

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE SENATE BILL 5313

Chapter 410, Laws of 2019

66th Legislature
2019 Regular Session

SCHOOL LEVIES AND LOCAL EFFORT ASSISTANCE

EFFECTIVE DATE: July 28, 2019

Passed by the Senate April 28, 2019
Yeas 25 Nays 23

CYRUS HABIB

President of the Senate

Passed by the House April 28, 2019
Yeas 53 Nays 45

FRANK CHOPP

Speaker of the House of Representatives

Approved May 21, 2019 9:51 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Brad Hendrickson, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5313** as passed by the Senate and the House of Representatives on the dates hereon set forth.

BRAD HENDRICKSON

Secretary

FILED

May 21, 2019

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5313

AS AMENDED BY THE HOUSE

Passed Legislature - 2019 Regular Session

State of Washington 66th Legislature 2019 Regular Session

By Senate Early Learning & K-12 Education (originally sponsored by Senator Wellman; by request of Office of Financial Management)

READ FIRST TIME 02/18/19.

1 AN ACT Relating to school levies and local effort assistance; and
2 amending RCW 28A.500.015, 84.52.0531, 28A.320.330, and 43.09.2856.

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

4 **Sec. 1.** RCW 28A.500.015 and 2018 c 266 s 303 are each amended to
5 read as follows:

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

10 (2) (a) For an eligible school district ~~((r))~~ with an actual
11 enrichment levy rate that is less than one dollar and fifty cents per
12 thousand dollars of assessed value in the school district, the annual
13 local effort assistance funding is equal to the school district's
14 maximum local effort assistance multiplied by a fraction equal to the
15 school district's actual enrichment levy rate divided by one dollar
16 and fifty cents per thousand dollars of assessed value in the school
17 district ~~((s maximum allowable))~~.

18 (b) For an eligible school district with an actual enrichment
19 levy rate that is equal to or greater than one dollar and fifty cents
20 per thousand dollars of assessed value in the school district, the

1 annual local effort assistance funding is equal to the school
2 district's maximum local effort assistance.

3 (c) Beginning in calendar year 2022, for state-tribal education
4 compact schools established under chapter 28A.715 RCW, the annual
5 local effort assistance funding is equal to the actual enrichment
6 levy per student as calculated by the superintendent of public
7 instruction for the previous year for the school district in which
8 the state-tribal education compact school is located, up to a maximum
9 per student amount of one thousand five hundred fifty dollars as
10 increased by inflation from the 2019 calendar year, multiplied by the
11 student enrollment of the state-tribal education compact school in
12 the prior school year.

13 (d) For a school district that meets the criteria in this
14 subsection and is located west of the Cascades in a county that
15 borders another state, the annual local effort assistance funding is
16 equal to the local effort assistance funding authorized under (b) of
17 this subsection and additional local effort assistance funding equal
18 to the following amounts:

19 (i) Two hundred forty-six dollars per pupil in the 2019-20 school
20 year for a school district with more than twenty-five thousand annual
21 full-time equivalent students; and

22 (ii) Two hundred eighty-six dollars per pupil in the 2019-20
23 school year for a school district with more than twenty thousand
24 annual full-time equivalent enrolled students but fewer than twenty-
25 five thousand annual full-time equivalent enrolled students.

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

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

32 (a) "Eligible school district" means a school district (~~whose~~
33 ~~maximum allowable enrichment~~) where the amount generated by a levy of
34 one dollar and fifty cents per thousand dollars of assessed value in
35 the school district, divided by the school district's total student
36 enrollment in the prior school year, is less than the state local
37 effort assistance threshold.

38 (b) For the purpose of this section, "inflation" means, for any
39 school year, the rate of the yearly increase of the previous calendar
40 year's annual average consumer price index for all urban consumers,

1 Seattle area, using the official current base compiled by the bureau
2 of labor statistics, United States department of labor.

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

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

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

9 (ii) The amount generated by a levy of one dollar and fifty cents
10 per thousand dollars of assessed value in the school district (~~(~~the~~~~
11 ~~maximum allowable enrichment levy)~~).

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

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

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

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

24 (6) For school districts participating in an innovation academy
25 cooperative established under RCW 28A.340.080, enrollments of
26 students attending the academy shall be adjusted so that each
27 participant district receives its proportional share of student
28 enrollments for purposes of funding under this section.

29 **Sec. 2.** RCW 84.52.0531 and 2018 c 266 s 307 are each amended to
30 read as follows:

31 (1) Beginning with taxes levied for collection in ~~((2019))~~2020,
32 the maximum dollar amount which may be levied by or for any school
33 district for enrichment levies under RCW 84.52.053 is equal to the
34 lesser of ~~((one))~~two dollars and fifty cents per thousand dollars of
35 the assessed value of property in the school district or the maximum
36 per-pupil limit. This maximum dollar amount shall be reduced
37 accordingly as provided under RCW 43.09.2856(2).

