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**ENGROSSED SUBSTITUTE HOUSE BILL 2140**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Sullivan, Dolan, and Thai)

AN ACT Relating to K-12 education funding; amending RCW 84.52.0531, 28A.500.015, 84.52.065, and 28A.300.780; providing an effective date; providing an expiration date; and declaring an emergency.

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

**Sec.**  RCW 84.52.0531 and 2018 c 266 s 307 are each amended to read as follows:

LOCAL ENRICHMENT LEVY REVISED.

(1) Beginning with taxes levied for collection in ((~~2019~~)) 2020, the maximum dollar amount which may be levied by or for any school district for enrichment levies under RCW 84.52.053 is ((~~equal to~~)) either:

(a) The lesser of one dollar and fifty cents per thousand dollars of the assessed value of property in the school district or the maximum per-pupil limit; or

(b) The sum of (b)(i) of this subsection plus or minus (b)(ii), (iii), and (iv) of this subsection, minus (b)(v) of this subsection:

(i) The school district's levy base as defined in subsection (2) of this section multiplied by twenty percent;

(ii) For school districts in a high/nonhigh relationship, the high school district's maximum levy amount is reduced by, and the nonhigh school district's maximum levy amount is 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 in the year of the levy;

(iii) Except for nonhigh school districts under (b)(iv) of this subsection, for school districts in an interdistrict cooperative agreement, the nonresident school district's maximum levy amount is reduced by, and the resident school district's maximum levy amount is increased by, an amount equal to the per-pupil basic education allocation included in the nonresident school district's levy base under subsection (2) of this section:

(A) Multiplied by the number of full-time equivalent students served from the resident school district in the prior school year; and

(B) Multiplied by twenty percent;

(iv) The levy bases of nonhigh school districts participating in an innovation academy cooperative formed under RCW 28A.340.080 must be adjusted by the office of the superintendent of public instruction to reflect each nonhigh school district's proportional share of student enrollment in the cooperative;

(v) A school district's maximum levy amount is reduced by the maximum amount of state matching funds for which the school district is eligible under RCW 28A.500.010.

(2) A school district's levy base is the sum of allocations under (a) through (c) of this subsection received by the school district for the prior school year, including allocations for compensation increases. A school district's levy base does 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.

(a) The school district's basic education allocation as determined under RCW 28A.150.250, 28A.150.260, 28A.150.350, and 28A.150.415;

(b) State and federal categorical allocations for the following programs:

(i) Pupil transportation;

(ii) Special education;

(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

(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.

((~~(2)~~)) (3) The definitions in this subsection apply to this section unless the context clearly requires otherwise.

(a) ((~~For the purpose of this section,~~)) "Inflation" means, for any school year, the rate of the yearly increase of the previous calendar year's annual average consumer price index for all urban consumers, Seattle area, using the official current base compiled by the bureau of labor statistics, United States department of labor.

(b) "Maximum per-pupil limit" means ((~~two~~)) three thousand ((~~five hundred~~)) dollars, multiplied by the number of average annual full-time equivalent students enrolled in the school district in the prior school year. Beginning with property taxes levied for collection in 2020, the maximum per-pupil limit shall be increased by inflation from the 2019 calendar year.

((~~(c) "Prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.~~

~~(3)~~)) (i) For districts in a high/nonhigh relationship, the enrollments of the nonhigh students attending the high school shall only be counted by the nonhigh school districts for purposes of ((~~funding under this section~~)) calculating the maximum per-pupil limit.

((~~(4)~~)) (ii) For school districts participating in an innovation academy cooperative established under RCW 28A.340.080, enrollments of students attending the academy shall be adjusted so that each participant district receives its proportional share of student enrollments for purposes of ((~~funding under this section~~)) calculating the maximum per-pupil limit.

((~~(5)~~)) (c) "Prior school year" means the most recent school year completed prior to the year in which the levies are collected.

(4) Beginning with propositions for enrichment levies for collection in calendar year 2020 and thereafter, a district must receive approval of an enrichment levy expenditure plan under RCW 28A.505.240 before submission of the proposition to the voters.

((~~(6)~~)) (5) 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.

((~~(7)~~)) (6) Beginning with taxes levied for collection in 2018, enrichment levy revenues must be deposited in a separate subfund of the school district's general fund pursuant to RCW 28A.320.330, and for the 2018-19 school year are subject to the restrictions of RCW 28A.150.276 and the audit requirements of RCW 43.09.2856.

