

HOUSE BILL REPORT

SHB 2812

As Amended by the Senate

Title: An act relating to school district levies.

Brief Description: Modifying school district levy provisions.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Hunter, Rodne, Quall, Nixon, P. Sullivan, Jarrett, Clibborn, Tom, Morrell, Fromhold, Roberts, Schual-Berke, Simpson, Anderson and Kagi).

Brief History:

Committee Activity:

Education: 1/25/06, 2/1/06 [DP];

Appropriations: 2/4/06 [DPS].

Floor Activity:

Passed House: 2/9/06, 62-36.

Senate Amended.

Passed Senate: 3/3/06, 48-0.

Brief Summary of Substitute Bill

- Beginning with calendar year 2005, extends the temporary increase in levy bases enacted in 2004 through 2011.
- The bill extends the timeline for including increases in districts' levy bases provided by Senate Bill 6059, as enacted in 2004, until 2011. The current legislation was to sunset in 2007.
- The levy increases reflect what districts would have received from I-732 and I-728 allocations had the Legislature not made budgetary reductions in these areas during the 03-05 biennium.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass. Signed by 9 members: Representatives Quall, Chair; P. Sullivan, Vice Chair; Anderson, Assistant Ranking Minority Member; Haigh, Hunter, McDermott, Santos, Tom and Wallace.

Minority Report: Without recommendation. Signed by 3 members: Representatives Talcott, Ranking Minority Member; Curtis and Priest.

Staff: Sarah Ream (786-7303).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Anderson, Assistant Ranking Minority Member; Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Schual-Berke and P. Sullivan.

Minority Report: Do not pass. Signed by 12 members: Representatives Alexander, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Hinkle, Pearson, Priest, Talcott and Walsh.

Staff: Ben Rarick (786-7349).

Background:

Initiatives 728 (I-728) and 732 (I-732), as originally passed by the voters in 2000, provided additional state funds to public K-12 schools. In 2003, the Legislature enacted legislation that reduced the amounts school districts would have otherwise received under I-728 and I-732. Then, in 2004, the Legislature enacted legislation that allowed districts, for levies collected in calendar years 2005 through 2007, to increase their levy bases by the amount they would have otherwise received if I-728 and I-732 had not been amended. These changes are described in more detail below.

I-728 and amendment in 2003

Initiative 728 dedicated lottery proceeds and a portion of the state property tax for educational purposes by transferring revenues to the Student Achievement Fund and the Education Construction Account.

Initiative 728 gave school districts an allocation of \$450 per full-time equivalent (FTE) beginning with the 2004-2005 school year. Thereafter, the \$450 per FTE would increase annually for inflation.

However, in 2003 the Legislature enacted Engrossed Substitute Senate Bill 6058, which changed the per FTE allocation as follows:

- \$254/FTE for the 2004-05 school year;
- \$300/FTE for the 2005-06 school year;
- \$375/FTE for the 2006-07 school year; and,
- \$450/FTE for the 2007-2008 school year.

In subsequent years, the annual allocation would be \$450/FTE increased for inflation.

I-732 and amendment in 2003

Initiative 732 provided that beginning with the 2001-2002 school year, an annual cost-of-living adjustment (COLA) would be granted to K-12 teachers and other public school employees.

During the 2001-2003 biennium, the Legislature appropriated sufficient funding to provide a COLA to K-12 staff. In 2003, the Legislature enacted Senate Bill 6059, which removed the provision requiring the annual COLA for the 2003-2005 biennium.

Increase to levy base following the 2003 amendment of I-728 and I-732

In 2004, Senate Bill 6059 temporarily increased each district's levy base for calendar years 2005 through 2007. A district's levy base was increased by two factors:

- (1) the difference between what a district would have received if I-728 had not been amended and what the district did receive; and
- (2) the difference between what the district would have received if it had received the COLA as provided by I-732 and what it actually received.

Background:

Summary of Substitute Bill:

The increase in districts' levy bases provided by Senate Bill 6059, as enacted in 2004, is made permanent for levy collections in calendar year 2005 and thereafter.

EFFECT OF SENATE AMENDMENT(S):

The Senate's amendment does not remove any language from the House bill, but adds a new section to the bill regarding levy equalization payments.

Current law provides levy equalization for all districts that pass a levy requiring a property tax rate for a 12 percent levy that exceeds the state average property tax rate for a 12 percent levy. Legislation enacted in 2002 reduced levy equalization payments by one percent for calendar year 2003. Legislation enacted in 2003 and 2005 reduced levy equalization payments from what they would have otherwise been by, respectively, 6.3 percent for January 1, 2004 through December 31, 2005, and 4.37 percent through January 1, 2006 to June 30, 2007. After June 30, 2007, levy equalization payments may not be reduced by any percentage.

The Senate's amendment provides that from January 1, 2006 until December 31, 2006 (rather than June 30, 2007, as currently in statute) levy equalization allocation and maximum eligibility will be reduced by 4.37 percent of what it otherwise would be. Beginning with calendar year 2007, allocations and maximum eligibility for levy equalization will be fully funded at one hundred percent and will not be reduced.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: (Education) Districts were harmed in two ways by the Legislature's amendments to I-728 and I-732. First, the districts did not receive full funding. Second, the levy base was not allowed to grow as it otherwise would have. Seventy districts will receive

more than \$35 million in local levy funds under this bill. Districts need predictable funding from locally approved levies. Levies are planned years in advance; districts need to be able to project what their levy base will be when they take a levy to the voters.

(With concerns) Increasing the levy base increases the amount of levy equalization. Levy equalization should be fully funded by the state. Over-reliance on local levies will continue to be an on-going issue.

Testimony For: (Appropriations) This is a simple bill that removes the sunset provision in current legislation allowing districts to continue receiving levy assistance and collect local taxes at the rate that essentially restores, for the purposes of the levy base calculation, the amounts cut from I-728 and I-732 in the last biennium. This is an important bill because public schools are underfunded as it is. Even though this legislation does create additional State General Fund expense, it's also important to realize that this enables local school districts to raise their levy lid and raise more money locally, so it helps districts in multiple ways.

Testimony Against: (Education) None.

Testimony Against: (Appropriations) None.

Persons Testifying: (Education) (In support) Representative Hunter, prime sponsor; Dean Mack, Issaquah School District; Janene Fogard, Lake Washington School District; Grace Yuan, North Shore School District; and Randy Parr, Washington Education Association.

(With concerns) Barbara Mertens, Washington Association of School Administrators.

Persons Testifying: (Appropriations) Randy Parr, Washington Education Association.

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

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