Washington Research Council

Special Report

August 17, 2017 SR 17-05

Has the State Finally Closed the Book on McCleary?

Briefly

- The Legislature has enacted EHB 2242 to continue its response to the McCleary decision.
- From 2011–13 to 2017–19, state funding for public schools has increased by $8.419 billion (62.1 percent).
- In 2019–21, the Legislature plans to spend an additional $4.604 billion to continue implementation of EHB 2242.
- In 2017–19, public schools account for 50.3 percent of state spending.
- EHB 2242 increases state funding for school staff salaries and changes the salary structure.
- It also makes several enhancements to categorical programs.
- An additional state property tax will be levied.
- The ability of school districts to ask voters for local levies will be more limited than it was previously.
- Several new accountability measures are put in place to ensure that districts are not using local revenues for basic education.
- Combined state and local property tax rates will increase in every school district in 2018; after that, they are estimated to increase in some districts and decrease in others.
- In SY 2019–20, districts statewide will receive $2.759 billion more from the state and $672.4 million less from local levies.
- Taken together, per pupil state and local funding is estimated to increase by $1,976, to $13,196.
- The state believes it is now fully compliant with the McCleary decision.

Washington has been ramping up state funding for K–12 education since the state Supreme Court's McCleary decision in 2012. The court ruled that the state must assume responsibility for fully funding "basic education." School districts had in many cases relied on local levies to cover some basic education expenses. In 2016 we wrote in detail about the court's ruling, Washington's property tax system, and the legislative response to date ("McCleary Deadline Approaching, But How Long Will the Solution Last?"). A major issue left unresolved was how to comply with the court decision by fully funding school staff salaries related to basic education at the state level.

This year the Legislature has enacted EHB 2242, which makes changes to both K–12 education and the source of property tax revenues in order to complete compliance with McCleary. The Legislature also enacted a 2017–19 operating

What is Basic Education?

With the enactment of ESHB 2261 in 2009, the Legislature redefined basic education as "that which is necessary to provide the opportunity to develop the knowledge and skills necessary to meet the state-established high school graduation requirements that are intended to allow students to have the opportunity to graduate with a meaningful diploma that prepares them for postsecondary education, gainful employment, and citizenship."

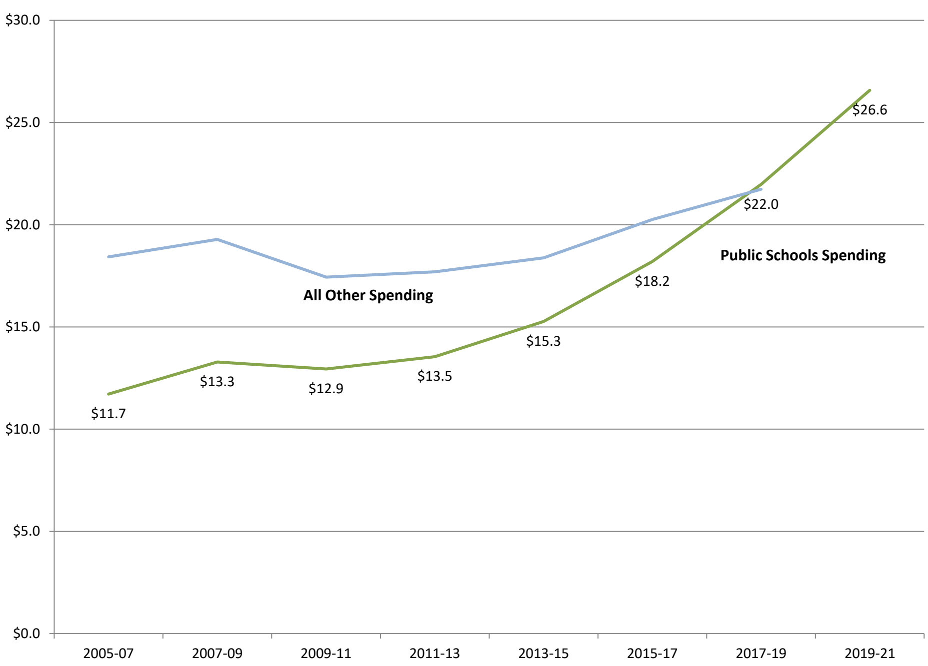
Basic education includes at least parts of these budget lines: general apportionment, special education, pupil transportation, learning assistance program, transitional bilingual education program, highly capable program, and institutional education (W&M 2015). In 2017, the Legislature added "statewide salary allocations necessary to hire and retain qualified staff" to the definition of basic education (EHB 2242).

