
SENATE BILL 5951

State of Washington 52nd Legislature 1991 Regular Session

By Senator Pelz.

Read first time March 22, 1991. Referred to Committee on Education.

1 AN ACT Relating to increasing finances for education; amending RCW
2 28A.150.260, 82.04.4281, 82.04.4292, and 82.04.4293; adding a new
3 section to chapter 82.04 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature adopted the present
6 method of funding basic education in 1977. Under this method, the
7 legislature has funded districts based upon a state-wide average. The
8 increasing complexity of the modern world, and its ever changing job
9 markets, require and demand constant improvement to the education
10 system. Improvements must be made; average is no longer sufficient if
11 Washington wishes to provide excellence in education.

12 The legislature finds that smaller classes directly improve
13 students' educational success. Washington's ratio of teachers to
14 students is currently among the worst in the country. Though modest
15 strides have been made in increasing the ratio of faculty to students,

1 especially in grades kindergarten through three, ratios must continue
2 to increase. It is the intent of the legislature to increase the
3 number of teachers per one thousand students in grades kindergarten
4 through twelve in the next school year. Washington will be seen as an
5 example by other states still fighting the class size battle. The
6 legislature also finds that the block grant program has been immensely
7 successful. The legislature intends that the increased costs of this
8 increase in the number of teachers shall be defrayed by the limitation
9 in this act of the business and occupation tax exemption for interest
10 and dividend income.

11 **Sec. 2.** RCW 28A.150.260 and 1990 c 33 s 108 are each amended to
12 read as follows:

13 The basic education allocation for each annual average full_time
14 equivalent student shall be determined in accordance with the following
15 procedures:

16 (1) The governor shall and the superintendent of public instruction
17 may recommend to the legislature a formula based on a ratio of students
18 to staff for the distribution of a basic education allocation for each
19 annual average full_time equivalent student enrolled in a common
20 school. The distribution formula shall have the primary objective of
21 equalizing educational opportunities and shall provide appropriate
22 recognition of the following costs among the various districts within
23 the state:

24 (a) Certificated instructional staff and their related costs;

25 (b) Certificated administrative staff and their related costs;

26 (c) Classified staff and their related costs;

27 (d) Nonsalary costs;

1 (e) Extraordinary costs of remote and necessary schools and small
2 high schools, including costs of additional certificated and classified
3 staff; and

4 (f) The attendance of students pursuant to RCW 28A.335.160 and
5 28A.225.250 who do not reside within the servicing school district.

6 (2)(a) This formula for distribution of basic education funds shall
7 be reviewed biennially by the superintendent and governor. The
8 recommended formula shall be subject to approval, amendment or
9 rejection by the legislature. The formula shall be for allocation
10 purposes only. While the legislature intends that the allocations for
11 additional instructional staff be used to increase the ratio of such
12 staff to students, nothing in this section shall require districts to
13 reduce the number of administrative staff below existing levels.

14 (b) The formula adopted by the legislature for the 1987-88 school
15 year shall reflect the following ratios at a minimum: (i) Forty-eight
16 certificated instructional staff to one thousand annual average full_
17 time equivalent students enrolled in grades kindergarten through three;
18 (ii) forty-six certificated instructional staff to one thousand annual
19 average full-time equivalent students enrolled in grades four through
20 twelve; (iii) four certificated administrative staff to one thousand
21 annual average full-time equivalent students enrolled in grades
22 kindergarten through twelve; and (iv) sixteen and sixty-seven one-
23 hundredths classified personnel to one thousand annual average full_
24 time equivalent students enrolled in grades kindergarten through
25 twelve.

26 (c) Commencing with the 1988-89 school year, the formula adopted by
27 the legislature shall reflect the following ratios at a minimum: (i)
28 Forty-nine certificated instructional staff to one thousand annual
29 average full-time equivalent students enrolled in grades kindergarten
30 through three; (ii) forty-six certificated instructional staff to one

1 thousand annual average full-time equivalent students in grades four
2 through twelve; (iii) four certificated administrative staff to one
3 thousand annual average full-time equivalent students in grades
4 kindergarten through twelve; and (iv) sixteen and sixty-seven one-
5 hundredths classified personnel to one thousand annual average full-
6 time equivalent students enrolled in grades kindergarten through
7 twelve.

