

Individual State Agency Fiscal Note

Bill Number: 5859 SB	Title: School construction	Agency: 350-Supt of Public Instruction
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

	2015-17		2017-19		2019-21	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	266,757,532	276,642,253	287,024,532	296,582,417	304,795,500
Total \$	\$0	\$266,757,532	\$276,642,253	\$287,024,532	\$296,582,417	\$304,795,500

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☒ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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Agency Approval: Randy Newman	Phone: 360 725-6267	Date: 02/20/2015
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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1(2) amends RCW 28A.525.166 changing the minimum state funding assistance percentage from twenty percent to thirty percent.

Section 1(6) adds language in RCW which requires the construction cost allocation (a per square foot allocation) to be calculated based on a three-year rolling average of the actual cost of new construction of a K-12 school.

Section 2 implements the changes to the RCW to be effective July 1, 2016.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact to cash receipts.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

No impact to the operating budget.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

Construction Estimate	FY 2016	FY 2017	2015-17	2017-19	2019-21
Acquisition					
Construction					
Other		266,757,532	266,757,532	563,666,785	601,377,917
Total \$		266,757,532	266,757,532	563,666,785	601,377,917

The proposed bill increases the primary funding drivers of the school construction assistance program which are: the financial assistance percentage (FAP), construction cost allocation (CCA), and the student space allocation (SSA).

Section 1(2) would increase the minimum FAP from twenty percent to thirty percent. Based on the historical five year average of FAP funding percentages for SCAP projects, the proposed increase would result in an increase of state assistance by less than one percent (1%). The five year historical average of the FAP would have changed from 61.25% to 62.10% (0.85% difference).

Section 1(6) would establish the CCA using a three year rolling average of the actual cost of new construction for a K-12 school. Changing the CCA to a three year rolling average would increase the current funded CCA (adjusted with inflation) from \$213.23 to \$273.62 for projects released in fiscal year 2017.

The SSA per student for all grade ranges would increase as follows: Kindergarten -Grade 6 from 90 square feet to 140

square feet; Grades 7 - 8 from 117 square feet to 155 square feet; Grades 9 - 12 from 130 to 165; and students with disabilities from 144 to 165. The effective date of these increases would impact construction projects slated for funding July 1, 2016 (FY 2017).

Overall, SCAP funding increases will likely result in more requests for future construction funding from local school districts. The fiscal impact of this increased demand is indeterminate because it's unknown how the increased funding drivers will change a school district's ability to provide local funding (bond passages) in order to participate in SCAP.

See Attachment 1 for cost details.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Rule making would be necessary to change current Washington Administrative Codes (WAC) which currently set the student space allocations and establishes the construction cost allocation to reflect the changes in the proposed bill.

Office of Superintendent of Public Instruction
SB 5859 - Attachment 1

Updated February 18, 2015

Financial Assistance Percentage (FAP) Information

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
5 Year Average of FAP (Projects Funded 2010-2014) @ 20% Floor	61.25%	61.25%	61.25%	61.25%	61.25%	61.25%	61.25%	61.25%	61.25%	0.6125
5 Year Average of FAP (Projects Funded 2010-2014) @ 30% Floor	62.10%	62.10%	62.10%	62.10%	62.10%	62.10%	62.10%	62.10%	62.10%	0.621
Increase	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Assumed FAP used in K-12 capital budget model	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Increased in FAP used in K-12 capital budget model based on 5 Year Average		0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Assumed FAP to be used in K-12 capital budget model	60.00%	60.85%	60.85%	60.85%	60.85%	60.85%	60.85%	60.85%	60.85%	60.85%

Student Space Allocation (SSA) - Eligibility Impact Calculation

New Construction (Adding to School District Inventory)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Projected Square Feet Eligible for New Construction at Current SSA Allocations	539,000	539,000	539,000	539,000	539,000	539,000	539,000	539,000	539,000	539,000
Projected Square Feet Eligible for Modernization	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000
Of Modernization Total, Projected Amount of New-in-Lieu Area	952,000	952,000	952,000	952,000	952,000	952,000	952,000	952,000	952,000	952,000
Total Square Feet (New, Modernization, and New-in-Lieu)	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Change in School District's Eligible Area With Proposed Increased SSA Allocations	0.00%	38.42%	38.42%	38.42%	38.42%	38.42%	38.42%	38.42%	38.42%	38.42%
Adjusted New Space	539,000	746,063	746,063	746,063	746,063	746,063	746,063	746,063	746,063	746,063
Adjusted Modernization + New In Lieu	1,821,000	2,520,560	2,520,560	2,520,560	2,520,560	2,520,560	2,520,560	2,520,560	2,520,560	2,520,560
Adjusted Modernization	952,000	1,317,723	1,317,723	1,317,723	1,317,723	1,317,723	1,317,723	1,317,723	1,317,723	1,317,723
Total New & Modernization + New In Lieu	2,360,000	3,266,623	3,266,623	3,266,623	3,266,623	3,266,623	3,266,623	3,266,623	3,266,623	3,266,623

