

HOUSE BILL REPORT

HB 2670

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

Title: An act relating to restoring the school district levy base.

Brief Description: Restoring the school district levy base.

Sponsors: Representatives Haigh, Ericks, Quall, Sullivan, Kenney, Maxwell, Simpson, Priest, Dammeier and Kagi.

Brief History:

Committee Activity:

Education Appropriations: 1/19/10, 1/21/10 [DPS];
Ways & Means: 2/8/10, 2/9/10 [DP2S(w/o sub APPE)].

Brief Summary of Second Substitute Bill

- Specifies that Initiative 728 (I-728) and Initiative 732 (I-732) funding levels are included in the levy base as approved by the voters if each are fully implemented by the Legislature until December 2017.
- Allows the K-4 Enhancement funding to continue to be counted in the levy base, if it is eliminated.
- Specifies that the allocation rate per full-time equivalent student is used to calculate the I-728 base.
- Changes the I-728 base calculation language to align with I-732.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Haigh, Chair; Probst, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Anderson, Carlyle, Haler, Hunter, Kagi, Nealey, Quall, Rolfes and Wallace.

Staff: Wendy Polzin (786-7137).

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.

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 "grandfathering" provision which allowed districts that historically relied heavily on excess levies to exceed the 10 percent limit.

Over time, the Legislature has increased the levy lid. The last adjustment to the levy lid was in 1999, when it was set at 24 percent.

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 for up to four years.

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. Moneys appropriated for these purposes may be used for: hiring more teachers to reduce class sizes; 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 Initiative 728.

Initiative 732 (I-732), adopted in November 2000, provided an annual cost-of-living adjustment would be granted to 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 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:

School districts' levy bases will continue to include amounts districts would have received if I-728 and I-732 were and continue to be fully funded. The expiration date for this inclusion is extended to December 2017.

In addition, if the K-4 enhancement dollars are eliminated by the Legislature, the lost funds are included in the base in the same manner as I-728/I-732.

The bill creates definitions of the I-728 and I-732 levy base, and specifies the calculation of the I-728 levy base use the allocation rate, rather than total allocation amount, that a district would have received per student.

Substitute Bill Compared to Original Bill:

The substitute bill makes technical changes which specify that policy changes relating to the I-728 levy base do not apply to the current collection year (2010) and take effect for collection years 2011-2017. The policy changes that take effect beginning collection year 2011 are: (1) using the prior year's I-728 funding level rather than the current year's (consistent with treatment of the I-732 base); and (2) using the allocation rate multiplied by Full Time Equivalent students rather than the total allocation. In addition, an obsolete reference to the statute that established the I-728 distribution rate is deleted and replaced with a reference to the current rate statute.

Appropriation: None.

Fiscal Note: Requested on January 17, 2010

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

Staff Summary of Public Testimony:

(In support) Acting swiftly on this bill will allow districts to capture additional local capacity. The bill will help to mitigate the impact of legislative budget reductions to districts. A large number of districts are asking voters to approve new levies in 2010, many of which will be going out in February. Districts are basing their levies on having these funds maintained in the levy base. The proposal will benefit districts across the state. This legislation was

needed in 2004, and is needed even more now. There is a hope that by the 2017-18 school year there will be a more robust education financing system in place.

(In support with concerns) The proposed legislation does not go far enough. Legislators are encouraged to increase the levy lid and levy equalization rate.

Persons Testifying: (In support) Larry Francois, Northshore School District; David Burgess, Superintendent of Lake Stevens School District; George Scarola, League of Education Voters; Jennifer Priddy, Office of the Superintendent of Public Instruction; Marcia Fromhold, Evergreen School District; and Doug Nelson, Public School Employees of Washington Service Employees International Union Local 1948.

(In support with concerns) Randy Parr, Washington Education Association.

Persons Signed In To Testify But Not Testifying: None

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Education Appropriations. Signed by 21 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick and Seaquist.

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

Staff: Wendy Polzin (786-7137).

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

The second substitute bill makes technical changes and clarifications to the Initiative 728 (I-728) levy base. The additional amount included in the levy base attributable to I-728 amounts not funded is calculated based on the "I-728 rate": the per-FTE allocation rate that the district would have received if all adjustments had been made to the rate as enacted by the voters in 2000 and deleting a reference to a fund that has been consolidated. No changes regarding levy collection in calendar year 2010 are made.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Without this bill, districts will lose levy capacity and harm districts. This bill isn't about property-rich versus property-poor districts. Both local effort assistance and non-local effort assistance districts will benefit. The bill provides relief for districts in fiscal crisis. Until longer term solutions are found, this bill should be moved forward. 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) Ron Thiele, School Levy Coalition; Kim Howard, Washington State Parent Teacher Association; Randy Parr, Washington Education Association; and Doug Nelson, Public School Employees - Service Employees International Union.

(Opposed) Paul Locke.

Persons Signed In To Testify But Not Testifying: None.