

SENATE BILL REPORT

SB 5344

As Reported by Senate Committee On:
Early Learning & K-12 Education, February 2, 2023

Title: An act relating to a public school revolving fund.

Brief Description: Establishing a public school revolving fund.

Sponsors: Senators Schoesler, Dozier, Braun, Wagoner, Warnick, MacEwen and Torres.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/30/23, 2/02/23 [DP-WM].

Brief Summary of Bill

- Establishes the Public School Revolving Fund in the State Treasury for the purpose of issuing low-interest or interest-free loans to qualifying school districts for capital projects.
- Establishes the Public School Revolving Fund Board to administer loans from the fund.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Wellman, Chair; Nobles, Vice Chair; Wilson, C., Vice Chair; Hawkins, Ranking Member; Dozier, Hunt, McCune, Mullet and Pedersen.

Staff: Alexandra Fairfortune (786-7416)

Background: School Construction Assistance Program. The School Construction Assistance Program (SCAP), administered by the Office of the Superintendent of Public Instruction (OSPI), provides school districts with financial assistance to construct new schools and modernize existing facilities. Through SCAP, the state contributes funding, as

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well as technical assistance, for facility planning, construction, and contracting. State funding assistance is determined using a funding formula based on three main factors—eligible area, construction cost allocation, and the funding assistance percentage.

Local Capital Funding. To receive state funding assistance, school districts must raise local revenue to demonstrate local support for the proposed project. Districts may obtain local funds to finance capital improvements through a variety of methods, including bonds, levies, investment proceeds, and mitigation and impact fees. The most common method used to finance the local portion of large capital projects is through the sale of Unlimited Tax General Obligation (UTGO) bonds. School districts may issue UTGO bonds for capital purposes if the bonds are approved by at least 60 percent of qualified voters and they do not exceed the district's constitutional and statutory debt limits.

Constitutional Amendment. A proposed amendment to the state constitution must be approved by two-thirds of the members elected to each house of the Legislature, and then approved by a majority of the voters in the next general election.

Summary of Bill: The summary below reflects the contents of both SJR 8203 and SB 5344. SJR 8203 proposes a constitutional amendment, while SB 5344 implements those changes should the amendment pass. If the proposed amendment is not approved and ratified, SB 5344 is void in its entirety.

Public School Revolving Fund. The Public School Revolving Fund (fund) is established in the State Treasury. After appropriation, money may be expended from the fund for the purpose of providing loans to school districts for capital projects. Money received from school districts as repayment for capital project loans must be placed in the fund. Money may also be placed in the fund from the proceeds of bonds when authorized by the Legislature. The fund must receive its proportionate share of investment earnings on surplus balances.

Capital projects means the acquisition, construction, modernization, repair, reconstruction, rehabilitation, or improvement of school plant facilities.

Public School Revolving Fund Board. The Public School Revolving Fund Board (board) is created to make loans to school districts from the public school revolving fund. The board is composed of the State Treasurer and four members of the Washington State Legislature, one of whom is appointed by the chairperson of each of the two largest political caucuses in the Senate and House of Representatives. The State Treasurer is the chair of the board and a nonvoting member. Provisions governing board membership and duties would reside in the State Constitution upon passage of the proposed amendment.

The board must establish and administer an application and review procedure for eligible school districts that want to apply for low-interest or interest-free loans for capital projects. The board may develop additional criteria related to eligibility, prioritization of recipients,

and loan amounts. The Office of the State Treasurer must provide administrative and staff support to the board.

Loans must be approved by at least three voting board members. The board may offer loans as low as zero percent interest, and loans may not exceed an interest rate of 25 percent of the market rate. Loans may be issued for the repayment of all or a portion of the principal of or interest on obligations issued by school districts to finance capital projects.

The board may not pledge any amount greater than the sum of money available in the fund plus money to be received. The board may not pledge the faith and credit or taxing power of the state or any agency or subdivision to the repayment of obligations issued by the school district.

School District Eligibility. For a school district to qualify for a low-interest or interest-free loan from the fund, the board must determine that:

- the capital project qualified for state funding assistance under the SCAP;
- the school has not authorized an additional tax levy within the last year for the purpose of repaying principal or interest on the loan; and
- the school district board of directors is not using the loan to refinance existing debt or financial obligations of the school district.

The board may also make low-interest or interest-free loans to school districts for emergency capital projects that have not qualified for SCAP. The loans may be used to help fund all or part of an emergency public works project, less any reimbursement from federal and state disaster or emergency funds, insurance settlements, or litigation.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: Yes.

Effective Date: The bill takes effect July 1, 2025. However, the act is null and void if the state constitutional amendment proposed by SJR 8203 is not approved by voters and ratified at a general election.

Staff Summary of Public Testimony: PRO: This bill puts the revolving fund in the Constitution so that it cannot be swept. The State Treasurer's Office has the necessary expertise. The bill requires that 3 out of 4 caucuses must approve any loan so there would never be partisan or urban/rural control over these loans made at low interest rates. Any amount that Ways and Means wants to put into the fund to get the program started would be acceptable, and the source for that funding is a Ways and Means question.

Persons Testifying: PRO: Senator Mark Schoesler, Prime Sponsor.

Persons Signed In To Testify But Not Testifying: No one.