
ENGROSSED SUBSTITUTE HOUSE BILL 2140

State of Washington

66th Legislature

2019 Regular Session

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

READ FIRST TIME 04/09/19.

1 AN ACT Relating to K-12 education funding; amending RCW
2 84.52.0531, 28A.500.015, 84.52.065, and 28A.300.780; providing an
3 effective date; providing an expiration date; and declaring an
4 emergency.

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

6 **Sec. 1.** RCW 84.52.0531 and 2018 c 266 s 307 are each amended to
7 read as follows:

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

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

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

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

19 (ii) For school districts in a high/nonhigh relationship, the
20 high school district's maximum levy amount is reduced by, and the
21 nonhigh school district's maximum levy amount is increased by, an

1 amount equal to the estimated amount of the nonhigh payment due to
2 the high school district under RCW 28A.545.030(3) and 28A.545.050 for
3 the school year commencing in the year of the levy;

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

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

14 (B) Multiplied by twenty percent;

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

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

23 (2) A school district's levy base is the sum of allocations under
24 (a) through (c) of this subsection received by the school district
25 for the prior school year, including allocations for compensation
26 increases. A school district's levy base does not include local
27 school district property tax levies or other local revenues, or state
28 and federal allocations not identified in (a) through (c) of this
29 subsection.

30 (a) The school district's basic education allocation as
31 determined under RCW 28A.150.250, 28A.150.260, 28A.150.350, and
32 28A.150.415;

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

35 (i) Pupil transportation;

36 (ii) Special education;

37 (iii) Education of highly capable students;

38 (iv) Compensatory education including, but not limited to,
39 learning assistance, migrant education, Indian education, refugee
40 programs, and bilingual education;

1 (v) Food services; and

2 (vi) Statewide block grant programs; and

3 (c) Any other federal allocations for elementary and secondary
4 school programs, including direct grants, other than federal impact
5 aid funds and allocations in lieu of taxes.

6 ~~((2))~~ (3) The definitions in this subsection apply to this
7 section unless the context clearly requires otherwise.

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

13 (b) "Maximum per-pupil limit" means ~~((two))~~ three thousand ~~((five~~
14 ~~hundred))~~ dollars, multiplied by the number of average annual full-
15 time equivalent students enrolled in the school district in the prior
16 school year. Beginning with property taxes levied for collection in
17 2020, the maximum per-pupil limit shall be increased by inflation
18 from the 2019 calendar year.

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

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

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

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

34 (4) Beginning with propositions for enrichment levies for
35 collection in calendar year 2020 and thereafter, a district must
36 receive approval of an enrichment levy expenditure plan under RCW
37 28A.505.240 before submission of the proposition to the voters.

38 ~~((6))~~ (5) The superintendent of public instruction shall
39 develop rules and regulations and inform school districts of the
40 pertinent data necessary to carry out the provisions of this section.

1 ~~((7))~~ (6) 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))~~ (7) Funds collected from levies for transportation
7 vehicles, construction, modernization, or remodeling of school
8 facilities as established in RCW 84.52.053 are not subject to the
9 levy limitations in subsections (1) ~~((through (5)))~~ and (2) of this
10 section.

11 **Sec. 2.** RCW 28A.500.015 and 2018 c 266 s 303 are each amended to
12 read as follows:

13 LEVY EQUALIZATION REVISED TO REFLECT ENRICHMENT LEVY CHANGES. (1)
14 Beginning in calendar year ~~((2019))~~ 2020 and each calendar year
15 thereafter, the state must provide state local effort assistance
16 funding to supplement school district enrichment levies as provided
17 in this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 **Sec. 3.** RCW 84.52.065 and 2018 c 295 s 1 are each amended to
18 read as follows:

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

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

30 (i) For taxes levied for collection in calendar years 2018
31 through 2021, the rate of tax is the rate necessary to bring the
32 aggregate rate for state property tax levies levied under this
33 subsection and subsection (1) of this section to a combined rate of
34 two dollars and forty cents per thousand dollars of assessed value in
35 calendar year 2019 and two dollars and seventy cents per thousand
36 dollars of assessed value in calendar years 2018, 2020, and 2021. The
37 state property tax levy rates provided in this subsection (2)(a)(i)
38 are based upon the assessed valuation of all taxable property within

1 the state adjusted to the state equalized value in accordance with
2 the indicated ratio fixed by the state department of revenue.

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

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

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

13 (3) For taxes levied for collection in calendar years 2019
14 through 2021, the state property taxes levied under subsections (1)
15 and (2) of this section are not subject to the limitations in chapter
16 84.55 RCW.

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

24 (5) For property taxes levied for collection in calendar years
25 2019 through 2021, the rate of tax levied under subsection (1) of
26 this section is the actual rate that was levied for collection in
27 calendar year 2018 under subsection (1) of this section.

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

31 **Sec. 4.** RCW 28A.300.780 and 2018 c 266 s 401 are each amended to
32 read as follows:

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

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

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

9 (ii) Local effort assistance funding received under chapter
10 28A.500 RCW; and

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

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

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

23 (ii) Local effort assistance funding received under chapter
24 28A.500 RCW; and

25 (iii) Maintenance and operation levy collection under RCW
26 84.52.0531 in the 2017 calendar year.

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

30 (a) The sum of the school district's enrichment levy under RCW
31 84.52.0531 and 2017 3rd sp.s. c 13 s 203 and local effort assistance
32 under RCW 28A.500.015 is less than half of the sum of the maintenance
33 and operations levy and local effort assistance provided under law as
34 it existed on January 1, 2017. For purposes of the calculation in
35 this subsection, the maintenance and operations levy is limited to
36 the lesser of the voter-approved levy as of January 1, 2017, or the
37 maximum levy under law as of January 1, 2017; and

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

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

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

8 (5) This section expires December 31, 2020.

9 NEW SECTION. **Sec. 5.** EFFECTIVE DATE FOR LEVIES AND LOCAL EFFORT
10 ASSISTANCE. Sections 1 and 2 of this act take effect January 1, 2020.

11 NEW SECTION. **Sec. 6.** EFFECTIVE DATE FOR PROPERTY TAX DEPOSIT
12 AND HOLD HARMLESS. Sections 3 and 4 of this act are necessary for the
13 immediate preservation of the public peace, health, or safety, or
14 support of the state government and its existing public institutions,
15 and take effect immediately.

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