

SENATE BILL REPORT

SB 6614

As of February 20, 2018

Title: An act relating to funding for the support of common schools.

Brief Description: Concerning funding for the support of common schools.

Sponsors: Senators Mullet, Rolfes, Dhingra and Frockt.

Brief History:

Committee Activity: Ways & Means: 2/20/18.

Brief Summary of Bill

- Reduces the calendar year 2019 state property tax by \$400 million.
- Transfers \$403 million from the budget stabilization account to the state general fund (GFS) for the support of common schools.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: State Property Tax. The Washington State Constitution limits regular property tax levies to a maximum of 1 percent of the property's value—\$10 per \$1,000 of assessed value (AV). In addition to the 1 percent constitutional rate cap, most regular property taxes are subject to a statutory revenue growth limit based on the lesser of inflation or 1 percent.

The state property tax rate in calendar year 2017 was \$1.89 per \$1,000 of AV. Last year, with the enactment of EHB 2242, an additional state property tax was authorized beginning in calendar year 2018 that brings the total aggregate state property tax rate to \$2.70 per \$1,000 AV. The new state property tax is deposited in the GFS. Under EHB 2242, the 1 percent revenue growth limit is also suspended for state taxes levied for collection in calendar year 2018 through 2022.

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

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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. ERG 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. ERG is transferred only to the extent that it exceeds the required 1 percent transfer, and it is not transferred in a biennium that follows a fiscal biennium in which employment growth averaged less than 1 percent per fiscal year.

Summary of Bill: In calendar year 2019, the state property tax is lowered from \$2.70 to \$2.39 per \$1,000 AV. This corresponds to a property tax reduction of approximately \$403 million in calendar year 2019.

The treasurer must transfer \$403 million from the BSA to the GFS—\$213 million in fiscal year 2019, and \$190 million in fiscal year 2020. The revenues must be used for the support of the common schools.

Appropriation: None.

Fiscal Note: Requested on February 19, 2018.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.