
Education Appropriations Committee

HB 2893

Brief Description: Changing school levy provisions.

Sponsors: Representatives Sullivan, Carlyle, Hunter, Maxwell, Nelson, Hunt, Appleton, Simpson, Dickerson, White, Pedersen, Green, Sells, Eddy, Springer, Williams, Orwall, Goodman, Conway, Kenney, Rolfes, Ericks, Ormsby, Kagi, Roberts and Jacks.

Brief Summary of Bill

- Increases Local Effort Assistance (LEA) from 12 percent to 14 percent for 2011 to 2017.
- Lifts levy lid by 4 percentage points (28 percent for non-grandfathered) for 2011-2017.
- Extends inclusion of Initiative 728 and Initiative 732 allocations in the levy base from 2011 to 2017.
- Allows districts to return to voters in the middle of a levy cycle for additional levy authority.

Hearing Date: 1/26/10

Staff: Wendy Polzin (786-7137).

Background:

Levy Authority:

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

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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. Currently, when voters pass a levy for support of a school district, no further tax levies for maintenance and operation may be authorized for the levy period. A maintenance and operations levy may last up to four years.

Local Effort Assistance:

The Local Effort Assistance program (LEA) or levy equalization was created in 1987 to mitigate the effect that above-average property tax rates might have on the ability of a school district to raise local revenues through voter-approved levies. The LEA is expressly not part of Basic Education.

The LEA rate is currently set at 12 percent, half of the 24 percent levy lid that is applied to the majority of districts.

I-728 and I-732 Funds:

Initiative 728 (I-728), adopted in November 2000, dedicated lottery proceeds and a portion of the state property tax for educational purposes by transferring revenues to the Student Achievement Program and the Education Construction Account. Student Achievement Program funds may be used for: hiring more teachers to reduce class sizes and making necessary capital improvements; creating extended learning opportunities for students; providing professional development for educators; and providing early childhood programs.

In the 2003-05 and 2009-11 biennial budgets, the legislature reduced funding for Initiative 728.

Initiative 732 (I-732), adopted in November 2000, provided an annual cost-of-living adjustment for K-12 teachers and other school employees. As amended in 2003, it requires the state to allocate to districts a cost-of-living adjustment for school district employees in the state funded salary base.

In the 2003-05 and 2009-11 biennial budgets, the legislature reduced funding for Initiative 732.

Legislation enacted in 2004 allows school districts to include in their levy bases the amounts that districts would have received if I-728 and I-732 would have received if I-728 and I-732 had been fully implemented. This inclusion is scheduled to expire at the end of calendar year 2011.

Summary of Bill:

The following changes apply to levies to be collected in calendar years 2011 to 2017:

- The levy lid is increased by 4 percentage points, including for districts with "grandfathered" status. For non-grandfathered districts, this increases the lid from 24 percent to 28 percent.

- The levy base continues to include amounts that the districts would have received under I-728 and I-732 if funding for these initiatives had not been reduced.
- Local Effort Assistance (LEA) payments for qualified districts are increased from 12 percent to 14 percent.

In addition, school districts may return to voters in the middle of a levy cycle for additional levy authority.

Appropriation: None.

Fiscal Note: Requested on January 18th , 2010.

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