

HOUSE BILL REPORT

SHB 3036

As Passed House:
February 10, 2010

Title: An act relating to nonvoter-approved school district debt.

Brief Description: Requiring a public meeting before a school district contracts for nonvoter-approved debt.

Sponsors: House Committee on Education (originally sponsored by Representatives Quall, Kenney and Santos).

Brief History:

Committee Activity:

Education: 1/29/10, 2/2/10 [DPS].

Floor Activity:

Passed House: 2/10/10, 96-0.

Brief Summary of Substitute Bill

- Imposes public hearing and notice requirements before a school district issues nonvoted bonds in excess of \$250,000.

HOUSE COMMITTEE ON EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Quall, Chair; Maxwell, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Dammeier, Fagan, Hunt, Johnson, Liias, Orwall, Probst, Santos and Sullivan.

Staff: Cece Clynch (786-7195).

Background:

School districts, like other government entities, have authority to issue two general classifications of debt: nonvoter-approved and voter-approved. Districts may borrow or issue debt without a vote of the voters for the following purposes:

- purchasing real or personal property or property rights;

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- purchasing sites for buildings or athletic facilities;
- improving energy efficiency of school buildings; and
- making structural changes and additions to school facilities.

A district's nonvoter-approved indebtedness is limited to an amount not exceeding three-eighths of 1 percent of the value of the taxable property in the district. Any debt above that limit must be approved by the voters in the district. Nonvoter-approved debt is paid from existing revenue sources because it does not give the district additional taxing authority.

Summary of Substitute Bill:

Before issuing nonvoted bonds in excess of \$250,000, a school district must hold a public hearing on the proposal. In advance of the public hearing, the district must publish notice, at least one time each week for two consecutive weeks, in a newspaper of general circulation in the district or in a newspaper of general circulation in the county or counties in which the district is located. The last notice may be published no later than seven days immediately before the meeting.

The notice must state:

- the date, time, and place of the meeting;
- the purpose and amount of the bonds;
- the type, terms, and conditions of the bonds;
- the means identified for repayment; and
- that any person may appear at the hearing and comment on the topic of issuing such bonds.

The public notice and hearing requirements do not apply to any refinancing or refunding of bonds. The act applies prospectively only.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill provides for notice and a hearing before a district incurs nonvoted debt. Had one particular district followed this process, the financial predicament that they are now in would not have occurred. This will provide greater transparency in the process. Rather than applying to any indebtedness, this bill should only apply to nonvoted bonds. A good school board should not need this and the circumstances that gave rise to this bill are truly unique. The bill should deal only with nonvoted bonds, particularly since it was nonvoted bonds that gave rise to the recent problem in the one district.

(Commented) Additional public process is good but the bill's scope is too broad and will have a host of unintended consequences. School districts frequently make purchases and

routinely enter into contracts for technology and software. Under the current language, each of these contracts would have to go through this new process. Already, school districts must hold hearings on their budgets. The language is too broad at this point. Rather than applying to any indebtedness, it should only apply to nonvoted bonds.

(Opposed) None.

Persons Testifying: (In support) Representative Quall, prime sponsor; Dan Steele, Washington State School Director's Association; and Barbara Mertens, Washington Association of School Administrators.

(Commented) Barbara Posthumus, Lake Washington School District.

Persons Signed In To Testify But Not Testifying: None.