

# SENATE BILL REPORT

## SB 5590

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As Reported by Senate Committee On:  
Early Learning & K-12 Education, February 22, 2019

**Title:** An act relating to establishing school district depreciation subfunds for the purposes of preventative maintenance.

**Brief Description:** Establishing school district depreciation subfunds for the purposes of preventative maintenance.

**Sponsors:** Senators Schoesler, Mullet, Becker, Short, Fortunato, O'Ban, Walsh, Hobbs, Warnick, Bailey, Honeyford, Hawkins, King, Van De Wege and Wilson, L..

**Brief History:**

**Committee Activity:** Early Learning & K-12 Education: 2/18/19, 2/22/19 [DPS].

**Brief Summary of First Substitute Bill**

- Requires school districts to establish a depreciation subfund within their general fund.
- Provides school districts may annually deposit up to 2 percent of their general fund into the depreciation subfund for emergency facility needs and preventative maintenance

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### SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

**Majority Report:** That Substitute Senate Bill No. 5590 be substituted therefor, and the substitute bill do pass.

Signed by Senators Wellman, Chair; Wilson, C., Vice Chair; Hawkins, Ranking Member; Holy, Hunt, McCoy, Mullet, Padden, Pedersen, Salomon and Wagoner.

**Staff:** Alex Fairfortune (786-7416)

**Background:** School district accounting requirements organize and operate on a fund basis. Under current law, school districts must establish:

- a general fund for most financial operations of the schools district, including a subfund for local revenues;
- a capital projects fund for major capital purposes;

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- a debt service fund for the retirement of bonds;
- a refunded bond fund; and
- an associated student body fund for all monies generated through the programs and activities of any associated student body organization.

**Summary of Bill (First Substitute):** School districts must establish a depreciation subfund within their general fund to reserve funds for future facility and equipment needs. Up to 2 percent of a school district's general fund may be deposited into the depreciation subfund each fiscal year for emergency facility needs and preventative maintenance. No money from the depreciation subfund may be used for employee compensation.

Preventative maintenance must be necessary to realize the originally anticipated useful life of a building or facility, and includes:

- exterior painting of facilities;
- replacing or renovating roofing, exterior walls, windows, heating, air conditioning, ventilation systems, floor coverings, electrical systems, and plumbing systems; and
- renovating playfields, athletic facilities, and other district real property.

**EFFECT OF CHANGES MADE BY EARLY LEARNING & K-12 EDUCATION COMMITTEE (First Substitute):**

- Allows school districts to deposit funds into a depreciation subfund for emergency facility needs in addition to preventative maintenance.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: Some school construction projects are funded through bonds, but the life of the project does not last the life of the bond. Many repairs do not fit bonds, but also do not fit an operating budget each year. The language in this bill is permissive so that school districts may keep 2 percent back for these projects as they come along. If school districts do preventative maintenance they can avoid more costly replacement projects in the future. This would also provide protection from auditors who may determine that a school district is saving too much money. A possible amendment would be to allow for transfer of funds in the event of an urgent or unanticipated cost by the school district.

CON: As the bill is currently written school districts could not use funds to pay for the cost of maintenance staff, which would require that projects be completed through more costly contracts with third parties. School districts should be able to access funds for short term needs while a long term solution is found. A school can already use the capital fund.

**Persons Testifying:** PRO: Senator Mark Schoesler, Prime Sponsor; Gene Sementi, Superintendent, West Valley School District; Dan Steele, Washington Association of School Administrators and Washington Association of School Business Officials; Jessica Vavrus, Washington State School Directors' Association.

CON: Lorrell Noahr, Washington Education Association.

**Persons Signed In To Testify But Not Testifying:** No one.