

Board of Health Rule Changes, AB

Agency: 350 Office of Superintendent of Public Instruction
Budget Period: 2009-11

Recommendation Summary Text (Short Description):

Superintendent Bergeson requests fiscal support for school districts to implement and comply with new facilities standards expected to be enacted via rule by the State Board of Health.

Through an extensive stakeholder process, the State Board of Health has proposed revision to the health and safety rules for primary and secondary schools in Chapter 246-366 WAC. The revised rules are proposed to take effect September 2010 and will strengthen the existing provisions as well as incorporating new protections through added construction, maintenance, health department inspections, and reporting requirements. Many new sections in the rule are to improve the indoor air quality by improving HVAC design and maintenance and mold remediation. The new rules will increase district maintenance and operating costs. This request is to cover the costs associated with on-going maintenance and to pay the new fees that districts will incur for health and safety inspections by the public health system. The costs requested in the operating budget augment the fiscal impact and budget request in the capital budget.

Fiscal Detail

Operating Expenditures		FY 2010	FY 2011	Total
Facilities Maintenance Costs	001-01	\$0	\$13,838,182	\$13,838,182
Grant Program for Start-up Compliance	057-01	Requested in Capital		
New Construction, Increased Costs	057-01	Requested in Capital		
Total Cost		\$0	\$13,838,182	\$13,838,182

Staffing	FY 2010	FY 2011	Annual Avg.
Total FTEs Requested	0	0	0

Package Description

Background

School districts are allocated a general allocation for facilities maintenance embedded in a classified staff allocation and a non-employee related costs (NERC) grant. Allocations for staff and NERC are very low compared to the amount that districts invest to hire staff beyond the state allocation and expenditures for NERC. In the 2006-07 state funding for facilities maintenance covered only 58% of district investments for facilities maintenance. Districts widely report that they are cutting back on facilities maintenance, to dangerously low levels, due to state funding inadequacies across the operations spectrum. State funding for maintenance must be increased to cover current

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costs, and a mechanism must be used to allocate funding to cover an appropriate schedule of facilities maintenance. The Basic Education Finance Task Force (BEFTF) is considering proposals on what level and what mechanism to fund proper facilities maintenance. In the interim, the Superintendent requests funding to address the operating (and capital) costs associated with the proposed rules.

Districts are on the brink of financial insolvency in many areas of the state. Ending fund balances for most districts are at an all-time low for the 2008-09 school year, and well below prudent levels on a statewide average. Districts do not have the state funding budget capacity to cover new costs; local levy funds are subsidizing state funding inadequacies and are growing too slowly to absorb new costs associated with the facilities maintenance rules and inspections.

Proposed Solution

Superintendent Bergeson seeks a new allocation for facilities maintenance funding to cover the increased staffing and NERC costs associated with the new rules. \$14 per pupil is requested for increased facilities maintenance costs.

Contact person

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Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

Both state and local benefits are gained from this funding. The proposed health and safety rules funding will help school districts with already limited funding comply with the proposed health and safety rule change. The state will experience improved preservation of public assets and will better protect school children and employees from injury, illness, and hazardous exposure.

Performance Measure Detail

OSPI will track expenditures in facilities maintenance.

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package assists the agency in meeting Goal 3: All schools, in partnership with students, families, and communities, provide safe, civil, and healthy and engaging environments for learning. The package is also critical to meeting Goal 4: Sufficient state resources are provided for every student to succeed through an efficient, equitable, and responsive K-12 funding system[...]. However, the package alignment to the agency's strategic plan is a secondary and relatively unimportant alignment. More critical is that the state covers new costs imposed by the state (State Board of Health) on the operation(s) of basic education and meeting the "Paramount Duty" requirements of the state Constitution.

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Reason for change:

The current rules are outdated. The change is required based on State Board of Health action and a moral duty to protect the health and safety of students and staff.

Does this decision package provide essential support to one of the Governor's priorities?

Yes, the Governor has placed a high emphasis on student achievement; healthy schools, free from hazardous exposure, are critical to student achievement. Further, the Governor places a high priority on children's health as evidenced by significant investments in early childhood learning and investments in health insurance for students. This investment is a key school-system component to child well-being.

