

SENATE BILL REPORT

SB 5969

As of January 18, 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: Senators Dhingra, Wellman, Nobles and Pedersen.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/22/24.

Brief Summary of Bill

- Authorizes school districts to contract indebtedness and issue bonds without a vote of the people, subject to the current indebtedness limit of 0.375 percent, for the purpose of erecting buildings and providing the necessary furniture, apparatus, or equipment.
- Provides that this new authority is limited to school districts that have not been on binding conditions in the three years preceding the date of the contract.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Staff: Alex Fairfortune (786-7416)

Background: Nonvoted Bonds. A school district may contract indebtedness and issue bonds, up to a total value of 0.375 percent of the taxable property in the district, without a vote of the people for the following purposes:

- for 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

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- functions of a school district;
- for improving the energy efficiency of school district buildings or installing systems and components to utilize renewable or inexhaustible energy resources;
- for major and minor structural changes and structural additions to buildings, structures, facilities, and sites necessary or proper to carrying out the functions of the school district; and
- for the purpose of purchasing any real property, personal property, or property rights in connection with the district's duties.

Before issuing nonvoted bonds in excess of \$250,000, a school district must publish a notice of intent to issue such bonds and hold a public hearing on the proposal. At the conclusion of public comment, the board of directors may determine, by resolution, whether to issue such bonds.

Binding Conditions and Financial Oversight. *Binding Conditions.* School districts must annually prepare and submit a balanced budget to the Office of the Superintendent of Public Instruction (OSPI) in which expected expenditures do not exceed expected revenues. If a school district is not able to submit a balanced budget, the school board may deliver a petition to OSPI requesting permission to include receivables collectible in future years in order to balance the budget. If such permission is granted, it must contain binding conditions designed to improve the district's financial condition. Binding conditions typically take the form of benchmarks the district must achieve through actions locally determined by the school board, such as reaching a certain general fund balance by a defined date.

Financial Oversight. If a school district has been on binding conditions for two consecutive years and is unable to prepare a satisfactory financial plan, or is reasonably foreseeable and likely to have a deficit general fund balance within three years and is unable to prepare a satisfactory financial plan, the school district is considered financially insolvent. In these circumstances, a financial oversight committee must review the financial condition of the school district and recommend either enhanced financial oversight or dissolution of the district. Enhanced financial oversight may include, but is not limited to, appointing a special administrator, approving or limiting hiring and personnel actions, approving or limiting a district's authority to enter into contracts, and liquidating or disposing of fixed assets and contractual liabilities.

Summary of Bill: A district may contract indebtedness and issue bonds without a vote of the people for the purpose of erecting all buildings authorized by law, including those necessary or proper to carry out the functions of a school district, and providing the necessary furniture, apparatus, or equipment. This authority is subject to the statutory indebtedness limit of 0.375 percent.

A school district that contracts indebtedness for this purpose must not have been on binding conditions in the three years preceding the date of the contract.

Appropriation: None.

Fiscal Note: Requested on January 15, 2024.

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

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