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**ENGROSSED SUBSTITUTE SENATE BILL 5875**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senator Braun)

AN ACT Relating to making revisions to education reforms in Substitute Senate Bill No. 5607; amending RCW 28A.150.---, 84.52.065, 84.52.---, and 28A.320.---; and amending 2017 c ... (SSB 5607) s 2102 (uncodified).

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

**Sec.**  RCW 28A.150.--- and 2017 c ... (SSB 5607) s 102 are each amended to read as follows:

(1) The legislature intends through a basic per pupil guarantee, as well as supplemental per pupil guarantees for existing and several new categorical programs, to provide an educational system in which each child is afforded an equal opportunity to learn, regardless of differences in his or her family and community resources.

(2) The purpose of this section is to provide for the distribution of state funding for basic education, which provides the necessary support to school districts to fund the actual cost of the program of basic education under RCW 28A.150.220 and student transportation and transportation services under RCW 28A.150.200. The distribution formulas under this section are for allocation purposes only((~~, to be adjusted annually for inflation~~)).

(3) Except as otherwise provided in this section, the legislature must provide and the superintendent of public instruction must distribute state funds to school districts on the basis of each annual average full-time equivalent student enrolled in the district. The annual average full-time equivalent student enrolled in the district is calculated on the basis of a minimum required school year of one hundred eighty days. The enrollment of any district must be the annual average number of full-time equivalent students enrolled on the first school day of each month. The definition of full-time equivalent student must be determined by rules of the superintendent of public instruction and must be included as part of the superintendent's biennial budget request. The definition must be based on the minimum instructional hour offerings required under RCW 28A.150.220. Any revision of the definition existing on December 14, 2017, must not take effect until formally approved by the legislature by enacting legislation or passing a concurrent resolution.

(4) The basic and supplemental per pupil guarantees are as follows:

(a)(i) A basic per pupil guarantee ((~~of ten thousand dollars~~)) for each annual average full-time equivalent student enrolled in the school district. When apportioning the basic per pupil guarantee to school districts as provided in RCW 28A.510.250, the guarantee for each district must be funded first through an estimate of the local effort levy authorized in RCW 84.52.065(2) that will be collected during the school year within the school district. In school year 2018-19, the basic per pupil guarantee is nine thousand two hundred dollars. For school year 2019-20, the basic per pupil guarantee is ten thousand two hundred dollars, and for each year thereafter, the basic per pupil guarantee shall be adjusted annually for inflation.

(ii) The basic per pupil guarantee under (a)(i) of this subsection for any school district must be increased by an amount necessary to ensure that the state contribution, which excludes the local effort levy, constitutes at least forty percent of the basic per pupil amount.

(iii) Any school district with an enrollment of two thousand five hundred students or less that is estimated to receive less funding under the new formula provided in (a)(i) of this subsection than the funding the district is estimated to receive under the law in effect as of January 1, 2017, for the 2018-19 school year from state general apportionment, state levy equalization funding, state pupil transportation funding, and the district's local school district maintenance and operation levy, the district must receive the higher amount calculated under current law. In school year 2018-19, the current law amount shall be adjusted by the ratio of the total statewide basic per pupil guarantee and the total amount that would have been provided under current law. Beginning ((~~in~~)) with the 2019-20 school year, the amount calculated under this subsection (4)(a)(iii) must be ((~~increased~~)) adjusted annually by inflation;

(b) An additional supplemental per pupil guarantee of one thousand dollars to provide supplemental instruction and services for students whose primary language is other than English. Allocations are based on the head count number of students in each school who are eligible for and enrolled in the transitional bilingual instruction program under RCW 28A.180.010 through 28A.180.060 or for support for students for up to two years immediately after the student has exited the program. Notwithstanding other provisions of this subsection (4)(b), the actual per-student allocation may be scaled to provide a larger allocation for students needing more intensive intervention and a commensurate reduced allocation for students needing less intensive intervention, as detailed in the omnibus appropriations act;

(c) An additional supplemental per pupil guarantee of one thousand dollars to support programs for highly capable students under RCW 28A.185.010 through 28A.185.030. Allocations shall be based on two and three hundred fourteen one-thousandths percent of each school district's average full-time equivalent basic education enrollment;

