

# HOUSE BILL REPORT

## 2SHB 1280

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### As Passed House:

March 12, 2007

**Title:** An act relating to the use of the school district capital projects funds for technology.

**Brief Description:** Providing for the use of the school district capital projects funds for technology.

**Sponsors:** By House Committee on Capital Budget (originally sponsored by Representatives Ericks, Jarrett, Quall, O'Brien, Strow, Morrell, Roach, Hunt, McDonald, Chase, Simpson, Haler, Moeller, McCune, Schual-Berke, Miloscia and Springer).

### Brief History:

#### Committee Activity:

Education: 2/16/07, 2/26/07 [DPS];

Capital Budget: 3/2/07 [DP2S(w/o sub ED)].

#### Floor Activity:

Passed House: 3/12/07, 64-33.

### Brief Summary of Second Substitute Bill

- Expands authorized uses of school district capital projects funds to include application and modernization of technology systems, including ongoing fees for online applications, subscriptions, or licenses; upgrades and incidental services; and ongoing training on the integration of technology.
- Requires districts to transfer capital projects funds to the district general fund when using the funds for this purpose, and requires the Superintendent of Public Instruction to develop accounting guidelines for the transfers.

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## HOUSE COMMITTEE ON EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Quall, Chair; Barlow, Vice Chair; Priest, Ranking Minority Member; Haigh, McDermott, Roach, Santos and P. Sullivan.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Minority Report:** Do not pass. Signed by 1 member: Representative Anderson, Assistant Ranking Minority Member.

**Staff:** Barbara McLain (786-7383).

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## HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Education. Signed by 15 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; Blake, Chase, Dunshee, Eickmeyer, Flannigan, Goodman, Hasegawa, Kelley, Pedersen, Sells, Strow and Upthegrove.

**Minority Report:** Do not pass. Signed by 7 members: Representatives McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Hankins, McCune, Orcutt, Pearson and Skinner.

**Staff:** Susan Howson (786-7142).

### **Background:**

School districts must establish a general fund for maintenance and operations of the district and a capital projects fund for major capital projects. Proceeds from bond sales, capital fund investments, and excess levies for construction, modernization or remodeling of school facilities (capital levies) are deposited in the capital projects fund. Monies in the capital projects fund can be used for specified purposes, including major renovation, energy capital improvements, and major items of equipment and furniture (except vehicles). Since 2002, capital project funds may also be used for the costs of implementing technology systems, facilities, and projects; acquiring hardware, licensing software, and online applications; and training related to technology installation.

Some school districts propose technology levies to their voters. Technology levies are really capital levies that the school district proposes to use for technology as allowed by the law. Under the State Constitution and statute, capital levies may be authorized for up to six years. There is no levy lid for capital levies.

School districts pay for other technology costs from their general maintenance and operations fund with funds coming from state allocations for nonemployee-related costs (NERC) and any local maintenance and operations levies. School districts that do not have capital levies may be relying on maintenance and operating funds for all technology-related purchases.

### **Summary of Second Substitute Bill:**

The authorized uses of school district capital projects funds for technology are expanded to include costs associated with the application and modernization of technology systems for operations and instruction. These costs include ongoing fees for on-line applications,

subscriptions, or software license; upgrades and incidental services; and ongoing training related to the installation and integration of the technology.

A school district using capital projects funds for the expanded purposes must transfer the funds to the district's general fund. The Superintendent of Public Instruction (SPI) must adopt accounting guidelines for these transfers in accordance with Internal Revenue Service regulations.

The limitations of current law that prevent a district from authorizing more than one maintenance and operations levy during the same time period do not apply to capital levies.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:** (Education)

(In support) There used to be a clear division between "operating" and "capital" in the accounting world, but technology changes all that. When you make large technology investments, you must also invest in the software to run the hardware. Purchasing a software license or upgrade is the same thing as buying the computer system again. The legislation authorizing use of capital funds for technology was widely approved. There is no fiscal impact on the state. This is a logical extension and next step. Technology is an essential tool in the education toolkit. This provides flexibility for school districts in how they allocate their resources. Technology is as much a part of the infrastructure of a school as bricks and mortar.

(Opposed) None.

**Staff Summary of Public Testimony:** (Capital Budget)

(In support) In local government, the definition of "capital" goes beyond just buildings and land. Technology makes a clear distinction between operating and capital difficult. The intent is to provide school districts with flexibility in the use of their capital projects funds so they don't have to take money out of classrooms to spend on software or fixing computer boxes. It's very clear that bonds are not an appropriate fund source for this purpose, but some districts have other sources of revenue for their capital projects funds.

(Opposed) None.

**Persons Testifying:** (Education) Representative Ericks, prime sponsor; Grace Yuan, School Technology Coalition; Dick Anastasi, Northshore School District; Lorraine Wilson, Tacoma Public Schools; and Mitch Denning, Alliance of Education Associations.

**Persons Testifying:** (Capital Budget) Representative Ericks, prime sponsor; and Charlie Brown, School Technology Coalition.

**Persons Signed In To Testify But Not Testifying:** (Education) None.

**Persons Signed In To Testify But Not Testifying:** (Capital Budget) None.