

# HOUSE BILL REPORT

## HB 1757

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**As Passed House:**  
February 13, 2010

**Title:** An act relating to establishing a small school district contingency fund.

**Brief Description:** Establishing a small school district contingency fund.

**Sponsors:** Representatives Haigh, Haler, Kessler, Takko, Hinkle, Sullivan, McCune, Hunter, Cox, Finn, Priest and Van De Wege.

**Brief History:**

**Committee Activity:**

Education Appropriations: 2/11/09, 2/18/09 [DP]; 1/19/10, 1/21/10 [DP].

**Floor Activity:**

Passed House: 3/3/09, 97-0.

**Floor Activity:**

Passed House: 2/13/10, 90-0.

**Brief Summary of Bill**

- Creates the Small School District Contingency Fund Account (Account) to provide loans to small school districts in financial distress, to be repaid within three years.
- Establishes a contingency fund oversight committee comprised of the superintendents of the nine Educational Service Districts to administer the Account and establish loan application procedures and eligibility maximums.

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### HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

**Majority Report:** Do pass. Signed by 12 members: Representatives Haigh, Chair; Probst, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Carlyle, Haler, Hunter, Kagi, Nealey, Quall, Rolfes and Wallace.

**Staff:** Ben Rarick (786-7349).

**Background:**

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

Small school districts are a prominent feature of Washington's public school system. There are 40 districts in Washington that have fewer than 100 students, and 85 with fewer than 300 students enrolled for the 2007-08 school year. Fifty-one percent of the school districts in Washington have fewer than 1,000 students enrolled, and serve about 5.4 percent of the student population.

The operating budget includes general apportionment formula enhancements for small school districts. The enhancements are projected to cost approximately \$46 million for the 2009-10 school year. The enhancements provide additional staff units for small school districts and remote and necessary school buildings that meet certain enrollment thresholds. For example, a K-6 school with fewer than 25 students receives a minimum of 1.76 certificated instructional full-time employee (FTE) staff and a minimum of .24 administrative staff FTE. During 2004-05 there were seven small districts and eight remote and necessary school buildings with enrollment under 25 FTE, and 32 small districts and four remote and necessary plants with enrollment between 25 and 100 FTE.

Educational Service Districts are regional entities that provide a variety of services to local school districts and communities, including operational support and technical assistance services. There are nine Educational Service Districts located in regions across Washington.

Based on 2007-08 school district financial data, there were two school districts in Washington that completed the school year with a negative fund balance: Montesano (enrollment: 1270) and Evaline (enrollment: 47). There are 10 school districts with fund balances below 2 percent.

**Summary of Bill:**

The bill creates the Small District Contingency Fund Program (Program). The Small School District Contingency Fund Account (Account) is created in the custody of the State Treasurer to implement the Program. The Program provides short-term loans to small school districts facing a temporary short fall in funds relating to unforeseen circumstances. Collective bargaining disputes are excluded from acceptable examples of "unforeseen circumstances."

School districts with fewer than 100 student FTE enrollment are eligible to apply for loans under the Program. Only the Superintendent of Public Instruction or his/her designee may authorize expenditures from the Account, and only at the direction of the contingency fund committee. The contingency fund oversight committee is comprised of the nine superintendents of the Educational Service Districts, and shall oversee the administration of the Program, including setting eligibility parameters and application procedures.

Each district receiving a loan from the Account shall negotiate a repayment plan with the contingency fund committee not to exceed three years.

**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) This fund would provide needed financial relief to small school districts that may be facing financial insolvency. Currently the Office of the Superintendent of Public Instruction can provide apportionment advances but those advances must be repaid within the same year. This type of tool would provide a lending bridge between years.

(Opposed) None

**Persons Testifying:** Representative Haigh, prime sponsor; and Jennifer Priddy, Office of the Superintendent of Public Instruction.

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