**5875-S AMS ROLF S2301.1 - NOT FOR FLOOR USE**

**SSB 5875** - S AMD **146**

By Senator Rolfes

**NOT ADOPTED 03/23/2017**

On page 2, at the beginning of line 31, strike "local effort levy" and insert "((~~local effort levy~~)) new state property tax"

On page 5, line 14, after "levy a" strike "local effort levy" and insert "((~~local effort levy~~)) new state property tax"

On page 5, line 22, after "biennium." strike "Local effort levy" and insert "((~~Local effort levy~~)) New state property"

On page 5, line 26, after "The" strike "local effort levy" and insert "((~~local effort levy~~)) new state property tax"

On page 10, after line 16, insert the following:

"**Sec.**  2017 c ... (SSB 5607) s 101 (uncodified) is amended to read as follows:

(1) The legislature finds that in recent years, the long running K-12 funding debate has narrowly focused on the overreliance by school districts on local school levies, which are neither regular nor dependable. This narrow focus overlooks a number of other deficiencies and inequities in the current K-12 funding structure. The legislature further finds that the current system unfairly drives more money to wealthier districts, on a per pupil basis, for low-income, special education, and transitional bilingual students than to poor districts. The legislature further finds that the current funding structure lacks transparency due to an overly complicated staffing model. The legislature further finds that the overall level of financial resources available to property-rich districts greatly exceeds the overall level of resources available to property-poor districts. The legislature further finds that the current funding structure does not incorporate any significant adjustment to reflect regional cost differences, which leads to other inequities. The legislature further finds that while the primary focus of the legislature is to address the funding aspects of K-12 education, the system should be viewed holistically by evaluating and incorporating broader reforms to ensure that the students of our state are receiving the best possible education.

(2)(a) Based on the foregoing, the legislature finds that a quality K-12 funding structure should focus on four broad objectives: Ampleness, dependability, equity, and transparency.

(b) The legislature further finds that ampleness envelops several core issues. First, an ample K-12 funding structure should pay for the actual cost of providing the state's program of basic education. Second, an ample K-12 funding structure recognizes that different children, for example low-income students or English language learners, require different levels of resources.

(c) The legislature further finds that a dependable funding structure involves a binding and unwavering guarantee by the state that does not fluctuate with short-term economic changes.

(d) The legislature further finds that an equitable K-12 funding structure guarantees a uniform foundational level of financial resources for all school districts coupled with an additional recognition that the cost to pay for educational services is different in different parts of the state. The legislature further finds that an equitable K-12 funding structure reflects a reality that the residents of different school districts have different abilities to financially contribute to the funding of the students residing within their districts.

(e) The legislature further finds that a transparent K-12 funding structure is simple and straightforward, and thereby allows the public to more easily understand how their tax dollars are being spent, which increases accountability.

(3) Based on the foregoing, the legislature intends to create an ample, dependable, equitable, and transparent K-12 funding structure that benefits our state and students. The revised funding structure in chapter . . . (SSB 5607), Laws of 2017 is set to take effect with the 2018-19 school year and includes the following major elements:

(a) A basic per pupil guarantee of ten thousand dollars per student. This basic per pupil guarantee is set at a level necessary to exceed the entire projected cost under current law of state general apportionment funding, state levy equalization funding, state pupil transportation funding, and all local school district maintenance and operation levies by approximately one hundred twenty-six million dollars;

(b) A state-required local contribution, referred to as a local effort levy, to be applied towards the basic per pupil guarantee. The levy would be uniformly imposed in every school district at a rate specified in the omnibus appropriations act, but not exceeding one dollar and eighty cents per thousand dollars of assessed value. In essence, the ((~~local effort levy~~)) new state property tax would be applied to the total cost of the basic per pupil guarantee in each school district, with the state backfilling the difference in order to meet the state guarantee. There is a minimum state contribution that requires the state to pay for at least forty percent of the basic per pupil guarantee. The property tax rate would be lowered in future years, as undedicated state revenues become available. A small school hold-harmless provision is included. Under this provision, for any school district that is estimated to receive less funding through the basic per pupil guarantee than projected under current law for the state and local funding sources the basic per pupil guarantee is replacing, the district will receive the higher amount;

(c) An additional seven thousand five hundred dollars per pupil guarantee for special education students;

(d) An additional one thousand dollars per pupil guarantee for transitional bilingual students, which is estimated to generate approximately ten million more dollars than what transitional bilingual funding is projected to yield under current law;

