

# HOUSE BILL REPORT

## HB 2163

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### As Reported by House Committee On: Appropriations

**Title:** An act relating to transferring extraordinary revenue growth from the budget stabilization account for K-12 education.

**Brief Description:** Transferring extraordinary revenue growth from the budget stabilization account for K-12 education.

**Sponsors:** Representative Stokesbary.

#### **Brief History:**

##### **Committee Activity:**

Appropriations: 4/22/19 [DPS].

#### **Brief Summary of Substitute Bill**

- Authorizes the transfer of \$116.8 million from the Budget Stabilization Account to support K-12 education and career and technical education equipment grants.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair; Robinson, 1st Vice Chair; Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Jinkins, Macri, Pettigrew, Pollet, Ryu, Senn, Springer, Stanford, Sullivan, Tarleton and Tharinger.

**Minority Report:** Do not pass. Signed by 14 members: Representatives Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Dye, Hoff, Kraft, Mosbrucker, Schmick, Steele, Sutherland, Volz and Ybarra.

**Staff:** James Mackison (786-7104).

#### **Background:**

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*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.*

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

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

In the proposed 2019-21 Operating Budget that passed the House of Representatives, \$58.424 million is appropriated to the Superintendent of Public Instruction, contingent on the passage of this bill.

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### **Summary of Substitute Bill:**

The State Treasurer must transfer \$58.424 million to support K-12 education and an additional \$58.424 million for career and technical education equipment grants from the BSA into the GFS before June 30, 2019. The amounts transferred are attributable to extraordinary revenue growth in the 2017-19 biennium. The BSA transfers do not alter the requirement to balance the budget in the ensuing biennium under the state's four-year balanced budget requirement, also known as the state budget outlook.

### **Substitute Bill Compared to Original Bill:**

The substitute bill authorized an additional transfer of \$58.4 million from the Budget Stabilization Account for career and technical education equipment grants.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:**

(In support) The McCleary funding changes were disruptive to school districts. The hold-harmless budget provision contingent on this bill mitigates some of the harm done by the funding changes. Hold-harmless payments to districts are appropriate uses of extraordinary revenue in the BSA, because they provide one-time assistance. The \$58 million amount will not solve every district's need, but it will help. School administrators appreciated the hold-harmless budget amendment and hope it sticks in the final budget.

(Opposed) None.

**Persons Testifying:** Brian Sims, Washington State School Directors Association; and Dan Steele, Washington Association of School Administrators.

**Persons Signed In To Testify But Not Testifying:** None.