

SSB 6531 would block cost-effective solutions in modern school design

By Liv Finne, Director, Center for Education

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Introduction

SSB 6531 would increase state spending on the school construction assistance program (SCAP). The bill's Fiscal Note indicates a cost of \$340.9 million in 2019-21 and of \$712.6 million in 2021-23.¹

Specifically, SSB 6531 would increase state funding to SCAP as follows:

The funding assistance percentage would increase from 20 percent to 25 percent for the 2019-21 biennium, and increase by 30 percent each biennium thereafter.

The construction cost allowance is codified and phased in over five biennia, increasing state costs from \$219/square foot in 2018 to \$322/square foot in 2027.

The student space allowance (SSA) is codified; beginning July 1, 2019 the SSA of 90 square feet for students in K-6 would be increased by 10 square feet per year until fiscal year 2024, when it reaches 140 square feet.

The student space allowance would be increased for grades seven, eight, nine and 12, and for students with disabilities beginning in 2022.

Background

Paying for the construction of school facilities is not part of the state's obligation under the state constitution. Since statehood, the constitution has assumed that school district voters, not the state, will incur debt to build and remodel school facilities as needed.

However, the state does provide some financial assistance to school districts in each biennial capital budget under the state construction assistance program (SCAP). While providing some aid, the program makes it clear that the main responsibility for providing school facilities remains with locally-elected school boards.

To be eligible for state funding under SCAP, a school district must have a space or remodeling need and must secure voter approval of a bond levy or other funding for the local share of a school project.

SCAP funding is then determined using a statutory funding formula administered by the Office of Superintendent of Public Instruction.

The state does not reimburse all costs related to a project. Costs not eligible for reimbursement include site-acquisition costs, administrative buildings, stadiums/grandstands, most bus garages and local sales taxes. Construction-related costs that are eligible include construction costs per square foot, architectural and engineering fees, construction management, value-engineering studies, furniture and equipment, energy conservation reports and inspection and testing.²

1 "Regarding the school construction assistance program," Substitute Senate Bill 6531, at <http://app.leg.wa.gov/billsummary?BillNumber=6531&Year=2017>.

2 "A Citizen's Guide to Washington State K-12 Finance, 2018," Senate Ways and Means Committee, at http://leg.wa.gov/Senate/Committees/WM/Documents/Publications/BudgetGuides/2018/2018%20K-12%20CG%20Booklet_Final_updated-online.pdf.

Policy Analysis

The weaknesses of the SCAP program

SCAP has not been evaluated by the legislature for many years. Reinforcing this outdated model with SSB 6531 is bad policy and works against the public interest. SCAP's underlying cost drivers, such as cost per square foot and allowances of space per student deserve further study by the legislature.

One of the many outdated assumptions of SCAP is that school buildings have only a thirty year life expectancy. Schools using modern designs and building materials, and maintained properly by school districts, can last far longer than thirty years. Some public school buildings are nearly 100 years old and, with regular maintenance and upgrades, are still in use.

The SCAP program also has a third party payer problem. This likely has an inflationary effect on school construction costs. Administrators in a local district decide the size and scope of construction projects, knowing that state taxpayers will bear some of the burden. The existence of SCAP funding reduces the incentive for local district officials have to keep costs at levels local taxpayers can afford. Local officials feel like they are receiving "free" money, even as the real cost is shifted to working families living in other communities.

SSB 6531 reinforces the weaknesses of SCAP program, by adding \$1 billion in new capital spending under the program in the next two budgets, and more to future budgets, without solving the program's inflated estimate of building costs.

Interest rates are rising, debt is already among highest in the nation, and SSB 6531 would make debt worse

Approving SSB 6531 would increase state spending under SCAP. This would increase the debt of Washington state to unknown and possibly unsustainable levels.

Several warning signs for the legislature are already apparent.

For example, because of the strong economy, the Federal Reserve is planning to raise interest rates. Higher interest rates will significantly increase school construction costs in Washington state.

