SENATE BILL REPORT

HB 1833

As Reported By Senate Committee On:
Ways & Means, April 5, 1999

Title: An act relating to alternate financing for schools.

Brief Description: Authorizing school districts to use 63-20 financing with nonprofit organizations.

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

Brief History:
Committee Activity: Ways & Means: 4/5/99 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, West, Winsley and Wojahn.

Staff: Bill Freund (786-7441)

Background: Current Internal Revenue Service rules, called "63-20 financing," allow nonprofit organizations to issue tax exempt bonds to pay for facilities that "relieve the burden of governments." The IRS rules require that the tax exempt bonds be used for facilities that will be ultimately turned over to a governmental entity for ownership and operation and the facility must be used for a governmental purpose. Current state laws do not authorize the use of such financing for provision of school buildings.

Large developments are subject to school impact fees in many jurisdictions. Currently the payments can be made as a lump sump or the contractor may provide property to a district of equal value to the impact fees. Provision of a school building by a developer is currently not an option, nor is use of tax exempt financing.

School districts may enter into contracts not exceeding five years for the following purposes: to rent or lease building space, portable buildings, computers and other equipment; to acquire maintenance and repair agreements for computers and security systems; and to provide pupil transportation services.

In addition to bond levies, school districts are authorized to run the following levies: one to four year maintenance and operations levies; two year levies for transportation vehicles; and two to six year levies to support construction and modernization of school facilities.

Once a district has run a maintenance and operations levy for two to four years, no additional tax levies for maintenance and operations may be run in that period.

Summary of Amended Bill: The authority of school districts to enter into contracts to rent or lease buildings and portables is increased to ten years.

Amended Bill Compared to Original Bill: The authority to enter into long-term contracts with nonprofit organizations to lease, acquire, construct or finance school facilities is eliminated.

The authority to enter into unlimited long-term contracts for lease of buildings or portables is eliminated.

Provisions concerning two to six year levies are eliminated.

Appropriation: None.

Fiscal Note: Requested.

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

Testimony For: School districts need the authority to enter into contracts of more than five years for leasing of buildings.

Testimony Against: None.

Testified: Charlie Brown, King County School Coalition (pro).