

HOUSE BILL REPORT

ESSB 5807

As Reported by House Committee On:
Capital Budget

Title: An act relating to use of capital projects funds by school districts.

Brief Description: Concerning the use of capital projects funds by school districts.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brandland, Fraser, McAuliffe, King, Oemig and Shin).

Brief History:

Committee Activity:

Capital Budget: 3/23/09, 4/6/09 [DPA].

**Brief Summary of Engrossed Substitute Bill
(As Amended by House)**

- Expands the types of activities that may be funded with school districts' capital projects funds generated by two- to six-year levies, adding major equipment repair, painting of facilities, and other major preventative maintenance purposes, so long as funds used for these purposes do not supplant routine maintenance expenditures from the district's general fund.
- Clarifies the definition of major renovation and replacement and adds major repairs, exterior painting of facilities, replacement and refurbishment of roofing, exterior walls, windows, and plumbing systems to the definition.
- Directs the Office of the Superintendent of Public Instruction to develop accounting guidelines to allow for these new uses of capital projects funds.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass as amended. Signed by 15 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Grant-Herriot, Hope, Jacks, Maxwell, McCune, Orwall, Smith and White.

Staff: Annie Pennucci (786-7142)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

By law, school districts must establish a capital projects fund for major capital purposes. Proceeds from bond sales, capital fund investments, state forest revenues, and two- to six-year levies for construction, modernization, or remodeling of school facilities (capital levies) are deposited into the capital projects fund. Monies in the capital projects fund can be used for specific purposes, including:

- major renovation, including the replacement of facilities and systems where periodic repairs are no longer economical;
- energy audits and energy capital improvements;
- purchase of major items of equipment (except vehicles);
- costs associated with implementing technology systems; and
- costs associated with the modernization of technology systems for operations and instruction (added in 2007).

School districts pay for maintenance and other technology costs from their general fund using state allocations for non-employee related costs and any local maintenance and operation levies, which are subject to a levy lid. Under the State Constitution and statute, capital levies may be authorized for up to six years. There is no levy lid for capital levies. The Joint Legislative Task Force on School Construction Funding (Task Force) was created by the 2007 Legislature to comprehensively review and evaluate school construction funding issues. The Task Force recommended in its December 2008 report that the state should "expand the list of activities such as painting, major equipment repair or other major preventative maintenance purposes, that may be funded with local six-year school district capital levy revenues."

Summary of Amended Bill:

The bill expands the types of activities that may be funded with school districts' capital projects funds generated by two- to six-year levies, adding major equipment repair, painting of facilities, and other major preventative maintenance purposes. The bill requires that capital projects funds used for these activities do not supplant routine annual maintenance expenditures from the district's general fund.

The bill clarifies that, for allowable uses of capital projects funds, there are two alternative reasons for major renovation and replacement of school district facilities and systems: (1) when periodical repairs are no longer economical; and (2) to extend a facility or system's useful life beyond its original planned useful life. The bill also adds major repairs, painting of facilities, replacement and refurbishment of roofing, exterior walls, windows, and plumbing systems to the definition of major renovation and repair.

The Office of the Superintendent of Public Instruction is directed to develop accounting guidelines to allow for these new uses of capital projects funds.

Amended Bill Compared to Original Bill:

The bill amendment adds an intent section; refers to "painting of facilities" rather than "exterior painting;" removes recordkeeping requirements related to new uses of capital levy funds; and adds an expiration date.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: 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 reflects a recommendation of the Joint Legislative Task Force on School Construction Funding by giving school districts more flexibility for major maintenance activities. School district budgets are tight and maintenance is being deferred because of budget issues. Major maintenance includes activities such as fixing roofs and replacing boilers. The additional flexibility is especially helpful for small districts.

(With concerns) The committee is encouraged to adopt the language in the House version of this bill because the House language puts sideboards on the use of the capital funds and has a sunset clause. In the final bill, the supplant language should be retained from the Senate version.

(Opposed) None.

Persons Testifying: (In support) Senator Brandland, prime sponsor; Clifford Traisman, Seattle Public Schools; and Mitch Denning, Alliance of Education Association.

(With concerns) Stan Bowman, American Institute of Architects Washington Council.

Persons Signed In To Testify But Not Testifying: None.