

# Joint Legislative Task Force on School Construction Funding

## Draft Recommendations

### 2009 Task Force Proviso (C 497, L 09, PV, Sec 5017 – ESHB 1216)

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The 2009-11 Capital Budget directed the Joint Legislative Task Force on School Construction Funding (Task Force) to explore the following:

- A. Changing the state funding assistance ratio used in the school construction assistance grant program formula;
- B. Methods to accommodate specialized program space or unique building circumstances (such as all-day kindergarten and science labs); and
- C. Ways to account for regional cost differences in the school construction assistance grant program formula

The proviso directs the Task Force to report findings and recommendations to the appropriate committees of the Legislature by January 1, 2010. The findings and recommendations follow.

#### A. State Funding Assistance Ratio

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##### OSPI Report: Analysis of the School Construction Assistance Program Formula Allocations (September 2009)

The 2009-11 Capital Budget directed the Office of the Superintendent of Public Instruction (OSPI) to analyze the student space and construction cost allocations for use in the school construction funding formula for the School Construction Assistance Program and make recommendations to the Legislature about appropriate allocation levels. The report found that increases in both allocations would be justified; however, there was insufficient time and a lack of resources to complete a comprehensive analysis of the allocation. In their September 2009 report to the Task Force, the OSPI provided the following recommendations:

- **PRIMARY RECOMMENDATION:** Review and confirm the existing policy goals or adopt new goals for the School Construction Assistance Program.
- **SECONDARY RECOMMENDATION 1:** Increase the allowable square footage per student to be based on actual educational needs. The OSPI should commission a study to determine the average square foot space needs for all spaces by grade span, which would define the student square foot allocation. This base standard should include recent policy and educational requirements (e.g., all-day kindergarten, expanded science labs).
- **SECONDARY RECOMMENDATION 2:** Increase the construction cost allocation to be based on the true costs of construction. The OSPI should commission a study to determine the appropriate level of the construction cost allocation and to establish appropriate methodology for adjusting the construction cost allocation over time.

#### Task Force Recommendations:

1. **Commission an analysis of per-student space allowance and construction cost allowance, expanded in scope beyond the OSPI September 2009 review.**
2. **Recommend the Legislature consider the results of the commissioned study (Recommendation 1) in the context of overall policy goals, and which actions should be considered priorities.**

## OSPI Report: K-12 School Enrollment Projections Study

The 2008 Capital Budget directed the OSPI to evaluate the accuracy and reliability of the current method used for forecasting school district enrollment for determining eligibility for the School Construction Assistance Program. The OSPI contracted Berk and Associates to conduct the study, and a final report was submitted to the Legislature on December 24, 2008. Key findings included the following:

- Projections using OSPI's current method were more accurate for larger districts than smaller districts.
- The OSPI's current method is more accurate in projecting short-term enrollment than long-term enrollment.
- For large districts, even a low error rate at or below  $\pm 5\%$  is a large number of students. These students could mean a difference of several classrooms when planning for school facilities.
- There are tradeoffs in time and accuracy between incorporating local knowledge and data and using a more straightforward method.
- The births-to-kindergarten method is more accurate at projecting kindergarten enrollment than the K linear method. The K linear method projects kindergarten enrollments using a 5-year historical trend.
- In most cases, the addition of a housing unit adjustment did not increase the projection's accuracy, though the high growth and growth categories did see small improvements in accuracy.
- High online learning enrollments negatively affected the accuracy of projections. Given recent set up of online learning programs, grade progressions based on historical inputs had not accounted for these enrollments.

The Caseload Forecast Council currently projects enrollments for school districts for operating budget funding.

### Task Force Recommendation:

- 3. Engage the Caseload Forecast Council staff for K-12 enrollment projections for use in determining eligibility for the School Construction Assistance Program.**

## B. Specialized Program Space

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### ESHB 2261 – 2009 Education Bill – Implications for the School Construction Assistance Program

The primary impacts of ESHB 2261 for the capital budget are those programs and policies that are likely to drive the need for additional or specialized facilities or space. These programs and policies may include:

- Changes in class size, minimum staffing levels, and classroom periods consistent with the plans developed for prototypical schools (though smaller class size efforts have been underway in previous biennia in the form of enhanced staffing ratios and Initiative 728, or student achievement)
- Adding the phase-in of all-day-kindergarten to the definition of basic education
- Continuing work on a program of early learning

The major tool for synchronizing the implementation of ESHB 2261 with the capital budget and statewide education facility needs will be the biennial capacity report, required by ESHB 2261, and prepared by the OSPI.

**Task Force Recommendations:**

- 4. Recommend the Legislature monitor ESHB 2261 and synchronize its implementation with the capital budget and statewide education facility needs. The Quality Education Council established in ESHB 2261 should periodically consult with the House and Senate capital budget chairs and ranking minority members regarding K-12 school facility needs.**
- 5. Direct the OSPI to submit its biennial capacity report to both House and Senate Capital Budget fiscal committee chairs and ranking minority members as well as to Education and Operating Fiscal Committees.**

**JLARC Preliminary Report: K-12 Pilot Facility Inventory, Condition & Use System (December 1, 2009)**

The state currently lacks a comprehensive statewide data system for collecting and reporting information about K-12 facilities. The 2008 Supplemental Capital Budget (ESHB 2765, Section 1001) directed the Joint Legislative Audit and Review Committee (JLARC) to define and develop a pilot facility condition and inventory system for K-12 public school facilities. The overall goal of the pilot was to determine the feasibility and costs of statewide data collection on K-12 facilities.

