

HOUSE BILL REPORT

HB 2893

As Reported by House Committee On:
Education Appropriations
Ways & Means

Title: An act relating to school levies.

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 History:

Committee Activity:

Education Appropriations: 1/26/10, 2/2/10, 2/4/10 [DPS];
Ways & Means: 2/8/10, 2/9/10 [DPS(APPE)].

Brief Summary of Substitute Bill

- Increases Local Effort Assistance 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.
- Includes the K-4 enhancement program dollars in the levy base, should they be reduced.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 12 members: Representatives Haigh, Chair; Probst, Vice Chair; Hope, Assistant

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Ranking Minority Member; Carlyle, Haler, Hunter, Kagi, Maxwell, Nealey, Quall, Rolfes and Wallace.

Minority Report: Do not pass. Signed by 2 members: Representatives Priest, Ranking Minority Member; Anderson.

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 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 I-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 I-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.

K-4 Enhancement.

The Legislature provides funding for additional staffing in K-4 classrooms beyond basic education. All districts receive this enhanced allocation, except for the 2009-11 biennium.

Districts with more than 25 percent of their K-4 student enrollment in online learning programs only receive the enhancement to the extent that they actually use it to enhance the number of staff in those grades.

Summary of Substitute 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 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. Definitions are provided for the "I-728 rate" and the "I-732 base" to clarify how the inclusions attributable to I-728 and I-732 are calculated.
- The LEA payments for qualified districts are increased from 12 percent to 14 percent.
- The enhanced allocation for grades K-4 is included in districts' levy bases, in the event that it is reduced in the future.

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

The bill declares that its provisions constitute a comprehensive plan for revising school levy laws, such that if any section passed by the Legislature is invalidated or not signed into law, or if the Superintendent of Public Instruction does not certify by June 30, 2010, that full funding has been appropriated for the LEA rates specified in the bill, the bill is null and void.

Substitute Bill Compared to Original Bill:

The substitute bill makes policy and technical changes to the definition of the I-728 levy base. It corrects a statutory reference. It defines the I-728 amount added to the levy base for

collection years 2011-2017 to mean the difference between the allocation rate the district would have received in the prior year under the I-728 rate as defined in the bill and the rate actually used in the prior year, multiplied by the prior year's full-time equivalent enrollment. It clarifies that the I-732 base is the funding a district received for employees in the state-funded salary base if all cost-of-living adjustments had been provided since enactment by the voters in 2000.

The substitute bill also adds K-4 allocations to the levy base, in the event that the enhancement is reduced in the future. In addition, a reverse severability clause and a null and void clause are added.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately, except section 2 which reinstates prior law related to levy collection levels after a scheduled expiration and takes effect January 1, 2018. However, the bill is null and void unless sections 5 and 6, relating to levy equalization are fully funded in the budget.

Staff Summary of Public Testimony:

(In support) This bill gives districts the ability to raise additional funds from local voters for a set period of time. Even with this bill it is important to keep moving forward on the educational reforms that have been started since the current system is not equitable. Proposed legislation will provide assistance to all districts by allowing districts receiving Local Effort Assistance (LEA) to receive more, and districts that do not to raise more from their local voters. However this is only a temporary solution and should not become permanent. The last time the levy lid was increased it was supposed to be temporary. Many districts rely on LEA to support dropout prevention, sizes, etc.

(In support with concerns) Raising the lid will exacerbate the property rich versus property poor issue and over reliance on local voters.

(Opposed) None.

Persons Testifying: (In support) Representative Sullivan, Sponsor; Randy Parr, Washington Education Association; Elizabeth Beck, President of the Shoreline Education Association; Ann Giles, Vancouver Education Association; Kim Howard, Washington State Parent Teacher Association; Doug Nelson, Public School Employees/Service Employees International Union; and Chad Magendanz, Olympia Education Coalition.

(In support with concerns) Dan Steele, Washington State School Directors Association; and Barbara Mertens, Washington Association of School Administrators.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill by Committee on Education Appropriations be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Pettigrew and Seaquist.

Minority Report: Do not pass. Signed by 9 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Kessler, Priest, Ross and Schmick.

Staff: Wendy Polzin (786-7137).

Summary of Recommendation of Committee On Ways & Means Compared to Recommendation of Committee On Education Appropriations:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately, except section 2, which reinstates prior law related to levy collection levels after a scheduled expiration, which takes effect January 1, 2018. However, the bill is null and void unless sections 5 and 6, relating to levy equalization, are funded in the budget.

Staff Summary of Public Testimony:

(In support) The bill provides relief for districts in fiscal crisis. Many districts are facing insolvency next year. This bill is responsive to the problem in a small way and will provide some additional funds to districts. Until longer term solutions are found, this bill should be moved forward. The "reverse severability" clause shows commitment to fully funding the bill. The Legislature has increased funding for employees, which took some pressure off the levies, but there is still more to be done.

(Opposed) Nothing in the bill controls costs. The Legislature should focus on how to eliminate local levies.

Persons Testifying: (In support) Representative Sullivan, prime sponsor; Representative Haigh; Kim Howard, Washington State Parent Teacher Association; Randy Parr, Washington Education Association; and Doug Nelson, Public School Employees of Washington and Service Employees International Union.

(Opposed) Paul Locke.

Persons Signed In To Testify But Not Testifying: None.