8 (d) Commencing with the 1991-92 school year, the formula adopted by
9 the legislature shall reflect the following ratios at a minimum: (i)
10 Fifty-three and one-half certificated instructional staff to one
11 thousand annual average full-time equivalent students enrolled in
12 grades kindergarten through three; (ii) forty-nine certificated
13 instructional staff to one thousand annual average full-time equivalent
14 students enrolled in grades four through twelve; (iii) four
15 certificated administrative staff to one thousand annual average full-
16 time equivalent students in grades kindergarten through twelve; and
17 (iv) sixteen and sixty-seven one-hundredths classified personnel to one
18 thousand annual average full-time equivalent students enrolled in
19 grades kindergarten through twelve.

20 (e) In the event the legislature rejects the distribution formula
21 recommended by the governor, without adopting a new distribution
22 formula, the distribution formula for the previous school year shall
23 remain in effect: PROVIDED, That the distribution formula developed
24 pursuant to this section shall be for state apportionment and
25 equalization purposes only and shall not be construed as mandating
26 specific operational functions of local school districts other than
27 those program requirements identified in RCW 28A.150.220 and
28 28A.150.100. The enrollment of any district shall be the annual
29 average number of full-time equivalent students and part-time students
30 as provided in RCW 28A.150.350, enrolled on the first school day of

1 each month and shall exclude full_time equivalent handicapped students
2 recognized for the purposes of allocation of state funds for programs
3 under RCW 28A.155.010 through 28A.155.100. The definition of full_time
4 equivalent student shall be determined by rules and regulations of the
5 superintendent of public instruction: PROVIDED, That the definition
6 shall be included as part of the superintendent's biennial budget
7 request: PROVIDED, FURTHER, That any revision of the present
8 definition shall not take effect until approved by the house
9 appropriations committee and the senate ways and means committee:
10 PROVIDED, FURTHER, That the office of financial management shall make
11 a monthly review of the superintendent's reported full_time equivalent
12 students in the common schools in conjunction with RCW 43.62.050.

13 (3)(a) Certificated instructional staff shall include those persons
14 employed by a school district who are nonsupervisory employees within
15 the meaning of RCW 41.59.020(8): PROVIDED, That in exceptional cases,
16 people of unusual competence but without certification may teach
17 students so long as a certificated person exercises general
18 supervision: PROVIDED, FURTHER, That the hiring of such
19 noncertificated people shall not occur during a labor dispute and such
20 noncertificated people shall not be hired to replace certificated
21 employees during a labor dispute.

22 (b) Certificated administrative staff shall include all those
23 persons who are chief executive officers, chief administrative
24 officers, confidential employees, supervisors, principals, or assistant
25 principals within the meaning of RCW 41.59.020(4).

26 (4) Each annual average full_time equivalent certificated classroom
27 teacher's direct classroom contact hours shall average at least twenty-
28 five hours per week. Direct classroom contact hours shall be exclusive
29 of time required to be spent for preparation, conferences, or any other
30 nonclassroom instruction duties. Up to two hundred minutes per week

1 may be deducted from the twenty-five contact hour requirement, at the
2 discretion of the school district board of directors, to accommodate
3 authorized teacher/parent-guardian conferences, recess, passing time
4 between classes, and informal instructional activity. Implementing
5 rules to be adopted by the state board of education pursuant to RCW
6 28A.150.220(6) shall provide that compliance with the direct contact
7 hour requirement shall be based upon teachers' normally assigned weekly
8 instructional schedules, as assigned by the district administration.
9 Additional record-keeping by classroom teachers as a means of
10 accounting for contact hours shall not be required. However, upon
11 request from the board of directors of any school district, the
12 provisions relating to direct classroom contact hours for individual
13 teachers in that district may be waived by the state board of education
14 if the waiver is necessary to implement a locally approved plan for
15 educational excellence and the waiver is limited to those individual
16 teachers approved in the local plan for educational excellence. The
17 state board of education shall develop criteria to evaluate the need
18 for the waiver. Granting of the waiver shall depend upon verification
19 that: (a) The students' classroom instructional time will not be
20 reduced; and (b) the teacher's expertise is critical to the success of
21 the local plan for excellence.

22 NEW SECTION. **Sec. 3.** A new section is added to Title 28A RCW to
23 read as follows:

24 (1) The block grant program is hereby created for the purpose of
25 local education enhancements. Funds to finance this program are to be
26 derived from the intangibles tax imposed in RCW 82.04.4281, 82.04.4292,
27 82.04.4293, and section 7 of this act.

1 (2) A school district may be eligible to receive an allocation from
2 the block grant program if the school district's board of directors
3 has:

4 (a) Assessed the needs of the schools within the district;

5 (b) Prioritized the identified needs; and

6 (c) Developed an expenditure plan for the allocation and an
7 evaluation methodology to assess benefits to students.