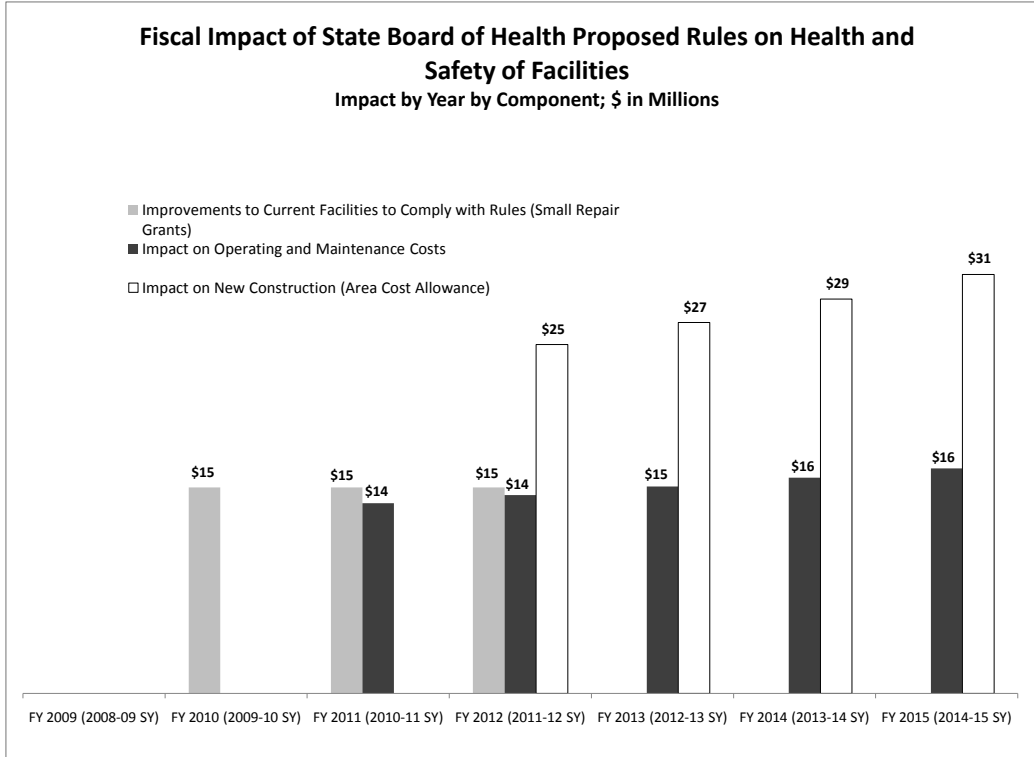
Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

The Priorities of Government process begins with analysis of state requirements that drive costs and preservation of health and safety. This package is responsive to new state requirements for basic education and meeting the state's Constitutional duty to fully fund basic education and to preservation of health and safety, and would therefore be identified as a high priority.

What are the other important connections or impacts related to this proposal?

The operating budget request contained here is linked to two critical budget requests: a grant program to cover facility improvements needed to bring facilities in compliance with rules once they are in effect, and the higher costs of construction that will be evidenced by an increase in per square foot building costs. The graph below displays the multiple funding components required to implement the new SBH rules.

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All components must be funded to implement the new rules: operating costs (including inspection fees), start-up compliance grants, and increased area cost allowance for new state-funded construction.

Impact on Clients and Services

If the multiple costs associated with the rules are funded (operating and capital) school districts will have a financial resource to ensure compliance with the new rules. These schools will be able to provide a learning environment free from avoidable hazards. The SBH identifies in their analysis that “children are more susceptible to environmental hazards than adults due to their smaller size, rapid growth and development, and lack of awareness of potential hazards that comes with maturity.” Protecting students from hazards and providing good indoor environmental quality will have long-term benefits such as a reduction in absences related to poor facility conditions and asthma related illnesses, increased alertness because of adequate lighting and ventilation, and lower medical costs. Children cannot protect themselves from these hazards.

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Impact on Other State Programs

This request is related to the companion capital requests as mentioned above and related to the public health inspection fees that districts will be charged.

What alternatives were explored by the agency, and why was this alternative chosen?

There are no alternatives to the request.

What are the consequences of not funding this package?

In an operation the size of our public schools, serving 1 million students in 1,800 buildings with 100,000 staff, it is impossible to predict the exact impact. However, if the rules are enacted but no funding is provided, districts will have difficult financial choices to make: close schools; cut libraries; eliminate full-day kindergarten, delay curriculum adoption; increase class size; create additional fees for students and families; reduce transportation options; cut after-school programs; cut arts, music or physical education; reduce elective course offerings; and/or cut credit retrieval programs for high school students. This is not an exhaustive list, simply an illustration that districts will have to further subsidize maintenance and operations with local funds, and will have reduced local capacity to fund other functions.

