May 13, 2014

SB 540 Task Force
Oregon Department of Education
255 Capitol Street NE, Salem Oregon 97310

Chair Donahue & Task Force Members,

We appreciate the opportunity to comment on the Task Force's draft recommendations on Financing K-12 Capital Infrastructure based on the report considered at your April meeting. We are wholeheartedly in support of your recommendations for capital infrastructure funding of $200 million in matching grants.

We do, however, have some recommendations for your consideration around the allocation formula as follows:

- Reference to a “weighting/sliding scale to provide equity” should be defined beyond “financial capacity”. We recommend the Task Force consider the Oregon State Board of Higher Education’s (OSHBE) new Prioritization Criteria (see attached) that includes weighted factors of Master Plan, Board Priorities, Cost Savings, Need, Campus Priority, Finish What We Started, Use of Leveraged Dollars and Sustainability. While some of these elements would require some definition adjustment to suit K-12, the overall rating system appears more equitable than a simple financial capacity rating. Additionally, Washington State’s School Construction Assistance Program also provides a nearby example of a sliding scale formula that should also be considered. Summary attached.

- Further, we recommend that in paragraph 4(a)(iv)(1), the sentence referencing state mandates for all-day kindergarten, PE etc. be completely removed, allowing the just recommended (OSHBE) rating formula in replacement.

- While we certainly agree that the allocation formula should be simple and easy to understand by all districts – and we would add, “and the public” to that. More specifically, we strongly object to “first come, first serve” as our members, both small and large districts, see this as an equity barrier. We suggest that you consider instead a simple, regional lottery system. By breaking up the state into relatively equal regions in terms of the number of schools and doing a lottery drawing of eligible projects from each region, greater equity and certainly transparency are likely to be achieved.

- Additionally on the note of equity, the Task Force’s recent discussion
calls for districts to submit a long-range facility plan to be eligible for funding. It is our suggestion that for the first round of funding districts be allowed to submit a representative list of facility condition data available in the State’s Database as an alternative to a plan as many smaller districts may not have had sufficient time to receive and implement a planning grant.

- We further would recommend the addition of a Governor-appointed oversight body that includes one-third related industry specialists, one-third current education officials and one-third a-large members. It is likely that adjustment to the allocation and service delivery process will need adjustment over time and an on-going, representative oversight body would strengthen the ability of the program and funding response to Oregon’s changing needs.

Overall the Center is strongly supportive of the Task Force’s recommendation for capital infrastructure matching grants for Oregon’s K-12 schools and thanks you for your extensive work on this important issue. We would be pleased to discuss funding and options further with you as you may choose.

Sincerely,

Skip Rotticci
Colliers International
CISF Board Chair

Enclosures
Capital Program

Campus Development

Capital Project Development Process

<table>
<thead>
<tr>
<th>Design</th>
<th>Approval</th>
<th>Execution</th>
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<td>Campus Planning Pre-Development Feasibility</td>
<td>OUS Chancellor’s Office Capital Funding Request OSHBE¹ Project Prioritization Agency Requested Budget + Governor’s Balanced Budget Legislatively Approved Budget Bond Bill</td>
<td>Campus Contracting Construction Occupancy</td>
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¹Oregon State Board of Higher Education
²State of Oregon Department of Administrative Services

Campus Capital Project Prioritization – Capacity for 40-40-20

For over a decade, OUS has ensured the strategic investment of the State’s limited resources through a rigorous review process. OUS project priorities are determined by assigning a point value to a set of seven criteria to measure the relative merits of each project proposal. The Oregon State Board of Higher Education (OSBHE) revised its project criteria weighting to better address critical issues of capacity for growth, financial performance and the use of leverage in evaluating each project proposals contribution to reach our 40-40-20 goal.

