

Joint Legislative Task Force on School Construction Funding Draft Possible Recommendations

Draft OSPI Work Group Comments

General Principles for Recommendations

1. The connections between K-12 operating and capital needs must be recognized in all future recommendations, and the budget decision making and implementation need to reflect this connection.
2. The Berk & Associates recommendations for making the spending formula more transparent should be implemented.
3. The task force recommendations may need to be phased over several biennia in because of the practical reality of implementing the kinds of changes being discussed and the resource constraints.

Specific Recommendations Under Consideration

Note: The Work Group has reordered and categorized the Task Force's 10/16/08 draft recommendations as follows:

A. Funding Formula Elements

1. Develop a method that accounts for regional cost differences.
 - Recommend additional analysis based on:
 - Findings from JLARC's work on the inventory
 - Additional data collection from OSPI regarding regional variance by types of facilities, labor availability, and indices of construction costs
 - Cost of raising money by area/region (dollars per thousand taxpayers)
 - Possibly account for regional cost differences in the spending formula

Data related to property taxes paid by area and state assistance provided to each area (donor vs. recipient regions)

Work Group Recommendation:

- a. The Work Group does not support recommendations for implementing regional cost adjustments until the area cost allowance (ACA) can be increased to reflect the actual construction costs incurred by school districts. Increasing the ACA should be the state's highest priority; adjusting for regional cost differences is a much lower priority.

- b. The State should continue and accelerate phasing of increases to the area cost allowance.
 - c. The appropriate level of the ACA requires further study, to establish an appropriate methodology for determining the ACA over time. Specific methodologies to be studied should include:
 - Use of a 3-year rolling average to determine the appropriate ACA.
 - Base the 3-year rolling average on actual bid data for schools obtained statewide.
 - d. A Regional Cost Multiplier concept should be further studied when a more appropriate level of the ACA is achieved:
 - The study should analyze average project costs in six regions of the state: Northwest, Puget Sound, Southwest, Central, Eastern, and Southeast. The study should also examine differences across urban, rural, and suburban areas of the state.
 - The study should analyze using the concept of an adjusted ACA as a base upon which regional cost adjustments could be made in the future.
2. 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*)
- Recommend consistency with Basic Education Finance Task Force recommendations.

Work Group Recommendation:

- a. The State 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 space allocation. This base standard should include recent policy and educational requirements (e.g. all day kindergarten, expanded science labs).
- b. Future policies that result in changes to the demand for space will require the square foot allocation to be updated.

3. Raise or eliminate the match ratio floor.
 - Recommend including in #1 above.

Work Group Recommendation:

- a. The Work Group recommends that this not be included in #1 above, since it goes beyond the regional cost difference issue.
- b. The Work Group recognizes there is concern that the matching ratio is not fair. It is recognized however, that the matching ratio does attempt to equalize state funding and because the ACA and Student Square Foot allocations are underfunded, the matching ratio appears not to work. Nevertheless, the work group agrees that more analysis is needed to assess all available options and potential implications of changing the match ratio floor.

B. OSPI Implementation Actions

4. 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.
 - Recommend Berk's transparency findings.

Work Group Recommendation:

- a. Direct OSPI to adopt the template developed by Berk & Associates and reviewed by the Work Group. A template should be completed at two points for each project release:
 - At time of project release (D-10 form)
 - At project close-out (post-completion information)
- b. To support template development, direct OSPI to collect post-project completion information from school districts that receive OSPI funding (e.g. overhead costs, special inspection and study costs, site costs, legal fees). Implementation may require additional resources for OSPI.

5. Create a more expedited approval process within OSPI for fast growing (or all) school districts (modified D-form process).
 - Recommend direction to OSPI work on implementation.

Work Group Recommendation:

- a. The Work Group finds that the State process is not a significant impediment to construction in fast growing school districts; and an expedited approval process is not needed. The realities of obtaining bond funding, the design/construction process, and the permitting process interact together to serve as the binding constraints for school construction, rather than the D-form process.
 - b. The Work Group suggests that OSPI, in collaboration if necessary with the Task Force and/or legislature, continue seeking opportunities to streamline the D process, and strive to make the RCWs and WACs more transparent.
6. Direct OSPI to draft and implement an alternative to the 2% maintenance rule that requires an accountability measure, i.e., reinvestment of a percent of the building value or value of buildings within a school district over a certain period of time.

Work Group Recommendation:

- a. The accounting approach (2% rule) will not by itself contribute to improved building maintenance. The Work Group recommends that the Task Force adopt a building performance approach as presented in the proposed asset preservation program.
- b. The Work Group further encourages the Task Force to understand and recognize that current levels of basic education funding are inadequate, which is causing other competing and higher priority interests to be funded before maintenance, which has large cost ramifications such as deferred maintenance. The Work Group is encouraged that the Task Force is identifying as a general principle the connection between operating and capital decisions. Maintenance and maintenance funding are at the forefront of this issue.

C. School Construction Grants and Funding Tools

7. Recommend supporting some level of funding/grants for implementation of the Board of Health proposed rule revisions.

Work Group Recommendation:

- a. The Work Group recommends that the Task Force recognize the three categories of costs as identified in the State Board of Health significant analysis: major construction, start-up, and ongoing maintenance.
 - b. The Work Group recommends as stated in item #6 that the legislature recognize that current levels of basic education funding are inadequate and causing other competing and higher priority interests to be funded before maintenance. Any additional impact by these rules for ongoing maintenance must have adequate additional state dollars or further degradation of district building M&O will occur.
 - c. The Work Group recommends that both the OSPI capital and operating budget requests be fully funded, and it be understood that future biennia increases to the area cost allowance will be needed as presented in the OSPI 10-year capital plan starting in 2011-13 biennia for new major construction.
8. 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.
 - Recommend re-introducing legislation – possibly revising to specify land acquisition.

Work Group Recommendation:

- The Work Group concurs with the Task Force.

D. Options for New Space

9. 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.
 - Recommend options 1, scaled back, and 4, revised.

Work Group Recommendation:

- a. Community use is already being implemented; many schools have programs underway, and there are already several programs that support or encourage community partnerships.
 - b. Expansion of the community schools concept could potentially have unintended consequences – siphoning off scarce resources from capital projects to lower priority projects.
 - c. The Work Group finds that very few community groups will be able to provide a match at the 20% level.
10. Provide more flexibility regarding leasing – either to meet short-term capacity needs or to allow for lease/purchase arrangements.

Work Group Recommendation:

- Further explore the leased space option for school districts. This would be particularly helpful for districts that cannot pass a bond with a super majority but can pass a levy with a simple majority.