

# HOUSE BILL REPORT

## SHB 2411

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**As Passed House:**  
February 13, 2024

**Title:** An act relating to school districts' authority to contract indebtedness for school construction.

**Brief Description:** Adjusting school districts' authority to contract indebtedness for school construction.

**Sponsors:** House Committee on Capital Budget (originally sponsored by Representatives Callan, Berg and Ortiz-Self).

**Brief History:**

**Committee Activity:**

Capital Budget: 1/25/24, 2/2/24 [DPS].

**Floor Activity:**

Passed House: 2/13/24, 58-39.

**Brief Summary of Substitute Bill**

- Expands the specific purposes for which a school district can contract indebtedness without a vote of the qualified electors of the district, subject to the statutory indebtedness limit of 0.375 percent, to include new building construction and various related costs.
- Specifies that for a school district to contract indebtedness for new building construction and various related costs, the school district must not have been on binding conditions in the three years preceding the date of the contract.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass.

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Signed by 15 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Alvarado, Bateman, Farivar, Fosse, Kloba, Morgan, Orwall, Peterson, Reed, Rule, Shavers and Stearns.

**Minority Report:** Do not pass. Signed by 11 members: Representatives Abbarno, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Steele, Assistant Ranking Minority Member; Cheney, Christian, Dye, Eslick, Kretz, Maycumber, Mosbrucker and Sandlin.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Waters.

**Staff:** John Wilson-Tepeli (786-7115).

### **Background:**

#### School District Debt.

Subject to certain conditions, the board of directors of a school district may generally borrow money and issue bonds for any capital purpose.

*Constitutional Limitations.* The amount that may be borrowed is limited by the Washington Constitution (Constitution) and state statutes. The Constitution sets a general debt limit for school districts at 1.5 percent of the assessed value of property in the district, but permits districts to exceed this limit, subject to various restrictions, with approval of at least 60 percent of the voters at an election where the total number of voters is at least 40 percent of the total at the last preceding general election.

*Statutory Limitations.* School districts are limited to an indebtedness amount not exceeding 0.375 percent of the value of the taxable property in the district without the approval of 60 percent of the voters voting in the district. Contracted debt within this limit is often referred to as "non-voted" debt. School districts may exceed this threshold, subject to various restrictions, for capital outlays with the approval of at least 60 percent of the voters voting.

*Uses of Non-Voted Debt.* The statutes authorize school districts to contract for non-voted debt for specific purposes, including for: (1) the purchase of sites for all buildings, playgrounds, physical education and athletic facilities and structures authorized by law or necessary or proper to carry out the functions of a school district; (2) improving the energy efficiency of school district buildings and/or installing systems and components to utilize renewable and/or inexhaustible energy resources; and (3) major and minor structural changes and structural additions to buildings, structures, and facilities and sites necessary or proper to carrying out the functions of the school district.

#### School District Binding Conditions.

When a school district board is unable to prepare a balanced budget or budget extension, the school district board may deliver a petition, at least 20 days before the budget or budget

extension is scheduled for adoption, to the Superintendent of Public Instruction requesting permission to include receivables collectible in future years to balance the budget. If such permission is granted, it must be in writing and it must contain conditions, binding on the district, designed to improve the district's financial condition.

**Summary of Substitute Bill:**

The specific purposes for which a school district can contract for non-voted debt, subject to the current indebtedness limit of 0.375 percent, is expanded to include erecting all buildings authorized by law, as necessary or proper to carry out the functions of a school district, and providing the necessary furniture, apparatus, or equipment therefor.

A school district that contracts for non-voted debt for new building construction and various related costs must not have been on binding conditions in the three years preceding the date of the contract. In order for a school district to contract non-voted indebtedness for erecting a building and various related costs, it must have a voter-approved capital levy.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) There are many facility needs that districts have as they try to keep their facilities in good condition for student learning. This bill provides another tool for school districts to improve their facilities. The policy does not change the laws around indebtedness limits, levies, or bond authorization. The bill allows districts that already have a capital levy to use debt that is under the statutory 0.375 percent non-voted debt limit to start a project and then use the capital levy to finance the remainder of the project.

There is a gap in existing law that allows for renovation and modernization of buildings using non-voted debt when the project is directly adjacent to an existing building but doesn't allow school districts to build a facility that isn't connected to an existing building. This bill will fix the gap. This does not change current law regarding the levy process and will still require districts to approve the levies that pay for any debt assumed, as under current law.

There are many challenges that districts with aging facilities face. In the current law and tax environment, districts are ever more reliant on capital levies to finance new projects, which are collected over a six-year period. Having the ability to use non-voted debt for new construction will allow districts to front fund their new construction projects, which allows the completion of these large capital projects more efficiently and cost-effectively.

(Opposed) None.

**Persons Testifying:** Representative Lisa Callan, prime sponsor; Matt Gillingham, Lake Washington School District; Barbara Posthumus, Lake Washington School District and School Alliance; Eric Laliberte, Lake Washington School District Board of Directors; and Grace Yuan, School Alliance.

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