

350 - Superintendent of Public Instruction Capital Project Request

2009-11 Biennium

*

Version: B1 2009-11 Biennial Budget

Report Number: CBS002

Date Run: 12/29/2008 8:09AM

Project Number: 30000034

Project Title: 2009-11 School Construction Assistance Grant Program-Annual Rel.

Description

Starting Fiscal Year: 2010

Project Class: Grant

Agency Priority: 19

Project Summary

This request responds to the Phase I recommendations of the Joint Legislative Task Force on School Construction Funding (Task Force) and a 2008 Supplemental Capital Budget proviso. The Legislature directed OSPI to review and evaluate the costs and implications of changing the annual release cycle of the School Construction Assistance Grant Program. This proposal would offer a February project release in each fiscal year to give school districts an opportunity to secure state funding in the spring. It is commonly believed projects bid during the spring take advantage of a better bidding climate for construction projects.

Project Description

What is the proposed project?

This request responds to the Phase I recommendations of the Joint Legislative Task Force on School Construction Funding (Task Force) and a 2008 Supplemental Capital Budget proviso. The Legislature directed OSPI to review and evaluate the costs and implications of changing the annual release cycle of the School Construction Assistance Grant Program. This proposal would offer a February project release in each fiscal year to give school districts an opportunity to secure state funding in the spring. It is commonly believed projects bid during the spring take advantage of a better bidding climate for construction projects.

What is the opportunity or problem driving this request?

This request responds to the direction of the Legislature. OSPI assumes a number of school districts would take advantage of a spring bidding cycle. As a result, OSPI assumes there will be a higher demand for funding in the 2009-11 biennium. The February 2011 release is expected to "pull" projects back from the planned July 2011 release -- moving projects and funds from the 2011-13 biennium to the 2009-11 biennium. The budget impact of this request has been calculated using all of the maintenance level and enhancement proposals offered by OSPI for the 2009-11 School Construction Assistance Grant Program. It is assumed funding for an additional 1,767,420 square feet of school construction would be approved during the February 2011 release date. That impact these additional projects will have will then balance out over the remainder of the 10 Year Capital Plan.

How does the project support the agency and statewide results?

This project supports the agency's following strategic plan elements.

* OSPI Goal 3 - All schools, in partnership with students, families and communities, provide safe, civil, healthy and engaging environments for learning.

* OSPI Goal 4 - Sufficient state resources are provided for every student to succeed through an efficient, equitable and responsible K-12 funding system that promotes innovation and rewards results.

* OSPI Goal 5 - OSPI supports effective schools and student achievement through focused policies, sound management and excellent service to the education community.

This project supports the following statewide results by providing state matching dollars for school construction projects to 295 school districts across the state.

* Improve student achievement in elementary, middle and high schools.

- Support parent and community connections by providing matching funds to build school facilities in every community in the state. These school buildings are often the place where students, teachers and community members come together.

- Provide general education support for students by providing state funding for their school facilities.

350 - Superintendent of Public Instruction Capital Project Request

2009-11 Biennium

*

Version: B1 2009-11 Biennial Budget

Report Number: CBS002

Date Run: 12/29/2008 8:09AM

Project Number: 30000034

Project Title: 2009-11 School Construction Assistance Grant Program-Annual Rel.

Description

* Improve the ability of state government to achieve results efficiently and effectively
- Provide state financial resources and services through School Facilities and Organization grant programs to allow school districts to maximize both the local and state share by providing additional release dates.

What are the specific benefits of this project?

This project allows school districts to maximize their local and state funds by bidding projects during a time of the year that will provide a cost savings to the overall project.

How will clients be affected and services change if this project is funded?

The school districts have long requested a change to the release dates. Approving this request will allow OSPI to deliver services to better meet our client's needs.

How will the other state programs or units of government be affected if this project is funded?

School districts will receive more adequate state support for school construction projects if this project is funded.

What is the impact on the state's operating budget?

There is no impact on the state's operating budget.

Why is this the best option or alternative?

