



# School Construction Assistance Program Refinancing to Support Small School Districts

## *2023–25 Capital Project Request*

**Project Title:** School Construction Assistance Program Refinancing to Support Small School Districts

**Starting Fiscal Year:** July 1, 2023

### Project Summary

The School Construction Assistance Program (SCAP) has served the needs of many school districts, but the program distributes state trust land revenue inequitably, benefiting property-wealthy school districts while failing to provide solutions for our small school districts that cannot pass a capital levy or bond. To remedy this inequity, the Office of Superintendent of Public Instruction (OSPI) proposes financing all small district modernization grants with revenue generated from the common school trust lands. This proposal requires refinancing current SCAP grant obligations funded with common school trust revenues with new state general obligation bond funding. OSPI requests \$73.6 million in refinancing to support Washington’s small school districts.

### Project Description

The School Construction Assistance Program (SCAP) has served the needs of many school districts, but the program distributes state trust land revenue inequitably, benefiting property-wealthy school districts while failing to provide solutions for our small school districts that cannot pass a capital levy or bond. To remedy this inequity, Superintendent Reykdal proposes financing all small district modernization grants with revenue generated from the common school trust lands. This proposal requires refinancing current SCAP grant obligations funded with common school trust revenues with new state general obligation bond funding. The Superintendent requests \$73.6 million in refinancing to support our small school districts.

Historically, the Legislature has funded SCAP with a combination of state general obligation bond funds and revenues generated from common school trust lands. The Legislature uses current biennium revenues and future biennium revenues to finance SCAP projects based on a projected disbursement of grant funding. This proposal would refinance the future common school trust revenues obligated by the Legislature to finance current and past SCAP obligations with state general obligation bonds, freeing up the future common school trust revenues to support our small school districts.

Below is a summary of the SCAP obligations currently financed with future common school trust revenues:

2019-21 Biennium SCAP Obligations \$48.06 Million Financed with 2023-25 Biennium Common School Revenue

2021-23 Biennium SCAP Obligations \$25.51 Million Financed with 2023-25 Biennium Common School Revenue

Total Common School Trust Revenue \$73.6 Million

**What will the request produce or construct (i.e., building predesign or design, construction of additional space, etc.)? When will the project start and be completed?**

Refinancing current SCAP obligations with state general obligation bond funding will redirect common school trust land revenues to support the Small District Modernization Grant Program, which funds building system replacement and repairs for districts identified as having significant building system deficiencies and having such low property values that replacing or modernizing the school facility through SCAP would present an extraordinary tax burden on property owners or would exceed allowable debt for the district.

**How would the request address the problem or opportunity identified by your proposed project? What would be the result of not taking action?**

Many small school districts are constrained by the amount of local funds they can raise due to insufficient debt limit bond capacity versus the costs to modernize the school buildings. Other school districts are limited due to the 60% supermajority vote required to pass construction bonds. In all cases, these districts are unable to participate in SCAP because they cannot contribute significant local funds for a modernization project. The Small District Modernization Grant Program funds building system replacement and repairs for districts identified as having significant building system deficiencies and having such low property values that replacing or modernizing the school facility through SCAP would present an extraordinary tax burden on property owners or would exceed allowable debt for the district.

**What alternatives were explored? Why was the recommended alternative chosen?**

Currently, there are no other funding sources other than state general obligation bonds which can finance this proposal.

**Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.**

The Small District Modernization Grant program provides funding to small school districts (with fewer than 1,000 students) and state tribal compact schools to replace critical building systems and preserve existing school infrastructure.

**Will non-state funds be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?**

Non-state funds will not be used to complete the projects.

**Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.**

This project supports Superintendent Reykdal's K-12 Education Vision of his goal for Washington's public education system to prepare every student who walks through our school doors for post-secondary aspirations, careers, and life.

**Does this project include IT-related costs, including hardware, software, cloud-based services, contracts or IT staff?**

N.A.

**If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail.**

This project does not impact the Puget Sound Action Agenda.

**How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.**

The common school funding redirected to the Small District Modernization Grant program will fund school projects which will help small school districts meet the energy performance targets set by the Clean Building performance standards by replacing inefficient building systems.

**Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy use? If yes, please elaborate.**

The common school funding redirected to the Small District Modernization Grant program will fund school projects which will help small school districts meet the energy performance targets set by the Clean Building performance standards by replacing inefficient building systems with new energy efficient systems.

**Historical Significance**

N.A.

**Location**

Statewide

**Describe 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.

**Grant Recipient Organization**

Local school districts

**Application Process Used**

OSPI will continue to offer a competitive grant funding process to ensure all small school districts and state-tribal education compact schools have an opportunity to apply for grant funds.

**Funding Requested**

- 2023–25: \$73,570,000
- 2025–27: \$0
- 2027–29: \$0
- 2029–31: \$0
- 2031–33: \$0