

## **Resolution on Levies and Local Effort Assistance**

Whereas, Levies and Local Effort Assistance (LEA) are important supplements to Washington state funding and by law, intended to provide districts the means to enrich their school programs.

Whereas, Washington state has acknowledged the need to reform the current levy and LEA system and through ESHB 2261 has ordered a workgroup to develop more fair options that adhere to giving local communities the flexibility to go beyond the basics, to enrich their school programs, experiment and innovate, and tailor programs to local needs.

Whereas, the current levy formula is unfair to students because it authorizes levy limits by district that translate across the state into widely varying levy funds per student. These differences occur for no cost-based, rational reason.

Whereas, the current LEA formula is unfair to taxpayers and students because districts with similar property values per student and similar levy tax rates are eligible to receive very different amounts of state LEA aid per student. These funding differences are neither entirely cost-based nor rational.

Whereas, ESHB 2261 has ordered the workgroup to recommend a phase-in plan for the new system of levy and LEA funding that ensures no school district suffers a decrease in funding from one school year to the next during the implementation of the new system.

Therefore, be it

Resolved, that the Washington State PTA supports a new levy and LEA funding system that does indeed provide districts the means to meet their unique needs and enrich their programs, and be it further

Resolved, that the Washington State PTA supports a new levy and LEA funding system that is transparent so as to be understandable to policymakers, educators, parents and voters, and, be it further

Resolved, that the Washington State PTA supports an equitable levy system that is fair to all students and only allows for the differences in the amount of levy money raised per student that are based on rational and justifiable costs. Such rational and justifiable costs include those for the additional resources needed to educate students in special education or English Language Learners programs or who live in poverty, and operating schools in a high-cost region, whether it is urban, suburban or rural, and be it further

Resolved, that the Washington State PTA supports an equitable LEA system that only permits cost-based and rational differences in the maximum state LEA aid per student that a district may receive. Such cost based and rational differences should include those for a district's high-cost students and for operating in a high-cost region, and be it further

Resolved, that the Washington State PTA supports a new levy and LEA funding system that includes a "do-no-harm" provision. The total amount of local and state funding per student under the new funding system in each district should be no less than the district's prior total funding per student.

## Background (Supporting Document for Whereas's)

**Whereas, Levies and Local Effort Assistance (LEA) are an important supplement to state funding and by law, are intended to provide districts the means to enrich their school programs.**

- That levies and LEA are an important supplement to state funding is shown by the extent that levies and LEA affect nearly every district. For example, Table 3 in the *Source* OSPI document shows excess general fund levy funds as 15.73 percent of total school district revenues in 2007–08. Excess General Fund levies are one to four year levies used for day-to-day operations of the school and are known as maintenance and operation (M&O) levies. Table 2030 shows that 279 of 295 districts raised levies from their local communities, and 217 districts receive LEA subsidization. Levies affect 99.7% of the student population, while LEA addresses the needs of a smaller but still substantial subset: 69.7% of the population.

*Source:* OSPI reports <http://www.k12.wa.us/safs/PUB/LEV/0809/2030sum.pdf>  
[Tables 3 & 2030](#)

- Support for “by law:” The state court ruled that the Legislature may not use special excess levies to fund basic education; although such levies may be used to fund enrichment programs.

*Source:* School Funding I, Seattle School District v. State, 90 Wn. 2d, 476 (1978)

- The word “intended” may imply that, despite the law stating otherwise, districts do indeed use levy funds to pay for basic education. The implication is deliberate, as shown below.

Based on studies and anecdotal evidence, school districts do use their levies to provide basic education services, including general education, special education, and transportation. Many studies and anecdotal information support this:

For example, PTA’s case studies of three districts (these PTA reports are no longer available on the state PTA website, but should be) and the Ample School Funding studies by the Washington Association of School Administrators document the use of levy funds for basic education purposes.

*Source:* <http://www.wasa-oly.org/asfp.htm>

In particular, the WASA study on General Apportionment states that

In 2002-03, school districts expended \$4.910 billion in the general apportionment program (*a basic education program*). Of that amount, an estimated \$698 million or 14.2 percent came from local funding *Sources* equivalent to more than 61 percent of district special levy revenues. The state's school districts collectively expended more than received from the state for apportionment formula components, including staff salaries, staffing ratios and non-employee related costs.

*Source:* Ample School Funding Project for Washington State, Basic Education General Apportionment Program Funding Issues, Research Report January 27, 2005, Bill Freund, Project Consultant, p. 5. <http://www.wasapoly.org/Content/NavigationMenu/GOVERNMENTRELATIONS/AmpleSchoolFundingProject/finalreportapportionmentapp0127-fn.pdf>

Anecdotal evidence is provided by superintendents in WASA's 2007 Legislative Report 2007, Session Overview on page 2:

Superintendents from districts large and small testified repeatedly that districts are facing a financial crisis primarily because they have to increasingly rely on local levy funding to make up the difference between what the state provides for basic education programs and what it costs to carry them out; to meet the needs for additional programs to bring all students up to state mandated standards; to fulfill collective bargaining agreements for non-state employees; and, to pay for unfunded mandates.

