

Joint Legislative
Task Force on
School Construction
Funding

October 15, 2008

Spending Options
and Next Steps

Options for Promoting "Community Schools"

Option 1 – Planning/Development Grants, \$3.2 Million Per Biennium

- Maximum of \$30,000 grants for one-time planning and coordination activities related to expanding multiple uses of school facilities.
- Funds must be matched dollar for dollar by the various entities involved in the "community school".
- Limited to 100 grants per biennium.
- The Office of Superintendent of Public Instruction would establish an advisory committee with representation of appropriate entities to develop prioritized list of recommended grant awards.
- **Added CTED to the advisory committee, allowed an exemption to the expansion requirement if they could document 20 percent community use of the school, and added a reference to planned operating costs as requirement for grant proposals.**

Option 2 – Planning & Implementation Grants, \$15.2 Million Per Biennium

- Maximum of \$50,000 annual grants for additional activities, including staffing, related to expanding multiple uses of school facilities.
- Grant awards limited to three years.
- Funds must be matched dollar for dollar by the various entities involved in the "community school".
- Limited to 150 grants at any one time.
- The Office of Superintendent of Public Instruction would establish an advisory committee with representation of appropriate entities to develop prioritized list of recommended grant awards.
- **Added CTED to the advisory committee, allowed an exemption to the expansion requirement if they could document 20 percent community use of the school, and added a reference to planned operating costs as requirement for grant proposals.**

Option 3 – 5% Enhancement to School Funding Formula, \$50 Million Per Biennium

- 5 percent enhancement the school construction to school district's documenting that the funded project will include "community" use of the facility.
- The other entities involved in the "community school" must match at least 20 percent of the project costs.
- Office of Superintendent of Public Instruction would establish an advisory committee with representation of appropriate entities to establish criteria and submit a budget decision package in the 2010 session.

- **Added CTED to the advisory committee and added a reference to planned operating costs as requirement for grant proposals.**

Option 4 – Excluding 5% of Space In Calculating Funding Eligibility, \$100 Million Per Biennium

- Up to 5 percent of space could be excluded in calculating eligibility if the school district can document that the funded project will include “community” use of the facility.
- The other entities involved in the “community school” must match at least 20 percent of the project costs.
- Office of Superintendent of Public Instruction would establish an advisory committee with representation of appropriate entities to establish criteria and submit a budget decision package in the 2010 session.
- **Added CTED to the advisory committee and added a reference to planned operating costs as requirement for grant proposals.**

Option 1 – Planning/Development Grants, \$3.2 Million Per Biennium

(1) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Advisory board" means an independent community school advisory board convened by the office of the superintendent of public instruction for assisting in determining eligibility for awards pursuant to this section. To the maximum extent possible, the advisory board shall include representatives from early learning, youth recreational facilities, social service agencies, local school districts, **the department of community trade and economic development**, and public higher education.

(b) "Community school" means both a place and a set of partnerships between a public school and one or more of the following, postsecondary institutions, local governments, nonprofit early learning providers, and other nonprofit community resources with an integrated focus on academics, health and social services, youth and community development, and community engagement.

(c) "Qualified services" means the following:

- (i) Early childhood education;
- (ii) Remedial education activities and academic enrichment activities;
- (iii) Programs that promote parental involvement and family literacy;
- (iv) Youth development programs;
- (v) Parent leadership development activities;
- (vi) Parenting education activities;
- (vii) Child care services;
- (viii) Community service opportunities;
- (ix) Programs that provide assistance to students who have been truant, suspended, or expelled;
- (x) Job training and career counseling services;
- (xi) Nutrition services;
- (xii) Primary health and dental care;
- (xiii) Mental health prevention and treatment services;
- (xiv) Adult education, including instruction in English as a second language; and
- (xv) Other services as determined by the advisory board.

(2) With the assistance of the advisory board, the office of superintendent of public instruction shall establish a competitive grant process to solicit proposals that provide one-time planning and development assistance to school districts to expand the use of their school facilities by other entities in providing coordinated qualified services. **School districts that can document that the school is already being utilized at least 20 percent of the time for providing coordinated qualified services may also be eligible for these one-time awards if they can document that the award will result in improved or expanded services.**

(b) Each year, the office of superintendent of public instruction shall establish a ranked prioritized list for one-time community school awards. In order to be eligible for inclusion on the list, the public school district must document that the funding will result in expansion in the delivery of eligible services by other entities in their school facilities beyond current levels. Additionally, the public school district must document other entities will provide additional nonstate matching funds beyond

current levels for the expansion. In evaluating and ranking applications in consultation with the advisory board, the office of superintendent of public instruction shall give priority consideration to projects that provide multiple qualified services and that demonstrate usage beyond the traditional school day to include usage before and after school, on weekends, and all year use. School districts shall only be eligible for a community school award once every three years and the maximum amount of the award shall be \$30,000 per year, adjusted based on school district size and the number of schools involved.

(3) The office of superintendent of public instruction shall submit the ranked prioritized list with no more than fifty recommended school district awards as part of their annual budget submittal to the office of financial management.

