

HOUSE BILL REPORT

SHB 1774

As Passed House:

March 11, 2009

Title: An act relating to state forest land revenues for school districts.

Brief Description: Excluding certain state forest land revenues from the basic education allocation.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Haigh, Armstrong, Van De Wege, Morris, Blake, Orcutt and Kristiansen).

Brief History:

Committee Activity:

Education Appropriations: 2/11/09, 2/26/09 [DP];

Ways & Means: 3/2/09 [DPS].

Floor Activity

Passed House: 3/11/09, 86-11.

Brief Summary of Substitute Bill

- Allows 70 percent of revenues generated from the sale of timber on state-owned land to be deducted from the state's general apportionment allocations to school districts.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

Majority Report: Do pass. Signed by 13 members: Representatives Haigh, Chair; Sullivan, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Anderson, Carlyle, Cox, Hunter, Kagi, Probst, Quall, Rolfes and Wallace.

Minority Report: Without recommendation. Signed by 1 member: Representative Haler.

Staff: Ben Rarick (786-7349)

HOUSE COMMITTEE ON WAYS & MEANS

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Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Linville, Chair; Ericks, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Seaquist and Sullivan.

Minority Report: Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Priest, Ross and Schmick.

Staff: Ben Rarick (786-7349)

Background:

There are two types of state-owned forest lands that generate revenues for public schools through the sale of timber: forest board transfer lands and forest board purchase lands. Forest board transfer lands are held as trust lands and administered by the Department of Natural Resources (DNR). The state may not sell these lands; however, the lands may be leased, and timber and other products from the land may be sold. When a revenue-generating activity such as a timber sale occurs on the lands, the DNR may retain up to 25 percent of the proceeds in the Forest Development Account (FDA) for administration, reforestation, and protection of the forests. The balance of the revenue goes to the respective counties and is distributed to the public schools and other entities in proportion to existing tax levies in the taxing district. Forest board transfer lands generated approximately \$49 million in revenue for counties in 2008.

In contrast, forest board purchase lands are acquired by the state by either purchase or gift. Sale of timber from these lands also generates funding for public schools; however, the distribution mechanism is different. The DNR retains 50 percent from sale proceeds in the FDA, and then the other half is divided between the State General Fund for the support of common schools, and the respective county. Forest board purchase lands generated about \$3 million in revenue for counties in 2008.

The portion of these timber revenues sent to school districts is deducted from state general apportionment funding for K-12 education. Therefore, to the impacted school districts, increasing or decreasing timber sales from state forest board lands is primarily a revenue neutral event. Revenue for public schools generated by these two types of state property holdings is projected at approximately \$30 million for the 2009-11 biennium.

Summary of Substitute Bill:

Revenues generated from the sale of timber on state forest board lands may not be deducted from the state general apportionment payments to school districts. Instead, school districts retain the timber revenue funds generated in their county in addition to their general apportionment funding. The net effect is an increase in the cost of the general apportionment program, and an increase in general apportionment revenue to school districts currently receiving revenues from timber sales.

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 (Education Appropriations):

(In support) Mount Baker School District is 600 square miles in Whatcom County and it has five schools. Last year, the state deducted almost \$12 million from school districts' general apportionment payments, and the Mount Baker School District lost over \$1 million alone. This is a lot of money, particularly as a percent of the budget. Originally, this money was deducted because timber districts appeared to be wealthy relative to their peers. However, today, while neighboring districts are able to tax the commercial expansion in their districts, the tax-exempt timber land does not generate revenue. As a result, the program of education is inequitable relative to neighboring districts because it does not include programs like Advanced Placement that require additional financial resources.

Rural districts are in desperate need of additional funding during these difficult economic times. The Sedro-Woolley School District is 400 square miles with 11 schools and 4,000 students. The district is surrounded by timber, not oil refineries or shopping malls, and therefore it is at a disadvantage in terms of its tax base. The district has, over the last five years, had total forest land revenues of \$12 million deducted from its apportionment payments. Sedro-Woolley taxpayers would probably also get some tax relief if the district were able to retain these funds, so it could be a "win-win."

(Opposed) None.

Staff Summary of Public Testimony (Ways & Means):

(In support) This bill is brought to the Legislature out of a sense of fairness. Levy Equalization is not fair, and the levy lids are different across districts. The deduction of timber revenue is another example of this unfairness. These timber districts don't have the same level of taxable property and so they are at a disadvantage financially. Districts like Bremerton get federal impact aid to compensate for the fact that military installations occupy a lot of property in their district. Why shouldn't timber districts receive the same kind of consideration? It is not fair that the state has been living on this money for many years. This bill would reduce the General Fund by \$23 million.

The Mount Baker school district is east of Bellingham, with a boundary against Canada. The district is 600 square miles with a lot of timber. The Mount Baker voters don't have the capacity to fund programs at the same level as districts with significant commercial expansion. The students are essentially penalized for having timber in their county. The lack of funding creates inequities like the lack of Advanced Placement programs or Boys and Girls /Clubs. County transfer lands used to be private lands and were transferred when the owners failed to pay their taxes. They are now in the custody of the state.

(Opposed) None.

Persons Testifying (Education Appropriations): Representative Haigh, prime sponsor; Richard Gantman, Mount Baker School District; and Mark Venn, Sedro-Woolley School District.

Persons Testifying (Ways & Means): Representative Haigh, prime sponsor; and Richard Gantman, Mount Baker School District.

Persons Signed In To Testify But Not Testifying (Education Appropriations): None.

Persons Signed In To Testify But Not Testifying (Ways & Means): None.