

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5978 SB	<b>Title:</b> School district-county loans
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## Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Financial Management	.0	0	0	0	.0	0	0	0	.0	0	0	0
Superintendent of Public Instruction	.1	10,016,250	10,016,250	10,016,250	.0	20,000,000	20,000,000	20,000,000	.0	20,000,000	20,000,000	20,000,000
<b>Total \$</b>	<b>0.1</b>	<b>10,016,250</b>	<b>10,016,250</b>	<b>10,016,250</b>	<b>0.0</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>0.0</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Superintendent of Public Instruction	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Brian Fechter, OFM	<b>Phone:</b> (360) 688-4225	<b>Date Published:</b> Final 2/12/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5978 SB	<b>Title:</b> School district-county loans	<b>Agency:</b> 105-Office of Financial Management
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Alex Fairfortune	Phone: 360-786-7416	Date: 01/15/2024
Agency Preparation: Kathy Cody	Phone: (360) 480-7237	Date: 01/17/2024
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 01/17/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/17/2024

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 2: The Office of the Superintendent of Public Instruction (OSPI) is appropriated \$10,000,000 or as much as necessary, to act as a grantor for a county who is facing long-term financial distress but has agreed to provide a loan to a school district that is binding.

To be eligible for this funding the affected county must sign a request letter for contingent grantor funding, which must be submitted to OFM and the appropriate legislative fiscal and education committees unless it is during legislative session. If it is during session, the impacted county must first notify the legislative fiscal and education committees before sending a letter to OFM.

If contingent guarantor funding is approved, OFM must notify the Legislative Evaluation and Accountability Program Committee and the legislative fiscal and education committees on the amount approved.

OFM doesn't anticipated any fiscal impact associated with receiving the letters or notifying the impacted legislative committees.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5978 SB	<b>Title:</b> School district-county loans	<b>Agency:</b> 350-Superintendent of Public Instruction
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.1	0.1	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	0	10,016,250	10,016,250	20,000,000	20,000,000
<b>Total \$</b>	0	10,016,250	10,016,250	20,000,000	20,000,000

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Alex Fairfortune	Phone: 360-786-7416	Date: 01/15/2024
Agency Preparation: TJ Kelly	Phone: 360 725-6301	Date: 01/17/2024
Agency Approval: Michelle Matakas	Phone: 360 725-6019	Date: 01/17/2024
OFM Review: Brian Fechter	Phone: (360) 688-4225	Date: 01/18/2024

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1 (1) grants OSPI to act as a guarantor for a county that has agreed to provide a loan to a school district that is on binding conditions pursuant to RCW 28a.505.110.

(2) Requires OSPI to write rules to implement this section including a process to determine whether OSPI will act as a guarantor for a county, and a process for enhanced financial oversight if a school district defaults on a loan with a county. Enhanced financial oversight must include a school district submitting a viable two-year financial plan to OSPI within 45 days of default with the county. The section further defines potential activities or restrictions that OSPI can require of or place upon districts under enhanced financial oversight.

Section 2 provides the sum of \$10,000,000, or as much thereof as necessary, is appropriated for the fiscal year ending June 30, 2025, for the purposes of this act. The section further defines the steps that counties and/or OSPI must take before distributing any portion of these funds after a school district is deemed to be in default of the original loan.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

None

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

State expenditures include the \$10,000,000 per fiscal year specifically referenced in section 2 of the bill, plus and additional amount to OSPI for rule making to implement section 2 of the bill. OSPI assumes the total one-time cost of rulemaking activities in fiscal year 2025 only would be approximately \$16,250.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	10,016,250	10,016,250	20,000,000	20,000,000
<b>Total \$</b>			0	10,016,250	10,016,250	20,000,000	20,000,000

**III. B - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.1		
A-Salaries and Wages		9,500	9,500		
B-Employee Benefits		4,750	4,750		
C-Professional Service Contracts					
E-Goods and Other Services		500	500		
G-Travel		500	500		
J-Capital Outlays		1,000	1,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		10,000,000	10,000,000	20,000,000	20,000,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	0	10,016,250	10,016,250	20,000,000	20,000,000

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Program Supervisor, Rules Coordiantor	94,165		0.1	0.1		
<b>Total FTEs</b>			0.1	0.1		0.0

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*



# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 5978 SB

**Title:** School district-county loans

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities:
- Counties: Indeterminate impacts
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: The number and size of school district defaults on loans guaranteed by counties

### Estimated revenue impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

### Estimated expenditure impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

## Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 01/22/2024
Leg. Committee Contact: Alex Fairfortune	Phone: 360-786-7416	Date: 01/15/2024
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/22/2024
OFM Review: Brian Fechter	Phone: (360) 688-4225	Date: 01/22/2024

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

The Office of the Superintendent of Public Instruction (OSPI) is authorized to act as a guarantor for a county that has agreed to provide a loan to a school district that is on binding conditions and facing long-term financial distress.