(4) As part of the application process, public school district applicants, with the assistance of participating other entities, must submit a comprehensive plan that includes information on the following:

(a) A list of the other entities that are and will be involved in providing eligible services in their school facilities;

(b) A memorandum of understanding between the public school district and each partner entity describing the role each entity will assume;

(c) Plans for joint utilization and maintenance, **including operating costs**, of school and community facilities by the public school district and its partner entities, as well as liability considerations;

(d) The student, family, and school community to be served, including information about the number of students, families, and community residents to be served, frequency of services, and information related to the percent of local elementary students that receive free and reduced-price meals in the target area;

(e) Existing qualified services available at each school to be served and in the community involved;

(f) Proposed qualified services available at each school to be served and in the community involved; and

(g) Documentation of the capital and operating funding sources that applicants intend to apply to the project and qualified services at each school to be served, whether such funding is derived from grants under this act or from other federal, state, local, or private sources.

Option 2 – Planning & Implementation Grants, \$15.2 Million Per Biennium

(1) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Advisory board" means an independent community school advisory board convened by the office of the superintendent of public instruction for assisting in determining eligibility for awards pursuant to this section. To the maximum extent possible, the advisory board shall include representatives from early learning, youth recreational facilities, social service agencies, local school districts, **the department of community trade and economic development**, and public higher education.

(b) "Community school" means both a place and a set of partnerships between a public school and one or more of the following, postsecondary institutions, local governments, nonprofit early learning providers, and other nonprofit community resources with an integrated focus on academics, health and social services, youth and community development, and community engagement.

(c) "Qualified services" means the following:

- (i) Early childhood education;
- (ii) Remedial education activities and academic enrichment activities;
- (iii) Programs that promote parental involvement and family literacy;
- (iv) Youth development programs;
- (v) Parent leadership development activities;
- (vi) Parenting education activities;
- (vii) Child care services;
- (viii) Community service opportunities;
- (ix) Programs that provide assistance to students who have been truant, suspended, or expelled;
- (x) Job training and career counseling services;
- (xi) Nutrition services;
- (xii) Primary health and dental care;
- (xiii) Mental health prevention and treatment services;
- (xiv) Adult education, including instruction in English as a second language; and
- (xv) Other services as determined by the advisory board.

(2) With the assistance of the advisory board, the office of superintendent of public instruction shall establish a competitive grant process to solicit proposals that provide **one-time planning and development** assistance to expand the use of their school facilities by other entities in providing coordinated qualified services. **School districts that can document that the school is already being utilized at least 20 percent of the time for providing coordinated qualified services may also be eligible for these one-time awards if they can document that the award will result in improved or expanded services.**

(b) Each year, the office of superintendent of public instruction shall establish a ranked prioritized list for community school awards limited to three years. In order to be eligible for inclusion on the list, the public school district must document that the funding will result in expansion in the delivery of eligible services by other entities in their school facilities beyond current levels. Additionally, the public school

district must document other entities will provide additional nonstate matching funds beyond current levels for the expansion. In evaluating and ranking applications in consultation with the advisory board, the office of superintendent of public instruction shall give priority consideration to projects that provide multiple qualified services and that demonstrate usage beyond the traditional school day to include usage before and after school, on weekends, and all year use. School districts shall only be eligible for a community school award for a maximum of three consecutive years and then no more than once in a nine year time period. The maximum amount of the annual award shall be \$50,000, adjusted based on school district size and the number of schools involved.

(3) The office of superintendent of public instruction shall submit a ranked prioritized list with no more than fifty recommended new school district awards and one hundred continuing school district awards as part of their annual budget submittal to the office of financial management.

(4) As part of the application process, public school district applicants, with the assistance of participating other entities, must submit a comprehensive plan that includes information on the following:

(a) A list of the other entities that are and will be involved in providing eligible services in their school facilities;

(b) A memorandum of understanding between the public school district and each partner entity describing the role each entity will assume;

(c) Plans for joint utilization and maintenance, **including operating costs**, of school and community facilities by the public school district and its partner entities, as well as liability considerations;

(d) The student, family, and school community to be served, including information about the number of students, families, and community residents to be served, frequency of services, and information related to the percent of local elementary students that receive free and reduced-price meals in the target area;

(e) Existing qualified services available at each school to be served and in the community involved;

(f) Proposed qualified services available at each school to be served and in the community involved; and

(g) Documentation of the capital and operating funding sources that applicants intend to apply to the project and qualified services at each school to be served, whether such funding is derived from grants under this act or from other federal, state, local, or private sources.

**Option 3 – Enhancement to School Funding Formula,
\$50 Million Per Biennium**

A new section is added to chapter 28A.525 RCW to read as follows:

(1) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Advisory board" means an independent community school advisory board convened by the office of the superintendent of public instruction for assisting in determining eligibility for awards pursuant to this section. To the maximum extent possible, the advisory board shall include representatives from early learning, youth recreational facilities, social service agencies, local school districts, **the department of community trade and economic development**, and public higher education.

(b) "Community school" means both a place and a set of partnerships between a public school and one or more of the following, postsecondary institutions, local governments, nonprofit early learning providers, and other nonprofit community resources with an integrated focus on academics, health and social services, youth and community development, and community engagement.

(c) "Qualified services" means the following:

- (i) Early childhood education;
- (ii) Remedial education activities and academic enrichment activities;
- (iii) Programs that promote parental involvement and family literacy;
- (iv) Youth development programs;
- (v) Parent leadership development activities;
- (vi) Parenting education activities;
- (vii) Child care services;
- (viii) Community service opportunities;
- (ix) Programs that provide assistance to students who have been truant, suspended, or expelled;
- (x) Job training and career counseling services;
- (xi) Nutrition services;
- (xii) Primary health and dental care;
- (xiii) Mental health prevention and treatment services;
- (xiv) Adult education, including instruction in English as a second language; and
- (xv) Other services as determined by the advisory board.

