

SENATE BILL REPORT

ESB 5202

As Passed Senate, January 12, 2022

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, Dozier, Honeyford, Keiser, King and Warnick.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/29/21, 2/08/21 [DP].

Floor Activity: Passed Senate: 2/24/21, 44-4; 1/12/22, 46-2.

Brief Summary of Engrossed Bill

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

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass.

Signed by Senators Wellman, Chair; Nobles, Vice Chair, K-12; Wilson, C., Vice Chair, Early Learning; Hawkins, Ranking Member; Dozier, Hunt, McCune, Mullet and Pedersen.

Staff: Alexandra Fairfortune (786-7416)

Background: School District Funds. School district accounting requirements organize and

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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;
- 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.

Capital Projects Fund. Money deposited into the capital projects fund includes, but is not limited to, bond proceeds, proceeds from excess levies, state apportionment proceeds authorized by the school board for school building purposes, earnings from capital projects fund investments, state forest revenues, rental and lease proceeds, and proceeds from the sale of real property.

Among other things, money deposited in the capital projects fund may be used for:

- major renovation or replacement of facilities and systems where periodical repairs are no longer economical or extend the useful life of the facility or system beyond its original or planned useful life, including but not limited to, major repairs, exterior painting of facilities, replacement and refurbishment of roofing, exterior walls, windows, heating, and ventilation systems, floor covering in classrooms and public or common areas, and electrical and plumbing systems;
- renovation and rehabilitation of playfields, athletic fields, and other district real property;
- major equipment repair, painting of facilities, and other preventative maintenance that does not replace routine annual preventative maintenance expenditures made from the district's general fund; and
- for the 2019-21 fiscal biennium only, renovation and replacement of facilities and systems, purchase or installation of items of equipment and furniture, and other preventative maintenance and infrastructure improvement purposes.

Summary of Engrossed Bill: 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.

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: PRO: There are currently projects being paid for with 20-year bonds that do not have a 20-year life. Districts need a sinking fund that is locked down, rather than making interest payments beyond the life of the project. Sometimes it is better to pay cash for a repair or be able to set aside money for emergencies as they come up. There is a strong connection between school buildings and student learning outcomes, so this is another way to help students learn in a healthy environment.

CON: Districts would be able to set aside 2 percent of funds, but they would be prohibited from using those funds to pay the costs of district maintenance staff time. This would result in the districts entering costly contracts with third parties. This creates a new policy intent that the Legislature is okay with basic education dollars being used to fund capital expenditures.

OTHER: This will help schools focus their resources where they are most needed and improve stewardship of public funds. It is a permissive bill giving districts another tool in the toolbox.

Persons Testifying: PRO: Senator Mark Schoesler, Prime Sponsor; Marissa Rathbone, Washington State School Directors' Association; Mitch Denning, Washington Association of Maintenance and Operation Administrators.

CON: Lorrell Noahr, Washington Education Association.

OTHER: Liv Finne, Washington Policy Center.

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