

Senate Bill 6574 - Improving education financing (As introduced in 2014)

- **Part I:** Provides legislative intent to begin a linear implementation to fully fund the three remaining enhancements under SHB 2776; to establish enhanced values for a second set of funding priorities; to create a phase-in plan for increased compensation.
- **Part II:** Specifies legislative intent to allocate additional funding for the SHB 2776 basic education enhancements of all-day kindergarten, class-size reduction, and MSOC; second grade class size reductions to build on the all-day kindergarten and first grade class size investments; educator compensation; and changes to implement 24 credits for high school graduation.
- **Part III:** States legislative intent to provide initial options for additional revenue to support increasing basic educational funding.

Subject	Current Law/Budget <i>(Reflects the law prior to the 2014 legislative session and does not reflect the 2014 Supplemental Budget or E2SSB 6552.)</i>	Senate Bill 6574 (as introduced in 2014)
Part I: Provides legislative intent to begin a linear implementation to fully fund the three remaining enhancements under SHB 2776; to establish enhanced values for a second set of funding priorities; to create a phase-in plan for increased compensation.		
All-Day Kindergarten and Class Size Reduction	<p><u>All-day kindergarten.</u> All day kindergarten programs, as part of the program of basic education, must be phased-in beginning with schools with the highest poverty levels and fully implemented statewide by the 2017-18 school year.</p> <p><u>Class size.</u> The prototypical schools funding allocation model provides an average class size by grade level. The class sizes currently in statute are as follows: grades K-1 at 20.85 for school year 2013-14 and 20.5 for school year 2014-15; grades 2-3 at 25.23; grade 4-6 at 27; grades 7-8 at 28.53; grades 9-12 at 28.74. Under SHB 2776, class sizes in grades K-3 must be reduced to 17 students by the 2017-18 school year, beginning with the schools with the highest poverty.</p>	A linear phase-in is established in statute for full implementation by 2017-18 of the remaining funding enhancement targets established in SHB 2776 for all-day kindergarten and K-3 class size reduction.
Staffing and Categorical Programs	<p><u>Staffing.</u> The minimum allocation in statute for guidance counselors is 1.116 at the middle school level and 1.909 at the high school level. For family involvement coordinators it is 0. The 2013-15 budget provided 1.216 at the middle school level and 2.009 at each high school level.</p> <p><u>Categorical Programs.</u> State funding for Learning Assistance Program (LAP) and the Transitional Bilingual Instruction Program (TBIP) for supplemental instructional and services for eligible students is provided based on the number of hours of extra instruction in a class of 15 students. The minimum allocation for LAP is sufficient to provide 2.3975 hours of extra instruction, on a statewide average. The minimum allocation</p>	<p>The prototypical school funding model statute is amended to align with the funding enhancements provided the 2013-15 Omnibus Appropriations Act, as follows.</p> <p><u>Staffing.</u> The minimum allocation in statute for guidance counselors is increased to 1.216 at the middle school level and 2.009 at each high school level. The family involvement coordinator is renamed the family and community engagement coordinator and the minimum allocation in statute is increased 0.0825 at the elementary school level.</p> <p><u>Categorical Programs.</u> The 2013-15 Omnibus Appropriations Act provided the following enhancements: LAP was increased to 2.3975 hours per week in a class of 15 students; and three hours per week in a class of 15 students was provided for transitional support for recently exited bilingual students for up to two years after a student has exited TBIP. The</p>