What is the relationship, if any, to the state's capital budget?

There is a significant relationship. They are described above.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure Calculations and Assumptions:

Two analyses have been conducted for the cost impacts of the new rules. The first was conducted by large school districts and is based on earlier draft of board rules. The second was conducted by Department of Health (DOH). DOH surveyed 8 school districts and included the analysis by large districts as a 9th data element. The OSPI budget request is based on the DOH estimate, in large part because the original district-generated estimate is included in the DOH results and because the DOH analysis is based on the final draft of board rules.

Rule Implementation Start-up Costs

Start-up costs are required to bring buildings up to compliance once the rules take effect. The start-up costs identified in the DOH analysis are requested to be covered by the Health and Safety Grant program, requested as part of the capital budget. The grant program is designed to cover costs for 1/3 of schools each year.

The grant program is designed to provide \$25,000 per building. Districts can apply for actual costs; the \$25,000 is intended as a funding average only. The grant program is requested at \$15 million per year; a 3-year grant is envisioned, but may be required

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over a longer period to bring all buildings up to standard. Where lead abatement is required, costs will be higher and additional state funding will be required.

On-going Operating Costs

This funding is intended as a per pupil allocation, differentiated by grade band. The DOH analysis yielded an on-going cost of \$18.49 per elementary student, \$10.52 per middle school student, and \$5.88 per high school student. The differential is primarily driven by school size. The allocation must be driven out based on grade band to sufficiently fund school districts that are K-8 districts or smaller.

	2007-08 Enrollment	Cost if Implemented in 2007-08 SY
Elementary	419,124	\$7,749,610
Middle School	230,844	\$2,428,477
High School	325,222	\$1,912,304
Total	975,190	\$12,090,392

However, costs must be inflated annually. The inflation rate used here is a newly created staffing inflator for Classified Staff. The method of inflation is critical. The largest cost to facilities maintenance (or any district endeavor) is in staffing. Staffing is typically inflated by CPI for the I-732 COLA. However, staff costs also inflate associated with extra salary increases (.5% in 2008-09), salary allocation equalization, health benefits, and retirement system costs. Inflators below are preliminary as most staffing costs are not yet projected.

	SY 2007-08 Cost Estimate	SY 2008-09	SY 2009-10	SY 2010-11
New Staff Inflation Measure		6.1%	4.4%	2.3%
Elementary	\$18.49	\$19.62	\$20.48	\$20.94
Middle School	\$10.52	\$11.16	\$11.65	\$11.92
High School	\$5.88	\$6.51	\$6.66	\$6.95

The new rules take effect in the 2010-11 school year. Therefore, the inflated rates per pupil for 2010-11 would be applied to enrollment by grade band. \$13.8 million would be allocated to school districts for the impact on maintenance and operations.

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Object Detail

		FY 2010	FY 2011	Total
A	Salary and Wages	\$0	\$0	\$0
B	Employee Benefits	\$0	\$0	\$0
C	Contracts	\$0	\$0	\$0
E	Goods/Services	\$0	\$0	\$0
G	Travel	\$0	\$0	\$0
J	Equipment	\$0	\$0	\$0
N	Grants	\$0	\$13,838,182	\$13,838,182
	Interagency Reimbursement	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Total Objects		\$0	\$13,838,182	\$13,838,182

Expenditures & FTEs by Program

Activity Inventory Item	Prog	Staffing			Operating Expenditures		
		FY 2010	FY 2011	Avg	FY 2010	FY 2011	Total
A012 General Apportionment	021	0	0	0	\$0	\$13,838,182	\$13,838,182
Total Activities		0	0	0	\$0	\$13,838,182	\$13,838,182

Six-Year Expenditure Estimates

Fund	09-11 Total	11-13 Total	13-15 Total
General Fund-State	\$13,838,182	\$29,487,076	\$32,077,486
Expenditure Total	\$13,838,182	\$29,487,076	\$32,077,486
FTEs	0	0	0

Distinction between one-time and ongoing costs:

All operating costs are on-going.

Budget impacts in future biennia:

The amounts will increase with inflation.