

HOUSE BILL REPORT

ESHB 1932

*As Passed House
March 19, 1991*

Title: An act relating to excess levies by school districts.

Brief Description: Raising school levy limits.

Sponsor(s): By House Committee on Education (originally sponsored by Representatives Locke, Appelwick, H. Sommers, Wineberry, Anderson, Ferguson, Brough, May, Paris, Mitchell, Phillips, O'Brien, Nelson, Forner and Jacobsen).

Brief History:

Reported by House Committee on:
Education, March 6, 1991, DPS;
Appropriations, March 9, 1991, DPS(ED)-A;
Passed House, March 19, 1991, 65-33.

**HOUSE COMMITTEE ON
EDUCATION**

Majority Report: *That Substitute House Bill No. 1932 be substituted therefor, and the substitute bill do pass.* Signed by 15 members: Representatives Peery, Chair; G. Fisher, Vice Chair; Brough, Ranking Minority Member; Vance, Assistant Ranking Minority Member; Cole; Dorn; Holland; P. Johnson; Jones; Orr; Phillips; Rasmussen; Roland; H. Sommers; and Valle.

Minority Report: *Do not pass.* Signed by 4 members: Representatives Berozoff; Broback; Brumsickle; and Neher.

Staff: Jack Daray (786-7178).

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *The substitute bill by Committee on Education be substituted therefor and the substitute bill as amended by Committee on Appropriations do pass.* Signed by 18 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Appelwick; Braddock; Brekke; Dorn; Ebersole; Ferguson; Hine; May; Peery; Pruitt; Rust; H. Sommers; Valle; Vance; and Wineberry.

Minority Report: *Do not pass.* Signed by 8 members: Representatives Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Belcher; Bowman; Fuhrman; McLean; Mielke; and Nealey.

Staff: Jack Daray (786-7143).

Background: In 1977 when the State assumed additional responsibility for funding schools, the Legislature limited school district General Fund M&O levy authority by passing the "levy lid law." This law sets the maximum amount of a school district's General Fund M&O levy for a calendar year. This maximum levy is also known as the district's "levy authority."

The original 1977 levy lid law, which took effect in 1979, sought to limit excess General Fund levy revenue to 10 percent of the school district's state basic education allocation for the school year prior to the levy collection year. The 1977 law allowed local levies to make up for less than 100 percent state funding of basic education during the 1978-79 school year. The law also contained a "grandfather clause" which permitted districts that historically relied heavily on General Fund M&O levies to exceed the 10 percent limit. The law provided for gradual reduction of grandfathered levy authority and elimination by 1982.

The Legislature has amended the levy lid law eight times since 1977.

In 1979 the Legislature expanded the "levy base" on which the 10 percent levy lid is calculated. State categorical funding, such as allocations for transportation and handicapped education, were added to basic education allocations in determining the base on which the 10 percent levy amount is calculated.

In 1981 the Legislature modified the grandfather provision in the levy lid law. The 1981 amendments temporarily froze grandfathered levy amounts and provided for a gradual seven-step phaseout of grandfathered levy authority between 1983 and 1990 at which time all General Fund M&O levies would be limited to 10 percent of the prior year's state and local funding.

The 1981 amendments also provided for transfers of levy authority between school districts for nonresident students served in interdistrict cooperatives and for high school students residing in a school district not operating a high school and attending school in another district.

In 1985 the Legislature once again revised the timetable for phasing out grandfathered levy authority. Levy lid percentages were temporarily frozen at 1985 levels and a five-year phaseout was implemented beginning in 1989 and ending in 1993 when all districts would be at 10 percent.

In 1987 the Legislature:

- * Expanded the levy base to include selected federal revenues and state block grant revenues;
- * Expanded the levy base by multiplying the prior school year's revenue in the levy base by the percentage increase in state basic education allocations per pupil between the prior and current school years;
- * Provided for reducing grandfathered levy authority for those districts with levy authority percentages over 20 percent only when the Legislature provides increases in state funding known as "levy reduction funds"; and
- * Implemented a new program for providing state matching money known as "local effort assistance" (LEA) for general fund M&O levies in eligible school districts.

In 1988 the Legislature revised the meaning of levy education funds. In 1989 the Legislature once again revised the meaning of levy reduction funds to require that they be identified as such by the Legislature in the Biennial Appropriations Act.

Under the current law, a school district's levy lid equals: (levy base x levy percentage) + transfers - maximum local effort assistance.

A districts levy base includes most state and federal revenues for the prior school year, e.g., 1988-89 revenues make up the 1990 levy base. This base is further increased by the percentage increase in state basic education funding per pupil between the prior and current school years, e.g., between 1988-89 and 1989-90 for the 1990 levy base.

All districts have a levy authority percentage of at least 20 percent of their levy base. For 1991 levies, 91 districts have levy authority percentages between 20 percent and 30 percent. Levy authority percentages about 20 percent will be reduced when the Legislature increases state allocations by enhancing state funding formulas. Such increases in state allocations are known as levy education funds. Levy authority is reduced \$1 for each dollar of levy education funds. The district's levy authority percentage is permanently reduced by an equivalent amount.

Summary of Bill: In order to provide for expenditure increases from local levy sources that occur at the beginning of a school year but are funded from levies which aren't collected until the second half of the school year, the levy base is increased to cover the lag in revenue availability.

The levy base is adjusted as follows: current law provides for adjustment of the levy base by the increased percentage in per pupil expenditures, the "pupil inflator," in the appropriations act that impacts the school district budget in the year the levy would be collected. The substitute bill would increase the percentage calculated as the "pupil inflator" in a given year by 55 percent. The effect would be to increase the levy base by about 4 percent, given recent trends of the "pupil inflator" being approximately 5 percent.

Increasing in the levy base causes an accompanying increase in funds needed to meet the requirements of the local effort assistance statutes, "levy equalization," because the estimate of what a hypothetical statewide average 10 percent levy would raise in revenue would be increased by the adjustment in the levy base. The amount of state funds needed for levy equalization as a result of the substitute bill would be approximately \$3 million per year. The bill must be referenced in the Appropriations Act before it can take effect.

Fiscal Note: Available.

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

Testimony For: (Education): Additional resources are needed to provide educational services needed by schools that are experiencing program impacts of growth and for additional impacts due to the changing nature of the skills and problems students bring to the classroom. Levy revenues reflect the willingness of citizens to tax themselves to fund needed improvements in public education.

(Appropriations): The bill provides for increased resources needed for school operations.

Testimony Against: (Education): Increased reliance on local levy revenues is a return to the inequality of educational opportunity that led to the original intervention of the courts in the Doran decisions. The goal of the education funding system since 1977 has been to reduce reliance on levies and to focus on the state's responsibility to provide an ample education for all children.

(Appropriations): None.

Witnesses: (Education): Representative Locke, prime sponsor; Bob Watt, Deputy Mayor, City of Seattle (pro); Dwayne Slate, Washington State School Directors' Association (con); and Kris Van Gorkom, Washington Association of School Administrators (con).

(Appropriations): Karen Davis, WEA (in favor); Jean Leonard, Seattle School District (in favor); and Elaine Rose, city of Seattle (in favor).