

SENATE BILL REPORT

SHB 1776

As Reported by Senate Committee On:
Ways & Means, April 6, 2009

Title: An act relating to school district levies.

Brief Description: Changing school levy provisions.

Sponsors: House Committee on Education Appropriations (originally sponsored by Representatives Ericks, Haigh, Priest, Hunter, Liias, Sullivan, Pedersen, Maxwell, White and Kenney).

Brief History: Passed House: 3/10/09, 88-8.

Committee Activity: Ways & Means: 3/23/09, 4/06/09 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pflug, Pridemore, Regala and Schoesler.

Staff: Elise Greef (786-7708)

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 grandfather clause which permitted districts with historically high reliance on levies to exceed the 10 percent limit. Under current law, most districts may raise 24 percent of their levy base. There are 90 school districts that are grandfathered at higher percentages, ranging from 24.01 to 33.9 percent.

A district's levy base includes most state and federal revenues received by the district in the prior school year. The levy lid formula increases the base by multiplying the district's state and federal revenues by the percentage change in per-student state expenditures between the prior and current school years, divided by 55 percent.

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.

Currently, when a school district passes a levy to support a school district for a two- to four-year period, no further tax levies for maintenance and operation may be authorized for that period.

I-728 and I-732 Funds. Initiative 728, adopted by Washington voters in November 2000, dedicated lottery proceeds and a portion of the state property tax to educational purposes by transferring revenues to the Student Achievement Fund and the Education Construction Account. Student Achievement Funds may be used for reducing class sizes by hiring additional teaching and making necessary capital improvements to house the reduced class sizes; creating extended-learning opportunities for students; providing professional development for educators; and providing early-childhood programs. Initiative 732, adopted in November 2000, provided that an annual cost-of-living adjustment (COLA) would be granted to K-12 teachers and other public-school employees.

In the 2004 Legislative session, the Legislature amended state statute to include in the school districts' levy base, the difference between the funding increases that would have been provided under I-728 and I-732 as originally written and the actual funded amount provided in the enacted budget. In the 2006 session, the statute was amended again to extend the sunset of this provision from the original calendar year 2007 through calendar year 2011.

Summary of Bill (Recommended Amendments): The bill delays the sunset provision and continues to provide for school districts' levy bases to include the difference between funding that would be provided under I-728 and I-732 and the amounts actually funded by the Legislature through 2014. Because this provision is now through 2011, there will be no fiscal impact until calendar year 2012.

Districts are provided authority to return to voters partway through a levy if legislation is enacted that increases the levy base.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): The amendment delays, rather than eliminates, the sunset clause in current law.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Substitute House Bill: PRO: Districts are allowed to collect all the money voters have approved under Initiatives 732 and 728. Failure to do this means that school districts have the potential to lose twice, once if I-732 and I-728 are reduced and, again, in local levy dollars. The bill gives school districts the flexibility to survive in difficult budget times. It is estimated that over 80 districts, statewide, are at their levy lids and could benefit from this bill, including both big and small districts. Cuts in I-732

and I-728 also reduce school districts levy capacity, a ripple effect. Even though current law allows these revenues to be counted in the levy base, it is scheduled to expire at the end of 2011. Many school districts are preparing to go to voters with levy proposals in 2010. Districts need to be able to project their levy bases as they prepare these ballot measures.

Persons Testifying: PRO: Molly Boyajian, League of Education Voters; Steve Rasmussen, Issaquah School District, School Levy Coalition.