



# INITIATIVE MEASURE 884

PROPOSED TO THE PEOPLE

## Official Ballot Title:

Initiative Measure No. 884 concerns dedicating funds designated for educational purposes.

This measure would create an education trust fund for smaller classes, extended learning programs, certain salary increases, preschool access, and expanded college enrollments and scholarships, funded by increasing retail sales tax by 1%.

Should this measure be enacted into law?

Yes [ ] No [ ]

**Note:** The ballot title and explanatory statement were written by the Attorney General as required by law. The Fiscal Impact Statement was written by the Office of Financial Management. For more in-depth Office of Fiscal Management analysis, visit [www.ofm.wa.gov/initiatives/default.htm](http://www.ofm.wa.gov/initiatives/default.htm). The complete text of Initiative Measure 884 begins on page 29.



## Fiscal Impact Statement

### Summary of Fiscal Impact

Initiative 884 would generate approximately \$1 billion in new education funding annually by increasing the state sales/use tax rate from 6.5% to 7.5%. In the first five years of implementation, \$4.7 billion would be distributed as follows:

- \$2.3 billion for K-12 investments in class size reduction, extended learning opportunities, certain salary increases, and professional development.
- \$1.9 billion to increase state-funded higher education enrollments by at least 25,000 students, expand financial aid, and boost state-funded research.
- \$464 million to expand preschool opportunities for low-income three- and four-year old children.
- \$23 million for citizen oversight and statewide projects.

### Assumptions for Analysis of I-884

- A one-penny per dollar increase in the state retail sales and use tax would be effective April 1, 2005, raising the state rate from 6.5 percent to 7.5 percent. The impact of Initiative 884 on individual consumers would depend upon the total amount of taxable goods purchased by the individual in any given year. When applied to a household at the state median income level of about \$50,000 per year, a one-penny per dollar increase in the state sales tax is estimated to result in an additional \$215 per year in state sales tax paid.
- Receipts from the additional sales tax would be deposited into the Washington Education Trust Fund. The additional tax is estimated to generate \$4.7 billion for the fund in the first five years of implementation. Fiscal year revenue and expenditures totals are below (dollars in millions):

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<b>Estimated Revenue</b>					
Increased Sales/Use Tax (1.0% effective 4/1/05) <sup>1</sup>	164.5	1,037.1	1,093.9	1,153.7	1,216.8
<b>Available for Expenditure</b>					
Education Trust Student Achievement Fund	81.8	516.0	544.2	574.0	605.3
Education Trust Higher Education Account	65.5	412.8	435.4	459.2	484.3
Education Trust Early Education Account	16.4	103.2	108.8	114.8	121.1
Citizen Oversight Board & Statewide Projects	0.8	5.2	5.5	5.8	6.1

<sup>1</sup>FY05 totals reflect two months of cash receipts due to the April 1, 2005 effective date.

- Initiative 884 would cap the amount of the state property tax that is dedicated to specific education activities, resulting in an additional \$484.1 million of state property tax revenue for the General Fund during the first five years of implementation. Partly offsetting this additional revenue would be a decrease in general fund sales and use tax collections caused by the estimated impact that a higher sales tax rate would have on consumer spending. The table below illustrates the estimated revenue impact to the state general fund (dollars in millions).

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<b>State General Fund</b>					
Impact on Existing State Sales/Use Tax Collections	(10.8)	(68.1)	(71.8)	(75.7)	(79.9)
Impact on Property Tax Deposits	-	35.5	99.0	166.2	183.5
Total General Fund	(10.8)	(32.6)	27.2	90.4	103.6

- Revenue and expenditure estimates are based on June 2004 forecasts of the Economic and Revenue Forecast Council and the Caseload Forecast Council.



# INITIATIVE MEASURE 884

## **Explanatory Statement**

### **The law as it presently exists:**

Washington has established a number of publicly supported educational institutions at various age and education levels. These include a system of common schools providing kindergarten through high school education, known as "K-12" education. They also include a system of state universities, regional universities, a state college, and community and technical colleges offering opportunities for higher education.

The way that public schools and state-supported institutions of higher education are funded varies from level to level. Preschool programs, serving children not yet old enough for kindergarten, are not as a general rule financially supported by the state. Some public money can be used for this purpose, however. State law authorizes the use of state funds to provide early assistance for children who need particular support before entering kindergarten, and some federal funds are also provided through the Head Start program.

At the K-12 level, the common school system is primarily funded by the state, with revenue derived from the state property tax levy for the support of common schools and other sources. The legislature appropriates funds to the superintendent of public instruction for distribution to individual school districts. Districts also receive additional funding for specific programs under various state laws. Federal funds are provided through a number of federal programs as well. In addition, local districts may levy voter-approved special property taxes, and may also seek funds from private sources.

Higher education at state universities, regional universities, a state college, and community and technical colleges is also supported with state funds. Each institution is assigned an authorized enrollment cap. The state provides funding to the school for each student enrolled up to that cap, in addition to tuition and fees that the school receives from (or on behalf of) the student. This may include public or private scholarship money paid on behalf of a student. If the school enrolls more students than its authorized cap, it receives only the money it collects from (or on behalf of) students, which is less than the full cost of education. Higher educational institutions also have other sources of funds, such as grants, tuition received from out-of-state students, and enrollment that is paid for under a contract (such as by an employer seeking specialized training). Institutions may also receive support from private donations and from foundations formed to manage and invest donated funds.

Funds raised through the state sales tax are not explicitly dedicated to education, but are used to support governmental functions in general, which may include education. The state sales tax is currently 6.5%. The total sales tax paid when buying a taxable product includes the state sales tax plus any additional local sales taxes that have been authorized and adopted at the city or county level. The total sales tax, therefore, varies from place to place around the state, ranging from a low of 8.3% in some parts of the state to a high of 8.9% in some cities and counties.

State public schools and educational institutions and agencies are subject to audit by the Office of the State Auditor.

### **The effect of the proposed measure, if it becomes law:**

This measure would raise the state sales tax by one percentage point, to 7.5%, stating that the new revenue would be dedicated to providing additional financial support for education at all levels. The new revenue would be deposited into a "Washington education trust fund" created by the initiative, and could be used for additional K-12 programs, preschool assistance for low-income children, and higher education. The portion of the new funds that could be used for administration would be limited.

This initiative apportions some of the new funds to K-12 education to be used for additional programs selected by school districts, with citizen input. School districts could use the funds to reduce class sizes, extend the school day or school year, offer all-day kindergarten, provide early assistance for children who need pre-kindergarten support, provide advanced and specialized classes, provide additional counseling, and support parental involvement. The amount of new funding to be distributed to each district would depend on the number of students enrolled, with additional funds provided to districts serving the most academically at risk students.

The initiative also provides that some of these funds are to be used by the legislature to provide pay raises to teachers and other employees of the school districts and of community and technical college districts to a level such that no eligible employee receives less than the increase they would have otherwise received had the legislature not suspended the cost-of-living increases adopted in Initiative 732 for the 2003-2004 and 2004-2005 school or fiscal years. These education funds could also be used to pay teachers for additional time devoted to curriculum and lesson redesign, training, district-approved mentor teaching and principal training programs, supplemental contracts for performing other roles such as coach or mentor, and reimbursing costs for classroom supplies. Teachers who have been specially certified by a national board would receive a \$5,000 bonus each year, with additional bonuses for such teachers who are assigned to teach or mentor teach in high-need schools. These education funds could also be used to support teachers seeking national certification, to support mentor teaching programs, and for scholarships for certain students to pursue teaching degrees.

This measure also apportions some of the new funds to higher education, to be used to support additional higher education enrollments, financial aid programs, and research. Methods of allocating funds among these purposes and among higher educational institutions are specified. The initiative states that the new funding is to produce a minimum of 25,000 additional state-supported positions for student enrollments in higher education.

This measure apportions some of the new funds to providing preschool assistance for low-income children. A new "great beginnings preschool partnership program" would be established to provide voluntary early education services to three- and four-year old children. New revenue would be used to pay all or part of the costs for low-income children on a sliding scale basis, and other children could also participate using other funding, including parent fees. An early education board would be created to: oversee the program; establish early education goals and standards; develop a plan; establish funding criteria and formulas; approve plans submitted by local organizations; oversee expansion of an existing early education program; make recommendations to the governor and legislature; solicit gifts, grants, and other funding; adopt necessary administrative rules; and employ an executive director and staff. This state board would work with local partnership organizations, ordinarily consisting of regional educational service districts, to assess needs and plan for additional early educational services at the local level.

Finally, this measure would establish a citizen oversight board with authority to review expenditures made in accordance with this initiative. The board would be authorized to monitor implementation of the initiative, including providing for financial audits and performance audits, enter into certain contracts, commission projects, make recommendations to the governor and legislature, employ an executive director and staff, and adopt administrative rules. The board would report annually to the public, the governor, and the legislature on progress in implementing the initiative, use of funds derived from the new sales tax mentioned above, and the results of reviews and audits.



