

# **Joint Legislative Task Force on School Construction Funding**

**(DRAFT) Final Report**

**November 5, 2008**

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## **INTRODUCTION AND OVERVIEW OF THE JOINT LEGISLATIVE TASK FORCE ON SCHOOL CONSTRUCTION FUNDING**

### **Proviso**

A proviso in the 2007-09 Capital Budget (Chapter 520, Laws of 2007, Section 6014) established the Joint Legislative Task Force on School Construction Funding (JTFSCF) to comprehensively review and evaluate school construction funding issues, including looking at the state's eligibility requirements and current capital funding formulas, determining the flexibility needed in the system to address diverse district and geographic needs, and developing alternative funding mechanisms and additional revenue sources to support the school construction assistance program in the future.

Originally, the capital budget directed the JTFSCF to report its findings and recommendations to the Legislature by December 1, 2007. Given the complexity of thoroughly examining the school construction assistance program and identifying additional revenue sources, the JTFSCF determined early on that the December 1, 2007 deadline was unrealistic and therefore divided their work into two phases to be completed over two legislative interims. The 2008 Supplemental Capital Budget (Chapter 328, Laws of 2008, Section 6016) amended the original proviso to allow for this expanded time for the task force to complete its work.

The proviso called for a task force made up of four members of each of the largest caucuses of the House of Representatives, four members of each of the largest caucuses of the Senate, and two school district representatives. The members of the JTSCF include the following:

Representative Bill Fromhold (co-chair)  
Senator Dale Brandland (co-chair)  
Representative Joyce McDonald  
Representative Dan Roach  
Representative Sharon Tomiko Santos  
Senator Karen Fraser  
Senator Eric Oemig  
Fred Stephens, School District Representative, Seattle  
Douglas Quinn, School District Representative, Vancouver

### **Work of the Committee**

The JTSCF held eleven meetings between August 2007 and December 2008. In those meetings, the JTSCF heard from a variety of people with knowledge about certain aspects of school construction spending and funding issues. These included: (1) various panels of school district representatives; (2) school construction contractors and other building professionals; (3) community organizations; and (4) state and local governmental officials.

### **Shared Visions**

The following recommendations of the JTFSCF reflect both comprehensive and incremental proposals designed to improve K-12 school construction funding in the state. While there may not be complete agreement regarding every one of these recommendations and their priority, the JTFSCF shares the view that these recommendations collectively provide an excellent framework for moving toward comprehensive improvements in school construction funding over the next several years.

The members of the JTFSCF are united in their belief that these improvements will only be realized with sustained focus on both sides of the school construction funding “ledger.” Specifically, this will require finding additional state resources that might come from new revenue, expanding funding capacity, prioritizing existing capital funding towards K-12 capital construction, or a combination of these steps. Additionally, improvements will require taking both immediate and long term actions to improve the state’s spending and funding practices for school construction. In other words, both additional resources and new and better methods of funding are necessary to accomplish this vision.

As previously stated, the members of the JTFSCF recognize the necessity of a phased-in approach to these changes over a period of years. Moreover, it is acknowledged that many details require additional work for the potential implementation of these changes. For these reasons, the JTFSCF is in agreement that continuation of the task force is the best method for ensuring that the momentum generated from this work continues. However, ultimately, the JTFSCF recognizes that the place for making decisions about the actual implementation lies with the Governor and Legislature.

### **Results of Phase I**

As mentioned in a prior section of this report, the JTFSCF divided their work into two phases: (1) phase I which was completed on December 1, 2007 made preliminary findings and recommendations to the Legislature; and (2) this final report constitutes completion of phase II.

While all the phase I recommendations made in December 2007 are detailed in Appendix B, some of the more significant recommendations included:

- Requiring the Joint Legislative and Audit and Review Committee to conduct a feasibility study of a statewide school facility information system with a final report by January 1, 2010 (see Appendix C for their preliminary report).
- Providing funding to establish a more robust regional program to assist school districts in school construction management and other kinds of technical assistance (see appendix D for a final report detailing gap analysis and implementation plan).
- Directing the Office of Superintendent of Public Instruction (OSPI) to explore options for making the current State School Construction Assistance formula more transparent in terms of the assumptions about what is actually funded, as well as information on state and local funding sources (see appendix E for a final report from Berk & Associates).
- Other items where action was taken include: (1) developing improvements to the method used in projecting student enrollment used in determining funding eligibility (see appendix F for a final report from Berk & Associates); (2) exploring ways to potentially change when projects can be approved for funding to take better advantage of the seasonal nature of the construction bid environment (see Appendix G for the budget decision package submitted by OSPI); (3) conducting a feasibility analysis of using existing state lands or acquiring new land in high growth areas of the state for schools (see Appendix H for final report of the workgroup looking at the issue).

