

SB 5313, SB 5316, and SB 5466: Lawmakers and school officials seek property tax increase and to return to a policy of inequity in school funding

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Key Findings:

- 1. HB 5313, SB 5316, and SB 5466 would provide a bailout to school districts by allowing administrators to push for higher local property taxes.
- 2. These bills would undermine the court's ruling in the McCleary school funding case.
- 3. The bills would cancel the Legislature's 2017 McCleary settlement by repealing the bipartisan limit on local levy collections.
- 4. The bills would disproportionately benefit wealthy school districts and disadvantage property-poor districts, and create large funding inequalities for children across the state.
- 5. Property taxes have already increased sharply. State funding for K-12 schools grew from \$13.5 billion \$22.8 billion in six years, an increase of \$9.3 billion, or 69 percent.
- 6. Still, many school officials put their budgets in deficit and threaten to cut programs if they don't get a bailout.
- 7. The result of this cycle is ever-higher taxes imposed on the people of Washington state.
- 8. Lawmakers should maintain the integrity of McCleary funding, and not enact policies to privilege wealthy communities while creating inequalities that harm families living in propertypoor districts.

Introduction

Senator Lisa Wellman (D-Mercer Island), Chair of the Senate Education Committee, has introduced three bills, SB 5313, SB 5316, and SB 5466, to provide a bailout to school districts by allowing administrators to push for higher local property taxes, in violation of the court's ruling in the *McCleary* school funding case. If passed, the bills could result in increases in local taxes of up to \$2.1 billion a year.¹

These bills would cancel the Legislature's 2017 *McCleary* agreement by repealing the bipartisan limit on local levy collections and again introduce funding inequality among school districts.² By promoting reliance on local property taxes to fund schools, the bills would disproportionately benefit wealthy school districts and disadvantage property-poor districts.

The three bills would also increase dependency on irregular local levies to fund K-12 schools. These bills would turn back the clock to the pre-*McCleary* education funding formulas, when the state over-relied on local levies to fund education, creating large inequalities for children across the state.

¹ Testimony of Senator John Braun, Superintendent of Public Instruction, Chris Reykdal, and T.J. Kelly, Director School Apportionment and Financial Services, Office of Superintendent of Public Instruction, Senate Ways and Means Committee, January 21, 2019, at https://www.tvw.org/watch/?eventID=2019011170, at 59:08—1:00:55.

² SB 5316, sponsored by Senator Wellman, would repeal the McCleary levy lid, allowing districts to choose the greater of \$1.50 per thousand of assessed property value or \$2,500 per student. SB 5313, from Governor Inslee, would repeal the current levy lid and allows districts to collect 28 percent of the district's levy base, that is, 28 percent of the district's state and federal revenue from the prior year. SB 5466, from the Office of Superintendent of Public Instruction, would repeal the levy lid by allowing districts to collect 22 percent of their levy base or \$3,500 per pupil, whichever is less.

Background; Superintendent Reykdal misrepresents the *McCleary* case

On January 21st, State Superintendent of Public Instruction Chris Reykdal, in support of these three bills, testified before the Senate Ways and Means Committee that:

"Two years ago...you appropriately sent enough money to districts now, and the court has blessed your plan, to say you are now supplying enough state money to fund your prototypical model. You chose to cut local levies, something not mandated by the court, now that it is clearly enrichment, *those can be as high or as low as this body and your colleagues in the House and the governor want it to be.*"³ (Emphasis added)

Two days later Superintendent Reykdal told the Senate K-12 Education committee:

"...You spent a lot of years grappling with the idea that the problem with basic ed is that we were too dependent on local levies. That actually was not the court case....[There was] *no mandate whatsoever* [*from the court*] *to reduce local levies*.^{™4} (Emphasis added)

Superintendent Reykdal is mistaken, and misrepresented the court's actions in his statements to the Legislature. The court specifically ruled that state lawmakers may not rely on local taxes to fund basic education for children.

The justices held the state is required to provide funding by "means of dependable and regular tax sources." The court said:

"...we rejected special excess levies as 'dependable and regular' not only because they are subject to the whim of the electorate, but also because they are too variable insofar as levies depend on the assessed valuation of taxable real property at the local level. *Id. at 525*.

"This latter justification implicates both the equity and the adequacy of the K-12 funding system. Districts with high property tax values are able to raise more levy dollars than districts with low property values, thus affected the equity of a statewide system.

"Conversely, property-poor districts, even if they maximize their local levy capacity, will often fall short of funding a constitutionally adequate education... In short, the State's reliance on local dollars to support the basic education program fails to provide the "ample" funding article IX, section I requires..." ⁵

To comply with the court, the Legislature passed two biennial state budgets, in 2013-15 and 2015-17. These budgets permanently increased school funding based on dependable and equitable state resources. Then, in 2017, the state Legislature passed EHB 2242, in fulfillment of the McCleary decision's requirement. The new school funding law:

- 1. Funded the full cost of providing a basic education to Washington's students, from state sales, Business and Occupation, and property taxes. Increased the state property tax for schools, to \$2.70 per thousand. King County property taxes have increased by an average of 17%, adding about \$800 in tax on a median valued home of \$509,000.⁶
- 2. Limited local levies to reduce inequities in school funding.⁷
- 3. Added \$4.6 billion in additional funding to schools, on top of recent funding increases.

