HOUSE BILL 1772

State of Washington

59th Legislature

2005 Regular Session

By Representative Anderson

Read first time 02/04/2005. Referred to Committee on Education.

- AN ACT Relating to revising school funding by standardizing levy 1 2 formulas and salary schedules; amending RCW 28A.400.205, 28A.500.020, 28A.500.020, 28A.500.030, 84.52.0531, 84.52.0531, and 67.70.240; adding 3 new sections to chapter 28A.500 RCW; providing effective dates; 4 5 providing an expiration date; and declaring an emergency.
- 6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 7 Sec. 1. RCW 28A.400.205 and 2003 1st sp.s. c 20 s 1 are each amended to read as follows: 8
- 9 (1) School district employees shall be provided an annual salary 10 cost-of-living increase in accordance with this section.
- (a) The cost-of-living increase shall be calculated by applying the 11 rate of the yearly increase in the cost-of-living index to any state-12 13 funded salary base used in state funding formulas for teachers and other school district employees. Beginning with the 2001-02 school 14 15 year, and for each subsequent school year, except for the 2003-04 and 2004-05 school years, each school district shall be provided a cost-of-16
- 17 living allocation sufficient to grant this cost-of-living increase,
- except as provided in subsection (3) of this section. 18

(b) A school district shall distribute its cost-of-living allocation for salaries and salary-related benefits in accordance with the district's salary schedules, collective bargaining agreements, and compensation policies. No later than the end of the school year, each school district shall certify to the superintendent of public instruction that it has spent funds provided for cost-of-living increases on salaries and salary-related benefits.

- (c) Any funded cost-of-living increase shall be included in the salary base used to determine cost-of-living increases for school employees in subsequent years, except as provided in subsection (3) of this section. For teachers and other certificated instructional staff, the rate of the annual cost-of-living increase funded for certificated instructional staff shall be applied to the base salary used with the statewide salary allocation schedule established under RCW 28A.150.410 and to any other salary models used to recognize school district personnel costs.
- (2) For the purposes of this section, "cost-of-living index" means, for any school year, the previous calendar year's annual average consumer price index, using the official current base, compiled by the bureau of labor statistics, United States department of labor for the state of Washington. If the bureau of labor statistics develops more than one consumer price index for areas within the state, the index covering the greatest number of people, covering areas exclusively within the boundaries of the state, and including all items shall be used for the cost-of-living index in this section.
- (3) For districts that have historically received teacher salary allocations in excess of the statewide salary schedule included in the appropriations act pursuant to RCW 28A.150.410, the legislature shall decline to provide a cost-of-living increase allocation, or shall provide a cost-of-living increase allocation at a lower rate than otherwise required by this section, in order to bring these districts' general apportionment allocations down to or closer to the statewide salary schedule.
- 34 Sec. 2. RCW 28A.500.020 and 2004 c 21 s 1 are each amended to read as follows:
- 36 (1) Unless the context clearly requires otherwise, the definitions 37 in this section apply throughout this chapter.

- 1 (a) "Prior tax collection year" means the year immediately 2 preceding the year in which the local effort assistance shall be 3 allocated.
- (b) "Statewide average ((twelve)) fifteen percent levy rate" means ((twelve)) fifteen percent of the total levy bases as defined in RCW 84.52.0531 (3) and (4) summed for all school districts, and divided by the total assessed valuation for excess levy purposes in the prior tax collection year for all districts as adjusted to one hundred percent by the county indicated ratio established in RCW 84.48.075.
- 10 (c) The "district's ((twelve)) fifteen percent levy amount" means
 11 the school district's maximum levy authority after transfers determined
 12 under RCW 84.52.0531(2) (a) through (c) divided by ((the district's
 13 maximum levy percentage determined under RCW 84.52.0531(5))) thirty
 14 percent multiplied by ((twelve)) fifteen percent.

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- (d) The "district's ((twelve)) <u>fifteen</u> percent levy rate" means the district's ((twelve)) <u>fifteen</u> percent levy amount divided by the district's assessed valuation for excess levy purposes for the prior tax collection year as adjusted to one hundred percent by the county indicated ratio.
- (e) "Districts eligible for local effort assistance" means those districts with a ((twelve)) <u>fifteen</u> percent levy rate that exceeds the statewide average ((twelve)) <u>fifteen</u> percent levy rate.
- (2) Unless otherwise stated all rates, percents, and amounts are for the calendar year for which local effort assistance is being calculated under this chapter.
- 26 **Sec. 3.** RCW 28A.500.020 and 1999 c 317 s 2 are each amended to read as follows:
- 28 (1) Unless the context clearly requires otherwise, the definitions 29 in this section apply throughout this chapter.
- 30 (a) "Prior tax collection year" means the year immediately 31 preceding the year in which the local effort assistance shall be 32 allocated.
- 33 (b) "Statewide average ((twelve)) fifteen percent levy rate" means
 34 ((twelve)) fifteen percent of the total levy bases as defined in RCW
 35 84.52.0531(3) summed for all school districts, and divided by the total
 36 assessed valuation for excess levy purposes in the prior tax collection

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year for all districts as adjusted to one hundred percent by the county indicated ratio established in RCW 84.48.075.

