

HOUSE BILL REPORT

ESSB 5267

As Reported by House Committee On:

Education
Capital Budget

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: Senate Committee on Early Learning & K-12 Education (originally sponsored by Senators McAuliffe, Eide, Brandland, Fairley and Kohl-Welles).

Brief History:

Committee Activity:

Education: 3/15/07, 3/27/07 [DPA];

Capital Budget: 3/30/07, 4/2/07 [DPA(CB w/o ED)s].

Brief Summary of Engrossed Substitute Bill (As Amended by House Committee)

- Expands authorized uses of school district capital projects funds to include application and modernization of technology systems, including ongoing fees for on-line applications, subscriptions or licenses; upgrades and incidental services; and ongoing training related to installation and 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.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass as amended. Signed by 7 members: Representatives Quall, Chair; Barlow, Vice Chair; Haigh, McDermott, Roach, Santos and P. Sullivan.

Minority Report: Do not pass. Signed by 2 members: Representatives Priest, Ranking Minority Member and Anderson, Assistant Ranking Minority Member.

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.

Staff: Barbara McLain (786-7383).

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 Amended 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 licences; upgrades and incidental services; and ongoing training related to installation and integration of 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 the Internal Revenue Service (IRS) 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.

Amended Bill Compared to Engrossed Substitute Bill:

Language is clarified that the expanded uses of funds are for application and modernization of technology systems for operations and instruction and include subscriptions and software licenses. Accounting guidelines must be in accordance with regulations from the IRS.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Technology is extremely important in the world of education today. Technology only lasts three to five years and must be continually upgraded. This bill is a logical extension to the one passed in 2002. There is no fiscal impact to the state. Technology is an integral part of educational service delivery. School districts use capital projects funds to install technology and should also be able to use them for upgrades. A lack of clarity in the current law has caused confusion and uncertainty over districts' ability to access capital funds for replacing technology due to the way that such transactions are now financed through licenses and other leases.

(Opposed) None.

Persons Testifying: Senator McAuliffe, prime sponsor; Carolyn Webb, Mukilteo School District; Lorraine Wilson, Tacoma Public Schools; Grace Yuan, School Technology Coalition; and Mitch Denning, Alliance of Educational Associations.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass as amended by Committee on Capital Budget and without amendment by Committee on Education. Signed by 20 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Blake, Chase, Dunshee, Eickmeyer, Flannigan, Hasegawa, Kelley, McCune, Orcutt, Pearson, Pedersen, Sells, Skinner, Strow and Upthegrove.

Minority Report: Do not pass. Signed by 1 member: Representative Goodman.

Staff: Susan Howson (786-7142).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Education:

The amendment by the Capital Budget Committee further clarifies that school district bond proceeds cannot be used for costs associated with the application and modernization of technology systems.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) 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 technology systems. 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) There is concern over using capital project dollars for ongoing costs related to technology systems. Capital money is scarce; therefore it should be used for capital projects.

Persons Testifying:

(In support) Charlie Brown, School Technology Coalition.

(Opposed) Cliff Webster, American Institute of Architects.

Persons Signed In To Testify But Not Testifying: None.