

‘Levy cliff’ looms over Legislature’s education funding debate

School districts will lose some property tax authority in 2018

District officials say they need the deadline extended

Legislature still must correct school funding as ordered by state Supreme Court



The Legislative Building at the state Capitol in Olympia is shown on Jan. 3, 2013. **Tony Overman** File, 2013

BY MELISSA SANTOS
THE OLYMPIAN

State lawmakers say 2016 will be the year they finally will agree on a plan to fully fund basic education, something the state Supreme Court ordered them to do two years ago.

Paying for that plan, however, [is something that probably won't happen until 2017](#). And school districts throughout the state say they can't afford to wait for the Legislature to come up with the money.

Districts are approaching what officials call a “levy cliff,” an upcoming reduction in how much money school districts can collect through local property tax levies.

Because of that, district officials say they urgently need the Legislature to either fix the unconstitutional way the state funds education — a big job that legislative leaders have said they are unlikely to tackle this year — or else delay the planned reduction in local levy authority that threatens to cut millions from school district budgets in the 2017-18 school year.

Lawmakers return to Olympia for a new 60-day session starting Monday.

“It’s clearly going to be a year where they’re going to punt — it’s unfortunate, but it’s the reality of the political situation they face,” said Tom Seigel, superintendent of the Bethel School District in Pierce County. “The best we can ask for is for them not to punish us any more, and one way to do that is to extend the current authorized levy lid.”

“IT’S CLEARLY GOING TO BE A YEAR WHERE THEY’RE GOING TO PUNT. ... THE BEST WE CAN ASK FOR IS FOR THEM NOT TO PUNISH US ANY MORE”

Tom Seigel, superintendent of the Bethel School District

If lawmakers don’t intervene, school districts statewide will be able to raise \$260 million less in local property taxes in 2018 than they could in 2015, according to a state Senate committee presentation from last year.

The Washington Association of School Administrators estimates the effect will be even higher — closer to \$480 million statewide — and that at least half of the state’s 295 school districts will be negatively affected.

Some lawmakers, however, say pushing back the dreaded levy cliff would only delay progress toward the Legislature’s overall goal of fully funding public schools, something the state is under a court order to do by 2018. The reduction in local levy authority, as written in state law, would take effect the same year.

“The current deadline provides significant motivation to solve the overall problem,” said state Sen. Bruce Dammeier, R-Puyallup. “If you do what folks are talking about — just extend the current deadline — it just allows the problem to continue and get worse.”

THE PROBLEM

Right now, lawmakers are in contempt of court for failing to come up with a detailed plan to fully fund public education, something the state court first ordered in January 2014 as part of the ongoing McCleary school funding lawsuit.

Originally in the McCleary case, the high court ruled in 2012 that the state was failing to meet its constitutional duty to fully fund basic education, and must correct the funding

problem by 2018. Lawmakers' slow progress since the initial ruling has prompted more court orders and, most recently, a court sanction of \$100,000 a day.

IF YOU DO WHAT FOLKS ARE TALKING ABOUT — JUST EXTEND THE CURRENT DEADLINE — IT JUST ALLOWS THE PROBLEM TO CONTINUE AND GET WORSE.

State Sen. Bruce Dammeier, R-Puyallup

Although the Legislature has addressed several parts of the McCleary ruling, lawmakers have yet to resolve the state's unconstitutional reliance on local property tax levies to pay for teacher and other school employee salaries. The court has said those basic education costs are a state responsibility and shouldn't be paid through local school district levies.

While a state law from the 1970s capped how much school districts could raise through local levies, lawmakers have periodically raised the levy lid over the years, allowing school districts to seek additional funding from local voters to help cover their operating costs, including salaries.

In 2011, lawmakers increased school districts' local levy capacity yet again to help cash-strapped school districts during the economic recession.

24% Previous local levy lid for most school districts, based on state and federal dollars they receive

28% Temporary levy lid lift for most districts, which expires in 2018

4% Levy authority that school districts will lose in 2018, if lawmakers don't change law
With the increase, most districts could use local levies to generate up to 28 percent of the revenue they received the previous year from state and federal sources. Previously, most districts' levy authority was capped at 24 percent, though some districts were grandfathered in at higher levels.

