

Q: Why are Olympia School District (OSD) impact fees so low, and why doesn't the district increase them to ensure that expanded housing development pays for more of the impact of growth?

A: The district's impact fees are set annually based on formulas prescribed in law that have very little room for manipulation by the school district.

- In 1994, Olympia adopted the defined formula for determining school impact fees. The formula is consistent with state law and formulas used throughout Washington. While the formula remains the same over time, OSD provides updated numerical information related to capacity projects (costs and numbers of new classroom space), students generated by growth, state funding match estimates, and tax payment credit data. Each year, the impact fee calculations are conducted with the latest available data and based on projects included in the district's Capital Facilities Plan (CFP).
- The projects needed to address growth (e.g., build a new school) that are included in the CFP are the main driver of impact fees. (These are called capacity projects.) If the district includes capacity projects in the CFP (which in turn drive up impact fees) but then does not build and occupy the space within the timeframe of the CFP, all impact fees would need to be re-paid. OSD, on the advice of our attorney, writes a six-year CFP because a district can have adequate confidence in a six-year growth estimate (as opposed to a 10-year growth estimate).
- A school district does control one aspect of the impact fee formula: the Discount Rate. There is no state law that dictates the amount of the discount; many school impact fee ordinances are set at a 50% discount (so impact fees actually charged are 50% less than what the pure formula would determine). OSD used to discount impact fees at 40% for single family homes and 60% to multi-family homes. Since 2005, OSD has gradually reduced the discount down to 15%, which increases the impact fees that are actually levied. OSD now has one of the lowest discount rates in the state.
- Impact fee revenue in OSD is as high as is allowed by law and as is practical given the nature of projected growth. Impact fees were not designed in law to pay for growth; impact fees were designed in law to be a small portion of the overall cost of building schools. For example the cost of building a middle school is roughly \$30 million. State funding match will cover roughly 20% (depending on enrollment, size of the building, and taxing capacity of the district). Impact fees cover roughly 4%. The rest of the funds to build a new school must come from a Capital Improvement Bond. As described above, OSD has little room to manipulate impact fees so that they cover more than 4%.