(2) With the assistance of the advisory board, the office of superintendent of public instruction shall determine eligibility for up to a five percent enhancement to the area cost allowance for school districts requesting state assistance under this chapter if the district can certify and provide documentation that they have a comprehensive plan and commitments for cooperative partnerships that include the joint use of school facilities for multiple qualified services for the facility proposed for assistance. Documentation must include:

(a) A list of the other entities that are and will be involved in providing eligible services in their school facilities;

(b) A memorandum of understanding between the public school district and each partner entity describing the role each entity will assume;

(c) Plans for joint utilization and maintenance, **including operating costs**, of

school and community facilities by the public school district and its partner entities, as well as liability considerations;

(d) The student, family, and school community to be served, including information about the number of students, families, and community residents to be served, frequency of services, and information related to the percent of local elementary students that receive free and reduced-price meals in the target area;

(e) If applicable, existing qualified services available at each school to be served and in the community involved;

(f) Proposed qualified services available at each school to be served and in the community involved;

(g) A breakout of the capital and operating funding sources that applicants intend to apply to the project and qualified services at each school to be served, whether such funding is derived from grants under this act or from other federal, state, local, or private sources.

(h) Certification that other entities will provide nonstate matching funds totaling at least twenty percent of the project costs and that these nonstate matching funds will not supplant any existing funding provided by these entities. The nonstate matching fund requirement may be met by additional local resources when approved by the voters for that specific community use purpose.

(3) The office of the superintendent of public instruction shall develop rules for implementation of this section by September 1, 2009. As part of their 2010 supplemental budget submittal to the office of financial management, the office of superintendent of public instruction will include a budget decision package outlining the anticipated cost of recommended community school area cost enhancement developed as a result of this section.

**Option 4 – Excluding “Community School” Use from Instructional Space,
\$100 Million Per Biennium**

A new section is added to chapter 28A.525 RCW to read as follows:

(1) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Advisory board" means an independent community school advisory board convened by the office of the superintendent of public instruction for assisting in determining eligibility for awards pursuant to this section. To the maximum extent possible, the advisory board shall include representatives from early learning, youth recreational facilities, social service agencies, local school districts, **the department of community trade and economic development**, and public higher education.

(b) "Community use" means a partnerships between a public school for the use of their facility and one or more of the following, postsecondary institutions, local governments, nonprofit early learning providers, and other nonprofit community resources with an integrated focus on academics, health and social services, youth and community development, and community engagement.

(c) "Qualified services" means the following:

- (i) Early childhood education;
- (ii) Remedial education activities and academic enrichment activities;
- (iii) Programs that promote parental involvement and family literacy;
- (iv) Youth development programs;
- (v) Parent leadership development activities;
- (vi) Parenting education activities;
- (vii) Child care services;
- (viii) Community service opportunities;
- (ix) Programs that provide assistance to students who have been truant, suspended, or expelled;
- (x) Job training and career counseling services;
- (xi) Nutrition services;
- (xii) Primary health and dental care;
- (xiii) Mental health prevention and treatment services;
- (xiv) Adult education, including instruction in English as a second language; and
- (xv) Other services as determined by the advisory board.

(3) With the assistance of the advisory board, the office of superintendent of public instruction shall determine eligibility for up to a five percent exclusion in the amount calculated as instructional space for determining funding eligibility. In order to qualify for the exclusion, the school districts requesting state assistance under this chapter must certify and provide documentation that they have a comprehensive plan and commitments for cooperative partnerships that include the joint use of school facilities for multiple qualified services for the facility proposed for assistance and that other entities are using the school facility at least five percent of the time. Documentation must include:

(a) A list of the other entities that are and will be involved in providing eligible services in their school facilities;

(b) A memorandum of understanding between the public school district and each

partner entity describing the role each entity will assume;

(c) Plans for joint utilization and maintenance, **including operating costs**, of school and community facilities by the public school district and its partner entities, as well as liability considerations;

(d) The student, family, and school community to be served, including information about the number of students, families, and community residents to be served, frequency of services, and information related to the percent of local elementary students that receive free and reduced-price meals in the target area;

(e) If applicable, existing qualified services available at each school to be served and in the community involved;

(f) Proposed qualified services available at each school to be served and in the community involved;

(g) A breakout of the capital and operating funding sources that applicants intend to apply to the project and qualified services at each school to be served, whether such funding is derived from grants under this act or from other federal, state, local, or private sources.

(h) Certification that other entities will provide nonstate matching funds totaling at least twenty percent of the project costs and that these nonstate matching funds will not supplant any existing funding provided by these entities. The nonstate matching fund requirement may be met by additional local resources when approved by the voters for that specific community use purpose.

(4) The office of the superintendent of public instruction shall develop rules for implementation of this section by September 1, 2009. As part of their 2010 supplemental budget submittal to the office of financial management, the office of superintendent of public instruction will include a budget decision package outlining the anticipated cost of recommended community school enhancement developed as a result of this section.

