

HOUSE BILL REPORT

SSB 6211

As Passed House - Amended:

March 5, 2004

Title: An act relating to school district levy base calculations.

Brief Description: Changing the school district levy base calculation.

Sponsors: By Senate Committee on Education (originally sponsored by Senators Carlson, Kohl-Welles, Esser, Swecker, Schmidt, Finkbeiner, Brandland, Pflug, Roach, Rasmussen and Murray).

Brief History:

Committee Activity:

Education: 2/25/04, 2/26/04 [DPA];

Appropriations: 3/1/04 [DPA(APP w/o ED)s].

Floor Activity:

Passed House - Amended: 3/5/04, 68-25.

Brief Summary of Substitute Bill (As Amended by House)

- Expands the levy base for the purpose of determining school district maximum levy authority and levy equalization in calendar years 2005 through 2007.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass as amended. Signed by 6 members: Representatives Quall, Chair; McDermott, Vice Chair; Haigh, Hunter, Rockefeller and Santos.

Minority Report: Do not pass. Signed by 5 members: Representatives Talcott, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Anderson, Cox and McMahan.

Staff: Denise Graham (786-7137).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without

amendment by Committee on Education. Signed by 26 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Boldt, Buck, Chandler, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

Minority Report: Do not pass. Signed by 1 member: Representative Clements.

Staff: Denise Graham (786-7137).

Background:

Levy Lids

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. Most districts can raise up to 24 percent of their levy base through voter approved levies. Ninety-one school districts 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.

Levy Equalization

In 1987 the Legislature enacted a program to help equalize local levy funding for school districts with above average tax rates due to low property valuations. This assistance is called local effort assistance (LEA) in law, but is commonly known as levy equalization.

School districts are eligible for LEA funds if they have a 12 percent levy rate that exceeds the statewide average 12 percent levy rate. The 12 percent levy rate is the tax rate needed to collect a levy equal to 12 percent of the district's levy base. In determining the rates, assessed valuations are adjusted to bring property assessments to 100 percent of market value.

A district must certify an excess or special levy in order to receive LEA funding. In calendar year 2004, 217 of the state's 296 school districts are receiving LEA allocations totaling \$164 million. Eighteen additional districts were eligible but did not pass a maintenance and operation levy to qualify for state matching money. These funds may be spent on any general fund program or purpose.

Summary of Amended Bill:

For excess levies and levy equalization allocations in calendar years 2005 through 2007,

each district's levy base is increased by: (1) the difference between the amount the district would have received in the current school year under I-728 as originally passed by voters and the amount the district actually receives in the current school year under I-728 as amended in 2003; and (2) the difference between the amount the district would have received in the prior school year under I-732 as originally passed by voters and the amount the district actually received in the prior school year under I-732 as amended in 2003. The amount of the increase allocations that are added to the levy base as a result of enactment of an initiative to the people subsequent to the effective date of the bill.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Education) School districts have funding challenges that the state is unable to meet and local voters are limited by law in the amount they can tax themselves to fill funding gaps. In a number of school districts, voters have approved levy money that the districts cannot collect under the current levy formula. The bill allows those school districts to collect money that the voters have already approved. This legislation provides a short-term bridge until the state can create a better educational funding system.

(In support with concerns) The legislation will apply only to school districts that passed a levy in 2003. It needs to include levies that pass in the current year as well. It also needs to be a permanent rather than temporary adjustment to the levy base. The approach of HB 2044 is preferable. It is better public policy to use the LEAP document instead of a per pupil inflator to determine the adjustment. Any legislation to change the levy base needs to be linked to levy equalization, an issue of concern in both the House and Senate levy bills.

Testimony For: (Appropriations) It is critical that something happen to increase districts' ability to collect local levy amounts that their voters have already approved. The approach taken in the bill as it came to the Education Committee is a good approach, but we also appreciate the linkage to levy equalization beginning in calendar year 2005 in the proposed Appropriations Committee amendment.

Testimony Against: (Education) Although school districts face difficult funding challenges, transferring the state's funding obligation to local voters is not the way to solve the problem. The local funding solution helps districts disproportionately, exacerbating funding inequities among districts. The lack of levy equalization in the legislation compounds that inequity. The legislation does not address districts that have passed multi-year levies. The approach included in HB 2044 is a better approach because

it does not include a per pupil inflator and lasts more than one year.

Testimony Against: (Appropriations) None.

Persons Testifying: (Education) (In support) Senator Carlson, prime sponsor; and Lorraine Wilson, Tacoma Public Schools.

(Concerns) Megan Atkinson, Office of the Superintendent of Public Instruction.

(Opposed) Randy Parr, Washington Education Association; Barbara Mertens, Washington Association of School Administrators; and Dan Steele, Washington State School Director's Association.

Persons Testifying: (Appropriations) Randy Parr, WEA.

Persons Signed In To Testify But Not Testifying: (Education) None.

Persons Signed In To Testify But Not Testifying: (Appropriations) None.