

SENATE BILL REPORT

ESSB 5875

As Passed Senate, March 23, 2017

Title: An act relating to making revisions to education reforms in Substitute Senate Bill No. 5607.

Brief Description: Making revisions to education reforms in Substitute Senate Bill No. 5607.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Braun).

Brief History:

Committee Activity: Ways & Means: 3/21/17, 3/22/17 [DPS, DNP].

Floor Activity:

Passed Senate: 3/23/17, 25-24.

Brief Summary of Engrossed First Substitute Bill

- Modifies the following elements of the 2017 Substitute Senate Bill 5607.
- Reduces the basic per pupil guarantee from \$10,000 to \$9,200 in school year 2018-19. In future school years, the basic per pupil guarantee remains at the level otherwise provided under the bill.
- Lowers the maximum local effort levy rate from \$1.80 to \$1.55.
- Specifies that local taxing districts are guaranteed full reimbursement for any negative fiscal impacts to their levy authority due to the local effort levy.
- Modifies the \$12,500 minimum total per pupil funding threshold calculation by (1) excluding local revenues, except for local school levies in school year 2018-19 only, (2) fixing the amount of federal revenues to federal revenues received in the 2017-18 school year, and (3) defining state revenues.
- Disallows a reduction in the per pupil amounts when there is negative inflation.
- Modifies provisions related to extended-year supplemental contracts.

SENATE COMMITTEE ON WAYS & MEANS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: That Substitute Senate Bill No. 5875 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Bailey, Becker, Fain, Miloscia, Padden, Rivers, Schoesler, Warnick and Zeiger.

Minority Report: Do not pass.

Signed by Senators Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Billig, Carlyle, Conway, Darneille, Hasegawa, Keiser and Pedersen.

Staff: Jeffrey Mitchell (786-7438)

Background: Basic Education. The Washington State Constitution (Constitution) provides: “It is the paramount duty of the state to make ample provision for the education of all children residing within its borders...” The Washington State Supreme Court (Court) has interpreted this to mean that the Legislature must define an instructional program of basic education for public schools and amply fund it from a regular and dependable source; and that the funding should reflect the actual costs of providing the legislatively defined instructional program of basic education.

School Funding and the Prototypical Model. Over 70 percent of the state allocations to school districts are distributed through the general apportionment prototypical school funding model based on staffing ratios, salary levels, and other cost allocation factors based on student enrollment. The funding formula has specific increases for career and technical education.

For certificated instructional staff, the prototypical school funding system includes a salary allocation schedule. For certificated instructional staff, administrative staff, and classified staff, the system includes allocation amounts based on historical salary levels and includes some school districts at grandfathered levels.

The Legislature’s definition of basic education also includes six other programs: special education; pupil transportation; the Learning Assistance Program for remediation assistance; the Transitional Bilingual Education program; the highly capable program; and educational programs in juvenile detention centers and state institutions. Most of these funds are distributed based on staffing ratios, salary levels, and other cost allocation factors based on student enrollment.

Constitutional 1 Percent Property Tax Limit. The Constitution limits regular property tax levies to a maximum of 1 percent of the property's value—\$10 per \$1,000 of assessed value. The Legislature established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within this constitutional limit. For example, the state levy rate is limited to \$3.60 per \$1,000 of assessed value; county general levies are limited to \$1.80 per \$1,000 of assessed value; county road levies are limited to \$2.25 per \$1,000 of assessed value; and city levies are limited to \$3.375 per \$1,000 of assessed value. These districts are known as senior districts. The junior districts, such as fire, library, hospital, and metropolitan park districts, each have specific rate limits as well.

The tax rates for most of these senior and junior districts must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. State statutes contain schedules specifying the preferential order in which the various junior taxing district levies are prorated in the event that the \$5.90 limit is exceeded. A few regular property tax levies are not placed into the \$5.90 aggregate rate limit: emergency medical services, conservation futures, affordable housing, certain metropolitan park districts, county ferry districts, criminal justice, fire districts, and county transit are some examples. However, these districts are subject to reduction if the rates for these districts, the state property tax, and the districts subject to the \$5.90 limit together exceed the constitutional limit. These districts are in what has been called the gap, the \$0.50 remaining after subtracting the maximum \$3.60 state levy and the \$5.90 in local regular levies from the statutory \$10 limit.