budget that funds these changes. (For more on the 2017–19 operating budget, see our report, "Legislature Passes 2017–19 Operating Budget That Increases Spending by $5.3 Billion.")

EHB 2242 keeps the current prototypical school model as the method of allocating state funding, but it abolishes the use of "staff mix" in determining salaries. The prototypical school model provides the resources needed to operate schools of a certain size with certain types of students, scaled to the actual make up of a school. Under prior law (in effect for salaries through school year 2017–18), the state set a salary allocation model that was based on educational credits earned and years of service ("staff mix"), but local districts determined actual salaries through collective bargaining. The only restrictions were that teacher salaries must be at least the minimum provided in the model and a district's actual average salary could not exceed the average salary in the state model.

Under EHB 2242, basic education salaries will be paid for entirely by the state and minimum and average salaries will increase. The bill also provides larger allocations for a number of basic education categorical programs. To help pay for these changes, the state property tax will increase. Local levies, conversely, will still be allowed for enrichment, but with new restrictions.

Chart: NGFS+ Spending (Billions of Dollars)



Funding

Since the Supreme Court's 2012 McCleary decision, the state has been steadily increasing its funding of schools, and it has prioritized education in its operating budgets. From 2011–13 to 2017–19, near general fund–state plus opportunity pathways (NGFS+) funding for public schools has increased by $8.419 billion (62.1 percent). Meanwhile, all other NGFS+ spending has increased by $4.042 billion (22.8 percent). In 2011–13, public schools funding made up 43.4 percent of NGFS+ spending; in 2017–19, public schools account for 50.3 percent of NGFS+ spending. This compares favorably to other states: Washington's general fund spending increase per student from 2008 to 2017 (before accounting for the increases in the 2017–19 budget) was the nation's third highest, according to a report from the Center on Budget and Policy Priorities (Leachman et al. 2016).

The Legislature has been funding SHB 2776, which was enacted in 2010 to continue implementation of the new program of basic education that was defined in ESHB 2261 (which became law in 2009). The major items in SHB 2776 include pupil transportation; materials, supplies, and operating costs; all-day kindergarten; and K–3 class size reductions.

Table 1 shows the total state spending increases for schools in each biennium, and it highlights some of the enhancements the state has made to fully fund SHB 2776 and comply with the McCleary decision. The Attorney General argues that the phase-in of new policies authorized by EHB 2242 brings the state into compliance (Ferguson 2017).

Salaries

EHB 2242 makes significant changes to the K–12 salary structure. The Legislature appropriates $1.099 billion in 2017–19 to begin implementation of the changes; it plans to spend $4.212 billion in 2019–21 to complete implementation. The bill adds "statewide salary allocations necessary to hire and retain qualified staff" to the definition of basic education.

After school year 2017–18, EHB 2242 eliminates the current salary allocation model. Actual salaries will still be determined by local collective bargaining, subject to new restrictions. Under EHB 2242, increases in minimum statewide salary allocations will be phased in over two years. Half of the allocations must be funded in school year (SY) 2018–19; they must be fully funded in SY 2019–20. The 2017–19 operating budget sets the statewide minimum salary allocations for SY 2018–19 (to be multiplied by a district's regionalization factor, which is described below):

- $59,333.55 for certificated instructional staff,
- $79,127.50 for certificated administrative staff, and
- $39,975.50 for classified staff.

