

CERTIFICATION OF ENROLLMENT

SENATE BILL 5403

Chapter 402, Laws of 2023

68th Legislature
2023 Regular Session

SCHOOL DISTRICT DEPRECIATION SUBFUNDS

EFFECTIVE DATE: July 23, 2023

Passed by the Senate April 18, 2023
Yeas 48 Nays 0

DENNY HECK

President of the Senate

Passed by the House April 12, 2023
Yeas 89 Nays 8

LAURIE JINKINS

**Speaker of the House of
Representatives**

Approved May 9, 2023 2:42 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5403** as passed by the Senate and the House of Representatives on the dates hereon set forth.

SARAH BANNISTER

Secretary

FILED

May 10, 2023

**Secretary of State
State of Washington**

SENATE BILL 5403

AS AMENDED BY THE HOUSE

Passed Legislature - 2023 Regular Session

State of Washington 68th Legislature 2023 Regular Session

By Senators Schoesler, Wellman, Torres, Boehnke, Muzzall, Dozier, Kuderer, Randall, C. Wilson, and L. Wilson

Read first time 01/16/23. Referred to Committee on Early Learning & K-12 Education.

1 AN ACT Relating to establishing school district depreciation
2 subfunds for the purposes of preventative maintenance; and amending
3 RCW 28A.320.330.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 28A.320.330 and 2021 c 332 s 7045 are each amended
6 to read as follows:

7 School districts shall establish the following funds in addition
8 to those provided elsewhere by law:

9 (1)(a) A general fund for the school district to account for all
10 financial operations of the school district except those required to
11 be accounted for in another fund.

12 (b) By the 2018-19 school year, a local revenue subfund of its
13 general fund to account for the financial operations of a school
14 district that are paid from local revenues. The local revenues that
15 must be deposited in the local revenue subfund are enrichment levies
16 and transportation vehicle levies collected under RCW 84.52.053,
17 local effort assistance funding received under chapter 28A.500 RCW,
18 and other school district local revenues including, but not limited
19 to, grants, donations, and state and federal payments in lieu of
20 taxes, but do not include other federal revenues, or local revenues
21 that operate as an offset to the district's basic education

1 allocation under RCW 28A.150.250. School districts must track
2 expenditures from this subfund separately to account for the
3 expenditure of each of these streams of revenue by source, and must
4 provide the supplemental expenditure schedule under (c) of this
5 subsection, and any other supplemental expenditure schedules required
6 by the superintendent of public instruction or state auditor, for
7 purposes of RCW 43.09.2856.

8 (c) Beginning in the 2019-20 school year, the superintendent of
9 public instruction must require school districts to provide a
10 supplemental expenditure schedule by revenue source that identifies
11 the amount expended by object for each of the following supplementary
12 enrichment activities beyond the state funded amount:

13 (i) Minimum instructional offerings under RCW 28A.150.220 or
14 28A.150.260 not otherwise included on other lines;

15 (ii) Staffing ratios or program components under RCW 28A.150.260,
16 including providing additional staff for class size reduction beyond
17 class sizes allocated in the prototypical school model and additional
18 staff beyond the staffing ratios allocated in the prototypical school
19 formula;

20 (iii) Program components under RCW 28A.150.200, 28A.150.220, or
21 28A.150.260, not otherwise included on other lines;

22 (iv) Program components to support students in the program of
23 special education;

24 (v) Program components of professional learning, as defined by
25 RCW 28A.415.430, beyond that allocated under RCW 28A.150.415;

26 (vi) Extracurricular activities;

27 (vii) Extended school days or an extended school year;

28 (viii) Additional course offerings beyond the minimum
29 instructional program established in the state's statutory program of
30 basic education;

31 (ix) Activities associated with early learning programs;

32 (x) Activities associated with providing the student
33 transportation program;

34 (xi) Any additional salary costs attributable to the provision or
35 administration of the enrichment activities allowed under RCW
36 28A.150.276;

37 (xii) Additional activities or enhancements that the office of
38 the superintendent of public instruction determines to be a
39 documented and demonstrated enrichment of the state's statutory
40 program of basic education under RCW 28A.150.276; and

1 (xiii) All other costs not otherwise identified in other line
2 items.

3 (d) For any salary and related benefit costs identified in
4 (c)(xi), (xii), and (xiii) of this subsection, the school district
5 shall maintain a record describing how these expenditures are
6 documented and demonstrated enrichment of the state's statutory
7 program of basic education. School districts shall maintain these
8 records until the state auditor has completed the audit under RCW
9 43.09.2856.

10 (e) For school districts of the second class as defined by RCW
11 28A.300.065, a depreciation subfund for the school district to
12 reserve funds for future facility and equipment needs. Up to two
13 percent of a second class school district's general fund may be
14 deposited each fiscal year into the depreciation subfund for the
15 purpose of preventative maintenance or emergency facility needs. The
16 preventative maintenance must be necessary to realize the originally
17 anticipated useful life of a building or facility and include:
18 Exterior painting of facilities; replacement or renovation of
19 roofing, exterior walls, windows, heating, air conditioning and
20 ventilation systems, floor coverings in classrooms and common areas,
21 and electrical and plumbing systems; and renovation of playfields,
22 athletic facilities, and other district real property. School
23 districts of the second class, subject to applicable public works bid
24 limits, may use school district employees to perform preventative
25 maintenance with moneys from the depreciation subfund, but moneys
26 from the depreciation subfund may not be used for employee
27 compensation that is unrelated to this subsection (1)(e).