Construction Cost Allocation (CCA) - Calculation

Years	Year 1 Bid Data (2011-12)	Year 2 Bid Data (2012-13)	Year 3 Bid Data (2013-14)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actual Cost of New Construction (SCAP Eligible Costs using Design Bid Build at time of bid - no GCCM Projects)	\$ 235.25	\$ 256.87	\$ 265.20	\$ 265.20	\$ 273.62	\$ 282.18	\$ 290.06	\$ 297.25	\$ 304.34	\$ 311.58	\$ 318.92	\$ 326.29	\$ 333.83
4 Yr Avg Boeckh Index (Historical)*				102.955%	102.955%	102.955%	102.955%	102.955%	102.955%	102.955%	102.955%	102.955%	102.955%
Projected US IPD for State and Local Govt Construction**				103.392%	103.308%	102.626%	102.006%	101.815%	101.804%	101.756%	101.663%	101.667%	101.667%
Average Inflation Rate				103.174%	103.132%	102.790%	102.480%	102.385%	102.379%	102.355%	102.309%	102.311%	102.311%
Actual Cost of Construction X Average Inflation Rate	\$ 235.25	\$ 256.87	\$ 265.20	\$ 273.62	\$ 282.18	\$ 290.06	\$ 297.25	\$ 304.34	\$ 311.58	\$ 318.92	\$ 326.29	\$ 333.83	\$ 341.54
Three Year rolling Average of Actual Cost of Construction				\$ 252.44	\$ 265.23	\$ 273.67	\$ 281.95	\$ 289.83	\$ 297.22	\$ 304.39	\$ 311.62	\$ 318.93	\$ 326.35

Footnotes:
*Source: Boeckh's Data Table
**Source: OFM Forecasting Division

Cost Summary of Increasing Student Space Allocation (SSA) and Construction Cost Allocation (CCA)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cost of Current FAP, SSA Allocations and CCA @ \$200.40 SQ FT w/ Inflation										
Base Grants	\$ 346,585,837	\$ 357,399,769	\$ 367,344,575	\$ 376,436,970	\$ 385,395,652	\$ 394,538,188	\$ 403,814,436	\$ 413,124,112	\$ 422,651,069	\$ 432,395,308
Art Allocation	\$ 1,094,829	\$ 1,128,990	\$ 1,160,404	\$ 1,189,126	\$ 1,217,426	\$ 1,246,306	\$ 1,275,609	\$ 1,305,017	\$ 1,335,112	\$ 1,365,893
Total Cost of Current Cost Drivers	\$ 347,680,666	\$ 358,528,759	\$ 368,504,979	\$ 377,626,096	\$ 386,613,078	\$ 395,784,494	\$ 405,090,045	\$ 414,429,129	\$ 423,986,181	\$ 433,761,201
Projected Cost of Increased FAP, SSA Allocations and CCA @ 3 Year Rolling Average										
Base Grants	\$ 346,585,837	\$ 623,317,295	\$ 643,115,695	\$ 662,557,676	\$ 681,044,146	\$ 698,373,901	\$ 715,208,604	\$ 732,156,247	\$ 749,318,800	\$ 766,715,428
Art Allocation	\$ 1,094,829	\$ 1,968,996	\$ 2,031,537	\$ 2,092,952	\$ 2,151,349	\$ 2,206,092	\$ 2,259,271	\$ 2,312,807	\$ 2,367,022	\$ 2,421,976
Total Cost of Increasing FAP, SSA and CCA	\$ 347,680,666	\$ 625,286,291	\$ 645,147,232	\$ 664,650,628	\$ 683,195,495	\$ 700,579,994	\$ 717,467,875	\$ 734,469,054	\$ 751,685,822	\$ 769,137,404
Estimated Additional Cost (Projected Cost Increase - Cost of Current Cost Drivers)	\$ 0	\$ 266,757,532	\$ 276,642,253	\$ 287,024,532	\$ 296,582,417	\$ 304,795,500	\$ 312,377,830	\$ 320,039,925	\$ 327,699,641	\$ 335,376,203
Biennial Cost	2015-17	\$ 266,757,533	2017-19	\$ 563,666,785	2019-21	\$ 601,377,917	2021-23	\$ 632,417,755	2023-25	\$ 663,075,844