

HOUSE BILL REPORT

HB 1829

As Passed House:

March 16, 1999

Title: An act relating to financing school plant facilities.

Brief Description: Authorizing long-term lease-purchase agreements for financing school plant facilities.

Sponsors: Representatives Thomas, Lantz, Carlson, Keiser, Cairnes, H. Sommers, Fortunato, Ogden, Dunshee, Quall, O'Brien, Cody, Pflug, Kenney, Dunn, Santos, Lovick, Edmonds, Wood, Haigh, Rockefeller, Conway, Stensen, Dickerson, Kessler and Esser.

Brief History:

Committee Activity:

Capital Budget: 3/3/99, 3/8/99 [DP].

Floor Activity:

Passed House: 3/16/99, 94-3.

Brief Summary of Bill

- Permits school districts to use state matching money and voter-approved bonds and levies to pay for new schools funded through lease-purchase arrangements.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 14 members: Representatives Mitchell, Republican Co-Chair; Murray, Democratic Co-Chair; Edmonds, Democratic Vice Chair; Esser, Republican Vice Chair; Alexander; Anderson; Barlean; Constantine; Dunshee; Lantz; Mastin; Miloscia; O'Brien and Ogden.

Minority Report: Do not pass. Signed by 4 members: Representatives Bush; Hankins; Koster and Schoesler.

Staff: Bill Robinson (786-7140).

Background:

School districts may borrow money and issue bonds to construct and renovate buildings and to provide the necessary furniture and equipment for the 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 district's capital projects fund. The capital projects fund receives its 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 their general fund budgets. Districts may also enter into sales contracts to purchase real and personal property. Revenues to a district's general fund come from a combination of funding sources, including state basic education allocation, voter-approved maintenance and operation excess levies, and other sources. However, districts may 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. The House Task Force on School Construction Financing has recommended that school districts be given the authority to enter into long-term leases or leases with purchase options to provide districts more flexibility to respond to explosive growth and changing student demographics with less up-front cost.

Summary of Bill:

Authorizes school districts to use voter-approved bonds, voter-approved levies, state financial assistance, or other funds available to the district for school facilities for: (1) payment of an installment purchase contract for school plant facilities; or (2) payment of a lease for which term is 10 years or longer and which contains an option by the school district to purchase the leased property.

Appropriation: None.**Fiscal Note:** Not requested.**Effective Date:** Ninety days after adjournment of session in which bill is passed.

Testimony For: Leasing or acquiring buildings through a long-term purchase contract provides school districts more options to meet growing student enrollment and changing demographics. There is no need to waste money constructing new buildings which may end up empty or surplus in the near future. These flexible non-tax options will benefit the high growth districts and will eliminate the high up-front costs for alternative programs that need specialized or temporary space.

Testimony Against: (With concerns) This approach of acquiring school facilities is a change from the traditional public works process that has served the public well. To avoid the potential for favoritism, school districts should use the same architect and engineer selection process for leased buildings as they do for new construction under the public works process.

Testified: (In support) Representative Brian Thomas, prime sponsor; Jon Gores, Seattle Northwest Securities; Patty Metropulos, Evergreen School District; Michael Currie, Office of Superintendent of Public Instruction; Bob Collard, Lake Washington School District; Grace Yuan, King County School Coalition; and Duke Schaub, Association of General Contractors.

(With Concerns): Cliff Webster, Architects & Engineers Legislative Council; and Craig Curtis, American Institute of Architects.