

## HB 2034 - House Education Investment Proposal

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### K-12 Investments (Part II-C):

**Career and College Ready:** Investments that will provide students the opportunity not only to complete mandated graduation credits, but be career and college ready.

- \$24.1 million to reach 80 additional hours of instruction for middle and high school grades
- \$24.2 million for parent engagement coordinators who will provide additional support for successful transitions and dropout prevention
- \$20.5 million for guidance counselors who will assist students become successful in their career and college pathways
- \$13 million for the Transitional Bilingual Instructional Program to reflect the dual challenge of more difficult academic language in the upper grades and limited time to catch up.

**Full Day Kindergarten:** \$23.1 million will increase Kindergarten enrollment by another five percent – so the state will be funding 53% of full day enrollment next biennium. This investment more than doubles what we are currently funding (22%).

**Materials, Supplies and Operating Costs (MSOC):** \$48.2 million is funded so school districts have the resources to provide basic education, as the McCleary decision pointed out vividly.

**Alternative Learning Experience (ALE):** \$16.7 million restores first year funding changes to the ALE programs. This enhancement will allow alternative programs more time to reform their services.

### Higher Education Investments (Part II-A):

**Computer Science and Engineering Enrollments:** \$47.4 million will be allocated to the University of Washington, Washington State University and Western Washington University to provide additional computer science and engineering enrollments. This investment is the best way that our state government can ensure that we boost our state's new economy.

**Opportunity Scholarship:** \$5 million to invest in Washington students and meet the needs of Washington State employers to fill jobs in high demand fields.

**Student Achievement Initiative:** \$2.5 million for the Student Achievement Initiative, the performance funding system for community and technical colleges. This program improves public accountability and provides incentives through to increase the levels of achievement attained by students.

**Enrollments:** \$23.8 million is provided to the colleges and universities so that enhancements in the base budget are fully funded. Some base funding had been reprogrammed.

### K-12 Policy Changes (Part II-B):

Statutory/technical changes that support the K-12 enhancements described above.

### Transfer and Technical Changes (Parts III and IV)

<b>Part I: Close and Narrow Tax Exemptions and Preferential Rates:</b>	<b>2013-15 Estimated Impact (\$ in millions)</b>
Repeal Preferential B&O Rate: Travel Agents & Tour Operators	<b>\$11.7</b>
Repeal Preferential B&O Rate: Resellers of Prescription Drugs	<b>\$27.8</b>
Repeal Exemption: Sales Tax on Bottled Water	<b>\$49.3</b>
Narrow Exemption: Sales Tax for Non-Residents	<b>\$47.3</b>
Repeal Exemption: Extracted Fuel	<b>\$40.8</b>
Narrow: High Technology Research & Development B&O Credit	<b>\$23.2</b>
Repeal Exemption: High Technology Research & Development Sales & Use Tax Exemption	<b>\$55.5</b>
<b>TOTAL</b>	<b>\$255.6</b>

## Part I Details

**Travel Agents & Tour Operators – Repeals 0.275% Preferential B&O Rate:** This preferential rate was created in 1975. Out-of-state companies currently are taking advantage of the rate. JLARC found in its review that no other states offer comparable exemptions for travel agents and tour operators.

**Resellers of Prescription Drugs – Repeals 0.138% Preferential B&O Rate:** This preferential rate applies to businesses that warehouse and resell prescription drugs to retailers, hospitals, clinics and other health care providers. It was created in 1998 to attract out-of-state drug companies to build warehouses in Washington. Large out-of-state companies are now claiming 98.9% of the benefit.

**Sales Tax on Bottled Water – Repeals Sales Tax Exemption:** Bottled water is a discretionary purchase for the vast majority of consumers, and sales of bottled water were always subject to sales tax before January 1, 2004, when they became exempt in anticipation of Washington joining the Streamlined Sales and Use Tax Agreement. This proposal would still allow for refunds for taxes on sales of prescribed bottled water and sales to persons lacking readily available potable water.

**Sales Tax on Nonresidents – Narrows Exemption to Refund:** This exemption provides a direct tax benefit to nonresidents over Washington residents. As amended on the House floor, this proposal would require nonresidents to apply for a refund of state and local sales tax from DOR instead of receiving an exemption at the point-of-sale. Sales of motor vehicles would remain exempt.

**Use Tax on Extracted Fuel – Repeals Exemption:** This exemption was created for the timber and wood products industry in 1949 to allow them to use a by-product called hog fuel in the milling and manufacturing process. The state’s five oil refineries now account for 98% of the value of this exemption.

**B&O Tax and Sales & Use Tax on High Tech Research & Development – Repeals Credit & Deferral:** JLARC’s review of these exemptions found that the costs to taxpayers per new job exceeded the economic benefit created by those same jobs. The review also could not identify new spending on research and development at high tech firms that was directly attributable to these tax breaks.