One Percent Property Tax Revenue Limit. There is a statutory 1 percent limit on revenue growth for taxing districts. This limit is distinct and separate from the 1 percent constitutional limit described above. Under this revenue limit the amount of revenue collected from regular, i.e., non-voter-approved, levies is restricted to a growth rate of 1 percent plus an additional adjustment for new construction occurring within the taxing district.

Substitute Senate Bill 5607. SSB 5607 was passed by the state Senate on February 1, 2017, and is currently under consideration in the state House of Representatives. The bill includes provisions which, beginning in school year 2018-19, would replace the prototypical model with a weighted per pupil funding formula. The weighted per pupil funding formula contains a basic per pupil guarantee as well as six supplemental state-funded per pupil amounts, including additional per pupil amounts for special education, highly capable, learning assistance, transitional bilingual, and career and technical education.

More specifically, the bill includes provisions:

- establishing a basic per pupil guarantee of \$10,000 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 M&O levies. The basic per pupil guarantee and supplemental per pupil amounts are adjusted for inflation from year-to-year;
- establishing a minimum total per pupil funding level of \$12,500 per student when including all federal, state, and local revenues;
- imposing a new state property tax, referred to as a local effort levy, beginning in calendar year 2018. The local effort levy tax rate is \$0.45 per \$1,000 of assessed value in calendar year 2018 and then \$1.80 per \$1,000 of assessed value in calendar year 2019 and thereafter. However, the bill does allow for the state operating budget to specify a lower tax rate;
- authorizing a local taxing district reimbursement process for any districts that are negatively impacted under the 1 percent constitutional limit by the local effort levy;
- authorizing, beginning in the 2018-19 school year, school districts to enter into state-funded supplemental employment contracts with qualified, non-supervisory, 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; and

- requiring a referendum-vote of the people on most provisions of the bill at the general election in November 2017.

Summary of Engrossed First Substitute Bill: Several provisions in SSB 5607 (2017) are amended.

For the 2018-19 school year, the basic per pupil guarantee is reduced to \$9,200. In future years, the basic per pupil guarantee remains at the level otherwise provided in SSB 5607.

The maximum local effort levy rate is reduced from \$1.80 per \$1,000 of assessed value to \$1.55 per \$1,000 of assessed value.

Several changes are made to the \$12,500 minimum total per pupil funding threshold calculation in the following order:

1. Local revenues are entirely excluded from the calculation, except for calendar year 2018 local maintenance and operation levies attributable to school year 2018-19.
2. The federal revenue contribution towards the \$12,500 minimum is fixed in time to those federal revenues received by school districts in the 2017-18 school year.
3. State revenues are defined to mean the total state revenues appropriated to school districts under the Omnibus Appropriations Act.

A reduction in the year-to-year change in the per pupil amounts is disallowed during years in which there is negative inflation.

Several changes are made to the local taxing district reimbursement provisions. Reimbursements are no longer subject to appropriation and a local taxing district is guaranteed reimbursement for the full amount of any negative fiscal impact due to the imposition of the local effort levy. The ten year expiration date is eliminated.

The provisions of SSB 5607 relating to state-funded extended year contracts are modified by specifying that state funding is subject to appropriation. Furthermore, state funds appropriated for state-funded extended-year contracts must 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.

The trailer bill is subject to a referendum-vote consistent with the underlying bill.

Appropriation: None.

Fiscal Note: Requested on March 21, 2017.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains a referendum provision making it subject to approval by the voters at the November 2017 election.

Staff Summary of Public Testimony on First Substitute: CON: The Tacoma School District has concerns about a potential loss in revenue. There should not be a lapse in local M&O levies—they should be allowed in calendar year 2019 as well.

OTHER: The bill eliminates the 1 percent revenue limit for the new state property tax, which is a change the counties would like to see.

Persons Testifying: CON: Charlie Brown, Tacoma Public Schools.

OTHER: Josh Weiss, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: No one.