

# HOUSE BILL REPORT

## SSB 6058

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to the distribution of state property taxes.

**Brief Description:** Modifying the distribution of state property taxes.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Oke; by request of Office of Financial Management).

**Brief History:**

**Committee Activity:**

Finance: 4/26/03 [DPA].

**Brief Summary of Substitute Bill  
(As Amended by House Committee)**

- Suspends the property tax deposit into the Student Achievement Fund for the 2004-05 school year.
- Beginning in fiscal year 2006, if revenues into the Student Achievement Fund are not sufficient to fund the per-student distributions, state property tax revenues will be used to make the distributions.
- Changes the per student allocations from the Student Achievement Fund.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended. Signed by 5 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Conway, Morris and Santos.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern and Roach.

**Staff:** Denise Graham (786-7137).

**Background:**

Before Initiative 728 (I-728), lottery and state property tax revenues were deposited in the state general fund. I-728 was approved by voters in the November 2000 general election. Under the initiative, lottery proceeds and a portion of the state property tax are dedicated for educational purposes by transferring revenues into the Student Achievement Fund (SAF) and the Education Construction Fund (ECF).

Specifically, beginning with school year 2001-02, property taxes equivalent to \$140 per full-time-equivalent (FTE) student were deposited in the SAF for distribution to school districts on per-FTE student basis. Additionally, I-728 directs lottery revenues into the SAF: 50 percent of net revenues for fiscal year 2002, and 75 percent for fiscal years 2003 and 2004. The remaining lottery proceeds for these years are deposited in the ECF, which may be used for K-12 or higher education construction. The lottery revenues deposited into the SAF must also be distributed to school districts on a per-FTE basis.

School districts are authorized to spend SAF moneys on hiring more teachers to reduce class sizes; creating extended learning opportunities for students; making associated necessary capital improvements; providing professional development for educators; and providing early childhood programs. Individual districts decide how to distribute their SAF moneys among these allowable uses.

Beginning in fiscal year 2005, all lottery revenues will be deposited into the ECF and the SAF will be supported strictly through property tax revenues. The per-FTE student deposit from property tax revenues increases to \$450 in school year 2004-05. In subsequent school years, the \$450 per-FTE student allocation to school districts will increase by inflation as measured by the implicit price deflator.

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#### **Summary of Amended Bill:**

The automatic property tax revenue deposit into the SAF is suspended for the 2004-05 school year.

The per student allocation from the Student Achievement Fund is: Determined in the operating budget bill in the 2004-05 school year; \$350 per FTE student in the 2005-06 school year; \$400 per FTE student in the 2006-07 school year; and \$450 per FTE student in the 2007-08 school year. In subsequent school years, the \$450 per student allocation to school districts increases by inflation measured by the implicit price deflator.

Beginning in fiscal year 2006, if sufficient revenues are not generated from sources other than the state property tax, the bill directs the State Treasurer to transfer into the SAF state property tax revenues sufficient to fully fund the per student distributions.

#### **Amended Bill Compared to Substitute Bill:**

The substitute bill continues to provide moneys to the SAF through a property tax revenue transfer; the striking amendment provides funding from property tax revenues and other sources. The striking amendment suspends the automatic property tax deposit for the 2004-05 school year; the substitute bill does not. The substitute bill provides \$254 per student in the 2004-05 school year, the striking amendment provides that the per student allocation for the 2004-05 school year will be determined in the operating budget bill. For the 2005-07 school year, the substitute bill provides \$300 per student, and the striking amendment provides \$350 per student. For the 2006-07 school year, the substitute bill provides \$375 per student and the striking amendment provides \$400 per student. For the 2007-08 school year, both the substitute bill and the striking amendment provide \$450 per student.

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**Appropriation:** None.

**Fiscal Note:** Requested on April 17, 2003.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** None.