
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-1159.4/04 4th draft

ATTY/TYPIST: RJS:ads

BRIEF DESCRIPTION: Establishing the Washington education trust fund to increase investments in access to early education, enhance K-12 programs, and increase access to postsecondary education work force training programs.

1 AN ACT Relating to education; amending RCW 84.52.068, 28A.505.210,
2 43.135.045, 28B.119.010, 43.09.050, 82.08.020, 82.12.045, and
3 67.28.181; reenacting and amending RCW 43.135.045, 82.12.020, and
4 43.79A.040; adding a new section to chapter 28A.505 RCW; adding a new
5 section to chapter 28B.80 RCW; adding new sections to chapter 28A.215
6 RCW; adding a new chapter to Title 28A RCW; adding a new chapter to
7 Title 28B RCW; adding a new chapter to Title 43 RCW; creating new
8 sections; repealing RCW 28A.215.100, 28A.215.110, 28A.215.120,
9 28A.215.130, 28A.215.140, 28A.215.150, 28A.215.160, 28A.215.170,
10 28A.215.180, 28A.215.190, 28A.215.200, 28A.215.900, 28A.215.904,
11 28A.215.906, and 28A.215.908; providing contingent effective dates;
12 providing an expiration date; and providing for submission of this act
13 to a vote of the people.

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

15 NEW SECTION. **Sec. 1.** FINDINGS. The legislature finds that the
16 role of our schools is crucial in today's knowledge-based economy. The
17 vitality of local business, Washington's ability to compete in a global
18 market, and the well-being of our citizens depend on public schools
19 that support student achievement and give students from early childhood

1 to postsecondary education the tools to be successful. The
2 requirements of the job market have increased, and a high school
3 diploma is no longer sufficient to find employment. Education and work
4 training beyond high school are required to qualify for most family-
5 wage jobs and for the ongoing training required to keep those jobs.
6 Economic development is spurred by research in our state universities.
7 Public schools at all levels are key to the growth of our economy.

8 NEW SECTION. **Sec. 2.** INTENT. It is the intent of the legislature
9 through this act to provide more effective learning opportunities for
10 students from early learning, through K-12, to postsecondary education
11 programs through the following:

12 (1) Increase access to high quality early childhood education
13 programs, particularly for low-income students who tend to start school
14 far behind their peers;

15 (2) Enhance K-12 programs to help our teachers and schools meet
16 today's higher expectations and academic standards;

17 (3) Increase access to postsecondary and work training
18 opportunities for students of all ages;

19 (4) Increase affordability of higher education opportunities for
20 students and their families;

21 (5) Invest in university-based research programs that fuel our
22 economic development in Washington state;

23 (6) Improve student success by removing barriers between systems
24 and ensuring that students are well-prepared for all stages of learning
25 and life;

26 (7) Ensure greater accountability, cooperation, and efficiency by
27 requiring trust fund recipients to develop and meet key performance
28 benchmarks.

PART I
K-12 EDUCATION

Sec. 101. 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 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 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~~

1 ~~distributed to each school district based on three hundred seventy-five~~
2 ~~dollars per full-time equivalent student.~~

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

8 ~~((f))~~ (b) Each subsequent year following the ~~((2007-2008))~~
9 2005-2006 school year, the amount deposited ~~((and distributed))~~ shall
10 be adjusted for inflation as defined in RCW 43.135.025(8).

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

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

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

22 ~~(b) The school district annual amounts as defined in subsection (2)~~
23 ~~of this section shall be distributed on the monthly apportionment~~
24 ~~schedule as defined in RCW 28A.510.250.))~~ The office of the
25 superintendent of public instruction shall notify the department of the
26 monthly amounts to be deposited into the student achievement fund to
27 meet the apportionment schedule distributions pursuant to section 103
28 of this act.

29 NEW SECTION. Sec. 102. (1) A portion of the proceeds of the
30 education trust K-12 account shall be transferred to the student
31 achievement fund in the amounts and in the manner provided in this
32 section.

33 (2) An amount shall be transferred based upon the number of average
34 annual full-time equivalent students in all school districts during the
35 previous school year as reported to the office of the superintendent of
36 public instruction by August 31st of the previous school year.

1 (a) For the 2005-06 school year, an annual amount equal to two
2 hundred forty-six dollars per full-time equivalent student in all
3 school districts shall be transferred to the student achievement fund.

4 (b) Each subsequent year following the 2005-06 school year, the
5 amounts deposited shall be adjusted for inflation as defined in RCW
6 43.135.025(8).

7 (3) To address districts' needs, an additional amount shall be
8 transferred based upon the total weighted full-time equivalent
9 enrollment for all school districts. A school district's weighted
10 enrollment is defined as the district's enrollment pursuant to
11 subsection (2) of this section times the sum of the school district's
12 percentage of October headcount enrollment in kindergarten through
13 twelfth grade eligible for free and reduced-price lunch from the
14 previous school year plus the annual average percentage of students in
15 the transitional bilingual instructional program from the previous
16 school year.

17 (a) For the 2005-06 school year, an annual amount equal to four
18 hundred dollars per weighted full-time equivalent student enrollment in
19 all school districts shall be transferred to the student achievement
20 fund.

21 (b) Each subsequent year following the 2005-06 school year, the
22 amount deposited shall be adjusted for inflation as defined in RCW
23 43.135.025(8).

24 NEW SECTION. **Sec. 103.** A new section is added to chapter 28A.505
25 RCW to read as follows:

26 The student achievement fund shall be distributed to school
27 districts in the amounts and manner provided in this section.

28 (1) The amount of the distribution to each school district shall be
29 based upon the average number of full-time equivalent students in the
30 school district for the previous school year as reported to the office
31 of the superintendent of public instruction by August 31st of the
32 previous school year, with additional weighted full-time equivalent
33 enrollment beginning in the 2005-06 school year, which is calculated
34 pursuant to the definition in section 102(3) of this act.

35 (2) For the 2004-05 school year, an annual amount equal to two
36 hundred fifty-four dollars per full-time equivalent student shall be
37 distributed to each school district.

1 (3) For the 2005-06 school year, an amount equal to five hundred
2 dollars per full-time equivalent student and four hundred dollars per
3 weighted full-time equivalent student shall be distributed to each
4 school district.

