

SSB 5875 - S AMD 146
By Senator Rolfes

NOT ADOPTED 03/23/2017

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

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

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

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

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

10 "Sec. 5. 2017 c ... (SSB 5607) s 101 (uncodified) is amended to
11 read as follows:

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

1 broader reforms to ensure that the students of our state are
2 receiving the best possible education.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (i) A housing allowance for certificated instructional,
39 certificated administrative, and classified staff in districts where
40 the average home value is above the statewide average. The housing

1 allowance would be up to ten thousand dollars per person, depending
2 on the school district;

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

7 (k) After all other funding calculations are completed, if the
8 total per pupil funding amount for a school district is less than
9 twelve thousand five hundred dollars when including local, state, and
10 federal revenues, the per pupil amount is increased to twelve
11 thousand five hundred dollars.

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

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

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

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

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

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

36 **Sec. 6.** RCW 84.55.--- and 2017 c ... (SSB 5607) s 211 are each
37 amended to read as follows:

38 (1) For purposes of RCW 84.55.010, 84.55.015, 84.55.020, and
39 84.55.030, "regular property tax levy rate," "regular property tax

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

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

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

13 (4) This section expires July 1, 2028.

14 **Sec. 7.** 2017 c ... (SSB 5607) s 212 (uncodified) is amended to
15 read as follows:

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

21 **Sec. 8.** RCW 84.36.381 and 2017 c ... (SSB 5607) s 213 are each
22 amended to read as follows:

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

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

36 (a) The residence is temporarily unoccupied;

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

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

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

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

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

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

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

28 (4) The amount that the person is exempt from an obligation to
29 pay is calculated on the basis of combined disposable income, as
30 defined in RCW 84.36.383. If the person claiming the exemption was
31 retired for two months or more of the assessment year, the combined
32 disposable income of such person must be calculated by multiplying
33 the average monthly combined disposable income of such person during
34 the months such person was retired by twelve. If the income of the
35 person claiming exemption is reduced for two or more months of the
36 assessment year by reason of the death of the person's spouse or the
37 person's domestic partner, or when other substantial changes occur in
38 disposable income that are likely to continue for an indefinite
39 period of time, the combined disposable income of such person must be
40 calculated by multiplying the average monthly combined disposable

1 income of such person after such occurrences by twelve. If it is
2 necessary to estimate income to comply with this subsection, the
3 assessor may require confirming documentation of such income prior to
4 May 31 of the year following application;

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

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

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

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

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

39 (c) This subsection does not apply to subsequent improvements to
40 the property in the year in which the improvements are made.

1 Subsequent improvements to the property must be added to the value
2 otherwise determined under this subsection at their true and fair
3 value in the year in which they are made.

4 **Sec. 9.** RCW 84.36.630 and 2017 c ... (SSB 5607) s 214 are each
5 amended to read as follows:

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

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

14 (3) A claim for exemption under this section must be filed with
15 the county assessor together with the statement required under RCW
16 84.40.190, for exemption from taxes payable the following year. The
17 claim must be made solely upon forms as prescribed and furnished by
18 the department of revenue."

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

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21 On page 1, line 3 of the title, after "84.52.---," strike "and
22 28A.320.---" and insert "28A.320.---, 84.55.---, 84.36.381, and
23 84.36.630"

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

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

--- END ---