The grandfathered districts, too, had their levy authority increased by four percentage points between 2011 and 2017.

"They gave us the extra 4 percent as kind of a way to keep us moving along without falling totally over, while giving them additional years to fix the problem," said Seigel, the Bethel superintendent.

Now, the temporary increase in the levy lid is set to expire, creating the levy cliff starting in 2018.

“The levy cliff is a small symptom of the much larger levy inequity problem where we have pushed so much of the state’s responsibility onto local school districts,” Dammeier said. “And that just hits our schools and our taxpayers in an unfair way.”

Also in 2018, school districts stand to lose some levy equalization money, which is state funds to help even out disparities in how much school districts can raise through local property taxes.

THE EFFECTS

Seigel said unless the Legislature delays the 2018 levy cliff, Bethel officials will have to cut \$10.2 million from the school district’s 2017-18 budget.

He and officials from other districts have said they would need to start planning for those cuts in January 2017, which is why they want the Legislature to act this year.

If lawmakers wait until 2017, school districts will probably have to start issuing layoff notices while the Legislature still is in session debating school funding issues, said Jennifer Priddy, assistant superintendent in the Olympia School District.

“IF THEY DON’T TAKE ACTION THIS SESSION, THEY’RE NOT GOING TO HAVE FINISHED THEIR NEXT SESSION BY THE TIME WE’RE STARTING OUR BUDGETS. SO WE WILL BE PLANNING FOR CUTS”

Jennifer Piddy, assistant superintendent for the Olympia School District

Each year, school district officials face a May deadline for issuing layoff notices to teachers. Last year, the Legislature took until July to finalize the state’s new two-year budget, and still dodged the issue of how the state should assume the cost of teacher and other school employee salaries.

Priddy said she worries that next year, the Legislature’s process could take equally long.

“If they don’t take action this session, they’re not going to have finished their next session by the time we’re starting our budgets,” Priddy said. “So we will be planning for cuts in the event they don’t fix this problem.”

In Olympia, the levy cliff threatens to reduce the district’s budget by 4.3 percent, or \$4.7 million, in the 2017-18 school year, district officials said.

North Thurston Public Schools would need to cut about \$10 million from its budget in the the 2017-18 school year, while Tacoma Public Schools would have to reduce its

annual budget that school year by about \$7 million, according to figures provided by the districts.

A POTENTIAL FIX?

Olympia school officials and others want the Legislature to extend school districts' current levy authority another year, or until the Legislature comes up with a solution for the state's larger education funding crisis.

House Majority Leader Pat Sullivan, D-Covington, said he supports delaying the levy cliff for one year, which he said would give school districts some relief and certainty as they enter their budgeting process in 2017.

"I think we have an obligation to extend that levy cliff by a year," Sullivan said. "That still keeps the pressure on the Legislature to solve the problem."

MY ADVICE TO THE SCHOOL DISTRICTS IS, ASSUME THE LEVY CLIFF IS GOING TO OCCUR, BECAUSE THAT'S THE ONE THING THAT'S FOR SURE RIGHT NOW.

State Sen. Andy Hill, R-Redmond, the chief budget writer in the state Senate
Delaying any longer, however, could take pressure off the Legislature to fix the state's unconstitutional school levy system, Sullivan said. Without the threat of a levy cliff in 2019, for instance, lawmakers might not be as motivated to solve school funding issues by the 2018 McCleary deadline, he said.

Some lawmakers caution school district officials that there are no guarantees the Legislature will step in this year to delay the levy cliff, and that they should plan accordingly.

"My advice to the school districts is, assume the levy cliff is going to occur, because that's the one thing that's for sure right now," said state Sen. Andy Hill, a Republican from Redmond who is the Senate's chief budget writer.

"The Legislature may act and solve it," Hill said, "But if I were them, I'd be hoping for the best and planning for the worst."

Melissa Santos: 360-357-0209, [@melissasantos1](#)

[Read more here: http://www.theolympian.com/news/local/politics-government/article54019190.html#storylink=cpy](http://www.theolympian.com/news/local/politics-government/article54019190.html#storylink=cpy)