

# FINAL BILL REPORT

## SHB 2812

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### C 119 L 06

Synopsis as Enacted

**Brief Description:** Increasing the levy base for school districts.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Hunter, Rodne, Quall, Nixon, P. Sullivan, Jarrett, Clibborn, Tom, Morrell, Fromhold, Roberts, Schual-Berke, Simpson, Anderson and Kagi).

**House Committee on Education**

**House Committee on Appropriations**

**Senate Committee on Early Learning, K-12 & Higher Education**

**Senate Committee on Ways & Means**

#### **Background:**

Initiatives 728 (I-728) and 732 (I-732), as originally passed by the voters in 2000, provided additional state funds to public K-12 schools. In 2003, legislation was enacted that reduced the amounts school districts would have otherwise received under I-728 and I-732. In 2004, legislation was enacted that allowed districts, for levies collected in calendar years 2005 through 2007, to increase their levy bases by the amount they would have otherwise received if I-728 and I-732 had not been amended. These changes are described in more detail below.

#### I-728 and Amendment in 2003

I-728 dedicated lottery proceeds and a portion of the state property tax for educational purposes by transferring revenues to the Student Achievement Fund and the Education Construction Account.

I-728 gave school districts an allocation of \$450 per full-time equivalent (FTE) student beginning with the 2004-2005 school year. Thereafter, the \$450 per FTE would increase annually for inflation.

However, in 2003 the Legislature enacted Engrossed Substitute Senate Bill 6058, which changed the per FTE student allocation as follows:

- \$254/FTE for the 2004-05 school year;
- \$300/FTE for the 2005-06 school year;
- \$375/FTE for the 2006-07 school year; and,
- \$450/FTE for the 2007-2008 school year.

In subsequent years, the annual allocation would be \$450/FTE increased for inflation.

#### I-732 and Amendment in 2003

I-732 provided that beginning with the 2001-2002 school year, an annual cost-of-living adjustment (COLA) would be granted to K-12 teachers and other public school employees.

During the 2001-2003 biennium, the Legislature appropriated sufficient funding to provide a COLA to K-12 staff. In 2003, legislation was enacted that removed the provision requiring the annual COLA for the 2003-2005 biennium.

#### Increase to Levy Base Following the 2003 Amendment of I-728 and I-732

In 2004, the Legislature temporarily increased each district's levy base for calendar years 2005 through 2007. A district's levy base was increased by two factors:

- (1) the difference between what a district would have received if I-728 had not been amended and what the district actually received; and
- (2) the difference between what the district would have received if it had received the COLA as provided by I-732 and what it actually received.

#### Levy Equalization

Washington provides levy equalization payments for all districts that pass a levy requiring a property tax rate for a 12 percent levy that exceeds the state average property tax rate for a 12 percent levy. Legislation enacted in 2002 reduced levy equalization payments by 1 percent for calendar year 2003. Legislation enacted in 2003 and 2005 reduced levy equalization payments from what they would have otherwise been by, respectively, 6.3 percent for January 1, 2004, through December 31, 2005, and 4.37 percent through January 1, 2006, to June 30, 2007. After June 30, 2007, levy equalization payments may not be reduced by any percentage.

#### **Summary:**

The temporary increase in districts' levy bases provided in 2004 is extended for levy collections through calendar year 2011.

From January 1, 2006, until December 31, 2006, levy equalization allocation and maximum eligibility will be reduced by 4.37 percent of what it otherwise would be. Beginning with calendar year 2007, allocations and maximum eligibility for levy equalization will be fully funded at 100 percent and will not be reduced.

#### **Votes on Final Passage:**

House	62	36	
Senate	48	0	(Senate amended)
House	98	0	(House concurred)

**Effective:** June 7, 2006