

Joint Task Force on School Construction Funding

Legislative Staff Follow-Up Presentation
November 8, 2007

Prepared by Legislative Fiscal Committees



Overview of the 2007-09 Capital Budget

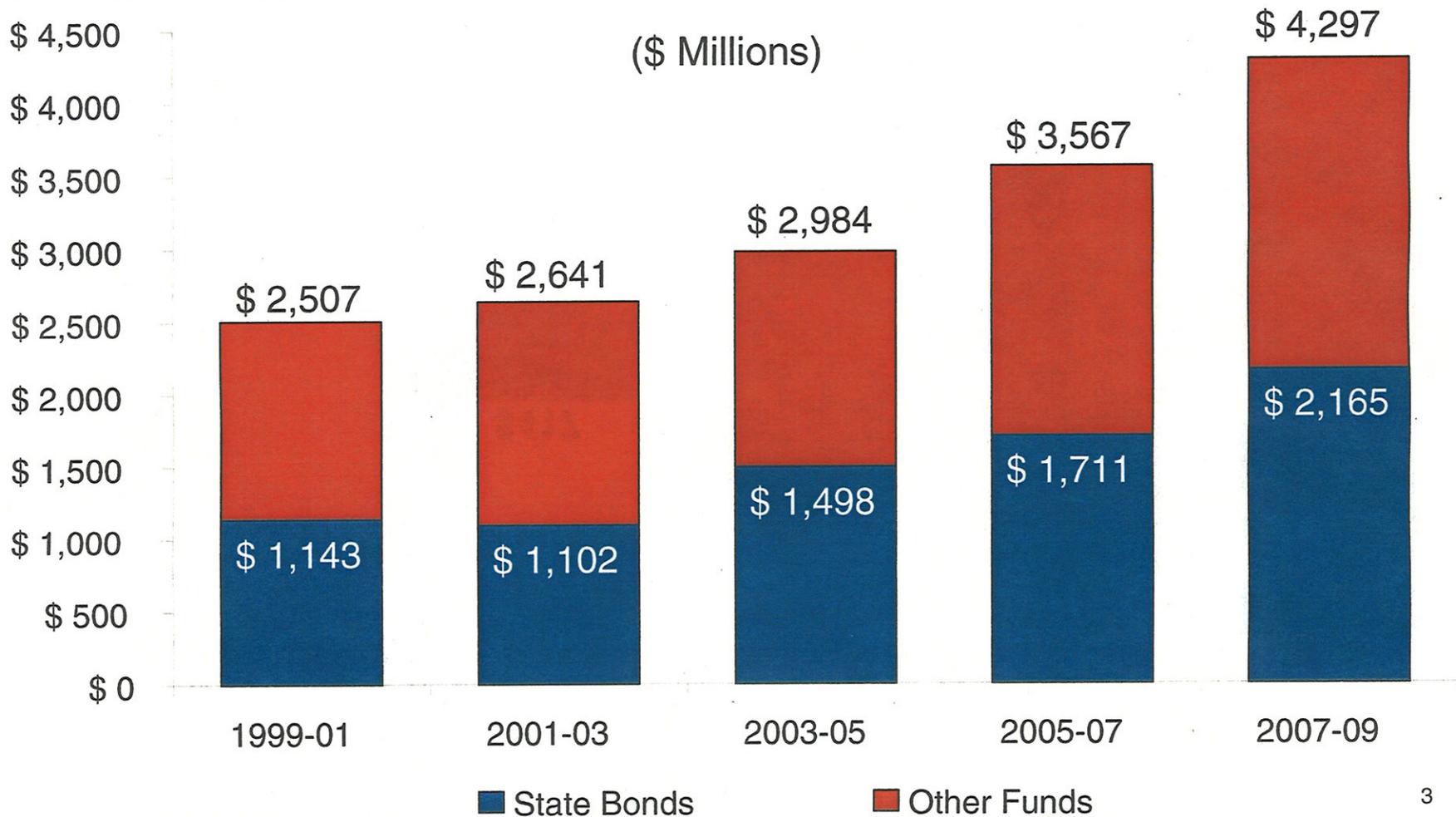
(Dollars in Millions)