## Statement For Initiative Measure 884

### DELIVERING ON OUR PROMISES

For years Olympia politicians have under-funded our schools and compromised the promises we have made to children and families:

*That every child starts school prepared and ready to learn. That class sizes are small, and struggling students get the help they need. That teachers are better paid and supported. That every student who works hard has a place in higher education. That workers can get the retraining they need. That every student who needs it has financial aid.*

### I-884 - THE EDUCATION TRUST - WILL MAKE THESE PROMISES A REALITY

I-884 funds 16,000 lower income kids for quality pre-school every year. I-884 lets schools reduce class sizes, increase teacher pay and help struggling students. I-884 creates 32,000 new state-funded enrollments at 2 and 4-year colleges and universities, and increases both student aid and Promise Scholarships that reward academic achievement.

### AN EDUCATION TRUST PROTECTED FROM POLITICAL MEDDLING

I-884 establishes a dedicated Trust Fund *only* for improvements in pre-school, K-12 and higher education. With a Citizen Board, full accountability, regular audits and oversight by the State Auditor, I-884 builds a firewall between the Trust and the Legislature. Unless we citizens act to protect education, the politicians will keep ignoring the problem.

### DELIVERING ON OUR FUTURE

Education is the key to a better future for our families. Good schools mean good jobs. As Federal Reserve Chairman Alan Greenspan recently said, what's critical for individuals is critical for the economy: "rigorous education and on-going training for all members of the society." Now is the time for citizens to invest in our children and our future.

### VOTE YES ON I-884. LET'S MAKE GOOD ON OUR PROMISES

### Rebuttal of Statement Against

More tired rhetoric from the politicians who failed our children for a decade.

Student funding is below national average, class sizes too large, colleges turn away qualified students. Half the children who need preschool are left out.

Under 884, citizens, and the State Auditor, take control. Public reporting and strict accountability will see that dollars go to classrooms not bureaucracy.

This *one cent* increase builds an Education Trust Fund for children — protected from politicians.

#### Voters' Pamphlet Argument Prepared by:

WILLIAM H. GATES, SR., MEG BUSHNELL, President, Washington State PTA; GARY A. LIVINGSTON, K-12 and higher education leader, Spokane; NICK HANAUER, Chairman, aQuantive, Inc.; PAOLA MARANAN, Children's Alliance; LISA MACFARLANE, League of Education Voters.

## Statement Against Initiative Measure 884

### SKYROCKETING SALES TAXES WILL DEVASTATE WASHINGTON'S SLUGGISH ECONOMY AND HURT STRUGGLING WORKING FAMILIES

Washington already has one of the highest sales taxes in the nation. Now, politicians want it to be *the* highest. Increasing the state sales tax rate by 15% will hurt the poor, cost tens of thousands of jobs, and steer customers to tax-free Oregon and the internet. We're taxed enough. Crushing property taxes, job-killing business taxes, sky-high utility taxes, and hundreds of taxes and fees on virtually every government service. We cannot tax ourselves into prosperity.

### WASHINGTON IS THE 7<sup>TH</sup> HIGHEST TAXED STATE IN THE NATION - WE CAN'T AFFORD BEING #1

Politicians imposed a .3% vehicle sales tax increase last year. Counties are pushing additional sales tax increases this year and Puget Sound politicians have already said they're pursuing an additional .5% sales tax increase next year. I-884's \$1 billion increase is *on top of* those increases. Politicians just don't get it - working families and struggling senior citizens don't have bottomless wallets!

### DON'T LET POLITICIANS HOLD OUR CHILDREN HOSTAGE, DEMANDING A TAX RANSOM FOR A QUALITY EDUCATION

We all know how politicians manipulate us: putting essential services on the ballot while they fund their pet projects with our existing taxes. It's the same old game with I-884. Don't fall for it.

### VOTE NO AND DEMAND THAT EXISTING EDUCATION TAXES BE SPENT IN CLASSROOMS, NOT FOR BUREAUCRACY

We all want our kids to get a quality education. But we already pay *billions* in taxes every year, investing more per student than ever before. More than half is eaten by administration and bureaucracy and many dollars are unaccounted for or wasted on failed programs. I-884 will hurt kids by making the problem worse. More money won't make failed programs work. Vote No and demand that politicians prioritize *existing* dollars on proven academic programs and in the classrooms.

For further information, call 877.257.9156 or visit [www.freedomvoters.org](http://www.freedomvoters.org).

### Rebuttal of Statement For

Imposing the largest tax increase in state history on the people that can least afford to pay, like our fixed-income senior citizens, isn't the solution. Education spending has steadily increased without corresponding student achievement improvement. Don't be misled - I-884 is just another blank check with no reforms, accountability, or prioritization of existing dollars. To improve our economy we need to increase jobs - not taxes - and spend wisely. We're taxed enough. Vote No.

#### Voters' Pamphlet Argument Prepared by:

CLYDE BALLARD, former Speaker of the House of Representatives, Wenatchee; JAMIE DANIELS, Director of Washington CSE/FreedomWorks, parent, Olympia; ROXANNE HUSMANN, farmer, small business owner, community volunteer, Sultan; TOM HUFF, former House Appropriations Chairman and retailer, Gig Harbor; MINNIE KNYCH, former school superintendent and teacher, activist, Friday Harbor.



of the vacancy, a successor shall be elected to that office at that general election. Except during the last year of the term of office, if such a vacancy occurs on or after the sixth Tuesday prior to the ((primary for that)) general election, the election of the successor shall occur at the next succeeding general election. The elected successor shall hold office for the remainder of the unexpired term. This section shall not apply to any vacancy occurring in a charter county ((which)) that has charter provisions inconsistent with this section.

(2) If a vacancy occurs in any legislative office or in any partisan county office after the general election in a year that the position appears on the ballot and before the start of the next term, the term of the successor who is of the same party as the incumbent may commence once he or she has qualified as defined in RCW ((29.01.135)) 29A.04.133 and shall continue through the term for which he or she was elected.

### CODIFICATION AND REPEALS

**NEW SECTION. Sec. 16.** The code reviser shall revise the caption of any section of Title 29A RCW as needed to reflect changes made through this Initiative.

**NEW SECTION. Sec. 17.** The following acts or parts of acts are each repealed:

(1) RCW 29A.04.157 (September primary) and 2003 c 111 s 128;

(2) RCW 29A.28.010 (Major party ticket) and 2003 c 111 s 701, 1990 c 59 s 102, 1977 ex.s. c 329 s 12, & 1965 c 9 s 29.18.150;

(3) RCW 29A.28.020 (Death or disqualification--Correcting ballots--Counting votes already cast) and 2003 c 111 s 702, 2001 c 46 s 4, & 1977 ex.s. c 329 s 13; and

(4) RCW 29A.36.190 (Partisan candidates qualified for general election) and 2003 c 111 s 919.

**NEW SECTION. Sec. 18.** This act takes effect only if the Ninth Circuit Court of Appeals' decision in *Democratic Party of Washington State v. Reed*, 343 F.3d 1198 (9th Cir. 2003) holding the blanket primary election system in Washington state invalid becomes final and a Final Judgment is entered to that effect.



AN ACT Relating to education; amending RCW 28A.505.210, 82.14.410, 84.52.068, 28B.119.010, 43.09.050, 82.08.020, 82.12.045, and 67.28.181; reenacting and amending RCW 43.79A.040; adding new sections to chapter 28A.215 RCW; adding a new section to chapter 82.12 RCW; adding a new chapter to Title 28A RCW; adding a new chapter to Title 28B RCW; adding a new chapter to Title 43 RCW; creating new sections; repealing RCW 28A.215.100, 28A.215.110, 28A.215.120, 28A.215.130, 28A.215.140, 28A.215.150, 28A.215.160, 28A.215.170, 28A.215.180, 28A.215.190, 28A.215.200, 28A.215.900, 28A.215.904, 28A.215.906, and 28A.215.908; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

**NEW SECTION. Sec. 1 FINDINGS.** The people of the state of Washington find that:

(1) To compete successfully in the 21st century economy, Washington's citizens must be equipped with the best education and skills in the nation. Education today requires a seamless, integrated, and connected approach to learning, from early childhood to higher education and beyond.

(2) We are demanding more than ever from students and teachers, but our political leaders have ignored the will of the people and have failed to make the investments called for to meet these demands. The state has fallen behind the nation in funding per student at a time when we have committed ourselves to higher standards for all children.

(3) Too many of this state's kindergartners are not ready for school. Too many children do not read at grade level. Too many children do not graduate from high school. Too many college students need remedial classes and too many leave without degrees.

(4) Thousands of eligible low-income children are denied preschool opportunities that would better prepare them for school. Our students sit in the fourth most crowded classrooms in the nation. The state's colleges and universities cannot accommodate tens of thousands of students expected to graduate from high school in the next few years.

(5) To create the best-prepared work force in the country, to fuel the state's economic development, and to strengthen civic participation of the next generation, we must invest more in early childhood education, K-12, and postsecondary education.