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- (c) The "district's ((twelve)) <u>fifteen</u> percent levy amount" means the school district's maximum levy authority after transfers determined under RCW 84.52.0531(2) (a) through (c) divided by ((the district's maximum levy percentage determined under RCW 84.52.0531(4))) <u>thirty</u> percent multiplied by ((twelve)) <u>fifteen</u> percent.
- (d) The "district's ((twelve)) fifteen percent levy rate" means the district's ((twelve)) fifteen percent levy amount divided by the district's assessed valuation for excess levy purposes for the prior tax collection year as adjusted to one hundred percent by the county indicated ratio.
- (e) "Districts eligible for local effort assistance" means those districts with a ((twelve)) fifteen percent levy rate that exceeds the statewide average ((twelve)) fifteen percent levy rate.
 - (2) Unless otherwise stated all rates, percents, and amounts are for the calendar year for which local effort assistance is being calculated under this chapter.
- 19 **Sec. 4.** RCW 28A.500.030 and 2003 1st sp.s. c 25 s 912 are each 20 amended to read as follows:
 - Allocation of state matching funds to eligible districts for local effort assistance shall be determined as follows:
 - (1) Funds raised by the district through maintenance and operation levies shall be matched with state funds using the following ratio of state funds to levy funds:
 - (a) The difference between the district's ((twelve)) <u>fifteen</u> percent levy rate and the statewide average ((twelve)) <u>fifteen</u> percent levy rate; to
 - (b) The statewide average ((twelve)) fifteen percent levy rate.
- 30 (2) The maximum amount of state matching funds for districts 31 eligible for local effort assistance shall be the district's ((twelve)) 32 <u>fifteen</u> percent levy amount, multiplied by the following percentage:
- 33 (a) The difference between the district's ((twelve)) fifteen 34 percent levy rate and the statewide average ((twelve)) fifteen percent 35 levy rate; divided by
- 36 (b) The district's ((twelve)) fifteen percent levy rate.

- 1 (3) Calendar year 2003 allocations and maximum eligibility under 2 this chapter shall be multiplied by 0.99.
- 3 (4) From January 1, 2004, to June 30, 2005, allocations and maximum 4 eligibility under this chapter shall be multiplied by 0.937.

5 Sec. 5. RCW 84.52.0531 and 2004 c 21 s 2 are each amended to read 6 as follows:

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

- (1) For excess levies for collection in calendar year 1997, the maximum dollar amount shall be calculated pursuant to the laws and rules in effect in November 1996.
- (2) For excess levies for collection in calendar year ((1998)) 2006 and thereafter, the maximum dollar amount shall be the sum of (a) plus or minus (b) and (c) of this subsection minus (d) of this subsection:
- (a) The district's levy base as defined in subsections (3) and (4) of this section multiplied by the district's maximum levy percentage as defined in subsection (5) of this section;
- (b) For districts in a high/nonhigh relationship, the high school district's maximum levy amount shall be reduced and the nonhigh school district's maximum levy amount shall be increased by an amount equal to the estimated amount of the nonhigh payment due to the high school district under RCW 28A.545.030(3) and 28A.545.050 for the school year commencing the year of the levy;
- (c) For districts in an interdistrict cooperative agreement, the nonresident school district's maximum levy amount shall be reduced and the resident school district's maximum levy amount shall be increased by an amount equal to the per pupil basic education allocation included in the nonresident district's levy base under subsection (3) of this section multiplied by:
- (i) The number of full-time equivalent students served from the resident district in the prior school year; multiplied by:
- 33 (ii) The serving district's maximum levy percentage determined 34 under subsection (5) of this section; increased by:
- 35 (iii) The percent increase per full-time equivalent student as 36 stated in the state basic education appropriation section of the

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biennial budget between the prior school year and the current school
year divided by fifty-five percent;