Beginning in SY 2019–20:

- Certificated instructional staff salaries

Table 1: State Spending on Public Schools (NGFS+, Thousands of Dollars)

	2011-13	2013-15	2015-17	2017-19	2019-21 (Planned)
Total Increase in NGFS+ Spending on Public Schools from Prior Biennium	**$604,208**	**$1,716,022**	**$2,931,912**	**$3,771,142**	**$4,604,159**
Select Enhancements and Phase-Ins					
Pupil Transportation	$5,000	$131,700			
Materials, Supplies, and Operating Costs	$7,000	$432,000	$741,458		
All-Day Kindergarten	$5,000	$89,800	$179,813		
K-3 Class Size Reduction	$33,600	$103,600	$350,193	$492,728	
Increased Instructional Hours		$97,000			
Transitional Bilingual Instruction Program		$18,900		$26,942	
Learning Assistance Program		$143,100		$222,547	
Special Education				$22,697	
Highly Capable Program				$26,584	
Vocational Education				$83,939	
Salary Increase				$1,098,981	$4,211,780
Increased Health Benefit Allocation				$110,356	
Professional Learning				$26,378	$172,347

Note: Itemization does not include carryforward or maintenance level costs after items are phased-in.

Sources: Fiscal.wa.gov, Joint Select Committee on Article IX Litigation reports to Supreme Court related to basic education must be at least $40,000 (and will be adjusted for regional differences and inflation).

- For certificated instructional staff with at least five years of experience, salaries must be at least 10 percent higher than $40,000 (as adjusted).
- A new maximum salary of $90,000 is imposed for certificated instructional staff, but that ceiling may be raised to adjust for regional differences, and it is adjusted for inflation.
- The ceiling may also be raised by up to 10 percent for certificated instructional staff who are educational staff associates (e.g., school psychologists); science, technology, engineering, or math teachers; or transitional bilingual instruction or special education teachers.

Further, by SY 2019–20, the minimum state allocations for staff in the basic education program must increase so that the statewide average allocations are:

- $64,000 for certificated instructional staff,
- $95,000 for certificated administrative staff, and
- $45,912 for classified staff.

(These amounts are to be adjusted for inflation from SY 2017–18.)

According to the Legislature's report to the Court, after adjusting for inflation and regionalization, the statewide average salary allocations for SY 2019–20 are estimated to be:

- $72,694 for certificated instructional staff,
- $107,354 for certificated administrative staff, and
- $51,935 for classified staff (JSC 2017).

Regional Adjustments. EHB 2242 introduces an adjustment for salaries to account for regional differences in the cost of living, to begin in SY 2018–19. The adjustment will be determined in the state operating budget through at least SY 2022–23. It is "based on the median single-family residential value of each school district and proximate school district median single-family residential value." Proximate districts are those with 15 miles. (Note, though, that there is no requirement that staff actually live in the district in order to get the salary increase.)

School districts that have single-family residential values above the statewide median will be separated into three groups based on how far above the median their values are. State salary allocations will be increased by 6 percent for those in the first group, 12 percent for those in the second, and 18 percent for those in the third.

The Legislature may provide additional adjustments in the operating budget (and the 2017–19 budget does make some). These additional adjustments must be reduced or eliminated by SY 2022–23. According to the Legislature's report to the Court, in 2017–19, "In instances where the district's new allocation was less than their estimated total salary, the district's regionalization factor was increased by one tier (6 percentage points)" (JSC 2017). For example, the 2017–19 operating budget provides a regionalization factor of 24 percent for the Shoreline school district. That is reduced beginning in SY 2020–21 so that the factor is 18 percent in SY 2022–23 (LEAP 2017).

Inflation Adjustments. As noted above, the minimum state allocations for salaries will be fully phased in by SY 2019–20, adjusted for inflation from SY 2017–18. This inflation requirement is part of RCW 28A.150.410, which is a basic education chapter. After SY 2019–20, school employees will receive annual cost-of-living increases. These increases are part of RCW 28A.400.205, which is not a basic education chapter and which originally housed Initiative 732. (Note, too, that the addition of salaries to the definition of basic education does not mention inflationary increases.)

In 2000, voters approved Initiative 732 to provide annual cost-of-living adjustments (COLA) for school staff. The I-732 COLA is tied to the previous calendar year's consumer price index (CPI). The COLA is not part of basic education, and it has not been consistently funded by the Legislature (but it was funded in 2015–17). The 2017–19 operating budget provides a 2.3 percent COLA.