(6) Any new funds raised to improve education must be protected and used only for that purpose.

**NEW SECTION. Sec. 2 INTENT.** (1) It is the intent of the people to create a dedicated education trust fund that will enhance current education funding and make the additional investments needed to help students meet the educational and economic challenges of our time. The education trust fund will operate on three core principles:

(a) **STRATEGIC, TARGETED INVESTMENT.** The education trust fund makes carefully targeted investments to help teachers have the greatest impact on their students and to help families make the greatest gains in access to education and opportunity.



(b) **ACCOUNTABILITY.** The education trust fund will be accountable to the citizens. Its resources will be protected from unauthorized uses or political interference. The education trust fund will include citizen oversight and local control to ensure that resources are spent wisely and appropriately.

(c) **COMMON SENSE INTEGRATION AND EFFICIENCY.** The education trust fund is designed to ensure that early childhood education, K-12, and higher education become more tightly integrated and efficient for the benefit of all children.

(2) In particular, it is the intent of the people through this act to:

(a) Help close the achievement gap by expanding access to high-quality early childhood education programs, particularly for low-income students;

(b) Increase student achievement by reducing class sizes, providing more learning opportunities, and providing additional support for students to meet or exceed higher standards;

(c) Support teachers in the classroom, help deliver on the promise for better pay, and increase professional skill development at all levels;

(d) Make higher education more affordable for working families by expanding promise scholarships and financial aid programs;

(e) Expand college and job training opportunities for students of all ages by funding twenty-five thousand new college enrollments;

(f) Invest in university research that will generate the jobs and economic opportunities of the future;

(g) Promote greater efficiencies within the education system to benefit students and taxpayers; and

(h) Ensure greater accountability in education funding by requiring trust fund recipients to develop and meet key performance benchmarks.

## PART I

### K-12 EDUCATION

#### Education Trust Student Achievement Fund: Reduced Class Size, Extended and Expanded Learning Opportunities, Teacher Support, and Academic Support

Sec. 101 RCW 28A.505.210 and 2001 c 3 s 3 are each amended to read as follows:

School districts shall have the authority to decide the best use of the education trust student achievement ((funds)) fund created in section 504 of this act to assist students in meeting and exceeding the new, higher academic standards in each district consistent with the provisions of ((chapter 3, Laws of 2001)) this act.

(1) Student achievement funds shall be allocated for the following uses:

(a) To reduce class size by:

(i) Hiring certificated elementary classroom teachers in grades K-4 and paying nonemployee-related costs associated with those new teachers;

~~((b) To make))~~ (ii) Making selected reductions in class size in grades 5-12, such as small ~~((high school))~~ math and writing classes;

~~((c))~~ (b) To provide extended and expanded learning opportunities to improve student academic achievement in grades K-12, including, but not limited to~~((;))~~:

(i) Extended school year, extended school day, before-and-after-school programs, special tutoring programs, weekend school

programs, and summer school~~((, and))~~;

~~((d))~~ (ii) Optional all-day kindergarten, with priority given to students eligible for free and reduced-price lunch;

(iii) Early assistance for children who need prekindergarten support in order to be successful in school;

(iv) Providing advanced classes such as advanced placement and dual high school and college credit programs, and adding other course options with an emphasis on subject areas assessed for the certificate of mastery;

(c) To provide additional ~~((professional development for educators, including))~~ direct support for school-based educators through the following:

(i) Additional paid time for curriculum and lesson redesign and alignment~~((;))~~;

(ii) Training to ensure that instruction is aligned with state standards and student needs, reimbursement for higher education costs related to enhancing ~~((teaching))~~ professional skills and knowledge, and ~~((mentoring programs to match teachers with skilled, master teachers:))~~ fees, expenses, and support related to professional certifications;

(iii) Training in effective instructional strategies for certificated instructional staff and classified staff who have instructional responsibilities for special education students or students whose first language is not English;

(iv) Participation in district-approved mentor teacher and principal training programs and supplemental contracts for performing the roles of instructional coach or mentor, for reading, writing, math, and/or science; and

(v) Reimbursement to teachers for approved out-of-pocket costs related to classroom supplies.

(d) To provide additional support for academic success for students through the following activities:

(i) Providing additional student counseling and guidance at all levels to assure student academic success in high school and that students are well-prepared for a variety of postsecondary options;

(ii) Increasing parent involvement through proven strategies tailored to the community and school neighborhood;

(e) The funding in this section shall not be used for salary increases or additional compensation for existing teaching duties, but may be used for extended year and extended day teaching contracts;

~~((c) To provide early assistance for children who need prekindergarten support in order to be successful in school;))~~

(f) To provide improvements or additions to school building facilities which are directly related to the class size reductions and extended learning opportunities under (a) ~~((through (c)))~~ and (b) of this subsection.

(2) Annually on or before May 1st, the school district board of directors shall meet at the time and place designated for the purpose of a public hearing on the proposed plan for the use of these funds to improve student achievement for the coming year. Such plans shall be prepared with citizen participation and will include the rationale for the district's choices among authorized activities in this section, the division of education trust student achievement funds, and benchmarks the district has chosen to track expected improvements in student achievement and instructional effectiveness through the district's selected activities. Any person may appear or by written submission have the opportunity to comment on the proposed plan for the use of these funds. No later than August 31st, as a part of the process under RCW 28A.505.060, each school district shall adopt ~~((a))~~ the plan for the use of these funds for the upcoming school year.

(3) Annually, each school district shall provide to the citizens of



their district a public accounting of the funds made available to the district during the previous school year under chapter 3, Laws of 2001, how the funds were used among the authorized activities, and the progress the district has made in increasing student achievement, as measured by required state assessments and other assessments and benchmarks deemed appropriate by the district. The annual report shall include any proposed amendments for the next year's plan based on the progress towards the district's benchmarks. Copies of this report shall be provided to the education trust citizen oversight board, the superintendent of public instruction, and to the academic achievement and accountability commission.

**NEW SECTION. Sec. 102** Funds from the education trust student achievement fund shall be distributed to school districts in the amounts and manner provided in this section.

(1) Funds from the education trust student achievement fund shall be appropriated to the superintendent of public instruction for distribution to meet the provisions set out in sections 101 through 105 of this act.

(2) The amount of the distribution to each school district shall be based upon the number of average annual full-time equivalent students in the school district for the previous school year as reported to the office of the superintendent of public instruction by August 31st of the previous school year.

(3) For the 2004-05 school year:

(a) An annual amount equal to two hundred fifty-four dollars per full-time equivalent student shall be distributed to each school district.

(b) A one-time amount equal to thirty-five dollars per full-time equivalent student shall be distributed to each school district on an equal per full-time equivalent basis in the months of July and August. It may be used for the local district share of compensation for nonstate funded staff as would be required to match restoration of pay rates provided for by section 104 of this act.

(4) For the 2005-06 school year:

(a) An amount shall be distributed to each school district equal to five hundred twenty dollars per full-time equivalent student.

(b) Each district shall receive an additional amount for district needs related to serving the most academically at risk students, equal to 0.667 times the amount provided in (a) of this subsection times the sum of the school district's percentage of October headcount enrollment in kindergarten through twelfth grade eligible for free and reduced-price lunch from the previous school year plus the annual average percentage of English language learning students enrolled in transitional instructional programs pursuant to chapter 28A.180 RCW from the previous school year.

(5) Each subsequent year following the 2005-06 school year, the amount distributed in subsection (4) of this section shall be adjusted for inflation as defined in RCW 43.135.025(8).

(6) The projected account balance in the education trust student achievement fund shall be set at no less than two percent of projected expenditures from the fund in each of the five subsequent years. If enrollment factors or sales tax collections vary from projections to the extent that the required minimum projected account balance is not maintained or the projected account balance is in excess of the amount necessary to meet the provisions of this

section, RCW 84.52.068, and sections 104 through 108 of this act, any appropriate one-time or long-term adjustments in the amount provided by subsections (4) and (5) of this section shall be recommended by the education trust citizen oversight board to the legislature. The adjustments by the legislature may result in additional appropriations to the superintendent of public instruction, up to the amount recommended by the education trust citizen oversight board, for distribution to school districts in direct proportions to the total of funds distributed in accordance with subsections (4) and (5) of this section, strictly for the uses outlined in section 101 of this act; or the adjustments by the legislature may result in reductions in appropriations up to the amount recommended by the education trust citizen oversight board. Recommendations to the legislature for adjustments in the amount provided by subsections (4) and (5) of this section shall be based on amounts calculated and reported by the office of financial management.

(7) The school district annual amounts as defined in this section shall be distributed on the monthly apportionment schedule as defined in RCW 28A.510.250.

**Sec. 103** RCW 84.52.068 and 2003 1st sp.s. c 19 s 1 are each amended to read as follows:

(1) A portion of the proceeds of the state property tax levy shall be ~~((distributed to school districts))~~ deposited in the education trust student achievement fund in the amounts and in the manner provided in this section.