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	<p>for TBIP is sufficient to provide 4.7780 hours of extra instruction, on a statewide average. The state funds must be expended on the students served in the program.</p>	<p>funding statutes are aligned to the changes provided in the budget.</p> <p>Additionally, TBIP instructional hours are increased to 6 hours per week in middle schools and 8 hours per week in high schools in a class of 15 students.</p>
<p>Graduation Requirements and Instructional Hours</p>	<p><u>Graduation Requirements.</u> The current high school graduation requirements include obtaining 20 course credits. But, under ESHB 2261 (2009), according to a schedule adopted by the Legislature, school districts must provide students with the opportunity to complete 24 credits for graduation, based on courses specified by the State Board of Education (SBE).</p> <p>The SBE has proposed a Career and College Ready framework for 24 course credits for high school graduation. In 2011, the changes that were found not to have a fiscal impact were implemented. However, the SBE must wait for legislative authorization before adopting the remaining components that have a fiscal impact. The SBE proposal adds:</p> <ul style="list-style-type: none"> • 1 additional Arts credit • 2 World Languages credits • 1 additional Lab Science credit <p>The Arts & World Languages credits may be substituted as part of a "Personalized Pathway," which is a series of related courses leading to a specific post high school outcome and chosen based on the student's interests and plans. Additionally, school districts may waive up to two of the credits when students have attempted 24 credits but have not passed all of the required subject areas.</p> <p><u>Minimum allocations in statute:</u></p> <ul style="list-style-type: none"> • <i>Class size.</i> <ul style="list-style-type: none"> ○ General education class size for of 28.74 in grades nine through 12. ○ Budget may include special class size for laboratory science. 	<p><u>Graduation Requirements.</u> The State Board of Education must adopt rules to implement the 24-credit requirement for high school graduation based on the Career and College framework for the graduating class of 2019. School districts must provide students the opportunity to complete 24 credits for high school graduation, beginning with the graduating class of 2019. To assist school districts to provide students the opportunity to complete twenty-four credits for high school graduation, the following funding enhancements for staffing are provided:</p> <ul style="list-style-type: none"> • <i>Class size.</i> A minimum allocation is established sufficient to fund two laboratory science courses per full-time equivalent student to be completed within grades nine through 12. The enhancement is provided at an average class size of 19.98 full-time equivalent students. • <i>MSOC.</i> An additional \$164.25 above the current allocation for MSOC is provided for students in grades nine through 12. <p>Beginning in the 2015-17 biennium, to assist school districts to provide students the opportunity to complete twenty-four credits for high school graduation, the minimum allocations are enhanced in a linear fashion to provide sufficient state funding to achieve the following by the 2017-18 school year:</p> <ul style="list-style-type: none"> • <i>Class size.</i> <ul style="list-style-type: none"> ○ General education average class size of 23 students in grades nine through 12. ○ Laboratory science average class size of 19 students in grades nine through 12.

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	<ul style="list-style-type: none"> ○ CTE average high school class size of 26.57 students. ○ Skill center high school class size of 22.76 students. ● <i>Staffing at the high school level.</i> <ul style="list-style-type: none"> ○ Principals: 1.880 ○ Counselors: 1.909 <p><u>Allocations in 2013-2015 budget:</u></p> <ul style="list-style-type: none"> ○ High School Counselors: 2.009 ○ No special lab science class size. <p><u>Other Staffing.</u> The minimum allocation in statute for guidance counselors at the elementary school level is 0.493 and 1.116 at the middle school level. For family and community engagement coordinators it is 0 at the elementary and middle school levels.</p> <p><u>Instructional Hours.</u> School districts must increase minimum annual instructional hours from a district-wide average of 1,000 hours, to 1,000 hours in each of grades 1 through 6 and 1,080 hours in each of grades 7 through 12. The increase is to be implemented according to a schedule adopted by the Legislature.</p> <p>The 2013-15 Omnibus Appropriations Act provides \$97 million to implement the increase for students enrolled in grades seven through 12, beginning with the 2014-15 school year. The amount provided is calculated based on the cost of 2.222 additional hours of instruction per week.</p> <p>School districts may schedule the last five days of the school year for non-instructional purposes for graduating seniors but may still claim the students as full-time equivalent students for funding purposes.</p>	<ul style="list-style-type: none"> ○ CTE average high school class size of 19 students. ○ Skill center high school class size of 16 students. ● <i>Staffing at the high school level.</i> <ul style="list-style-type: none"> ○ Principals increased to 1.9. ○ Guidance counselors increased to 3.5. <p><u>Other Staffing.</u> Beginning in the 2015-17 biennium, the minimum allocations must be enhanced in a linear fashion to provide 0.5 guidance counselors at the elementary school level and 2.0 counselors at the middle school level. Family and community engagement coordinators must be increased to 1.0 at the elementary and middle school levels.</p> <p><u>Instructional hours.</u> School districts must offer a minimum of 1000 for grades 1-8 and 1,080 hours for grades nine through 12, beginning in the 2015-16 school year. Districts may use a district-wide average to meet the instructional hour requirement. Time used for non-instructional purposes during the last five days of the school year for graduating seniors may count toward the minimum instructional hour requirement.</p>