	State Bonds	Total Funds
Agency Request Level	\$2,897	\$4,594
Governor Gregoire	\$2,129	\$4,158
Enacted (ESHB 1092)	\$2,165	\$4,297
Remaining Debt Capacity (SHB 1138 - Bond Bill)	\$16	

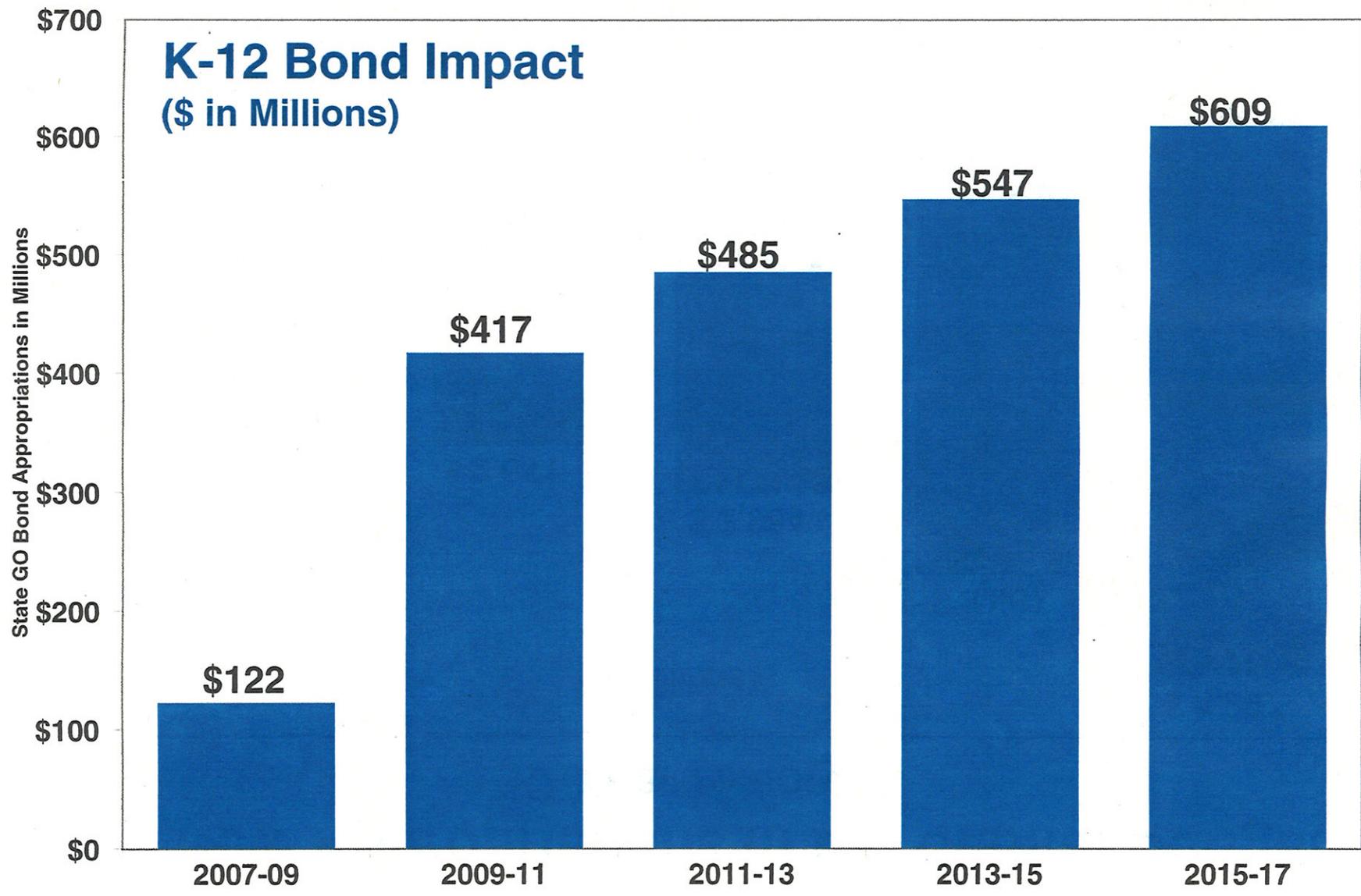
“Total Funds” include state general obligation bonds, dedicated accounts, trust revenue and federal funding sources.

