

HOUSE BILL REPORT

HB 2794

As Passed House:
March 5, 2014

Title: An act relating to adjusting the state expenditure limit to accommodate enhancements to the prototypical school funding formula.

Brief Description: Adjusting the state expenditure limit to accommodate enhancements to the prototypical school funding formula.

Sponsors: Representatives Hunter, Ryu, Tarleton, Jinkins, Pollet and Roberts.

Brief History:

Committee Activity:

Appropriations: 3/1/14 [DP].

Floor Activity:

Passed House: 3/5/14, 55-43.

Brief Summary of Bill

- Requires the Expenditure Limit Committee to increase the state expenditure limit to reflect the cost of funding enhancements to the prototypical school funding formula.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 18 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Carlyle, Cody, Dunshee, Green, Haigh, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, Morrell, Pettigrew, Seaquist, Springer, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 13 members: Representatives Chandler, Ranking Minority Member; Ross, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Christian, Dahlquist, Fagan, Haler, Harris, G. Hunt, Parker, Schmick and Taylor.

Staff: Melissa Palmer (786-7388).

Background:

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.

Expenditure Limit.

Initiative 601, enacted in 1993, established an expenditure limit for the State General Fund and placed restrictions on state fees and taxes.

The expenditure limit applies only to the State General Fund expenditures by fiscal year. The annual growth in State General Fund expenditures is limited to the "fiscal growth factor" plus any adjustments as set forth in statute. The fiscal growth factor is based on a 10-year average of state personal income growth.

The Expenditure Limit Committee (ELC) calculates the expenditure limit each November and projects an expenditure limit for the next two fiscal years. The ELC consists of the Director of Financial Management, a designee of the Attorney General, and the chairs and ranking minority members of the Senate Ways & Means and the House Appropriations Committees.

The ELC must adjust the expenditure limit in specific circumstances. The expenditure limit is adjusted downward annually to reflect the extent to which actual State General Fund expenditures in the prior year are less than the maximum amount allowed under the expenditure limit. This is sometimes referred to as rebasing. Other downward adjustments to the spending limit are required when program costs or moneys are shifted out of the State General Fund to other dedicated accounts. Other adjustments (both upward and downward) occur if federal or local government costs are shifted to or from the State General Fund.

Prototypical Schools.

The prototypical school funding formula provides the statutory framework for the state's allocation of funds to support the Instructional Program of Basic Education, including allocations for such programs as the Learning Assistance Program (LAP), the Transitional Bilingual Instruction Program (TBIP), and other categorical programs. The formula includes allocations for various categories of staff based on an assumed school grade level and size, districtwide staff, and administration. For most categorical programs, the allocation is based on assumed hours of supplemental instruction per week.

Legislation enacted in 2009 and 2010 provided for phased-in implementation of changes in both the Instructional Program of Basic Education (Basic Education) program and the funding to support it. Class size reductions for grades kindergarten through 3 and statewide implementation of all-day kindergarten are to be completed by the 2017-18 school year. A new pupil transportation funding formula must be fully implemented in the 2013-15 biennium. Specified increases to support materials, supplies, and operating costs are to be achieved by the 2015-16 school year. In its 2012 ruling and subsequent proceeding, the State Supreme Court has directed the Legislature to provide a plan for funding the 2009 and 2010 changes to Basic Education.

The 2013 State Omnibus Appropriations Act, Chapter 4, Laws of 2013 (3ESSB 5034), included several enhancements to the prototypical school model and Basic Education. The enhancements totaled \$195.77 million State General Fund in fiscal year 2014 and \$412.3 million State General Fund in fiscal year 2015. Additionally, \$373.96 million of Education Legacy Trust Account was provided in the 2013-15 biennium.

Summary of Bill:

For fiscal year 2014 through 2019, the state ELC must increase the state expenditure limit to reflect the cost of funding enhancements to the prototypical school funding formula.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) The interest in this legislation is not to address anything in the supplemental budget this year. Instead, the changes would be in preparation for the Governor's budget next year, which will need to take a major step in addressing the *McCleary* decision. It is hard to imagine a scenario where a reasonable linear phase-in of funding could be met and expenditures would stay under the current expenditure limit. It is incumbent on the Legislature to look at modifying the expenditure limit to accommodate the *McCleary* decision.

(Opposed) None.

Persons Testifying: Representative Hunter, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.