5 (4) Each subsequent year following the 2005-06 school year, the
6 amount distributed per full-time equivalent student and per weighted
7 full-time equivalent student shall be adjusted for inflation as defined
8 in RCW 43.135.025(8).

9 (5) For the education trust K-12 account, if the projected account
10 balance will exceed two percent at the end of five subsequent fiscal
11 years, the legislature may transfer the amounts above the projected two
12 percent account balance to the student achievement fund for an
13 additional one-time allocation to school districts.

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

17 **Sec. 104.** RCW 28A.505.210 and 2001 c 3 s 3 are each amended to
18 read as follows:

19 School districts shall have the authority to decide the best use of
20 student achievement funds to assist students in meeting and exceeding
21 the new, higher academic standards in each district consistent with the
22 provisions of (~~chapter 3, Laws of 2001~~) this act.

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

25 (a) To reduce class size by hiring certificated elementary
26 classroom teachers in grades K-4 and paying nonemployee-related costs
27 associated with those new teachers;

28 (b) To make selected reductions in class size in grades 5-12, such
29 as small high school writing classes;

30 (c) To provide extended learning opportunities to improve student
31 academic achievement in grades K-12, including, but not limited to,
32 extended school year, extended school day, before-and-after-school
33 programs, special tutoring programs, weekend school programs, and
34 summer school(~~(, and all-day kindergarten)~~);

35 (d) To provide optional all-day kindergarten, with priority given
36 to students eligible for free and reduced-price lunch;

1 (e) For activities and staffing related to increasing parent
2 involvement;

3 (f) To provide additional professional development for educators((~~τ~~
4 including)) through the following activities: (i) Additional paid time
5 for curriculum and lesson redesign and alignment((~~τ~~)); (ii) training to
6 ensure that instruction is aligned with state standards and student
7 needs, ((~~reimbursement for higher education costs related to enhancing~~
8 teaching skills and knowledge, and mentoring programs to match teachers
9 with skilled, master teachers)) with initial efforts focused on
10 reading, writing, math, and science; (iii) fees, expenses, and support
11 related to attainment of the Washington state professional certificate;
12 (iv) application and assessment fees for certification from the
13 national board for professional teaching standards; (v) fees and
14 expenses for coursework, assessments, and training that result in
15 increased instructional skills in the content areas of reading,
16 writing, math, and science for classified staff who have instructional
17 responsibilities in these areas; (vi) for certificated instructional
18 staff and classified staff who have instructional responsibilities,
19 training in effective instructional strategies for special education
20 students or students whose first language is not English; and (vii)
21 participation in the Washington mentor teacher training program as
22 provided in section 110 of this act and supplemental contracts for
23 performing the roles of instructional coach for reading, writing, math,
24 and/or science or mentor teacher. The funding shall not be used for
25 salary increases or additional compensation for existing teaching
26 duties, but may be used for extended year and extended day teaching
27 contracts;

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

30 ((~~f~~)) (h) To provide improvements or additions to school building
31 facilities which are directly related to the class size reductions and
32 extended learning opportunities under (a) through ((~~e~~)) (d) of this
33 subsection.

34 (2) Annually on or before May 1st, the school district board of
35 directors shall meet at the time and place designated for the purpose
36 of a public hearing on the proposed plan for the use of these funds to
37 improve student achievement for the coming year. Such plans shall be
38 prepared with citizen participation and will include the rationale for

1 the district's choices among authorized activities in subsection (1) of
2 this section, the division of funds, and performance benchmarks focused
3 on expected improvements in student achievement and instructional
4 effectiveness through the district's selected activities. Any person
5 may appear or by written submission have the opportunity to comment on
6 the proposed plan for the use of these funds. No later than August
7 31st, as a part of the process under RCW 28A.505.060, each school
8 district shall adopt a plan for the use of these funds for the upcoming
9 school year. Annually, each school district shall provide to the
10 citizens of their district a public accounting of the funds made
11 available to the district during the previous school year under chapter
12 3, Laws of 2001, how the funds were used among the authorized
13 activities, and the progress the district has made in increasing
14 student achievement, as measured by the district's performance
15 benchmarks specified in its plan and by required state assessments and
16 other assessments deemed appropriate by the district. Copies of this
17 report shall be provided to the superintendent of public instruction
18 and to the academic achievement and accountability commission.

19 **Sec. 105.** RCW 43.135.045 and 2003 1st sp.s. c 26 s 919 and 2003
20 1st sp.s. c 25 s 920 are each reenacted and amended to read as follows:

21 (1) The emergency reserve fund is established in the state
22 treasury. During each fiscal year, the state treasurer shall deposit
23 in the emergency reserve fund all general fund--state revenues in
24 excess of the state expenditure limit for that fiscal year. Deposits
25 shall be made at the end of each fiscal quarter based on projections of
26 state revenues and the state expenditure limit. The treasurer shall
27 make transfers between these accounts as necessary to reconcile actual
28 annual revenues and the expenditure limit for fiscal year 2000 and
29 thereafter.

30 (2) The legislature may appropriate moneys from the emergency
31 reserve fund only with approval of at least two-thirds of the members
32 of each house of the legislature, and then only if the appropriation
33 does not cause total expenditures to exceed the state expenditure limit
34 under this chapter.

35 (3) The emergency reserve fund balance shall not exceed five
36 percent of annual general fund--state revenues as projected by the
37 official state revenue forecast. Any balance in excess of five percent

1 shall be transferred on a quarterly basis by the state treasurer as
2 follows: Seventy-five percent to the student achievement fund hereby
3 created in the state treasury and twenty-five percent to the general
4 fund balance. The treasurer shall make transfers between these
5 accounts as necessary to reconcile actual annual revenues for fiscal
6 year 2000 and thereafter. When per-student state funding for the
7 maintenance and operation of K-12 education meets a level of no less
8 than ninety percent of the national average of total funding from all
9 sources per student as determined by the most recent published data
10 from the national center for education statistics of the United States
11 department of education, as calculated by the office of financial
12 management, further deposits to the student achievement fund shall be
13 required only to the extent necessary to maintain the ninety-percent
14 level. Remaining funds are part of the general fund balance and these
15 funds are subject to the expenditure limits of this chapter.

16 (4) The education construction fund is hereby created in the state
17 treasury.