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

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

6 (b) "Maximum per-pupil limit" means:

7 (i) Two thousand five hundred dollars, as increased by inflation
8 beginning with property taxes levied for collection in 2020,
9 multiplied by the number of average annual full-time equivalent
10 students enrolled in the school district in the prior school year,
11 for school districts with fewer than forty thousand annual full-time
12 equivalent students enrolled in the school district in the prior
13 school year; or

14 (ii) Three thousand dollars, as increased by inflation beginning
15 with property taxes levied for collection in 2020, multiplied by the
16 number of average annual full-time equivalent students enrolled in
17 the school district in the prior school year, for school districts
18 with forty thousand or more annual full-time equivalent students
19 enrolled in the school district in the prior school year. ((Beginning
20 with property taxes levied for collection in 2020, the maximum per-
21 pupil limit shall be increased by inflation.))

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

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

28 (4) For school districts participating in an innovation academy
29 cooperative established under RCW 28A.340.080, enrollments of
30 students attending the academy shall be adjusted so that each
31 participant district receives its proportional share of student
32 enrollments for purposes of funding under this section.

33 (5) Beginning with propositions for enrichment levies for
34 collection in calendar year 2020 and thereafter, a district must
35 receive approval of an enrichment levy expenditure plan under RCW
36 28A.505.240 before submission of the proposition to the voters.

37 (6) The superintendent of public instruction shall develop rules
38 and regulations and inform school districts of the pertinent data
39 necessary to carry out the provisions of this section.

1 (7) Beginning with taxes levied for collection in 2018,
2 enrichment levy revenues must be deposited in a separate subfund of
3 the school district's general fund pursuant to RCW 28A.320.330, and
4 for the 2018-19 school year are subject to the restrictions of RCW
5 28A.150.276 and the audit requirements of RCW 43.09.2856.

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

10 **Sec. 3.** RCW 28A.320.330 and 2018 c 266 s 302 are each amended to
11 read as follows:

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

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

17 (b) By the 2018-19 school year, a local revenue subfund of its
18 general fund to account for the financial operations of a school
19 district that are paid from local revenues. The local revenues that
20 must be deposited in the local revenue subfund are enrichment levies
21 and transportation vehicle levies collected under RCW 84.52.053,
22 local effort assistance funding received under chapter 28A.500 RCW,
23 and other school district local revenues including, but not limited
24 to, grants, donations, and state and federal payments in lieu of
25 taxes, but do not include other federal revenues, or local revenues
26 that operate as an offset to the district's basic education
27 allocation under RCW 28A.150.250. School districts must track
28 expenditures from this subfund separately to account for the
29 expenditure of each of these streams of revenue by source, and must
30 provide ~~((any))~~the supplemental expenditure schedule~~((s))~~under (c) of
31 this subsection, and any other supplemental expenditure schedules
32 required by the superintendent of public instruction or state
33 auditor, for purposes of RCW 43.09.2856.

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

1 (i) Minimum instructional offerings under RCW 28A.150.220 or
2 28A.150.260 not otherwise included on other lines;

3 (ii) Staffing ratios or program components under RCW 28A.150.260,
4 including providing additional staff for class size reduction beyond
5 class sizes allocated in the prototypical school model and additional
6 staff beyond the staffing ratios allocated in the prototypical school
7 formula;

8 (iii) Program components under RCW 28A.150.200, 28A.150.220, or
9 28A.150.260, not otherwise included on other lines;

10 (iv) Program components to support students in the program of
11 special education;

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

14 (vi) Extracurricular activities;

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

16 (viii) Additional course offerings beyond the minimum
17 instructional program established in the state's statutory program of
18 basic education;

19 (ix) Activities associated with early learning programs;

20 (x) Activities associated with providing the student
21 transportation program;

22 (xi) Any additional salary costs attributable to the provision or
23 administration of the enrichment activities allowed under RCW
24 28A.150.276;

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

29 (xiii) All other costs not otherwise identified in other line
30 items.

31 (d) For any salary and related benefit costs identified in
32 (c)(xi), (xii), and (xiii) of this subsection, the school district
33 shall maintain a record describing how these expenditures are
34 documented and demonstrated enrichment of the state's statutory
35 program of basic education. School districts shall maintain these
36 records until the state auditor has completed the audit under RCW
37 43.09.2856.

38 (2) A capital projects fund shall be established for major
39 capital purposes. All statutory references to a "building fund" shall
40 mean the capital projects fund so established. Money to be deposited

1 into the capital projects fund shall include, but not be limited to,
2 bond proceeds, proceeds from excess levies authorized by RCW
3 84.52.053, state apportionment proceeds as authorized by RCW
4 28A.150.270, earnings from capital projects fund investments as
5 authorized by RCW 28A.320.310 and 28A.320.320, and state forest
6 revenues transferred pursuant to subsection (3) of this section.

