
Capital Budget Committee

HB 1796

Brief Description: Concerning school districts' authority to contract indebtedness for school construction.

Sponsors: Representatives Callan, Berg, Santos, Parshley, Ramel, Wylie, Reed, Ormsby and Hill.

Brief Summary of Bill

- Authorizes school districts to contract indebtedness and issue bonds without a vote of the people, subject to the current indebtedness limit of 0.375 percent, for the purpose of erecting buildings and providing the necessary furniture, apparatus, or equipment.
- Provides that this authority is limited to school districts that have passed a capital levy and have not been on binding conditions in the three years preceding the date of the contract.

Hearing Date: 2/13/25

Staff: John Wilson-Tepeli (786-7115).

Background:

School District Debt.

Subject to certain conditions, the board of directors of a school district may generally borrow money and issue bonds for any capital purpose.

Constitutional Limitations. The amount that may be borrowed is limited by the Washington Constitution (Constitution) and state statutes. The Constitution sets a general debt limit for school districts at 1.5 percent of the assessed value of property in the district, but permits districts

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to exceed this limit, subject to various restrictions, with the approval of at least 60 percent of the voters with the approval of at least 60 percent of the voters voting.

Statutory Limitations on Non-Voted Debt. School districts are limited to an indebtedness amount not exceeding 0.375 percent of the value of the taxable property in the district without the approval of 60 percent of the voters voting in the district. Contracted debt within this limit is often referred to as "non-voted" debt. School districts may exceed this threshold, subject to various restrictions, for capital outlays with the approval of at least 60 percent of the voters voting.

Uses of Non-Voted Debt. The statutes authorize school districts to contract for non-voted debt for specific purposes, including for: (1) the purchase of sites for all buildings, playgrounds, physical education and athletic facilities and structures authorized by law or necessary or proper to carry out the functions of a school district; (2) improving the energy efficiency of school district buildings and/or installing systems and components to utilize renewable and/or inexhaustible energy resources; and (3) major and minor structural changes and structural additions to buildings, structures, and facilities and sites necessary or proper to carrying out the functions of the school district. Before issuing non-voted bonds in excess of \$250,000, a school district must publish a notice of intent to issue such bonds and hold a public hearing on the proposal. At the conclusion of public comment, the school district board of directors may determine, by resolution, whether to issue such bonds.

Excess Levies by Voter Approval.

The Constitution limits regular property tax levies to a maximum of 1 percent of the property's value. Upon majority voter approval, school districts are authorized to collect excess levies above the 1 percent constitutional property tax limit for enrichment, transportation vehicles, and capital projects. School districts may also levy taxes above the 1 percent constitutional limit to make required principal and interest payments on bonds issued for capital purposes. This authorization must be approved by at least 60 percent of the voters voting at an election where the total number of voters voting is at least 40 percent of the total number of voters voting at the last preceding general election.

School District Binding Conditions.

School districts must annually prepare and submit a balanced budget to the Office of the Superintendent of Public Instruction (OSPI) in which expected expenditures do not exceed expected revenues. When a school district board is unable to prepare a balanced budget or budget extension, the school district board may deliver a petition, at least 20 days before the budget or budget extension is scheduled for adoption, to the Superintendent of Public Instruction requesting permission to include receivables collectible in future years to balance the budget. If such permission is granted, it must be in writing and it must contain conditions, binding on the district, designed to improve the district's financial condition.

Summary of Bill:

A district may contract indebtedness and issue bonds without a vote of the people for the purpose of erecting all buildings authorized by law, including those necessary or proper to carry out the functions of a school district, and providing the necessary furniture, apparatus, or equipment. This authority is subject to the statutory indebtedness limit of 0.375 percent. A school district that contracts indebtedness for this purpose must have received voter approval to collect a capital levy to support the construction, modernization, or remodeling of school facilities and must not have been on binding conditions in the three years preceding the date of the contract.

Appropriation: None.

Fiscal Note: Requested on February 6, 2025.

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