18 (a) Funds may be appropriated from the education construction fund
19 exclusively for common school construction or higher education
20 construction. During the fiscal years beginning July 1, 2003, and
21 ending June 30, 2005, funds may also be used for higher education
22 facilities preservation and maintenance.

23 (b) Funds may be appropriated for any other purpose only if
24 approved by a two-thirds vote of each house of the legislature and if
25 approved by a vote of the people at the next general election. An
26 appropriation approved by the people under this subsection shall result
27 in an adjustment to the state expenditure limit only for the fiscal
28 period for which the appropriation is made and shall not affect any
29 subsequent fiscal period.

30 (5) Funds from the student achievement fund shall be appropriated
31 to the superintendent of public instruction strictly for distribution
32 to school districts to meet the provisions set out in (~~the student~~
33 ~~achievement~~) this act. Allocations of amounts transferred from the
34 emergency reserve fund shall be made on an equal per full-time
35 equivalent student basis to each school district.

36 (6) Earnings of the emergency reserve fund under RCW
37 43.84.092(4)(a) shall be transferred quarterly to the multimodal
38 transportation account, except for those earnings that are in excess of

1 thirty-five million dollars each fiscal year. Within thirty days
2 following any fiscal year in which earnings transferred to the
3 multimodal transportation account under this subsection did not total
4 thirty-five million dollars, the state treasurer shall transfer from
5 the emergency reserve fund an amount necessary to bring the total
6 deposited in the multimodal transportation account under this
7 subsection to thirty-five million dollars. The revenues to the
8 multimodal transportation account reflected in this subsection provide
9 ongoing support for the transportation programs of the state. However,
10 it is the intent of the legislature that any new long-term financial
11 support that may be subsequently provided for transportation programs
12 will be used to replace and supplant the revenues reflected in this
13 subsection, thereby allowing those revenues to be returned to the
14 purposes to which they were previously dedicated. No transfers from
15 the emergency reserve fund to the multimodal fund shall be made during
16 the 2003-05 fiscal biennium.

17 **Sec. 106.** RCW 43.135.045 and 2003 1st sp.s. c 25 s 920 are each
18 amended to read as follows:

19 (1) The emergency reserve fund is established in the state
20 treasury. During each fiscal year, the state treasurer shall deposit
21 in the emergency reserve fund all general fund--state revenues in
22 excess of the state expenditure limit for that fiscal year. Deposits
23 shall be made at the end of each fiscal quarter based on projections of
24 state revenues and the state expenditure limit. The treasurer shall
25 make transfers between these accounts as necessary to reconcile actual
26 annual revenues and the expenditure limit for fiscal year 2000 and
27 thereafter.

28 (2) The legislature may appropriate moneys from the emergency
29 reserve fund only with approval of at least two-thirds of the members
30 of each house of the legislature, and then only if the appropriation
31 does not cause total expenditures to exceed the state expenditure limit
32 under this chapter.

33 (3) The emergency reserve fund balance shall not exceed five
34 percent of annual general fund--state revenues as projected by the
35 official state revenue forecast. Any balance in excess of five percent
36 shall be transferred on a quarterly basis by the state treasurer as
37 follows: Seventy-five percent to the student achievement fund hereby

1 created in the state treasury and twenty-five percent to the general
2 fund balance. The treasurer shall make transfers between these
3 accounts as necessary to reconcile actual annual revenues for fiscal
4 year 2000 and thereafter. When per-student state funding for the
5 maintenance and operation of K-12 education meets a level of no less
6 than ninety percent of the national average of total funding from all
7 sources per student as determined by the most recent published data
8 from the national center for education statistics of the United States
9 department of education, as calculated by the office of financial
10 management, further deposits to the student achievement fund shall be
11 required only to the extent necessary to maintain the ninety-percent
12 level. Remaining funds are part of the general fund balance and these
13 funds are subject to the expenditure limits of this chapter.

14 (4) The education construction fund is hereby created in the state
15 treasury.

16 (a) Funds may be appropriated from the education construction fund
17 exclusively for common school construction or higher education
18 construction.

19 (b) Funds may be appropriated for any other purpose only if
20 approved by a two-thirds vote of each house of the legislature and if
21 approved by a vote of the people at the next general election. An
22 appropriation approved by the people under this subsection shall result
23 in an adjustment to the state expenditure limit only for the fiscal
24 period for which the appropriation is made and shall not affect any
25 subsequent fiscal period.

26 (5) Funds from the student achievement fund shall be appropriated
27 to the superintendent of public instruction strictly for distribution
28 to school districts to meet the provisions set out in (~~the student~~
29 ~~achievement~~) this act. Allocations of amounts transferred from the
30 emergency reserve fund shall be made on an equal per full-time
31 equivalent student basis to each school district.

32 (6) Earnings of the emergency reserve fund under RCW
33 43.84.092(4)(a) shall be transferred quarterly to the multimodal
34 transportation account, except for those earnings that are in excess of
35 thirty-five million dollars each fiscal year. Within thirty days
36 following any fiscal year in which earnings transferred to the
37 multimodal transportation account under this subsection did not total
38 thirty-five million dollars, the state treasurer shall transfer from

1 the emergency reserve fund an amount necessary to bring the total
2 deposited in the multimodal transportation account under this
3 subsection to thirty-five million dollars. The revenues to the
4 multimodal transportation account reflected in this subsection provide
5 ongoing support for the transportation programs of the state. However,
6 it is the intent of the legislature that any new long-term financial
7 support that may be subsequently provided for transportation programs
8 will be used to replace and supplant the revenues reflected in this
9 subsection, thereby allowing those revenues to be returned to the
10 purposes to which they were previously dedicated. No transfers from
11 the emergency reserve fund to the multimodal fund shall be made during
12 the 2003-05 fiscal biennium.

13 NEW SECTION. **Sec. 107.** Beginning in the 2005-06 school year, the
14 successful high school program is created. The program allocation from
15 the education trust K-12 account to school districts shall provide a
16 funded staffing ratio of 2.1 certificated instructional staff to one
17 thousand eligible full-time equivalent students in grades nine through
18 twelve, subject to the following conditions:

19 (1) For purposes of this program, the eligible full-time equivalent
20 students in grades nine through twelve shall be the total of the
21 district annual average full-time equivalent enrollment in grades nine
22 through twelve plus an additional weighted enrollment for grades nine
23 through twelve. The weighted enrollment shall be calculated as
24 follows: The school district's annual average full-time equivalent
25 student enrollment in grades nine through twelve times the sum of the
26 school district's percentage of October headcount enrollment in
27 kindergarten through twelfth grade eligible for free and reduced-price
28 lunch plus the annual average percentage of students in the
29 transitional bilingual instructional program.