This program has operated for more than 60 years and has developed into an effective and efficient means of funding school construction in Washington. The program is currently under review by the Task Force. Their work and review will continue until December 2008 when they are expected to make final recommendations on alternatives or changes to the program. Until that time, OSPI is making its capital budget request consistent with current state policy direction.

What is the agency's proposed funding strategy for the project?

The enhancements would be funded entirely with the State Building Construction Account. The revenues dedicated to school construction from the management of trust lands for the benefit of common schools, general fund savings by other state agencies and state lottery revenues are not sufficient to fund the maintenance level program.

Outline of Enhancement Assumptions

1) Square Footage and Number of Projects

A number of school districts use "front funding." This allows the school district to proceed with their construction project on their own schedule, with their own funds and at their own risk in advance of receiving confirmation in July they have secured a state school construction grant. Over the last nine years, an average of 54 percent of the projects in any given project release have been front funded. This request assumes that 54 percent of the square footage and projects estimated for release in FY 2010 will take advantage of a February 2011 state project release. Over the 10 Year Plan, it is assumed that this square footage will reduce evenly over the remaining years of the 10 Year Plan.

FY 2012 square footage = 3,273,000 * .54 = 1,767,420 move back to FY 2011

FY 2012 projects = 49 * .54 = 26 move back to FY 2011

2) Proposed Maintenance Level Area Cost Allowance (ACA) = \$240,000,000

The ACA, used in calculating state financial assistance for construction, is the maximum cost per square foot of construction that the state will match -- it is not the actual cost of construction paid by the school districts for their projects. The ACA is established annually. Up until 2003, the ACA had not been rebased since the early 1980s. In 2003, the State Board of Education developed a Six Year Plan to increase the ACA so that by FY 2009 the ACA would equal the estimated cost of new

350 - Superintendent of Public Instruction Capital Project Request

2009-11 Biennium

*

Version: B1 2009-11 Biennial Budget

Report Number: CBS002

Date Run: 12/29/2008 8:09AM

Project Number: 30000034

Project Title: 2009-11 School Construction Assistance Grant Program-Annual Rel.

Description

construction. In each biennial budget since that time, the capital budget proposal has requested and received an increase in the ACA. In the 2007-09 biennial budget, inflationary increases and an enhancement were made to the ACA. The ACA was funded for FY 2009 at \$168.79. To continue that maintenance level with inflation, OSPI requests that the ACA for FY 2010 be \$179.30 and for FY 2011 be \$190.45 per square foot of construction.

\$168.79 FY 2009 ACA

\$ 21.66 Plus Maintenance Level Increase

\$190.45 FY 2011 Maintenance Level ACA

Additionally, OSPI assumes that modernization and new-in-lieu projects be funded at 100 percent of the ACA as approved by the Legislature in the 2005-07 biennial budget -- previously it had only been at 80 percent for those types of construction projects.

3) Student Space Allocation (SSA) = \$20,000,000

In 2002, the State Board of Education adopted increases in the student space allocation as part of its Six Year Plan. The Legislature funded increases in the second year of the biennium in 2003-05 and 2005-07. No increases were granted in 2007-09, despite the fact that technology and state education policy has continued to place demands and expectations for more and more adequate space in the learning environment. The next step in the original Six Year plan is being requested as part of this enhancement.

FY 2011

100 square feet per student = Grades K - 6

124 square feet per student = Grades 7 - 8

140 square feet per student = Grades 9 - 12

147 square feet per student = Special Education

FY 2013

110 square feet per student = Grades K - 6

130 square feet per student = Grades 7 - 8

150 square feet per student = Grades 9 - 12

150 square feet per student = Special Education

The 2008 School Planning and Management Construction Report provides data showing that if this enhancement is funded, Washington will still lag behind regional averages by nearly 25 square feet per student across all grade spans.

4) High Performance Schools = \$10,000,000

In Washington, K-12 public school projects receiving state funding are required to meet a minimum level of high performance, or green building standards. "High Performance", as it relates to school buildings, refers to features of the building project that help provide a healthy, comfortable and enhanced learning environment, while reducing the impact to natural resources and operating costs. OSPI is currently collecting and analyzing information on high performance schools from demonstration projects that began and were funded with demonstration grants in the 2005-07 biennium. The preliminary information shows an increase to the cost of construction for high performance schools of increase between four and six percent. OSPI is requesting that a 4 percent increase to the Area Cost Allowance be funded in FY 2010 and increased by inflation throughout the 10 Year Plan. These enhancements equate to an incremental increase of \$7.17 per square foot in FY 2010 and \$7.62 per square foot in FY 2011.