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<p>Compensation</p>	<p><u>Salary allocation model.</u> The Legislature provides funding for teachers and other certificated instructional staff salaries through the prototypical schools funding model and the state salary allocation model, which uses the individuals' education and years of experience to vary the salary levels. The actual salaries paid to staff, are subject to the collective bargaining process, within certain limits set by the Legislature.</p> <p><u>Classified and administrative salaries.</u> The Legislature provides funding for classified and certificated administrative salaries through the prototypical schools funding model and a legislatively approved district salary schedule. The actual salaries paid to staff are subject to the collective bargaining process.</p> <p><u>Supplemental contracts.</u> Current law permits school districts to enter into a supplemental contract with individual employees for additional time, additional responsibilities, incentives, or innovations (TRII). There are statutory limitations on TRII contracts, including that the contract must not cause the state to incur any present or future funding obligation; be covered by collective bargaining; be only for one year; if not renewed the it cannot be viewed by the individual as an adverse change in employment; and may not be used to pay individuals for providing the program of basic education.</p> <p><u>Comparable wage analysis.</u> A recommendation of the Compensation Technical Working Group, created in 2009, was that a comparable wage analysis should be required to be</p>	<p><u>Salary allocation model.</u> Legislative intent to phase-in a modified version of the Compensation Technical Working Group recommendations for a revised salary allocation model by 2020-21 school year is provided. The salary allocation model is aligned to the career continuum and certification for educators. Each year of the revised salary allocation model is established in statute through the 2020-21 school year. For individuals who would not receive a salary increase under the revised salary allocation model in any year of the phase-in the state will provide an amount sufficient to fund an Initiative-732 cost of living increase. After the 2020-21 school year, the salary allocations will be specified in the budget.</p> <p><u>Classified and administrative salaries.</u> Beginning in the 2015-16 school year the average state salary allocations for certificated administrative staff and classified staff is the greater of the amount in the prototypical school model or the LEAP document to eliminate grandfathered salary allocations. These allocations must be enhanced in a linear fashion to provide sufficient state funding to fund specified amounts in the 2019-20 school year. The allocations must be adjusted for Initiative 732 cost-of-living increases as provided in the budget.</p> <p><u>Supplemental contracts.</u> The existing statutory language authorizing supplemental contracts for TRII is removed and instead school districts are authorized to provide locally funded salary enhancements for non-basic education functions. The enhancements must not to exceed 10 percent of the state's allocation for salaries. The statutory limitations on TRII contracts are maintained for these salary enhancements. During the transition to the revised salary allocation model the school districts are authorized to use up to 10 percent of the amounts the district would receive in 2020-21 school year when the revised salary allocation model is fully phased-in.</p> <p><u>Comparable wage analysis.</u> A comparable wage analysis is required every 4 years beginning in 2018.</p>

