

SENATE BILL REPORT

SHB 2893

As Reported by Senate Committee On:
Early Learning & K-12 Education, February 18, 2010
Ways & Means, March 9, 2010

Title: An act relating to school levies.

Brief Description: Changing school levy provisions.

Sponsors: House Committee on Education Appropriations (originally sponsored by Representatives Sullivan, Carlyle, Hunter, Maxwell, Nelson, Hunt, Appleton, Simpson, Dickerson, White, Pedersen, Green, Sells, Eddy, Springer, Williams, Orwall, Goodman, Conway, Kenney, Rolfes, Ericks, Ormsby, Kagi, Roberts and Jacks).

Brief History: Passed House: 2/13/10, 55-41.

Committee Activity: Early Learning & K-12 Education: 2/17/10, 2/18/10 [DP-WM, DNP, w/oRec].

Ways & Means: 3/09/10 [DP, DNP].

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators McAuliffe, Chair; Kauffman, Vice Chair, Early Learning; Oemig, Vice Chair, K-12; King, Ranking Minority Member; Hobbs and McDermott.

Minority Report: Do not pass.

Signed by Senator Holmquist.

Minority Report: That it be referred without recommendation.

Signed by Senator Roach.

Staff: Alicia Kinne (786-7784)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Pridemore, Regala and Rockefeller.

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.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Carrell, Hewitt, Honeyford, Parlette, Pflug and Schoesler.

Staff: Elise Greef (786-7708)

Background: The State Constitution gives school districts the authority to levy local property taxes provided the voters of the district approve the levy with a simple majority in favor. In 1977 when the state assumed additional responsibility for funding schools, the Legislature limited school district Maintenance and Operation (M&O) levy authority by passing the levy lid law. This law establishes the maximum amount of a school district's M&O levy for a calendar year. In 1979 the levy lid law took effect, limiting excess General Fund revenue to 10 percent of the school district's basic education allocation for the school year. The law allowed districts that historically relied on M&O levies to be grandfathered in and exceed the 10 percent limit. In 1987 the levy lid limit was increased to 20 percent. In 1994 the levy base increased to 24 percent.

The Local Effort Assistant Program (LEA) was originally implemented in 1989 and seeks to equalize the tax burden by providing matching state funds to districts with low property values and high levy rates. The levy equalization percentage is currently 12 percent.

Beginning in 2001 portions of state property tax and state lottery revenues were dedicated to the Student Achievement Fund, per Initiative 728 (I-728). Initiative 728 directed that, beginning in 2004, school districts receive Student Achievement Fund allocations in the amount of \$450 per full-time-equivalent (FTE) student, with the amount to increase by designated amounts in proceeding years. The 2003 Legislature revised the per-pupil payments to a lower amount, to increase in subsequent years. In 2009-11 payments were again reduced – from planned per-pupil allocations of \$458.10 and \$463.58 in school years 2009-10 and 2010-11, respectively, to \$131.20 and \$99.32.

Passed by voters in November 2000, I-732 required the state to provide annual cost-of-living increases for Washington's public school employees. In 2003 and again in 2009-11, lawmakers suspended the inflation increases in I-732.

The Legislature provides funding for additional staffing in K-4 classrooms beyond basic education. All districts receive this enhanced allocation, except for in the 2009-11 biennium.

Summary of Bill: For levy collections through calendar year 2017 a district's levy base will include the amounts the districts would have received from state funding for Student Achievement Funds (I-728) and public-school employee cost of living increases (I-732). Districts are allowed to include in their levy bases any cuts to the kindergarten through four class-size funding.

The requirement that the Office of the Superintendent of Public Instruction must offset the amount added to a district's levy base is removed. The levy lid is increased by 4 percent, including districts which are currently grandfathered above 24 percent. For non-grandfathered districts, a district's maximum levy percentage is increased from 24 percent to 28 percent in 2011 through 2017 and returns to 24 percent every year thereafter. The levy-

equalization percentage is increased to 14 percent for calendar years 2011 through 2017 and returns to 12 percent in calendar year 2018.

Additional levies to provide for subsequently-enacted increases affecting the districts' levy base or maximum levy percentages may be authorized by voters during the term of the levy collection period.

The bill declares that its provisions constitute a comprehensive plan for revising school levy laws, such that if any section passed by the Legislature is invalidated or not signed into law, or if the Superintendent of Public Instruction does not certify by June 30, 2010, that full funding has been appropriated for the LEA rates specified in the bill, the bill is null and void.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony (Early Learning & K-12 Education): PRO: This is a balanced approach to the different funding needs of schools. Appreciate the addition of the reverse severability cause and temporary timeline of the bill. Particularly troubled by loss of class size reduction dollars. Provides opportunity for districts to raise additional dollars from voters for a fixed period of time. These dollars could provide much needed staff. In a time of scarce resources, this bill helps districts make up for lost state funding.

CON: In some ways this exacerbates the current problems with LEA. It helps districts with money get more and does little to accommodate for districts without money. Several districts narrowly passed last levy and could not increase to the 28 percent lid. Some districts will be unable to raise levies up to the new lid. Whatever you raise levy lid, equalization needs to be the same. The levy equalization is not rich enough. Poor and minority students are far more likely to be in school districts with lower levels of per student support.

OTHER: It is critical that any raise to the levy lid also include a comparable increase to LEA. There is a large disparity in funding for property poor school district. Sixteen percent of administrators will be cut. This is not good policy but there are no other options. The state does not have the funding to provide the necessary assistance and this appears to be the only assistance. The levy lid increase needs to be temporary. The Superintendent is reluctant to increase the levy lid as this does little to benefit property poor districts.

Persons Testifying (Early Learning & K-12 Education): PRO: Representative Sullivan, prime sponsor; Randy Parr, Washington Education Association; Kathie Axtell, Olympia Education Association; Christy Paris, Aberdeen Education Association; Ted Raihl, Maston Education Association; Jennifer Priddy, Office of the Superintendent of Public Instruction; Barbara Mertens, Washington Association of School Administrators; Kim Howard, Washington PTA; Doug Nelson, Public School Employees SEIU; Dan Steele, Washington State School Director's Association.

CON: Neal Kirby, Committee for Levy Equalization; Dan Raap, Ron Castilleja, Benton School District.

OTHER: Jennifer Priddy, OSPI; Barbara Mertens, Washington Association of School Administrators; Marcia Fromhold, Evergreen School District; Pam Veltri, Medical Lake School District; Roberta Kramer, Riverside School District.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill is preferred to the Senate bill that passed Ways and Means because any changes to the local effort assistance formula should be vetted through the levy working group scheduled to convene this summer. This will help ensure there are no unintended consequences to changing methodologies. The reverse severability clause is appreciated because we don't want to see levy lid increases without commensurate increases in local effort assistance. This bill is necessary to give local districts the capacity to fill a funding gap until the state's fiscal situation improves. This bill is preferred over SB 6518 because the distribution of local effort assistance is continued in the current fashion.

Persons Testifying (Ways & Means): PRO: Randy Parr, Washington Education Association; Dave Westberg, Stationery Engineers; Doug Nelson, Public School Employees of Washington; Jennifer Priddy, Office of the Superintendent of Public Instruction; Dan M. Grady, citizen; Neal Kirby, Committee for Levy Equalization.