(2) The amount of the ~~((distribution to each school district))~~ deposit shall be based upon the ~~((average))~~ number of average annual full-time equivalent students in ~~((the))~~ all school districts during the previous school year as reported to the office of the superintendent of public instruction by August 31st of the previous school year, and shall be calculated as follows:

~~(a) ((Out of taxes collected in calendar years 2001 through and including 2003, an annual amount equal to one hundred forty dollars per each full-time equivalent student in all school districts shall be deposited in the student achievement fund to be distributed to each school district based on one hundred forty dollars per full-time equivalent student in the school district for each year beginning with the school year 2001-2002 and through the end of the 2003-2004 school year.~~

~~—(b))~~ For the 2004-2005 and 2005-2006 school years, an annual amount equal to two hundred fifty-four dollars per full-time equivalent student in all school districts shall be deposited in the education trust student achievement fund ~~((to be distributed to each school district based on two hundred fifty-four dollars per full-time equivalent student.~~

~~—(c) For the 2005-2006 school year, an amount equal to three hundred dollars per full-time equivalent student in all school districts shall be deposited in the student achievement fund to be distributed to each school district based on three hundred dollars per full-time equivalent student.~~

~~—(d) For the 2006-2007 school year, an amount equal to three hundred seventy-five dollars per full-time equivalent student in all school districts shall be deposited in the student achievement fund to be distributed to each school district based on three hundred seventy-five dollars per full-time equivalent student.~~

~~—(e) For the 2007-2008 school year, an amount equal to four hundred fifty dollars per full-time equivalent student in all school districts shall be deposited in the student achievement fund to be distributed to each school district based on four hundred fifty dollars per full-time equivalent student).~~

~~((f))~~ (b) Each subsequent year following the ~~((2007-2008))~~



2005-2006 school year, the amount deposited (~~and distributed~~) shall be adjusted for inflation as defined in RCW 43.135.025(8).

~~(3) (For the 2001-2002 through 2003-2004 school years, the office of the superintendent of public instruction shall verify the average number of full-time equivalent students in each school district from the previous school year to the state treasurer by August 1st of each year.~~

~~(4) Beginning with the 2004-2005 school year:~~

~~(a) The annual distributions to each school district shall be based on the average number of full-time equivalent students in the school district from the previous school year as reported to the office of the superintendent of public instruction by August 31st of the previous school year; and~~

~~(b) The school district annual amounts as defined in subsection (2) of this section shall be distributed on the monthly apportionment schedule as defined in RCW 28A.510.250.)~~ The office of the superintendent of public instruction shall notify the department of the monthly amounts to be deposited into the education trust student achievement fund to meet the apportionment schedule distributions pursuant to section 102 of this act.

**NEW SECTION. Sec. 104** The voters of Washington have required the legislature to address the issue of compensation for teachers by adopting Initiative Measure No. 732. However, Initiative Measure No. 732 has been suspended by the legislature for the current (2003-2005) biennium by chapter 20, Laws of 2003 1st sp. sess. Notwithstanding the provisions of chapter 20, Laws of 2003 1st sp. sess., an amount not to exceed ninety-three million dollars per year each year from the education trust student achievement fund shall be used by the legislature to restore, to the degree possible, teachers' and other school employees' rate of pay to a level such that no eligible employee receives less than the increase they would have otherwise received had the 2003-2005 biennium suspension not occurred by chapter 20, Laws of 2003 1st sp. sess. It is not the intent of this act to relieve the responsibility of the legislature established by both the voters and by Article IX of the Washington state Constitution to provide fair and adequate compensation for teachers and other school employees in this state. No further amount of money may be taken from the trust fund or otherwise used to relieve the legislature of its duty to compensate teachers.

**NEW SECTION. Sec. 105** The national board for professional teaching standards awards certificates for teachers who meet high and rigorous standards for what highly accomplished teachers should know and be able to do in order to increase student achievement.

(1) Certificated instructional staff who have attained certification from the national board for professional teaching standards or any successor organization shall receive a bonus of five thousand dollars each year in which they teach or mentor teach and maintain their certification from the national board for professional teaching standards.

(2) Certificated instructional staff who have attained certification from the national board for professional teaching standards or any successor organization and who are assigned to teach or mentor teach in a high need school as defined by the office of the

superintendent of public instruction, shall receive an annual ten thousand dollar bonus in addition to the bonus provided in subsection (1) of this section. This additional bonus shall be paid each year in which they maintain their certification from the national board for professional teaching standards or any successor organization and work in a high need school.

(3) Annual bonuses for certification from the national board for professional teaching standards are provided in addition to compensation received under a district's salary schedule adopted in accordance with RCW 28A.405.200 and shall not be included in calculations of a district's average salary and associated salary limitations under RCW 28A.400.200.

**NEW SECTION. Sec. 106** (1) Amounts from the education trust student achievement fund, not to exceed one-quarter of one percent of the fiscal year amount appropriated for school districts through the education trust student achievement fund may be appropriated to the office of the superintendent of public instruction for the following purposes:

(a) Activities to support teachers pursuing certification through the national board for professional teaching standards; and

(b) Establishing and administering the Washington mentor teacher training program. The Washington mentor teacher training program shall be supported, in part, by participant fees.

(2) The superintendent of public instruction may contract with educational service districts, higher education institutions, or other local providers to deliver these services.

(3) The office of the superintendent of public instruction shall create performance benchmarks for these activities.

**NEW SECTION. Sec. 107** The superintendent of public instruction shall adopt rules including a definition of high need schools as necessary under chapter 34.05 RCW for the administration of sections 101 through 106 of this act. The definition of high need schools shall include no more than twenty-five percent of all schools and designate proportionate numbers of elementary, middle, and high schools as high need. The definition may include, but is not limited to, the following factors as part of a definition of high need school: Percentage of students participating in free and reduced-price lunch programs, percentage of students learning English, and student mobility data.

**NEW SECTION. Sec. 108** Through legislative appropriation not intended to exceed ten million dollars per year from the education trust student achievement fund, the higher education coordinating board may award conditional scholarships to students who have either declared intention to complete an approved preparation program leading to teacher certification with an endorsement in a high need area or who are teachers seeking an additional endorsement in a high need area. The high need endorsement areas shall be identified by the office of the superintendent of public instruction on a biennial basis. Participants in the conditional scholarship program incur an obligation to repay the conditional scholarship, with interest, unless the participant teaches in his or her high need endorsement area for two years in a Washington public school for each year of scholarship received, under rules adopted by the higher education coordinating board.

**NEW SECTION. Sec. 109** Funds from the education trust student achievement fund may only be appropriated for and spent on uses authorized by, and in accordance with, this act.

**NEW SECTION. Sec. 110** Sections 102 and 104 through 109



of this act constitute a new chapter in Title 28A RCW.

**PART II**

**HIGHER EDUCATION**

**Education Trust Higher Education Account: Increased Access, Increased Affordability, and Investment in Economic Development**

**NEW SECTION. Sec. 201** Expenditures from the education trust higher education account shall be for higher education enrollments, financial aid programs, and targeted investments in research carried out at public higher education institutions.

**NEW SECTION. Sec. 202** (1) Money from the education trust higher education account may be appropriated through the operating budget to each public four-year institution, which shall include research and comprehensive universities and The Evergreen State College; the higher education coordinating board; and the state board for community and technical colleges. The appropriations shall be subject to allotment procedures.

(2) For fiscal years 2006 and 2007, sixty-two and fifty one-hundredths percent of the funds in the education trust higher education account shall be used to fund new enrollments. Beginning in fiscal year 2008, sixty-eight and seventy-five one-hundredths percent of the funds in the education trust higher education account shall be used to fund new enrollments.

(a) At least forty-three and seventy-five one-hundredths percent of the funds in the education trust higher education account shall be used to fund new enrollments at the peer average funding rates.

(b) At least eighteen and seventy-five one-hundredths percent of the funds in the education trust higher education account shall be used to fund high demand enrollments.

(c) Beginning in fiscal year 2008, six and twenty-five one-hundredths percent of the funds in the education trust higher education account shall be used to fund additional enrollments to be divided, as determined by the legislature, between new enrollments at the peer average funding rates and high demand enrollments.

(d) Education trust higher education account funding allocated for high demand enrollments shall be appropriated by the legislature, so as to best meet the state's needs, to the higher education coordinating board for public four-year institutions, and the state board for community and technical colleges for public two-year institutions, to be distributed under competitive grant programs administered by those agencies. Funding for high demand enrollment rates may be as high as double the peer average funding level for research universities.

(e) The higher education coordinating board shall report to the legislature and the education trust citizen oversight board on the peer average funding rates\* for each higher education sector or institution by January 31st of each year.

(f) Out of the community and technical colleges peer rate funded enrollment enhancements, an amount not to exceed nineteen million six hundred thousand dollars per year each year from the education trust higher education account shall be used by the legislature to restore, to the degree possible, the rate of pay for employees of community and technical colleges to the level such that community

and technical college employees receive no less than the increased rate that would have otherwise been paid to eligible employees under the provisions of Initiative Measure No. 732, had the 2003-2005 biennium suspension not occurred by chapter 20, Laws of 2003 1st sp. sess.