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	<p>conducted every four years with salaries adjusted accordingly.</p> <p><u>Levy reduction funds.</u> Levy reduction funds are intended to reduce the levy authority of school districts with grandfathered levy authority above the maximum percentages provided for other school districts until the percentages are equal.</p>	<p><u>Levy reduction funds.</u> During the phase-in of the new salary allocation schedule the increased in funding must be considered “levy reduction funds” for districts grandfathered at a higher levy authority than the maximum levy percentage for other school districts.</p>
<p>Part II: Specifies legislative intent to allocate additional funding for the SHB 2776 basic education enhancements of all-day kindergarten, class-size reduction, and MSOC; second grade class size reductions to build on the all-day kindergarten and first grade class size investments; educator compensation; and changes to implement 24 credits for high school graduation.</p>		
<p>All-Day Kindergarten, MSOC, Class Size Reduction, and Staffing</p>	<p>2013-15 Omnibus Appropriations Act</p> <p><u>All-Day Kindergarten.</u> \$89.8 million, increasing the percentage of funded enrollment from 22 percent to 43.75 percent of all eligible kindergartners.</p> <p><u>MSOC.</u> \$374.0 million, increasing the per student MSOC rate from \$554.57 in SY 12-13 to \$737.02 in SY 13-14 and \$781.72 in SY 14-15.</p> <p><u>Class size reduction.</u> \$103.6 million, to reduce K-1 funded class size in high poverty schools to 20.85 in the 2013-14 school year and 20.3 students in the 2014-15 school year.</p> <p><u>Staffing.</u> Staffing for guidance counselors in the middle school is increased from 1.116 to 1.216 and in the high school from 1.909 to 2.009.</p> <p>Note: <i>No changes were made to the relevant statutes to reflect the changes in funding.</i></p>	<p>Statutes are amended to reflect the changes in funding in 2013:</p> <p><u>All Day Kindergarten.</u> All-day kindergarten funding is increased to fund 57.5 percent of kindergarten enrollment in the 2014-15 school year.</p> <p><u>MSOC.</u> The allocations for MSOC rate per student is increased from \$781.72 to \$825.48 for the 2014-15 school year.</p> <p><u>Class size reduction.</u> The class size in high poverty second grade classes is reduced from 24.10 to 20.85 for the 2014-15 school year.</p> <p><u>Staffing.</u> Staffing for guidance counselors in the high school is increased to 2.539 in the 2014-15 school year to assist school districts in providing students the opportunity to complete 24 credits.</p>
<p>Compensation</p>	<p><u>Initiative 732 (I-732) Cost-of-Living Adjustments (COLA).</u> I-732 was approved by voters in the November 2000 general election. It required the state to provide an annual COLA for kindergarten through grade 12 (K-12) teachers and other public school employees, as well as community and technical college academic employees and classified employees at technical colleges. The Legislature suspended the COLA during the 2003-05, 2009-11, 2011-13, and 2013-15 biennia.</p>	<p><u>COLA.</u> The previously repealed cost of living adjustment for educational personnel in K-12 and Community and Technical Colleges is reinstated for the 2014-15 school year.</p>

