

SENATE BILL REPORT

SB 6183

As of February 3, 2016

Title: An act relating to local school district levy authority.

Brief Description: Concerning local school district levy authority.

Sponsors: Senators McAuliffe, Rolfes, Conway, McCoy, Fraser and King.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/18/16.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Staff: Lorrell Noahr (786-7708)

Background: Local School District 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 (M&O) levies. The maximum amount that may be raised is based on the state and federal funding received by the district in the prior year. The amount that may be raised is typically referred to as the district's levy authority.

The levy lid is the limit on school districts' levy authority. 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. The other 90 school districts have a "grandfathered" levy lid ranging from 28.01 percent to 37.90 percent.

Additionally, in the 2010 legislative session, the Legislature increased a school district's levy base to include certain non-basic education revenues formerly allocated by the State in addition to the revenues the district actually receives from state and federal sources. Effective for levies in calendar year 2018, the levy lid will revert to 24 percent and the increases will be removed from the levy base. "Grandfathered" school districts' levy lid will decrease by 4 percent in 2018.

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

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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: School district levy lids will remain at 28 percent until 2020. Beginning in 2021, school district levy lids will be reduced by 1 percent per year until 2024 when the lid will be set at 24 percent for non-grandfathered school districts. Grandfathered school districts will also receive a 1 percent levy lid reduction per year for four years until 2024. Non-basic education revenues formally allocated by the State will continue to be calculated in the levy base until January 1, 2024.

The LEA equalization rate will remain at 14 percent until 2020. Beginning in 2021, the equalization rate will be reduced by 1 percent per year until 2024 when the rate will be set at 12 percent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The extension of the increased levy authority will provide greater predictability and stability to school district budgeting and hiring decisions. This action will allow for early recruitment and hiring as school districts face hiring challenges. This bill needs to be addressed this year so school districts will not have to contend with falling off the levy cliff.

CON: The levy authority reduction timelines provided in this bill are too long. Levy reform should be coupled with state K-12 staff compensation policy changes. Delaying the levy authority shows the state has missed a deadline provided in law for K-12 funding reform.

OTHER: The Legislature must find a solution to the K-12 compensation and levy issues. School districts need certainty as they build next year's budgets and are negotiating employment. This transition must be done carefully to ensure there are no unintended consequences.

Persons Testifying: PRO: Dan Steele, WA Assn. of School Administrators; Julie Salvi, Washington Education Association.

CON: Shawn Lewis, Spokane Public Schools; Dan Grimm, Superintendent of Public Instruction.

OTHER: Alan Burke, WSSDA; Mitch Denning, Alliance of Educational Associations; Nancy Moffatt, WA Association of School Business Officials, Executive Director.

Persons Signed In To Testify But Not Testifying: No one.