

SENATE BILL REPORT

EHB 2044

As Reported By Senate Committee On:
Education, February 27, 2004

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

Brief Description: Changing the school district levy base calculation.

Sponsors: Representatives Hunter, Tom, Jarrett, Clibborn, Fromhold and Ruderman.

Brief History:

Committee Activity: Education: 2/24/04, 2/27/04 [DPA, DNPA].

SENATE COMMITTEE ON EDUCATION

Majority Report: Do pass as amended.

Signed by Senators Johnson, Chair; Finkbeiner, Vice Chair; Carlson, Pflug, Rasmussen and Schmidt.

Minority Report: Do not pass as amended.

Signed by Senators Eide and McAuliffe.

Staff: Bryon Moore (786-7726)

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 Amended Bill: For school districts with approved levies for calendar year 2005 prior to November 1, 2003 and for purposes of calculating levy authority in calendar year 2005, a school district's levy base is increased by an additional "per pupil adjustment inflator" that will be specified in the biennial budget. 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. Beginning with the calculations for calendar year 2005, revenues received by a district as a fiscal agent shall not be included in the levy base calculation.

Amended Bill Compared to Original Bill: For purposes of calculating levy authority, a school district's levy base is increased by a per pupil adjustment inflator rather than the amount that the district would have received if their levy base had been calculated based on the highest state salary allocations for certificated instructional staff, certificated administrative staff, and classified staff. This adjustment is limited to calendar year 2005, rather than calendar years 2005 through 2008 as proposed in the original bill. The provisions regarding actual direct federal grants revenues and revenues as fiscal agent were added. The adjustment factor would not apply to the calculation of state levy equalization allocations beginning in calendar year 2006.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed, except for Section 1, which takes effect January 1, 2006.

Testimony For: The bill allows school districts to collect what the voters have already approved. It is really about local choice. When state funding decreases, levy bases are reduced and local levy authority also decreases, but voters have already approved higher levies. This bill will eliminate part of this double whammy and will provide additional resources to school districts. It will help level the playing field, and help districts attract good educators. It benefits both large and small school districts.

Testimony Against: Since the adjustment factor is not tied to levy equalization, many of the districts that need the help are denied any benefit. This could cause the rich districts to get richer while the poor districts get poorer. The connection to levy equalization needs to be maintained. The levy lid should not be raised. This calls attention for the need for a K-12 finance study.

Testified: PRO: Representative Hunter, prime sponsor; Randy Parr, Washington Education Association; Lorraine Wilson, Tacoma Public Schools. CON: Barbara Mertens, Washington Association of School Administrators; Dan Steele, Washington State School Directors Association.