; (v) the
11 anticipated local share of project cost; (vi) the estimated total
12 project cost; and (vii) the project score in total and by category.

13 (b) The superintendent of public instruction and the governor may
14 determine the level of funding in their omnibus capital
15 appropriations act requests to support grants under this section, but
16 their funding requests must follow the prioritized list prepared by
17 the advisory committee unless new information determines that a
18 specific project is no longer viable as proposed.

19 (7) Planning grant requirements and prioritization. Subject to
20 the availability of amounts appropriated for this specific purpose,
21 the office of the superintendent of public instruction must assist
22 eligible school districts that are interested in applying for a
23 construction grant under this section by providing technical
24 assistance and planning grants. School districts seeking planning
25 grants under this section must provide a brief statement describing
26 existing school conditions, building system and site deficiencies,
27 current and five-year projected student headcount enrollment, student
28 achievement measures, and financial constraints. If applications for
29 planning grants exceed funds available, the office of the
30 superintendent of public instruction may prioritize planning grant
31 requests with primary consideration given to school district
32 financial capacity and facility conditions.

33 (8) Construction grant requirements and prioritization.

34 (a) School districts applying for a construction grant under this
35 section must have received and completed a planning grant under
36 subsection (7) of this section or have completed construction
37 documents including drawings, specifications, total project cost
38 estimates, contract and procurement requirements, and other materials
39 required by the advisory committee, as part of the construction grant
40 application process.

1 (b) Subject to the availability of amounts appropriated for this
2 specific purpose, the advisory committee must prioritize applications
3 from school districts based on the total number of points awarded
4 under this subsection. The total number of points awarded to an
5 application may not exceed 100 points and must be awarded according
6 to the following criteria:

7 (i) Remaining school district debt capacity. For the purposes of
8 grant prioritization under this section, remaining school district
9 debt capacity must be determined pursuant to RCW 39.36.020.
10 Applications must be awarded no more than 45 points related to debt
11 capacity under this subsection (8)(b)(i) and the number of points
12 awarded related to remaining debt capacity must be calculated as
13 follows:

14 (A) Twenty-five points must be multiplied by the quotient of the
15 applying school district's remaining debt capacity divided by the
16 average remaining debt capacity of school districts statewide
17 subtracted from 0.49, and then the result of the foregoing must be
18 divided by 0.49 plus the applying school district's remaining debt
19 capacity divided by the average remaining debt capacity of school
20 districts statewide. A school district may not receive a score of
21 less than zero under this subsection (8)(b)(i)(A).

22 Debt Capacity Scoring Percentage

23	(0.49 - School district's remaining debt	÷	Average remaining debt capacity of school districts
24	capacity		statewide)
25	25 Points	X---	
26	(0.49 + School district's remaining debt	÷	Average remaining debt capacity of school districts
27	capacity		statewide)

28 (B) The advisory committee may award no more than 20 additional
29 points to an application for a construction grant based on the
30 severity of the applying school district's financial constraints.
31 Applying school districts shall submit brief statements describing
32 financial constraints as part of the construction grant application
33 process.

34 (ii) Facility condition. Applications must be awarded no more
35 than 40 points related to facility conditions under this subsection
36 (8)(b)(ii). The advisory committee, in consultation with the office
37 of the superintendent of public instruction, shall create and apply a
38 formula for awarding points under this subsection (8)(b)(ii) related

1 to facility condition. This formula must prioritize grant
2 applications from school districts with the most significant building
3 deficiencies within the application pool. The office of the
4 superintendent of public instruction shall provide facility condition
5 data to the advisory committee related to each application.

6 (iii) District enrollment. Applications shall be awarded no more
7 than 15 points related to district enrollment under this subsection
8 (8)(b)(iii) and the number of points awarded must be calculated as
9 follows: 15 points must be multiplied by the quotient of the applying
10 school district's headcount enrollment divided by the average school
11 district headcount enrollment statewide subtracted from 0.32, and
12 then the result of the foregoing must be divided by 0.32 plus the
13 applying school district's headcount enrollment divided by the
14 average school district headcount enrollment statewide. A school
15 district may not receive a score of less than zero under this
16 subsection (8)(b)(iii).

