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LEGISLATIVE MEMO

After election, some state lawmakers move to cancel local property tax cut

By Liv Finne, Director, Center for Education

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Key Findings:

1. **Some state lawmakers are proposing a bill to cancel a cut in local property taxes planned to go into effect on January 1, 2018.**

2. **In 2010, lawmakers passed temporary legislation to allow a short-term increase in local property taxes for schools.**

3. **At the time, legislative leaders stressed the measure was temporary and that rates would return to normal levels in 2018.**

4. **School administrators have known about the coming tax reduction for seven years, yet many are pushing lawmakers to cancel the tax cut.**

5. **Sponsors of the new bill say cancelling the tax cut would only be temporary, but of course that is what they said last time.**

6. **Keeping the promise to return to normal tax rates would assure the public that lawmakers were not lying when they passed the temporary bill, and it would increase confidence that school officials can plan for revenue changes they have known about for seven years.**

Introduction

With the 2016 election over, some state lawmakers are considering a bill to break a commitment they made to the public six years ago not to raise local property taxes. The lawmakers want to cancel a promised return to lower tax rates planned for January 1, 2018.

In 2010, lawmakers passed temporary legislation to allow a short-term increase in local property taxes for schools.[1] The bill weakened homeowner protections by allowing local officials to increase taxes from a district's levy lid of 24 percent to 28 percent, representing a 16 percent increase in the tax burden placed on homeowners and business owners. Other changes in the temporary legislation allowed district officials to seek more levy money than in the past.[2]

Short-term tax increase

Legislative leaders stressed that the tax increase was temporary, and that the tax burden would return to normal levels starting January 1, 2018.

1 "Changing school levy provisions," Substitute House Bill 2893, passed March 11, 2010, and signed with partial veto by Governor Christine Gregoire on March 29, 2010, at app.leg.wa.gov/billsummary?BillNumber=2893&Year=2009, citation is RCW 84.52.0531.

2 A district's levy base includes most state and federal revenues received by the district the previous year. SHB 2893 also expanded the levy base to include the amount that districts would have received under Initiatives 728 and 732 and to include the enhanced allocation for reducing class sizes in K-4th grade. RCW 84.52.0531 also allows district officials to seek more money from taxpayers in the middle of a levy cycle through additional levy authority.

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During floor debate Rep. Marcie Maxwell (D-Renton) said, "I know there is some controversy with [this bill]. I know that it is a temporary measure.…" (February 13, 2010).[3]

Rep. Pat Sullivan (D-Kent) told the public, "This is just one piece, a temporary piece...." (February 13, 2010).[4]

Rep. Tina Orwall (D-Normandy Park) told the public the bill is a "temporary measure" (February 13, 2010).[5]

Rep. Marko Liias (D-Edmonds) similarly told the public the bill was being enacted "on a temporary basis" (February 13, 2010).[6]

A few weeks later, Senate leaders promised property owners that taxes would return to normal levels starting on January 1, 2018.

Senator Rosemary McAuliffe, (D-Bothell), chair of the Senate Education Committee which drafted the bill, said, "This is a temporary piece of legislation that gives them [school districts] a bridge…" (March 11, 2010).[7]

When Governor Christine Gregoire signed the bill she repeated the promise that taxes would return to normal levels on January 1, 2018.

She said, "…This bill [is] for the period 2011 to 2017. It increases school district levy lids by four percentage points…." (March 29, 2010).[8]

As a further commitment to the public, lawmakers described the temporary nature of their tax increase in the title of the bill, which provides that the temporary tax increase will expire on January 1, 2018.

SHB 2893 bill title, "Levies by school districts – Maximum dollar amount for maintenance and operation support – Restrictions – Maximum levy percentage – Levy reduction funds – Rules (Effective until January 1, 2018).

The text of the law provides that after 2017 levy lids will return to the normal twenty-four percent limit.

"A district's maximum levy percentage shall be twenty-four percent in 2010 and twenty-eight percent in 2011 through 2017 and twenty-four percent every year thereafter."[9]

School officials fail to prepare

School district administrators have known about the legislature's planned return to lower tax rates for seven years, but they are now pushing hard to urge lawmakers to cancel the original tax-relief policy and enact a tax increase starting January 2018. The result would be a permanent reduction in household incomes across the state.

Administrators and union executives say they face a so-called "levy cliff." They are demanding that lawmakers go back on their public commitment, even though the temporary policy was announced by lawmakers of both parties and the governor,

3 "Floor debate, Washington state House of Representatives," TVW, February 13, 2010, at time mark 44:43, at www.tvw.org/watch/?eventID=2010021209.

4 Ibid, at time mark 28:53.

5 Ibid, at time mark 1:04:36.

6 Ibid, at time mark 1:07:49.

7 "Floor debate, Washington state Senate," TVW, March 11, 2010, at time mark 53:49, at www.tvw.org/watch/?eventID=2010031078.

8 "Governor Gregoire bill signing ceremony," at Auburn High School, Auburn, Washington, TVW, March 29, 2010, at time mark 34:42, at www.tvw.org/watch/?eventID=2010031007.

9 Text of SHB 2893, enacted March 29, 2010, Revised Code of Washington 84.52.0531, Section 7(a).

and even though the promised end-date was included in the title of the bill.

The so-called "levy cliff" has existed since lawmakers passed the bill in 2010 and is an intended part of the legislation. Returning local levy rates to normal is not a surprise, it is part of the original promise.

Local school administrators have known about the planned return to normal tax rates for years, but some of them have failed to plan accordingly. Rather than accepting accountability, they want to shift the problem onto families in their communities, and they want state lawmakers to bear the criticism for breaking their promise. In the meantime, school administrators want to enjoy an increase in public money for their own budgets while avoiding responsibility for burdening local families.

WEA union profits for school spending

WEA union executives are adamant about getting a "levy cliff" tax increase because they benefit financially from public education spending.

The public responded in good faith to lawmakers' promises, and approved what they thought would be a temporary increase in local property taxes. Working people in Washington now provide the state with a record level of money for public schools, over $18 billion per budget, a 34 percent increase in four years.

Education spending now at historic highs

Total per-student spending in Washington is at historic highs, at nearly $13,000 per student, more than tuition at many private schools. Yet mismanagement and failure to plan means education interests constantly ask people for more. Still, while benefiting from the money they gain through higher taxes, union executives and school administrators seldom say, "Thank you."

Conclusion – maintaining public trust

Homeowners across the state will likely be upset as they learn state lawmakers are working soon after an election to break a clear promise made to the public. Schools depend on the public's good will to provide the taxes that fund education opportunities for all children. Breaking a legislative promise erodes public trust, and contributes to the widespread perception that the system is rigged because elected officials are being deceptive.

The policy solution is simple. Lawmakers should allow local property rates to return to normal on January 1, 2018, as they planned from the beginning. School administrators should manage public resources in ways that benefit children, based on the well-known funding policies set by the legislature.

Keeping the promise to return to normal tax rates would assure the public that lawmakers and Governor Gregoire were not lying when they passed the temporary bill. It would also improve the public's confidence in local school officials, by encouraging them to plan responsibly for funding changes they have known about for seven years.

Liv Finne is Washington Policy Center's director of the Center for Education.