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**SENATE BILL 6021**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senator Braun

1 AN ACT Relating to K-12 education funding; amending RCW  
2 28A.320.330, 43.09.2856, and 28A.150.390; adding a new section to  
3 chapter 28A.150 RCW; and adding a new section to chapter 28A.300 RCW.

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

5 **Sec. 1.** RCW 28A.320.330 and 2018 c 266 s 302 are each amended to  
6 read as follows:

7 School districts shall establish the following funds in addition  
8 to those provided elsewhere by law:

9 (1)(a) A general fund for the school district to account for all  
10 financial operations of the school district except those required to  
11 be accounted for in another fund.

12 (b) By the 2018-19 school year, a local revenue subfund of its  
13 general fund to account for the financial operations of a school  
14 district that are paid from local revenues. The local revenues that  
15 must be deposited in the local revenue subfund are enrichment levies  
16 and transportation vehicle levies collected under RCW 84.52.053,  
17 local effort assistance funding received under chapter 28A.500 RCW,  
18 and other school district local revenues including, but not limited  
19 to, grants, donations, and state and federal payments in lieu of  
20 taxes, but do not include other federal revenues, or local revenues  
21 that operate as an offset to the district's basic education

1 allocation under RCW 28A.150.250. School districts must track  
2 expenditures from this subfund separately to account for the  
3 expenditure of each of these streams of revenue by source, and must  
4 provide ~~((any))~~ the supplemental expenditure schedule~~((s))~~ under (c)  
5 of this subsection, and any other supplemental expenditure schedules  
6 required by the superintendent of public instruction or state  
7 auditor, for purposes of RCW 43.09.2856.

8 (c) Beginning in the 2019-20 school year, the superintendent of  
9 public instruction must require school districts to provide a  
10 supplemental expenditure schedule by revenue source that identifies  
11 the amount expended by object for each of the following supplementary  
12 enrichment activities beyond the state funded amount:

13 (i) Minimum instructional offerings under RCW 28A.150.220 or  
14 28A.150.260 not otherwise included on other lines;

15 (ii) Staffing ratios or program components under RCW 28A.150.260,  
16 including providing additional staff for class size reduction beyond  
17 class sizes allocated in the prototypical school model and additional  
18 staff beyond the staffing ratios allocated in the prototypical school  
19 formula;

20 (iii) Program components under RCW 28A.150.200, 28A.150.220, or  
21 28A.150.260, not otherwise included on other lines;

22 (iv) Program components to support students in the program of  
23 special education;

24 (v) Program components of professional learning, as defined by  
25 RCW 28A.415.430, beyond that allocated under RCW 28A.150.415;

26 (vi) Extracurricular activities;

27 (vii) Extended school days or an extended school year;

28 (viii) Additional course offerings beyond the minimum  
29 instructional program established in the state's statutory program of  
30 basic education;

31 (ix) Activities associated with early learning programs;

32 (x) Activities associated with providing the student  
33 transportation program;

34 (xi) Any additional salary costs attributable to the provision or  
35 administration of the enrichment activities allowed under RCW  
36 28A.150.276;

37 (xii) Additional activities or enhancements that the office of  
38 the superintendent of public instruction determines to be a  
39 documented and demonstrated enrichment of the state's statutory  
40 program of basic education under RCW 28A.150.276; and

1 (xiii) All other costs not otherwise identified in other line  
2 items.

3 (d) For any salary and related benefit costs identified in  
4 (c)(xi), (xii), and (xiii) of this subsection, the school district  
5 shall maintain a record describing how these expenditures are  
6 documented and demonstrated enrichment of the state's statutory  
7 program of basic education. School districts shall maintain these  
8 records until the state auditor has completed the audit under RCW  
9 43.09.2856.

10 (2) A capital projects fund shall be established for major  
11 capital purposes. All statutory references to a "building fund" shall  
12 mean the capital projects fund so established. Money to be deposited  
13 into the capital projects fund shall include, but not be limited to,  
14 bond proceeds, proceeds from excess levies authorized by RCW  
15 84.52.053, state apportionment proceeds as authorized by RCW  
16 28A.150.270, earnings from capital projects fund investments as  
17 authorized by RCW 28A.320.310 and 28A.320.320, and state forest  
18 revenues transferred pursuant to subsection (3) of this section.

19 Money derived from the sale of bonds, including interest earnings  
20 thereof, may only be used for those purposes described in RCW  
21 28A.530.010, except that accrued interest paid for bonds shall be  
22 deposited in the debt service fund.

23 Money to be deposited into the capital projects fund shall  
24 include but not be limited to rental and lease proceeds as authorized  
25 by RCW 28A.335.060, and proceeds from the sale of real property as  
26 authorized by RCW 28A.335.130.