(3) Beginning in fiscal year 2006, twelve and one-half percent of the funds in the education trust higher education account shall be used to fund financial aid programs currently managed by the higher education coordinating board. The state need grant program shall expand eligibility to sixty-five percent of median family income beginning in fiscal year 2006.

(4) For fiscal years 2006 and 2007, twenty-five percent of the funds in the education trust higher education account shall be used to enhance the capacity to obtain other research funding and to conduct high priority research. Beginning in fiscal year 2008, eighteen and seventy-five one-hundredths percent of the funds in the education trust higher education account shall be used to enhance the capacity to obtain other research funding and to conduct high priority research. Institutional use of the funding shall benefit the state of Washington in one or more of the following ways: Increase the amount of additional nonstate-funded research that will be obtained based upon the investment, support economic activities in regions of the state, and address important economic or public policy issues of the state. The funds shall be distributed in two ways:

(a) Eighty percent of these funds shall be distributed according to the following: (i) Sixty percent of this distribution shall be allocated to the University of Washington; (ii) thirty percent of this distribution shall be allocated to Washington State University; and (iii) ten percent of this distribution shall be distributed among the comprehensive universities and The Evergreen State College.

(b) Twenty percent of these funds shall be allocated to the higher education coordinating board for a competitive research grant pool. Public four-year institutions are eligible to apply for funding and may submit proposals that include cooperative partnerships with private independent institutions.

(5) Education trust higher education account balances in excess of the requirements of section 503(7) of this act may be used to expand access for more students through financial aid programs, additional enrollments, or expansion of the high-demand enrollment pool. The balance may also go towards larger per-student funding rates subject to legislative appropriation and approval by the education trust citizen oversight board. In fiscal years 2006 and 2007, education trust higher education account balances shall be used pursuant to subsection (4) of this section to bring the total allocation up to a maximum expenditure of one hundred million dollars for these years.

(6) The distributions detailed in this section shall produce a minimum of twenty-five thousand additional state-supported higher education full-time equivalent students. The education trust citizen oversight board shall report to the public, governor, legislature, and office of financial management on the number of new full-time equivalent students funded by September 1, 2008.

(7) By September 1, 2008, the higher education coordinating board shall report to the education trust citizen oversight board, governor, legislature, and office of financial management the balance of investments described in this section and suggest changes to the percentages used in this section.

**NEW SECTION. Sec. 203** Public four-year institutions shall institute procedures to track funds appropriated for research and report annually to the education trust citizen oversight board that they are used to fund eligible projects and fields, in accordance with section 202(4) of this act.





Sec. 204 RCW 28B.119.010 and 2003 c 233 s 5 are each amended to read as follows:

The higher education coordinating board shall design the Washington promise scholarship program based on the following parameters:

(1) Scholarships shall be awarded to students graduating from public and approved private high schools under chapter 28A.195 RCW, students participating in home-based instruction as provided in chapter 28A.200 RCW, and persons twenty-one years of age or younger receiving a GED certificate, who meet both an academic and a financial eligibility criteria.

(a) Academic eligibility criteria shall be defined as follows:

(i) Beginning with the graduating class of (~~2002~~) 2006, students graduating from public and approved private high schools under chapter 28A.195 RCW must be in the top (~~fifteen~~) thirty percent of their graduating class, as identified by each respective high school at the completion of the first term of the student's senior year; or

(ii) Students graduating from public high schools, approved private high schools under chapter 28A.195 RCW, students participating in home-based instruction as provided in chapter 28A.200 RCW, and persons twenty-one years of age or younger receiving a GED certificate, must equal or exceed a cumulative scholastic assessment test I score of twelve hundred on their first attempt or must equal or exceed a composite American college test score of twenty-seven on their first attempt.

(b) To meet the financial eligibility criteria, a student's family income shall not exceed one hundred thirty-five percent of the state median family income adjusted for family size, as determined by the higher education coordinating board for each graduating class. Students not meeting the eligibility requirements for the first year of scholarship benefits may reapply for the second year of benefits, but must still meet the income standard set by the board for the student's graduating class.

(2) Promise scholarships are not intended to supplant any grant, scholarship, or tax program related to postsecondary education. If the board finds that promise scholarships supplant or reduce any grant, scholarship, or tax program for categories of students, then the board shall adjust the financial eligibility criteria or the amount of scholarship to the level necessary to avoid supplanting.

(3) Within available funds, each qualifying student shall receive two consecutive annual awards, the value of each not to exceed the full-time annual resident tuition rates charged by Washington's community colleges. The higher education coordinating board shall award scholarships to as many students as possible from among those qualifying under this section.

(4) By October 15th of each year, the board shall determine the award amount of the scholarships, after taking into consideration the availability of funds.

(5) The scholarships may only be used for undergraduate coursework at accredited institutions of higher education in the state of Washington.

(6) The scholarships may be used for undergraduate coursework at Oregon institutions of higher education that are part of the border county higher education opportunity project in RCW 28B.80.806 when those institutions offer programs not available at accredited institutions of higher education in Washington state.

(7) The scholarships may be used for college-related expenses, including but not limited to, tuition, room and board, books, and materials.

(8) The scholarships may not be awarded to any student who is pursuing a degree in theology.

(9) The higher education coordinating board may establish satisfactory progress standards for the continued receipt of the promise scholarship.

(10) The higher education coordinating board shall establish the time frame within which the student must use the scholarship.

**NEW SECTION. Sec. 205** Public four-year institutions shall work with the higher education coordinating board, and the community and technical colleges shall work with the state board for community and technical colleges, to develop performance benchmarks for the investments provided in this act.

**NEW SECTION. Sec. 206** Sections 201 through 203 and 205 of this act constitute a new chapter in Title 28B RCW.

### PART III

## GREAT BEGINNINGS PRESCHOOL PARTNERSHIP PROGRAM

### Education Trust Early Education Account: Increased Access, Increased Quality, and Higher Standards

**NEW SECTION. Sec. 301 PROGRAM DESCRIPTION.** Parents and guardians have primary responsibility to raise, educate, and pass on values to their children; the state and local communities can offer assistance to parents in their role as first teachers by increasing the choice of quality early education programs available to them. Low-income children particularly benefit from high quality early education, however, only half of Washington's eligible low-income children are currently being served. The great beginnings preschool partnership program is therefore established in the office of the governor. The great beginnings preschool partnership program shall:

(1) Help ensure school readiness by providing high quality, voluntary early education services to the state's three- and four-year old children. The education trust early education account funding shall be used to serve low-income children. Education trust early education account funding may be used to pay all or part of eligible children's fees on a sliding scale basis. Children may participate in the program using other funding, including parent fees;

(2) Be research-based and cultivate school-related skills, including cognitive, social, emotional, and physical development, with a focus on language, literacy, and social skills. Additional services necessary to support learning may be provided as needed, including health, nutrition, and family support;

(3) Build upon existing early education programs and funding sources, and education trust early education account funding may be utilized in a variety of settings such as schools, head start programs, early childhood education and assistance programs, and licensed child care facilities; and

(4) Utilize well-qualified teachers, low child-teacher ratios, and appropriate group size; involve families; employ age-appropriate curriculum; and be provided in appropriately equipped facilities.

**NEW SECTION. Sec. 302 GOVERNANCE.** (1) The early education board is created in the office of the governor. The early education board shall meet periodically as needed to carry out the



responsibilities set forth in section 303 of this act. The early education board shall be composed of eleven members appointed for four-year terms.

Eight members shall be appointed by the governor and be representative of persons interested in and knowledgeable about early education. The remaining three members shall be appointed one each by the superintendent of public instruction, by the secretary of the department of social and health services, and by the secretary of the department of health.

(2) The terms of the initial early education board members shall be staggered such that three of the initial board members are appointed to two-year terms, four of the initial board members are appointed to three-year terms, and four of the initial board members are appointed to four-year terms.

(3) The early education board shall receive no salary. Members of the early education board shall be compensated and reimbursed for travel and other expenses as provided in RCW 43.03.240, 43.03.050, and 43.03.060.