17 Enrollment Scoring Percentage

18 $(0.32 - \text{School district's enrollment}) \div \text{Average school district enrollment statewide}$

19 15 Points X---

20 $(0.32 + \text{School district's enrollment}) \div \text{Average school district enrollment statewide}$

21 (9) Eligibility and scoring criteria recommendations. The
22 advisory committee may propose changes to the eligibility threshold
23 and grant application scoring procedures to the legislature as they
24 learn more about the characteristics of school districts that are
25 unable to replace or modernize their aging school facilities.

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

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

34 (b) To the extent that the district share requirement under (a)
35 of this subsection would, at the time of application, require the
36 estimated school district property tax rate increment associated with
37 the grant to exceed a threshold of \$1.75 per \$1,000 of assessed
38 property value, the office of the superintendent of public

1 instruction must reduce the required district share to achieve an
2 estimated property tax rate equal to this threshold.

3 (c) A school district may use federal funding, other nonstate
4 grant funding, and private donations to pay for its share under this
5 subsection. When calculating a district's share requirement under (a)
6 of this subsection, the superintendent of public instruction must
7 reduce the district's required share in a manner directly
8 proportionate to the amount of nonstate and nonschool district
9 funding provided to support the state grant.

10 (d) To determine the property tax rate threshold under (b) of
11 this subsection, the office of the superintendent of public
12 instruction must calculate the property tax rate increment associated
13 with the grant based on the estimated annualized debt service costs
14 for general obligation bonds issued with an average maturity of no
15 less than 20 years and the interest rate for state of Washington
16 general obligation bonds issued most closely to the date of
17 application for the grant.

18 (11) Coordination with the school construction assistance program
19 and local cost share. To the extent that a school district awarded a
20 grant under this section is also eligible for funding under the
21 school construction assistance program provided by RCW 28A.525.162
22 through 28A.525.180, the office of the superintendent of public
23 instruction must coordinate grant funding between the programs and
24 ensure that total state funding from a grant under this section and a
25 school construction assistance program grant does not exceed total
26 project costs minus the school district's share calculated under
27 subsection (10) of this section. School districts that receive grants
28 under this section may use the grant to fund the required local
29 funding equal to or greater than the difference between the total
30 approved project cost and the amount of state funding assistance
31 computed provided by RCW 28A.525.162 through 28A.525.180. However,
32 school districts coordinating grants provided in this section with
33 school construction assistance program funding are required to
34 contribute not less than the school district's required share as
35 calculated under subsection (10) of this section.

36 (12) Disbursement of grant funds and reporting requirements. The
37 office of the superintendent of public instruction must award grants
38 under this section to school districts. The grants must not be
39 awarded until the recipient has identified available local and other
40 resources sufficient to complete the approved project considering the

1 amount of state grant funding. The grant must specify reporting
2 requirements for the district and must include:

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

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

9 (c) Implementing and maintaining an asset preservation program
10 for the facility receiving grant funding as required by the office of
11 the superintendent of public instruction's asset preservation
12 program.

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

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

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

20 (2) Eligibility. School districts and state-tribal education
21 compact schools with enrollments that are less than or equal to one
22 thousand students are eligible for small school district
23 modernization grants. The advisory committee specified in subsection
24 (4)(a) of this section may recommend amendments to the eligibility
25 threshold as they learn more about the characteristics of school
26 districts and state-tribal education compact schools that are unable
27 to modernize their aging school facilities. Districts with incomplete
28 information in the inventory and condition of schools data system are
29 not eligible to apply for construction grants but may apply for
30 planning grants.

31 (3) The office of the superintendent of public instruction must
32 assist eligible school districts and state-tribal education compact
33 schools that are interested in applying for a small school district
34 modernization grant under this section by providing technical
35 assistance and planning grants within appropriations for this
36 purpose. Districts and state-tribal education compact schools seeking
37 planning grants must provide a brief statement of the school
38 condition, its deficiencies, student enrollment, student achievement
39 measures, and financial limitations of the district or state-tribal

1 education compact school. If applications for planning grants exceed
2 funds available, the office of the superintendent of public
3 instruction may prioritize the recipients of planning grants in order
4 to help districts and state-tribal education compact schools with the
5 most serious apparent building deficiencies, and the most limited
6 financial capacity.