Total New Appropriations in the Capital Budget

10-Year History



“Other Funds” include dedicated accounts, trust revenue and federal funding sources.



Six-Year Plan Comparison

State Bonds Only

2007-09 Enacted Plus Bowwave Scenario

	Enacted <u>2007-09</u>	<u>2009-11</u>	<u>2011-13</u>
Higher Education	788	949	614
K-12 Construction Assistance Grants	197	440	488
Prisons	151	157	109
Housing Assistance	130	130	130
WWRP	100	100	100
All Other	799	527	433
Total	<u>2,165</u>	<u>2,303</u>	<u>1,874</u>
Projected Debt Capacity	2,181	2,093	2,179
Difference	16	(210)	305
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K-12 2008 Supplemental Adjustment	(75)	(22)	(3)
Difference	91	(188)	308

“All Other” includes construction funding for all other functional areas of state government that receive capital appropriations. “Projected Debt Capacity” is based on current debt model assumptions.



In 2009-11, this state bond bowwave scenario does not include construction funding for:

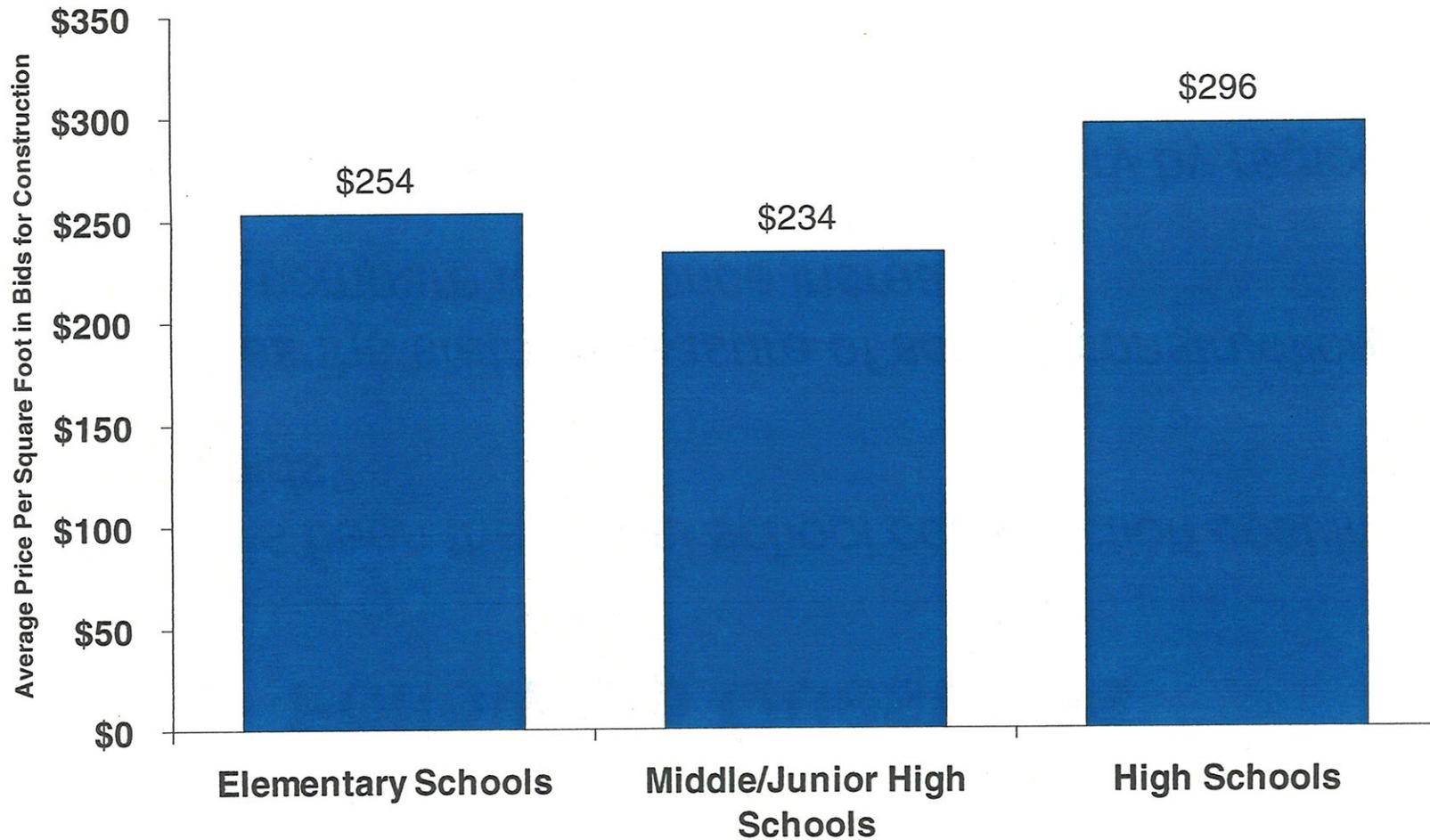
- Additional K-12 Enhancements**
- Development of Additional Skills Centers**
- Reauthorization of Higher Education Bonds**
- New Branch Campus in North Puget Sound**
- New Local Government Infrastructure or Economic Development Initiatives**
- Community Projects**
- Any Other New Initiatives**