**NEW SECTION. Sec. 303 BOARD POWERS AND RESPONSIBILITIES.** The primary responsibilities of the early education board are to:

(1) Ensure that the great beginnings preschool partnership program provides high quality early education services to eligible children;

(2) Establish state early education goals and performance benchmarks, including child outcomes; develop a plan and timeline to meet goals with particular attention to increasing access to high quality preschool programs for low-income children; monitor and measure progress and submit an annual report to the education trust citizen oversight board on the use of education trust early education account funding to meet goals;

(3) Adopt research-based program standards, including teacher qualifications;

(4) Establish eligibility for education trust early education account funding and determine a per capita funding formula for the great beginnings preschool partnership program based on the kindergarten population of each local partnership area, and submit per capita funding formula to the education trust citizen oversight board for approval;

(5) Determine a funding formula for distributing education trust early education account funding to infrastructure investments, including capital and professional development, the early education board deems necessary to expand access to the great beginnings preschool partnership program, and submit funding formula to the education trust citizen oversight board for approval;

(6) Approve plans submitted by the local partnership organizations and provide education trust early education account funding to the local partnership organizations as appropriate to implement plans and serve low-income children;

(7) Oversee the expansion of the early childhood education and assistance program ("ECEAP") set forth in chapter 28A.215 RCW to expand the number of eligible children served to the maximum extent feasible in fiscal years 2006 and 2007. Additional funds shall be provided to allow current and new ECEAP providers to meet early education board established program standards;

(8) Make recommendations to the governor and legislature for the necessary coordination and integration of state early education

and care programs;

(9) Solicit gifts, grants, and other support for the use or benefit of the great beginnings preschool partnership programs; and

(10) Adopt rules and procedures necessary to implement the provisions of this chapter.

**NEW SECTION. Sec. 304 EXECUTIVE DIRECTOR, STAFF—FINANCES.** The early education board shall appoint an executive director, who shall serve at its pleasure and whose salary shall be set by the early education board within the limits established by the committee on agency officials' salaries under RCW 43.03.028, and may employ additional staff subject to legislative appropriation. All costs associated with staff, together with travel expenses in accordance with RCW 43.03.050 and 43.03.060, shall be paid from the education trust early education account, subject to legislative appropriation.

**NEW SECTION. Sec. 305** The early education board and local partnership organizations cumulatively shall spend no more than five percent of funds provided from the education trust early education account on administration to perform the duties specified in sections 303 and 307 of this act.

**NEW SECTION. Sec. 306 LOCAL PARTNERSHIPS.** Local partnership organizations shall be the educational service districts established by chapter 28A.310 RCW. The early education board may select an alternate local partnership organization in an area if another organization can better carry out the responsibilities of the local partnership.

**NEW SECTION. Sec. 307 LOCAL PARTNERSHIP ORGANIZATION RESPONSIBILITIES.** Local partnership organizations shall:

(1) Establish a local advisory council that includes representation from: (a) Early education and care providers and agencies; (b) school districts; (c) community colleges; (d) local head start programs; (e) department of social and health services and local health jurisdictions; (f) local governments; (g) tribes; (h) parents; and (i) others as appropriate;

(2) In the first year of funding:

(a) Conduct a needs assessment of early education and care services available in the educational service district;

(b) Identify service gaps and develop a plan to provide high quality voluntary preschool services to three and four-year olds in the educational service district, with priority given to eligible low-income children;

(c) Determine capital development, professional development, and other infrastructure needed to implement the preschool services plan in the educational service district;

(d) Develop a funding plan that utilizes all available resources for preschool programs;

(e) Submit an integrated plan for the delivery and funding of preschool services and related infrastructure needs to the early education board;

(3) In the subsequent years of funding:

(a) As necessary, conduct additional needs assessments of early education and care services available in the educational service district;

(b) Oversee implementation of the great beginnings preschool partnership program in the educational service district; including mentoring and assisting participating providers in meeting program standards;

(c) Monitor and measure progress in implementing the preschool



services plan and submit an annual report to the early education board; and

(d) Ensure that great beginnings preschool partnership program services are aligned with the local K-12 education system and include effective preschool to kindergarten transition planning.

**NEW SECTION. Sec. 308** Education trust early education account balances shall be used solely for the purposes of this chapter, as determined by the early education board.

**NEW SECTION. Sec. 309** Sections 301 through 308 of this act are each added to chapter 28A.215 RCW.

**NEW SECTION. Sec. 310** The following acts or parts of acts, as now existing or hereafter amended, are each repealed, effective July 1, 2008:

- (1) RCW 28A.215.100 (Intent) and 1994 c 166 s 1 & 1985 c 418 s 1;
- (2) RCW 28A.215.110 (Definitions) and 1999 c 350 s 1, 1994 c 166 s 2, 1990 c 33 s 213, 1988 c 174 s 2, & 1985 c 418 s 2;
- (3) RCW 28A.215.120 (Department of community, trade, and economic development to administer program—Admission and funding) and 1994 c 166 s 4, 1988 c 174 s 3, & 1985 c 418 s 3;
- (4) RCW 28A.215.130 (Approved early childhood programs—Entities eligible to conduct—Use of funds—Requirements for applicants) and 1994 c 166 s 5, 1988 c 174 s 4, & 1985 c 418 s 4;
- (5) RCW 28A.215.140 (Advisory committee—Composition) and 1988 c 174 s 5 & 1985 c 418 s 5;
- (6) RCW 28A.215.150 (Rules) and 1994 c 166 s 6, 1988 c 174 s 6, 1987 c 518 s 101, & 1985 c 418 s 6;
- (7) RCW 28A.215.160 (Review of applications—Award of funds) and 1994 c 166 s 8, 1988 c 174 s 7, & 1985 c 418 s 7;
- (8) RCW 28A.215.170 (Early childhood educational and assistance services—Report to governor) and 1995 c 335 s 501, 1994 c 166 s 9, 1988 c 174 s 8, & 1985 c 418 s 8;
- (9) RCW 28A.215.180 (State support—Priorities—Program funding levels) and 1994 c 166 s 10, 1990 c 33 s 214, 1987 c 518 s 102, & 1985 c 418 s 9;
- (10) RCW 28A.215.190 (Expenses of advisory committee—Reimbursement) and 1985 c 418 s 10;
- (11) RCW 28A.215.200 (Authority to solicit gifts, grants, and support) and 1994 c 166 s 11, 1990 c 33 s 215, 1988 c 174 s 9, & 1985 c 418 s 11;
- (12) RCW 28A.215.900 (Short title—1985 c 418) and 1985 c 418 s 13;
- (13) RCW 28A.215.904 (Contingency—Effective date—1985 c 418) and 1985 c 418 s 12;
- (14) RCW 28A.215.906 (Severability—1985 c 418) and 1985 c 418 s 14; and
- (15) RCW 28A.215.908 (Severability—1988 c 174) and 1988 c 174 s 11.

#### PART IV OVERSIGHT AND ACCOUNTABILITY

##### Citizen Oversight Board: Strong Accountability, Effective Oversight, Independent Audits

**NEW SECTION. Sec. 401** DEFINITIONS. As used in this chapter, “education trust citizen oversight board” or “board” means the board created in section 402 of this act.

**NEW SECTION. Sec. 402** BOARD CREATED. (1) The education trust citizen oversight board is created, composed of eleven voting members and one nonvoting member, appointed as follows:

(a) Eight citizen members with demonstrated leadership in improving education in Washington state. The citizen members shall be appointed by the governor for terms of four years;

(b) Three expert members consisting of:

(i) The superintendent of public instruction or designee;

(ii) A member of the early education board selected by the early education board; and

(iii) A representative of higher education institutions receiving funds from the education trust fund, appointed by the governor;

(c) The state auditor or designee shall be the nonvoting member.

(2) The terms of the initial citizen board members shall be staggered such that one member from each category is appointed to a two-year term, one member from each category is appointed for a three-year term, and one member from each category is appointed for a four-year term.

(3) The citizen members may not be employed by a state agency, state college or university, local school district, or other institution that receives funding authorized in this act, and at least one member should be a parent of a school-aged child.

(4) No member may be appointed for more than two consecutive terms. Appointments for vacancies shall be made for the unexpired terms in the same manner as the original appointment.

(5) The board shall elect a chair from among its members for a two-year term.

(6) The board shall keep proper records and is subject to audit by the state auditor or other auditing entities.

**NEW SECTION. Sec. 403** GENERAL POWERS AND DUTIES. The board shall:

(1) Ensure that the intent of this act is implemented;

(2) Ensure that education trust fund money is spent in accordance with the provisions of this act through financial audits performed by the state auditor as required by state law;

(3) Monitor legislative activities to determine if appropriations are in full compliance with this act;

(4) Establish systemwide performance benchmarks related to student success, such as school readiness, high school graduation rates, and postsecondary remediation rates, for education trust fund expenditures authorized by this act. For colleges and universities that are party to a performance contract, such benchmarks shall be consistent with the provisions of the performance contract guiding the institution;

(5) Receive and review required annual reports for purposes of preparing an annual report and performance of its audit duties;

(6) Determine whether a performance audit of use of education trust funding is necessary, after reviewing required annual reports;

(7) Report annually to the public, governor, and legislature on progress in achieving systemwide performance benchmarks; statewide use of education trust funds; and results of reviews and audits;

(8) Review and approve early education funding formulas based on recommendations from the early education board;

(9) Contract and consult with, to the greatest extent reasonable, private independent professional and technical experts to perform the reviews and performance audits, and to provide other technical



assistance as needed to fulfill the requirements established by this act;

(10) Commission projects, as provided in section 404 of this act;

(11) Adopt rules and procedures necessary to implement the provisions of this chapter relating to the review of required annual reports and audits of education trust funding; and

(12) Make recommendations to the governor and legislature on how best to effectuate purposes of this act with regards to student achievement, and the operation of the education trust fund, including the provisions of section 102 of this act.

