

SENATE BILL REPORT

SB 6353

As of February 3, 2016

Title: An act relating to delaying implementation of revisions to the school levy lid.

Brief Description: Delaying implementation of revisions to the school levy lid.

Sponsors: Senators Rivers, Rolfes, Billig, Pedersen and McAuliffe.

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 aforementioned non-basic education revenue 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: The bill as referred to committee not considered.

Summary of Bill (Proposed First Substitute): The authorization for school district levy lid at 28 percent, inclusion of certain non-basic education revenues formally allocated by the state in the levy base calculation, and the calculation of the LEA equalization rate at 14 percent is extended by one calendar year.

Effective beginning in calendar year 2019, the levy lid will revert to 24 percent, the aforementioned non-basic education revenues will no longer be included in the levy base calculation, and the LEA equalization rate will be calculated 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: Dan Steele, WA Assn. of School Administrators; Shawn Lewis, Spokane Public Schools; Julie Salvi, Washington Education Association; Alan Burke, WSSDA; Gary Cohn, Everett School District; Tom Seigel, Bethel School District.

CON: Dan Grimm, Superintendent of Public Instruction.

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

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