- (d) The district's maximum levy amount shall be reduced by the maximum amount of state matching funds for which the district is eligible under RCW 28A.500.010.
- (3) For excess levies for collection in calendar year ((2005)) 2006 6 7 and thereafter, a district's levy base shall be the sum of allocations in (a) through (c) of this subsection received by the district for the 8 prior school year and the amounts determined under subsection (4) of 9 this section, including allocations for compensation increases, plus 10 the sum of such allocations multiplied by the percent increase per full 11 time equivalent student as stated in the state basic education 12 13 appropriation section of the biennial budget between the prior school year and the current school year and divided by fifty-five percent. A 14 district's levy base shall not include local school district property 15 16 tax levies or other local revenues, or state and federal allocations 17 not identified in (a) through (c) of this subsection.
- 18 (a) The district's basic education allocation as determined 19 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;
- 20 (b) State and federal categorical allocations for the following 21 programs:
 - (i) Pupil transportation;
 - (ii) Special education;

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- (iii) Education of highly capable students;
- (iv) Compensatory education, including but not limited to learning assistance, migrant education, Indian education, refugee programs, and bilingual education;
 - (v) Food services; and
 - (vi) Statewide block grant programs; and
- 30 (c) Any other federal allocations for elementary and secondary 31 school programs, including direct grants, other than federal impact aid 32 funds and allocations in lieu of taxes.
- 33 (4) For levy collections in calendar years 2005 through 2007, in 34 addition to the allocations included under subsection (3)(a) through 35 (c) of this section, a district's levy base shall also include the 36 following:
- 37 (a) The difference between the allocation the district would have 38 received in the current school year had RCW 84.52.068 not been amended

by chapter 19, Laws of 2003 1st sp. sess. and the allocation the district received in the current school year pursuant to RCW 84.52.068. The office of the superintendent of public instruction shall offset the amount added to a district's levy base pursuant to this subsection (4)(a) by any additional per student allocations included in a district's levy base pursuant to the enactment of an initiative to the

people subsequent to June 10, 2004; and

- (b) The difference between the allocations the district would have received the prior school year had RCW 28A.400.205 not been amended by chapter 20, Laws of 2003 1st sp. sess. and the allocations the district actually received the prior school year pursuant to RCW 28A.400.205. The office of the superintendent of public instruction shall offset the amount added to a district's levy base pursuant to this subsection (4)(b) by any additional salary increase allocations included in a district's levy base pursuant to the enactment of an initiative to the people subsequent to June 10, 2004.
- (5) A district's maximum levy percentage shall be ((twenty-two)) thirty percent ((in 1998 and twenty-four percent in 1999 and every year thereafter; plus, for qualifying districts, the grandfathered percentage determined as follows:
- (a) For 1997, the difference between the district's 1993 maximum levy percentage and twenty percent; and
- (b) For 1998 and thereafter, the percentage calculated as follows:

 (i) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;
- (ii) Reduce the result of (b)(i) of this subsection by any levy reduction funds as defined in subsection (6) of this section that are to be allocated to the district for the current school year;
- 30 (iii) Divide the result of (b)(ii) of this subsection by the 31 district's levy base; and
 - (iv) Take the greater of zero or the percentage calculated in (b)(iii) of this subsection.
 - (6) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsections (3) and (4) of this section: (a) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and (b) that are or were specifically identified as levy reduction funds in the

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appropriations act. If levy reduction funds are dependent on formula factors which would not be finalized until after the start of the current school year, the superintendent of public instruction shall estimate the total amount of levy reduction funds by using prior school year data in place of current school year data. Levy reduction funds shall not include moneys received by school districts from cities or counties)).

- $((\frac{7}{}))$ (6) For the purposes of this section, "prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.
- $((\frac{(8)}{)})$ (7) For the purposes of this section, "current school year" 12 means the year immediately following the prior school year.
- $((\frac{9}{}))$ (8) Funds collected from transportation vehicle fund tax levies shall not be subject to the levy limitations in this section.
- (((10))) (9) The superintendent of public instruction shall develop rules and regulations and inform school districts of the pertinent data necessary to carry out the provisions of this section.
- **Sec. 6.** RCW 84.52.0531 and 1997 c 259 s 2 are each amended to read 19 as follows:

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

- (1) For excess levies for collection in calendar year 1997, the maximum dollar amount shall be calculated pursuant to the laws and rules in effect in November 1996.
- (2) For excess levies for collection in calendar year $((\frac{1998}{}))$ $\underline{2006}$ and thereafter, the maximum dollar amount shall be the sum of (a) plus or minus (b) and (c) of this subsection minus (d) of this subsection:
- (a) The district's levy base as defined in subsection (3) of this section multiplied by the district's maximum levy percentage as defined in subsection (4) of this section;
- (b) For districts in a high/nonhigh relationship, the high school district's maximum levy amount shall be reduced and the nonhigh school district's maximum levy amount shall be increased by an amount equal to the estimated amount of the nonhigh payment due to the high school district under RCW 28A.545.030(3) and 28A.545.050 for the school year commencing the year of the levy;

- (c) For districts in an interdistrict cooperative agreement, the nonresident school district's maximum levy amount shall be reduced and the resident school district's maximum levy amount shall be increased by an amount equal to the per pupil basic education allocation included in the nonresident district's levy base under subsection (3) of this section multiplied by:
- (i) The number of full-time equivalent students served from the resident district in the prior school year; multiplied by:
- (ii) The serving district's maximum levy percentage determined under subsection (4) of this section; increased by:
- (iii) The percent increase per full-time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year divided by fifty-five percent;
- (d) The district's maximum levy amount shall be reduced by the maximum amount of state matching funds for which the district is eligible under RCW 28A.500.010.
- (3) For excess levies for collection in calendar year ((1998)) 2006 and thereafter, a district's levy base shall be the sum of allocations in (a) through (c) of this subsection received by the district for the prior school year, including allocations for compensation increases, plus the sum of such allocations multiplied by the percent increase per full time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year and divided by fifty-five percent. A district's levy base shall not include local school district property tax levies or other local revenues, or state and federal allocations not identified in (a) through (c) of this subsection.
- 29 (a) The district's basic education allocation as determined 30 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;
- 31 (b) State and federal categorical allocations for the following 32 programs:
 - (i) Pupil transportation;
 - (ii) Special education;

- 35 (iii) Education of highly capable students;
- (iv) Compensatory education, including but not limited to learning assistance, migrant education, Indian education, refugee programs, and bilingual education;

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1 (v) Food services; and

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- 2 (vi) Statewide block grant programs; and
 - (c) Any other federal allocations for elementary and secondary school programs, including direct grants, other than federal impact aid funds and allocations in lieu of taxes.
 - (4) A district's maximum levy percentage shall be ((twenty-two)) thirty percent ((in 1998 and twenty-four percent in 1999 and every year thereafter; plus, for qualifying districts, the grandfathered percentage determined as follows:
- 10 (a) For 1997, the difference between the district's 1993 maximum
 11 levy percentage and twenty percent; and
- 12 (b) For 1998 and thereafter, the percentage calculated as follows:
- (i) Multiply the grandfathered percentage for the prior year times
 the district's levy base determined under subsection (3) of this
 section;
- (ii) Reduce the result of (b)(i) of this subsection by any levy reduction funds as defined in subsection (5) of this section that are to be allocated to the district for the current school year;
- 19 (iii) Divide the result of (b)(ii) of this subsection by the 20 district's levy base; and
- 21 (iv) Take the greater of zero or the percentage calculated in (b)(iii) of this subsection)).
 - (5) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsection (3) of this section: (a) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and (b) that are or were specifically identified as levy reduction funds in the appropriations act. If levy reduction funds are dependent on formula factors which would not be finalized until after the start of the current school year, the superintendent of public instruction shall estimate the total amount of levy reduction funds by using prior school year data in place of current school year data. Levy reduction funds shall not include moneys received by school districts from cities or counties.
- 35 (6) For the purposes of this section, "prior school year" means the 36 most recent school year completed prior to the year in which the levies 37 are to be collected.

1 (7) For the purposes of this section, "current school year" means 2 the year immediately following the prior school year.

