

# Senate bipartisan plan to fund education is best McCleary solution

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**The bipartisan proposal to overhaul the state's education-funding system is a welcome sign of progress, but lawmakers must decide on how to raise more money for schools. A capital-gains tax may be the best option.**

By [Seattle Times editorial board](#)

*The Seattle Times*

THERE is a glimmer of hope that Washington lawmakers will finally remedy the terrible shortcomings of the state's education-funding system.

Elected officials must act before the summer ends and yet another wave of kindergartners enters an unfair system that fails to provide equal support for every child in every school.

Yes, this is that urgent. It has been three years since the state Supreme Court ruled Washington's schools were underfunded and ordered change; it has been nine months since justices held the state in contempt for failing to make progress. They reserved their penalties to see whether the Legislature could do better.

Democratic and Republican leaders in the state Senate buckled down and, over the last year, argued, imagined and negotiated their way to a proposal that could solve the system's financial and structural problems. Hail, Republican state Sens. Bruce Dammeier and Ann Rivers and Democratic Sens. Jim Hargrove and Christine Rolfes for this difficult, bipartisan work that will rile supporters across the spectrum. (Listen to their explanation at [seati.ms/school-finance-plan](http://seati.ms/school-finance-plan).)

The House proposed a study — not adequate for the task at hand. Both the Senate- and House-passed budgets increase education by at least \$1.3 billion for, among other things, limiting class sizes in kindergarten through third grade, and teacher raises. That is progress, but it doesn't fix long-term problems.

While they agree on the cost of their proposals — about \$3.5 billion every two years — and that the state will have to raise new revenue, they have not agreed on where that will come from.

Though these leaders were skeptical of the bill passing before this special session concludes at the end of the month, their colleagues should take it up in earnest and vet it as much as possible. If they cannot finish, perhaps the governor or the Supreme Court should call them back in August or September for another special session to finish the job.

[SB 6130](#) lays out a plan to shift all funding of basic education to the state, as required by the state Constitution, and would unravel the current hairball of local levies and state Band-Aids.

This would be phased in from 2018 through 2022, which is too long, but may realistically be how long it takes for districts to absorb the changes. The proposal also would preserve local collective bargaining and provide more transparency into school funding. Districts could continue running levies for programs that are not part of basic education.

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Complaints that SB 6130 is too complicated and that more time is needed for study should be noted but put aside.

Especially galling was the Washington Education Association’s opposition to the bill in a hearing Thursday. A representative of this group, which orchestrated teacher walkouts urging lawmakers to hurry up and fix the system, urged a slower pace so more time could be spent considering changes called for by the Senate proposal, particularly salary schematics.

For progress to be made, all sides need to compromise and have faith that details will be worked out for the best.

Unions and their legislative allies must accept the reality that once the state starts picking up the tab, it will necessarily be more involved in salary discussions. Republicans must accept that new revenue is needed to meet constitutional obligations to fully fund schools and correct the disturbing inequity that exists across this state.

The bipartisan Senate team built a vehicle to move forward, while making tweaks and improvements along the way. Their colleagues should join them in their commitment to provide every child in this state an excellent education. Financing structure is the first job.

The next job will be deciding how to fund the proposal. This editorial board believes adopting a capital-gains tax, with restrictions, is the best way to go.

### **Capital-gains tax is best option to fund education**

A long-term solution to the education-funding crisis in Washington is right in front of lawmakers.

#### **A capital-gains tax**

*A proposal in the Senate would apply a 7 percent capital-gains tax to 0.1 percent of the state's residents, or about 7,500 residents. It would only apply to gains over \$250,000 for individuals or \$500,000 for couples.*

Instead of punting to committees and next year's Legislature, they should buckle down and make the choice to begin taxing capital gains.

Senate leaders have agreed on a bipartisan proposal to meet the state's constitutional obligation to fully fund basic education and provide an equitable education for all students. They also agree that more revenue will be needed — about \$3.5 billion every two years — but now need to decide where it should come from.

Not to be confused with the immediate 2015-17 state budget debate, this would be a longterm funding source as lawmakers replace local education levies with state funding.

This is a hard pill to swallow, especially for tax-averse Republicans who just won a majority in the state Senate.

The leading options are increased property taxes or a limited tax on capital gains.

Property-tax proposals so far would disproportionately place the burden on people who own homes and business properties in King County. That is not a reasonable fix and would compound the housing-affordability problem that now threatens growth in the core of the state's economy.

A capital-gains tax, with ironclad limitations to prevent it from being used for anything other than education, is a more palatable option. Capital-gains taxes are common — all but nine states have them, according to the Tax Foundation.

Two capital-gains tax proposals are on the table. Neither would tax gains on the sale of residences, agricultural land or most livestock. Also safe would be retirement-account gains.

Both would lock the proceeds into education funds.

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A state House proposal calls for a 5 percent tax that would affect 0.5 percent of residents, or about 32,000 people. It would apply to capital gains above \$25,000 for individuals and \$50,000 for couples.

To put this in perspective, California — our biggest rival for tech talent and investment — has a 13.3 percent capital-gains tax. Oregon collects 9.9 percent; Idaho, 7.4 percent.

Capital-gains revenue would fluctuate with the stock market. The House proposal addresses this by creating a "student investment fund" to fund basic K-12 education and keep higher-education tuition steady. Additional revenue in strong years would be saved, building a reserve to cover costs during down years.

Arguments that these are stealth income taxes should be heard in context. The income in question is largely profits generated by very large investment portfolios, above and beyond retirement accounts.

Taxpayers at this level have benefited directly or indirectly from public investments in education. They would benefit further by supporting an equitable system that provides equal opportunity for students in every school to learn and help build Washington's future.

*Editorial board members are editorial page editor Kate Riley, Frank A. Blethen, Ryan Blethen, Brier Dudley, Mark Higgins, Jonathan Martin, Thanh Tan, Blanca Torres, William K. Blethen (emeritus) and Robert C. Blethen (emeritus).*