28 (2) A capital projects fund shall be established for major
29 capital purposes. All statutory references to a "building fund" shall
30 mean the capital projects fund so established. Money to be deposited
31 into the capital projects fund shall include, but not be limited to,
32 bond proceeds, proceeds from excess levies authorized by RCW
33 84.52.053, state apportionment proceeds as authorized by RCW
34 28A.150.270, earnings from capital projects fund investments as
35 authorized by RCW 28A.320.310 and 28A.320.320, and state forest
36 revenues transferred pursuant to subsection (3) of this section.

37 Money derived from the sale of bonds, including interest earnings
38 thereof, may only be used for those purposes described in RCW
39 28A.530.010, except that accrued interest paid for bonds shall be
40 deposited in the debt service fund.

1 Money to be deposited into the capital projects fund shall
2 include but not be limited to rental and lease proceeds as authorized
3 by RCW 28A.335.060, and proceeds from the sale of real property as
4 authorized by RCW 28A.335.130.

5 Money legally deposited into the capital projects fund from other
6 sources may be used for the purposes described in RCW 28A.530.010,
7 and for the purposes of:

8 (a) Major renovation and replacement of facilities and systems
9 where periodical repairs are no longer economical or extend the
10 useful life of the facility or system beyond its original planned
11 useful life. Such renovation and replacement shall include, but shall
12 not be limited to, major repairs, exterior painting of facilities,
13 replacement and refurbishment of roofing, exterior walls, windows,
14 heating and ventilating systems, floor covering in classrooms and
15 public or common areas, and electrical and plumbing systems.

16 (b) Renovation and rehabilitation of playfields, athletic fields,
17 and other district real property.

18 (c) The conduct of preliminary energy audits and energy audits of
19 school district buildings. For the purpose of this section:

20 (i) "Preliminary energy audits" means a determination of the
21 energy consumption characteristics of a building, including the size,
22 type, rate of energy consumption, and major energy using systems of
23 the building.

24 (ii) "Energy audit" means a survey of a building or complex which
25 identifies the type, size, energy use level, and major energy using
26 systems; which determines appropriate energy conservation maintenance
27 or operating procedures and assesses any need for the acquisition and
28 installation of energy conservation measures, including solar energy
29 and renewable resource measures.

30 (iii) "Energy capital improvement" means the installation, or
31 modification of the installation, of energy conservation measures in
32 a building which measures are primarily intended to reduce energy
33 consumption or allow the use of an alternative energy source.

34 (d) Those energy capital improvements which are identified as
35 being cost-effective in the audits authorized by this section.

36 (e) Purchase or installation of additional major items of
37 equipment and furniture: PROVIDED, That vehicles shall not be
38 purchased with capital projects fund money.

39 (f) (i) Costs associated with implementing technology systems,
40 facilities, and projects, including acquiring hardware, licensing

1 software, and online applications and training related to the
2 installation of the foregoing. However, the software or applications
3 must be an integral part of the district's technology systems,
4 facilities, or projects.

5 (ii) Costs associated with the application and modernization of
6 technology systems for operations and instruction including, but not
7 limited to, the ongoing fees for online applications, subscriptions,
8 or software licenses, including upgrades and incidental services, and
9 ongoing training related to the installation and integration of these
10 products and services. However, to the extent the funds are used for
11 the purpose under this subsection (2)(f)(ii), the school district
12 shall transfer to the district's general fund the portion of the
13 capital projects fund used for this purpose. The office of the
14 superintendent of public instruction shall develop accounting
15 guidelines for these transfers in accordance with internal revenue
16 service regulations.

17 (g) Major equipment repair, painting of facilities, and other
18 major preventative maintenance purposes. However, to the extent the
19 funds are used for the purpose under this subsection (2)(g), the
20 school district shall transfer to the district's general fund the
21 portion of the capital projects fund used for this purpose. The
22 office of the superintendent of public instruction shall develop
23 accounting guidelines for these transfers in accordance with internal
24 revenue service regulations. Based on the district's most recent two-
25 year history of general fund maintenance expenditures, funds used for
26 this purpose may not replace routine annual preventive maintenance
27 expenditures made from the district's general fund.

28 (h) During the 2021-2023 fiscal biennium, renovation and
29 replacement of facilities and systems, purchase or installation of
30 items of equipment and furniture, including maintenance vehicles and
31 machinery, and other preventative maintenance or infrastructure
32 improvement purposes.

33 (3) A debt service fund to provide for tax proceeds, other
34 revenues, and disbursements as authorized in chapter 39.44 RCW. State
35 forestland revenues that are deposited in a school district's debt
36 service fund pursuant to RCW 79.64.110 and to the extent not
37 necessary for payment of debt service on school district bonds may be
38 transferred by the school district into the district's capital
39 projects fund.

1 (4) An associated student body fund as authorized by RCW
2 28A.325.030.

3 (5) Advance refunding bond funds and refunded bond funds to
4 provide for the proceeds and disbursements as authorized in chapter
5 39.53 RCW.

Passed by the Senate April 18, 2023.

Passed by the House April 12, 2023.

Approved by the Governor May 9, 2023.

Filed in Office of Secretary of State May 10, 2023.

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