

SENATE BILL REPORT

SB 6488

As Reported by Senate Committee On:
Early Learning & K-12 Education, January 25, 2010

Title: An act relating to school levies.

Brief Description: Regarding school levies.

Sponsors: Senators Oemig, Gordon, McAuliffe, Tom, Rockefeller, Kline and Ranker; by request of Governor Gregoire.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/21/10, 1/25/10 [DPS-WM, DNP].

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 6488 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators McAuliffe, Chair; Oemig, Vice Chair, K-12; Gordon, Hobbs, McDermott and Tom.

Minority Report: Do not pass.

Signed by Senators King, Ranking Minority Member; Brandland, Holmquist and Roach.

Staff: Alicia Kinne (786-7784)

Background: The State Constitution gives school districts the authority to levy local property taxes provided the voters of the district approve the levy with a simply majority in favor. In 1977 when the state assumed additional responsibility for funding schools, the Legislature limited school district Maintenance and Operation (M&O) levy authority by passing the levy lid law. This law establishes the maximum amount of a school district's M&O levy for a calendar year. In 1979 the levy lid law took effect, limiting excess General Fund revenue to 10 percent of the school district's basic education allocation for the school year. The law allowed districts that historically raised more revenue through M&O levies to be grandfathered in at a higher rate than the 10 percent limit. In 1987 the levy lid limit was increased to 20 percent. In 1994 the levy base increased to 24 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.

The Local Effort Assistant Program (LEA) was originally implemented in 1989 and seeks to equalize the tax burden by providing matching state funds to districts with low property values and high levy rates. The levy equalization percentage is currently 12 percent.

Beginning in 2001 portions of state property tax and state lottery revenues were dedicated to the Student Achievement Fund, per Initiative 728 (I-728). Beginning in 2004, I-728 directed that the state property tax contribution increase to \$450 per full-time equivalent (FTE) student. The 2003 Legislature revised the property tax to a lower amount to increase in proceeding years. In 2009-11 payments were suspended.

Passed by voters in November 2000, I-732 required the state to provide annual cost-of-living increases for Washington's public school employees. In 2003, lawmakers suspended the inflation increases in I-732.

Summary of Bill (Recommended Substitute): For calendar years 2011 through 2017, districts are allowed to raise levy lids to 36 percent. During calendar years 2011 through 2017, school districts where voters have authorized a multi-year levy are allowed to seek voter authorization for an additional maintenance and operations levy if the current levy was approved prior to or during 2010.

Districts eligible for 18 percent local effort assistance are those districts with a 12 percent levy rate that exceeds the statewide average 12 percent levy rate and that, in the prior school year, were in the one-fourth of such districts receiving the least per pupil funding from state and federal sources. Those districts not in the least one-fourth of all districts for per pupil funding from state and federal sources are eligible for 12 percent local effort assistance.

For levy collections through calendar year 2017 a districts levy base will include the amounts the districts would have received from state funding for Student Achievement Funds (I-728) and educator cost of living increases (I-732) – including the 2009-11 suspensions of these payments. Beginning with calendar year 2011, adjustments made to the levy base to account for changes to I-728 will be made based on prior year rather than current year calculations. Beginning with calendar year 2011, districts may calculate any cuts to the kindergarten through four class size enhancement initiative into the levy base.

EFFECT OF CHANGES MADE BY EARLY LEARNING & K-12 EDUCATION COMMITTEE (Recommended Substitute): Districts eligible for 18 percent local effort assistance are those districts with a 12 percent levy rate that exceeds the statewide average 12 percent levy rate and that, in the prior school year, were in the one-fourth of such districts receiving the least per pupil funding from state and federal sources. Those districts not in the least one-fourth of all districts for per pupil funding from state and federal sources are eligible for 12 percent local effort assistance.

Beginning in calendar year 2011, districts may calculate any cuts to the kindergarten through four class size enhancement initiative into the levy base.

Effective date is extended through calendar year 2017.

Appropriation: None.

Fiscal Note: Requested on January 13, 2010.

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: This bill includes in the levy base what districts could have expected in revenue had they received funding for I-732 and I-728. It tries to balance district's need for money with disparities in funding. Time limited factor is purposeful to adjust these provisions when the economy recovers. It helps districts with the political means to do more, but limits it by levy lid.

CON: This bill exacerbates differences between have and have not districts. It is dangerously close to the state backing away from basic education support. The bill lifts the lid too much and will not help all districts with LEA funds. Opposed to the levy lid lift because there is not consensus around how to lift the levy.

OTHER: Concerned about the time frame in the bill and that it does not go long enough. There is also concern about districts just outside the 25th percentile for LEA funds. Superintendent Dorn is very concerned about the levy lid increasing and the districts not having the political will to increase the lid. Recognizes that the lid conversation needs to take place.

Persons Testifying: PRO: Senator Oemig, prime sponsor; Judy Hartmann, Governor's Policy Office; Amy Skai, Office of Financial Management.

CON: Dan Steele, WA School Director's Association; Paul Locke, citizen.

OTHER: Randy Parr, WA Education Association; Kim Howard, WA PTA.