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**SUBSTITUTE HOUSE BILL 1657**

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**State of Washington                      52nd Legislature                      1991 Regular Session**

**By** House Committee on Education (originally sponsored by Representatives Locke, Holland, Phillips, Peery, Ebersole, Zellinsky, Pruitt, Van Luven, R. Meyers, Ferguson, Forner, Jacobsen, Cole, Valle, Roland, Dorn, Appelwick, Nelson, Heavey, Wang, Rasmussen, O'Brien, R. Johnson and Anderson).

Read first time March 4, 1991.

1            AN ACT Relating to education fiscal matters; amending RCW  
2 28A.500.010 and 84.52.0531; creating new sections; providing an  
3 effective date; providing an expiration date; and declaring an  
4 emergency.

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

6            NEW SECTION.    **Sec. 1.**            A funding formula advisory committee  
7 shall be established to consider the advantages and disadvantages of  
8 the state using a weighted student formula for allocating funds to  
9 school districts instead of using the current staff funding formula.  
10 The committee shall be composed of the following members: Two senators  
11 from the senate appointed by the president of the senate; two  
12 representatives from the house of representatives appointed by the  
13 speaker of the house of representatives; and representatives from the  
14 following groups to be appointed by the superintendent of public  
15 instruction: Parents, school administrators, teachers, classified

1 staff, and school board members. Members of the committee shall select  
2 a chair from among its members. Staff support shall be provided by the  
3 office of the superintendent of public instruction.

4 NEW SECTION. **Sec. 2.** (1) The funding formula advisory  
5 committee, with the assistance of the superintendent of public  
6 instruction, shall develop a weighted student formula model or models  
7 that could be used by the state to replace the current staff funding  
8 formula. The models shall include weights that reflect the 1991-92  
9 state-wide allocation for student classifications for kindergarten  
10 through third grade, fourth through twelfth grade, vocational  
11 education, skills center, identified handicapped education conditions,  
12 transitional bilingual education, small schools, the learning  
13 assistance program, highly capable students, and traffic safety.  
14 Weights also shall be established for students from low-income families  
15 in both rural and urban areas, and for students in large school  
16 districts. Other weights may be considered, including the cost of  
17 living in different regions of the state.

18 (2) Based on the weighted student models developed in subsection  
19 (1) of this section, the advisory committee shall analyze the  
20 advantages and disadvantages of using a weighted student formula  
21 instead of the current staff funding formula, including the potential  
22 additional cost of administering a weighted student formula. The  
23 committee also shall identify changes in law and rules that would be  
24 needed, and determine any additional costs to the state. Based on its  
25 findings, the committee shall provide recommendations as to whether the  
26 state should adopt a student funding formula, make changes in the  
27 existing formula, or take other actions.

1 (3) The advisory committee shall report its findings and  
2 recommendations to the house of representatives and senate education  
3 and fiscal committees by December 15, 1991.

4 **Sec. 3.** RCW 28A.500.010 and 1987 1st ex.s. c 2 s 102 are each  
5 amended to read as follows:

6 (1) Commencing with taxes assessed in (~~(1988)~~) 1991 to be collected  
7 in calendar year (~~(1989)~~) 1992 and thereafter, in addition to a school  
8 district's other general fund allocations, each eligible district shall  
9 be provided local effort assistance funds as provided in this section.  
10 Such funds are not part of the district's basic education allocation.  
11 (~~(For the first distribution of local effort assistance funds provided~~  
12 ~~under this section in calendar year 1989, state funds may be prorated~~  
13 ~~according to the formula in this section.)~~)

14 (2) (a) "Prior tax collection year" shall mean the year immediately  
15 preceding the year in which the local effort assistance shall be  
16 allocated.

17 (b) The "state-wide average ten percent levy rate" shall mean ten  
18 percent of the total levy bases as defined in RCW 84.52.0531(4) summed  
19 for all school districts, and divided by the total assessed valuation  
20 for excess levy purposes in the prior tax collection year for all  
21 districts as adjusted to one hundred percent by the county indicated  
22 ratio established in RCW 84.48.075.

23 (c) The "ten percent levy rate" of a district shall mean:

24 (i) Ten percent of the district's levy base as defined in (~~(RCW~~  
25 ~~84.52.0531(4))~~) subsection (5) of this section, plus (~~(one-half of any~~  
26 ~~amount computed under RCW 84.52.0531(3)(b))~~), in the case of nonhigh  
27 school districts, one-half of the total estimated amount due by the  
28 nonhigh school district to high school districts under chapter 28A.545  
29 RCW for the current school year; divided by

1 (ii) The district's assessed valuation for excess levy purposes for  
2 the prior tax collection year as adjusted to one hundred percent by the  
3 county indicated ratio.

