

SENATE BILL REPORT

SSB 6211

As Passed Senate, February 16, 2004

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: 1/28/04, 2/4/04 [DPS].

Passed Senate: 2/16/04, 25-24.

SENATE COMMITTEE ON EDUCATION

Majority Report: That Substitute Senate Bill No. 6211 be substituted therefor, and the substitute bill do pass.

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

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.

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 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

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.

Testified: PRO: Senator Don Carlson, prime sponsor; Marcia Fromhold, Evergreen School District; Grace Yuan, Issaquah and Lake Washington School Districts; Megan Atkinson, Office of Superintendent of Public Instruction; Randy Parr, Washington Education Association. CON: Barbara Mertens, Washington Association of School Administrators; Dan Steele, Washington State School Directors Association; Neil Kirby, Former Representative; Carolyn Logue, National Federation of Independent Businesses.

House Amendment(s): 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. The amount of the increase in the levy base is offset by amounts from additional salary or per student allocations that are added to the levy base as a result of enactment of an initiative to the people subsequent to the effective date of the bill.