*Source:* [http://www.wasapoly.org/Content/NavigationMenu/GOVERNMENTRELATIONS/PublicationsandPapersCurrent/07\\_session\\_report\\_updated.pdf](http://www.wasapoly.org/Content/NavigationMenu/GOVERNMENTRELATIONS/PublicationsandPapersCurrent/07_session_report_updated.pdf)

**Whereas, the state has acknowledged the need to reform the current levy and LEA system and through ESHB 2261 has ordered a workgroup to develop more fair options that adhere to giving local communities the flexibility to go beyond the basics, to enrich their school programs, experiment and innovate, and tailor programs to local needs.**

- ESHB 2261, Sec. 302 (1) Beginning July 1, 2010, the office of financial management, with assistance and support from the office of the superintendent of public instruction, shall convene a technical working group to develop options for a new system of supplemental school funding through local school levies and local effort assistance.

Sec. 301 (1) The legislature finds that while the state has the responsibility to provide for a general and uniform system of public schools, there is also a need for some diversity in the public school system. A successful system of public education must permit some variation among school districts outside the basic education provided for by the state to respond to and reflect the unique desires of local communities. The opportunity for local communities to invest in enriched education programs promotes support for local public schools. Further, the ability of local school districts to experiment with enriched programs can inform the legislature's long-term evolution of the definition of basic education. Therefore, local levy authority remains an important component of the overall finance system in support of the public schools even though it is outside the state's obligation for basic education.

Sec. 301 (2) However, the value of permitting local levies must be balanced with the value of equity and fairness to students and to taxpayers, neither of whom should be unduly disadvantaged due to differences in the tax bases used to support local levies. Equity and fairness require both an equitable basis for supplemental funding outside basic education and a mechanism for property tax-poor school districts to fairly access supplemental funding. As such, local effort assistance, while also outside the state's obligation for basic education, is another important component of school finance.

*Source:* Engrossed Substitute House Bill 2261  
<http://apps.leg.wa.gov/documents/billdocs/2009-10/Pdf/Bills/Session%20Law%202009/2261-S.SL.pdf>

**Whereas, the current levy formula is unfair to students because it authorizes levy limits by district that translate across the state into widely varying levy funds per student. These differences occur for no cost-based, rational reason.**

People have a general sense that levy formulas are unfair because a district's levy limit is determined by a levy percentage applied to the district's levy base and the levy percentage can vary for no rational reason from about 24% to 34%. One would expect that resulting levy limit per student would widely vary across districts.

However, because it's important to know more about the extent of the differences and whether they can be justified, I've further analyzed the levy limits per student across districts. So, the conclusion in this whereas statement is largely based on the analyses I've conducted for PTA.

I have conducted three analyses that have been documented.

1. An analysis of levy authorities in the 2001-02 school year. *Source:* Billingham, B., "PTA Case Study Part I: Three Districts Struggle with Inadequate Funding," Washington State PTA, 2006. pp.43-44. No longer available on line.
2. An analysis of levy authorities and LEA for the BEF Joint Task Force. *Source:* Inequities in State Equalization Aid and Levy Lids: The problems and a Possible Solution, Billingham's PTA presentation to Joint Task Force on Basic Education Finance, August 06, 2008.  
<http://www.tvw.org/media/mediaplayer.cfm?evid=2008080012D&TYPE=V&CFID=5345494&CFTOKEN=73136749&bhcp=1>
3. An analysis of levy authority and LEA for leadership class this past Aug. 8. 2009.

All the evidence from these three analyses support the conclusion stated in the "whereas" statement. I've used the results from the third analysis to illustrate.

As the table shows below, the range in the levy authority (or limit) per student for the not-adjusted group of districts is \$1,391 to \$2,710 per student. This represents a difference of \$1,309 per student, a big difference!!! Not-adjusted means that this is a straight-up calculation with no indexing.