Mueller, Maureen

Subject: FW: Community Schools Comments from Boys & Girls Club

From: Gary Yazwa [mailto:yaz@bg-clubs.com]

Sent: Tuesday, August 19, 2008 6:35 PM

To: Moore, Bryon

Subject: FW: RE: Request

Below is what one of my best superintendent says

#1 is too small an amount to bother with and math is too high.

#2 Better than 1 but still not worth the effort.

3. Best option. More money, although coordination effort requirement should be simplified. Currently too many people involved.

#4 Won't help many districts, depends on many variable situations pay

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Gary Yazwa

Foundation President and Campaign Director
Treasure Hunter
Boys & Girls Clubs of South Puget Sound
1501 Pacific Avenue, Suite 202
Tacoma, WA 98402
253-502-4601 | 253-431-5714 Cell

"It Just Takes One"

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School Construction Safety Net Award Pilot Option

Key Provisions

- \$40 million school construction safety net pilot would be established with the first awards in March 2010.
- Only projects that are not eligible for the current state school construction assistance program could qualify for a potential safety net award.
- School districts would be required to match the award dollar for dollar with a local bond, capital project levy, or other source.
- This requirement could be waived for districts that: (1) are extremely property poor as defined in the draft as having less than 30 percent of the statewide average assessed value per student (13 out of the 295 districts); or (2) have made a "good faith effort" by attempting to pass a bond or capital project levy for the project at least two times.
- Priority would be given to projects addressing students in portables and/or issues impacting safety or student learning.
- By September 2009, OSPI would report to the Legislature and OFM on the criteria and method for making safety net awards. By February 2010 (one month before making awards), OSPI would report to the Legislature and OFM on the anticipated awards.

Key Questions

- ***What is the intended role for the safety net e.g. filling particular need not met by the current formula or addressing fundamental problems in that funding formula?***
- ***Is this envisioned as a stop gap measure or this intended to be an on-going part of the funding formula when the other recommendations are fully phased in?***
- ***Should there be any exemption for school districts that cannot obtain the local match?***
- ***Should the awards be converted into loans in some situations?***

Example Budget Language

To the extent necessary, \$40,000,000 of the state building construction account -- state appropriation is provided solely to establish a pilot program for making school construction safety net awards for additional needs and issues not addressed through the funding in the regular school construction assistance grant program. The purpose of these awards are to further partner with school districts and supplement funding for school facilities beyond the funding provided for in the existing school construction assistance grant program.

(1) A school construction safety net oversight committee, appointed by the superintendent of public instruction, shall consist of:

(a) one staff person from the office of superintendent of public instruction;

(b) three or more representatives from school districts or educational service districts knowledgeable of school construction; and

(c) one staff person from the office of financial management.

(2) School construction safety net funds shall be awarded by the state school construction safety net oversight committee subject to the following conditions and limitations:

(a) The committee shall consider only projects not eligible for funding from the state school construction assistance grant program. In addition, before determining that the project is eligible for a school construction safety net award, the committee shall ensure that the school district making the application has aggressively pursued funding from all other sources for the project before making the application.

(b) In order to be eligible for funding, school districts making an application for a school construction safety net award must certify that they will match any award on a dollar for dollar basis. This match may take the form of proceeds from a locally authorized bond, a six year capital project levy, or any other source not otherwise obligated or restricted.

(c) The committee may grant an exception to a school district not eligible for a school construction safety net award as a result of the local match requirements in (b) of this subsection if: (i) the school district has as assessed value per student less than 30 percent of the statewide average; or (ii) the committee determines that the school district has made a good faith effort to acquire matching funds for the project. In order to meet the criteria for a good faith effort exception, the school district must document that they have requested and not been successful in obtaining funding for the specific project with

same general scope through a local bond or capital project levy request on at least two previous occasions within the last two years and the committee must make a determination that the reason for the lack of voter approval was not due to a voter determination that the project was unneeded, unreasonably broad, too costly, or an inefficient use of public resources.

(d) For projects meeting the eligibility requirements of (a), (b), or the exception criteria in (c) of this subsection, the committee shall develop criteria and a method for prioritizing and awarding school construction safety net grants. The criteria must include, but is not limited to, projects that address: (i) students in portables; or (ii) significant issues impacting student safety or student learning. The criteria must also ensure that all projects awarded funds maximize the effective and efficient use of local and state public resources.

(e) To the maximum extent possible and appropriate, in prioritizing and awarding projects in the school construction safety net pilot, the committee shall attempt to: (i) achieve an equitable distribution among school districts based on geographic location and size of the school district; and (ii) maximize the number of projects awarded.

(f) The first awards from the school construction safety net pilot shall be made on March 1, 2010. By September 1, 2009, the superintendent of public instruction shall provide a report detailing the planned criteria and method for awarding school construction safety net pilot grants to the office of financial management and the appropriate policy and fiscal committees of the legislature. By February 1, 2010, the superintendent of public instruction shall provide a report detailing the anticipated awards for the school construction safety net pilot to the office of financial management and the appropriate policy and fiscal committees of the legislature.

Summary of Senate Bill 6892, extending school impact fees

- The time limit that school impact fees must be expended or encumbered is extended from within six years to within 10 years of receipt, unless there exists an extraordinary or compelling reason for fees to be held longer than 10 years.
- Extraordinary or compelling reasons must be identified in written findings by the governing body of the county, city, or town.
- The Office of the Superintendent of Public Instruction must develop criteria for extending the use of school impact fees from six to 10 years.
- The extension also requires an evaluation of each respective school board on the appropriateness of the extension.

