
Appropriations Committee

HB 2271

Brief Description: Addressing education funds.

Sponsors: Representatives McIntire, Sommers, Hunter and Fromhold.

Brief Summary of Bill

- Expands the allowable uses of the Student Achievement Fund.
- Allows transfers from the Education Construction Fund to the General Fund-State.
- Deposits revenues from a new on-line lottery game into the Student Achievement Fund.
- Suspends property tax deposits into the Student Achievement Fund for the 2004-05 school year.
- Changes the per student allocations from the Student Achievement Fund.

Hearing Date: 4/22/03

Staff: Denise Graham (786-7137).

Background:

I-728

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.

HB 6560, enacted in 2002, created a new multi-state lottery game. Revenues from this game are deposited in the state general fund with the following exception: When revenues from the regular lottery game to the the SAF and ECF fall below \$102 million, revenues from the multi-state game are used to make up the difference.

Better Schools

The Better Schools Program was created in the 2000 supplemental budget. Appropriations for the Better Schools Program are distributed to school districts for class size reduction on a staff ratio basis, similar to general apportionment. For the 2002-03 school year, the Better Schools allocation is 0.8 certificated instructional staff per 1000 students.

Proposed New Revenue

HB 2213 authorizes a new on-line lottery game with multiple daily drawings. This new game is expected to generate \$37.8 million in net revenue in the 2003-05 biennium.

HB 2267 authorizes an increase in the state retail sales tax of 0.2 percent beginning July 1, 2003, and deposits these revenues into the SAF, increasing SAF revenues by \$350.4 million in the 2003-05 biennium.

Summary of Bill:

After July 1, 2004, the Legislature may transfer lottery revenues from the ECF into the state general fund.

Beginning with the 2004-05 school year, the bill revises the allowable uses of the SAF. First, the Legislature may make appropriations from the SAF for the Better Schools program. Second, the Legislature may make appropriations from the SAF for programs that increase access to higher education, including but not limited to the Washington Promise Scholarship and high-demand enrollments. Third, the Legislature may transfer moneys from the SAF to the state general fund.

The revenues from the new on-line lottery game are deposited into the SAF. Revenues from the new game are not included in the calculation of the \$102 million to the SAF and ECF from the regular and multi-state lottery games.

The property tax revenue deposit into the SAF is suspended for the 2004-05 school year and then resumes in fiscal year 2006.

The per FTE student allocations to school districts are as follows:

- In the 2004-05 school year, \$316.00 from the new on-line lottery game and the new .2 percent retail sales tax;
- in the 2005-06 school year, \$149.00 from the state property tax and \$201.00 from the new on-line lottery game and the new .2 percent retail sales tax, for a total allocation of \$350.00;
- in the 2006-07 school year, \$191.00 from the state property tax and \$209.00 from the new on-line lottery game and the new .2 percent retail sales tax, for a total allocation of \$400.00;
- in the 2007-08 school year, \$232.00 from the state property tax and \$218.00 from the new on-line lottery game and the new .2 percent retail sales tax, for a total allocation of \$450.00; and
- following the 2007-08 school year, the allocations are increased by inflation.

If sufficient revenues are not available from the .2 percent sales tax and the new on-line lottery game, that portion of the per FTE student allocation will be reduced.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect July 1, 2003.