**NEW SECTION. Sec. 404 COMMISSIONED PROJECTS.**

The board may commission projects with the funds appropriated for that purpose pursuant to section 503(2) of this act. Projects shall promote a seamless, integrated, and connected education system. Such projects shall be selected based on their capacity to promote successful student transitions between early education, K-12 education, and higher education and make more efficient use of public resources including developing consistent curriculum standards and requirements between high school and postsecondary education and creating programs that reduce the need for remediation.

**NEW SECTION. Sec. 405 EXECUTIVE DIRECTOR, STAFF—FINANCES.** The board shall appoint an executive director, who shall serve at its pleasure and whose salary shall be set by the board within the limits established by the committee on agency officials' salaries under RCW 43.03.028, and may employ additional staff subject to legislative appropriation. All costs associated with staff, together with travel expenses in accordance with RCW 43.03.050 and 43.03.060, shall be paid from the Washington education trust fund, subject to legislative appropriation. To the greatest extent possible the board shall rely on staff from existing agencies and boards.

**NEW SECTION. Sec. 406 MEETINGS.** The board shall meet at least semiannually and at the call of its chair and shall from time to time adopt rules for its own governance and as may be necessary for it to discharge its duties and exercise its powers under this chapter.

**NEW SECTION. Sec. 407 BOARD MEMBER EXPENSES.** The board shall receive no salary. Members of the board shall be compensated and reimbursed for travel incurred in going to, attending, and returning from meetings of the board or that are incurred in the discharge of duties requested by the chair, and other expenses as provided in RCW 43.03.240, 43.03.050, and 43.03.060. However, in no event may a board member be compensated in any year for more than one hundred twenty days, except the chair may be compensated for not more than one hundred fifty days. Service on the board does not qualify as a service credit for the purposes of a public retirement system.

**Sec. 408** RCW 43.09.050 and 1992 c 118 s 6 are each amended to read as follows:

The auditor shall:

(1) Except as otherwise specifically provided by law, audit the accounts of all collectors of the revenue and other holders of public money required by law to pay the same into the treasury;

(2) In his or her discretion, inspect the books of any person charged with the receipt, safekeeping, and disbursement of public moneys;

(3) Investigate improper governmental activity under chapter 42.40 RCW;

(4) Inform the attorney general in writing of the necessity for the attorney general to direct prosecutions in the name of the state for all official delinquencies in relation to the assessment, collection, and payment of the revenue, against all persons who, by any means, become possessed of public money or property, and fail to pay over or deliver the same, and against all debtors of the state;

(5) Give information in writing to the legislature, whenever required, upon any subject relating to the financial affairs of the state, or touching any duties of his or her office;

(6) Report to the director of financial management in writing the names of all persons who have received any moneys belonging to the state, and have not accounted therefor;

(7) Authenticate with his or her official seal papers issued from his or her office;

(8) Verify and report to the education trust citizen oversight board, the director of financial management, and the legislature in writing regarding the maintenance of effort requirements established by section 503 of this act:

(9) Make his or her official report annually on or before the 31st of December.

**PART V**

**REVENUE AND ACCOUNT STRUCTURE**

**Washington Education Trust Fund: Dedicated and Protected, No Supplanting, Limits on Administration**

**Sec. 501** RCW 82.08.020 and 2003 c 361 s 301 are each amended to read as follows:

(1) There is levied and there shall be collected a tax on each retail sale in this state equal to six and five-tenths percent of the selling price.

(2) There is levied and there shall be collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection (2) shall be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection (3) shall be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, off-road and nonhighway vehicles as defined in RCW 46.09.020, and snowmobiles as defined in RCW 46.10.010.

(5) Beginning April 1, 2005, there is levied for the purpose of targeted investments set forth in the Washington education trust fund and there shall be collected an additional tax on each retail sale in this state equal to one percent of the selling price. The



revenue collected under this subsection (5) shall be deposited in the Washington education trust fund created in section 503 of this act.

(6) The taxes imposed under this chapter shall apply to successive retail sales of the same property.

((6)) (7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

**NEW SECTION. Sec. 502** A new section is added to chapter 82.12 RCW to read as follows:

The use tax revenue collected on the rate provided in RCW 82.08.020(5) shall be deposited in the Washington education trust fund created in section 503 of this act.

**NEW SECTION. Sec. 503** (1) The Washington education trust fund is created in the custody of the state treasurer. All moneys in the Washington education trust fund shall be spent solely for the purposes set forth in this act for distribution to the education trust student achievement fund, the education trust higher education account, and the education trust early education account, and for the specified functions of the board.

(2) The money collected under RCW 82.08.020(5) shall be deposited into the Washington education trust fund, and after deducting the funds appropriated to the education trust citizen oversight board for its operation including the cost of audits and the systemwide projects provided for in section 404 of this act, not to exceed one-half of one percent, the money shall be distributed monthly as follows: (a) Fifty percent shall be distributed to the education trust student achievement fund created under section 504 of this act; (b) forty percent shall be distributed to the education trust higher education account created under section 505 of this act; and (c) ten percent shall be distributed to the education trust early education account created under section 506 of this act.

(3) Appropriations to the board for the purposes specified in section 403 of this act, excluding funding for systemwide projects provided by section 404 of this act, may not exceed one-twelfth of one percent of moneys collected.

(4) No agency receiving trust funds may spend more than five percent of these funds for administration.

(5) All investment income in the Washington education trust fund shall be distributed at the beginning of each fiscal year in their proportionate amounts into the education trust student achievement fund, the education trust higher education account, and the education trust early education account.

(6) Existing state funding for education, including all sources of such state funding, shall not be reduced, supplanted, or otherwise adversely impacted by distributions from the Washington education trust fund in this section, appropriations and expenditures from the education trust student achievement fund in section 504 of this act, appropriations and expenditures from the education trust higher education account in section 505 of this act, and appropriations and expenditures from the education trust early education account in section 506 of this act. The fiscal year 2005 total level of state funding for higher education and early childhood education assistance programs and the 2004-05 school year total level of state funding per student for K-12 shall be maintained in each subsequent year. In addition to the provisions herein which prohibit reducing,

supplanting, or otherwise adversely affecting existing state funding for education, before funds from the education trust funds described in this section may be appropriated, state general funds must be appropriated to maintain or increase the:

(a) Per-student transfer amount for the 2004-05 school year and subsequent years into the education trust student achievement fund pursuant to RCW 84.52.068 and staffing ratios utilized in the general apportionment allocation for the 2004-05 school year;

(b) Amount of state general fund support for early education appropriated in fiscal year 2005 for the early childhood education assistance program; and

(c) State general fund support for institutions of higher education at the levels funded in the fiscal year beginning July 1, 2004, and the state general fund funding per student in the fiscal year beginning July 1, 2004.

(7) Beginning with the fiscal year that begins on July 1, 2006, the education trust student achievement fund created under section 504 of this act, the education trust higher education account created under section 505 of this act, and the education trust early education account created under section 506 of this act shall each maintain at least two percent of the total money collected in each account in the previous fiscal year for expenditure pursuant to an appropriation after a finding of an emergency by the legislature. The office of financial management shall determine if the total amount of money in each account exceeds two percent of the total collected in each account in the previous fiscal year.

(8) All administrative provisions in chapters 82.03, 82.08, 82.12, and 82.32 RCW, as they now exist or may hereafter be amended, shall, insofar as they are applicable to state sales and use taxes, be applicable to taxes imposed pursuant to this chapter.

**NEW SECTION. Sec. 504** The education trust student achievement fund is created in the custody of the state treasurer. On January 2, 2005, and quarterly thereafter, all funds in the student achievement fund, created in RCW 43.135.045, shall be transferred by the state treasurer to the education trust student achievement fund for the uses outlined in this act. Money in the account is subject to appropriation and allotment of all expenditures. Expenditures from the account may be used only for programs and services provided in sections 101 through 108 of this act.

**NEW SECTION. Sec. 505** The education trust higher education account is created in the custody of the state treasurer. Money in the account is subject to appropriation and allotment of all expenditures. Expenditures from the account may be used only for programs and services provided in sections 201 through 205 of this act.

**NEW SECTION. Sec. 506** The education trust early education account is created in the custody of the state treasurer. Money in the account is subject to appropriation and allotment of all expenditures. Expenditures from the account may be used only for programs and services provided in sections 301 through 307 of this act.

**NEW SECTION. Sec. 507** The state legislature shall, at each regular session in an odd-numbered year, appropriate from the education trust early education account, the education trust student achievement fund, and the education trust higher education account, solely for the purposes of and in accordance with the provisions of this act during the ensuing biennium.