7 Money derived from the sale of bonds, including interest earnings
8 thereof, may only be used for those purposes described in RCW
9 28A.530.010, except that accrued interest paid for bonds shall be
10 deposited in the debt service fund.

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

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

18 (a) Major renovation and replacement of facilities and systems
19 where periodical repairs are no longer economical or extend the
20 useful life of the facility or system beyond its original planned
21 useful life. Such renovation and replacement shall include, but shall
22 not be limited to, major repairs, exterior painting of facilities,
23 replacement and refurbishment of roofing, exterior walls, windows,
24 heating and ventilating systems, floor covering in classrooms and
25 public or common areas, and electrical and plumbing systems.

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

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

30 (i) "Preliminary energy audits" means a determination of the
31 energy consumption characteristics of a building, including the size,
32 type, rate of energy consumption, and major energy using systems of
33 the building.

34 (ii) "Energy audit" means a survey of a building or complex which
35 identifies the type, size, energy use level, and major energy using
36 systems; which determines appropriate energy conservation maintenance
37 or operating procedures and assesses any need for the acquisition and
38 installation of energy conservation measures, including solar energy
39 and renewable resource measures.

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

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

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

10 (f)(i) Costs associated with implementing technology systems,
11 facilities, and projects, including acquiring hardware, licensing
12 software, and online applications and training related to the
13 installation of the foregoing. However, the software or applications
14 must be an integral part of the district's technology systems,
15 facilities, or projects.

16 (ii) Costs associated with the application and modernization of
17 technology systems for operations and instruction including, but not
18 limited to, the ongoing fees for online applications, subscriptions,
19 or software licenses, including upgrades and incidental services, and
20 ongoing training related to the installation and integration of these
21 products and services. However, to the extent the funds are used for
22 the purpose under this subsection (2)(f)(ii), the school district
23 shall transfer to the district's general fund the portion of the
24 capital projects fund used for this purpose. The office of the
25 superintendent of public instruction shall develop accounting
26 guidelines for these transfers in accordance with internal revenue
27 service regulations.

28 (g) Major equipment repair, painting of facilities, and other
29 major preventative maintenance purposes. However, to the extent the
30 funds are used for the purpose under this subsection (2)(g), the
31 school district shall transfer to the district's general fund the
32 portion of the capital projects fund used for this purpose. The
33 office of the superintendent of public instruction shall develop
34 accounting guidelines for these transfers in accordance with internal
35 revenue service regulations. Based on the district's most recent two-
36 year history of general fund maintenance expenditures, funds used for
37 this purpose may not replace routine annual preventive maintenance
38 expenditures made from the district's general fund.

39 (3) A debt service fund to provide for tax proceeds, other
40 revenues, and disbursements as authorized in chapter 39.44 RCW. State

1 forestland revenues that are deposited in a school district's debt
2 service fund pursuant to RCW 79.64.110 and to the extent not
3 necessary for payment of debt service on school district bonds may be
4 transferred by the school district into the district's capital
5 projects fund.

6 (4) An associated student body fund as authorized by RCW
7 28A.325.030.

8 (5) Advance refunding bond funds and refunded bond funds to
9 provide for the proceeds and disbursements as authorized in chapter
10 39.53 RCW.

11 **Sec. 4.** RCW 43.09.2856 and 2018 c 266 s 406 are each amended to
12 read as follows:

13 (1) Beginning with the 2019-20 school year, to ensure that school
14 district local revenues are used solely for purposes of enriching the
15 state's statutory program of basic education, the state auditor's
16 regular financial audits of school districts must include a review of
17 the expenditure of school district local revenues for compliance with
18 RCW 28A.150.276, including the spending plan approved by the
19 superintendent of public instruction under RCW 28A.505.240 and its
20 implementation, and any supplemental contracts entered into under RCW
21 28A.400.200. The audit must also include a review of the expenditure
22 schedule and supporting documentation required by RCW
23 28A.320.330(1)(c).

24 (2) If an audit under subsection (1) of this section results in
25 findings that a school district has failed to comply with these
26 requirements, then within ninety days of completing the audit the
27 auditor must report the findings to the superintendent of public
28 instruction, the office of financial management, and the education
29 and operating budget committees of the legislature. If the
30 superintendent of public instruction receives a report of findings
31 from the state auditor that an expenditure of a school district is
32 out of compliance with the requirements of RCW 28A.150.276, and the
33 finding is not resolved in the subsequent audit, the maximum taxes
34 levied for collection by the school district under RCW 84.52.0531 in
35 the following calendar year shall be reduced by the expenditure
36 amount identified by the state auditor.

37 (3) The use of the state allocation provided for professional
38 learning under RCW 28A.150.415 must be audited as part of the regular
39 financial audits of school districts by the state auditor's office to

1 ensure compliance with the limitations and conditions of RCW
2 28A.150.415.

Passed by the Senate April 28, 2019.

Passed by the House April 28, 2019.

Approved by the Governor May 21, 2019.

Filed in Office of Secretary of State May 21, 2019.

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