30 (2) At a minimum, school districts with enrollment in grades nine
31 through twelve shall receive an allocation equivalent to a half-time
32 certificated instructional staff with associated cost assumptions.

33 (3) The allocation of full-time equivalent certificated
34 instructional staff shall be calculated using the base salary, average
35 staff mix, cost-of-living adjustments, health benefits, mandatory
36 benefits, and nonemployee related cost assumptions consistent with

1 those utilized in the district's general apportionment allocation for
2 the respective school year.

3 (4) Funding shall be distributed to school districts on the monthly
4 apportionment schedule as defined in RCW 28A.510.250.

5 NEW SECTION. **Sec. 108.** (1) School districts shall use funding
6 from the successful high school program for one or more of the
7 following purposes in strengthening academic opportunities:

8 (a) Adding to the course options in subject areas assessed for the
9 certificate of mastery, including the addition of on-line courses
10 through programs such as the Washington digital learning commons;

11 (b) Providing assistance to students who are at risk of not
12 attaining the certificate of mastery, including additional coursework,
13 tutoring, and summer school options;

14 (c) Providing additional student counseling and guidance to assure
15 student academic success in high school;

16 (d) Providing staff to coordinate efforts with middle school
17 educators and college faculty to ensure that students are well-prepared
18 for a variety of postsecondary options; and

19 (e) Providing advanced classes such as advanced placement and dual
20 high school and college credit programs in the district's high schools.

21 (2) For each high school, the school district shall specify the
22 following in the school's improvement plan:

23 (a) Which activities are implemented under the successful high
24 school program;

25 (b) How the funding is divided among multiple activities;

26 (c) The rationale for the selection of the activities; and

27 (d) Performance benchmarks for these activities.

28 NEW SECTION. **Sec. 109.** The national board for professional
29 teaching standards has established high and rigorous standards for what
30 highly accomplished teachers should know and be able to do in order to
31 increase student learning results. A certificate awarded by the
32 national board attests that a teacher has met high and rigorous
33 standards.

34 (1) Certificated instructional staff who have attained
35 certification from the national board for professional teaching

1 standards shall receive a bonus of five thousand dollars each year in
2 which they maintain their certification from the national board for
3 professional teaching standards.

4 (2) Certificated instructional staff who have attained
5 certification from the national board for professional teaching
6 standards and who are assigned to a high need school as defined by the
7 citizen oversight board, created in section 402 of this act, shall
8 receive an annual ten thousand dollar bonus in addition to the bonus
9 provided in subsection (1) of this section. This additional bonus
10 shall be paid each year in which they maintain their certification from
11 the national board for professional teaching standards and work in a
12 high need school. The board shall create a definition of high need
13 school which includes no more than twenty-five percent of all schools.
14 The definition shall designate proportionate numbers of elementary,
15 middle, and high schools as high need, which may be accomplished by
16 individual definitions by level. The board may include, but is not
17 limited to, the following factors as part of a definition of high need
18 school: Percentage of students participating in free and reduced-price
19 lunch programs, percentage of bilingual students, and student mobility
20 data.

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

27 NEW SECTION. **Sec. 110.** (1) Amounts from the education trust K-12
28 account, not to exceed one-quarter of one percent of the fiscal year
29 amount appropriated for school districts through the education trust
30 K-12 account including the transfers to the student achievement fund,
31 may be appropriated to the office of the superintendent of public
32 instruction for the following purposes:

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

35 (b) Establishing and administering the Washington mentor teacher
36 training program. The training program shall provide a foundation in
37 knowledge and process for school improvement; job-embedded professional

1 development practices; skills for effective peer mentoring; and
2 specialized mentor training in teachers' designated areas of expertise
3 including reading, writing, math, science, curriculum development, and
4 assessment. The professional educator standards board, in consultation
5 with the superintendent of public instruction, shall establish rigorous
6 standards and a performance-based assessment process to recognize
7 successful completion of the Washington mentor teacher training
8 program. The Washington mentor teacher training program shall be
9 supported, in part, by participant fees.

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

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

15 NEW SECTION. **Sec. 111.** The superintendent of public instruction
16 shall adopt rules as necessary under chapter 34.05 RCW for the
17 administration of sections 101 through 110 of this act.

18 NEW SECTION. **Sec. 112.** A new section is added to chapter 28B.80
19 RCW to read as follows:

20 Through legislative appropriation from the education trust K-12
21 account for this purpose, not intended to exceed ten million dollars
22 per year, the board may award a conditional scholarship to a student
23 who has either declared intention to complete an approved preparation
24 program leading to teacher certification with an endorsement in a high
25 need area or is a teacher who is seeking an additional endorsement in
26 a high need area. The high need endorsement areas shall be identified
27 by the office of the superintendent of public instruction on a biennial
28 basis. Participants in the conditional scholarship program incur an
29 obligation to repay the conditional scholarship, with interest, unless
30 the participant teaches in his or her high need endorsement area for
31 two years in a Washington public school for each year of scholarship
32 received, under rules adopted by the board.

33 NEW SECTION. **Sec. 113.** Sections 102 and 107 through 111 of this
34 act constitute a new chapter in Title 28A RCW.

PART II
HIGHER EDUCATION

1
2
3 NEW SECTION. **Sec. 201.** Expenditures from the education trust
4 higher education account shall be for higher education enrollments,
5 financial aid programs, and targeted investments in research carried
6 out at public higher education institutions.

7 NEW SECTION. **Sec. 202.** (1) Money from the education trust higher
8 education account may be appropriated through the operating budget to
9 each state university, The Evergreen State College, the higher
10 education coordinating board, and the state board for community and
11 technical colleges. The appropriations shall be subject to allotment
12 procedures.

13 (2) For fiscal years 2006 and 2007, forty-three and seventy-five
14 one-hundredths percent of the funds in the education trust higher
15 education account shall be used to fund new enrollments at peer subsidy
16 rates. Beginning in fiscal year 2008, fifty percent of the funds in
17 the education trust higher education account shall be used to fund new
18 enrollments at peer subsidy rates. The higher education coordinating
19 board shall report to the legislature and the citizen oversight board
20 on the peer rate for each higher education sector or institution by
21 January 31st of each year.

