

MINUTES
Approved by the Committee
Funding Construction of Public Schools
Tuesday, October 25, 2022
1:00 P.M.
Room WW53
Boise, Idaho

Members in attendance: Cochairs Senator Dave Lent and Representative Jason Monks; Senators Lori Den Hartog, Kevin Cook, Jeff Agenbroad, and Janie Ward-Engelking; Representatives Julie Yamamoto, Matthew Bundy, and Sally Toone. Absent/excused: Representative Paul Amador. Legislative Services Office (LSO) staff in attendance: Trevor Ahrens, Jared Tatro, and Grace King.

Note: Presentations and handouts provided by the presenters/speakers are posted to the Idaho Legislature's website <https://legislature.idaho.gov/sessioninfo/2022/interim> and copies of those items are on file at the Legislative Services Office in the State Capitol. Recordings of the meeting may be available under the committee's listing on the website.

Cochair Monks called the meeting to order at 1:02 p.m.; a silent roll call was taken.

Opening Remarks

Cochair Monks requested a motion for approval of the minutes. **Senator Den Hartog moved to approve the October 6, 2022, minutes. Representative Yamamoto seconded and the minutes were approved by voice vote.**

Summary of School Facility Financing

Cochair Monks invited Senator Agenbroad to provide a summary of school facility financing. Senator Agenbroad detailed statistics regarding the total general funds appropriated, and adjusted for inflation using 2021 dollar values, per fall enrollment for public schools between the years 2004 and 2020. He also provided statistics comparing gross sales tax, general fund appropriations to public schools, levy funds, "6th cent" funds, and previously proposed legislation.

- Senator Den Hartog asked if the column labeled "Levy Total" included bond levies. Senator Agenbroad confirmed that bond levies were included.
- Senator Ward-Engelking wondered if sales tax included online sales tax. Senator Agenbroad stated that it did. Senator Ward-Engelking commented that online sales tax was not included in the General Fund and therefore was not being used to fund education. Senator Agenbroad confirmed that online sales tax was not included in the General Fund and instead was placed in a tax relief fund. He explained that online sales tax was included in the totals of the worksheet in order to show the gross sales tax revenue collected by the state since 2006.
- Cochair Lent asked if LSO staff could provide background information on the "6th cent" funds. Keith Bybee, Division Manager of LSO's Budget and Policy Analysis Division, explained that, in 2006, the Legislature had an extraordinary session to address rising property taxes. During the extraordinary session, the Legislature reduced the maintenance and operation levy for public schools and raised the sales tax rate from five percent to six percent.
- Cochair Monks wondered if the one-percent increase was solely dedicated to public school funding. Mr. Bybee responded that it was not dedicated to education funding but was instead placed in the General Fund with the intention to offset the lost funds from the reduced

maintenance and operation levies. Cochair Monks asked if the 2022 extraordinary session took a contrasting approach by dedicating a portion of sales tax to education. Mr. Bybee stated that House Bill 001 from the 2022 extraordinary session specifically dedicated \$330 million to the new Public Schools Income Fund, which is transferred straight from sales tax.

- Senator Den Hartog stated that the committee was tasked to evaluate school facilities funding and asked if Mr. Bybee could confirm that the changes made during the 2006 and 2022 extraordinary sessions applied to operational funding. Mr. Bybee responded that neither the 2006 extraordinary session nor the 2022 extraordinary session identified funding mechanisms specifically for school facilities funding. Senator Den Hartog wondered if there were state funding mechanisms to fund school facilities outside of operational funding. Mr. Bybee stated that smaller accounts such as the Bond Levy Equalization Fund and funds from the Lottery Commission are funds that are used toward school facilities.
- Senator Ward-Engelking asked if the \$250 million in funding that schools lost after the 2006 extraordinary session was ever fully recovered. Mr. Bybee stated there had been no studies done to confirm whether those funds had been recovered.
- Senator Agenbrood commented that the amount in building bonds had gone down between 2004 and 2020.
- Representative Monks wondered if the state had appropriated additional money to school facilities in 2004 as it had in 2022. Mr. Bybee responded that he did not have that information available.
- Senator Ward-Engelking wondered if Mr. Bybee could study student growth numbers and compare them to what has passed in bonds and levies to better represent the need of school facilities.
- Representative Bundy encouraged the committee to consider student enrollment growth and aging buildings when prioritizing the districts.

Committee Discussion: Creation of Funding Strategies Shortlist

Cochair Monks invited the committee to discuss questions or ideas regarding the issue of funding school facilities.

- Senator Den Hartog suggested that the committee look into ways the Bond Levy Equalization Fund could be tweaked to make it more accessible to communities. She added that a revolving loan fund could be used to help fund new construction.
- Representative Toone emphasized the importance of building facilities for special programs such as Career Technical Education (CTE) programs.
- Senator Ward-Engelking agreed that a revolving loan fund should be considered and that funding facilities for CTE programs is vital.
- Senator Agenbrood stated that the committee should differentiate between funding schools and financing schools because a loan would only temporarily finance a school facility.
- Cochair Lent suggested a permanent building fund specifically for school facilities which could potentially include 50% participation from the state.
- Cochair Monks stated that charter schools should be included in the discussion because they also have a difficult time funding the construction of new facilities.
- Representative Yamamoto encouraged the committee to consider the addition and maintenance of broadband infrastructure for school facilities.
- Representative Toone stated the importance of making the funding mechanisms equitable across the state.
- Cochair Monks asked LSO staff to explain whether or not the Bond Levy Equalization Fund helped pay for the interest after a bond or levy had been passed. Jared Tatro, Deputy Division

Manager of LSO's Budget and Policy Analysis Division, explained that the Bond Levy Equalization Fund allowed schools to receive state support on interest payments based on the market value. Cochair Monks asked if it was available to all school districts. Mr. Tatro responded that it was available to all school districts that meet the criteria.

- Senator Den Hartog suggested that the committee think of ways to inform voters that state support through the Bond Levy Equalization Fund was available when a bond or levy is passed. She encouraged the committee to balance local control and state control.
- Senator Cook requested more information about the Bond Levy Equalization Fund. Mr. Tatro explained that the Bond Levy Equalization Fund is based on a formula that considers factors like market value, interest payments, and bond payments. He added that approximately \$22 to 24 million is sent out in bond equalization funds each year. Senator Cook asked if supplemental levies were included. Mr. Tatro stated that he was unsure and would be able to provide more information at the next meeting.
- Senator Ward-Engelking asked if LSO staff could provide information regarding charter schools' inability to bond and levy.
- Representative Yamamoto requested information about how many charter schools were on the lottery and how it impacts public school districts.
- Cochair Monks asked LSO staff to compare the costs of building a charter school versus a public school in a square-foot comparison.
- Representative Bundy warned the committee to be aware of the cost analysis of square footage between charter and public schools because charter schools don't always provide the services that public schools are mandated to provide.

After closing comments, the meeting was adjourned at 2:02 p.m.