HOUSE BILL ANALYSIS
HB 1833

Title: An act relating to alternate financing for schools.

Sponsors: Representatives Thomas, Lantz, Carlson, Keiser, Cairnes, H. Sommers, Talcott, Ogden, Quall and Dunshee.

Background: Current Internal Revenue Service rules, called 63-20 financing,– allow nonprofit organizations to issue tax exempt bonds to pay for facilities that relieves the burden of governments.– The IRS rules require that the tax exempt bonds be used for facilities that will be ultimately turned over to a governmental entity for ownership and operation and the facility must be used for a governmental purpose. This type of financing could be used to make it easier for a large development to pay for all or part of the cost of providing new school facilities to serve the development. Under this type of financing, the development and the school district could form a nonprofit organization or contract with an existing nonprofit organization to provide the school facilities. The nonprofit organization issues tax-exempt bonds and the developer contracts with the nonprofit organization to provide the funds to pay the principal and interest on the bonds. The school district can determine the standards for construction and can take possession of the facilities once they are completed to the district's satisfaction. The benefit of this mechanism to the school district is that it gets new facilities, depending on the level of development payments, without having to levy new taxes or seek a voter-approved bond levy. The benefit to the development is that it can make payments over time, pay low interest on tax exempt bonds and reduce the cost of construction by having the school facilities built at the same time and by the development. This mechanism was used to construct the new interstate highway interchange at Dupont and could also be used to fund multipurpose facilities, perhaps combining community and other infrastructure facilities at the same time.

Summary of Bill: School districts may lease buildings for longer than five years and can contract with a nonprofit organization to lease, acquire, construct or finance school facilities. The nonprofit organization must qualify under federal internal revenue service rules to issue tax exempt bonds for the purpose of acquiring or constructing facilities for the school district.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

House Capital Budget Committee
March 3, 1999