22 (3) For fiscal years 2006 and 2007, twenty-five percent of the
23 funds in the education trust higher education account shall be used to
24 fund research. Beginning in fiscal year 2008, eighteen and seventy-
25 five one-hundredths percent of the funds in the education trust higher
26 education account shall be used to fund research. Institutional use of
27 the funding should consider the impact on the state of Washington by
28 considering such items as the following: Amount of additional nonstate
29 funded research that will be obtained based upon the investment, the
30 connection of the research to economic activities in regions of the
31 state, and the connection of the research to addressing important
32 economic or public policy issues of the state. The funds shall be
33 distributed in two ways:

34 (a) Eighty percent of these funds shall be distributed according to
35 the following: (i) Sixty percent of this distribution shall be

1 allocated to the University of Washington; (ii) thirty percent of this
2 distribution shall be allocated to Washington State University; and
3 (iii) ten percent of this distribution shall be distributed between the
4 regional universities and The Evergreen State College.

5 (b) Twenty percent of these funds shall be allocated to the higher
6 education coordinating board for a competitive research grant pool.
7 Research and comprehensive institutions and The Evergreen State College
8 are eligible to apply for funding and may submit proposals that include
9 cooperative partnerships with private independent institutions.

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

16 (5) Beginning in fiscal year 2006, eighteen and seventy-five one-
17 hundredths percent of the funds in the education trust higher education
18 account shall be used to fund high-demand enrollments under a
19 competitive grant program run by the higher education coordinating
20 board. The subsidy rates may be as high as double the peer funding
21 level for research universities.

22 (6) In the event that colleges and universities are unable to
23 accommodate the new enrollments this distribution provides, unspent
24 funds from these investments may be used to expand access for more
25 students through financial aid programs, additional enrollments, or
26 expansion of the high-demand enrollment pool. The unspent funds may
27 also go towards larger per-student subsidy rates subject to legislative
28 appropriation and approval by the citizen oversight board.

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

35 (8) By September 1, 2008, the citizen oversight board shall report
36 to the governor, legislature, and office of financial management the
37 balance of investments described in this section and suggest changes to
38 the percentages used in this section.

1 NEW SECTION. **Sec. 203.** The research and comprehensive
2 institutions and The Evergreen State College shall institute procedures
3 to track funds appropriated for research and demonstrate to the citizen
4 oversight board that they are used to fund eligible projects and
5 fields, in accordance with section 202(3) of this act.

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

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

10 (1) Scholarships shall be awarded to students graduating from
11 public and approved private high schools under chapter 28A.195 RCW,
12 students participating in home-based instruction as provided in chapter
13 28A.200 RCW, and persons twenty-one years of age or younger receiving
14 a GED certificate, who meet both an academic and a financial
15 eligibility criteria.

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

17 (i) Beginning with the graduating class of (~~(2002)~~) 2006, students
18 graduating from public and approved private high schools under chapter
19 28A.195 RCW must be in the top (~~(fifteen)~~) thirty percent of their
20 graduating class, as identified by each respective high school at the
21 completion of the first term of the student's senior year; or

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

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

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

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

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

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

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

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

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

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

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

34 NEW SECTION. **Sec. 205.** The research and comprehensive
35 institutions and The Evergreen State College shall work with the higher
36 education coordinating board, and the community and technical colleges

1 shall work with the state board for community and technical colleges,
2 to develop performance benchmarks for the investments provided in this
3 act.

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

1 appropriate group size, involve families, employ age-appropriate
2 curriculum, and be provided in appropriately equipped facilities.

3 NEW SECTION. **Sec. 302.** GOVERNANCE. (1) The early education board
4 is created in the office of the governor. The board shall meet
5 periodically as needed to carry out the responsibilities set forth in
6 section 303 of this act. The board shall be compensated in accordance
7 with RCW 43.03.240. Members of the board shall be reimbursed for
8 travel and other expenses as provided in RCW 43.03.050 and 43.03.060.
9 The early education board shall be composed of eleven members appointed
10 for four-year terms as follows:

11 (a) Eight members shall be appointed by the governor. The members
12 shall be representative of the communities interested in and impacted
13 by preschool services, including experts in early childhood education,
14 child care providers, preschool teachers, Head Start providers,
15 kindergarten teachers, the business community, parents, the
16 philanthropic community, those who teach early childhood professionals,
17 and research universities;

18 (b) One member shall be appointed by the superintendent of public
19 instruction;

20 (c) One member shall be appointed by the director of the department
21 of social and health services and must have expertise in early
22 education;

23 (d) One member shall be appointed by the director of the department
24 of health.

25 (2) The terms of the initial board members shall be staggered such
26 that two of the initial board members are appointed to two-year terms,
27 three of the initial board members are appointed to three-year terms,
28 and three of the initial board members are appointed to four-year
29 terms. In addition, the superintendent of public instruction shall
30 appoint the initial board member to a two-year term, the director of
31 the department of health shall appoint the initial board member to a
32 three-year term, and the secretary of the department of social and
33 health services shall appoint the initial member to a four-year term.

34 (3) No member appointed pursuant to subsection (1)(a) of this
35 section may be appointed for more than two consecutive terms.
36 Appointments for vacancies shall be made for the unexpired terms in the
37 same manner as the original appointment.

