

HOUSE BILL REPORT

ESB 5202

As Reported by House Committee On:
Education

Title: An act relating to establishing school district depreciation subfunds for the purposes of preventative maintenance.

Brief Description: Establishing school district depreciation subfunds for the purposes of preventative maintenance.

Sponsors: Senators Schoesler, Dozier, Honeyford, Keiser, King and Warnick.

Brief History:

Committee Activity:

Education: 3/12/21, 3/23/21 [DPA], 2/17/22, 2/24/22 [DPA].

Brief Summary of Engrossed Bill
(As Amended By Committee)

- Requires school districts to establish a depreciation subfund (subfund) within their general fund to reserve moneys for future facility and equipment needs, including preventative maintenance and emergency facility needs.
- Establishes limits on the annual amounts that can be deposited in the subfunds and prohibits moneys in the subfunds from being used for employee compensation that is unrelated to authorized subfund uses.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass as amended. Signed by 11 members: Representatives Santos, Chair; Dolan, Vice Chair; Ybarra, Ranking Minority Member; Walsh, Assistant Ranking Minority Member; Bergquist, McCaslin, McEntire, Ortiz-Self, Rude, Steele and Stonier.

Minority Report: Without recommendation. Signed by 2 members: Representatives Berg

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

and Callan.

Staff: Ethan Moreno (786-7386).

Background:

Requirements governing school district financial operations require districts to establish and maintain various funds for the receipt, deposit, and authorized use of district moneys.

Examples include:

- a general fund to account for all financial operations of the school district except those required to be accounted for in a different fund;
- a local revenue subfund of its general fund to account for the financial operations of a school district that are paid from local revenues, including revenues from enrichment and transportation vehicle levies;
- a capital projects fund for major capital purposes, including major renovations and replacements of district facilities and systems; and
- a debt service fund to provide for tax proceeds, other revenues, and disbursements related to bonds.

Summary of Amended Bill:

Each school district must establish a depreciation subfund (subfund) of its general fund to reserve moneys for future facility and equipment needs, including preventative maintenance and emergency facility needs.

No minimum balance or deposit is required, but school districts may deposit up to 2 percent of their general fund each fiscal year into the subfund. The preventative maintenance must be necessary to realize the originally anticipated useful life of a building or facility and includes:

- exterior painting of facilities;
- replacement or renovation of roofing, exterior walls, windows, heating, air conditioning and ventilation systems, floor coverings in classrooms and common areas, and electrical and plumbing systems; and
- renovation of playfields, athletic facilities, and other school district real property.

School districts, subject to applicable public works bid limits, may use school district employees to perform preventative maintenance with moneys from the subfund, but moneys from the subfund may not be used for employee compensation that is unrelated to authorized subfund uses.

Amended Bill Compared to Engrossed Bill:

The amended bill makes the following changes to the original bill:

- allows school districts, subject to applicable public works bid limits, to use district employees to perform preventative maintenance with moneys from the depreciation subfund, but specifies that moneys from the subfund may not be used for employee compensation that is unrelated to the subfund authorizations; and
- makes technical changes by: specifying that a depreciation subfund would be a subfund of a school district's general fund; changing a reference from "funds" to "moneys"; combining language that delineates the purposes for the subfund; changing a reference from "district" real property to "school district" real property; and making a grammar change.

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) After a district establishes the account, use of the account is voluntary. An Education Committee amendment last year permitted work using subfund moneys to be performed by district staff in accordance with bid limit requirements. This bill will help districts save for maintenance on existing facilities, and maintenance work prevents larger costs in the future.

Preventative maintenance plans and schedules help to keep educational functions operational. If preventative maintenance is not performed, disruptions to services, staff, and the community will occur, and the costs of those disruptions can be significant.

School maintenance is an important component for the health of schools. School maintenance needs greater financial support from the state. The amendment that allows school employees to perform maintenance from the account is supported.

(Opposed) None.

(Other) A requirement mandating the creation a new school district subfund should not be supported. School districts with state-funded facilities are currently required to provide information about the condition of those buildings. This bill creates a duplicative maintenance fund. School districts don't need new accounting requirements, they need additional funding.

The bill may not be the best legislation to solve the pertinent issues. There are questions about the sponsor's description of the account as being voluntary.

Additional funding should be provided for school facilities. This bill creates the possibility of a carryover risk with remaining balances in a subfund being repurposed. The bill is a set-aside from existing funding. Unless the bill becomes definitively permissive, it is opposed.

Persons Testifying: (In support) Senator Mark Schoesler, prime sponsor; David Nowotny; and Rick Chisa, Public School Employees of Washington.

(Other) Barbara Posthumus, Lake Washington School District and School Alliance; and Mitch Denning and Doug Vanderleest, Washington Association of Maintenance and Operation Administrators.

Persons Signed In To Testify But Not Testifying: None.