**350 - Superintendent of Public Instruction
Capital Project Request**

2009-11 Biennium

*

Version: B1 2009-11 Biennial Budget

Report Number: CBS002

Date Run: 12/29/2008 8:09AM

Project Number: 30000034

Project Title: 2009-11 School Construction Assistance Grant Program-Annual Rel.

Description

5) State Board of Health School Health and Safety Rules = \$13,000,000

The State Board of Health has prepared a "Preliminary Significant Analysis" of its proposed changes to Chapter 246-366A WAC - Primary and Secondary Schools. This analysis includes estimated increases to the cost of school construction. This enhancement is proposed for a February 2011 release since the rules are expected to take effect in September 2010. The general assumptions for those future costs increase the Area Cost Allowance by estimating for statewide impacts using the highest grade span cost cited by the State Board of Health (middle school level at \$5.47 per square foot). This cost -- for the budget model -- would be estimated at \$5.47 divided by the 60 percent match ratio to equal \$9.12 per square foot and then increased by the annual inflation. ($\$5.47 / .60 = \9.12 in FY 2009 dollars; $\$9.12 * 1.06224$ (FY 2010) * 1.06224 (FY 2011) = \$10.29 incremental increase to the Area Cost Allowance in February of FY 2011.

6) Area Cost Allowance Parity with Actual Cost of Construction = \$22,000,000

The gap between the actual cost of new construction being experienced by school districts and the area cost allowance (or the allocation the state provides in its formula) has been widening. In 1988, the gap was 6 percent and in 2008 it was 60 percent. OSPI is proposing that the gap be narrowed in four years to the levels of the 1990's -- approximately 26 percent. The first two steps would equate to an incremental increase of \$3.65 per square foot in FY 2010 and \$17.11 per square foot in FY 2011.

Proviso

This project is based on a proviso in the 2008 Supplemental Capital budget - ESHB 2765, Section 5001

Location

City: Statewide

County: Statewide

Legislative District: 098

Project Type

Grants

Grant Recipient Organization: School Districts

RCW that establishes grant: RCW 28A.525

Application process used

OSPI administers the School Construction Assistance Grant Program through a grant process commonly known as the "D-Process". Generally, the state uses this process to make funds available to school districts for a portion of the costs of school facility planning, design and construction.

Growth Management impacts

School districts are responsible for determining whether and how they need to participate in the planning process with the city or county planning authority.

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2009-11 Fiscal Period	
			Prior Biennium	Current Biennium	Reappropriations	New Appropr.
057-1	State Bldg Constr-State	(164,408,000)				305,000,000
	Total	(164,408,000)	0	0	0	305,000,000

Future Fiscal Periods

**350 - Superintendent of Public Instruction
Capital Project Request**

2009-11 Biennium

*

Version: B1 2009-11 Biennial Budget

Report Number: CBS002

Date Run: 12/29/2008 8:09AM

Project Number: 30000034

Project Title: 2009-11 School Construction Assistance Grant Program-Annual Rel.

Funding

		<u>2011-13</u>	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
057-1	State Bldg Constr-State	(91,989,000)	(111,013,000)	(125,199,000)	(141,207,000)
	Total	(91,989,000)	(111,013,000)	(125,199,000)	(141,207,000)

Operating Impacts

No Operating Impact

Narrative

This is a grant to school districts. There is not an impact to the state's operating budget.

Capital Project Request

2009-11 Biennium

*

<u>Parameter</u>	<u>Entered As</u>	<u>Interpreted As</u>
Biennium	2009-11	2009-11
Agency	350	350
Version	B1-A	B1-A
Project Classification	*	All Project Classifications
Capital Project Number	30000034	30000034
Sort Order	Priority	Priority
User Group	Agency Budget	Agency Budget
User Id	*	All User Ids