1 (2) RCW 28A.215.110 (Definitions) and 1999 c 350 s 1, 1994 c 166 s
2 2, 1990 c 33 s 213, 1988 c 174 s 2, & 1985 c 418 s 2;
3 (3) RCW 28A.215.120 (Department of community, trade, and economic
4 development to administer program--Admission and funding) and 1994 c
5 166 s 4, 1988 c 174 s 3, & 1985 c 418 s 3;
6 (4) RCW 28A.215.130 (Approved early childhood programs--Entities
7 eligible to conduct--Use of funds--Requirements for applicants) and
8 1994 c 166 s 5, 1988 c 174 s 4, & 1985 c 418 s 4;
9 (5) RCW 28A.215.140 (Advisory committee--Composition) and 1988 c
10 174 s 5 & 1985 c 418 s 5;
11 (6) RCW 28A.215.150 (Rules) and 1994 c 166 s 6, 1988 c 174 s 6,
12 1987 c 518 s 101, & 1985 c 418 s 6;
13 (7) RCW 28A.215.160 (Review of applications--Award of funds) and
14 1994 c 166 s 8, 1988 c 174 s 7, & 1985 c 418 s 7;
15 (8) RCW 28A.215.170 (Early childhood educational and assistance
16 services--Report to governor) and 1995 c 335 s 501, 1994 c 166 s 9,
17 1988 c 174 s 8, & 1985 c 418 s 8;
18 (9) RCW 28A.215.180 (State support--Priorities--Program funding
19 levels) and 1994 c 166 s 10, 1990 c 33 s 214, 1987 c 518 s 102, & 1985
20 c 418 s 9;
21 (10) RCW 28A.215.190 (Expenses of advisory committee--
22 Reimbursement) and 1985 c 418 s 10;
23 (11) RCW 28A.215.200 (Authority to solicit gifts, grants, and
24 support) and 1994 c 166 s 11, 1990 c 33 s 215, 1988 c 174 s 9, & 1985
25 c 418 s 11;
26 (12) RCW 28A.215.900 (Short title--1985 c 418) and 1985 c 418 s 13;
27 (13) RCW 28A.215.904 (Contingency--Effective date--1985 c 418) and
28 1985 c 418 s 12;
29 (14) RCW 28A.215.906 (Severability--1985 c 418) and 1985 c 418 s
30 14; and
31 (15) RCW 28A.215.908 (Severability--1988 c 174) and 1988 c 174 s
32 11.

1 a three-year term, and one member from each category shall be appointed
2 for a four-year term.

3 (3) The citizen members may not be currently, or within one year
4 from date of appointment, employed by a state agency, state college or
5 university, local school district, or other institution that receives
6 funding authorized in this act.

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

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

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

14 NEW SECTION. **Sec. 403.** GENERAL POWERS AND DUTIES. The citizen
15 oversight board shall:

16 (1) Adopt rules and procedures necessary to implement the
17 provisions of this chapter relating to the review of education trust
18 fund-related programs;

19 (2) Adopt rules and procedures necessary to implement the
20 provisions of this chapter relating to performance audits of education
21 trust fund-related programs;

22 (3) Assist in the development of the performance benchmarks for
23 education trust fund-related programs required by section 407 of this
24 act. For colleges and universities that are party to a performance
25 contract, such benchmarks shall be consistent with the provisions of
26 the performance contract guiding the institution;

27 (4) Create the definition of high need schools pursuant to section
28 109 of this act;

29 (5) Contract and consult with, to the greatest extent possible,
30 private independent professional and technical experts to optimize the
31 independence of the reviews and performance audits established by this
32 act;

33 (6) Commission cooperative pilot projects that facilitate student
34 transitions between early childhood education, K-12 education, and
35 higher education; and

36 (7) Make such reports to the governor, legislature, and office of
37 financial management as required in this act.

1 NEW SECTION. **Sec. 404.** EXECUTIVE DIRECTOR, STAFF--FINANCES. The
2 citizen oversight board shall appoint an executive director, who shall
3 serve at its pleasure and whose salary shall be set by the board within
4 the limits established by the committee on agency officials' salaries
5 under RCW 43.03.028, and may employ additional staff subject to
6 legislative appropriation. All costs associated with staff, together
7 with travel expenses in accordance with RCW 43.03.050 and 43.03.060,
8 shall be paid from the Washington education trust fund, subject to
9 legislative appropriation.

10 NEW SECTION. **Sec. 405.** MEETINGS. The board shall meet at least
11 semiannually and at the call of its chair and shall from time to time
12 adopt rules for its own governance and as may be necessary for it to
13 discharge its duties and exercise its powers under this chapter.

14 NEW SECTION. **Sec. 406.** BOARD MEMBER EXPENSES. Each member of the
15 citizen oversight board shall be compensated from the general
16 appropriation for the board in accordance with RCW 43.03.240. Members
17 of the board shall be reimbursed for travel expenses incurred in going
18 to, attending, and returning from meetings of the board or that are
19 incurred in the discharge of duties requested by the chair as provided
20 in RCW 43.03.050 and 43.03.060. However, in no event may a board
21 member be compensated in any year for more than one hundred twenty
22 days, except the chair may be compensated for not more than one hundred
23 fifty days. Service on the board does not qualify as a service credit
24 for the purposes of a public retirement system.

25 NEW SECTION. **Sec. 407.** REVIEWS OF EDUCATION TRUST FUND-RELATED
26 PROGRAMS. (1) As a condition of receiving the funds authorized by this
27 act, education agencies, colleges, universities, local school
28 districts, and other institutions must submit the performance
29 benchmarks required by sections 108, 205, and 303 of this act and RCW
30 28A.505.210 to the citizen oversight board by September 1st of each
31 year and shall cooperate with and, to the greatest extent possible,
32 provide assistance to the board in the discharge of its duties as
33 outlined in this act. The great beginnings preschool partnership
34 program, established in section 301 of this act, is exempt from
35 submitting the performance benchmarks the first reporting year only.

1 (2) The citizen oversight board shall review the performance
2 benchmarks of education trust fund-related programs. The purpose of
3 these reviews is to ensure that the legislature and the public have the
4 means to adequately and accurately assess the performance and outcomes
5 of those programs. Where two or more agencies have shared
6 responsibility for functions or priorities of government, these reviews
7 can also determine whether effective interagency cooperation and
8 collaboration occur in areas such as program coordination,
9 administrative structures, information systems, and administration of
10 grants and loans.

11 (3) In conducting these reviews, the citizen oversight board may
12 work in consultation with the state auditor, the office of financial
13 management, and other state agencies.

14 (4) By December 1st of each year, the board shall report to the
15 governor, the legislature, and the office of financial management on
16 the progress that is being made toward meeting the performance
17 benchmarks and shall provide recommendations as necessary or
18 appropriate.

19 NEW SECTION. **Sec. 408.** PERFORMANCE AUDITS. (1) After reviewing
20 the performance benchmarks of education trust fund-related programs, or
21 at any time it so determines, the citizen oversight board may determine
22 whether a full performance audit of an education trust fund-related
23 program is appropriate.

24 (2) The citizen oversight board shall determine in writing the
25 scope of any performance audit and shall adopt the final scope of work
26 at a public meeting of the board.

