SENATE BILL REPORT
SB 5721

As Reported by Senate Committee On:
Ways & Means, March 2, 2009

Title: An act relating to school district levies.

Brief Description: Changing school levy provisions.

Sponsors: Senators Tom, Hobbs, Oemig, Jarrett, McAuliffe, Pridemore, Shin and Kohl-Welles.

Brief History:
Committee Activity: Ways & Means: 2/10/09, 3/02/09 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5721 be substituted therefor, and the substitute bill do pass.
Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Parlette, Pridemore 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.

<u>I-728 and I-732 Funds.</u> 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.

<u>Salaries.</u> *Certificated Instructional Staff:* The Legislature allocates money to each district for state-funded employee salaries and associated fringe benefits. In the case of certificated instructional staff (CIS) – teachers, counselors, librarians, and other instructional staff requiring certification – the state funding is provided based on a state salary allocation schedule. An individual's education level and teaching experience determines the allocation for base salary. Additional funds (a 1 to 3 percent increase) are provided for each additional year of experience up to 16 years. Additional funds (a 3 to 20 percent increase) are also provided for each 15 credits of approved education acquired up to a Ph.D. The state does not require school districts to pay certificated instructional staff in accordance with the state salary allocation schedule. However, most school districts have adopted a salary schedule the same as, or similar to, the state allocation schedule. Some of the state's 295 school districts receive higher salary allocations for certificated instructional staff. The primary reason for this higher allocation is that these grandfathered districts were paying their certificated-instructional staff higher salaries when the Legislature took on responsibility for fully funding basic education programs in 1977. Most recently, in the 2007-09 budget, the Legislature took steps that will reduce the number of grandfathered salary districts.

Certificated Administrative Staff and Classified Staff: The Legislature allocates money to each district for salaries for administrators (such as superintendents, chief-executive officers, principals, assistant principals) and classified staff (such as bus drivers, food service workers, custodial staff, classroom aides). There is not a state-salary allocation schedule for these groups of employees. However, each district receives an allocation for these staff based on historical salary allocations adjusted for cost-of-living increases. This means that there are variations in the salary levels used for allocating administrator and classified staff position from district to district. In the 2007-09 budget, the Legislature provided additional funding to reduce the variation and increase the salary amounts for districts that have historically received lower funding. However, variations in the salary amounts continue to exist.

Summary of Bill (Recommended Substitute): The bill delays the levy base sunset provision in current law 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 the end of calendar year 2013. Because this provision is part of current law, there will be no impact until calendar year 2012.

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

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Unlike the original bill, the substitute bill does not include, in districts' levy-base calculations, the difference between salary allocations received and the amount the district would have received if everyone were paid the highest base salary allocations available for certificated instructional staff, classified staff, and certificated administrative staff in the prior school year. Additionally, the current sunset provision for the inclusion of the difference between funding that would be provided under I-728 and I-732 and the amounts actually funded by the Legislature is delayed through calendar year 2013 rather than eliminated completely.

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 Original Bill: PRO: School districts face unprecedented fiscal challenges. This legislation enacts permanently what is already in statute in regard to I-732 and I-728 and this will have no impact on the state budget in the upcoming biennium. Salary inequities exist because of a decades-old snapshot. We are grateful the state has taken steps this biennium to close those gaps, but inequities remain. This legislation would – even if the state hasn't had a chance to fully equalize salaries – at least allow equalization in terms of levy treatment. We recognize there's a fiscal impact but believe this is an important step to take. Many school districts will be asking for voter approval of levies in the spring of 2010; deleting the sunset clause now allows districts to set levy levels now at appropriate levels for the next two to four years. Cuts at the state level have a ripple influence; schools lose the state revenue, plus the ability to raise local funding. It is estimated that 77 school districts statewide will benefit from this bill. These are extraordinary and difficult times for the state and this bill simply allows school districts some additional flexibility. This is a small step the state can take to help school districts adjust to budget cuts.

CON: We believe the intent of this bill is to help school districts but it does so by shifting responsibility from the state to local voters. This bill will probably assist property-rich districts and not help property-poor districts. The bill does have the effect of increasing the state's levy-equalization payments but, given the state's budget situation, it seems unlikely there would be an increase in these payments. In fact, it is likely there will be decreases in levy-equalization funding.

Persons Testifying: PRO: Jennifer Priddy, Office of the Superintendent of Public Instruction; David Burgess, Lake Stevens School District; Grace Yuan, School Levy Coalition; George Scarola, League of Education Voters.

CON: Dan Steele, Washington State School Directors' Association; Barbara Mertens, Washington Association of School Administrators.