

SENATE BILL REPORT

SB 5063

As Reported by Senate Committee On:
Ways & Means, January 15, 2015

Title: An act relating to prioritizing state revenue growth for education.

Brief Description: Prioritizing state revenue growth for education.

Sponsors: Senators Hill, Benton, Ericksen, Dammeier and Sheldon.

Brief History:

Committee Activity: Ways & Means: 1/13/15, 1/15/15 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5063 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Bailey, Becker, Brown, Hewitt, O'Ban, Parlette, Schoesler and Warnick.

Minority Report: Do not pass.

Signed by Senators Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Billig, Fraser, Hasegawa, Hatfield, Kohl-Welles and Rolfes.

Minority Report: That it be referred without recommendation.

Signed by Senators Hargrove, Ranking Member; Conway and Padden.

Staff: Steve Jones (786-7440)

Background: In 1993 the voters of the state established, by initiative, an expenditure limit for the state general fund. In its current form, the state general fund expenditure limit for any fiscal year is the prior year's expenditure limit, increased by a fiscal growth factor consisting of the average growth in state personal income for the prior ten fiscal years.

Under legislation enacted in 2012, the Legislature must enact a budget bill that leaves a positive ending fund balance in the state general fund and related funds. In addition the projected maintenance level for the budget in the ensuing biennium may not exceed available fiscal resources. Available fiscal resources are the existing fund balances plus the greater of

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(1) the official revenue forecast for the ensuing biennium, or (2) an assumed revenue increase of 4.5 percent for each year of the ensuing biennium. The projected maintenance level is the continuing cost of existing programs and services, monies transferred into the Budget Stabilization Account (BSA), and excluding, for the 2013-15 and 2015-17 biennia, the cost of complying with the constitutional requirement to fund basic education under the McCleary ruling of the state Supreme Court.

Related funds means the Washington Opportunity Pathways Account – state financial aid programs for higher education; and the Education Legacy Trust Account – enhancements to education programs.

Neither the state expenditure limit nor the balanced budget requirement establishes any prioritization of state expenditures for any particular programs or functions.

The Economic and Revenue Forecast Council (ERFC) was established in 1984 to prepare an official state revenue forecast for use in budget preparation by the Governor and the Legislature. ERFC consists of two persons appointed by the Governor, the State Treasurer, and four persons representing the four political caucuses of the Senate and House of Representatives.

BSA, also known as the Rainy Day Fund, was created in the state Constitution in 2007. One percent of general state revenues are deposited into the account each fiscal year. Monies may be withdrawn from the account and appropriated by the Legislature under three circumstances: (1) if the Governor declares an emergency resulting from a catastrophic event; (2) if annual state employment growth is forecast to be less than 1 percent; or (3) if the appropriation is made by a 60 percent vote of each house of the Legislature.

Summary of Bill (Recommended Substitute): From July 1, 2017, through June 30, 2027, two-thirds of any expenditures of new revenue to the state general fund and related funds must be made for state education programs, including K-12 education, early learning programs, and higher education. New revenue includes the existing fund balances and is adjusted for any transfers or diversions to or from the state general fund and related funds, but excludes constitutional transfers to BSA. Excluded from the two-thirds calculation are the costs of new court rulings imposing new state costs, and the cost of extraordinary caseload growth in non-education programs.

The calculations necessary to determine compliance with this requirement are performed by ERFC.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The phrase "low-income" is deleted from the description of preschool and early programs in the intent section of the bill.

In calculating extraordinary caseload growth in non-education spending, the calculation excludes negative growth in state spending that resulted from the use of direct federal stimulus funds during the 2008-13 recession.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect if ratified by the voters at the next general election.

Staff Summary of Public Testimony on Original Bill: PRO: This concept is intended to start the discussion on education funding. Over the last 30 years of state funding, non-education funding has doubled, while education funding has not been prioritized. This proposal only lasts ten years; it is a short-term correction to our priorities. Referral to the voters will allow the citizens of the state to decide this issue. Education is the key to opportunity. Spending on education will produce long-term savings in social service programs. This proposal funds the full continuum of education: early learning, K-12, and higher education. Higher education has been devastated by budget reductions. The boom-and-bust cycle has been unfair to both students and parents. We need to reclaim our lost strength in higher education. This proposal is one part of a larger education funding policy. Early learning programs are the most effective expenditures to promote education. Under current funding levels, disparity is created between well-funded school districts and poorly funded school districts. The *McCleary* decision on the state's paramount duty to provide school funding is put to rest by this proposal. Base funding for social services, as well as education, is not affected by this proposal. Washington State has the most regressive tax system in the nation. More dependable revenue sources are needed.

CON: This bill will squeeze out important social services to children, including housing and food programs. Sick kids can't learn. Programs serving senior citizens will be harmed, and our state's correctional programs will suffer. With significant demographic shifts to an aging population, this bill will not allow those needs to be adequately addressed. Washington State is 48th in the nation for mental health funding, and this bill will make matters worse. Currently mental health programs are adequately funded only as a result of litigation. This proposal would encourage more litigation. By creating an inflexible rule that ties the Legislature's hands, state budgeting will become more difficult, and untenable reductions in social services will result. Social service programs should not be pitted against education. Vulnerable students will be harmed, and the social safety net will be strained.

Persons Testifying: PRO: Senator Hill, prime sponsor; David Buri, Eastern WA University; Cary Evans, Stand for Children; Paul Guppy, WA Policy Center; Neil Strege, WA Roundtable; Doug Nelson, Public School Employees of WA; Chris Mulick, WA State University; Genesee Adkins, University of WA; Paul Francis, Council of Presidents; Arthur West, citizen.

CON: Nick Federici, Our Economic Future Coalition; Mary Clogston, American Association of Retired Persons; Seth Dawson, National Alliance on Mental Illness; Lindsay Grad, Service Employees International Union; Joe Kendo, WA State Labor Council; Bob Cooper, National Assn. of Social Workers.