27 (3) Before releasing the results of a performance audit to the
28 legislature or the public, the board shall submit the preliminary
29 performance audit report to the affected agency, institution, or school
30 district and the director of financial management for comment. The
31 agency, institution, or school district and the office of financial
32 management shall provide any response to the board within thirty days
33 after receipt of the preliminary performance audit report unless a
34 different time period is approved by the citizen oversight board. The
35 board shall incorporate the response of the agency, institution, or
36 school district and the office of financial management into the final
37 performance audit report.

1 (4) Completed performance audits must be presented at a public
2 meeting of the citizen oversight board and shall be made available to
3 the public through the citizen oversight board's web site. Final
4 reports must also be transmitted to the office of financial management
5 and the appropriate policy and fiscal standing committees of the
6 legislature.

7 **Sec. 409.** RCW 43.09.050 and 1992 c 118 s 6 are each amended to
8 read as follows:

9 The auditor shall:

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

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

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

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

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

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

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

32 (8) Verify and report to the director of financial management and
33 the legislature in writing regarding the maintenance of effort
34 requirements established by section 503 of this act;

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

1 (1) There is hereby levied and there shall be collected from every
2 person in this state a tax or excise for the privilege of using within
3 this state as a consumer: (a) Any article of tangible personal
4 property purchased at retail, or acquired by lease, gift, repossession,
5 or bailment, or extracted or produced or manufactured by the person so
6 using the same, or otherwise furnished to a person engaged in any
7 business taxable under RCW 82.04.280 (2) or (7); or (b) any prewritten
8 computer software, regardless of the method of delivery, but excluding
9 prewritten computer software that is either provided free of charge or
10 is provided for temporary use in viewing information, or both.

11 (2) This tax shall apply to the use of every service defined as a
12 retail sale in RCW 82.04.050 (2)(a) or (3)(a) and the use of every
13 article of tangible personal property, including property acquired at
14 a casual or isolated sale, and including byproducts used by the
15 manufacturer thereof, except as hereinafter provided, irrespective of
16 whether the article or similar articles are manufactured or are
17 available for purchase within this state.

18 (3) The provisions of this chapter do not apply in respect to the
19 use of any article of tangible personal property or service taxable
20 under RCW 82.04.050 (2)(a) or (3)(a) purchased at retail or acquired by
21 lease, gift, or bailment if the sale to, or the use by, the present
22 user or his bailor or donor has already been subjected to the tax under
23 chapter 82.08 RCW or this chapter and the tax has been paid by the
24 present user or by his bailor or donor.

25 (4) Except as provided in this section, payment by one purchaser or
26 user of tangible personal property or service of the tax imposed by
27 chapter 82.08 or 82.12 RCW shall not have the effect of exempting any
28 other purchaser or user of the same property or service from the taxes
29 imposed by such chapters. If the sale to, or the use by, the present
30 user or his or her bailor or donor has already been subjected to the
31 tax under chapter 82.08 RCW or this chapter and the tax has been paid
32 by the present user or by his or her bailor or donor; or in respect to
33 the use of property acquired by bailment and the tax has once been paid
34 based on reasonable rental as determined by RCW 82.12.060 measured by
35 the value of the article at time of first use multiplied by the tax
36 rate imposed by chapter 82.08 RCW or this chapter as of the time of
37 first use; or in respect to the use of any article of tangible personal
38 property acquired by bailment, if the property was acquired by a

1 previous bailee from the same bailor for use in the same general
2 activity and the original bailment was prior to June 9, 1961, the tax
3 imposed by this chapter does not apply.

4 (5) The tax shall be levied and collected in an amount equal to the
5 value of the article used or value of the service used by the taxpayer
6 multiplied by the rates in effect for the retail sales tax under RCW
7 82.08.020, except in the case of a seller required to collect use tax
8 from the purchaser, the tax shall be collected in an amount equal to
9 the purchase price multiplied by the rate in effect for the retail
10 sales tax under RCW 82.08.020.

11 (6) The use tax revenue collected on the rate provided in RCW
12 82.08.020(5) shall be deposited in the Washington education trust fund
13 created in section 503 of this act.

14 NEW SECTION. Sec. 503. (1) The Washington education trust fund is
15 created in the state treasury. All moneys in the Washington education
16 trust fund shall be spent solely for distribution to the education
17 trust K-12 account, the education trust higher education account, and
18 the education trust early education account, and for the specified
19 functions of the citizen oversight board.

20 (2) The moneys collected under RCW 82.08.020(5) and 82.12.020(6)
21 shall be deposited into the Washington education trust fund, and after
22 deducting the funds appropriated to the citizen oversight board, the
23 moneys shall be distributed monthly as follows: (a) Fifty percent of
24 moneys collected shall be distributed to the education trust K-12
25 account created under section 504 of this act; (b) forty percent of
26 moneys collected shall be distributed to the education trust higher
27 education account created under section 505 of this act; and (c) ten
28 percent of moneys collected shall be distributed to the education trust
29 early education account created under section 506 of this act.

30 (3) Appropriations to the citizen oversight board for the purposes
31 specified in section 403 of this act may not exceed one-half of one
32 percent of moneys collected.

33 (4) All investment income in the Washington education trust fund
34 shall be distributed at the beginning of each fiscal year in their
35 proportionate amounts into the education trust K-12 account, the
36 education trust higher education account, and the education trust early
37 education account.

1 (5) Existing state funding for education, including all sources of
2 such state funding, shall not be reduced, supplanted, or otherwise
3 adversely impacted by distributions from the Washington education trust
4 fund in this section, appropriations and expenditures from the
5 education trust K-12 account in section 504 of this act, appropriations
6 and expenditures from the education trust higher education account in
7 section 505 of this act, appropriations and expenditures from the
8 education trust early education account in section 506 of this act, and
9 appropriations and expenditures from the student achievement fund
10 created in RCW 43.135.045. The fiscal year 2005 total level of state
11 funding for higher education and early childhood education assistance
12 program and the 2004-05 school year total level of state funding per
13 student for K-12 shall be maintained in each subsequent year. In
14 addition, the following shall be considered supplanting under this
15 section:

16 (a) Any reduction in the transfer amount per student into the
17 student achievement fund pursuant to RCW 84.52.068 below the 2004-05
18 school year amount and any reduction of staffing ratios utilized in the
19 general apportionment allocation for the 2004-05 school year;

20 (b) Any reduction to the state general fund support for early
21 education below the amount appropriated in fiscal year 2005 for the
22 early childhood education assistance program; and

23 (c) Any reduction to the state general fund support for state
24 colleges and universities below the amount appropriated in fiscal year
25 2005.