((~~(8)~~)) (7) Funds collected from levies for transportation vehicles, construction, modernization, or remodeling of school facilities as established in RCW 84.52.053 are not subject to the levy limitations in subsections (1) ((~~through (5)~~)) and (2) of this section.

**Sec.**  RCW 28A.500.015 and 2018 c 266 s 303 are each amended to read as follows:

LEVY EQUALIZATION REVISED TO REFLECT ENRICHMENT LEVY CHANGES.

(1) Beginning in calendar year ((~~2019~~)) 2020 and each calendar year thereafter, the state must provide state local effort assistance funding to supplement school district enrichment levies as provided in this section.

(2) ((~~For an~~)) The superintendent of public instruction must allocate state matching funds to eligible school district((~~, annual~~)) s for local effort assistance ((~~funding is equal to the school district's maximum local effort assistance multiplied by a fraction equal to the school district's actual enrichment levy divided by the school district's maximum allowable enrichment levy~~)) as follows:

(a) Funds raised by the school district through enrichment levies must be matched with state funds using the following ratio of state funds to levy funds: The difference between the school district's ten percent levy rate and the statewide average ten percent levy rate, to the statewide average ten percent levy rate.

(b) The maximum amount of state matching funds for school districts eligible for local effort assistance is the school district's ten percent levy amount, multiplied by the following percentage: The difference between the school district's ten percent levy rate and the statewide average ten percent levy rate, divided by the school district's ten percent levy rate.

(3) The state local effort assistance funding provided under this section is not part of the state's program of basic education deemed by the legislature to comply with the requirements of Article IX, section 1 of the state Constitution.

(4) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) ((~~"Eligible school district" means a school district whose maximum allowable enrichment levy divided by the school district's total student enrollment in the prior school year is less than the state local effort assistance threshold.~~

~~(b) For the purpose of this section, "inflation" means, for any school year, the rate of the yearly increase of the previous calendar year's annual average consumer price index for all urban consumers, Seattle area, using the official current base compiled by the bureau of labor statistics, United States department of labor.~~

~~(c) "Maximum allowable enrichment levy" means the maximum levy permitted by RCW 84.52.0531.~~

~~(d) "Maximum local effort assistance" means the difference between the following:~~

~~(i) The school district's actual prior school year enrollment multiplied by the state local effort assistance threshold; and~~

~~(ii) The school district's maximum allowable enrichment levy.~~

~~(e) "Prior school year" means the most recent school year completed prior to the year in which the state local effort assistance funding is to be distributed.~~

~~(f) "State local effort assistance threshold" means one thousand five hundred dollars per student, increased for inflation beginning in calendar year 2020.~~

~~(g) "Student enrollment" means the average annual full-time equivalent student enrollment.~~

~~(5) For districts in a high/nonhigh relationship, the enrollments of the nonhigh students attending the high school shall only be counted by the nonhigh school districts for purposes of funding under this section.~~

~~(6) For school districts participating in an innovation academy cooperative established under RCW 28A.340.080, enrollments of students attending the academy shall be adjusted so that each participant district receives its proportional share of student enrollments for purposes of funding under this section.~~)) "Prior tax collection year" means the year immediately preceding the year in which the local effort assistance is allocated.

(b) "School districts eligible for local effort assistance" means those school districts with a ten percent levy rate that exceeds the statewide average ten percent levy rate.

(c) "School district's ten percent levy amount" means the school district's maximum levy authority after transfers determined under RCW 84.52.0531(1)(b) (i) through (iii) divided by twenty percent multiplied by ten percent.

(d) "School district's ten percent levy rate" means the school district's ten percent levy amount divided by the school district's assessed valuation for enrichment levy purposes for the prior tax collection year.

(e) "Statewide average ten percent levy rate" means ten percent of the total levy bases as defined in RCW 84.52.0531(2), summed for all school districts and divided by the total assessed valuation for enrichment levy purposes in the prior tax collection year for all school districts.

(5) Unless otherwise stated, all rates, percentages, and amounts are for the calendar year for which local effort assistance is calculated under this chapter.

**Sec.**  RCW 84.52.065 and 2018 c 295 s 1 are each amended to read as follows:

STATE PROPERTY TAX DEPOSIT.

(1) Except as otherwise provided in this section, subject to the limitations in RCW 84.55.010, in each year the state must levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(2)(a) In addition to the tax authorized under subsection (1) of this section, the state must levy an additional property tax for the support of common schools of the state.