2008 Levy Authority Per Student			
	School District	Not Adjusted	Adjusted
1	Richland	<b>\$1,391</b>	\$1,479
2	Yakima	\$1,431	<b>\$1,264</b>
3	Spokane	\$1,525	\$1,526
4	Federal Way	\$1,577	\$1,396
5	Vancouver	\$1,608	\$1,545
6	Issaquah	\$1,646	\$1,550
7	Enumclaw	\$1,647	\$1,532
8	Auburn	\$1,666	\$1,505
9	Kent	\$1,683	\$1,490
10	Vashon Island	\$1,733	\$1,643
11	Riverview	\$1,760	\$1,654
12	Renton	\$1,866	\$1,636
13	Bellingham	\$1,943	\$1,962
14	Highline	\$1,970	\$1,694
15	Bellevue	\$2,102	\$1,937
16	Mercer Island	\$2,246	\$2,204
17	Tukwila	\$2,543	\$2,103
18	Seattle	<b>\$2,710</b>	<b>\$2,308</b>

Should we be concerned about this difference? Well, we know that educating students cost more in some districts than in others. This is particularly true when a district has a lot of high-cost students (special ed, ELL, poverty) or if the district is located in a region where it's more expensive to live or conduct business.

So using a mathematical procedure recommended by the American Education Finance Association, I adjusted each district's levy limit using an index that accounts for the district's high cost students and whether the district is operating in a high-cost region. This indexing procedure is explained in the first report I did for PTA. See Appendixes III and IV in PTA's report, Washington State School Finances: Does Every Child Count? [http://fundingwaschools.org/WSPTA-School\\_Finances\\_Study\\_Mar2004\\_BB.pdf](http://fundingwaschools.org/WSPTA-School_Finances_Study_Mar2004_BB.pdf)

After making the adjustments, I would expect the variation among levy limits per students to be much smaller so as to be inconsequential. But that is not what I found. Instead large differences in levy limit per student still existed among the districts. The second column in the Table shows levy limits per student ranging from \$1,264 to \$2,308, a difference of \$1,044 per student that is still quite unfair!!!

**Whereas, the current LEA formula is unfair to taxpayers and students because districts with similar property values per student and similar levy tax rates are eligible to receive very different amounts of state LEA aid per student. These funding differences are neither entirely cost-based nor rational.**

In the PTA report documented below, I explained how the inequality inherent in the calculation of a district's levy authority (or limit) leads to an unfair calculation of the district's Local Effort Assistance per student. Districts' with the same property values (seen as a measure of fiscal capacity) can have very different per pupil levels of levy authorizations and very different per pupil levels of Local Effort Assistance. To be fair to students and taxpayers, districts with the same per pupil property value should have the same per pupil levy authorization and the same per pupil local effort assistance, all other things being the same.

*Source:* Billingham, B., "PTA Case Study Part I: Three Districts Struggle with Inadequate Funding," Washington State PTA, 2006. pp.43-44, Table 6. No longer available on line.

The analysis used in the Aug.8 Leadership Class shows that inequalities in LEA per student still exist after adjusting for districts' high cost students and whether the district is operating in a high-cost region. The adjustments used the same index described above for levy limit per students.

<b>2007 Local Effort Assistance LEA</b>			
	<b>District</b>	<b>Max LEA per Student Not Adjusted</b>	<b>Max LEA per Student Adjusted</b>
1	<b>Kent</b>	<b>\$66</b>	<b>\$47</b>
2	<b>College Place</b>	\$78	\$67
3	<b>Auburn</b>	\$82	\$59
4	<b>Arlington</b>	\$136	\$100
5	<b>Lynden</b>	\$161	\$142
6	<b>Puyallup</b>	\$165	\$129
7	<b>Woodland</b>	\$191	\$155
8	<b>Meridian</b>	\$217	\$189
9	<b>Hockinson</b>	\$219	\$188
10	<b>Tenino</b>	\$227	\$175
11	<b>Adna</b>	\$245	\$225

12	<b>Cheney</b>	\$248	\$208
13	<b>Concrete</b>	<b>\$353</b>	<b>\$291</b>
Districts with similar adjusted property value per student. \$444,000 to \$462,000 per student			

Difference in maximum LEA per student is \$287 or (\$353 - \$66). After adjustment, the difference is still large: \$244 or (\$291-\$47)!!!

See also similar evidence and explanation in the following: *Source: Inequities in State Equalization Aid and Levy Lids: The problems and a Possible Solution, Billingham's PTA presentation to Joint Task Force on Basic Education Finance, August 06, 2008.*

<http://www.tvw.org/media/mediaplayer.cfm?evid=2008080012D&TYPE=V&CFID=5345494&CFTOKEN=73136749&bhcp=1>

PTA isn't the only group to acknowledge the inequalities in LEA. A 2002 Joint Task Force on Local Effort Assistance made similar observations as the PTA report. The JTF report contains Exhibit 3 which shows "examples of groups of districts with similar assessed [property] values per student having different levy bases (state and federal revenues) per student. Differences in levy base per student can lead to differing levy equalization eligibility." As Representative Anderson points out in his minority report to this JTF Report, "[This] information ...points to weaknesses and inequities in the allocation of funding under the Local Effort Assistance program. .... These weaknesses and inequities include the widely differing amounts of local effort assistance received by districts with very similar fiscal capacity [assessed property value per student]."

