

HOUSE BILL REPORT

HB 2277

As Reported By House Committee On:

Capital Budget

Title: An act relating to authority of school districts to borrow money and issue bonds.

Brief Description: Authorizing school districts to borrow money and issue bonds for repayment of certain real estate leases.

Sponsors: Representatives B. Thomas, Johnson, Dunshee and Wensman.

Brief History:

Committee Activity:

Capital Budget: 1/27/98, 2/5/98 [DP].

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 10 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Sullivan, Assistant Ranking Minority Member; Costa; Hankins; Lantz; Mitchell; D. Sommers and H. Sommers.

Minority Report: Without recommendation. Signed by 1 member: Representative Koster.

Staff: Bill Robinson (786-7140).

Background: Currently, school districts can borrow money and issue bonds to purchase land for new buildings, provide the necessary furniture and equipment for the buildings and to make major renovations to buildings. School districts may also apply for state financial assistance to supplement the district's money to build or renovate buildings. However, to be eligible for state financial assistance, the district must first have a voter approved bond issue to pay the district's share of the building cost. These capital costs are paid from the districts capital projects fund. The capital projects fund receives it's revenues from a bond levy or other borrowed money, state basic education allocation, investment earnings, and rental income from school facilities. The amount of borrowed money and bonds must not exceed the school district's debt limit established by law.

School districts may lease buildings and pay the lease payments from it's general fund budget. Districts may also enter into sales contracts to purchase real and personal

property. The general fund is financed by a combination of funding sources including state basic education allocation, a voter approved maintenance and operation excess levies and other sources. However, districts can use neither the capital projects fund nor borrowed money for real estate lease payments.

Several school districts are investigating alternative methods of acquiring facilities to serve the needs of growing student enrollment. One of the alternatives to the traditional construction of new school buildings is leased facilities. Long-term leases or leases with purchase options provide school districts with flexibility to respond to explosive growth, changing student demographics and less up-front cost.

Summary of Bill: School districts may borrow money or issue bonds for the purpose of making payments on a real estate lease whose term is 10 years or longer and contains an option to purchase the leased real estate.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: School districts need the ability to respond to changing demographics and program requirements of the neighborhoods they serve. Fast growing districts also need more options and flexibility in providing the facilities to meet enrollment growth. Allowing school districts to use bond funds or other borrowed money to lease or lease purchase facilities will provide another option to solve the problem of over crowded schools and unsuitable portable buildings. There is also a need to allow districts to use sources of money other than a bond levy to match state financial assistance for school construction projects.

Testimony Against: None.

Testified: Rep. Brian Thomas, prime sponsor; Bill Fromhold, Assistant Superintendent Evergreen School District; Dick Housley, development attorney; and Duane Slate, Washington State School Directors Association.