

HOUSE BILL REPORT

ESHB 1619

As Amended by the Senate

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: House Committee on Capital Budget (originally sponsored by Representatives White, Kenney, Sullivan, Carlyle, Nelson, Hasegawa, Liias, Green, Miloscia, Orwall, Maxwell and Simpson).

Brief History:

Committee Activity:

Capital Budget: 2/3/09, 2/9/09 [DPS].

Floor Activity

Passed House: 3/3/09, 96-0.

Senate Amended.

Passed Senate: 4/16/09, 47-0.

Brief Summary of Engrossed Substitute 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/or other major preventative maintenance purposes.
- Clarifies the definition of major renovation and replacement and adds major repairs, replacement and refurbishment of roofing, exterior walls and 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: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Hope, Jacks, Maxwell, McCune, Orwall, Smith and White.

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.

Staff: Annie Pennucci (786-7142)

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 Engrossed Substitute Bill:

The authorized uses of school districts' capital projects funds are expanded to include: major equipment repair, painting of facilities, or other major preventative maintenance purposes. These purposes are also added to allowable uses of capital levy funds.

A school district using capital projects funds for these purposes must transfer the funds to the district's general fund. The Office of the Superintendent of Public Instruction must develop accounting guidelines for transferring funds used for this purpose from a district's capital projects fund into the district's general fund.

The provisions in this bill expire July 1, 2013.

EFFECT OF SENATE AMENDMENT(S):

The bill as amended by the Senate makes the following changes: (1) removes the intent section; (2) adds exterior painting of facilities to the definition of major renovation; (3) adds the requirement that capital levy funds used for major preventative maintenance may not

supplant expenditures for the same purpose from the school district's general fund; and (4) removes the expiration date.

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 implements recommendations from the Joint Legislative Task Force on School Construction Funding and gives school districts flexibility in spending capital projects funds. The bill creates a broader definition of "major renovation" that includes painting entire facilities and replacing roofs so that buildings last longer. The bill does not require specific expenditures of school districts or an increase in state spending.

(Opposed) None.

Persons Testifying: Representative White, prime sponsor; Don Gillmore, Seattle Public Schools; Sandi Swarthout, School Construction Funding Project; and Gordon Beck, Office of the Superintendent of Public Schools.

Persons Signed In To Testify But Not Testifying: None.