Under EHB 2242, the I-732 statute is revised so the COLA becomes an "inflationary increase" that school employees will receive annually. But, instead of using CPI, the legislation uses the implicit price deflator (IPD) for that fiscal year. (The bill leaves in place language that the inflation measure is "compiled by the bureau of labor statistics, United States department of labor for the state of Washington." In fact, the IPD is a product of the Department of Commerce's Bureau of Economic Analysis.)

Generally the CPI overstates increases in the cost of living, so the effect of this change will typically be smaller inflation adjustments. For example, the I-732 COLA is 2.3 percent in 2017–18, while IPD for the year is 1.7 percent (OSPI 2017). As the Legislature's report to the Court notes, the IPD "is the standard measure of inflation used elsewhere in the state K–12 budget and elsewhere in the state budget" (JSC 2017). Also, the statutory growth limit for the property tax is tied to the implicit price deflator for personal consumption expenditures for the U.S. (RCW 84.55.005).

Legislative Review. During the 2023 legislative session, and then every six years, the Legislature must review and rebase basic education compensation allocations "to ensure that state basic education allocations continue to provide market-rate salaries and that regionalization adjustments reflect actual economic differences between school districts." (But changes to the regional adjustment may not cause any district to receive less state funding than it did the previous year.)

OSPI Model Salary Grid. Because the current salary allocation model is being scrapped, the bill requires the Office of Superintendent of Public Instruction (OSPI) to convene a working group "to develop a model salary grid for school district use in developing locally determined compensation plans for certificated instructional staff." This is meant to help districts during the collective bargaining process; following it would be voluntary.

Local Funding of Salaries. Under prior law, districts could fund some salary amounts over and above those provided by the state. These were supposed to be exclusively for non-basic education activities, but in practice those lines have blurred.

Under EHB 2242, supplemental contracts for additional time, responsibility, or incentive are not subject to the minimum and maximum salaries. Beginning Sept. 1, 2019, supplemental contracts can only be for enrichment activities as defined in the bill (see below under "Local Levies"). Additionally, the hourly rate paid under a supplemental contract may not exceed the teacher's basic education hourly rate.

Other Compensation

In addition to the salary changes, EHB 2242 also funds professional learning for teachers, and it makes a substantial change to health insurance benefits.

Professional Learning. EHB 2242 requires the state to fund at least one professional learning day for certificated instructional staff in SY 2018–19, two in SY 2019–20 and three in SY 2020–21.

School Employees' Benefits Board. Under previous law, school districts were allowed to purchase health insurance benefits separately, and districts and employees bargained over the scope of the benefits. The funding was allocated by the state.

EHB 2242 creates the School Employees' Benefits Board (SEBB) in the Health Care Authority to provide insurance for school employees across the state. Thus, medical, dental, vision, group term life and group long-term disability insurance coverage is no longer subject to local bargaining. The dollar amount that must be contributed for employee health benefits, however, is subject to bargaining—but between the Governor and one coalition of employee bargaining representatives, not at the individual district level.

Beginning Jan. 1, 2020, all employees of school districts, educational service districts and charter schools will be insured through the SEBB. Under the bill, the employee share of the cost of family coverage may not be more than that for employee-only coverage.

Other Basic Education Enhancements

The prototypical school model (which provides the resources needed to operate schools of a certain size with certain types of students, scaled to the actual make up of a school) is kept in place, but, as under prior law, the model is for allocation purposes only. Districts have wide discretion in using those funds for defined basic education activities. EHB 2242 increases allocations for various purposes, including:

- Class sizes for grades K–3 are reduced from 25.23 to 17. The bill specifies that as of Sept. 1, 2018, funding for average K–3 class sizes may only be provided proportionate to a district's actual class sizes.
- Class sizes are reduced for career and technical education from 26.57 to 23 and for skill center programs from 22.76 to 20. The enhanced career and technical education funding allocations may only be used for career and technical education purposes.
- Learning Assistance Program instructional hours are increased from 1.5156 to 2.3975 per week and by an additional 1.1 hours a week in high poverty schools. Districts "must distribute the high poverty-based allocation to the schools that generated the funding allocation." Also, the funding "must supplement and not supplant the district's" other expenditures for those buildings.
- Transitional Bilingual Instruction Program instructional hours are increased by two hours for grades 7–12 (plus three extra hours of instruction for students who have exited the program).
- Highly Capable Program is funded based on 5 percent of enrollment (up from 2.314 percent).
- Special Education is funded based on at least 13.5 percent of enrollment (up from 12.7 percent). Also, OSPI must review the current safety net system, which provides additional special education funds to districts with demonstrated extra needs, and "evaluate the appropriate funding level."

