

HOUSE BILL REPORT

HB 2334

As Reported by House Committee On: Capital Budget

Title: An act relating to creating jobs by funding construction of safety, health, and energy-saving improvements to public facilities.

Brief Description: Creating jobs by funding construction of safety, health, and energy-saving improvements to public facilities.

Sponsors: Representatives Dunshee, Williams, Hunt, Ormsby, White, Conway, Hudgins and Chase.

Brief History:

Committee Activity:

Capital Budget: 4/7/09, 4/14/09 [DPS].

Brief Summary of Substitute Bill

- Authorizes the State Finance Committee to issue \$3 billion in general obligation bonds, to be known as Washington Works Bonds, for the purpose of creating jobs by constructing capital improvements for the safety, health, and energy efficiency of public facilities.
- Appropriates funds for public school districts, public higher education institutions, and the Department of General Administration.
- Directs the Secretary of State to submit the short title, intent, and bond authorization sections of the act to the people for adoption and ratification or rejection.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Grant-Herriot, Jacks, Maxwell, Orwall and White.

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 6 members: Representatives Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Hope, McCune and Smith.

Staff: Nona Snell (786-7153)

Background:

Bond Authorization.

Washington issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. Bond authorization legislation generally specifies the account or accounts into which bond sale proceeds are deposited, as well as the source of debt service payments. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the State General Fund and deposits them into the Bond Retirement Account.

The State Finance Committee, composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for the issuance of all state bonds.

The amount of state general obligation debt that may be incurred through Legislative and Gubernatorial direction is limited by Constitutional and statutory restrictions; however, Article VIII, section 3 of the Washington Constitution allows for voter-approved bonds outside the debt limits.

Referendum.

Referendum bills are proposed laws referred to the voters by the Legislature. Referendum bills must be filed with the Secretary of State within 90 days after the final adjournment of the legislative session in which the act was passed. They may be submitted at the next general statewide election or at a special election ordered by the Legislature. The general election is held on the first Tuesday following the first Monday in November in the odd-numbered years. The 2009 statewide general election is on November 3.

Summary of Substitute Bill:

The Washington Works Act is enacted. The stated legislative intent is to create jobs by issuing bonds for safety, health, and energy efficiency improvements to public facilities, including all public school districts, higher education institutions, and other public facilities. The stated intent is to not displace funding in state capital and operating budgets, but to expend funds made available through a referendum to the people as quickly as possible consistent with good management practices.

Bond Authorization.

The State Finance Committee is authorized to issue general obligation bonds in the amount of \$3 billion to create jobs by constructing capital improvements for the safety, health, and

energy efficiency of public facilities. The bonds are to be known as the Washington Works Bonds.

Accounts.

The Stabilization Debt Payment Account, an appropriated account, is created to receive repayment of one-half of the Washington Works Bonds appropriated to the Department of General Administration (GA) for energy efficiency improvements. Funds are transferred from the Stabilization Debt Payment Account to the Nondebt-limit Reimbursable Bond Retirement Account for payment of bond principal and interest payments. If the Stabilization Debt Payment Account has insufficient revenues for the principal and interest payments, the remaining amount is paid from additional means provided by the Legislature.

The Washington Works Account, an appropriated account, is created to receive proceeds from the bond issuance. The uses of the Washington Works Account include safety, health, and energy efficiency improvements to schools and other public facilities included in the bill.

Appropriations.

Appropriations are made to educational agencies and the GA for the safety, health, and energy efficiency of facilities. Each state agency receiving proceeds from the Washington Works Bonds issuance must report to the Legislature and the Office of Financial Management on the timing and use of funds by the end of each fiscal year until the funds are fully expended.

The Superintendent of Public Instruction

Approximately \$2 billion is appropriated to the Office of the Superintendent of Public Instruction (OSPI) for the modernization and renovation of school facilities to address the safety and health needs and to improve the energy efficiency of school facilities. Immediate safety and health improvements must be considered the highest priority. Each school district receives a minimum of \$100,000, and the OSPI must distribute the remainder by equal amounts per full-time equivalent student to each school district, which is approximately \$2,000 per student.

Higher Education Institutions

The higher education institutions receive appropriations in the following amounts for improvements related to safety, health, and energy efficiency of public facilities, with energy efficiency projects taking priority:

- \$286 million for the Community and Technical College System;
- \$79.1 million for the University of Washington;
- \$45.7 million for Washington State University;
- \$25 million for Western Washington University;
- \$19.1 million for Eastern Washington University;
- \$18.8 million for Central Washington University; and
- \$8.6 million for The Evergreen State College.

The Department of General Administration

An appropriation in the amount of \$500 million is made to the GA, which is directed to work with Washington State University's Energy Extension Program and the Department of

Community, Trade and Economic Development to provide energy efficiency services for public facilities. Performance-based contracting is the preferred method of delivering the services unless another method of delivering the services is more efficient or cost-effective. One-half of the Washington Works Bonds appropriated for energy efficiency improvements must be repaid and deposited into the Stabilization Debt Payment Account.

Up to \$200 million of the total appropriation to the GA is for energy efficiency improvements in K-12 public schools and higher education institutions.

The State Treasurer is directed to determine a mechanism to allow individual Washington residents to purchase Washington Works Bonds.

Definitions.

