HOUSE BILL REPORT
SSB 6211

As Reported by House Committee On:
Education
Appropriations

Title: An act relating to school district levy base calculations.

Brief Description: Changing the school district levy base calculation.

Sponsors: Senate Committee on Education (originally sponsored by Senators Carlson, Kohl-Welles, Esser, Swecker, Schmidt, Finkbeiner, Brandland, Pflug, Roach, Rasmussen and Murray).

Brief History:
Committee Activity:
Education: 2/25/04, 2/26/04 [DPA];
Appropriations: 3/1/04 [DPA(APP w/o ED)s].

Brief Summary of Substitute Bill
(As Amended by House Committee)

- Expands the levy base for the purpose of determining school district maximum levy authority and levy equalization in calendar years 2005 through 2007.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass as amended. Signed by 6 members: Representatives Quall, Chair; McDermott, Vice Chair; Haigh, Hunter, Rockefeller and Santos.

Minority Report: Do not pass. Signed by 5 members: Representatives Talcott, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Anderson, Cox and McMahan.

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. Most districts can raise up to 24 percent of their levy base through voter approved levies. Ninety-one school districts 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.

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. 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 allocations for basic education certificated administrative and classified staff salaries are based on a salary called out for each district, by type of staff, in a document that is incorporated into the budget bill by reference. 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.

Levy Equalization

In 1987 the Legislature enacted a program to help equalize local levy funding for school districts with above average tax rates due to low property valuations. This assistance is called local effort assistance (LEA) in law, but is commonly known as levy equalization.

School districts are eligible for LEA funds if they have a 12 percent levy rate that exceeds the statewide average 12 percent levy rate. The 12 percent levy rate is the tax rate needed to collect a levy equal to 12 percent of the district's levy base. In determining the rates, assessed valuations are adjusted to bring property assessments to 100 percent of market value.

A district must certify an excess or special levy in order to receive LEA funding. In calendar year 2004, 217 of the state's 296 school districts are receiving LEA allocations

totaling $164 million. Eighteen additional districts were eligible but did not pass a maintenance and operation levy to qualify for state matching money. These funds may be spent on any general fund program or purpose.

Summary of Amended Bill:

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. The levy base is increased for purposes of calculating maximum levy authority for calendar years 2005 through 2008, and for purposes of calculating levy equalization for calendar years 2006 through 2008.

Amended Bill Compared to Substitute Bill:

All districts' levy bases would be increased, not just those districts with voter approved levies in place for 2005 by November 1, 2003. Levy bases would be increased for four years beginning in 2005, rather than for 2005 only. The levy base increase would be linked to levy equalization for three years beginning in 2006, rather than no link to levy equalization. The increase in the levy base is based on grandfathered salary allocations rather than a percentage increase called out in the budget bill.

Appropriation: None.

Fiscal Note: Requested on February 24, 2004.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed, except section 1, relating to the calculation of levy equalization, which takes effect January 1, 2006.

Testimony For: School districts have funding challenges that the state is unable to meet and local voters are limited by law in the amount they can tax themselves to fill funding gaps. In a number of school districts, voters have approved levy money that the districts cannot collect under the current levy formula. The bill allows those school districts to collect money that the voters have already approved. This legislation provides a short-term bridge until the state can create a better educational funding system.

(In support with concerns) The legislation will apply only to school districts that passed a levy in 2003. It needs to include levies that pass in the current year as well. It also needs to be a permanent rather than temporary adjustment to the levy base. The approach of HB 2044 is preferable. It is better public policy to use the LEAP document instead of a per pupil inflator to determine the adjustment. Any legislation to change the

levy base needs to be linked to levy equalization, an issue of concern in both the House and Senate levy bills.

Testimony Against: Although school districts face difficult funding challenges, transferring the state's funding obligation to local voters is not the way to solve the problem. The local funding solution helps districts disproportionately, exacerbating funding inequities among districts. The lack of levy equalization in the legislation compounds that inequity. The legislation does not address districts that have passed multi-year levies. The approach included in HB 2044 is a better approach because it does not include a per pupil inflator and lasts more than one year.

Persons Testifying: (In support) Senator Carlson, prime sponsor; and Lorraine Wilson, Tacoma Public Schools.

(Concerns) Megan Atkinson, Office of the Superintendent of Public Instruction.

(Opposed) Randy Parr, Washington Education Association; Barbara Mertens, Washington Association of School Administrators; and Dan Steele, Washington State School Director's Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without amendment by Committee on Education. Signed by 26 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Boldt, Buck, Chandler, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

Minority Report: Do not pass. Signed by 1 member: Representative Clements.

Staff: Denise Graham (786-7137).

Background:

Initiative 728 (I-728) was passed by the voters in the November 2000 general election. Under this initiative, lottery proceeds and a portion of the state property tax are dedicated for educational purposes by transferring revenues into the Student Achievement Fund and the Education Construction Account. The revenues in the Student Achievement Fund are allocated to districts based on the number of students in each district. Initiative 728 allocations to districts are included in each district's levy base.

Initiative 728 as originally passed by voters would have increased the per student allocation from $212 in the 2002-03 school year to $450 in the 2003-04 school year; the per student allocation would have increased each year by inflation after 2003-04. Initiative 728 was amended by the 2003 Legislature, resulting in the following per student allocations to districts: $254 in the 2004-05 school year; $300 in the 2005-06 school year; $375 in the 2006-07 school year; and $450 in the 2007-08 school year. In subsequent school years, the $450 per student allocation to school districts increases by inflation.

Initiative 732 (I-732) was approved by voters in the November 2000 general election. Beginning in the 2001-02 school year, I-732 required provision of an annual cost-of-living adjustment for K-12 teachers and other public school employees, as well as community college and technical college academic and classified employees. The 2003 Legislature amended I-732 by, among other changes, suspending the salary increases for the 2003-04 and 2004-05 school years. Salary increase allocations are included in each district's levy base.

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Education:

For excess levies and levy equalization allocations in calendar years 2005 through 2007, each district's levy base is increased by (1) the difference between the amount the district would have received in the current school year under I-728 as originally passed by voters and the amount the district actually receives in the current school year under I-728 as amended in 2003; and (2) the difference between the amount the district would have received in the prior school year under I-732 as originally passed by voters and the amount the district actually received in the prior school year under I-732 as amended in 2003.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: It is critical that something happen to increase districts' ability to collect local levy amounts that their voters have already approved. The approach taken in the bill as it came to the Education Committee is a good approach, but we also appreciate the linkage to levy equalization beginning in calendar year 2005 in the proposed Appropriations Committee amendment.

Testimony Against: None.

Persons Testifying: Randy Parr, WEA.

Persons Signed In To Testify But Not Testifying: None.