4 (d) "Eligible districts" shall mean those districts with a ten  
5 percent levy rate which exceeds the state-wide average ten percent levy  
6 rate.

7 (3) Allocation of state matching funds to eligible districts for  
8 local effort assistance shall be determined as follows:

9 (a) Funds raised by the district through maintenance and operation  
10 levies during that tax collection year shall be matched with state  
11 funds using the following ratio of state funds to levy funds: (i) The  
12 difference between the district's ten percent levy rate and the  
13 state-wide average ten percent levy rate; to (ii) the state-wide  
14 average ten percent levy rate.

15 (b) The maximum amount of state matching funds for which a district  
16 may be eligible in any tax collection year shall be (~~ten~~) twenty  
17 percent of the district's levy base as defined in RCW 84.52.0531(4),  
18 multiplied by the following percentage: (i) The difference between the  
19 district's ten percent levy rate and the state-wide average ten percent  
20 levy rate; divided by (ii) the district's ten percent levy rate.

21 (4) Fifty-five percent of local effort assistance funds shall be  
22 distributed to qualifying districts during the applicable tax  
23 collection year on or before June 30 and forty-five percent shall be  
24 distributed on or before December 31 of any year.

25 **Sec. 4.** RCW 84.52.0531 and 1990 c 33 s 601 are each amended to  
26 read as follows:

27 The maximum dollar amount which may be levied by or for any school  
28 district for maintenance and operation support under the provisions of  
29 RCW 84.52.053 shall be determined as follows:

1       (1) For excess levies for collection in calendar year 1991, the  
2 maximum dollar amount shall be calculated pursuant to the laws and  
3 rules in effect in November 1990.

4       (2) For the purpose of this section, the basic education allocation  
5 shall be determined pursuant to RCW 28A.150.250, 28A.150.260, and  
6 28A.150.350: PROVIDED, That when determining the basic education  
7 allocation under subsection (4) of this section, nonresident full time  
8 equivalent pupils who are participating in a program provided for in  
9 chapter 28A.545 RCW or in any other program pursuant to an  
10 interdistrict agreement shall be included in the enrollment of the  
11 resident district and excluded from the enrollment of the serving  
12 district.

13       ~~((2) For the purposes of subsection (5) of this section, a base~~  
14 ~~year levy percentage shall be established. The base year levy~~  
15 ~~percentage shall be equal to the greater of: (a) The district's actual~~  
16 ~~levy percentage for calendar year 1985, (b) the average levy percentage~~  
17 ~~for all school district levies in the state in calendar year 1985, or~~  
18 ~~(c) the average levy percentage for all school district levies in the~~  
19 ~~educational service district of the district in calendar year 1985.))~~

20       (3) For excess levies for collection in calendar year ~~((1988))~~ 1992  
21 and thereafter, the maximum dollar amount shall be the ~~((total of))~~ sum  
22 of (a) and (b) of this subsection minus (c) of this subsection:

23       (a) The district's levy base as defined in subsection (4) of this  
24 section multiplied by ~~((the district's maximum levy percentage as~~  
25 ~~defined in subsections (5) and (6) of this section; plus))~~ thirty  
26 percent unless the district's levy rate as authorized in this section  
27 is in excess of twenty percent in which case the district's levy base  
28 shall be the current base plus ten percent;

29       (b) In the case of nonhigh school districts only, an amount equal  
30 to the total estimated amount due by the nonhigh school district to

1 high school districts pursuant to chapter 28A.545 RCW for the school  
2 year during which collection of the levy is to commence, less the  
3 increase in the nonhigh school district's basic education allocation as  
4 computed pursuant to subsection (1) of this section due to the  
5 inclusion of pupils participating in a program provided for in chapter  
6 28A.545 RCW in such computation; (~~less~~)

7 (c) The maximum amount of state matching funds under RCW  
8 28A.500.010 for which the district is eligible in that tax collection  
9 year.

10 (4) For excess levies for collection in calendar year (~~(1988)~~) 1992  
11 and thereafter, a district's levy base shall be the sum of (~~the~~  
12 ~~following allocations received by the district~~) selected state and  
13 federal allocations for the prior school year, including allocations  
14 for compensation increases, adjusted by the percent increase per full  
15 time equivalent student in the state basic education appropriation  
16 between the prior school year and the current school year(~~(÷)~~) . A  
17 district's levy base shall not include local school district property  
18 tax levies or other local revenues, or state and federal allocations  
19 not identified in (a) through (c) of this subsection.