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

28 (7) Beginning with the fiscal year that begins on July 1, 2006, the
29 education trust K-12 account created under section 504 of this act, the
30 education trust higher education account created under section 505 of
31 this act, and the education trust early education account created under
32 section 506 of this act shall each maintain at least two percent of
33 the total moneys collected in each account in the previous fiscal year
34 for expenditure pursuant to an appropriation after a finding of an
35 emergency by the legislature. The office of financial management shall
36 determine if the total amount of moneys in each account exceeds two
37 percent of the total moneys collected in each account in the previous
38 fiscal year.

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

5 NEW SECTION. **Sec. 504.** The education trust K-12 account is
6 created in the state treasury. Money in the account is subject to
7 appropriation and allotment of all expenditures, except for transfers
8 into the student achievement fund pursuant to section 102 of this act.
9 Expenditures from the account may be used only for programs and
10 services provided in sections 102 through 112 of this act.

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

16 NEW SECTION. **Sec. 506.** The education trust early education
17 account is created in the state treasury. Money in the account is
18 subject to appropriation and allotment of all expenditures.
19 Expenditures from the account may be used only for programs and
20 services provided in sections 301 through 305 of this act.

21 **Sec. 507.** RCW 43.79A.040 and 2003 c 403 s 9, 2003 c 313 s 10, 2003
22 c 191 s 7, 2003 c 148 s 15, 2003 c 92 s 8, and 2003 c 19 s 12 are each
23 reenacted and amended to read as follows:

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

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

31 (3) The investment income account may be utilized for the payment
32 of purchased banking services on behalf of treasurer's trust funds
33 including, but not limited to, depository, safekeeping, and
34 disbursement functions for the state treasurer or affected state

1 agencies. The investment income account is subject in all respects to
2 chapter 43.88 RCW, but no appropriation is required for payments to
3 financial institutions. Payments shall occur prior to distribution of
4 earnings set forth in subsection (4) of this section.

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

8 (b) The following accounts and funds shall receive their
9 proportionate share of earnings based upon each account's or fund's
10 average daily balance for the period: The Washington promise
11 scholarship account, the college savings program account, the
12 Washington advanced college tuition payment program account, the
13 agricultural local fund, the American Indian scholarship endowment
14 fund, the students with dependents grant account, the basic health plan
15 self-insurance reserve account, the contract harvesting revolving
16 account, the Washington state combined fund drive account, the
17 Washington international exchange scholarship endowment fund, the
18 developmental disabilities endowment trust fund, the Washington
19 education trust fund, the education trust K-12 account, the education
20 trust higher education account, the education trust early education
21 account, the energy account, the fair fund, the fruit and vegetable
22 inspection account, the game farm alternative account, the grain
23 inspection revolving fund, the juvenile accountability incentive
24 account, the law enforcement officers' and fire fighters' plan 2
25 expense fund, the local tourism promotion account, the produce railcar
26 pool account, the rural rehabilitation account, the stadium and
27 exhibition center account, the youth athletic facility account, the
28 self-insurance revolving fund, the sulfur dioxide abatement account,
29 the children's trust fund, and the investing in innovation account.
30 However, the earnings to be distributed shall first be reduced by the
31 allocation to the state treasurer's service fund pursuant to RCW
32 43.08.190.

33 (c) The following accounts and funds shall receive eighty percent
34 of their proportionate share of earnings based upon each account's or
35 fund's average daily balance for the period: The advanced right of way
36 revolving fund, the advanced environmental mitigation revolving
37 account, the city and county advance right-of-way revolving fund, the

1 federal narcotics asset forfeitures account, the high occupancy vehicle
2 account, the local rail service assistance account, and the
3 miscellaneous transportation programs account.

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

7 **Sec. 508.** RCW 82.12.045 and 2003 c 361 s 303 are each amended to
8 read as follows:

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

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

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

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

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

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

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

36 (4) Each county auditor who acts as agent of the department of
37 revenue shall at the time of remitting license fee receipts on motor

1 vehicles subject to the provisions of this section pay over and account
2 to the state treasurer for all use tax revenue collected under this
3 section, after first deducting as a collection fee the sum of two
4 dollars for each motor vehicle upon which the tax has been collected.
5 All revenue received by the state treasurer under this section shall be
6 credited to the general fund. The auditor's collection fee shall be
7 deposited in the county current expense fund. A duplicate of the
8 county auditor's transmittal report to the state treasurer shall be
9 forwarded forthwith to the department of revenue.

10 (5) Any applicant who has paid use tax to a county auditor under
11 this section may apply to the department of revenue for refund thereof
12 if he or she has reason to believe that such tax was not legally due
13 and owing. No refund shall be allowed unless application therefor is
14 received by the department of revenue within the statutory period for
15 assessment of taxes, penalties, or interest prescribed by RCW
16 82.32.050(3). Upon receipt of an application for refund the department
17 of revenue shall consider the same and issue its order either granting
18 or denying it and if refund is denied the taxpayer shall have the right
19 of appeal as provided in RCW 82.32.170, 82.32.180 and 82.32.190.

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

29 (7) The use tax revenue collected on the rate provided in RCW
30 82.08.020(3) shall be deposited in the multimodal transportation
31 account under RCW 47.66.070.

32 (8) The use tax revenue collected on the rate provided in RCW
33 82.08.020(5) shall be deposited in the Washington education trust fund
34 created in section 503 of this act.

35 **Sec. 509.** RCW 67.28.181 and 1998 c 35 s 1 are each amended to read
36 as follows:

37 (1) The legislative body of any municipality may impose an excise

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

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

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

15 (b) If a city or town, other than a municipality imposing a tax
16 under (a) of this subsection, is located in a county that imposed taxes
17 under this chapter with a total rate of four percent or more on January
18 1, 1997, the city or town may not impose a tax under this section.

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

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

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

35 NEW SECTION. **Sec. 510.** Sections 401 through 408 and 503 through
36 506 of this act constitute a new chapter in Title 43 RCW.

