

# SENATE BILL REPORT

## HB 1796

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As of March 19, 2025

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

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

**Sponsors:** Representatives Callan, Berg, Santos, Parshley, Ramel, Wylie, Reed, Ormsby and Hill.

**Brief History:** Passed House: 3/10/25, 85-10.

**Committee Activity:** Early Learning & K-12 Education: 3/19/25.

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

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### 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:

- the purchase of sites for all buildings, playgrounds, physical education and athletic

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- facilities, and structures authorized by law, or necessary or proper to carry out the functions of a school district;
- improving the energy efficiency of school district buildings or installing systems and components to utilize renewable or inexhaustible energy resources;
- 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
- the purchase of 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 school district board of directors may determine, by resolution, whether to issue such bonds.

Excess Levies by Voter Approval. The Washington State Constitution limits regular property tax levies to a maximum of 1 percent of the property's value. Upon majority voter approval, school districts are authorized to collect excess levies above the 1 percent constitutional property tax limit for enrichment, transportation vehicles, and capital projects.

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 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.

**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: This allows districts to bond against their capital levy dollars to move quickly to build new construction. New construction is anything not attached to a current structure, which can be many things. Being able to use a capital levy for that is critical. It does not increase allowable debt and it would not increase debt that voters do not know about. With capital levies the districts have to list what they are spending the money on. Rapid enrollment increases put demand on districts to build more schools and they need more tools to get the schools funded efficiently. This would allow new construction to be front-funded to get students into schools sooner and mitigate inflation increases. A number of districts are enthusiastic about this. Build now, save now, deliver now. The impact to SCAP would be minimal and manageable.

**Persons Testifying:** PRO: Representative Lisa Callan, Prime Sponsor; Jon Holmen, Lake Washington School District; Lindsey Yocum, Lake Washington School District, Board of Directors; Martin Turney, Issaquah School District; Charlie Brown, Schools Alliance; Zahra Eslami, LWPTSA.

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