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- (8) Funds collected from transportation vehicle fund tax levies shall not be subject to the levy limitations in this section.
- (9) The superintendent of public instruction shall develop rules and regulations and inform school districts of the pertinent data necessary to carry out the provisions of this section.
- 8 <u>NEW SECTION.</u> **Sec. 7.** A new section is added to chapter 28A.500 9 RCW to read as follows:
 - (1) It is the intent of the legislature to mitigate the initial impact of chapter . . ., Laws of 2005 (this act) by providing a one-time hold harmless allocation. The calculation of the hold harmless allocation as provided in subsection (2) of this section is equivalent to providing a declining hold harmless allocation over a six-year period.
 - (2) If the provisions of chapter . . ., Laws of 2005 (this act) result in a net change to a district's excess levy revenue and local effort assistance allocation in calendar year 2006 plus salary increase allocations in school year 2006-07 that is negative, the district shall receive a hold harmless allocation. The hold harmless allocation shall be two and one-half times the following amount: (a) The difference between the amount of levy revenue the district would have received in calendar year 2006 had the chapter . . ., Laws of 2005 (this act) amendments to RCW 84.52.0531 not been enacted, and the amount the district will receive in calendar year 2006 under the chapter . . ., Laws of 2005 (this act) amendments to RCW 84.52.0531; plus (b) the difference between the amount of local effort assistance the district would have received in calendar year 2006 had the chapter . . ., Laws of 2005 (this act) amendments to RCW 28A.500.020 and 28A.500.030 not been enacted, and the amount the district will receive in calendar year 2006 under the chapter . . ., Laws of 2005 (this act) amendments to RCW 28A.500.020 and 28A.500.030; plus (c) the difference between the amount the district would have received in salary increase allocations in school year 2005-06 had the chapter . . ., Laws of 2005 (this act) amendments to RCW 28A.400.205 not been enacted, and the amount of levy revenue the district will receive in school year 2005-06 under the chapter . . ., Laws of 2005 (this act) amendments to RCW 28A.400.205.

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Sec. 8. RCW 67.70.240 and 2001 c 3 s 4 are each amended to read as follows:

The moneys in the state lottery account shall be used only:

- (1) For the payment of prizes to the holders of winning lottery tickets or shares;
- (2) For purposes of making deposits into the reserve account created by RCW 67.70.250 and into the lottery administrative account created by RCW 67.70.260;
- (3) For purposes of making deposits into the education construction fund and student achievement fund created in RCW 43.135.045. For the transition period from July 1, 2001, until and including June 30, 2002, fifty percent of the moneys not otherwise obligated under this section shall be placed in the student achievement fund and fifty percent of these moneys shall be placed in the education construction fund. On and after July 1, 2002, until June 30, 2004, seventy-five percent of these moneys shall be placed in the student achievement fund and twenty-five percent shall be placed in the education construction fund. On and after July 1, 2004, all deposits not otherwise obligated under this section shall be placed in the education construction fund. Moneys in the state lottery account deposited in the education construction fund and the student achievement fund are included in "general state revenues" under RCW 39.42.070;
- (4) For distribution to a county for the purpose of paying the principal and interest payments on bonds issued by the county to construct a baseball stadium, as defined in RCW 82.14.0485, including reasonably necessary preconstruction costs. Three million dollars shall be distributed under this subsection during calendar year 1996. During subsequent years, such distributions shall equal the prior year's distributions increased by four percent. Distributions under this subsection shall cease when the bonds issued for the construction of the baseball stadium are retired, but not more than twenty years after the tax under RCW 82.14.0485 is first imposed;
- (5) For distribution to the stadium and exhibition center account, created in RCW 43.99N.060. Subject to the conditions of RCW 43.99N.070, six million dollars shall be distributed under this subsection during the calendar year 1998. During subsequent years, such distribution shall equal the prior year's distributions increased by four percent. No distribution may be made under this subsection

- 1 after December 31, 1999, unless the conditions for issuance of the
- 2 bonds under RCW 43.99N.020(2) are met. Distributions under this
- 3 subsection shall cease when the bonds are retired, but not later than
- 4 December 31, 2020;

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- 5 (6) For the purchase and promotion of lottery games and game-6 related services; ((and))
 - (7) For the payment of agent compensation; and
- 8 (8) For the one-time allocation to school districts authorized by
- 9 <u>section 7 of this act</u>.
- 10 The office of financial management shall require the allotment of
- 11 all expenses paid from the account and shall report to the ways and
- 12 means committees of the senate and house of representatives any changes
- in the allotments.
- 14 <u>NEW SECTION.</u> **Sec. 9.** A new section is added to chapter 28A.500
- 15 RCW to read as follows:
- 16 The state auditor shall monitor compliance with chapter ..., Laws
- 17 of 2005 (this act).
- 18 <u>NEW SECTION.</u> **Sec. 10.** Section 1 of this act is necessary for the
- 19 immediate preservation of the public peace, health, or safety, or
- 20 support of the state government and its existing public institutions,
- 21 and takes effect immediately.
- 22 NEW SECTION. Sec. 11. Sections 2, 4, and 5 of this act take
- 23 effect January 1, 2006.
- NEW SECTION. Sec. 12. Sections 3 and 6 of this act take effect
- 25 January 1, 2008.
- 26 <u>NEW SECTION.</u> **Sec. 13.** Sections 2 and 5 of this act expire January
- 27 1, 2008.

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