



FUNDING THE SMALL DISTRICT MODERNIZATION GRANT PROGRAM

2026 Supplemental Capital Budget Decision Package

Agency: 3500 Office of Superintendent of Public Instruction

Budget period: 2026 Supplemental Budget

Budget level: PL

PROJECT SUMMARY

The 2020 Legislature authorized the Small District Modernization (SDM) grant program with the passage of SSSB 5572. This program assists school districts with fewer than 1,000 students, as well as state-tribal education compact schools (STECs), in modernizing aging school facilities to ensure safe, effective, and equitable learning environments. The Office of Superintendent of Public Instruction (OSPI) requests \$130,700,000 to support the SDM grant program, administered within the School Construction Assistance Program (SCAP).

PROJECT DESCRIPTION

The SDM program, established in 2020 SSSB 5572, provides competitive grants to small school districts and STECs with significant building system deficiencies. The program specifically supports districts where low property values make it financially impractical to modernize or replace school facilities through SCAP, either because the tax burden on property owners would be extraordinary or because the costs would exceed allowable district debt limits.

The SDM grant program provides grants in two phases. The first phase awards planning grants to districts to hire professional consultants and cost estimators to develop project descriptions, define the scope of work, and prepare reliable cost estimates. The second phase provides construction funding for projects that have completed the planning process and demonstrated readiness to proceed.

What is the problem, opportunity, or priority you are addressing with the request?

56 construction projects were submitted alongside OSPI's 2025–27 Biennial Capital Budget request, totaling an estimated cost of \$302.28 million. That request included an additional 113 planning grant requests totaling \$3.643 million. The legislature approved funding for 32 of the construction projects (\$174.45 million) and 13 of the planning grants (\$0.53 million). This 2026 supplemental capital budget request seeks funding for the remaining 23 construction projects (\$127.3 million) and 100 planning grants (\$3.4 million).

What are you purchasing and how does it solve the problem?

Many school districts face significant barriers in raising local funds for school modernization. Some are constrained by limited debt capacity relative to the high costs of modernization projects, while others are unable to meet the 60% supermajority vote required to approve construction bonds. As a result, these districts cannot meaningfully participate in SCAP, a program which requires a substantial local funding contribution. The SDM grant program addresses this equity gap by funding building system replacements and repairs in districts with significant facility deficiencies and low property values, where modernization through SCAP is impractical or impossible.

What will the request produce or construct?

The SDM grant program supports building system replacements and repairs in districts with significant facility deficiencies and such low property values that modernization or replacement through the SCAP would either impose an extraordinary tax burden on property owners or exceed the district's allowable debt capacity. The program also extends funding opportunities to tribal compact schools through state general obligation bonds.

Which clientele would be impacted by the budget request? Where and how many units would be added, people, or communities served, etc.?

The SDM grant program provides funding to small school districts and STECs to replace critical building systems and preserve existing school infrastructure.

Does this project or program leverage non-state funding?

This project does not leverage non-state funding.

How is your proposal impacting equity in the state?

The SDM grant program provides funding for building system replacements and repairs in districts with significant facility deficiencies and such low property values that are not able to be addressed through SCAP. The program also extends funding opportunities to STECs; however, no additional funding for STECs is requested at this time, as the legislature fully funded their project requests in the 2025–27 Biennial Capital Budget.

What alternatives did you explore and why was this option chosen?

Alternative strategies for meeting this funding need include allowing districts that cannot pass a bond or levy to participate in the SCAP program or making direct appropriations to individual school districts via the capital budget to fund specific projects. The SDM grant program provides the efficiency of an established process for districts to pursue capital funding based on severity of need.

ASSUMPTIONS AND CALCULATIONS

Funding Requested:

Fiscal Year 2026

- \$130,664,000

2027-29 Biennium

- \$0

2029-31 Biennium

- \$0

2031-33 Biennium

- \$0

2033-35 Biennium

- \$0

STRATEGIC AND PERFORMANCE OUTCOMES

Strategic framework:

This project supports Superintendent Reykdal's K–12 Education Vision of his goal for Washington's public education system to prepare every student who walks through our school doors for post-secondary aspirations, careers, and life. By addressing the need for small school districts and STECs to fund modernization of their school facilities, while recognizing that many reside in communities unable to participate in SCAP, this project supports OSPI's Strategic Goal #4, A Committed, Unified, and Customer-Focused OSPI that supports school districts through consistent, timely, and meaningful funding.

OTHER COLLATERAL CONNECTIONS

Greenhouse gas emission limits (RCW 70A.45.050):

The projects will meet OSPI's Washington Sustainable Schools Protocol. In addition, the SDM grant program funds many HVAC system replacements which will assist small districts in meeting clean building performance standards.

Is this project eligible for direct pay:

N/A

Is there additional information you would like decision makers to know when evaluating this request?

No.

If the project was originally funded prior to the 2021-23 biennium describe the project and each subproject:

N/A

Governor's salmon strategy:

N/A

Historical significance:

No.

Location:

Statewide.

Growth management impacts:

School districts are responsible for determining whether and how they need to participate in the planning process with the city or county planning authority.

Grant recipient organizations:

Local School Districts and State Tribal Education Compact Schools.

Application process used:

OSPI will continue to offer a competitive grant funding process to ensure all small school districts and STECS have an opportunity to apply for grant funds.

OTHER SUPPORTING MATERIALS

Information technology (IT):

N/A