Debt service on capital projects in the current budget is already at \$2.5 billion.³ Debt service reflects one of the fastest growing functional areas of the budget.⁴

The state Treasurer reports Washington is among the highest in the nation in the level of debt taxpayers must carry as a percentage of personal income:

Washington's reported \$19.8 billion in net tax-supported debt placed it eighth-highest nationally as of May 2016, according to Moody's rating service data cited in the OST report. The 50-state median was \$4.3 billion. Washington ranked 5th highest nationally in net tax-supported debt as a percent of personal income, and sixth-highest in tax-supported debt per capita and as a percent of gross state product. Washington's debt burden was 8.3 percent of state revenue and spending versus a 50-state median of 4.2 percent, according to the OST Debt Affordability study.⁵

3 February 14, 2018 email to author from Anthony Hemstad, Senior Advisor, Office of State Treasurer Duane Davidson.

4 "Pension Liability and Debt Services, A Growing Share of the Budget Pie," Senator John Braun, Economic Sense, Fourth Edition, March 2015, at <http://johnbraun.src.wastateleg.org/wp-content/uploads/sites/16/2015/01/Braun-Economic-Sense-Fourth-Edition-FINAL-031915.pdf>.

5 "Debt Affordability Study, 2017," James L. McIntire, Washington State Treasurer, at <https://www.tre.wa.gov/wp-content/uploads/DAS2016.pdf>.

SSB 6531 would discourage cost-effective modern school designs like Project Frog and Carpe Diem

Project Frog, a smart building system manufacturer from California, has developed energy-saving classrooms for schools. Teaming up with HMC Architects, the company has created a new classroom building platform that is not expensive and is energy-efficient, with plenty of daylight and high ceilings. Called “Impact,” the product includes flat-packed building components that can be reconfigured to fit individual schools’ needs.⁶

Another example of a new school model is Carpe Diem Charter School in Yuma, Arizona. The school’s use of computers allows for fewer classrooms. At Carpe Diem each student has a cubicle with a computer in a learning center, in a room similar to a call center. Students rotate throughout the day from online instruction at the computer to face-to-face classroom instruction.

Carpe Diem’s building requires only five traditional classrooms, which is fewer than half as many as a traditional school with a similar enrollment level. A traditional school built close to Carpe Diem is 2.5 times more expensive per student.⁷

SSB 6531 would significantly reduce the flexibility of local districts building new schools. SSB 6531 would also block districts from developing innovative, cost-effective schools like Project Frog and Carpe Diem for students in Washington state.

State policy artificially drives up public school construction costs

State policymakers can help school districts build more schools by reforming state laws which artificially inflate school construction costs. For example, districts are required to pay the state sales tax on the cost of public school construction, which can add millions of dollars to the cost of a school. Schools are also forced to use unionized labor and pay prevailing wages to build new schools, also significantly increasing construction costs.

State regulation and taxes can add 20 percent to the cost of a public school project, while private schools are allowed to build larger and better facilities with the same amount of money. Cutting state regulations and other artificial cost drivers would allow public school students to access the modern, healthy, and well-designed schools on an equal basis as their peers in private schools.

Conclusion

SSB 6531 would increase state debt, increase school construction costs, and discourage cost-effective solutions in modern school design like Project Frog and Carpe Diem. The bill would also continue the discriminatory practice of forcing up construction costs for public school districts, while private schools are allowed to build better facilities for less money.

Liv Finne is the director of Washington Policy Center’s Center for Education. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.

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6 “A Better Kind of School Building to Replace Classes in Trailers,” by Ariel Schwartz, *Fast Company*, September 12, 2013, at <https://www.fastcompany.com/3016585/a-better-kind-of-school-building-to-replace-classes-in-trailers>.

7 “Carpe Diem charter public schools seize the day and the future,” Liv Finne, Washington Policy Center Blog, April 18, 2012, at <https://www.washingtonpolicy.org/publications/detail/carpe-diem-charter-public-schools-seize-the-day-and-the-future>.