Follow Up Questions

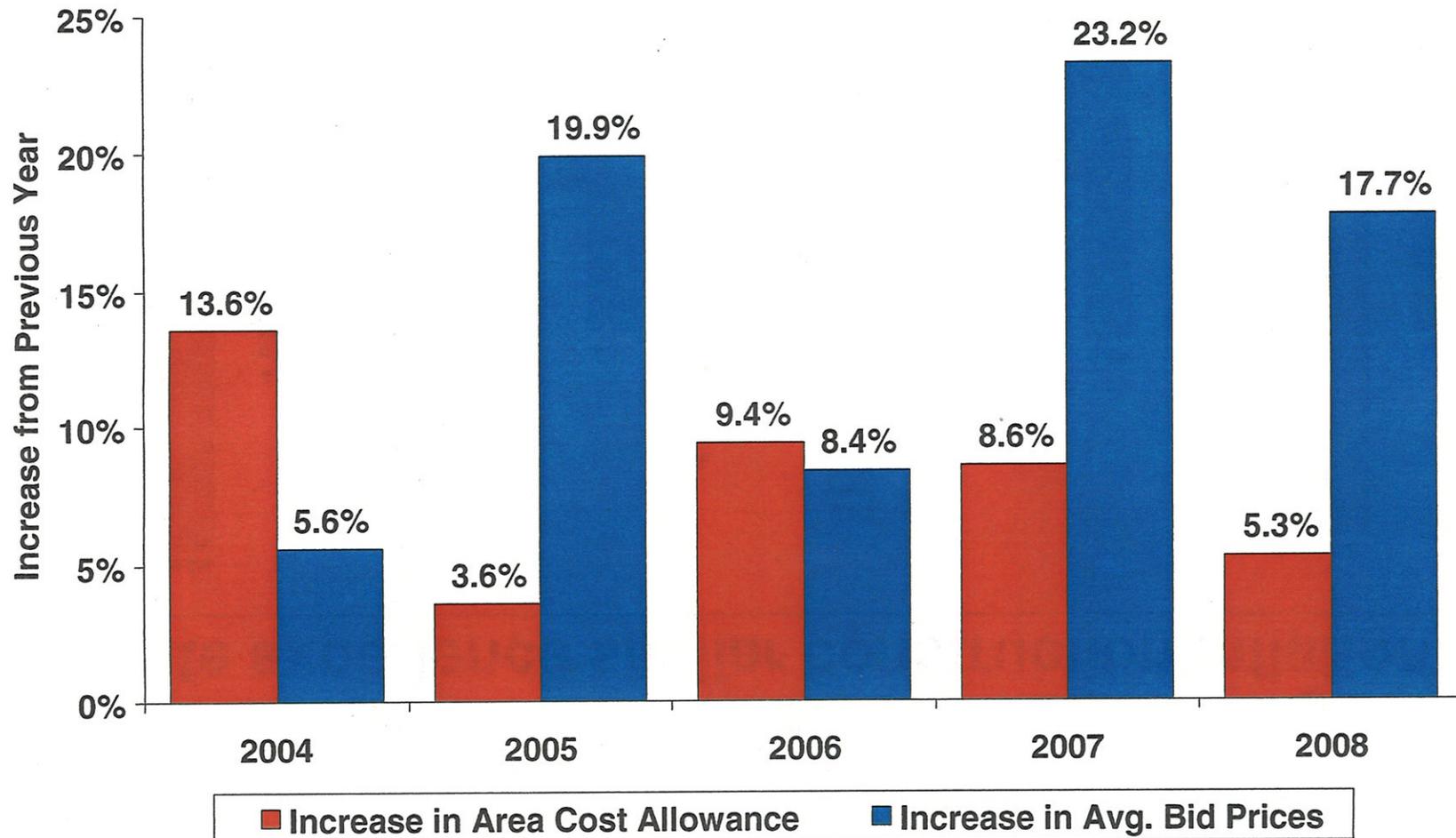
- *What has been the actual school construction cost in recent bids?*
- *How does the state's measure of school construction inflation compare to bid price increases?*
- *How does school construction inflation vary by region?*
- *How does actual space per student compare to the current funding formula?*

Over the last 18 months, the price per square foot of reported school construction bids range from \$234 to \$296.