³ Testimony of Superintendent Reykdal before Senate Ways and Means Committee, January 21, 2019 at https:// www.tvw.org/watch/?eventID=2019011170, at 37:48.

⁴ Testimony of Superintendent Reykdal before Senate K-12 Education Committee, January 23, 2019, at https:// www.tvw.org/watch/?eventID=2019011209, at 40:45.

⁵ *McCleary v. State of Washington*, 173 Wn.2d 477, 269 P.3d 227 (2012), page 56.

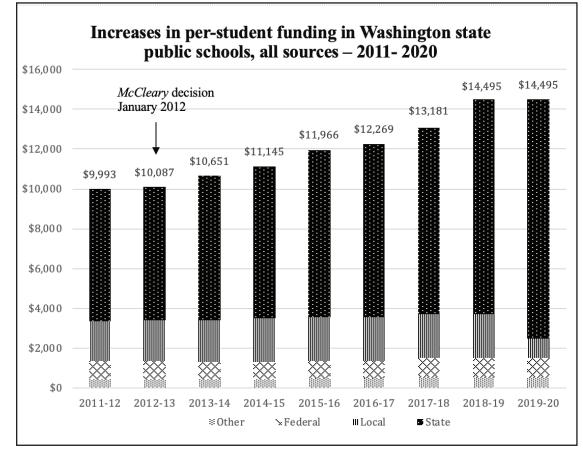
^{6 &}quot;Why property taxes are going up," by Paul Guppy, *Washington Policy Center*, May 2018, at https://www. washingtonpolicy.org/library/doclib/Guppy-Propertytaxes-are-going-up-2.pdf.

⁷ Testimony of Jeff Mitchell, Staff, before Senate Ways and Means Committee, January 21, 2019, at https://www. tvw.org/watch/?eventID=2019011170, at 25:37—26:55.

State funding for K-12 schools grew from \$13.5 billion in 2011-13 to \$22.8 billion in 2017-19, an increase of \$9.3 billion, or 69 percent. It also shifted reliance to the state, and away

live."9

On June 7, 2018 the state supreme court unanimously approved the Legislature's action,



from the inequality and disparities created by local funding. The large permanent increase in funding for schools is shown in the chart below:⁸

Governor Inslee announced his support for the legislation, including his support for limiting how much schools rely on the inequities of local levies:

"I believe this budget, at long last, will meet our constitutional obligations to fully and fairly fund basic education, and it also addresses responsibilities we have under the McCleary decision to equitably fund our schools, no matter where (students) formally recognized that the legal requirement to fund schools had been met, and declared the *McCleary* case over.¹⁰

After receiving funding increases, many school officials put their budgets in deficit

During the summer and fall of 2018, many school districts awarded double-digit pay increases to their staff. School administrators then told news media the pay raises they had approved put their budgets in deficit. For example, JoLynn Berge, Chief Financial Officer for Seattle Public Schools, told *The Seattle Times* that the 10.5 percent pay increases to

^{8 &}quot;Finding: State budget increases show Washington's public schools are not underfunded" by Liv Finne, Washington Policy Center, February 2018, at https:// www.washingtonpolicy.org/library/doclib/Finneschool-funding-2.18.pdf.

^{9 &}quot;Gov. Inslee signs \$43.7 billion state budget," KING5 News, July 30, 2017 at https://www.king5.com/article/news/local/olympia/govinslee-signs-437-billion-state-budget/281-453348823

^{10 &}quot;Washington Supreme Court ends long-running McCleary education case against the state," by Joseph O'Sullivan, *The Seattle Times*, June 7, 2018, at https:// www.seattletimes.com/seattle-news/washingtonsupreme-court-ends-100000-per-day-sanctions-againststate-in-mccleary-education-case/.

staff that she and the board had approved were unaffordable:

"If the (maintenance and operations) levy [in February] does not pass, we won't be able to make it [in funding promised pay raises]."¹¹

The cost of these pay increases to taxpayers was about \$55 million.¹² Average teacher pay in Seattle is now at \$86,300, a 30 percent increase in the last five years, and more than the take-home pay of most working families.¹³

State officials recognized the problem of local school officials putting their budgets into deficit, then seeking a bailout from the state. *The Everett Herald* wrote:

- "...Senator Palumbo appeared to blame district leaders for putting themselves in this position.
- ""What concerns me are recent comments in the press from superintendents who are acknowledging that they are making unsustainable budget decisions and that the Legislature is going to have to bail them out in the next several years,' he said. 'I think that is a recipe for disaster'There is no appetite in Olympia to bail out school boards and superintendents who make bad budget decisions.""¹⁴

School administrators threaten to harm student learning if they don't get a bailout

Eight school superintendents, or their district representatives, recently testified to Senate committees in support of these three bills. Each administrator threatened to cut learning services to their students unless they receive more money from tax increases. For example, JoLynn Berge, said that without more tax money, Seattle Public Schools will "make cuts in 2019-20."¹⁵

This hardened attitude follows a pattern. In the years leading up to the 2017 *McCleary* agreement, these administrators demanded more money from the state. Then, after the state gave them a \$9.3 billion increase, many administrators put their budgets in deficit. They now threaten cuts unless they are allowed to pass higher local taxes and gain access to \$1 billion to \$2.1 billion in additional money.