7 (4) Prioritized construction grants and advisory committee.

8 (a) The superintendent of public instruction must propose a list
9 of prioritized grants to the governor by September 1st of even-
10 numbered years. The superintendent of public instruction must appoint
11 an advisory committee to prioritize applications from small school
12 districts and state-tribal education compact schools. Committee
13 members must have experience in financing, managing, repairing, and
14 improving school facilities in small school districts or state-tribal
15 education compact schools but must not be involved in a small school
16 district modernization program grant request for the biennium under
17 consideration. The office of the superintendent of public instruction
18 must provide administrative and staff support to the (~~(advisory)~~)
19 advisory committee. The office of the superintendent of public
20 instruction in consultation with the advisory committee must design a
21 grant application process with specific criteria for prioritizing
22 grant requests.

23 (b) The advisory committee created in (a) of this subsection must
24 evaluate final applications from eligible school districts and state-
25 tribal education compact schools. The advisory committee must submit
26 a prioritized list of grants to the superintendent of public
27 instruction. The list must prioritize applications to achieve the
28 greatest improvement of school facilities, in the districts and
29 state-tribal education compact schools with the most limited
30 financial capacity, for projects that are likely to improve student
31 health, safety, and academic performance for the largest number of
32 students for the amount of state grant support. The advisory
33 committee must develop specific criteria to achieve the
34 prioritization. The submitted prioritized list must describe the
35 project, the proposed state funding level, and the estimated total
36 project cost including other funding and in-kind resources. The list
37 must also indicate student achievement measures that will be used to
38 evaluate the benefits of the project. The superintendent of public
39 instruction and the governor may determine the level of funding in
40 their omnibus capital appropriations act requests to support small

1 school district modernization grants, but their funding requests must
2 follow the prioritized list prepared by the advisory committee unless
3 new information determines that a specific project is no longer
4 viable as proposed.

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

6 (a) The full administrative and procedural process of school
7 construction assistance program funding under RCW 28A.525.162 through
8 28A.525.180 may be streamlined by the office of the superintendent of
9 public instruction in order to coordinate eligible school
10 construction assistance program funding with the small school
11 district modernization grants. Such coordination must ensure that
12 total state funding from both grants does not exceed total project
13 costs minus available local resources.

14 (b) Projects seeking small school district modernization grants
15 must meet the requirements for a school construction assistance
16 program grant except for the following: (i) The estimated cost of the
17 project may be less than forty percent of the estimated replacement
18 value of the facility, and (ii) local funding assistance percentage
19 requirements of the school construction assistance program do not
20 apply. However, available district and state-tribal education compact
21 school resources are considered in prioritizing small school district
22 modernization grants.

23 (6) Disbursement of grant funds and reporting requirements. The
24 office of the superintendent of public instruction must award grants
25 to school districts and state-tribal education compact schools. The
26 grant must not be awarded until the district or state-tribal
27 education compact school has identified available local and other
28 resources sufficient to complete the approved project considering the
29 amount of the state grant. The grant must specify reporting
30 requirements from the district or state-tribal education compact
31 school, which must include updating all pertinent information in the
32 inventory and condition of schools data system and submitting a final
33 project report as specified by the office of the superintendent of
34 public instruction in consultation with the school facilities
35 (~~citizens~~ [citizen]) citizen advisory panel specified in RCW
36 28A.525.025.

37 (7) Beginning January 1, 2028, the superintendent of public
38 instruction must require the advisory committee in this section to
39 separately prioritize applications from small school districts and
40 state-tribal education compact schools from financially distressed

1 school districts for grants under section 2 of this act and to
2 coordinate the application prioritization activities of the two
3 programs to minimize costs to the extent practicable.

4 NEW SECTION. **Sec. 4.** Section 2 of this act takes effect January
5 1, 2028.

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