HOUSE BILL REPORT

SB 6892

As Reported by House Committee On:
Local Government

Title: An act relating to the time limits of school impact fee expenditures.

Brief Description: Concerning the time limits of school impact fee expenditures.

Sponsors: Senators Fraser, Brandland, Pridemore, McAuliffe and Rasmussen.

Brief History:

Committee Activity:

Local Government: 2/26/08, 2/28/08 [DP].

Brief Summary of Bill

- Allows school impact fees to be expended or encumbered within 10 years of receipt.
- Requires the Office of the Superintendent of Public Instruction to develop criteria for extending the use of school impact fees.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 4 members: Representatives Simpson, Chair; Takko, Vice Chair; Eddy and Nelson.

Minority Report: Do not pass. Signed by 3 members: Representatives Warnick, Ranking Minority Member; Schindler, Assistant Ranking Minority Member; Schmick.

Staff: Lyset Cadena (786-7291) and Ethan Moreno, (786-7386).

Background:

Planning jurisdictions may impose impact fees on development activity as part of the financing of public facilities needed to serve new growth and development. This financing must provide a balance between impact fees and other sources of public funds and cannot rely solely on impact fees. Additionally, impact fees:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- may only be imposed for system improvements, a term defined in statute, that are reasonably related to the new development;
- may not exceed a proportionate share of the costs of system improvements; and
- must be used for system improvements that will reasonably benefit the new development.

Impact fees may be collected and spent only for qualifying public facilities that are included within a capital facilities plan element of a comprehensive plan. "Public facilities," within the context of impact fee statutes, are the following capital facilities that are owned or operated by government entities:

- public streets and roads;
- publicly owned parks, open space, and recreation facilities;
- school facilities; and
- fire protection facilities in jurisdictions that are not part of a fire district.

Impact fees must be expended or encumbered within six years of receipt, unless there exists an extraordinary or compelling reason for fees to be held longer than six years. Extraordinary or compelling reasons must be identified in written findings by the governing body of the county, city, or town.

Summary of Bill:

School impact fees must be expended or encumbered within 10 years of receipt, unless there exists an extraordinary or compelling reason for fees to be held longer than 10 years. Extraordinary or compelling reasons must be identified in written findings by the governing body of the county, city, or town.

The Office of the Superintendent of Public Instruction must develop criteria for extending the use of school impact fees from six to 10 years. The extension also requires an evaluation of each respective school board on the appropriateness of the extension.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The Senate K-12 construction committee discussed several issues relating to school construction. The committee recommended that school impact fees be expended or encumbered within 10 years, rather than six years, of receipt. A master plan designed by a school district for the development of a school takes longer than six years. Schools cannot use

the impact fees for building a new school under the six year requirement. Increasing the requirement to 10 years will allow schools that are planning for future development to develop a master plan and use impact fees for the new development.

(Opposed) Increasing the requirement for school impact fees to be expended or encumbered from six years to 10 years will increase the cost of purchasing a home. The current statute allows for an extension.

Persons Testifying: (In support) Senator Fraser, prime sponsor; Marcia Fromhold, Evergreen School District; and Mitch Denning, Alliance of Educational Associations.

(Opposed) Andrew Cook, Building Industry Association of Washington.

Persons Signed In To Testify But Not Testifying: None.

SENATE BILL 6892

State of Washington 60th Legislature 2008 Regular Session

By Senators Fraser, Brandland, Pridemore, McAuliffe, and Rasmussen

Read first time 01/31/08. Referred to Committee on Government Operations & Elections.

1 AN ACT Relating to the time limits of school impact fee
2 expenditures; amending RCW 82.02.070; and adding a new section to
3 chapter 82.02 RCW.

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

5 **Sec. 1.** RCW 82.02.070 and 1990 1st ex.s. c 17 s 46 are each
6 amended to read as follows:

7 (1) Impact fee receipts shall be earmarked specifically and
8 retained in special interest-bearing accounts. Separate accounts shall
9 be established for each type of public facility for which impact fees
10 are collected. All interest shall be retained in the account and
11 expended for the purpose or purposes for which the impact fees were
12 imposed. Annually, each county, city, or town imposing impact fees
13 shall provide a report on each impact fee account showing the source
14 and amount of all moneys collected, earned, or received and system
15 improvements that were financed in whole or in part by impact fees.

16 (2) Impact fees for system improvements shall be expended only in
17 conformance with the capital facilities plan element of the
18 comprehensive plan.

1 (3)(a) Except as provided otherwise by (b) of this subsection,
2 impact fees shall be expended or encumbered for a permissible use
3 within six years of receipt, unless there exists an extraordinary and
4 compelling reason for fees to be held longer than six years. Such
5 extraordinary or compelling reasons shall be identified in written
6 findings by the governing body of the county, city, or town.

7 **(b) School impact fees must be expended or encumbered for a**
8 **permissible use within ten years of receipt, unless there exists an**
9 **extraordinary and compelling reason for fees to be held longer than ten**
10 **years. Such extraordinary or compelling reasons shall be identified in**
11 **written findings by the governing body of the county, city, or town.**

12 (4) Impact fees may be paid under protest in order to obtain a
13 permit or other approval of development activity.