OSPI must adopt rules to implement this new authority, including a process for how OSPI will determine whether it will act as a guarantor for a county and a process for enhanced financial oversight if a school district defaults on its loan with a county. This enhanced financial oversight must be in place for at least one year and must require the school district to submit a viable two-year financial plan to OSPI within 45 days of a default.

The financial plan must include estimates of revenue, expenditures, enrollment, staffing, and cash flow projections.

Enhanced financial oversight may include, but is not limited to, the following:

- limiting the approval of new contracts, or changes and renewals to existing contracts, without obtaining prior written approval from OSPI;
- OSPI appointing a special administrator to oversee and carry out financial conditions set by OSPI;
- OSPI assuming final approval authority regarding whether administrators should be retained, released, or reassigned duties, as allowed by existing legal agreements; and
- OSPI approving or changing the school district's two-year financial plan to ensure it is viable and sustainable, such as liquidating or disposing of the district's fixed assets and contractual liabilities.

Ten million dollars, or as much as is necessary, is appropriated from the general fund to OSPI for the 2025 fiscal year for the purpose of providing contingent guarantor funding for circumstances when OSPI acts as a guarantor for a county and a school district defaults on its loan.

To be eligible for these funds, a county must sign and submit a request letter for contingent guarantor funding to the Office of Financial Management (OFM) and the appropriate legislative fiscal and education committees. If the emergency occurs during a legislative session, the county must notify the appropriate legislative committees prior to submitting a request to OFM. Requests must include a statement describing the school district's default and long-term financial distress.

OFM must notify the Legislative Evaluation and Accountability Program Committee and the legislative fiscal and education committees if contingent guarantor funding is approved, and include what funded level was approved.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This legislation would have no impact on existing county expenditures.

Counties may experience an indeterminate amount of expenditures in the future related to default by school districts on loans guaranteed by counties. It is not known how many defaults of county guaranteed loans to school districts will occur in upcoming years. In addition, the size of those defaults is also not known. Therefore, the expenditure impacts of this legislation are indeterminate.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This legislation would have no impact on existing county revenue; however, counties may experience an indeterminate increase in revenue in future years from the Office of the Superintendent of Public Instruction (OSPI). Based on their

fiscal note for SB 5978, OSPI anticipates reimbursing counties up to \$10,000,000 per fiscal year, however it is not known how many defaults of county guaranteed loans to school districts will occur in the future. In addition, the size of those defaults is also not known. Therefore, the revenue impacts of this legislation are indeterminate.

**SOURCES:**

Office of the Superintendent of Public Instruction SB 5978 Fiscal Note (2024)

Washington Association of County Officials

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5978 SB	<b>Title:</b> School district-county loans	<b>Agency:</b> SDF-School District Fiscal Note - SPI
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**Estimated Operating Expenditures from:**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

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- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Alex Fairfortune	Phone: 360-786-7416	Date: 01/15/2024
Agency Preparation: Michelle Matakas	Phone: 360 725-6019	Date: 02/01/2024
Agency Approval: TJ Kelly	Phone: (360) 725-6301	Date: 02/01/2024
OFM Review: Kelsey Rote	Phone: (360) 000-0000	Date: 02/01/2024

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1 (1) grants OSPI to act as a guarantor for a county that has agreed to provide a loan to a school district that is on binding conditions pursuant to RCW 28a.505.110.

(2) Requires OSPI to write rules to implement this section including a process to determine whether OSPI will act as a guarantor for a county, and a process for enhanced financial oversight if a school district defaults on a loan with a county. Enhanced financial oversight must include a school district submitting a viable two-year financial plan to OSPI within 45 days of default with the county. The section further defines potential activities or restrictions that OSPI can require of or place upon districts under enhanced financial oversight.

Section 2 provides the sum of \$10,000,000, or as much thereof as necessary, is appropriated for the fiscal year ending June 30, 2025, for the purposes of this act. The section further defines the steps that counties and/or OSPI must take before distributing any portion of these funds after a school district is deemed to be in default of the original loan.

### II. B - Cash receipts Impact

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OSPI assumes that districts will not default on loans with counties therefore this bill is indeterminate. If it should happen, we cannot reasonably project the rate of default nor specific loan amounts in future fiscal years.

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

OSPI assumes that districts will not default on loans with counties therefore this bill is indeterminate. If it should happen, we cannot reasonably project the rate of default nor specific loan amounts in future fiscal years.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

### III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*