*Source: Final Report to the Legislature of the Joint Task Force on Local Effort Assistance, December 1, 2002, authored by Bill Freund, consultant to the Task Force. No longer available on line.*

Finally, the conclusion of the Basic Education Finance Joint Task Force at least supports the notion that levies and LEA funding are not now fair; and the new levy and LEA system should be calculated on a per student basis.

"Local levies should be limited and equalized to assure a basic equity across the state. Unlike the current system, the new levy system should be based on how much local support is permitted per student, rather than being based on either local property values or the revenues generated by the district. Equity requires both an equitable base (local funding per student) and a mechanism for property-tax-poor districts to provide programs substantially similar to any other district."

*Source: Final Report of the Joint Task Force on Basic Education Finance, January 14, 2009 Report to the Washington State Legislature as directed by SB 5627, 2007 Legislature, page 22 in hard copy or page 36 in the counter box.*

<http://www.leg.wa.gov/documents/joint/bef/FinalReport.pdf>

**Whereas, ESHB 2261 has ordered the workgroup to recommend a phase-in plan for the new system of levy and LEA funding that ensures no school district suffers a decrease in funding from one school year to the next during the implementation of the new system.**

- **Sec. 302. (2) of ESHB 3361** (2) The working group shall consider the impact on overall school district revenues of the new basic education funding system established under this act and shall recommend a phase-in plan that ensures that no school district suffers a decrease in funding from one school year to the next due to implementation of the new system of supplemental funding.

*Source:* Engrossed Substitute House Bill 2261

<http://apps.leg.wa.gov/documents/billdocs/2009-10/Pdf/Bills/Session%20Law%202009/2261-S.SL.pdf>

## Reference Sheet

1. OSPI reports, School District Property Tax Levies, 2008 Collections, Tables 3 & 2030 <http://www.k12.wa.us/safs/PUB/LEV/0809/2030sum.pdf>
2. School Funding I, Seattle School District v. State, 90 Wn. 2d, 476 (1978)
3. The Ample School Funding studies by the Washington Association of School Administrators document the use of levy funds for basic education purposes. <http://www.wasa-oly.org/asfp.htm>
4. Ample School Funding Project for Washington State, Basic Education General Apportionment Program Funding Issues, Research Report January 27, 2005, Bill Freund, Project Consultant, p. 5. <http://www.wasa-oly.org/Content/NavigationMenu/GOVERNMENTRELATIONS/AmpleSchoolFundingProject/finalreportapportionmentapp0127-fn.pdf>
5. WASA's 2007 Legislative Report 2007, Session Overview on page 2: [http://www.wasa-oly.org/Content/NavigationMenu/GOVERNMENTRELATIONS/PublicationsandPapersCurrent/07\\_session\\_report\\_updated.pdf](http://www.wasa-oly.org/Content/NavigationMenu/GOVERNMENTRELATIONS/PublicationsandPapersCurrent/07_session_report_updated.pdf)
6. A 2009 Citizen's Guide to Washington K-12 Finance prepared by the staff of the Senate Ways and Means Committee, p. 7. <http://www.leg.wa.gov/documents/Senate/SCS/WM/SwmWebsite/Publications/BudgetGuides/2009/K1209.pdf>
7. Final Report of the Joint Task Force on Basic Education Finance, January 14, 2009 Report to the Washington State Legislature as directed by SB 5627, 2007 Legislature, pages iii, v, 21-22. <http://www.leg.wa.gov/documents/joint/bef/FinalReport.pdf>
8. Billingham, B., "PTA Case Study Part I: Three Districts Struggle with Inadequate Funding," Washington State PTA, 2006. pp.42-44 and Tables 4 and 6. No longer available on line.
9. Billingham, B., Washington State School Finances: Does Every Child Count? Washington State PTA, March 2004. [http://fundingwaschools.org/WSPTA-School\\_Finances\\_Study\\_Mar2004\\_BB.pdf](http://fundingwaschools.org/WSPTA-School_Finances_Study_Mar2004_BB.pdf)
10. Final Report to the Legislature of the Joint Task Force on Local Effort Assistance, December 1, 2002, authored by Bill Freund, consultant to the Task Force. No longer available on line.

11. Inequities in State Equalization Aid and Levy Lids: The Problems and a Possible Solution, PTA presentation to Joint Task Force on Basic Education Finance, B. Billinghamurst, August 06, 2008.

<http://www.tvw.org/media/mediaplayer.cfm?evid=2008080012D&TYPE=V&CFID=5345494&CFTOKEN=73136749&bhcp=1>

12. Engrossed Substitute House Bill 2261, sections 1 and 302.

<http://apps.leg.wa.gov/documents/billdocs/2009-10/Pdf/Bills/Session%20Law%202009/2261-S.SL.pdf>