Reprioritization

At the Governor’s request, the OSBHE reevaluated the capital project prioritizations submitted in OUS’s Agency Request in terms of each project’s performance toward meeting the state’s 40-40-20 goal. OSBHE’s reprioritization is based on the following criteria: 1) serve more students; 2) serve students better; 3) the OUS Education and General prioritization criteria below; and, 4) explanation of the project’s relationship to the other goals included in the Governor’s budget, (e.g., Healthy People, Safety, Jobs and Innovation, Healthy Environment). OSBHE submitted its reprioritized project list to the Governor’s office on January 9, 2013.

Education and General Prioritization Criteria (100 Points)

<table>
<thead>
<tr>
<th>A. Master Plan: (0 points)</th>
<th>Compliance with the campus master plan is required for project consideration.</th>
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<tr>
<td>B. Board Priorities: (1 to 30 points)</td>
<td>Scoring is based on the project’s relation to the Board’s Strategic Plan: “An Investment in Oregonians for our Future: A Plan to 2025 for the OUS”. The first goal, “Increase educational attainment to assure competitive strength for Oregon and its citizens”, is interpreted to address access and capacity.</td>
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<td>C. Cost Savings: (1 to 10 points)</td>
<td>Projects are scored based on cost savings generated by eliminating or limiting deferred maintenance projects, and/or operational savings.</td>
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<td>D. Need: (1 to 10 points)</td>
<td>Scoring within this priority is related to Life safety, mission critical items, and projects that support key programs and initiatives.</td>
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<td>E. Campus Priority: (4 to 20 points)</td>
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<td>F. Finish What We Started: (1 to 5 points)</td>
<td>Projects are scored based on how the capital investment could best enhance or complement existing academic program efforts.</td>
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<td>G. Use of Leveraged Dollars: (1 to 15 points)</td>
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<tr>
<td>H. Sustainability: (1 to 10 points)</td>
<td>- Reduction of EUI from baseline State energy criteria (existing for renovations, target for new construction)</td>
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<td>- Reduction of Water use from baseline</td>
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<td>- Reduction of Waste from baseline</td>
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<td>- Supply chain reduction renovation x points, new building with sourced material within 500 miles</td>
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Note: U.S. Green Building Council LEED Silver Equivalent and Oregon Department of Energy SEED are baseline for Energy

Prioritization

OSU Classroom Project

How Project Prioritization Works

OUS’s 2013-15 capital request includes a proposed classroom building and adjacent quad. The project will consist of a new 4-story, 130,000 SF building to house general purpose classrooms (up to 2,500 seats) supporting all academic programs, as well as the University Honors College.

This project received a prioritization score of 80 (out of 100 possible), achieving a rank of 5 on the list of OUS prioritized projects. Below are the actual OUS scores:

- Board Priorities: (1 to 30 points) = 28
- Cost Savings: (1 to 10 points) = 5
- Need: (1 to 10 points) = 10
- Campus Priority: (4 to 20 points) = 20
- Finish What We Started: (1 to 5 points) = 5
- Use of Leveraged Dollars: (1 to 15 points) = 4
- Sustainability: (1 to 10 points) = 8
- Total: (100 possible points) = 80

This project was ranked high for adding much-needed classroom capacity, increasing the availability of classes and reducing the “time-to-degree”.
FACTS AT A GLANCE

In the Recent Past:
- Over the past 20 years, the state has contributed a total of approximately $3.9 billion to help fund 1,315 school construction and renovation projects.
- The state has been able to fund all requests for eligible projects since 1999.
- In the event that state funding is insufficient to meet all school districts’ requests, OSPI has a system to evaluate and prioritize project requests.