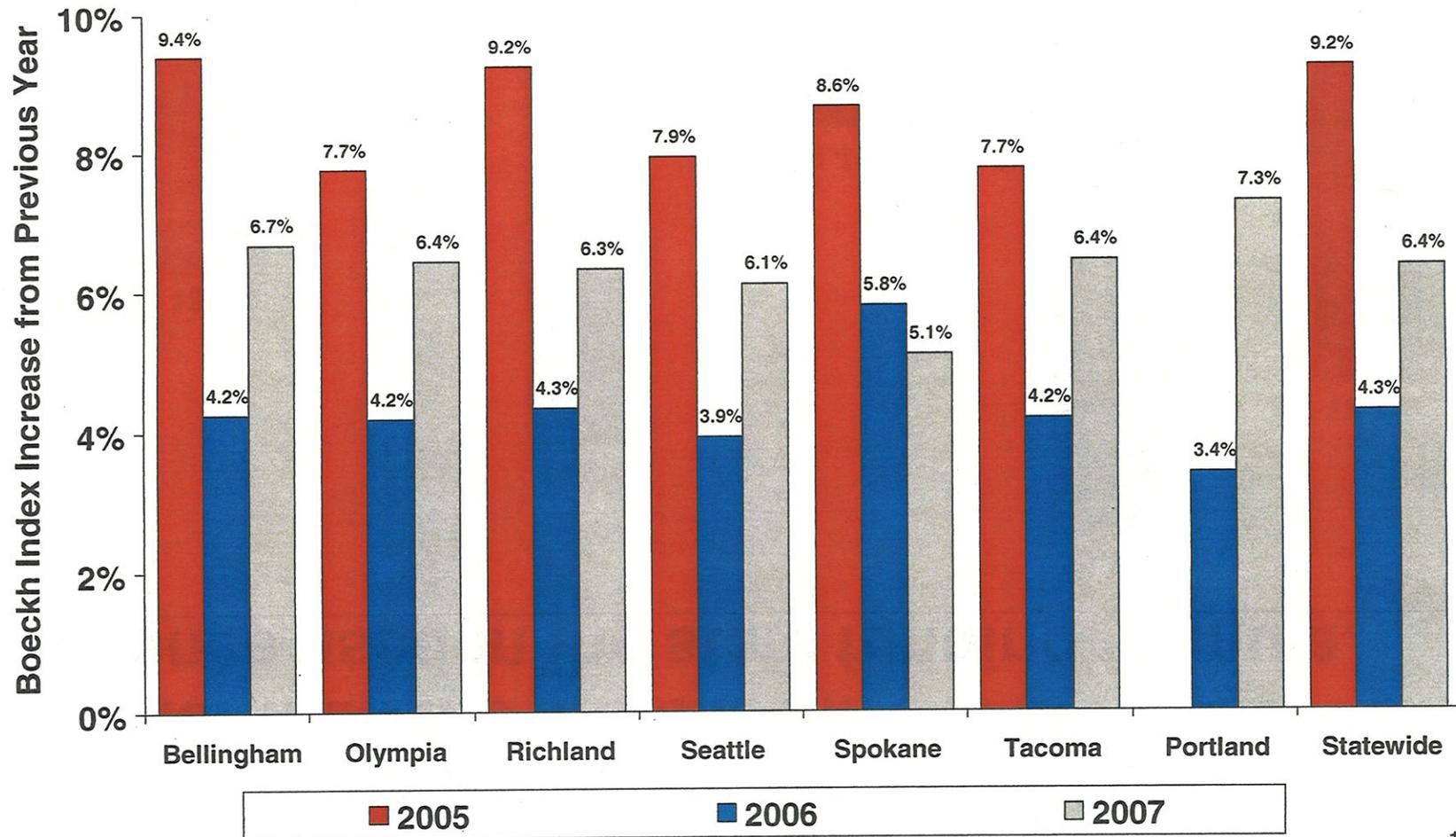
* The average bid price may include items not part of state funding formulas. This is the average reported bids from January 2006 until July 2007.

In recent years, the increase in average bid prices is higher than the increase in the area cost allowance used in the state funding formula.



