

SENATE BILL REPORT

ESHB 2163

As Reported by Senate Committee On:
Ways & Means, April 27, 2019

Title: An act relating to transferring extraordinary revenue growth from the budget stabilization account for K-12 education.

Brief Description: Transferring extraordinary revenue growth from the budget stabilization account for K-12 education.

Sponsors: House Committee on Appropriations (originally sponsored by Representative Stokesbary).

Brief History: Passed House: 4/26/19, 93-3.

Committee Activity: Ways & Means: 4/27/19 [DP, DNP, w/oRec].

Brief Summary of Bill

- Authorizes the transfer of \$58.4 million from the Budget Stabilization Account for K-12 hold-harmless appropriations in the 2019-20 and 2020-21 school years.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Braun, Ranking Member; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Palumbo, Pedersen, Van De Wege and Warnick.

Minority Report: Do not pass.

Signed by Senators Mullet, Capital Budget Cabinet; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Rivers and Wilson, L..

Minority Report: That it be referred without recommendation.

Signed by Senators Schoesler and Wagoner.

Staff: Jeffrey Naas (786-7708)

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.

Background: In 2007 the voters ratified a constitutional amendment that created the Budget Stabilization Account (BSA) as Article VII, section 12 of the Washington Constitution. Each year, the State Treasurer must deposit 1 percent of general state revenues (GSR) into the constitutionally created BSA. In general, appropriations from the BSA require a three-fifths majority in each house of the Legislature, but in the case of a catastrophic event or low employment growth, the Legislature may appropriate from the BSA with a constitutional majority vote of each house.

In 2011 the voters ratified an amendment to Article VII, section 12 that required further deposits into the BSA when the state experiences extraordinary revenue growth (ERG). Extraordinary revenue growth is defined as the amount by which the percentage growth of GSR in that biennium exceeds by more than one-third the average percentage growth in GSR over the five previous biennia. In such instances, an amount equivalent to three-quarters of the ERG must be transferred to the BSA only to the extent that it exceeds the required 1 percent transfer, and ERG is not transferred in a biennium that follows a fiscal biennium in which employment growth averaged less than 1 percent per fiscal year.

Summary of Bill: The State Treasurer must transfer \$58.4 million to support K-12 education from the BSA into the GFS before June 30, 2019. The amounts transferred are attributable to extraordinary revenue growth in the 2017-19 biennium. The BSA transfers do not alter the requirement to balance the budget in the ensuing biennium under the state's four-year balanced budget requirement, also known as the state budget outlook.

Appropriates from the GFS \$58.4 million for K-12 hold-harmless payments in the 2019-20 and 2020-21 school years to school districts based on general apportionment, local enrichment levies, and local effort assistance.

Appropriation: The bill contains an appropriation totaling \$58,424,000 from the state general fund.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: This bill would go a long way in easing the transition of funding formula. The hold harmless will help with the transition to the McCleary fix and help offset SEBB and K-3 class size limitations and other financial concerns school districts face. This bill would allow some schools to preserve programs and avoid layoffs for at least one school year while they make program changes to reduce costs. Transitioning to new funding formulas have created challenges at school districts across the state. This one-time assistance would be helpful and the one-time nature of the assistance would be sufficient to meet the needs of school districts. The McCleary changes have been difficult for many districts. This bill will allow school districts more time to deal with the changes that are required.

Persons Testifying: PRO: Charlie Brown, Bethel School District; Melissa Gombosky, Spokane Public Schools; Tom Seigel, Bethel School District; Ruth Ladderud, Walla Walla Public Schools, Board President; Jessica Vavrus, Washington State School Directors' Association; Dave Mastin, OSPI.

Persons Signed In To Testify But Not Testifying: No one.