As the League of Education Voters notes, "categorical funding will continue to vary by district because of the link to teacher salary and the variation in salary by region" (LEV 2017).

Additionally, the schedule the state follows to allocate basic education funds to the educational service districts is permanently changed (effective Sept. 1, 2019) so that districts receive more in July than they previously did (12.5 percent instead of 10.0 percent). The effect of this is to reduce NGFS+ spending in 2019–21 by $324.6 million.

I-1351

In 2014, voters approved I-1351. The initiative would reduce class sizes in grades K–12 and for career and technical education and skill center programs and increase allocations for non-teacher employees. But in 2015 the Legislature delayed implementation until the 2019–21 biennium.

EHB 2242 does not fund I-1351, and the operating budget outlook books savings of $1.914 billion in 2019–21. However, EHB 2242 authorizes allocations for additional staff units at the same levels as those set out in I-1351—if specifically funded in the operating budget. The bill specifies that these allocations "are an enrichment to and are beyond the state's statutory program of basic education." But, if an operating budget should fund any of these additional units and specifically references this section (Sec. 904) of EHB 2242, then the units become part of basic education. The 2017–19 operating budget does not fund these enhancements.

A technical working group will review the optional allocations and recommend "a possible phase-in plan of staffing enrichments that prioritizes the enrichments that are research or evidence-based strategies for reducing the opportunity gap, assisting struggling students, enhancing the educational outcomes for all students, or strengthening support for all school and school district staff." The report is due to the Legislature by Dec. 1, 2019.

State Property Tax

EHB 2242 increases the state property tax and restricts the use of local levies.

In the McCleary decision, the state Supreme Court found that the state was not fulfilling its constitutional duty to amply fund basic education. The decision noted that school districts were consequently using local levies to make up the difference. This practice is unconstitutional because local levies—which are subject to voter approval and dependent on local assessed property values—are not "dependable and regular," according to the Court.

To address this aspect of the decision while also generating revenues to help fund the increase in state spending on public schools, EHB 2242 increases the state property tax and restricts the use of local levies.

The state property tax is dedicated to the funding of public schools. The total amount of state and local property tax revenues that can be collected each year is limited in two ways. First, there is a constitutional 1 percent tax rate limit—regular property taxes cannot exceed $10 per $1,000 of property value. Of that $10, the state is by statute allocated up to $3.60 (the rest goes to local districts and special purposes). Second, there is a statutory 101 percent revenue growth limit—a levy cannot exceed the lesser of (a) 101 percent of the previous year's revenues or (b) the previous year's revenues adjusted for inflation. (For this purpose, as noted above, inflation is calculated using the implicit price deflator for personal consumption expenditures.) Consequently, the effective state property tax rate was $1.89 per $1,000 of adjusted assessed value in 2017 (DOR 2017) and was expected to drop further in 2018, under prior law.

EHB 2242 requires that a second state property tax be levied to support public schools. The combined rate of the two state property taxes will be $2.70 per $1,000 of assessed value in calendar year (CY) 2018 through 2021. (Because this is well below the statutory limit of $3.60, other taxing districts are not expected to be affected (DOR 2017).) For 2022 and thereafter, the aggregate limit for both state property taxes will continue to be $3.60/$1,000.

The statutory growth limit of 101 percent is suspended for both the original and additional state property tax until CY 2022.