27 Money legally deposited into the capital projects fund from other  
28 sources may be used for the purposes described in RCW 28A.530.010,  
29 and for the purposes of:

30 (a) Major renovation and replacement of facilities and systems  
31 where periodical repairs are no longer economical or extend the  
32 useful life of the facility or system beyond its original planned  
33 useful life. Such renovation and replacement shall include, but shall  
34 not be limited to, major repairs, exterior painting of facilities,  
35 replacement and refurbishment of roofing, exterior walls, windows,  
36 heating and ventilating systems, floor covering in classrooms and  
37 public or common areas, and electrical and plumbing systems.

38 (b) Renovation and rehabilitation of playfields, athletic fields,  
39 and other district real property.

1 (c) The conduct of preliminary energy audits and energy audits of  
2 school district buildings. For the purpose of this section:

3 (i) "Preliminary energy audits" means a determination of the  
4 energy consumption characteristics of a building, including the size,  
5 type, rate of energy consumption, and major energy using systems of  
6 the building.

7 (ii) "Energy audit" means a survey of a building or complex which  
8 identifies the type, size, energy use level, and major energy using  
9 systems; which determines appropriate energy conservation maintenance  
10 or operating procedures and assesses any need for the acquisition and  
11 installation of energy conservation measures, including solar energy  
12 and renewable resource measures.

13 (iii) "Energy capital improvement" means the installation, or  
14 modification of the installation, of energy conservation measures in  
15 a building which measures are primarily intended to reduce energy  
16 consumption or allow the use of an alternative energy source.

17 (d) Those energy capital improvements which are identified as  
18 being cost-effective in the audits authorized by this section.

19 (e) Purchase or installation of additional major items of  
20 equipment and furniture: PROVIDED, That vehicles shall not be  
21 purchased with capital projects fund money.

22 (f)(i) Costs associated with implementing technology systems,  
23 facilities, and projects, including acquiring hardware, licensing  
24 software, and online applications and training related to the  
25 installation of the foregoing. However, the software or applications  
26 must be an integral part of the district's technology systems,  
27 facilities, or projects.

28 (ii) Costs associated with the application and modernization of  
29 technology systems for operations and instruction including, but not  
30 limited to, the ongoing fees for online applications, subscriptions,  
31 or software licenses, including upgrades and incidental services, and  
32 ongoing training related to the installation and integration of these  
33 products and services. However, to the extent the funds are used for  
34 the purpose under this subsection (2)(f)(ii), the school district  
35 shall transfer to the district's general fund the portion of the  
36 capital projects fund used for this purpose. The office of the  
37 superintendent of public instruction shall develop accounting  
38 guidelines for these transfers in accordance with internal revenue  
39 service regulations.

1 (g) Major equipment repair, painting of facilities, and other  
2 major preventative maintenance purposes. However, to the extent the  
3 funds are used for the purpose under this subsection (2)(g), the  
4 school district shall transfer to the district's general fund the  
5 portion of the capital projects fund used for this purpose. The  
6 office of the superintendent of public instruction shall develop  
7 accounting guidelines for these transfers in accordance with internal  
8 revenue service regulations. Based on the district's most recent two-  
9 year history of general fund maintenance expenditures, funds used for  
10 this purpose may not replace routine annual preventive maintenance  
11 expenditures made from the district's general fund.

12 (3) A debt service fund to provide for tax proceeds, other  
13 revenues, and disbursements as authorized in chapter 39.44 RCW. State  
14 forestland revenues that are deposited in a school district's debt  
15 service fund pursuant to RCW 79.64.110 and to the extent not  
16 necessary for payment of debt service on school district bonds may be  
17 transferred by the school district into the district's capital  
18 projects fund.

19 (4) An associated student body fund as authorized by RCW  
20 28A.325.030.

21 (5) Advance refunding bond funds and refunded bond funds to  
22 provide for the proceeds and disbursements as authorized in chapter  
23 39.53 RCW.

24 **Sec. 2.** RCW 43.09.2856 and 2018 c 266 s 406 are each amended to  
25 read as follows:

26 (1) Beginning with the 2019-20 school year, to ensure that school  
27 district local revenues are used solely for purposes of enriching the  
28 state's statutory program of basic education, the state auditor's  
29 regular financial audits of school districts must include a review of  
30 the expenditure of school district local revenues for compliance with  
31 RCW 28A.150.276, including the spending plan approved by the  
32 superintendent of public instruction under RCW 28A.505.240 and its  
33 implementation, and any supplemental contracts entered into under RCW  
34 28A.400.200. The audit must also include a review of the expenditure  
35 schedule and supporting documentation required by RCW  
36 28A.320.330(1)(c).