14 (5) Each county, city, or town that imposes impact fees shall
15 provide for an administrative appeals process for the appeal of an
16 impact fee; the process may follow the appeal process for the
17 underlying development approval or the county, city, or town may
18 establish a separate appeals process. The impact fee may be modified
19 upon a determination that it is proper to do so based on principles of
20 fairness. The county, city, or town may provide for the resolution of
21 disputes regarding impact fees by arbitration.

22 NEW SECTION. Sec. 2. A new section is added to chapter 82.02 RCW
23 to read as follows:

24 Criteria must be developed by the office of the superintendent of
25 public instruction for extending the use of school impact fees from six
26 to ten years and this extension must require an evaluation for each
27 respective school board of the appropriateness of the extension.

--- END ---

Source: OSPI, FY 06-07 F-196 Annual Financial Statements

Data provided is for school fiscal year 2006-2007 which begins September 1, 2006 and ends August 31, 2007

| CCDDD | District Name | Growth Management Act Impact Fees | State Environmental Policy Act Mitigation Fees | Grand Total |
|--------------|----------------------|--|---|--------------------|
| 04127 | ENTIAT | 2.00 | 2.00 | 4.00 |
| 05121 | PORT ANGELES | 15.91 | 0.00 | 15.91 |
| 06037 | VANCOUVER | 1,141,227.00 | 0.00 | 1,141,227.00 |
| 06098 | HOCKINSON | 76,140.70 | 0.02 | 76,140.72 |
| 06101 | LACENTER | 113,379.12 | 0.00 | 113,379.12 |
| 06112 | WASHOUGAL | 520,362.37 | 0.00 | 520,362.37 |
| 06114 | EVERGREEN-Clark | 2,030,236.48 | 0.00 | 2,030,236.48 |
| 06117 | CAMAS | 794,319.00 | 0.00 | 794,319.00 |
| 06119 | BATTLE GROUND | 1,457,929.00 | 0.00 | 1,457,929.00 |
| 06122 | RIDGEFIELD | 401,237.76 | 0.00 | 401,237.76 |
| 08404 | WOODLAND | 120,380.00 | 0.00 | 120,380.00 |
| 13160 | ROYAL | 15.91 | 0.00 | 15.91 |
| 17210 | FEDERAL WAY | 1,278,945.62 | 0.00 | 1,278,945.62 |
| 17407 | RIVERVIEW | 8,839.55 | 0.00 | 8,839.55 |
| 17408 | AUBURN | 1,923,762.58 | 1,923,762.58 | 3,847,525.16 |
| 17410 | SNOQUALMIE VALLEY | 1,437,138.78 | 4,065.00 | 1,441,203.78 |
| 17411 | ISSAQUAH | 1,428,073.84 | 0.00 | 1,428,073.84 |
| 17414 | LAKE WASHINGTON | 604,077.45 | 358,843.07 | 962,920.52 |
| 17415 | KENT | 2,619,138.82 | 0.00 | 2,619,138.82 |
| 18100 | BREMERTON | 44,536.63 | 0.00 | 44,536.63 |
| 18303 | BAINBRIDGE | 2,268,057.00 | 0.00 | 2,268,057.00 |
| 18400 | NORTH KITSAP | 462,037.16 | 0.00 | 462,037.16 |
| 18401 | CENTRAL KITSAP | 180,703.10 | 0.00 | 180,703.10 |
| 18402 | SOUTH KITSAP | 497,116.38 | 0.00 | 497,116.38 |
| 23309 | SHELTON | 0.00 | 1,500.00 | 1,500.00 |
| 23403 | NORTH MASON | 0.00 | 4,950.00 | 4,950.00 |
| 27001 | STEILACOOM HIST. | 243,681.54 | 0.01 | 243,681.55 |
| 27003 | PUYALLUP | 1,208,751.88 | 0.00 | 1,208,751.88 |
| 27019 | CARBONADO | 2,670.00 | 0.00 | 2,670.00 |
| 27320 | SUMNER | 674,888.00 | 0.00 | 674,888.00 |
| 27343 | DIERINGER | 123,735.00 | 0.00 | 123,735.00 |
| 27344 | ORTING | 520,360.00 | 0.00 | 520,360.00 |
| 27401 | PENINSULA | 1,224,155.00 | 0.00 | 1,224,155.00 |
| 27402 | FRANKLIN PIERCE | 589,789.00 | 0.00 | 589,789.00 |
| 27403 | BETHEL | 2,633,310.00 | 41,600.00 | 2,674,910.00 |
| 27404 | EATONVILLE | 210,845.00 | 0.00 | 210,845.00 |
| 27416 | WHITE RIVER | 178,330.00 | 0.00 | 178,330.00 |
| 27417 | FIFE | 657,771.56 | 0.00 | 657,771.56 |
| 29100 | BURLINGTON EDISON | 239,604.00 | 0.00 | 239,604.00 |
| 29101 | SEDRO WOOLLEY | 306,549.00 | 0.00 | 306,549.00 |
| 29311 | LA CONNER | 1,112.00 | 0.00 | 1,112.00 |
| 29317 | CONWAY | 12,012.00 | 0.00 | 12,012.00 |
| 29320 | MT VERNON | 1,721,893.50 | 0.00 | 1,721,893.50 |
| 31002 | EVERETT | 1,642,844.00 | 305,610.21 | 1,948,454.21 |
| 31004 | LAKE STEVENS | 1,822,627.28 | 0.00 | 1,822,627.28 |
| 31006 | MUKILTEO | 1,027,593.82 | 110,681.36 | 1,138,275.18 |
| 31016 | ARLINGTON | 157,105.00 | 202,896.00 | 360,001.00 |

