

SENATE BILL REPORT

SB 6103

As of April 16, 2015

Title: An act relating to providing basic education funding.

Brief Description: Providing basic education funding.

Sponsors: Senators Hargrove and Ranker.

Brief History:

Committee Activity: Ways & Means: 4/16/15.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Lorrell Noahr (786-7708)

Background: Recent K-12 Finance Legislation. The Legislature has enacted K-12 finance reforms in ESHB 2261 – Chapter 548, Laws of 2009 – and SHB 2776 – Chapter 236, Laws of 2010. These measures develop a new funding structure based on a prototypical school model. Prototypes illustrate a level of resources to operate a school of a particular size with particular types and grade levels of students. Most of these reforms are scheduled to phase-in by 2018. Under SHB 2776 – Chapter 236, Laws of 2010, the Legislature specifically references enhancements for (1) K-3 class size reduction; (2) all-day kindergarten; (3) materials, supplies and operating costs; and (4) a revised pupil transportation funding formula. Over the last several years, the Legislature has been phasing in these enhancements.

McCleary v. State. In January 2012, in *McCleary v. State*, the Washington State Supreme Court found that the State had failed to meet its paramount constitutional duty to amply fund a program of basic education because the level of resources provided fell short of the actual cost of the basic education program. The Court acknowledged that the Legislature had enacted promising reforms in ESHB 2261 – Chapter 548, Laws of 2009, which if fully funded would remedy deficiencies in the K-12 funding system.

The court retained jurisdiction to help facilitate the Legislature's compliance with its constitutional duty. In the 2012 legislative session, the Legislature created the Joint Select Committee on Article IX Litigation (Committee) to facilitate communication with the Washington Supreme Court on school funding. In July 2012, the court ordered the Committee to annually report on legislative actions taken to amply fund a program of basic

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education. The reports can be found at: www.leg.wa.gov/jointcommittees/AIXLJSC/Pages/default.aspx. In January 2014, the court declared the state was not on target to meet its 2018 constitutional funding obligations. The court directed the state to submit, no later than April 30, 2014, a complete plan for fully implementing its program of basic education for each school year up to the 2017-18 school year. In April 2014, the Committee submitted its third report to the court which concluded that there was no agreement reached on the full implementation plan. The court subsequently found the state in contempt for failing to comply with the court's order to submit a plan but did not impose sanctions. The court ordered that the state must purge its contempt by adjournment of the 2015 session or the court will reconvene and impose sanctions or other remedial measures.

Local Levies. School districts are authorized to raise funds locally for their districts through excess levies. Since 1977, the Legislature has limited the amount school districts may request from their voters and collect through maintenance and operation levies. The maximum amount that may be raised is based on the school districts prior year state and federal funding. The amount that may be raised is typically referred to as the levy lid.

Under current law, 205 of the 295 school districts have a levy lid of 28 percent of the district's state and federal funding, which was temporarily increased in the 2010 legislative session from 24 percent. This means that school districts may request voter approval and collect \$0.28 for each \$1 of state and federal revenue the district receives. The other 90 school districts have a levy lid ranging from 28.01 percent to 37.90 percent.

In addition to temporarily increasing the levy lid from 24 percent to 28 percent in the 2010 legislative session, the Legislature amended the levy lid statute to increase a district's levy base by including certain non-basic education revenues formerly allocated by the state in addition to the revenues the district actually receives from state and federal sources. These increases expire effective with levies for calendar year 2018. At that time the levy lid will return to 24 percent and the formally allocated revenues will be removed from the levy base.

Local Effort Assistance. The Local Effort Assistance program (LEA) or levy equalization was created in 1987 to mitigate the effect that above-average property tax rates might have on the ability of a school district to raise local revenues through voter-approved levies. The LEA is expressly not part of basic education. The amount is calculated based on equalizing tax rates to a statewide average for a certain equalization rate. The current LEA equalization rate is 14 percent. In calendar year 2018, the LEA equalization rate will decrease to 12 percent.

Summary of Bill: Beginning in calendar year 2018, a school district's actual levy collections will be reduced by the same amount of any new K–12 salary enhancements received after August 31, 2016. However, the school district's levy rate per \$1,000 of assessed value will not be reduced below \$1. Beginning in calendar year 2023, the local maximum levy authority for all districts is set at \$1 per \$1,000 of assessed value.

For calendar years 2018 through 2022, LEA payments will remain at calendar year 2017 levels and will not be reduced as a result of decreases in levy collections related to K–12 salary enhancements. Beginning in calendar year 2023, LEA will be based on equalizing

school districts that levy \$1 per \$1,000 of assessed value to a statewide median per pupil value.

For calendar years 2018 through 2022, basic education allocations for SHB 2776 provided after August 30, 2015, are excluded from school district levy bases.

The bill further clarifies that levy funds may only be used for enhancements outside of the program of basic education. The State Auditor must report to the Office of Superintendent of Public Instruction and the Legislature regarding any school district non-compliance issues with this provision.

Appropriation: No.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.