

HOUSE BILL REPORT

ESHB 2163

As Passed Legislature

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:

Committee Activity:

Appropriations: 4/22/19 [DPS].

Floor Activity:

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

Passed Senate: 4/28/19, 41-7.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Authorizes the transfer of \$58.4 million from the Budget Stabilization Account to support K-12 education.
- Appropriates \$58.4 million for K-12 hold-harmless payments in the 2019-20 and 2020-21 school years to school districts.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair; Robinson, 1st Vice Chair; Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Jenkins, Macri, Pettigrew, Pollet, Ryu, Senn, Springer, Stanford, Sullivan, Tarleton and Tharinger.

Minority Report: Do not pass. Signed by 14 members: Representatives Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Dye, Hoff, Kraft, Mosbrucker, Schmick, Steele, Sutherland, Volz and Ybarra.

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.

Staff: James Mackison (786-7104).

Background:

Budget Stabilization Account.

In 2007 the voters ratified a constitutional amendment that created the Budget Stabilization Account (BSA) as Article VII, section 12 of the Washington Constitution (state Constitution). Each year, the State Treasurer must deposit 1 percent of general state revenues (GSR) into the constitutionally created BSA. The term "general state revenues" is defined in the state Constitution and is generally synonymous with the statutory State General Fund (GFS).

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. In biennia in which the state experiences extraordinary revenue growth (ERG), an amount equivalent to three-quarters of the ERG must be transferred to the BSA. "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. Extraordinary revenue growth is transferred only to the extent that it exceeds the required 1 percent transfer, and the ERG is not transferred in a biennium that follows a fiscal biennium in which employment growth averaged less than 1 percent per fiscal year.

State and Local School Funding.

Public schools in the state are funded by state, local and federal revenue sources. State funding is provided to support the program of basic education, as defined by the Legislature. To determine how much funding is provided for public schools, the state uses a prototypical school formula defined in statute, which reflects the costs of providing basic education.

In addition to state funding, local school districts may collect excess levies, including enrichment levies. Enrichment levies must be used only for enrichment beyond the state's program of basic education. The Legislature limits the amount school districts may collect through their enrichment levies. Local Effort Assistance (LEA) allocations, also known as levy equalization, are provided to districts that are at a relative disadvantage in raising enrichment levies due to lower property values in the district.

Changes were made to state funding formulas in 2017 and 2018 that increase state funding formulas and salary allocations to districts. Local levy limits and LEA formulas were also changed, which reduced the local levies that can be collected beginning in 2019.

Summary of Engrossed Substitute Bill:

The State Treasurer must transfer \$58.424 million from the BSA into the GFS before June 30, 2019, to support K-12 education. The amount transferred is attributable to extraordinary revenue growth in the 2017-19 biennium. The BSA transfer does 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.

The bill appropriates from the GFS \$58.424 million for K-12 hold-harmless payments in the 2019-20 and 2020-21 school years to school districts. Payments are based on general apportionment, local enrichment levies, and LEA in the 2018-19 and 2019-20 school years and levy and LEA payments in the 2019 and 2020 calendar years, as compared to the 2017-18 school year general apportionment and 2018 calendar year levies and LEA.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) The McCleary funding changes were disruptive to school districts. The hold-harmless budget provision contingent on this bill mitigates some of the harm done by the funding changes. Hold-harmless payments to districts are appropriate uses of extraordinary revenue in the BSA, because they provide one-time assistance. The \$58 million amount will not solve every district's need, but it will help. School administrators appreciated the hold-harmless budget amendment and hope it sticks in the final budget.

(Opposed) None.

Persons Testifying: Brian Sims, Washington State School Directors Association; and Dan Steele, Washington Association of School Administrators.

Persons Signed In To Testify But Not Testifying: None.