Prepared by Joint Legislative Task Force on School Construction Funding Staff
7/16/2008

Source: OSPI, FY 06-07 F-196 Annual Financial Statements

Data provided is for school fiscal year 2006-2007 which begins September 1, 2006 and ends August 31, 2007

| CCDDD | District | Growth Management | State Environmental | Grand Total |
|--------------|----------------|----------------------|----------------------------|--------------|
| | Name | Act Impact Fees | Policy Act Mitigation Fees | |
| 31025 | MARYSVILLE | 3,891,427.00 | 0.00 | 3,891,427.00 |
| 31103 | MONROE | 463,316.04 | 0.00 | 463,316.04 |
| 31201 | SNOHOMISH | 852,437.06 | 0.00 | 852,437.06 |
| 31306 | LAKEWOOD | 67,380.00 | 0.00 | 67,380.00 |
| 31311 | SULTAN | 0.00 | 66,568.00 | 66,568.00 |
| 31332 | GRANITE FALLS | 20,347.25 | 0.00 | 20,347.25 |
| 31401 | STANWOOD | 142,189.20 | 0.00 | 142,189.20 |
| 33183 | LOON LAKE | 2.00 | 2.00 | 4.00 |
| 34002 | YELM | 77,334.00 | 798,222.00 | 875,556.00 |
| 34003 | NORTH THURSTON | 0.00 | 1,458,537.28 | 1,458,537.28 |
| 34033 | TUMWATER | 541,197.00 | 238,497.00 | 779,694.00 |
| 34111 | OLYMPIA | 390,342.00 | 136,035.00 | 526,377.00 |
| 34307 | RAINIER | 0.00 | 39,600.00 | 39,600.00 |
| 34401 | ROCHESTER | 120,470.00 | 0.00 | 120,470.00 |
| 34402 | TENINO | 41,934.51 | 0.00 | 41,934.51 |
| 37501 | BELLINGHAM | 294,603.00 | 3,903.00 | 298,506.00 |
| 37502 | FERNDALE | 179,550.00 | 0.00 | 179,550.00 |
| 37505 | MERIDIAN | 0.00 | 73,350.00 | 73,350.00 |
| Total | | 41,689,828.80 | 5,768,624.53 | |

Prepared by Joint Legislative Task Force on School Construction Funding Staff
7/16/2008

Discussion Document for Developing a Regional Cost Adjustment Factor

Background

- Based on reported bid information, the cost per square foot is significantly higher in the Puget Sound region than in the rest of the state.
- According to the testimony of school and public sector construction experts, the primary reason for the higher cost is related to labor and contractor availability.
- To some extent, the higher cost might also be attributable to differences in the types of school facilities being built (e.g. different types of finishes), but this is somewhat difficult to quantify.

Potential Key Policy Questions

- Do you want to develop and/or potentially implement a regional school construction cost adjustment factor?
- Given that the data does not currently exist, how soon can you realistically implement this new adjustment factor?
- Are you comfortable with the fact that the adjustment factor might result in more funding for Puget Sound schools and less for Eastern Washington schools?
- Are you also comfortable with the practical effect that this may undermine the goal to direct more state match towards low property wealth school districts?

Option: School Districts' Leased Space

Currently Funding Methods – Bond Issuance

Currently, the usual method for school districts to provide instructional space in Washington State is through the passage of a local bond issuance. Then, with or without state participation, the school district may build a school building. In some cases, the district needs exceed building capacity but they are unable to pass approval a bond issuance. In most of these instances, the district invests in portable classrooms. Given the financial and statutory structure of the K-12 system, these are the only options currently available to provide space to conduct instruction.

Option: Leasing Space for School Uses

Districts may benefit from the ability to lease space for classroom and other school uses. In some cases, a transitory enrollment surge, uncertain housing markets, or evolving instructional requirements could make facility leasing an attractive option while preserving district capacity for other future investments.

Limit on Leasing

Statutory limits are in the form of:

- 1) Contract time limits of no more than 10 years (RCW 28A.335.170); and
- 2) Dollar amount limits on the contract as set forth in RCW 28A.335.200, which is the non-voted debt limit of 3/8 of one percent of the district's assessed valuation.

These restrictions prohibit the district from entertaining leases or lease purchase options that would result in providing permanent type classroom space of a size or form and in a location that would look and feel like a regular school. Thus, these restrictions leave low cost portable classrooms as the option for districts to solve growth and/or temporary enrollment problems.

Funding Limits to pay for Leases

Funding limits, in this case, refers to district finance tools and the state funding allocation system. In order for a district to enter into a long-term contract, it needs to secure a revenue stream for which to pay for the obligation. The state allocations for operations, aside from the current conversations about adequacy, have no identified component that could be dedicated to providing instruction space. In fact, all of the identified allocation factors, with the possible exception of the NERC, imply a specific use and actual expenditures are tracked and are compared to the allocated amounts and programs. Throughout this formula, the assumption is that the costs being paid for do not include the price of structures but only the personnel and equipment to conduct and support programs.

Possible District Financial Tools

Districts have two financing options for the provision of capital facilities: Bond issuances and capital levies.

