

# SENATE BILL REPORT

## SSB 6727

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As Passed Senate, February 16, 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:** Ways & Means: 2/4/98, 2/9/98 [DPS].  
Passed Senate, 2/16/98, 47-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6727 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Roach, Rossi, Schow, B. Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

**Staff:** Steve Jones (786-7440)

**Background:** In 1997, the Legislature established the Savings Incentive Account to receive 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 on-going costs requiring future expenditures.

The 1997 Legislature also established the Education Savings Account to receive all General Fund reversions (unspent appropriations) that are not deposited in the Savings Incentive Account. This nonappropriated account may be expended by the 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, leaving a fund balance of \$34.4 million.

**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.

The Education Savings Account is made subject to legislative appropriation. Ten percent of the existing balance in the account and 10 percent of future appropriations are to be divided among three existing state trust funds established for specific higher education purposes: 50 percent for distinguished professorships, 17 percent for graduate fellowships, and 33 percent for community and technical college exceptional faculty awards.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** Providing funding for the three higher education trust funds will allow the institutions to match several hundred pledges from private donors and will provide an important tool for further fund-raising to recruit and retain outstanding faculty members.

**Testimony Against:** None.

**Testified:** PRO: Terry Teale, Council of Presidents; Earl Hale, State Board for Community and Technical Colleges; Larry Ganders, Washington State University; Sherry Burkey, University of Washington; Kim Merriman, The Evergreen State College; George Durrie, Eastern Washington University; Carolyn Clark, Council of Faculty Representatives.

**House Amendment(s):** 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 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.