

# HOUSE BILL REPORT

## 2SHB 2759

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### As Amended by the Senate

**Title:** An act relating to adjusting local school finance related to nonresident students enrolled in online learning.

**Brief Description:** Adjusting local school finance related to nonresident students enrolled in online learning.

**Sponsors:** House Committee on Ways & Means (originally sponsored by Representatives Maxwell, Anderson, Roberts, White, Goodman, Clibborn, Kenney, Hunter, Morrell and Haigh).

**Brief History:**

**Committee Activity:**

Education Appropriations: 1/26/10, 2/2/10, 2/4/10 [DPS];

Ways & Means: 2/8/10, 2/9/10 [DP2S(w/o sub APPE)].

**Floor Activity:**

Passed House: 2/15/10, 98-0.

Senate Amended.

Passed Senate: 3/10/10, 44-3.

#### Brief Summary of Second Substitute Bill

- Limits state and federal funds included in a district's levy base for calendar years 2011 and 2012 to \$500,000 or less for nonresident students enrolled in an online school program.
- Excludes from the levy base, for calendar year 2013 and beyond, allocations attributable to these students.
- Excludes districts with excess levies approved by their voters prior to January 1, 2011, from the provisions of the bill for the term of those levies.
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### HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Probst, Vice Chair; Anderson, Carlyle, Hunter, Kagi, Maxwell, Quall and Rolfes.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Haigh, Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Haler, Nealey and Wallace.

**Staff:** Wendy Polzin (786-7137).

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## HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Education Appropriations. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick and Seaquist.

**Staff:** Ben Rarick (786-7349).

### **Background:**

School districts are authorized to collect voter-approved maintenance and operations levies. The amount that a district may collect is determined by the district's levy base. A district's levy base includes most state and federal revenues received by the district in the prior school year.

An "online school program" is defined in current law as:

- delivered primarily electronically using the internet;
- taught by a teacher primarily from a remote location; and
- a part-time or full-time sequential program with online lessons and tools for students and data management.

Substitute Senate Bill 5410 (2009) required the Office of the Superintendent of Public Instruction to conduct a review of online courses and programs offered in 2008-09 to create a baseline of information, including, but not limited to: (1) student enrollment, (2) how programs are offered, (3) contract terms and funding, and (4) the fiscal impact on levy bases and levy equalization from inter-district enrollment. The report, received in December 2009, found that "because several online programs operated by school districts in 2008-09 enrolled large numbers of students residing in other districts, these programs could have a significant fiscal impact on levy bases." Districts operating the online program may see an increase in enrollment and resulting state revenue, which also increases the maximum levy authority for the district. The districts losing resident student enrollment to the online program may see a resulting decline in their levy base, which will reduce levy authority.

Changes in a district's levy base affect the amount that an eligible district may receive under Local Effort Assistance (LEA), the state's program of tax relief to property-poor districts.

**Summary of Second Substitute Bill:**

The second substitute bill excludes districts with levies approved by their voters prior to January 1, 2011, from the provisions of the bill that exclude funds attributable to non-resident students enrolled in an Online Learning program from a district's levy base for the term of those levies.

For school levies collected in calendar year 2012, a school district's levy base may not include more than \$500,000 of state or federal allocations that are based on nonresident students enrolled in an online school program. For calendar year 2013, and thereafter, no state or federal allocations from nonresident students enrolled in an online school program may be included in the levy base. Because the LEA is based on a district's levy base, the LEA calculation would also exclude revenues attributable to these nonresident students.

**EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment strikes all provisions adopted by the House. The Senate amendment specifies that levies collected in calendar year 2011 and thereafter for districts with twenty-five percent or greater full-time equivalent student enrolled in an online school program, the districts levy base shall not include state or federal allocations attributable to nonresident students enrolled in the district in an online school program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 3 which reinstates prior law related to the levy base after a scheduled expiration and takes effect January 1, 2012.

**Staff Summary of Public Testimony (Education Appropriations):**

(In support) Online school programs are a good option. The proposed bill corrects an issue in local finance relating to online school programs. Under this bill local taxpayers would not be paying for nonresident online students. The bill removes an unintended financial incentive.

(With concerns) The Evergreen School District developed an online school program for local students. Evergreen does not solicit students from other districts. Costs are exceeding the Basic Education Allocation. The Quality Education Council is encouraged to review the issue.

**Staff Summary of Public Testimony (Ways & Means):**

(In support) None.

(With concerns) This bill would adversely impact the Steilacoom School District, which operates the Washington Virtual Academy (WAVA). The WAVA is accessed by K-8 students across the state. The change in the law would significantly reduce Steilacoom's levy authority. It would negatively impact lots of other districts as well. Steilacoom and others have already submitted a levy based on the current system. This bill would change the system midstream. It would be unfair to make assumptions about these programs before a careful examination. The Legislature needs to take a more holistic approach by asking the Quality Education Council to examine this issue before legislation is enacted.

(Opposed) None.

**Persons Testifying** (Education Appropriations): (In support) Representative Maxwell, prime sponsor.

(With concerns) Marcia Fromhold, The Evergreen School District.

**Persons Testifying** (Ways & Means): Cathy Davidson, Steilacoom School District.

**Persons Signed In To Testify But Not Testifying** (Education Appropriations): None.

**Persons Signed In To Testify But Not Testifying** (Ways & Means): None.