37 (2) If an audit under subsection (1) of this section results in  
38 findings that a school district has failed to comply with these  
39 requirements, then within ninety days of completing the audit the

1 auditor must report the findings to the superintendent of public  
2 instruction, the office of financial management, and the education  
3 and operating budget committees of the legislature. If the  
4 superintendent of public instruction receives a report of findings  
5 from the state auditor that an expenditure of a school district is  
6 out of compliance with the requirements of RCW 28A.150.276, and the  
7 finding is not resolved in the subsequent audit, the maximum taxes  
8 levied for collection by the school district under RCW 84.52.0531 in  
9 the following calendar year shall be reduced by the expenditure  
10 amount identified by the state auditor.

11 (3) The use of the state allocation provided for professional  
12 learning under RCW 28A.150.415 must be audited as part of the regular  
13 financial audits of school districts by the state auditor's office to  
14 ensure compliance with the limitations and conditions of RCW  
15 28A.150.415.

16 **Sec. 3.** RCW 28A.150.390 and 2018 c 266 s 102 are each amended to  
17 read as follows:

18 (1) The superintendent of public instruction shall submit to each  
19 regular session of the legislature during an odd-numbered year a  
20 programmed budget request for special education programs for students  
21 with disabilities. Funding for programs operated by local school  
22 districts shall be on an excess cost basis from appropriations  
23 provided by the legislature for special education programs for  
24 students with disabilities and shall take account of state funds  
25 accruing through RCW 28A.150.260 (4)(a), (5), (6), and (8) and  
26 28A.150.415.

27 (2) The excess cost allocation to school districts shall be based  
28 on the following:

29 (a) A district's annual average headcount enrollment of students  
30 ages birth through four and those five year olds not yet enrolled in  
31 kindergarten who are eligible for and enrolled in special education,  
32 multiplied by the district's base allocation per full-time equivalent  
33 student, multiplied by 1.15; and

34 (b) A district's annual average full-time equivalent basic  
35 education enrollment, multiplied by the district's funded enrollment  
36 percent, multiplied by the district's base allocation per full-time  
37 equivalent student, multiplied by 0.9609.

38 (3) As used in this section:

1 (a) "Base allocation" means the total state allocation to all  
2 schools in the district generated by the distribution formula under  
3 RCW 28A.150.260 (4) (a), (5), (6), and (8) and the allocation under  
4 RCW 28A.150.415, to be divided by the district's full-time equivalent  
5 enrollment.

6 (b) "Basic education enrollment" means enrollment of resident  
7 students including nonresident students enrolled under RCW  
8 28A.225.225 and students from nonhigh districts enrolled under RCW  
9 28A.225.210 and excluding students residing in another district  
10 enrolled as part of an interdistrict cooperative program under RCW  
11 28A.225.250.

12 (c) "Enrollment percent" means the district's resident special  
13 education annual average enrollment, excluding students ages birth  
14 through four and those five year olds not yet enrolled in  
15 kindergarten, as a percent of the district's annual average full-time  
16 equivalent basic education enrollment.

17 (d) "Funded enrollment percent" means:

18 (i) The lesser of the district's actual enrollment percent or  
19 thirteen and five-tenths percent; or

20 (ii) For school districts with a student enrollment under one  
21 thousand students, the actual enrollment percent, if above thirteen  
22 and five-tenths percent.

23 NEW SECTION. Sec. 4. A new section is added to chapter 28A.150  
24 RCW to read as follows:

25 Subject to amounts appropriated for this specific purpose, school  
26 districts shall receive additional funding for students that are  
27 eligible for safety net awards under RCW 28A.150.392. Additional  
28 funds allocated under this section shall be the difference between:

29 (1) The base allocation as defined in RCW 28A.150.390(3)(a),  
30 multiplied by the excess cost multiplier under RCW 28A.150.390(2)(b);  
31 and

32 (2) The safety net eligibility threshold designated by the office  
33 of the superintendent of public instruction in the annual special  
34 education safety net application.

35 NEW SECTION. Sec. 5. A new section is added to chapter 28A.300  
36 RCW to read as follows:

37 Subject to amounts appropriated for this specific purpose, the  
38 office of the superintendent of public instruction shall allocate an

1 amount equal to five hundred dollars per annual average full-time  
2 equivalent student, as increased for inflation beginning in 2020, to  
3 school districts that meet the following criteria:

4 (1) An annual average full-time equivalent enrollment that is  
5 less than one thousand students;

6 (2) An annual average full-time equivalent enrollment that is  
7 greater than twenty thousand students, and a percentage of students  
8 eligible for free and reduced-price lunch that exceeds the statewide  
9 average percentage of students eligible for free and reduced-price  
10 lunch; or

11 (3) An annual average full-time equivalent enrollment that is  
12 greater than forty thousand students.

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