**Sec. 508** RCW 43.79A.040 and 2003 c 403 s 9, 2003 c 313 s 10,



2003 c 191 s 7, 2003 c 148 s 15, 2003 c 92 s 8, and 2003 c 19 s 12 are each reenacted and amended to read as follows:

(1) Money in the treasurer's trust fund may be deposited, invested, and reinvested by the state treasurer in accordance with RCW 43.84.080 in the same manner and to the same extent as if the money were in the state treasury.

(2) All income received from investment of the treasurer's trust fund shall be set aside in an account in the treasury trust fund to be known as the investment income account.

(3) The investment income account may be utilized for the payment of purchased banking services on behalf of treasurer's trust funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasurer or affected state agencies. The investment income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) (a) Monthly, the state treasurer shall distribute the earnings credited to the investment income account to the state general fund except under (b) and (c) of this subsection.

(b) The following accounts and funds shall receive their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The Washington promise scholarship account, the college savings program account, the Washington advanced college tuition payment program account, the Washington education trust fund, the education trust student achievement fund, the education trust higher education account, the education trust early education account, the agricultural local fund, the American Indian scholarship endowment fund, the students with dependents grant account, the basic health plan self-insurance reserve account, the contract harvesting revolving account, the Washington state combined fund drive account, the Washington international exchange scholarship endowment fund, the developmental disabilities endowment trust fund, the energy account, the fair fund, the fruit and vegetable inspection account, the game farm alternative account, the grain inspection revolving fund, the juvenile accountability incentive account, the law enforcement officers' and fire fighters' plan 2 expense fund, the local tourism promotion account, the produce railcar pool account, the rural rehabilitation account, the stadium and exhibition center account, the youth athletic facility account, the self-insurance revolving fund, the sulfur dioxide abatement account, the children's trust fund, and the investing in innovation account. However, the earnings to be distributed shall first be reduced by the allocation to the state treasurer's service fund pursuant to RCW 43.08.190.

(c) The following accounts and funds shall receive eighty percent of their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The advanced right of way revolving fund, the advanced environmental mitigation revolving account, the city and county advance right-of-way revolving fund, the federal narcotics asset forfeitures account, the high occupancy vehicle account, the local rail service assistance account, and the miscellaneous transportation programs account.

(5) In conformance with Article II, section 37 of the state Constitution, no trust accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

**Sec. 509** RCW 82.12.045 and 2003 c 361 s 303 are each amended

to read as follows:

(1) In the collection of the use tax on motor vehicles, the department of revenue may designate the county auditors of the several counties of the state as its collecting agents. Upon such designation, it shall be the duty of each county auditor to collect the tax at the time an applicant applies for the registration of, and transfer of title to, the motor vehicle, except in the following instances:

(a) Where the applicant exhibits a dealer's report of sale showing that the retail sales tax has been collected by the dealer;

(b) Where the application is for the renewal of registration;

(c) Where the applicant presents a written statement signed by the department of revenue, or its duly authorized agent showing that no use tax is legally due; or

(d) Where the applicant presents satisfactory evidence showing that the retail sales tax or the use tax has been paid by the applicant on the vehicle in question.

(2) The term "motor vehicle," as used in this section means and includes all motor vehicles, trailers and semitrailers used, or of a type designed primarily to be used, upon the public streets and highways, for the convenience or pleasure of the owner, or for the conveyance, for hire or otherwise, of persons or property, including fixed loads, facilities for human habitation, and vehicles carrying exempt licenses.

(3) It shall be the duty of every applicant for registration and transfer of certificate of title who is subject to payment of tax under this section to declare upon the application the value of the vehicle for which application is made, which shall consist of the consideration paid or contracted to be paid therefor.

(4) Each county auditor who acts as agent of the department of revenue shall at the time of remitting license fee receipts on motor vehicles subject to the provisions of this section pay over and account to the state treasurer for all use tax revenue collected under this section, after first deducting as a collection fee the sum of two dollars for each motor vehicle upon which the tax has been collected. All revenue received by the state treasurer under this section shall be credited to the general fund. The auditor's collection fee shall be deposited in the county current expense fund. A duplicate of the county auditor's transmittal report to the state treasurer shall be forwarded forthwith to the department of revenue.

(5) Any applicant who has paid use tax to a county auditor under this section may apply to the department of revenue for refund thereof if he or she has reason to believe that such tax was not legally due and owing. No refund shall be allowed unless application therefor is received by the department of revenue within the statutory period for assessment of taxes, penalties, or interest prescribed by RCW 82.32.050(3). Upon receipt of an application for refund the department of revenue shall consider the same and issue its order either granting or denying it and if refund is denied the taxpayer shall have the right of appeal as provided in RCW 82.32.170, 82.32.180 and 82.32.190.

(6) The provisions of this section shall be construed as cumulative of other methods prescribed in chapters 82.04 to 82.32 RCW, inclusive, for the collection of the tax imposed by this chapter. The department of revenue shall have power to promulgate such rules as may be necessary to administer the provisions of this section. Any duties required by this section to be performed by the county auditor may be performed by the director of licensing but no collection fee shall be deductible by said director in remitting use tax revenue to the state treasurer.

(7) The use tax revenue collected on the rate provided in RCW 82.08.020(3) shall be deposited in the multimodal transportation account under RCW 47.66.070.



(8) The use tax revenue collected on the rate provided in RCW 82.08.020(5) shall be deposited in the Washington education trust fund created in section 503 of this act.

**Sec. 510** RCW 67.28.181 and 1998 c 35 s 1 are each amended to read as follows:

(1) The legislative body of any municipality may impose an excise tax on the sale of or charge made for the furnishing of lodging that is subject to tax under chapter 82.08 RCW. The rate of tax shall not exceed the lesser of two percent or a rate that, when combined with all other taxes imposed upon sales of lodging within the municipality under this chapter and chapters 36.100, 67.40, 82.08, and 82.14 RCW, equals ~~((twelve))~~ thirteen percent. A tax under this chapter shall not be imposed in increments smaller than tenths of a percent.

(2) Notwithstanding subsection (1) of this section:

(a) If a municipality was authorized to impose taxes under this chapter or RCW 67.40.100 or both with a total rate exceeding four percent before July 27, 1997, such total authorization shall continue through January 1, 1999, and thereafter the municipality may impose a tax under this section at a rate not exceeding the rate actually imposed by the municipality on January 1, 1999.

(b) If a city or town, other than a municipality imposing a tax under (a) of this subsection, is located in a county that imposed taxes under this chapter with a total rate of four percent or more on January 1, 1997, the city or town may not impose a tax under this section.

(c) If a city has a population of four hundred thousand or more and is located in a county with a population of one million or more, the rate of tax imposed under this chapter by the city shall not exceed the lesser of four percent or a rate that, when combined with all other taxes imposed upon sales of lodging in the municipality under this chapter and chapters 36.100, 67.40, 82.08, and 82.14 RCW, equals ~~((fifteen))~~ sixteen and two-tenths percent.

(d) If a municipality was authorized to impose taxes under this chapter or RCW 67.40.100, or both, at a rate equal to six percent before January 1, 1998, the municipality may impose a tax under this section at a rate not exceeding the rate actually imposed by the municipality on January 1, 1998.

(3) Any county ordinance or resolution adopted under this section shall contain a provision allowing a credit against the county tax for the full amount of any city or town tax imposed under this section upon the same taxable event.

**Sec. 511.** RCW 82.14.410 and 2001 c 6 s 1 are each amended to read as follows:

(1) A local sales and use tax change adopted after December 1, 2000, must provide an exemption for those sales of lodging for which, but for the exemption, the total sales tax rate imposed on sales of lodging would exceed the greater of:

(a) ~~((Twelve))~~ Thirteen percent; or

(b) The total sales tax rate that would have applied to the sale of lodging if the sale were made on December 1, 2000.

(2) For the purposes of this section:

(a) "Local sales and use tax change" is defined as provided in RCW 82.14.055.

(b) "Sale of lodging" means the sale of or charge made for the

furnishing of lodging and all other services by a hotel, rooming house, tourist court, motel, trailer camp, and the granting of any similar license to use real property.

(c) "Total sales tax rate" means the combined rates of all state and local taxes imposed under this chapter and chapters 36.100, 67.28, 67.40, and 82.08 RCW, and any other tax authorized after March 29, 2001, if the tax is in the nature of a sales tax collected from the buyer, but excluding taxes imposed under RCW 81.104.170 before December 1, 2000.

**NEW SECTION. Sec. 512** Sections 401 through 407 and 503 through 507 of this act constitute a new chapter in Title 43 RCW.

## PART VI

### MISCELLANEOUS

**NEW SECTION. Sec. 601** Captions and part headings used in this act are not any part of the law.

**NEW SECTION. Sec. 602** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

**NEW SECTION. Sec. 603** This act takes effect January 1, 2005.

## PLEASE NOTE

In the text of the measures, any language in double parentheses with a line through it is existing state law and will be taken out of the law if the measure is approved by voters. Any underlined language does not appear in current state law but will be added to the law if the measure is approved by voters.