

SENATE BILL REPORT

E3SHB 1484

As of February 21, 2006

Title: An act relating to county property tax levies for school purposes.

Brief Description: Providing cost-of-living salary supplements to school district employees.

Sponsors: House Committee on Finance (originally sponsored by Representatives Hunter, Jarrett, Haigh, Tom, McDermott, McIntire, Simpson, P. Sullivan, Kagi and Chase).

Brief History: Passed House: 2/09/06, 50-48.
Early Learning, K-12 & Higher Education: 2/20/06.

SENATE COMMITTEE ON EARLY LEARNING, K-12 & HIGHER EDUCATION

Staff: Bryon Moore (786-7726)

Background: Property Taxes and Regular Levies. Property taxes are imposed by the state and many local governments. All real and personal property in this state is subject to property tax each year based on its value, unless a specific exemption is provided by law.

The maximum property tax rate is limited by the state constitution to a maximum of 1 percent of true and fair value, or \$10 per \$1,000 of value. Levies that fit within the 1 percent rate limit are regular levies. Generally, districts are not required to get voter approval for regular levies.

In order to implement the 1 percent limit, the Legislature has adopted rate limits for each individual type of district. The dollar rate limits are statutory, and provide a specific limit on the rate each tax district can levy. The state levy rate is limited to \$3.60 per \$1,000 of assessed value.

County general levies are limited to \$1.80 per \$1,000, county road levies are limited to \$2.25 per \$1,000, and city levies are limited to \$3.375 per \$1,000. The state, county, road, and city districts are known as "senior" districts. Junior districts like fire, library, and hospital districts each have specific rate limits as well. In addition, there is an overall rate limit of \$5.90 per \$1,000 for most districts. There is a complex system of prorating the various levies so that the total rate for local levies does not exceed \$5.90.

If the total rate exceeds \$10 after prorating under the \$5.90 aggregate rate limit, then another prorating procedure reduces levy rates so that the total rate is below \$10 per \$1,000 of value.

In addition to the rate limitations, a district's regular property tax levy is limited by a statutory maximum growth rate in the amount of tax revenue that may be collected from year to year. The voters amended this revenue limit most recently with the passage of I-747 in November 2001. The limit requires a reduction of property tax rates as necessary to limit the growth in the total amount of property tax revenue received to the lesser of 1 percent or inflation,

generally. The revenue limitation does not apply to new value placed on tax rolls attributable to new construction, to improvements to existing property, or to changes in state-assessed valuation. In areas where property values have grown more rapidly than 1 percent per year, the 101 percent revenue limit has caused district tax rates to decline below the maximum rate.

Summary of Bill: Counties are authorized to impose a regular property tax levy for schools. The levy is submitted to a vote after the county has received resolutions requesting the levy from school district boards. All school districts within counties with fewer than eight districts must request the tax. In counties with more than seven and less than 15 school districts, a majority of the school districts representing at least 75 percent of the students must request the tax. In counties with more than 14 school districts, a majority of the districts representing at least 50 percent of the students must consent to the tax.

Majority voter approval of the tax is required. The maximum levy rate is the lower of the amount required to fully fund the cost-of-living supplement or 75 cents per \$1,000 of assessed value. The tax is not subject to either the \$5.90 aggregate rate limit or the 101 percent levy revenue limit. The levy proceeds are distributed to school districts based on the number of full-time equivalent employees in each school district and the cost-of-living supplement for the county. The cost-of-living supplement is equal to the difference in rental costs in the county compared to the rental costs in the lowest rental cost county.

The Legislature intends that this additional funding be used by school districts to provide collectively bargained regional cost-of-living salary supplements for school employees. School districts will report to the Superintendent of Public Instruction on the use of the property tax proceeds and the State Auditor will conduct regular audits.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The state pays teachers consistently across the state. However, the actual cost of living varies dramatically across the state. This is one reason that some of the urban school districts with high housing costs have a hard time keeping good teachers. A number of studies have suggested the best way to promote a student's education is to have a great teacher in the classroom. High teacher turnover has occurred in urban districts. This is not a statewide problem, so local people should be able to vote on whether to provide a local solution. This legislation creates a way for school districts to provide salary supplements to their employees to balance the differences among counties in rental and housing costs. It provides a creative way for voters to help their teachers afford to rent or own homes. It will help school districts retain good teachers, a benefit to students and to communities. This bill has a built in safeguard by requiring a vote of the people. By linking to the TRI provisions, this legislation resolves any constitutional issues that previous proposals might have had.

Testimony Against: This bill will exacerbate the problems that property and income poor districts have in recruiting and retaining good teachers. This is a statewide problem and, therefore, should be addressed on a statewide basis. This bill ultimately will cause greater

disparities and lack of uniformity. Every district has challenges and housing is just one aspect of teacher retention problems. It also requires local voters to fund the salaries that the courts have emphatically said are the state's responsibility under the paramount duty clause of the Washington Constitution. This bill is premature given the Washington Learns study is coming up with comprehensive recommendations on K-12 finance, including compensation issues.

Who Testified: PRO: Representative Hunter, prime sponsor; Shannon Rassmussen, Federal Way Education Association; Patti Smith, Seattle Education Association; Randy Parr, Washington Education Association.

CON: Representative Anderson; Neil Kirby, Committee for Levy Equalization; Dan Steele, Washington State School Directors Association; Mitch Denning, Alliance of Educational Associations; Robert Carlton, Former Columbia County Assessor; Bill Keim, ESD 113, Barbara Mertens, Washington Association of School Administrators.