HOUSE BILL REPORT
SSB 6727

As Passed House - Amended:
March 5, 1998

Title: An act relating to investments in education.

Brief Description: Modifying the savings incentive and education savings accounts.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators West, Wood, Hale, Kohl, Winsley, Prince, B. Sheldon, McDonald, Brown, Bauer, Rasmussen and Oke).

Brief History:
Committee Activity:
Appropriations: 2/25/98, 2/28/98 [DPA].
Floor Activity:
Passed House - Amended: 3/5/98, 98-0.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 31 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

Staff: Kristen Reiber (786-7148).

Background: Ordinarily, appropriations lapse at the end of the fiscal period for which they are made, and unspent appropriations revert to a non-appropriated status. Legislation enacted in 1997 established two accounts into which unspent general fund appropriations (reversions) may be deposited. First, the Savings Incentive Account receives a portion of the "incentive savings" that remain unexpended by state agencies at the end of each fiscal year. "Incentive savings" are defined to include all unspent general fund appropriations except for appropriations for state debt service, higher education enrollments, caseloads in entitlement programs, retirement contributions, and budget provisos where the agency failed to achieve the purpose of the proviso. Moneys in the Savings Incentive Account are credited to the agency that contributed the moneys, and the moneys may be spent by that agency, without a legislative appropriation, for one-time purposes to improve the quality, efficiency, and effectiveness of services to customers of the state (such as employee training and incentives, technology improvements, new work processes, or performance measurements). Moneys in the Savings Incentive Account cannot be used for new programs or services or to incur ongoing costs requiring future expenditures. Fiscal year 1997 reversions deposited in the Savings Incentive Account totaled $7.2 million.

Second, the Education Savings Account receives all general fund reversions that are not deposited in the Savings Incentive Account. This nonappropriated account may be expended by the State Board of Education for common school construction projects or K-12 technology improvements.

Fiscal year 1997 reversions deposited in the Education Savings Account were $54.1 million, of which $19.7 million was appropriated by the Legislature for technology grants to school districts, for each of fiscal years 1998 and 1999. Additionally, $12.6 million was appropriated to the Common School Construction Account.

Welfare reform legislation enacted in 1997 established the Temporary Assistance to Needy Families program, which includes work and community service requirements.

The distinguished professorship trust fund, the graduate fellowship trust fund, and the college faculty awards trust fund are funds from which state moneys may be distributed on a matching basis. When an institution can match amounts with private donations, moneys are released from the funds to the institution's local endowment fund or its foundation.

Summary of Bill: The definition of incentive savings is clarified to allow administrative savings in entitlement programs to be deposited in the Savings Incentive Account, and the definition of entitlement programs is clarified to include specific appropriations intended for pass-through to third parties. Savings in institutions of higher education and in the Temporary Assistance for Needy Families (TANF) program are excluded from the definition of incentive savings.

The Education Savings Account is made subject to legislative appropriation.

The Higher Education Savings Account is established. A subaccount within the account is created for each institution. To the extent that state institutions of higher education do not fully expend each fiscal year's state general fund appropriations, and to the extent that the Legislature re-appropriates such savings to the higher education savings account, each institution's savings may be recaptured and deposited into the that institution's subaccount. The treasurer shall distribute the moneys as follows: (1) for the subaccounts of the four-year institutions, 75 percent will be deposited into the distinguished professorship trust fund and 25 percent into the graduate fellowship trust fund; and (2) for the subaccounts of the community and technical colleges, moneys will be deposited into the college faculty awards trust fund. Moneys deposited in the trust funds from the subaccounts may be expended only on behalf of the institution whose subaccount contributed to the trust fund.

The WorkFirst Savings Account is established to receive appropriations from savings in the TANF program. To the extent that each fiscal year's state general fund appropriations for TANF are not fully spent, and to the extent that the Legislature re-appropriates such savings to the WorkFirst Savings Account, savings in the TANF program may be recaptured and deposited into the savings account. Expenditures from the WorkFirst Savings Account require an appropriation and may be made only for purposes of TANF.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: (On original bill) The trust fund programs were put in statute more than 10 years ago and the revenue source is sorely needed and appreciated. The community college faculty award should be included. The state has matched 44 professorships and 96 fellowships to date. This is a good, creative approach to encourage professorships and fellowships. The institutions have a backlog of persons wanting to donate money when matching funds become available.

Testimony Against: None.

Testified: Elizabeth Baker, State Board for Community and Technical Colleges; Terry Teale, Council of Presidents; Larry Ganders, Washington State University; and Sherry Burkey, University of Washington.