District superintendents have made another threat. Jim Kowalkowski, superintendent of the Davenport School District, and Gene Sementi, superintendent of West Valley (Spokane), said they will reduce their funding for programs that raise graduation rates.¹⁶ Tacoma's superintendent Carla Santorno said she would also cut graduations, saying, "Without this flexibility we will be....putting our success at graduating students at risk."¹⁷

Conclusion

The three bills proposed by Senator Wellman, the Superintendent of Public Instruction, and Governor Inslee would turn back the clock to the pre-McCleary era, when schools relied on inequitable and unreliable funding from local levies. These bills would return the state to over-reliance on undependable, irregular and inequitable local levies to fund education.

^{11 &}quot;Seattle educators ratify new teachers union contract," by Neal Morton, *The Seattle Times*, September 8, 2018, at https://www.seattletimes.com/education-lab/seattleeducators-ratify-new-teachers-union-contract/.

^{12 &}quot;Read highlights and and full tentative contract between Seattle Public Schools and teachers union," Dahlia Bazzaz, *The Seattle Times*, September 4, 2018, at https:// www.seattletimes.com/seattle-news/education/read-thefull-tentative-contract-between-seattle-public-schoolsand-its-teachers-union/.

^{13 &}quot;Seattle educators ratify new teachers union contract," by Neal Morton, *The Seattle Times*, September 8, 2018, at https://www.seattletimes.com/education-lab/seattleeducators-ratify-new-teachers-union-contract/.

^{14 &}quot;Big raises now may mean deficits later for public schools; District leaders and teachers will push lawmakers for changes to stabilize budgets and avoid layoffs," Jerry Cornfeld, *The Everett Herald*, September 10, 2018 at https://www.heraldnet.com/news/big-raisesnow-may-mean-deficits-later-for-public-schools/.

¹⁵ Testimony of JoLynn Berge before Senate Ways and Means Committee, January 21, 2019 at https://www.tvw. org/watch/?eventID=2019011170, at 1:25:55.

¹⁶ Testimony of Jim Kowalkowski and Gene Sementi before Senate Ways and Means Committee, January 21, 2019, at Sementi https://www.tvw.org/ watch/?eventID=2019011170, at 1:29:00 and 1:37:15, respectively.

¹⁷ Testimony of Carla Santorno before Senate Ways and Means Committee, January 21, 2019, at https://www. tvw.org/watch/?eventID=2019011170, at 1:44:40.

District	Superintendent Salary and benefits:	2011-12 Budget:	2018-19 Budget:	Percent budget increase:
Seattle	Denise Juneau (\$374,129)	\$577,741,501	\$955,501,281	65 percent
Tacoma	Carla Santorno (\$347,161)	\$337,424,995	\$466,885,637	38 percent
Olympia	Patrick Murphy (\$300,122)	\$86,536,432	\$137,122,690	58 percent
Highline	Susan Enfield (\$336,746)	\$188,089,000	\$308,195,258	64 percent
West Valley (Spokane)	Gene Sementi (\$261,234)	\$35,012,500	\$49,598,027	42 percent
Davenport	Jim Kowalkowski (\$157,812)	\$5,788,945	\$8,492,284	47 percent
Walla Walla	Wade Smith (\$254,403)	\$62,091,263	\$78,776,883	27 percent
Freeman	Randy Russell (\$209,690)	\$8,753,135	\$11,394,511	30 percent

Superintendent pay and benefits and budget increases in districts that plan to cut student learning services and funding for programs that raise graduation rates, 2011-2019

By calling for property tax increases, these three bills would increase the burden on families by an additional \$1 billion to \$2.1 billion. Elderly couples on fixed incomes, young families trying to buy their first home, and middle class families living from paycheck to paycheck would be most heavily impacted.

The bills would also work against the public interest, because they would reward school administrators for failing to plan and to maintain stable budgets at a time of rising taxes and rising state spending on education. In effect, these school officials would remain unaccountable for their bad budget decisions, creating the likelihood that schools would again put their budgets into deficit on the expectation local property owners would provide them a bailout. The result of this cycle is an ever-higher tax burden imposed on the hardworking people of Washington state.

Lawmakers should instead work to maintain the integrity of the *McCleary* funding law, keep the promises they made on providing stable state resources for schools, and not enact policies that privilege wealthy communities while creating inequalities that harm families living in property-poor districts.

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Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body

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