Energy-savings performance contracting is defined as the process by which a company contracts with a state agency to conduct no-cost energy audits, guarantees energy savings from energy efficiency, provides financing for energy efficiency improvements, and agrees to receive payment from the savings resulting from the energy efficiency improvement. (The process is authorized in chapter 39.35C RCW.)

Energy efficiency services include energy audits, weatherization, energy efficiency retrofits, and energy efficiency measures or improvements.

Public facilities are buildings, building components, and major equipment or systems.

Voter Approval.

The title, intent, and bond authorization proposal is referred to a vote of the people at the next general election. The ballot title is "The Legislature has passed House Bill No. (this act), concerning funding improvements for schools and other public facilities. This bill would authorize bonds to construct safety, health, and energy efficiency improvements to schools and other public facilities."

If the pertinent parts of the act are not approved by the voters, the entire act is null and void.

Substitute Bill Compared to Original Bill:

The substitute bill directs the OSPI to prioritize immediate safety and health improvements to address the safety and health needs and to improve the energy efficiency of K-12 school facilities. The appropriation uses are changed from energy efficiency improvements to public buildings to energy efficiency improvements to public facilities. One-half of the funds, instead of one-half of the energy savings, must be repaid, and a 10-year time limit for which the funds must be repaid is added. The State Treasurer is directed to develop a system for Washington residents to purchase Washington Works Bonds.

Appropriation: The sum of \$2.98 billion.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed. If the pertinent parts of the act are not approved by the voters, the entire act is null and void.

Staff Summary of Public Testimony:

(In support) This is a jobs bill. In Washington, 40,000 jobs were lost in 2008 and another 40,000 loss is projected for 2009. Many K-12 schools do not ask the state for capital funding; many get by with old buildings, especially in small rural school districts. We should give children the best physical plant possible, with air free of mold, clean water, and natural light. We also need to put jobs into local communities. The bill spreads out more than \$2,000 per student and creates jobs in every community of the state.

The state should not disregard bond ratings but national credit rating agencies have gotten things wrong before. This proposal uses general obligation bonds to create 90,000 jobs and fix schools across the state. Energy efficiency savings and increased sales tax revenues from capital projects will help pay off the debt. The current capital budget barely scratches the surface of school district capital needs. A recent survey of school districts identified \$4 billion in repair, renovation, and construction projects.

Small school districts may not need a whole new building but need help with renovation and deferred maintenance. With tight budgets, maintenance will be deferred in order to keep educators in classrooms. The need is great, well-documented, and will not go away. Anything that will help school districts survive the next two to four years is critical. A statewide bond issue will not affect maintenance and operations levies.

Energy efficiency is the cheapest resource available to help meet energy needs. This bill will create and maintain jobs in a range of professions, including engineering, technicians, and trades. This is an opportunity to reduce operating costs for school districts. Performance-based contractors will establish a baseline of energy use, and then put in new systems (such as heating, ventilating, and air conditioning). The contractor would then guarantee energy savings over a period of time as compared to the baseline; if the guarantee is not met the contractor is liable.

Symptoms from stachybotrys mold in schools include nervous disorders, depression, severe cough, vomiting blood, absenteeism, dizziness, headaches, and an inability to focus. This mold has been found in numerous school districts in Washington. The main benefit to this bill will be long term health of students and teachers and a reduction in health care costs.

The bill will improve the environment for children and schools; reduce greenhouse gas emissions; and stimulate the economy. The bill also addresses important needs for two-year colleges. The community and technical college system places a high priority on preservation but has a \$600 million backlog that would be reduced.

(With concerns) The accountability provisions should be strengthened to require projects to be "shovel worthy" in addition to "shovel ready." Criteria could include improvements to contemporary buildings, changes that meet educational needs, and increasing the life of buildings. There should be a review process to ensure these criteria are met. In addition to

performance-based contracting, buildings should be required to have long-term energy efficiency plans.

(Opposed) The Leadership in Energy and Environmental Design (LEED) requirements for Washington schools assume that schools would save 30 percent in energy costs. There was a LEED pilot study that examined schools that have been open for a few years and those schools did not meet the projections in energy savings. The expectation that money from energy savings will pay off the debt is a problem. Jobs are a priority, but we want productive jobs and not "make work." Timing is important; the referendum would not be brought to the voters until November and no money would be allotted until 2010 or 2011. By that time, there would be competition with the private sector. The intent is admirable but the timing is not good.

Persons Testifying: (In support) Randy Dorn, Office of the Superintendent of Public Instruction; Stan Price, Northwest Energy Efficiency Council; Denise Frisino; James Green; Thelma Simon; Maria Mason, Coalition for Environmentally Safe Schools; Clifford Traisman, Washington Conservation Voters and Washington Environmental Council; Craig Engelking, Sierra Club; Carrie Polwick, Northwest Energy Coalition; Bill Robinson, Nature Conservancy; Tom Henderson, State Board for Community and Technical Colleges; Barbara Mertens, Washington Association of School Administrators; Bill Freund, Washington Education Association; and Greg Lee.

(With concerns) Donna Christensen, Washington State Catholic Conference; and Stan Bowman, American Institute of Architects Washington Council.

(Opposed) Todd Myers, Washington Policy Center.

Persons Signed In To Testify But Not Testifying: None.