(i) For taxes levied for collection in calendar years 2018 through 2021, the rate of tax is the rate necessary to bring the aggregate rate for state property tax levies levied under this subsection and subsection (1) of this section to a combined rate of two dollars and forty cents per thousand dollars of assessed value in calendar year 2019 and two dollars and seventy cents per thousand dollars of assessed value in calendar years 2018, 2020, and 2021. The state property tax levy rates provided in this subsection (2)(a)(i) are based upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(ii) For taxes levied for collection in calendar year 2022 and thereafter, the tax authorized under this subsection (2) is subject to the limitations of chapter 84.55 RCW.

(b)(i) Except as otherwise provided in this subsection, all taxes collected under this subsection (2) must be deposited into the state general fund.

(ii) For fiscal year 2019, ((~~nine hundred thirty-five million dollars of~~)) taxes collected under this subsection (2) must be deposited into the education legacy trust account for the support of common schools.

(3) For taxes levied for collection in calendar years 2019 through 2021, the state property taxes levied under subsections (1) and (2) of this section are not subject to the limitations in chapter 84.55 RCW.

(4) For taxes levied for collection in calendar year 2022 and thereafter, the aggregate rate limit for state property taxes levied under subsections (1) and (2) of this section is three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(5) For property taxes levied for collection in calendar years 2019 through 2021, the rate of tax levied under subsection (1) of this section is the actual rate that was levied for collection in calendar year 2018 under subsection (1) of this section.

(6) As used in this section, "the support of common schools" includes the payment of the principal and interest on bonds issued for capital construction projects for the common schools.

**Sec.**  RCW 28A.300.780 and 2018 c 266 s 401 are each amended to read as follows:

HOLD HARMLESS.

(1) For the 2018-19 and 2019-20 school years, the office of the superintendent of public instruction shall allocate a hold-harmless payment to school districts if the sum of (b) of this subsection is greater than the sum of (a) of this subsection for either of the respective school years or if a school district meets the criteria under subsection (2) of this section.

(a) The current school year is calculated as the sum of (a)(i) through (iii) of this subsection using the enrollments and values in effect for that school year for the school district's:

(i) Formula-driven state allocations in part V of the state omnibus appropriations act for these programs: General apportionment, employee compensation adjustments, pupil transportation, special education programs, institutional education programs, transitional bilingual programs, highly capable, and learning assistance programs;

(ii) Local effort assistance funding received under chapter 28A.500 RCW; and

(iii) The lesser of the school district's voter-approved enrichment levy collection or the maximum levy authority provided under RCW 84.52.0531 for ((~~the previous calendar~~)) that school year.

(b) The baseline school year is calculated as the sum of (b)(i) through (iii) of this subsection using the current school year enrollments and the values in effect during the 2017-18 school year for the school district's:

(i) Formula-driven state allocations in part V of the state omnibus appropriations act for these programs: General apportionment, employee compensation adjustments, pupil transportation, special education programs, institutional education programs, transitional bilingual programs, highly capable, and learning assistance programs;

(ii) Local effort assistance funding received under chapter 28A.500 RCW; and

(iii) Maintenance and operation levy collection under RCW 84.52.0531 in the 2017 calendar year.

(2) From amounts appropriated in chapter 266, Laws of 2018, the superintendent of public instruction must prioritize hold harmless payments to districts that meet both the following criteria:

(a) The sum of the school district's enrichment levy under RCW 84.52.0531 and 2017 3rd sp.s. c 13 s 203 and local effort assistance under RCW 28A.500.015 is less than half of the sum of the maintenance and operations levy and local effort assistance provided under law as it existed on January 1, 2017. For purposes of the calculation in this subsection, the maintenance and operations levy is limited to the lesser of the voter-approved levy as of January 1, 2017, or the maximum levy under law as of January 1, 2017; and

(b) The adjusted assessed value of property within the school district as calculated by the department of revenue is greater than twenty billion dollars in calendar year 2017.

(3) Districts eligible for hold-harmless payments under subsection (1) of this section shall receive the difference between subsection (1)(b) and (a) of this section through the apportionment payment process in RCW 28A.510.250.

(4) The voters of the school district must approve an enrichment levy under RCW 84.52.0531 to be eligible for a hold-harmless payment under this section.

(5) This section expires December 31, 2020.

NEW SECTION. **Sec.**  EFFECTIVE DATE FOR LEVIES AND LOCAL EFFORT ASSISTANCE. Sections 1 and 2 of this act take effect January 1, 2020.

NEW SECTION. **Sec.**  EFFECTIVE DATE FOR PROPERTY TAX DEPOSIT AND HOLD HARMLESS. Sections 3 and 4 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

**--- END ---**