

SENATE BILL REPORT

SB 5969

As Reported by Senate Committee On:
Early Learning & K-12 Education, January 31, 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, 1/31/24 [DPS-WM, w/oRec].

Brief Summary of First Substitute 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 passed a capital levy and have not been on binding conditions in the three years preceding the date of the contract.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 5969 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Wellman, Chair; Nobles, Vice Chair; Wilson, C., Vice Chair; Hunt, Mullet and Pedersen.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: That it be referred without recommendation.

Signed by Senators Hawkins, Ranking Member; Dozier and McCune.

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 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 (First Substitute): 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 have received voter approval to collect a capital levy and must not have been on binding conditions in the three years preceding the date of the contract.

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

- Provides that a school district must have received approval to collect a capital levy before issuing nonvoted bonds for the purpose of erecting buildings and providing the necessary furniture, apparatus, or equipment.

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: Current law allows nonvoted bonds for the purchase of sites, improvements, and major and minor structural changes, but it is missing the middle point which is erecting the building on the site. This bill would expand a tool that districts already have access to and use regularly by allowing them to build new buildings. New buildings are often the most expensive and take the longest to build, but they are also the most needed. The Lake Washington School District uses nonvoted bonds to front-fund projects that are funded by approved capital levies. This allows the district to combat inflation and save costs by building projects sooner. The fact that districts cannot do this already is an anomaly in the statute. This will allow districts to allocate funds in the most efficient way possible and provide flexibility. It doesn't change the indebtedness threshold, it doesn't change the public approval process, it doesn't change the SCAP formula, it will not increase capital facilities costs, and it has no fiscal impact on the state.

Persons Testifying: PRO: Senator Manka Dhingra, Prime Sponsor; Matt Gillingham, Lake Washington School District; Barbara Posthumus, Lake Washington School District/School Alliance; Eric Laliberte, Lake Washington School District Board of Directors; Cynthia

Weed, School Alliance.

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