

HOUSE BILL REPORT

HB 1495

As Reported By House Committee On:
Education
Appropriations

Title: An act relating to distribution of local effort assistance funds.

Brief Description: Changing local effort assistance distribution.

Sponsors: Representatives Dorn, Brough, Ogden, Rayburn, G. Cole, Springer and G. Fisher.

Brief History:

Reported by House Committee on:
Education, February 18, 1993, DP;
Appropriations, March 3, 1993, DP.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass. Signed by 18 members: Representatives Dorn, Chair; Cothorn, Vice Chair; Brough, Ranking Minority Member; Thomas, Assistant Ranking Minority Member; Brumsickle; Carlson; G. Cole; Eide; Hansen; Holm; Jones; Karahalios; J. Kohl; Patterson; Pruitt; Roland; Stevens; and Vance.

Staff: Jack Daray (786-7178).

Background: The 1987 Legislature established the Levy Equalization (LEA) Program to assist school districts with above average tax rates due to low property valuations. Payments were to be made so that district taxpayers would not have to pay more than the state average 10 percent rate to raise a district's 10 percent levy.

A monthly payment schedule for levy equalization to the districts was not specified except that 55 percent was to be paid "before June 30" and 45 percent was to be distributed "before December 31" of any year. The Superintendent of Public Instruction adopted administrative rules (WAC) that specified a monthly schedule which included equalization payments due "before December 31" starting with July and August payments of 8.5 percent, a 17 percent total. Because these months are considered the last two months of a school fiscal year, districts incorporated these payments in their

budgets for the "first" year and effectively realized 72 percent of their LEA funds in the first budget period.

The 1992 Legislature amended provisions of the levy statutes including the payment schedule of levy equalization funds (HB 1932). The intent of the change was to match the timing of the flow of revenue to the districts through local tax collections.

The modified payment schedule shifted a portion of payments received by school districts in July and August to October, November and December, effectively moving 17 percent of the revenue out of the first year of school budget period.

There were two effects of this provision:

- 1) cash flow was delayed several months therefore the state treasury would gain from interest on the cash held; and,
- 2) districts which built budgets based on the original schedule would find themselves short 17 percent of equalization allocations due to the modified schedule.

The intended overall effect of the combined provisions of HB 1932 was to increase revenues to districts over a maximum of four years.

Summary of Bill: The state payment schedule for levy equalization allocations is modified to move 17 percent of equalization allocations into August, effectively returning to the money flow schedule that existed before adoption of HB 1932.

Fiscal Note: Available.

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

Testimony For: The shift of levy equalization payments to the fall as required in HB 1932 will cause considerable damage to school district budgets predicated on the 17 percent worth of payments in July and August; especially hard hit will be smaller districts that depend on levy equalization for a significant portion of their budgets and aren't able to take advantage of the combined benefits of HB 1932 to the same extent as districts with relatively high tax bases.

Testimony Against: None.

Witnesses: (All pro): Dennis Carter, Othello School District; Gary Powell, Central Kitsap School District; and John Kvamme, Tacoma School District.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 21 members:
Representatives Locke, Chair; Valle, Vice Chair; Carlson,
Assistant Ranking Minority Member; Appelwick; Basich; Cooke;
Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Linville;
Morton; Rust; Sehlin; Sheahan; Sommers; Stevens; Talcott;
Wineberry; and Wolfe.

Staff: Jack Daray (786-7178).

**Summary of Recommendation of Committee on Appropriations
Compared to Recommendation of Committee on Education:** No
new changes were recommended.

Fiscal Note: Available.

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

Testimony For: The shift of levy equalization payments to
the fall as required in HB 1932 will cause considerable
damage to school district budgets predicated on the 17
percent worth of payments in July and August; especially
hard hit will be smaller districts that depend on levy
equalization for a significant portion of their budgets and
aren't able to take advantage of the combined benefits of HB
1932 to the same extent as districts with relatively high
tax bases.

Testimony Against: None.

Witnesses: (All pro): Terry Bergeson and Gary Powell,
Central Kitsap School District; Terry Eade, South Kitsap
School District; and John Kvamme, Tacoma Public Schools.