(d) An additional supplemental per pupil guarantee of two thousand dollars for poverty students. However, for school districts with a poverty rate exceeding thirty percent, the supplemental per pupil guarantee is increased to five thousand dollars per pupil for the total number of poverty students exceeding the thirty percent threshold. The supplemental per pupil guarantee under this subsection (4)(d) must be used to provide supplemental instruction and services for underachieving students through the learning assistance program under RCW 28A.165.005 through 28A.165.065. Allocations are based on the most recent estimates of poverty rates within school districts for children ages five to seventeen under the United States census bureau's small area and poverty estimates program;

(e) An additional supplemental per pupil guarantee of one thousand five hundred dollars to provide supplemental instruction and services for homeless students. Allocations are based on the number of unsheltered homeless students indicated in the most recent homeless student data report provided by the superintendent of public instruction;

(f) An additional supplemental per pupil guarantee of seven thousand five hundred dollars to provide supplemental instructional resources for students with disabilities as determined under RCW 28A.150.390; ((~~and~~))

(g) An additional supplemental per pupil guarantee of five hundred dollars for career and technical education students and students enrolled in skill centers; and

(h) Beginning with the 2019-20 school year, the additional supplemental per pupil guarantees provided in (b) through (g) of this subsection are adjusted annually by inflation.

(5)(a) Except as provided in (b) of this subsection, after all other funding calculations are completed, if the total per pupil funding amount for a school district is less than twelve thousand five hundred dollars when including all ((~~local,~~)) state((~~,~~)) and federal revenues, the per pupil amount must be increased to twelve thousand five hundred dollars. Beginning with the 2019-20 school year, the twelve thousand five hundred dollar threshold is adjusted annually by inflation.

(b) The calculation under (a) of this subsection is a measure intended to decrease funding disparities between school districts and students. However, revisions made to RCW 84.52.0531 during the 2017 legislative session may cause greater funding disparities between school districts and students during the 2018-19 school year as the state's transitions to a per pupil funding guarantee. For this reason, for the 2018-19 school year only, the calculation under (a) of this subsection includes local maintenance and operation levies levied for collection in calendar year 2018 that are attributable to the 2018-19 school year.

(6) For the purpose of this section, the following definitions apply unless the context clearly requires otherwise.

(a) "Federal revenues" means the total federal revenues received by a school district during the 2017-18 school year.

(b) "Inflation" means the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent calendar year by the bureau of economic analysis of the federal department of commerce.

(c) "State revenues" means the total state funding appropriated for school districts under the omnibus operating appropriations act.

(7) In years where the change in inflation is zero or negative, no adjustment by inflation will be made to any per pupil guarantee or calculation in this section.

**Sec.**  RCW 84.52.065 and 2017 c . . . (SSB 5607) s 201 are each amended to read as follows:

(1) Subject to the limitations in RCW 84.55.010, in each year the state shall levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(2)(a) In addition to the tax authorized under subsection (1) of this section, the state must levy a local effort levy on behalf of school districts for collection beginning in 2018 and every year thereafter, for the support of common schools of the state, at a rate of one dollar and ((~~eighty~~)) fifty-five cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue. The rate of tax may be reduced as provided in the omnibus appropriations act for the fiscal biennium. Local effort levy taxes collected under this subsection must be deposited into the education legacy trust account. The omnibus appropriations act must specify the applicable tax rate for each calendar year.

(b) The local effort levy imposed by the state on behalf of school districts in this subsection is not subject to the limitations in RCW 84.55.010.

(c) Beginning in calendar year 2019, the levy imposed in this subsection must be distributed back to school districts proportionally based on the equalized assessed valuation of property within the school district as a percentage of the statewide total equalized assessed valuation of property in all school districts using the apportionment schedule provided in RCW 28A.510.250.

(d) In calendar year 2018 only, the rate of tax is forty-five cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(3) The aggregate rate limit for the 2018 collection year and thereafter is the sum of the maximum levy rates in subsections (1) and (2) of this section.