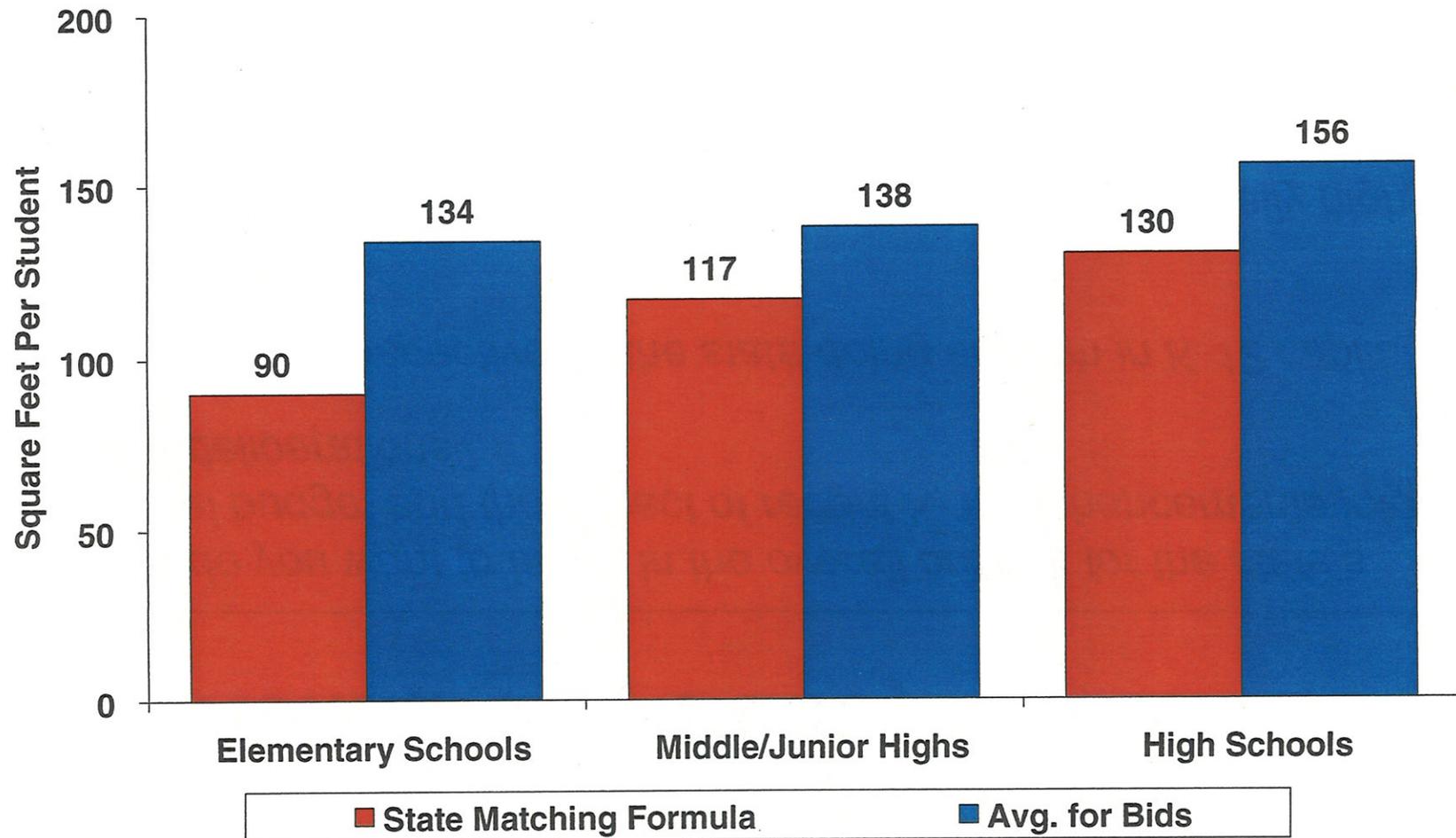
* The increase in average bids may include items not part of state funding formulas and may not represent actual school construction inflation. The ACA in 2006, 2007, and 2008 includes assumed policy enhancements.

While we do not have enough actual bid data, more general measures seem to indicate that all regions of the state experience similar construction inflation.



* The Boeckh index has costs for 115 elements in each location—19 building trades, 89 materials and seven tax and insurance elements. Boeckh researches both union and merit shop wage rates, and the indexes utilize the prevailing wage for a specific location.

School districts appear to be building larger buildings than provided for in the state funding formula.



* The average bid may include space that is not part of state funding formulas. This is the average for reported bids from January 2002 until July 2007.



Potential Key Policy Questions

- *How do you want to factor in the overall outlook for the state's capital budget and the impact of recent K-12 enhancements into your deliberations?*
- *From your perspective, is the state doing enough in K-12 capital construction?*
- *How do you want to incorporate the apparent exceptionally high school construction inflation into your decision making?*
- *Why are school construction bid prices increasing much faster than some general construction inflation indicators?*
- *Regardless of your answers to these questions, does the current system produce the needed type of school facilities? And is this true in all areas of the state?*