

HOUSE BILL REPORT

EHB 2698

As Passed House:
February 17, 2016

Title: An act relating to delaying implementation of revisions to the school levy lid and local effort assistance.

Brief Description: Delaying implementation of revisions to the school levy lid and local effort assistance.

Sponsors: Representatives Lytton, Magendanz, Sullivan, Ortiz-Self, Reykdal, Rossetti, Senn, Sawyer, S. Hunt and Pollet.

Brief History:

Committee Activity:

Appropriations: 1/20/16, 1/21/16 [DP].

Floor Activity:

Passed House: 2/17/16, 91-7.

Brief Summary of Engrossed Bill

- Delays for one year, changes to the school district formula for calculating school districts' maximum maintenance and operation levy authority, and corresponding local effort assistance provisions.
- Establishes the Local Effort Assistance Transition Account.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 28 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Wilcox, Assistant Ranking Minority Member; Cody, Condotta, Dent, Fitzgibbon, Hansen, Harris, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Pettigrew, Robinson, Sawyer, Schmick, Senn, Springer, Stokesbary, Sullivan, Tharinger, Van Werven, Walkinshaw and G. Hunt.

Minority Report: Do not pass. Signed by 4 members: Representatives Chandler, Ranking Minority Member; Buys, Haler and Taylor.

Staff: Jessica Harrell (786-7349).

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:

Local Property Tax Levies for Schools.

School District Excess Levies. Upon voter approval, school districts are authorized to collect levies above the 1 percent constitutional property tax limit. School district voters may approve maintenance and operation (M&O) levies for up to four years, capital levies for up to six years, and bond levies for the life of the bonds.

A school district's maximum M&O levy amount is determined by the district's levy base and levy percentage. Generally speaking, a district's annual levy base is its state and federal funding for the prior school year, adjusted for inflation, plus additionally calculated amounts that were added to the levy base in 2010. Until calendar year 2018, the levy percentage, also referred to as levy lid, for most school districts is 28 percent, which means that each calendar year districts may collect up to 28 percent of their levy base. (Some districts are "grandfathered" at a higher levy percentage.) Beginning in calendar year 2018, the levy percentage drops to 24 percent, or for districts grandfathered at a higher levy percentage, drops by four percentage points. The calculated amounts that were added to the levy base in 2010 will also be eliminated from the base beginning in calendar year 2018.

Local Effort Assistance.

The Local Effort Assistance program (LEA), also known as levy equalization, was created in 1987. Under the state's LEA program, additional funding is provided to school districts that are at a relative disadvantage in raising M&O levies due to relatively low property values. School districts are eligible for LEA if they have a higher than average levy rate and if the district has certified a local excess levy. Levies are equalized up to 14 percent of the levy base, half of the 28 percent levy lid that is applied to the majority of districts. Beginning in 2018, the equalization percentage will decrease to 12 percent, maintaining the current one-half policy.

Local effort assistance is expressly not part of the basic education program. Currently, 215 districts are eligible to receive LEA, of which 205 districts are receiving the assistance.

Summary of Engrossed Bill:

Each of the following provisions that were scheduled to change beginning in calendar year 2018 are delayed by one year to calendar year 2019: the 4 percentage-point reduction in the levy lid; the elimination of additional calculated amounts from the levy base; and the change in the equalization rate from 14 percent to 12 percent.

The Local Effort Assistance Transition Account is established as an appropriated account in the State Treasury. Expenditures from the account may be used only for state local effort assistance, in the 2017-19 biennium.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 19, 2016.

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 2, relating to maximum maintenance and operation levy authority, which takes effect January 1, 2017, and section 3, relating to maximum maintenance and operation levy authority, which takes effect January 1, 2019.

Staff Summary of Public Testimony:

(In support) This bill provides a transition while the Legislature works to resolve *McCleary*. It will help ensure some continuity and predictability for school districts as the Legislature moves forward with its funding plan.

It will take some time for the Legislature to come to agreement on fully funding basic education. Maintenance and operation levy changes need to be fully coordinated with the changes to state funding so that students aren't adversely affected. By delaying the levy cliff, the school districts are provided a cushion during the transition time. The stability of the education system will be affected if this delay is not put in place.

If the situation isn't resolved and the levies do expire in 2018, school districts will have to provide layoff notices to staff by May 15 and potentially cut other programs that are important to students and the community.

The bill would be improved by changing the delay from one year to two years.

(Opposed) It is understandable why some might want this bill to pass. The Legislature passed the 4 percent bump in the local maintenance and operation levy lid because there was no way to get a general tax increase to pass in the Legislature and the Legislature knew that there was a need for funding for items that were not currently funded by the state. The Legislature also knew that local tax payers were able and willing to vote for local tax increases. Taxes were meant to be for extra educational items for kids. Now those taxes are paying for more than half of the additional compensation. If this bill fails it will be a good thing because schools will likely be in the same position that they were in when Seattle experienced a double levy failure in the late 1970s and it will force the Legislature to take action to resolve the current funding problem.

(Other) The transition work must be done with the input of school districts.

Persons Testifying: (In support) Representative Lytton, prime sponsor; Gary Plano, Mercer Island School District; Gene Sementi, West Valley School District; Tim Ames, Medical Lake School District; Dan Steele, Washington Association of School Administrators; Julie Salvi, Washington Education Association; and Jessica Vavrus, Washington State School Directors' Association.

(Opposed) Randy Dorn, Office of the Superintendent of Public Instruction.

(Other) Mitch Denning, Alliance of Educational Associations.

Persons Signed In To Testify But Not Testifying: None.