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	<p><u>National Board for Professional Teaching Standards Program (NBPTS)</u>. Washington provides a bonus to teachers who obtain certification through the NBPTS. Once earned, the certification is valid for 10 years. The Legislature suspended inflation adjustments to the NBPTS certification bonus during the 2013-15 biennia.</p>	<p><u>NBPTS</u>. The bonus for attaining the NBPTS certification is increased by inflation for the 2014-15 school year.</p>
<p>State Expenditure Limit</p>	<p><u>State Expenditure Limit</u>. First enacted in 1993 by Initiative 601, the state expenditure limit allows expenditures from the State General Fund to grow each fiscal year by the fiscal growth factor, which is the average annual growth in state personal income over the prior 10 fiscal years. Whenever the cost of any state program or function is shifted from the State General Fund or moneys are transferred from the State General Fund to another fund or account, the state expenditure limit must be lowered to reflect the shift or transfer.</p>	<p><u>State Expenditure Limit</u>. The education expenditures in Part II is exempted from the Initiative 601 state expenditure limit.</p>
<p>Part III: States legislative intent to provide initial options for additional revenue to support increasing basic educational funding.</p>		
<p>Specified Tax Exemptions and</p>	<p><u>Sales and Use Tax Exemption for Food and Food Ingredients</u>. Washington specifically exempts "food and food ingredients" from state and local sales and use taxes. Therefore, any food product included within the definition of "food and food ingredients" is exempt from sales and use tax. "Food and food ingredients" is defined to mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Prepared food, soft drinks, and dietary supplements are excluded from the definition and therefore subject to sales and use tax. However, bottled water is included within the definition and therefore exempt from sales and use tax.</p> <p><u>Use Tax Exemption for Extracted Fuel</u>. Fuel consumed by manufacturers or extractors that manufacture or extract the same fuel is exempt from use tax when the fuel is used in the process of manufacturing or extracting at the same plant. The</p>	<p><u>Sales and Use Tax Exemption for Food and Food Ingredients</u>. Effective June 1, 2014, sales and use taxes are extended to bottled water. "Bottled water" means water that is placed in a safety sealed container or package for human consumption. Bottled water includes water that is delivered to the buyer in a reusable container that is not sold with the water. Specific exemptions are provided.</p> <p><u>Use Tax Exemption for Extracted Fuel</u>. Effective June 1, 2014, the use tax exemption for fuel used in a manufacturing or extracting operation by the extractor or manufacturer of the fuel is limited to biomass fuel. Biomass fuel is defined as wood waste & other wood residuals, including forest</p>

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	<p>fuels for which the exemption generally applies are wood by-products, also referred to as "hog fuel," and to refinery fuel gas.</p> <p><u>Nonresident Sales Tax Exemption.</u> A sales tax exemption is allowed for a resident of a state, possession, or Canadian province that does not impose a retail sales tax, use tax, value-added tax, gross receipts tax, or similar generally applicable tax of 3 percent or more on purchases of goods for use outside the state. The exemption does not apply to items or services consumed in the state such as hotel stays or meals at restaurants. Retailers are not required to make tax exempt sales to qualifying nonresidents. A vendor may choose to collect sales tax on purchases made by qualifying nonresidents or to sell merchandise tax free.</p>	<p>derived biomass, but does not include firewood or wood pellets. Biomass fuel also includes partially organic by-products of pulp, paper & wood manufacturing processes. Taxes collected under this chapter on the use of refinery fuel gas must be deposited in the education legacy trust account.</p> <p><u>Nonresident Sales Tax Exemption.</u> Effective June 1, 2014, the retail sales tax exemption for qualifying nonresidents is changed to a refund program for the state portion (6.5 percent) of the sales tax only. This option would require qualified nonresidents (both businesses and individuals) to apply for a refund of state sales tax (not local sales tax) from the Department instead of receiving the exemption at the point of sale.</p>
<p>Preferential Tax Rates</p>	<p><u>Preferential Business and Occupation (B&O) Tax Rates for Resellers of Prescription Drugs.</u> A preferential B&O tax rate of 0.138 percent is provided to persons that warehouse and resell prescription drugs to retailers, hospitals, clinics, health care providers, or other providers of health care services. This tax preference was enacted to help Washington wholesalers that compete with out-of-state firms that are not subject to B&O tax due to a lack of sufficient nexus with the state. The state was unable to restrict the preferential rate only to companies with in-state warehouses. Therefore, out-of-state wholesalers with nexus in Washington also qualify for the preferential B&O tax rate. Without the preferential B&O tax rate, these businesses would pay the wholesaling B&O tax rate of 0.484 percent.</p>	<p><u>Preferential B&O Tax Rates for Resellers of Prescription Drugs.</u> Effective for tax reporting periods beginning on or after June 1, 2014, the preferential Business and Occupation tax rate, which is 0.138 percent, for businesses that warehouse and resell prescription drugs is repealed. Affected taxpayers would be subject to the standard tax rates for wholesaling, which is 0.484 percent; and retailing, which is 0.471 percent for their sales of prescription drugs.</p>