(e) An additional two to five thousand dollars per pupil guarantee for students in poverty, which is estimated to generate approximately one hundred fifty million more dollars than what funding for poverty students is projected to yield under current law;

(f) A one thousand dollar per pupil guarantee for highly capable students, which would double the estimated enhanced funding level for this program under current law;

(g) A five hundred dollar per pupil guarantee for career and technical education students and students enrolled in skills centers, which would double the estimated enhanced funding level for these programs under current law;

(h) A one thousand five hundred dollar per pupil guarantee for homeless students, which is estimated to generate approximately fourteen million dollars;

(i) A housing allowance for certificated instructional, certificated administrative, and classified staff in districts where the average home value is above the statewide average. The housing allowance would be up to ten thousand dollars per person, depending on the school district;

(j) A twelve thousand five hundred dollar teacher recruitment and retention incentive for certificated instructional and certificated administrative staff in school districts where the poverty rate exceeds twenty percent; and

(k) 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 local, state, and federal revenues, the per pupil amount is increased to twelve thousand five hundred dollars.

(4) The legislature finds that this new funding system, which places students at the center of its structure, meets the four foundational objectives:

(a) Ample – The system provides funds at a significantly higher level per student than the basic education program currently in place. The state provided program of basic education will provide over twelve thousand five hundred dollars on average per pupil for school districts across the state, translating to over two hundred fifty thousand dollars for a classroom of twenty students;

(b) Dependable – The system provides a binding and unwavering guarantee to finance basic education on a guaranteed per pupil basis and eliminates the unconstitutional reliance on unreliable and unfair local excess levies to provide that funding;

(c) Equitable – The system eliminates the current inequitable funding found throughout the state of Washington, and instead, provides a guaranteed level of funding for every pupil based on the pupil's educational characteristics; and

(d) Transparent – The system is transparent and straightforward, thereby allowing the public to more easily understand how its tax dollars are spent and bring about increased accountability.

(5) Finally, the legislature finds these changes, along with reforms in the rest of chapter . . . (SSB 5607), Laws of 2017, are intended and expected to improve the educational opportunities and outcomes of children throughout the state.

**Sec.**  RCW 84.55.--- and 2017 c ... (SSB 5607) s 211 are each amended to read as follows:

(1) For purposes of RCW 84.55.010, 84.55.015, 84.55.020, and 84.55.030, "regular property tax levy rate," "regular property tax rate," and "property tax rate" mean, with respect to impacted taxing districts, the regular property tax levy rate that would have applied if the state property tax levy, through the ((~~local effort levy~~)) new state property tax authorized in RCW 84.52.065(2), had not been increased by legislative action after January 1, 2018.

(2) This section applies beginning with taxes levied for collection in 2019 and for taxes levied for collection in subsequent years through 2028.

(3) 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.

(4) This section expires July 1, 2028.

**Sec.**  2017 c ... (SSB 5607) s 212 (uncodified) is amended to read as follows:

The legislature's purpose in enacting RCW 84.52.--- and 84.55.--- (sections 210 and 211, chapter . . . (SSB 5607), Laws of 2017) is to mitigate the negative financial effects of the ((~~local effort levy~~)) new state property tax on local taxing districts resulting from legislative action after January 1, 2017.

**Sec.**  RCW 84.36.381 and 2017 c ... (SSB 5607) s 213 are each amended to read as follows:

A person is exempt from any legal obligation to pay all or a portion of the amount of excess and regular real property taxes due and payable in the year following the year in which a claim is filed, and thereafter, in accordance with the following:

(1) The property taxes must have been imposed upon a residence which was occupied by the person claiming the exemption as a principal place of residence as of the time of filing. However, any person who sells, transfers, or is displaced from his or her residence may transfer his or her exemption status to a replacement residence, but no claimant may receive an exemption on more than one residence in any year. Moreover, confinement of the person to a hospital, nursing home, assisted living facility, or adult family home does not disqualify the claim of exemption if:

(a) The residence is temporarily unoccupied;

(b) The residence is occupied by a spouse or a domestic partner and/or a person financially dependent on the claimant for support; or

(c) The residence is rented for the purpose of paying nursing home, hospital, assisted living facility, or adult family home costs;

(2) The person claiming the exemption must have owned, at the time of filing, in fee, as a life estate, or by contract purchase, the residence on which the property taxes have been imposed or if the person claiming the exemption lives in a cooperative housing association, corporation, or partnership, such person must own a share therein representing the unit or portion of the structure in which he or she resides. For purposes of this subsection, a residence owned by a marital community or state registered domestic partnership or owned by cotenants is deemed to be owned by each spouse or each domestic partner or each cotenant, and any lease for life is deemed a life estate;

(3)(a) The person claiming the exemption must be:

(i) Sixty-one years of age or older on December 31st of the year in which the exemption claim is filed, or must have been, at the time of filing, retired from regular gainful employment by reason of disability; or

(ii) A veteran of the armed forces of the United States entitled to and receiving compensation from the United States department of veterans affairs at a total disability rating for a service-connected disability.