20 (a) The district's basic education allocation as determined  
21 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

22 (b) State and federal categorical allocations for the following  
23 programs:

24 (i) Pupil transportation;

25 (ii) Handicapped education;

26 (iii) Education of highly capable students;

27 (iv) Compensatory education, including but not limited to learning  
28 assistance, migrant education, Indian education, refugee programs, and  
29 bilingual education;

30 (v) Food services; and

1 (vi) State-wide block grant programs; and

2 (c) Any other federal allocations for elementary and secondary  
3 school programs, including direct grants, other than federal impact aid  
4 funds and allocations in lieu of taxes.

5 ~~(5) ((For levies to be collected in calendar year 1988, a  
6 district's maximum levy percentage shall be determined as follows:~~

7 ~~(a) Multiply the district's base year levy percentage as defined in  
8 subsection (2) of this section by the district's levy base as  
9 determined in subsection (4) of this section;~~

10 ~~(b) Reduce the amount in (a) of this subsection by the total  
11 estimated amount of any levy reduction funds as defined in subsection  
12 (7) of this section which are to be allocated to the district for the  
13 1987-88 school year;~~

14 ~~(c) Divide the amount in (b) of this subsection by the district's  
15 levy base to compute a new percentage; and~~

16 ~~(d) The percentage in (c) of this subsection or twenty percent,  
17 whichever is greater, shall be the district's maximum levy percentage  
18 for levies collected in calendar year 1988.~~

19 ~~(6) For excess levies for collection in calendar year 1989 and  
20 thereafter, a district's maximum levy percentage shall be determined as  
21 follows:~~

22 ~~(a) Multiply the district's maximum levy percentage for the prior  
23 year or thirty percent, whichever is less, by the district's levy base  
24 as determined in subsection (4) of this section;~~

25 ~~(b) Reduce the amount in (a) of this subsection by the total  
26 estimated amount of any levy reduction funds as defined in subsection  
27 (7) of this section which are to be allocated to the district for the  
28 current school year;~~

29 ~~(c) Divide the amount in (b) of this subsection by the district's  
30 levy base to compute a new percentage; and~~

1       ~~(d) The percentage in (c) of this subsection or twenty percent,~~  
2 ~~whichever is greater, shall be the district's maximum levy percentage~~  
3 ~~for levies collected in that calendar year.~~

4       ~~(7) "Levy reduction funds" shall mean increases in state funds from~~  
5 ~~the prior school year for programs included under subsection (4) of~~  
6 ~~this section: (a) That are not attributable to enrollment changes,~~  
7 ~~compensation increases, or inflationary adjustments; and (b) that are~~  
8 ~~or were specifically identified as levy reduction funds in the~~  
9 ~~appropriations act. If levy reduction funds are dependent on formula~~  
10 ~~factors which would not be finalized until after the start of the~~  
11 ~~current school year, the superintendent of public instruction shall~~  
12 ~~estimate the total amount of levy reduction funds by using prior school~~  
13 ~~year data in place of current school year data. Levy reduction funds~~  
14 ~~shall not include moneys received by school districts from cities or~~  
15 ~~counties.~~

16       ~~(8))~~ For the purposes of this section, "prior school year" shall  
17 mean the most recent school year completed prior to the year in which  
18 the levies are to be collected.

19       ~~((9))~~ (6) For the purposes of this section, "current school year"  
20 shall mean the year immediately following the prior school year.

21       ~~((10))~~ (7) The superintendent of public instruction shall develop  
22 rules and regulations and inform school districts of the pertinent data  
23 necessary to carry out the provisions of this section.

24       NEW SECTION. Sec. 5.       Sections 1 and 2 of this act shall  
25 expire December 31, 1991.

26       NEW SECTION. Sec. 6.       Sections 1 and 2 of this act are  
27 necessary for the immediate preservation of the public peace, health,

1 or safety, or support of the state government and its existing public  
2 institutions, and shall take effect immediately.

3 NEW SECTION. **Sec. 7.** Sections 3 and 4 of this act shall take  
4 effect January 1, 1992.

5 NEW SECTION. **Sec. 8.** If specific funding for the purposes of  
6 this act, referencing this act by bill number, is not provided by June  
7 30, 1991, in the omnibus appropriations act, sections 3, 4, and 7 of  
8 this act shall be null and void.