8 (3) School districts receiving moneys pursuant to this section
9 shall expend such moneys to meet educational needs identified by the
10 district within the following program areas:

11 (a) Prevention and intervention services in the elementary grades;

12 (b) Reduction of class size;

13 (c) Early childhood education;

14 (d) Student-at-risk programs, including dropout prevention and
15 retrieval, and substance abuse awareness and prevention;

16 (e) Staff development and in-service programs;

17 (f) Student logical reasoning and analytical skill development;

18 (g) Programs for highly capable students;

19 (h) Programs involving students in community services;

20 (i) Senior citizen volunteer programs; and

21 (j) Other purposes that enhance a school district's basic education
22 program.

23 Program enhancements funded pursuant to this section do not fall
24 within the definition of basic education for purposes of Article IX of
25 the state Constitution and the state's funding duty thereunder, nor
26 shall such funding as now or hereafter appropriated and allocated
27 constitute levy reduction funds for purposes of RCW 84.52.0531.

28 (4)(a) Allocations to eligible school districts shall be calculated
29 on the basis of average annual full-time equivalent enrollment, at an
30 annual rate of up to thirty-five dollars and twenty-six cents per

1 pupil. This per pupil rate shall be adjusted annually for inflation.
2 For school districts enrolling not more than one hundred average annual
3 full-time equivalent students, and for small school plants within any
4 school district designated as remote and necessary schools, the
5 allocations shall be determined as follows:

6 (i) Enrollment of not more than sixty average annual full-time
7 equivalent students in grades kindergarten through six shall generate
8 funding based on sixty full-time equivalent students;

9 (ii) Enrollment of not more than twenty average annual full-time
10 equivalent students in grades seven and eight shall generate funding
11 based on twenty full-time equivalent students; and

12 (iii) Enrollment of sixty or fewer average annual full-time
13 equivalent students in grades nine through twelve shall generate
14 funding based on sixty full-time equivalent students.

15 (b) Allocations shall be distributed on a school year basis
16 pursuant to RCW 28A.510.250.

17 **Sec. 4.** RCW 82.04.4281 and 1980 c 37 s 2 are each amended to read
18 as follows:

19 (1) In computing tax there may be deducted from the measure of tax
20 amounts derived by persons((, other than those engaging in banking,
21 loan, security, or other financial businesses,)) from investments or
22 the use of money as such, ((and also)) except:

23 (a) Amounts derived by persons engaging in banking, loan, security,
24 or other financial businesses.

25 (b) Amounts derived by any person as interest income, dividend
26 income, gains realized from trading in stocks, bonds, or other
27 evidences of indebtedness, or gains realized from sales of real
28 property. This subsection (1)(b) shall apply only to any person
29 engaged in any business activity whose value of products, gross

1 proceeds of sales, or gross income of the business under this
2 subsection (1)(b) is greater than eight thousand dollars per month.

3 (2) In computing tax there may be deducted from the measure of tax
4 amounts derived as dividends by a parent from its subsidiary
5 corporations.

6 **Sec. 5.** RCW 82.04.4292 and 1980 c 37 s 12 are each amended to read
7 as follows:

8 In computing tax there may be deducted from the measure of tax ((~~by~~
9 ~~those engaged in banking, loan, security or other financial~~
10 ~~businesses,~~) amounts derived from interest received on investments or
11 loans primarily secured by first mortgages or trust deeds on
12 nontransient residential properties.

13 **Sec. 6.** RCW 82.04.4293 and 1980 c 37 s 13 are each amended to read
14 as follows:

15 In computing tax there may be deducted from the measure of tax ((~~by~~
16 ~~those engaged in banking, loan, security or other financial~~
17 ~~businesses,~~) amounts derived from interest paid on all obligations of
18 the state of Washington, its political subdivisions, and municipal
19 corporations organized pursuant to the laws thereof.

20 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.04 RCW
21 to read as follows:

22 This chapter shall not apply to income accrued by an employee
23 benefit plan. For purposes of this section, "employee benefit plan"
24 means any plan, trust, or custodial arrangement that is subject to the
25 Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C.
26 Sec. 1001 et seq., or that is described in sections 125, 401, 403, 408,
27 457, 501(c)(9), 501(c)(17) through (23) of the Internal Revenue Code of

1 1986, as amended, or similar plan maintained by state or local
2 governments, or plans, trusts, or custodial arrangements established to
3 self-insure benefits required by federal, state, or local law.