

RESPONDING TO MCCLEARY

SB 6104 - CONCERNING IMPROVING EDUCATION FINANCING

Providing a McCleary plan as required by the Supreme Court's order dated Jan. 9, 2014

The Legislature recognizes that SHB 2776 was part one of a phase-in plan for meeting our state's constitutional obligations. It established four initial funding priorities within the program of basic education as defined in ESHB 2261 and provided the final 2018 values for those priorities.

This year we intend to fulfill part two of the phase-in plan. The 2015-17 operating budget will allocate at least half of the funding necessary to meet the final 2018 values of SHB 2776.

Additionally, we will provide a six-year phase-in plan for a new compensation system for all K-12 educational staff and implement a revenue source to support that system.

Finally, we include a plan to address our obligations under Initiative 1351.

A phase-in plan for compensation

■ **Phasing in a new compensation system for all educational staff beginning in 2017 and to be completed by the 2022-23 school year**

Classified and administrative salaries. Increased classified and administrative salaries are phased in linearly beginning in school year 2017-18 and completed by the 2022-23 school year.

A new salary allocation model for certificated instructional staff. Implements a plan to phase in a modified version of the Compensation Workgroup recommendations for a revised compensation allocation schedule by the 2022-23 school year.

- **Revised salary allocation schedule:** Establishes in statute a phase-in plan by school year for the salary allocation schedules through the 2022-23 school year. Individuals in grandfathered salary school districts may not initially receive an increase, and would receive a COLA instead. The new salary system is tied to certification and degree attainment.
- **Comparable wage analysis:** Requires a comparable wage analysis every four years starting in 2028.

- **TRI contracts:** Amends the existing TRI statute. School districts are authorized to provide up to 10 percent over their district-wide basic education allocation amount for salaries enhancements for non-basic education functions using local funds. During the phase-in of the new salary allocation schedule the school districts are authorized to use up to 10% of the amounts they would receive in 2022-23 when the salary allocation schedule is fully phased-in.
- **Levy reduction funds:** During the phase-in of the new salary allocation schedule the new salary funds shall be considered “levy reduction funds” for districts grandfathered at a higher levy authority.

Reducing reliance on local levies

- **Providing a mechanism for determining how to reduce local levy authority as the Legislature phases in full funding of the program of basic education, including the compensation components**

Creation of the Local Levy Reduction Technical Working Group. A Working Group is established with limited authority to:

- Recommend a new, reduced local levy authority that can be reduced through reductions to the levy base calculations, levy percentages or a combination of the two.
- Develop a phase-in plan for reducing local levy authority that coordinates the levy authority reductions with the phase-in plans for increasing overall school district basic education revenues.
- Report is due by Oct. 1, 2016, in order to allow the 2017 Legislature to implement the levy reduction plan as the new compensation system begins to be implemented.

Providing new revenue to support our constitutional promises

- **Establishing a capital gains tax to provide funding to support the phase-in of a new compensation system**

- Imposes an excise tax on capital gains above \$250,000 (individual)/\$500,000 (joint) at 7 percent.
- Exemptions include retirement accounts, single family residences, agricultural and timber land and timber.
- A constitutional amendment is proposed that limits the ability to lower the exemption level.

A phase-in plan for our obligations to fully fund smaller class sizes

- **Requirements of Initiative 1351 are established as part three of the basic education phase-in plan**

Implementation is delayed until 2017-18. Implementation of Initiative 1351 is set to begin in the 2017-19 biennium.

- Implementation will be spread over three biennia rather than two.
- Implementation shall focus on both poverty and allowing the grade cohort of students in order to build upon prior investments and to give the system time to plan for future capacity needs.