Local Levies

Under prior law, school districts were allowed to ask voters to approve maintenance and operations (M&O) levies. (M&O levies are a type of special property tax that is outside the constitutional 1 percent limit.) These were supposed to be only for programs in addition to basic education, but in practice (as noted above) that has not always been the case. Statewide, M&O revenues as a percent of total district revenues were 20.3 percent in school fiscal year 2012–13, but the percentage has declined as the state has increased school funding, reaching 18.3 percent in school fiscal year 2015–16 (OSPI 2016).

In 2017 and 2018, districts may levy up to 28 percent of their revenues. EHB 2242 then eliminates the maximum percent of revenues limit. Instead, in 2019, EHB 2242 renames M&O levies "enrichment levies" to make it more explicit that they must not be used for basic education.

school districts may only levy up to $1.50 per $1,000 of assessed value or $2,500 per-pupil, whichever is less. (The per-pupil limit will be increased by IPD beginning in 2020.)

Districts that levy $1.50/$1,000 but do not generate at least $1,500 per student will receive local effort assistance (LEA). The 2017–19 operating budget provides $165.3 million for this purpose. LEA funds are not basic education and may be used only to enrich basic education beginning Sept. 1, 2019.

Additionally, EHB 2242 renames M&O levies "enrichment levies" to make it more explicit that they must not be used for basic education. Beginning Sept. 1, 2019, districts may use local revenues "only for documented and demonstrated enrichment of the state's statutory program of basic education."

The bill specifies that allowed enrichment activities are:

- "Extracurricular activities, extended school days, or an extended school year";
- "Additional course offerings beyond the minimum instructional program established in the state's statutory program of basic education";
- Early learning activities;
- "Any additional salary costs attributable to the provision or administration of the enrichment activities"; and
- Other activities that OSPI determines are enrichments.

The list of enrichment activities above may be expanded on the recommendation of OSPI; in 2018, the Legislature must review such recommendations and may enact legislation to expand the list.

To ensure that enrichment levies are not used for basic education, beginning with levies proposed for collection in CY 2020, districts must submit a plan for their expenditure to OSPI and get approval before submission to voters. OSPI may only approve plans if local revenues "will be used solely for permitted enrichment activities." If a district wants to change a plan after voters have approved the levy the new plan must be adopted by the school board after an open meeting and OSPI must approve it as well.

Accountability

As we showed in our 2016 report on McCleary, the state was in basically the same situation in the 1970s, when the Supreme Court found that requiring districts to use local levies for non-enrichment programs was unconstitutional. At the time, the Legislature restricted the amount that districts could levy, but the ceiling was raised over the years and local levies were used for basic education purposes. When districts were allowed by the state to levy higher percentages of their revenue, districts could collect more funds from voters, providing the state cover to not fully fund basic education.

In an attempt to avoid a similar devolution in the future, EHB 2242 places several new restrictions on local levies (discussed above) and requires new accounting and reporting measures to increase transparency and accountability.

Under the bill, school districts must establish separate funds for local revenues by SY 2019–20, "to account for the financial operations of a school district that are paid from local revenues." Expenditures from these funds must also be tracked separately. Additionally, the State Auditor's Office must review school district expenditures of local revenues as part of its regular financial audits of school districts, beginning in SY 2019–20. This is "to ensure that school district local revenues are used solely for purposes of enriching the state's statutory program of basic education." School boards must adopt policies for responding to such audits, to include public hearings on audit findings and "may include progressive disciplinary actions for the district superintendent."

Beginning in SY 2019–21, districts must

identify actual salaries paid to each certificated instructional staff for basic education services. District budgets must show both state-funded salary amounts and locally-funded salary amounts for each staff member. Also, the annual budget process for districts must include a four-year budget plan, which "must include an estimate of funding necessary to maintain the continuing costs of program and service levels and any existing supplemental contract obligations."

OSPI must report per-pupil allocations by the state for each school district by program (e.g., general apportionment or special education) and general apportionment allocations by grade. State operating budgets must include statewide average per-pupil allocations for general apportionment and categorical programs. Table 2 shows the per-pupil allocations included in the 2017–19 operating budget.