JLARC's pilot project organized K-12 facilities data into three categories to help answer questions such as the following:

- Inventory Data – How many school buildings are there? How old are they? How many have been remodeled, and at what cost? How many portables are in use?
- Condition Data – What is the physical condition of school buildings? How many buildings have systems that need repair or replacement? What would be the cost of repairs?
- Use of Space and Functionality Data – How is school building space being used? Are schools sharing space with the community? Is there space to offer all-day kindergarten? Is classroom space functional?

JLARC's pilot project demonstrated that it is feasible to collect most, but not all, of the K-12 facility data explored in the pilot. Standard definitions were difficult to identify and it was challenging for districts to collect data in a consistent manner in the "Use of Space and Functionality" category. Other lessons from the pilot included:

- School mapping data already collected by Washington Association of Sheriffs and Police Chief could form the basis of OSPI's inventory system.
- JLARC compared the usability of a new form for collecting condition data with the form school districts currently use to provide condition information to OSPI when requesting state funding. The pilot showed that the current OSPI form is adequate and could be made more useful if it were linked to a set of industry standard codes.
- School district staff and professional consultants independently conducted condition assessments of the same set of school buildings. The ratings for building condition submitted by district staff are very similar to those provided by the professional consultants.

**Task Force Recommendations:**

- 6. Recommend the Legislature review JLARC's pilot results for potential action during the 2010 legislative session. Such an inventory system could inform the OSPI's biennial capacity report required in ESHB 2261.**

## C. Regional Cost Differences

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The Task Force examined regional cost differences, comparing labor costs and the cost of materials across nine sample districts.

School construction costs may be higher in certain parts of the state, but limitations of data prevent drawing conclusions. An analysis of five areas in Washington shows the majority of K-12 school construction projects completed in the Puget Sound region. However, due to the relatively low number of projects for comparison purposes, especially in eastern Washington and Clark County, it is difficult to draw any conclusions regarding major regional construction cost variations.

- The price per square foot for the last three year average is 15% higher in King County than the statewide average.
- There is an indication that labor costs may be up to 23% higher in Puget Sound than other areas of the Washington.
- The cost variation does not take into account type of construction (e.g. the amount of elementary school projects compared to high school projects).
- High school projects typically have a higher price per square foot due to more specialized space such as laboratory space.
- The Puget Sound region has 23 projects to use for analysis while most other areas have less than 10 projects. The small number of projects along with the type of construction makes a conclusion difficult.
- According to the Boeckh Index, 2009 construction inflation has been 5.39% for the Seattle area compared with 5.66% for the statewide average.

Analysis of school districts' labor costs and the funding-assistance percentages used in the state school construction funding formula showed an inverse correlation between the two. Additionally, the Task Force looked at differences in student population by enrollment and by U.S. Census, as well as district-by-district poverty measures. The analysis yielded the following policy questions:

- How would the addition of a regional-cost factor to the current funding formula affect tax-equalization goals?
- What would be the effect of using U.S. Census rather than student enrollment data in calculating eligible space?
- What is the relation between student-poverty levels, space requirements, and district property values in regard to state funding?

## Other Recommendations

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### [State Auditor's Performance Audit Report #100130 - Opportunities for the State to Help School Districts Minimize the Costs and Interest Paid on Bond Debt \(August 2009\)](#)

The primary objectives of this audit are to answer the following questions:

- Is the State providing school districts with adequate guidance on selling general obligation bonds in the most cost-effective manner?
- If guidance is not sufficient, what are the resulting costs and what can be done to reduce them?

The report contains the following findings:

- Although some districts obtained competitive rates on their general obligations bonds, districts as a whole could have saved \$44.6 million to \$79.4 million over five years by following best practices for issuing general obligation bonds.
- The state can help districts save money by providing guidance on selling bonds.
- Ninety-three percent of district debt was issued using a negotiated approach, most of which occurred without the assistance of an impartial financial advisor.
- Seven percent of district debt was issued competitively, all of which occurred with the assistance of a financial advisor.
- Negotiated sales were refinanced nearly three times more frequently than competitive sales during the five-year period analyzed.

**Task Force Recommendations:**

- 7. The Office of the Superintendent of Public Instruction should work with the Office of the State Treasurer, public school districts, educational service districts, and the Washington State School Directors' Association to discuss best practices and develop options to improve guidance and training to school district on issuing debt.**
- 8. Consistent with best practices recommended by the Government Finance Officers Association, public school districts should utilize independent financial advisors and keep the underwriter and advisor roles separate when bonds are sold or refunded. Issuers must keep in mind that underwriters and financial advisors have distinct roles and that competing interests cannot serve the same function.**

**Commute Trip Reduction**

The state's Commute Trip Reduction law was enacted in 1991 and is incorporated into the Washington Clean Air Act. The goals of the program are to reduce traffic congestion, air pollution, and petroleum consumption through employer-based programs that decrease the number of commute trips made by single-occupant drivers. The Legislature has declared that it is the policy of the state that the Department of Transportation and other state agencies, including institutions of higher education, to aggressively develop substantive programs to reduce commute trips by state employees.

**Task Force Recommendation:**

- 9. The Legislature should encourage or require public school districts to establish and implement effective commute trip reduction programs for district employees.**