In FY 2008-09:
- The state released $391 million for 58 school construction projects in 37 school districts across 38 counties. State funding, with local funding, will support almost 3 million new square feet of construction.
- 72 projects were completed and are now occupied.
- The High-Performance School Buildings Program, designed to increase energy efficiency and improve learning environments, was fully implemented.
- The “2% Maintenance Accounting Rule” was replaced by the Asset Preservation Program.
- In 2009, the Small Repair Grant Program provided $14 million across 48 school districts.
- The Legislature allocated $76.8 million toward skills center projects in the 2007-09 biennium. This includes $19.3 million for minor works projects.
- OSPI initiated a number of studies to evaluate and explore funding, siting, and program management options. An ongoing effort to better serve Washington students.
- School Facilities & Organization launched a Regional Assistance Center website, to serve as a resource to school districts.

OSPI Facilities & Organization

Agency Mission Statement

In collaboration with educators, students, families, local communities, business, labor, and government, the Office of Superintendent of Public Instruction funds, supports, and oversees K-12 education, ensuring the success of all learners.

OSPI’s Mission:

To improve and ensure equal educational opportunity for all students by providing leadership and support to the 305 school districts to administer basic education programs and implement education reform.

Within OSPI, School Facilities & Organization administers the K-12 Capital Budget and School Construction Assistance Program. The School Construction Assistance Program allocates OSPI’s largest capital program and provides funding assistance for facility planning, new construction, and modernization. Based on OSPI’s work, the Legislature makes biennial appropriations to release state funds for school construction assistance to school districts.
Q: What is the state's role in funding school facilities?
[A] OSP's School Construction Assistance Program operates as a partnership between local school districts and the state to fund construction of new schools and modernize existing facilities. The state contributes some funding, as well as technical assistance in facility planning, construction, and contracting. School districts have primary responsibility for school construction funding, and as the facility owner, are responsible for overseeing all phases of the project.

Q: What types of projects receive funding?
[A] New construction projects build new schools to accommodate "unhoused" students in a growing school district. Modernization projects renovate and upgrade existing school facilities. Now-in-use of modernization projects replace existing buildings with new ones when more cost-effective than renovating.

Q: What project-related costs can be funded through SCAP?
[A] The state provides assistance for "instructional space" (see below). Related to instructional space, the following categories of work are eligible for assistance:
- Initial planning activities: "Study and Survey"
- Development of educational specifications
- Architectural and engineering work
- Value engineering work
- Energy conservation reports
- Certain inspections and testing
- Furniture and equipment
- Constructability reviews
- Building commissioning
- Construction management
- Art for public spaces
Auxiliary facilities, such as stadium and district administrative space, must be funded entirely with local revenues.

Q: What is instructional space? Instructional space is defined by Washington Administrative Code 392-343-019 as the gross square footage of a school facility used for the purpose of instructing students.

Q: How much does the State contribute?
[A] State funding assistance is determined using a funding formula, based on three main factors:

- Eligible Area
- Construction Cost Allocation (CCA)
- Funding Assistance Percentage

A. Eligible Area
Future Enrollment (% of students) x Per Student Space Allowance minus Current Capacity

B. Construction Cost Allocation (CCA) is a per square foot amount set by the state and used to determine the state's contribution. CCA is derived from the state's per square foot cost for general obligation bonds. OSP submits requests to the Legislature for periodic increases in the allocation to keep pace with inflation.

C. The state applies a funding assistance percentage to equalize state funding. The percentage accounts for differences across school districts in wealth and ability to generate revenues through property taxes. The minimum percentage is 20% of recognized project costs, and can be as much as 100% of recognized costs, depending on district wealth.

For modernization projects, instead of Current Capacity, the square footage of "improved space" is deducted.

Q: What is the timing for State Funding Assistance?
[A] OSP releases funding commitments for qualifying projects once a year — after July 1st (concurrent with the start of the state's fiscal year).
Projects may be "front funded" or "non-front funded." Front funded projects begin construction prior to the state funding release. Districts using front funding must certify to OSP that they have adequate funding to pay for the entire project in advance of receiving state monies.
For non-front funded projects, school districts start construction following the state announcement that the district has secured funding.

OSP's School Construction Assistance Program Overview