Table 2: Statewide Average Per-Pupil Allocations (2017–19 Operating Budget)

	SY 2017-18	SY 2018-19
General Apportionment	$7,038	$8,037
Pupil Transportation	$422	$485
Special Education	$6,920	$7,875
Institutional Education	$13,476	$15,369
Highly Capable	$455	$525
Transitional Bilingual	$1,024	$1,163
Learning Assistance	$735	$849

Fiscal Impacts of EHB 2242

According to the bill's fiscal note, the changes to the state property tax will increase state revenues by $1.614 billion in 2017–19, $2.494 billion in 2019–21, and $2.805 billion in 2021–23 (DOR 2017).

The accompanying reduction in local levies will vary across school districts. The amounts districts will request from voters in the future is not known (nor is it known whether voters will approve these requests). The Legislature has estimated the tax rate impacts from the bill in each school district; it assumes that districts will levy either their current voter-approved levy or the maximum rate allowed under EHB 2242, whichever is less (OPR 2017b).

The state property tax increase takes effect in 2018 while the new local levy limits take effect in 2019. Because of this timing, combined state and local property tax rates will increase in every school district in CY 2018. After that, the combined rates will increase in some districts and decrease in others, compared to what they would have been under prior law in each year.

All of the fiscal impacts for the bill are compared to what would have occurred in each year under prior law (maintenance level). For example, in Table 3, the change in Seattle's property tax rate in 2018 is compared to what it would have been in 2018 if the district was still allowed to levy 28 percent of its revenues. Its rate change in 2019 is compared to what it would have been if it was still allowed to levy 24 percent of its revenues (pursuant to separate legislation enacted in 2017 that made the maximum percentage 24 percent in 2019 and thereafter).

Table 3: Change in Combined State and Local Property Tax Levy Rates by School District (CY, Per $1,000 of Assessed Value, Compared to Maintenance Level)

	2018	2019	2020	2021
Seattle	$0.96	$0.84	$0.93	$1.00
Spokane	$0.92	($0.49)	($0.29)	($0.09)
Tacoma	$0.95	($0.89)	($0.62)	($0.40)
Evergreen	$0.91	($0.34)	($0.15)	$0.06
Edmonds	$0.93	$0.85	$1.02	$1.16
Kennewick	$0.98	($0.17)	$0.07	$0.21
Pasco	$0.96	($1.60)	($1.26)	($1.03)
Yakima	$0.97	($0.29)	($0.20)	($0.10)
North Thurston	$0.91	($0.15)	$0.04	$0.14
Bellingham	$1.02	$0.61	$0.74	$0.82

To illustrate the tax rate changes, Table 3 shows the net impacts for the 10 school

Table 4: Change in Tax Due for a Single Family Residence with a Median Taxable Value (CY, $, Compared to Maintenance Level)

	2018	2019	2020	2021
Seattle	$460	$420	$490	$550
Spokane	$130	($80)	($60)	($20)
Tacoma	$190	($220)	($170)	($120)
Evergreen	$210	($100)	($50)	$0
Edmonds	$320	$300	$390	$460
Kennewick	$160	($60)	($10)	$20
Pasco	$160	($340)	($280)	($250)
Yakima	$100	($50)	($40)	($30)
North Thurston	$190	($40)	$0	$20
Bellingham	$250	$130	$170	$200

Table 5: Change in Per Pupil State and Local Funding by School District (SY, $, Compared to Maintenance Level)

	2018-19	2019-20	2020-21
Seattle	$1,879	$2,339	$2,369
Spokane	$1,023	$1,526	$1,453
Tacoma	$881	$1,157	$1,175
Evergreen	$1,047	$1,632	$1,629
Edmonds	$2,053	$2,957	$3,083
Kennewick	$815	$1,426	$1,417
Pasco	$1,106	$1,706	$1,707
Yakima	$1,030	$1,858	$1,850
North Thurston	$1,016	$1,519	$1,450
Bellingham	$1,336	$2,047	$1,994

districts with the highest enrollments in the state that are in different counties: Seattle Public Schools (King), Spokane Public Schools (Spokane), Tacoma Public Schools (Pierce), Evergreen Public Schools (Clark), Edmonds School District (Snohomish), Kennewick School District (Benton), Pasco School District (Franklin), Yakima School District (Yakima), North Thurston Public Schools (Thurston), and Bellingham Public Schools (Whatcom).

