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**Appropriations Committee**

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**ESB 6094**

**Brief Description:** Changing the school district levy base calculation.

**Sponsors:** Senators Carlson and Jacobsen.

**Brief Summary of Engrossed Bill**

- Expands the calculation of the levy base for the purpose of determining school district maximum levy authority for calendar years 2004 and 2005.
- Requires that actual rather than estimated direct federal grant moneys be used in the calculation of levy base beginning in calendar year 2005.
- Requires that moneys received as a fiscal agent be excluded from the levy base calculation beginning in calendar year 2005.

**Hearing Date:**

**Staff:** Denise Graham (786-7137).

**Background:**

Levy Lids

In 1977, when the state assumed additional responsibility for funding schools, the Legislature limited school district maintenance and operation levy authority by enacting the levy lid law. This law determines the maximum amounts school districts can collect through local maintenance and operation levies. The original 1977 law, which took effect in 1979, sought to limit levy revenue to 10 percent of a school district's state basic education allocation. It also contained a grandfather clause which permitted districts that historically relied heavily on excess levies to exceed the 10 percent limit.

Under current law, most districts may raise 24 percent of the district's levy base. There are 91 school districts that are grandfathered at higher percentages that range from 24.01 percent to 33.9 percent.

A district's levy base includes most state and federal revenues received by the district in the

prior school year. The levy lid formula increases the base by multiplying the district's state and federal revenues by the percentage change in per student state expenditures between the prior and current school years, divided by 55 percent.

## Salaries

Included in state basic education allocations to school districts are amounts for salaries for certificated instructional staff (CIS), which includes teachers, counselors, and librarians; certificated administrative staff; and classified staff.

The allocations for CIS are based on a salary allocation schedule, or grid, that recognizes experience and education. The first cell in the grid, for those with a bachelor's degree and in their first year of teaching, is referred to as the base salary. All the other cells for additional experience and education in the grid are driven off the base salary. Most school districts receive CIS salary allocations based on the statewide salary allocation schedule. Thirty-four districts, however, are known as "grandfathered districts" and receive CIS salary allocations based on higher salary allocation schedules. The grandfathered districts' salary allocation schedules compared to the statewide salary allocation schedule range from .08 percent higher in Cosmopolis to 6.3 percent higher in Everett.

State salary allocations for basic education certificated administrative and classified staff do not recognize experience or education. Instead, these allocations are based on a salary called out for each district, by type of staff, in "LEAP Document 12E", which is incorporated into the budget bill by reference. ("LEAP" refers to the Legislative Evaluation and Accountability Program Committee.) These salaries are increased each year by any across-the-board salary increases provided by the Legislature. Administrative salaries for 2002-03 school year allocations range from a low of \$30,583 in Evaline to a high of \$74,541 in Skykomish, Columbia in Stevens County, St. John, and Harrington. Classified salaries for 2002-03 school year allocations range from a low of \$21,266 in Damman to a high of \$32,173 in Seattle.

## Direct Federal Grants and Fiscal Agent Revenues

School districts receive most of their federal grant dollars indirectly through the Office of the Superintendent of Public Instruction. There are some federal grant dollars, however, that districts receive directly from the federal government. Most of the district revenues included in the levy base calculation are the actual dollars received by each district. The direct federal grant revenues included in the levy base, however, are estimates provided by the districts rather than actual dollars. The 2002 Joint Task Force on Local Effort Assistance found that some districts over-estimate their federal direct grants. As a result, some districts may become eligible for local effort assistance that would not otherwise be eligible and some districts are able to collect more in levy revenues than they would otherwise.

The Joint Task Force also found that districts that are fiscal agents for federal grants can increase their levy base by including the entire federal grant in their levy base, not just their share. (A district is a fiscal agent if federal grants are funneled through the district for the use of a number of school districts or other public entities.) As a result, some districts may become eligible for local effort assistance that would not otherwise be eligible and some

districts are able to collect more in levy revenues than they would otherwise.

**Summary of Engrossed Bill:**

For purposes of calculating levy authority in calendar years 2004 and 2005, a school district's levy base is increased by the difference between the district's actual state and federal revenues and the revenues the district would have received if the district's basic education allocations had been based on the highest salaries for state allocation purposes for certificated instructional staff, certificated administrative staff, and classified staff. These additional amounts will not be used in the calculation of local effort assistance (levy equalization) allocations.

Beginning with the calculations for calendar year 2005 levy authority and levy equalization, included in the levy base will be actual direct federal grant revenues received by each district from two years prior to the year for which the calculations are being made. Revenues received by a district as a fiscal agent shall not be included in the levy base calculation.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.