## **FINAL RECOMMENDATIONS**

### **Blueprint for Improving School Construction Funding**

As they began phase II of their work, the JTFSCF agreed that their blueprint for making and implementing recommendations coming out of phase II of their effort should include the following three components:

1. **Connections Between K-12 Policy, Operating & Capital Budgets** - The connections between K-12 operating and capital needs to be recognized in all future recommendations of this task force which is dealing K-12 capital needs and the Joint Basic Education Task Force which is dealing with K-12 operating needs. The decision making that leads to the recommendations and ultimately implementing them needs to reflect this connection.
2. **Transparent and Honest** – Building on OSPI’s work from phase I, the current formula must be made more transparent in terms of the underlying assumptions and conveyed in more understandable terms. The recommendations and changes in the school construction funding formula must be reflective of what the state intends to fund.
3. **Recommendations Must Be Phased In** – Both the practical reality of implementing the kinds of changes being discussed and the resource constraints are going to necessitate that the recommendations be phased-in over several biennia.

### **Resource Related Recommendations**

1. Utilize some of the unused capacity in the \$3.60 state property tax to enhance state K-12 school construction funding.
2. Propose a statewide bond issue for K-12 school construction.
3. Expand the current debt limit by including near general fund or other sources.
4. Prioritize the needed amount for K-12 capital construction and dedicate a minimum amount of the debt limit for this purpose.
5. Increase the local school district debt limit and thereby allow some school districts to potentially pass additional bonds.

### **Spending Related Recommendations**

1. Develop and incorporate a method that accounts for regional cost differences in the school construction formula.
2. Raise or eliminate the current state matching ratio used in the school construction formula.
3. Create an entirely new funding formula; i.e., per student allocation.
4. Increase the per square foot area cost allowance.
5. Provide technical assistance and finance support for school districts’ land acquisitions.

6. Create a new funding mechanism or grant program for implementation of the Board of Health proposed rule revisions.
7. Increase the square foot allocation and/or area cost allowance for specialized program spaces or unique building circumstances. For example: science labs, early learning facilities, and historic school buildings.
8. Create a more expedited approval process within OSPI for fast growing (or all) school districts (modified D-form process).
9. Create a new funding mechanism or grant program to encourage/incentivize cooperative partnerships/joint use of facilities with early learning providers, social service providers, skills centers, community and technical colleges, and public baccalaureate institutions.
10. Extend the current statutory six year limit for the expenditure of impact fee revenues to ten years for land acquisition.
11. For each School Construction Assistance Program project release, direct OSPI to calculate and provide project specific information using the template projection (state and local share of project costs, total project square footage and state eligible square footage, match ratio). Also, direct OSPI to provide post project completion costs.
12. Direct OSPI to draft and implement an alternative to the 2% maintenance rule that requires an accountability measure, i.e., reinvestment of a percent of the building value or value of buildings within a school district over a certain period of time.
13. Provide more school district flexibility regarding leasing – either to meet short-term capacity needs or to allow for lease/purchase arrangements.

## Appendix A

### **Proviso from the Capital Budget (2008 Session), ESHB 2765, Section 6014**

**Sec. 6014** 2007 c 520 s 6016 (uncodified) is amended to read as follows:

(1) A joint legislative task force on school construction funding is established to review the following:

- (a) The statutory provisions regarding the funding of school construction projects;
- (b) Eligibility requirements and distribution formulas for the state's school construction assistance grant program;
- (c) Flexibility needed in the system to address diverse district and geographic needs including, but not limited to, the construction needs unique to high growth areas, as well as the needs of school districts that have experienced consecutive school levy failures; and
- (d) Potential revenue sources and alternative funding mechanisms for school construction including, but not limited to, funding mechanisms that may: (i) Phase out and replace revenue collected under RCW 82.02.050 through 82.02.100 for school facilities; and (ii) encourage cooperative partnerships with early learning providers, skill centers, community and technical colleges, or public baccalaureate institutions through the use of a supermatch concept.

(2) The office of the superintendent of public instruction shall provide progress updates to the task force on the development of the pilot inventory of school district facility information and the design of a process for developing a ten-year projection of the facility needs of school districts as provided for in section 5014 of this act for review and comment by the task force.

(3)(a) The joint legislative task force on school construction funding shall consist of eight members, two members each, one from each major caucus, from the house of representatives committees on capital budget and education, appointed by the speaker of the house of representatives, and two members each, one from each major caucus, from the senate committees on ways and means and early learning and K-12 education, appointed by the president of the senate.

(b) The president of the senate and the speaker of the house of representatives jointly shall appoint two members representing school districts.

(c) The office of the superintendent of public instruction and the office of financial management shall cooperate with the task force and maintain liaison representatives.

(d) The task force shall coordinate with the appropriate standing committees of the legislature and may consult with other interested parties, as may be appropriate, for technical advice and assistance.

(e) The task force shall select a chair from among its legislative membership.

(4) Staff support for the task force must be provided by the house of representatives office of program research and the senate committee services.

(5) Legislative members of the task force must be reimbursed for travel expenses in accordance with RCW 44.04.120. Nonlegislative members, except those representing an employer or organization, are entitled to be reimbursed for travel expenses in accordance with RCW 43.03.050 and 43.03.060.

(6) The expenses of the task force must be paid jointly by the senate and the house of representatives. Task force expenditures are subject to approval by the senate facilities and operations committee and the house of representatives executive rules committee, or their successor committees.

(7) The task force must report ~~((its))~~ preliminary findings and recommendations to the appropriate committees of the legislature by December 1, 2007, and a final report by January 1, 2009.

**Appendix B**

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