Seattle is assumed to levy the maximum per pupil (which equates to $0.67/$1,000 in CY 2019); all the other districts in the table would have enrichment levies of $1.50/$1,000 in CY 2019.

Table 4 shows how the property taxes due for a single family homeowner at the median taxable value would change under the law, compared to what they would have owed in those years under prior law.

Note, though, that businesses also pay property taxes. According to the King County Assessor, for example, commercial properties account for 23.7 percent of total appraised value in the county as a whole. In the Seattle school district, commercial properties are 29.1 percent of appraised value. (Commercial property shares range from 1.9 percent in the Fife school district to 60.6 percent in the Tukwila school district.)

These new property tax rates translate to more state and local per pupil funding for most districts, compared to what they would have received in each year under prior law. (Some 35 districts out of 295 would receive less funding under

Table 6: Statewide Funding Change (SY, $, Compared to Maintenance Level)

	2018-19	2019-20	2020-21
State Funding Change	$1,606,249,574	$2,758,830,863	$2,838,336,640
Local Funding Change	($315,579,669)	($672,367,482)	($612,272,014)
State + Local Net Change	$1,290,669,905	$2,086,463,381	$2,226,064,626
Per Pupil State + Local Change	$1,322	$1,976	$1,983

this rate structure; these districts are concentrated among the districts with the lowest enrollments. But these districts are guaranteed at least level funding in the operating budget and outlook.) Overall, in SY 2019–20, districts statewide would receive $2.759 billion more from the state and $672.4 million less from local levies. Taken together, per pupil state and local funding is estimated to increase by $1,976, to $13,196 (compared to what they would have gotten in 2019–20 under prior law).

Comment

The Seattle Times editorial board writes, "The state budget process was so brazenly secretive and rushed, no one could possibly know yet if it meets the requirements of the McCleary decision" (ST 2017). Indeed, some school districts have said that they don't think the new state money will cover the cost of basic education. Time will tell, but the state's estimates show substantial net funding increases on average.

The state Supreme Court will have the last word on whether the funding levels of EHB 2242 are adequate. (There is no set schedule as to when the Court will decide.) The Court could also take issue with whether the state has made sufficient capital appropriations and whether it has met its deadline.

The 2012 McCleary decision did not mention capital funding needs, but the Court's Jan. 9, 2014 order (which required the state to submit a plan for fully funding basic education, eventually resulting in contempt) did. As the Court's Oct. 6, 2016 order notes, the Court had "stressed the need for adequate capital expenditures to ensure implementation of all-day kindergarten and early elementary class size reductions" (McCleary 2016).

According to the Legislature, capital appropriations used for school construction are not part of basic education (JSC 2016). Still, during 2015–17, the Legislature appropriated about $886 million for classroom construction (WRC 2016). The Senate and House each passed separate 2017–19 capital budgets that would have provided about $1.1 billion for public schools (WRC 2017a). Although the Legislature has not yet passed a 2017–19 capital budget, it did pass ESSB 5965, which appropriates unspent 2015–17 capital dollars for use in 2017–19. ESSB 5965 reprograms $579.8 million for public schools for 2017–19.

Additionally, the Court's Oct. 6, 2016 order clarified the deadline for compliance: "Any program for full state funding of basic education must therefore be fully implemented not later than September 1, 2018." The Legislature's report to the Court notes, "To coordinate the interrelated changes to these systems [state and local school funding and revenues], the phase-in of increased state salary allocations begins September 1, 2018, which is the beginning of school year 2018–19, and is completed in school year 2019–20" (JSC 2017).

But, the state has accomplished something significant here. Including planned 2019–21 spending, it has increased state funding for schools by $13.023 billion since 2011–13 and now spends more than half of the state budget on public schools. Importantly, from the Supreme Court's perspective, it does so thanks to a "dependable and regular" revenue source, the state property tax. Although districts may still ask voters for additional funds to provide enrichments, the state has placed more limits on those levies to ensure that they are not used for basic education. Thus, the state makes a good case that it has complied with McCleary.

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