(4)(a) Beginning July 1, 2019, and ending at such time the condition of (b) of this subsection has been met, to the extent that biennial revenues to the state general fund and related funds exceed state general fund and related fund revenues for the prior fiscal biennium, the legislature must prioritize the use of the increased revenue for meeting enrollment and inflationary increases for the basic per pupil guarantee, the supplemental per pupil guarantees, and other funding components of RCW 28A.150. . . (section 102, chapter . . . (SSB 5607), Laws of 2017). The second priority use for the increased revenues are to reduce the tax rate imposed in subsection (2)(a) of this section with the ultimate goal to reduce the tax rate to one dollar and twenty-five cents per thousand dollars of assessed value.

(b) Once the omnibus appropriations act provides the necessary state appropriations for K-12 education programs and specifies that the applicable tax rate imposed under subsection (2)(a) of this section is one dollar and twenty-five cents per thousand dollars of assessed value, the priority requirements of (a) of this subsection will not apply in subsequent fiscal biennia. The calculations necessary to determine compliance with this subsection (4) shall be performed by the economic and revenue forecast council.

(5) As used in this section:

(a) "Appropriations for K-12 education programs" are state allocations to school districts, charter schools, and educational service districts.

(b) "Biennial revenues to the state general fund and related funds" includes the unrestricted ending fund balance from the prior fiscal biennium and includes the transfer or diversion of revenue or money to or from another fund or account but excludes transfers to the budget stabilization account under Article VII, section 12 of the state Constitution.

(c) "Related funds" means the Washington opportunity pathways account and the education legacy trust account.

(d) "The support of common schools" includes the payment of the principal and interest on bonds issued for capital construction projects for the common schools.

**Sec.**  RCW 84.52.--- and 2017 c ... (SSB 5607) s 210 are each amended to read as follows:

(1) Each tax year, the county assessors must notify the department if the assessor determines that the aggregate limitation in RCW 84.52.050 has been exceeded for any tax code area within their county. The assessor must also provide the department with any associated data or worksheets or other forms used by the assessor's office in making a determination that the aggregate limitation in RCW 84.52.050 has been exceeded for any tax code area within the assessor's county and the taxable assessed value for those districts within such tax code areas. The county assessors must also provide the department with any other documentation requested by the department for purposes of carrying out the department's responsibilities under this section. The notification and documentation required under this subsection must be received by the department before March 1st.

(2) Each tax year, a taxing district must notify the appropriate county assessor if the taxing district enters into an agreement under the authority of RCW 39.67.010 to avoid or lessen the reduction of its levy under RCW 84.52.010 resulting from the aggregate limitation in RCW 84.52.050 having been exceeded. The notification required under this subsection must include the amount of money that the taxing district agreed to transfer to another taxing district under such agreement. The county assessor must forward the information received under this subsection to the department before March 1st.

(3) ((~~If a county assessor fails to comply with the requirements of subsections (1) and (2) of this section before March 1st, no impacted taxing districts may receive payments under this section in the current fiscal year. If the county assessor complies with the notification and documentation requirements in subsections (1) and (2) of this section on or after March 1st, impacted taxing districts may receive payments in the following state fiscal year, conditioned on an appropriation by the legislature.~~

~~(4)~~)) Beginning with the levy of state taxes for collection in 2019, in addition to the levy required by RCW 84.48.080, the department must compute a hypothetical levy of state taxes based on the provisions of Title 84 RCW as they existed on January 1, 2018. This hypothetical state levy must be computed before February 1st of each year.

((~~(5)~~)) (4) For each county whose assessor has provided the notification and documentation required under subsection (1) or (2) of this section before March 1st of the current calendar year, the department must calculate a hypothetical state levy rate for the current tax year based on the hypothetical state levy computed as required under subsection ((~~(4)~~)) (3) of this section.

((~~(6)~~)) (5)(a) For each taxing district within a tax code area included in a notification under subsection (1) of this section or included in a notification under subsection (2) of this section, the department must determine whether and how much each potentially impacted taxing district's regular levy was negatively impacted due to an increase in the amount of property taxes levied under RCW 84.52.065 after January 1, 2017.

