Talking Points—Making Local Sense of *McCleary* for Puyallup School District

**Background**

- Two State Supreme Court rulings in 1978 and 2012 found the state’s method of funding our public schools unconstitutional. The key issue in both cases was a reliance on local levies to fund basic education costs which are deemed by the Court to be the state’s responsibility. The 2012 *McCleary* ruling stated:

> The shortfall in state funding forced school districts to increasingly rely on local levies to meet the actual costs of the basic education program (pg. 67). Reliance on levy funding to finance basic education was unconstitutional 30 years ago in Seattle School District, and it is unconstitutional now (pg. 68).

- In multiple orders, the Court has stated that the deadline for full compliance is 2018. In their most recent order, the Court specified the deadline to be September 1, 2018. Given that deadline, the *biennial budget adopted in 2017 is the Legislature’s last opportunity to comply with the Court’s ruling*.

**Local Levy Collections**

- With this presentation, we’ll analyze both the revenue and expenditure side of our local maintenance and operations levy. We’ll first explore our levy collections along with state averages.
  - For 2015, our per student levy funding including Local Effort Assistance (LEA) was $2,679 compared with a state average of $2,597.
  - In that same year, our tax payer cost was $4.17 per $1,000 compared with a state average of $2.60 per $1,000.
  - We receive the equivalent of $359 per student LEA which is designed to provide some degree of tax payer relief for school districts low in total property values.

- The term levy cliff refers to the reduction in levy authority of four percentage points, along with a two-percentage point reduction in LEA. That change is scheduled to occur in 2018 unless the Legislature acts to extend the current level.
If the levy cliff occurs, our estimated loss would be $13,908,318 for 2018 and $12,492,452 in 2019.

Legislation passed in the 2016 Session (E2SSB 6195) requires the Legislature to decide by April 30, 2017, about removing the levy cliff. That is much too late for district planning given the requirement to notify staff by May 15 if their contracts will not be renewed.

Local Levy Expenditures

Local levies have played a vital role in our district to fill the gap between state and federal funding and the actual costs of providing critical services to our students. Part of that gap is due to state allocations that are inadequate for most all districts. Another part of the gap, is due to allocation formulas that may work for some districts, but underfund actual costs for others.

- For Puyallup School District, most of our levy is used to cover basic education costs that are not fully funded by the state. The levy collection data in this presentation is for 2015. In that year, $46,603,847 or 77.7 percent of our levy collection could be attributed to basic education costs. That compares with 79.4 percent as a statewide average.

- One of the most significant costs covered by our levy is compensation. Our total locally-funded compensation cost is $35,813,363. Of that amount, the staff we’ve added above our state allocation totals $4,403,689 or 7.3 percent of our levy. That represents a net total of 44.9 locally funded staff (teaching, classified support and administrative).

- Another significant cost funded through our local levy is supplemental compensation which helps us provide more competitive salaries. That represents a total cost of $31,409,674 or 15.2 percent of our levy.

- Most of the remainder of our local levy is used to cover other underfunded basic education program costs. Those costs include:
  - $4,119,468 for special education program costs.
  - $4,098,516 for materials, supplies, and operating costs (MSOC).
  - $2,572,501 for student transportation.
  - $56,310 for food service.
  - $12,157,432 for other costs such as highly capable, bilingual, and substitutes.

- One of the proposals under consideration by the Legislature is to “swap” local for state property tax authority. While that approach may work as part of an overall solution, it adds no new revenue. The total statewide estimate of basic education costs being covered by local levies is $2.5 billion per year or $5 billion per biennium. There is only
about $1 billion per year of unused capacity in the state property tax, so clearly a “swap” won’t by itself solve the problem.

- The other issue with any proposed levy swap relates to sequencing. If local levy authority is reduced before, or concurrent with, the appropriation of new state funding, many districts will face problems funding their current obligations during the transition. It would be much better for the Legislature to fully fund their basic education obligation first, and then gradually reduce local levy authority as appropriate after the new funding is integrated into district budgets.

The following chart, provided by the Network for Excellence in Washington Schools (NEWS), shows the gap in funding that must be made up for the state to achieve the levels it stated in sworn testimony HB 2261 would achieve by 2018.