

SENATE BILL REPORT

SB 6518

As Reported by Senate Committee On:
Early Learning & K-12 Education, January 25, 2010
Ways & Means, March 8, 2010

Title: An act relating to school levies.

Brief Description: Changing school levy provisions.

Sponsors: Senators Oemig, Gordon, Kohl-Welles, McDermott, Tom, McAuliffe, Hobbs, Kauffman, Marr, Ranker and Pridemore.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/21/10, 1/25/10 [DPS-WM, DNP, w/oRec].

Ways & Means: 1/27/10, 3/08/10 [DP2S, DNP, w/oRec].

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 6518 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators McAuliffe, Chair; Oemig, Vice Chair, K-12; King, Ranking Minority Member; Brandland, Gordon, Hobbs, McDermott and Tom.

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: That Second Substitute Senate Bill No. 6518 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, 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; Hewitt and Honeyford.

Minority Report: That it be referred without recommendation.

Signed by Senators 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.

Summary of Bill (Recommended Second Substitute): 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 employees' cost of living increases (I-732) – including the 2009-11 suspensions of these payments. Districts are allowed to include any cuts to the kindergarten through four classroom enhancement initiative into the levy base.

An amount provided in the Omnibus Appropriations Act is distributed to LEA-eligible districts with per-pupil 12 percent equalization LEA funding below the average per-pupil 12 percent levy equalization LEA funding. The percent share of the total additional allocation is prorated according to the amount of difference between the district's and the average per-pupil LEA funding.

Additional levies to provide for subsequently-enacted increases affecting the districts' levy base or maximum levy percentages may be authorized by voters prior to the expiration of the term of a previously-approved levy.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): Additional LEA payments, above the 12 percent equalization level, are distributed to LEA-eligible districts based on a defined proportional methodology. Districts below the average per-pupil 12 percent equalization LEA funding receive a percentage share of the additional funds, based on their proportional distance from average – with districts receiving the least per-pupil 12 percent equalization funding receiving the highest per-pupil percentage share of the increase. The distribution methodology for the 12 percent equalization level is unchanged.

EFFECT OF CHANGES MADE BY EARLY LEARNING & K-12 EDUCATION COMMITTEE (Recommended First Substitute): Beginning in calendar year 2011, the Initiative 728 base must be calculated based on the prior year as opposed to the current year.

Districts are allowed to include any cuts to the kindergarten through four classroom enhancement initiative into the levy base.

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 on Original Bill (Early Learning & K-12 Education): PRO: The levy lid increase needs to be temporary and the LEA funds should continue to be proportionately distributed. Districts need the extra levy capacity to provide essential services. The bill aligns with new funding streams, provides relief to every school district, and needed additional levy equalization is driven to the districts.

Persons Testifying (Early Learning & K-12 Education): PRO: Senator Oemig, prime sponsor; Dan Steele, WA School Directors Association; Barbara Mertens, WA Association of School Administrators; Randy Parr, WA Education Association; Ann Giles, Vancouver Education Association; Elizabeth Beck, Shoreline Education Association; Doug Nelson, PSE/SEIU; Chad Magendanz, Olympian Coalition; David Westberg, Jt. Council of Stationary Engineers AFL-CIO.

Staff Summary of Public Testimony on Recommended First Substitute (Ways & Means): PRO: This is an important subject and a very big part of our budget. The bill expands the levy base and the size of the Local Effort Assistance (LEA) payments and, like other levy bills, addresses a dire situation. All districts win under the bill; some win more. By expanding the levy base, all LEA collectors win. By increasing the levy lid, the districts who can will be able to collect additional local levies. Looking at a district-by-district view,

some of our supposedly wealthiest districts on a property value basis, are so hobbled by the current system they are some of the least-funded on a per-pupil basis. At the same time, districts with the most LEA collections are the most richly funded on a per-kid basis. A have and have-not system is exacerbated by elements in the current levy equalization system. Long-term, we need to harmonize all our funding streams; that process would create winners and losers. In the short-term, this bill does not have losers - just winners. This bill not only lifts the levy lid but carries forward the appropriate levy-equalization percentage along with the lid lift. This is the bill that provides genuine relief to all districts across the state. If there is another round of budget reductions, districts will have no discretionary revenue except their own local revenue; they will be left with funding for categorical programs, only with no discretion for local community needs. The city of Vancouver relies on its community's historically strong support for local levies but, without a robust retail base, relies also on LEA. This year, Vancouver's kindergarten classroom size increased from 18 to 24. Other very important programs are reliant on these funds. Reluctant support since the Legislature should meet its Constitutional obligation to fully fund education, but the state financial situation is such that a temporary measure is needed. Going to local voters is not preferable but desperate times call for desperate measures. The conditions should include that the increased levy lid lift should be temporary, and the increased LEA should be in the final bill as well as in the budget. Reliance on local levy lid increases is not the answer to districts' fiscal problems, but any solution is better than no solution. Although long-advocating more state funding to ease school districts' reliance on local levies, a short-term solution is better than nothing. This bill seems to be the best short-term solution of all the levy bills being considered.

CON: This bill, like the other levy bills, simply winds up being another tax. The pressure to continually increase funding for schools is a result of unionizing teachers. The city of Seattle has a city school levy as well. Sending out more levy opportunities to a city such as Seattle means guaranteed passage - the people who are voting, "yes" rent, and do not have to pay the resulting property taxes.

Persons Testifying (Ways & Means): PRO: Senator Eric Oemig, prime sponsor; Randy Parr, Washington Education Association; Ann Giles, Vancouver Education Association; Dan Steele, Washington School Directors' Association; Barbara Mertens, Washington Association of School Administrators; Doug Nelson, Public School Employees of Washington.

CON: Paul W. Locke, citizen.