(b) Each impacted taxing district ((~~is eligible to~~)) must receive a payment from the state equal to the amount that the taxing district's regular levy was negatively impacted due to an increase in the amount of property taxes levied under RCW 84.52.065 after January 1, 2017, as determined by the department under this subsection ((~~(6)~~)) (5). ((~~Payments authorized under this subsection (6) are conditioned on an appropriation by the legislature.~~

~~(7)~~)) (6) By June 15th of each year, the department must notify the state treasurer of the amounts that each impacted taxing district are eligible for under subsection ((~~(6)~~)) (5) of this section. By June 30th, the state treasurer must transfer such amounts to the treasurer of the county in which the impacted taxing district is wholly located or has its main office if the impacted taxing district is located in more than one county((~~, subject to amounts appropriated for that purpose. If amounts appropriated for these transfers are less than the amounts necessary to make the full amount of each transfer, the state treasurer must reduce the amount of the transfers on a pro rata basis~~)). The county treasurer must forward amounts received from the state treasurer under this subsection to the impacted taxing districts entitled to the funds.

((~~(8)~~)) (7) For purposes of this subsection, the following definitions apply:

(a) "Appropriate county assessor" means (i) the county assessor of the county within which a taxing district subject to subsection (2) of this section is wholly located or (ii) if that taxing district is located in more than one county, the county assessor of the county in which the greatest amount of assessed value of the taxing district is located.

(b) "Impacted taxing district" means a local taxing district whose regular levy was negatively impacted due to an increase in the amount of property taxes levied by the state as a result of increased levy authority provided by the legislature after January 1, 2017, as determined by the department under this section.

((~~(9)~~)) (8) The department may adopt rules as the department considers necessary to implement this section, consistent with the purpose of those sections as described in section 212, chapter . . . (SSB 5607), Laws of 2017.

((~~(10) This section expires July 1, 2027.~~))

**Sec.**  RCW 28A.320.--- and 2017 c ... (SSB 5607) s 507 are each amended to read as follows:

(1) Subject to the availability of amounts appropriated for this specific purpose, beginning with the 2018-19 school year, each school district board of directors is authorized to enter into state-funded extended year contracts with qualified nonsupervisory certificated instructional staff to provide remedial education instruction and services to underachieving students as determined by statewide, school, or district assessments or other student performance measurement tools.

(2) The state-funded extended year contracts authorized under this section must meet the following limitations and conditions on the use of funds:

(a) May be for up to an additional ninety days of employment outside of the one hundred eighty day school district calendar;

(b) Must be time-based with compensation at the hourly rate calculated on the individual employee's placement on the immediately previous school year salary schedule;

(c) The individual employee's immediate supervisor must certify to the superintendent of the school district that the activity was done in the appropriate time and manner and was provided in compliance with the limitations in this subsection;

(d) If not renewed, shall not constitute adverse change in accordance with RCW 28A.405.300 through 28A.405.380;

(e) Must be separately accounted for by the school districts; and

(f) Must be audited as part of the regular financial audits of school districts by the state auditor's office to ensure compliance with the limitations and conditions of this subsection.

(3) The state-funded extended year contracts authorized under this section shall not be considered part of the definition or funding of the instructional program of basic education under Article IX of the state Constitution.

(4) State funds appropriated for extended year contracts authorized under this section shall be distributed to each educational service district in proportion to the enrollment of students served by the educational service district as a percentage of statewide enrollment. Educational service districts shall distribute state funds for extended year contracts to school districts in a uniform and equitable manner, except that preference may be given to school districts with a higher percentage of students qualifying for free or reduced-price lunch.

**Sec.**  2017 c ... (SSB 5607) s 2102 (uncodified) is amended to read as follows:

The secretary of state shall submit this act, except for sections 401 through 412 of this act, and Substitute Senate Bill No. 5875 (this act) to the people for their adoption and ratification, or rejection, at the next general election to be held in this state, in accordance with Article II, section 1 of the state Constitution and the laws adopted to facilitate its operation.

**--- END ---**