

2% Rule Discussion Paper

We, the members of the 2% Rule Sub-Committee of OSPI's School Facilities Technical Advisory Committee, are appreciative and respectful of the many efforts that led to the development of the 2% Rule. This Rule was a meaningful and well intended attempt at establishing a standard with which to hold school districts accountable for the maintenance of school buildings. We are grateful that those individuals who put forth their time and effort on the original 2% Rule have allowed this committee the opportunity to evolve the concept of facility maintenance accountability into a more feasible approach for all school districts.

One primary issue impeding the implementation of the 2% Rule has been the inability to develop accounting criteria that would differentiate appropriate expenditures that would qualify for credit under the definitions of the rule. For example, when general fund considerations of expenditures for the 2% Rule are examined, what portions of maintenance supervisors, maintenance workers, custodial employees, principals or in some cases even teachers and superintendents, not to mention portions of supplies and materials, may be applied to the accounting of the maintenance of a building? Based upon demographics and economic considerations that vary from one district to another, an equitable financial standard of accounting may be impossible to develop. While expenditures for capital improvements out of the Capital Projects Fund are for the most part acceptable and understandable and will comply with the criteria found in the 2% Rule, the same clarity does not, nor probably ever, will be found to exist when qualifying expenditures out of the general fund. Accounting for the continued maintenance and district effort to maintain ongoing quality building standards is at least from a financial standpoint, not practical.

Funding for maintenance and repairs is another large hurdle in adequately maintaining school facilities. The Basic Education Apportionment Formula accounts for classified employee costs to maintain buildings and also has a non employee related cost (NERC) allocation to pay for things such as maintenance, utilities, books, school and office supplies, equipment purchases, contracted services, and insurance. The NERC allocation is based on a dollar amount per certificated staff. The 2008-09 NERC is \$9,703 dollars per certificated staff. It is widely believed that the NERC allocation is not sufficient to cover the costs of maintaining the buildings at the levels prescribed in the 2% rule. Calculations performed on typical building sizes for elementary and high schools show that it would consume over two-thirds of the available NERC funds to reach the 2% Rule requirements. This would leave a severely inadequate amount for all other non-employee related needs.

It is also a belief of the Sub-Committee that the 15 year period when school districts are currently required to track the 2% expenditure is not the best time to mandate stringent expenditures for facility maintenance. Sound fiscal management would actually reduce facility and maintenance expenditures in the last few years of a facility's useful life to conserve funds, so as to not have such expenditures wasted when the building is subsequently demolished or modernized. Expenditures of publicly funded resources on a building that is going to be modernized or replaced, just to meet the requirement of the 2 % spending, is therefore counter productive.

Additionally, an effective maintenance program – one that incorporates predictive, preventive, and/or reliability centered maintenance – should reduce the need for expenditures for reactive (“breakdown”) maintenance over time. This too works counter to a mandated expenditure requirement.

Finally, the sustainable design concepts that have recently been mandated for school facilities in Washington State are also in conflict with a financial expenditure threshold such as the 2% Rule. A variety of components of sustainable design would tend to reduce the ongoing cost of annual maintenance in a facility designed to meet Leadership in Energy and Environmental Design (LEED) or Washington Sustainable Schools Protocol (WSSP). Sustainable design drives the design toward low maintenance through long lasting finishes, materials, systems, and equipment. Thus a WSSP or LEED school should not require the same level of maintenance expenditure throughout its life.

Revised 5/28/08