(b) However, any surviving spouse or surviving domestic partner of a person who was receiving an exemption at the time of the person's death will qualify if the surviving spouse or surviving domestic partner is fifty-seven years of age or older and otherwise meets the requirements of this section;

(4) The amount that the person is exempt from an obligation to pay is calculated on the basis of combined disposable income, as defined in RCW 84.36.383. If the person claiming the exemption was retired for two months or more of the assessment year, the combined disposable income of such person must be calculated by multiplying the average monthly combined disposable income of such person during the months such person was retired by twelve. If the income of the person claiming exemption is reduced for two or more months of the assessment year by reason of the death of the person's spouse or the person's domestic partner, or when other substantial changes occur in disposable income that are likely to continue for an indefinite period of time, the combined disposable income of such person must be calculated by multiplying the average monthly combined disposable income of such person after such occurrences by twelve. If it is necessary to estimate income to comply with this subsection, the assessor may require confirming documentation of such income prior to May 31 of the year following application;

(5)(a) A person who otherwise qualifies under this section and has a combined disposable income of forty thousand dollars or less is exempt from all excess property taxes and the ((~~local effort levy~~)) new state property tax imposed under RCW 84.52.065(2); and

(b)(i) A person who otherwise qualifies under this section and has a combined disposable income of thirty-five thousand dollars or less but greater than thirty thousand dollars is exempt from all regular property taxes on the greater of fifty thousand dollars or thirty-five percent of the valuation of his or her residence, but not to exceed seventy thousand dollars of the valuation of his or her residence; or

(ii) A person who otherwise qualifies under this section and has a combined disposable income of thirty thousand dollars or less is exempt from all regular property taxes on the greater of sixty thousand dollars or sixty percent of the valuation of his or her residence;

(6)(a) For a person who otherwise qualifies under this section and has a combined disposable income of forty thousand dollars or less, the valuation of the residence is the assessed value of the residence on the later of January 1, 1995, or January 1st of the assessment year the person first qualifies under this section. If the person subsequently fails to qualify under this section only for one year because of high income, this same valuation must be used upon requalification. If the person fails to qualify for more than one year in succession because of high income or fails to qualify for any other reason, the valuation upon requalification is the assessed value on January 1st of the assessment year in which the person requalifies. If the person transfers the exemption under this section to a different residence, the valuation of the different residence is the assessed value of the different residence on January 1st of the assessment year in which the person transfers the exemption.

(b) In no event may the valuation under this subsection be greater than the true and fair value of the residence on January 1st of the assessment year.

(c) This subsection does not apply to subsequent improvements to the property in the year in which the improvements are made. Subsequent improvements to the property must be added to the value otherwise determined under this subsection at their true and fair value in the year in which they are made.

**Sec.**  RCW 84.36.630 and 2017 c ... (SSB 5607) s 214 are each amended to read as follows:

(1) All machinery and equipment owned by a farmer that is personal property is exempt from property taxes levied for any state purpose, including the ((~~local effort levy~~)) new state property tax imposed under RCW 84.52.065(2), if it is used exclusively in growing and producing agricultural products during the calendar year for which the claim for exemption is made.

(2) "Farmer" and "agricultural product" have the same meaning as defined in RCW 82.04.213.

(3) A claim for exemption under this section must be filed with the county assessor together with the statement required under RCW 84.40.190, for exemption from taxes payable the following year. The claim must be made solely upon forms as prescribed and furnished by the department of revenue."

Renumber the remaining section consecutively and correct any internal references accordingly.

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On page 1, line 3 of the title, after "84.52.---," strike "and 28A.320.---" and insert "28A.320.---, 84.55.---, 84.36.381, and 84.36.630"

On page 1, line 3 of the title, after "(SSB 5607)" strike "s" and insert "ss 101, 212, and"

EFFECT: Replaces the term "local effort levy" with "new state property tax."