

SENATE BILL REPORT

EHB 2698

As Reported by Senate Committee On:
Early Learning & K-12 Education, February 25, 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: Passed House: 2/17/16, 91-7.

Committee Activity: Early Learning & K-12 Education: 2/22/16, 2/25/16 [DP-WM, w/oRec].

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Litzow, Chair; McAuliffe, Ranking Member; Billig, Fain, Hill, Mullet, Rivers and Rolfes.

Minority Report: That it be referred without recommendation.

Signed by Senator Dammeier, Vice Chair.

Staff: Alia Kennedy (786-7405)

Background: Local Property Tax Levies for Schools. 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

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"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 Bill: The following provisions that were scheduled to change beginning in calendar year 2018 are delayed by one year to calendar year 2019:

- the 4 percent 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, also known as levy equalization, in the 2017-19 fiscal biennium.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: If the levy lid expansion is not adopted, then schools will face a significant loss of funding. The loss of funding will result in teacher layoffs. The Legislature should extend the levy until it is done working on *McCleary* funding issues. Action needs to be taken this session or else school districts will have to start issuing reduction in force notices, which has a negative impact on teachers and the stability of education statewide. Failure to expand the levy lid will worsen the teacher shortage, critically impact the ability of school districts to provide the programs students need, and result in cuts to counseling, specialists, paraeducators, and instructional coaches. This is not the year to do levy reform. The original levy expansion bill was adopted under the impression that education funding reforms would be in place.

CON: The Superintendent opposes this bill. This bill avoid the state's obligation to reduce its reliance on levies and fully and equitably fund basic education. Substantial levy funds

will still be spent on basic education without passage of this bill. The Legislature has done nothing to supplant levy funds in basic education. History indicates that the painful process of cutting funding is the only way the Legislature will acknowledge there is a political imparity.

Persons Testifying: PRO: Jennifer Priddy, Olympia Public Schools; Frank Hewins, Franklin Pierce School District; Dan Steele, Washington Association of School Administrators.

CON: Dan Grimm, Superintendent of Public Instruction.

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