- 1) ***Bond issuance:*** The structure of the ballot issue placed before the voters is authorization of both the amount of debt specified and providing for the collection of an excess property tax levy to pay for the bonds in the amount and for the period of time that they are issued. Implicit in this action is that it is for the construction of a building or other structure that will belong to the district and is of such a size and cost that it will take some lengthy period of time to pay for.
- 2) ***Capital Levies:*** Another option is for the district to ask voters for a capital levy, which is an excess property tax levy for up to six years. This is different from an operational levy in that the amount of the levy is not restricted and is the only school levy that can be authorized for up to six years. While this levy could be used to make lease-type payments, the short term of the authorization is not sufficient to meet the timing requirements of a typical long term building lease or lease-purchase.

Developers are reluctant to commit to 20 or 30 year contracts with a revenue stream of only six years that then is subject to reauthorization by voters for three or more times during the life of the contract. Even if there is a willing developer, the risk and thus the interest rates would make the costs of financing prohibitive.

Other States

Nationally, there are districts in some states that have the full range of leasing options available to supplement the more traditional bond issue/construction process that we see in Washington. The differing characteristics of those districts are that they have the authority to either directly set tax rates with a vote of the local board, can set voted levies for long periods of time, or they receive guaranteed allocations from the state for such purposes. Any of these options provide the needed long-term security for a building lease or lease-purchase contract.

Changes Necessary for Leasing in Washington State School Districts

For school districts to lease facilities in Washington State, several statutes need to be changed to allow for a specified authorization for districts to enter into contracts that would create district, and possibly state, financial obligations that exceed historic limits and create different ownership and use relationships than have been the norm.

Changes necessary for leases:

1. Clarify contract lengths allowed for facility leases.
2. Adjust non-voted debt limits for facility leases.
3. Adjust levy timeline authorizations.
4. Limit long term levy uses.
5. Specify allowed contracting methods (yes/no to 63-20 et. al.).
6. Allow uses of state allocations.
7. Other

Allowing school districts to lease school facilities may not solve many issues identified by the Joint Legislative Task Force on School Construction funding; however, it is another tool that is currently available to many other governmental organizations. The ability to lease facilities could help manage district facility needs and perhaps reduce the possibility of overbuilding and then being faced with surplus property disposal in the future. Leasing may also improve districts' ability to respond to changes in demographics and/or programmatic requirements without resorting to the use of portables. It also may affect the demand for state construction assistance and operational funding in ways that are now unforeseeable.

Prioritization of Spending Options

Spending Options for Comprehensive Changes

1. Develop a method that accounts for regional cost differences.
2. Raise or eliminate the match ratio floor.
3. Create an entirely new funding formula; i.e., per student allocation.
4. Increase the per square foot area cost allowance.

Spending Options for Less Comprehensive Reform

1. Develop a competitive “safety net” program for school districts that are unable to access state assistance due to multiple bond levy failures, lack of property tax base, low property tax valuation and/or small district size. One model for consideration is the special education safety net process in the operating budget for districts that can demonstrate extraordinary circumstances. Another option is to consider a per student allocation funding model given certain thresholds.
2. Develop a new competitive grant program, or modify the existing “Small Repair Program” to address the fiscal impact of the proposed health and safety rules changes proposed by the State Board of Health. (***Basic Education Finance Task Force***)
**The fiscal impacts of the Board of Health’s proposed changes to the health and safety rules could be addressed separately from the Small Repair Program.*
3. 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. (***Basic Education Finance Task Force***)
4. Create a more expedited approval process within OSPI for fast growing school districts (modified D-form process).
5. Develop legislation that encourages/incentivizes cooperative partnerships/joint use of facilities with early learning providers, social service providers, skills centers, community and technical colleges, and public baccalaureate institutions. Use HB

3291/SB 6872 (2008 session), an act relating to community schools, as an initial discussion document.

6. Extend the current statutory six year limit for the expenditure of impact fee revenues to ten years under certain circumstances (e.g. land acquisition or other possible longer term school construction related needs). Use HB 3246/SB 6892 (2008 session), an act relating to time limits of school impact fee expenditures, as an initial discussion document.
7. 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.
8. Fund school districts' land acquisitions.

Prioritization of Funding Options

Funding Options for Comprehensive Changes

1. Utilize some of the unused capacity in the \$3.60 state property tax; i.e. impose a statewide property tax increase.
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. This most likely would require a constitutional amendment.

Funding Options for Less Comprehensive Reform

1. Reduce capital appropriations in other state programs or dedicate a minimum amount of the debt limit capacity to K-12 capital construction.
2. Increase the local school district debt limit and thereby allow some school districts to potentially pass additional bonds.

Spending and Funding Options Eliminated

Options Eliminated

1. Eliminate the local match requirement. (*Spending Option*)
2. Propose a constitutional amendment to allow “simple majority” for local school district bonds. (*Funding Option*)
3. Increase so called “sin taxes” and dedicate the revenues to K-12 school construction. (*Funding Option*)
4. Develop a competitive grant program for all-day kindergarten programs. (**Basic Education Finance Task Force**) (*Spending Option*)
5. Modify the already enhanced square foot allocation for special education. (*Spending Option*)
6. Provide policy guidelines or actual requirements regarding the appropriate use of portable classrooms. (*Spending Option*)
7. Differentiate between new construction and modernization area cost allowance. (*Spending Option*)
8. Allow higher school district impact fees for growth. (*Funding Option*)