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Proposal to tap endowment funds for school construction gains steam

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BOISE — Lawmakers on a special interim legislative panel examining funding for school construction in Idaho appear to be coalescing around a proposal to tap the state's annual endowment payments to schools to create a new funding stream for school facilities, partially relieving local property taxpayers in the process from bearing the full cost of repaying school bonds, as one piece of the solution.

Sen. Jeff Agenbroad, R-Nampa, presented a revised version of the proposal to the panel on Monday, and at the end of the meeting, when each member identified his or her top priorities among the ideas that have been laid out thus far, seven of eight specifically mentioned the endowment plan.

The lawmakers haven't yet made any decisions. Second-most popular among the ideas they've discussed, according to their comments at Tuesday's meeting, is a re-examination of the current two-third supermajority requirement to pass a school construction bond. Ideas range from amending the Idaho Constitution to lower that to 60%, to following Montana's lead and requiring lower margins when more voters turn out to vote on the bond.

Third-most popular: Having the state provide standard or basic school construction plans, to save local school districts costs on designing schools from scratch. However, an architect with a Boise firm that designs both public and private schools across the state, and has for years, noted issues that would have to be overcome with architectural licensing, differing geography and climate in different parts of the state, legal requirements for architect selection and more.

"It sounds like certainly it's not a simple task to go down that road," said Sen. Lori Den Hartog, R-Meridian, but she said, "I think there's still value in pursuing this idea of standardized designs."

Agenbroad's revised endowment proposal calls for the state to designate a fixed portion of the endowment dividend that goes to public schools each year, which he pinned at \$40 million, to be paid out to all school districts and charter schools based on enrollment. They then could use those funds for any facilities-related need, including bonding against the guaranteed future payments. Other possible uses could include repairs, maintenance, paying off existing bonds, remodeling, "however each unique school district sees fit," Agenbroad said. "But they would be required to go to school buildings."

This year's payout from the state endowment to schools is \$61 million, the same as it was last year. Agenbroad's plan calls for the remaining amount, which in this case would be \$21 million, to also be distributed to schools under the same distribution formula. This pot of funds could be used for all the same purposes except one: It couldn't be used to bond against,

because its amount could go up or down each year depending on state endowment earnings.

In addition, the plan calls for "backfilling" school budgets by offsetting the lost endowment funds, currently \$61 million a year, from the new \$330 million annual dedicated funding stream for public schools that lawmakers approved in a Sept. 1 special legislative session.

Currently, Agenbroad noted, local property taxpayers bear the full cost of paying off school bonds, except for some small subsidies needy districts qualify for through the state's bond levy equalization program. The proposal would relieve local property taxpayers of a substantial chunk of the bond payoff costs. "I think it would be a little bit of a better sell to the voter," he said."

Rep. Jason Monks, R-Meridian, asked, "Is this going to be enough?"

Agenbroad responded, "Will this be enough to solve the problem? No. ... Will this be enough to make a difference? Absolutely."

He and other panel members said an array of solutions will be needed, not just one.

Idaho school officials have already reported to the panel that they are increasingly struggling to pass bonds and provide adequate schools for their students.

In January, the Legislature's Office of Performance Evaluations issued a 103-page report, finding that it would cost an estimated \$847 million to get all schools in the 77 of Idaho's 115 school districts that responded to surveys for the report up to "good" condition. The Legislature last commissioned a statewide facility condition assessment of school buildings in 1993.

Idaho largely leaves the cost of school construction to local property taxpayers, who must vote by a two-thirds supermajority to raise their taxes in order to build a new school. In 2005, the Idaho Supreme Court ruled that system unconstitutional, because the Idaho Constitution requires the Legislature to fund schools. But only minor changes have been made since then, including the addition of the bond levy equalization program.

Other ideas that made lawmakers' priority lists on Tuesday included a revolving loan fund for school construction; expanding the current bond levy equalization program; extending school plant facilities levies from 10 to 20 years; tapping the state's big budget surplus to pay for current urgent school construction projects; ensuring equitable funding for facilities for regular and charter schools; and tax incentives for donations toward school facilities.

Rep. Jason Monks, R-Meridian, who suggested the tax incentives, said, "I think if you give them a little bit of incentive to do that, you'll see a lot more donations."

The panel had been scheduled to hear a presentation on allowing impact fees to be used for schools, which Idaho law currently doesn't allow, but it was deferred to a future meeting.

Monks called Agenbroad's endowment proposal "very intriguing."

Rep. Julie Yamamoto, R-Caldwell, said it "makes sense – the stability factor is huge."

Lawmakers on the panel also called for keeping in mind a balance between more state aid for school construction and local control on decisions about what communities want as far as their schools.

The committee, which includes lawmakers from both houses and both parties, will continue to meet through December, with a goal of proposing legislation or recommendations to the 2023 session of the Legislature.

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