

May 30, 2018

## MEMORANDUM

**To:** Select Committee on Families, Education, Preschool, and Promise Levy  
**From:** Brian Goodnight and Aly Pennucci, Council Central Staff  
**Subject:** Council Bill 119258: Proposed Education Levy

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This memorandum provides brief background and schedule information, and it highlights potential issues and options for Council consideration as they relate to the proposed Families, Education, Preschool, and Promise (FEPP) Levy. This information will be discussed at the Select Committee on FEPP Levy meeting on May 30.

### Background and Schedule

On April 23, the Mayor transmitted [Council Bill 119258](#) that would combine, renew, and expand the City's two expiring education levies: the 2011 Families and Education (FEL) Levy and the 2014 Seattle Preschool Program (SPP) Levy. The FEPP Levy proposal would submit a proposition to the voters in November to fund education services with a property tax levy generating approximately \$619.6 million over a seven-year period.

The proposal divides spending into four broad categories (known as core strategies), and projects levy spending as follows:

- |                                      |                        |
|--------------------------------------|------------------------|
| • Preschool                          | \$ 363.0 million       |
| • K-12 & Community-Based Investments | \$ 163.9 million       |
| • K-12 Health                        | \$ 65.8 million        |
| • Seattle Promise                    | <u>\$ 43.8 million</u> |
|                                      | \$ 636.5 million       |

The \$16.9 million difference between the proposed spending plan and the property tax amount is a result of utilizing underspend from the 2011 FEL Levy and accounting for interest earnings from the FEPP Levy proceeds.

The Select Committee's meeting on May 30 will be its fifth meeting on the proposed FEPP Levy. During the first three meetings, the Department of Education and Early Learning (DEEL) made presentations describing the components of the levy proposal. The Select Committee also held the first of two public hearings at Nathan Hale High School on May 15.

The upcoming schedule for consideration of the FEPP Levy proposal is shown in the table below.

May 30 – 9:00am	Central Staff Memo and Committee Discussion
May 30 – 6:00pm	Public Hearing at Franklin High School
June 6 – 11:00am	Committee Discussion and Potential Amendments
June 11 – 10:30am	Committee Discussion and Potential Vote
June 18 – 2:00pm	Full Council Vote

## Identified Issues

### 1. Council Purview and Companion Resolution

Consistent with the 2011 FEL Levy, the proposed FEPP Levy legislation establishes priorities for levy funding, sets implementation principles, and generally describes the core strategies that would be funded with levy proceeds. Further detail regarding the planned expenditures is provided in Attachment 1 to the legislation’s Summary and Fiscal Note, but the council bill does not legally require the City to adhere to the planned expenditures.

The council bill does, however, require DEEL to create an Implementation and Evaluation Plan (Plan) that must be approved, and may be amended, through a future separate ordinance. FEPP Levy proceeds may only be spent in accordance with the Plan, and the Plan would establish the criteria, outcomes, and methodology by which FEPP Levy-funded strategies would be selected and evaluated. The requirement for a more detailed Plan to be submitted for review and approval provides the Council with the continued ability to guide levy spending. It is expected that the Plan would be submitted to the Council for its consideration and requested approval in the first quarter of 2019.

After consulting with the co-chairs and councilmembers, Central Staff began drafting a companion resolution for the Council’s consideration; the resolution will provide guidance to the Executive for developing a Plan that addresses the Council’s policy priorities. The companion resolution could contain requests for specific items or actions to be addressed in the Plan; establish priorities for Levy services; or memorialize other policy statements that are related to, but not directly addressed by, the FEPP Levy.

### 2. Reduction in Elementary Investments

The FEPP Levy proposal would institute a significant reduction in the amount of funding that has been available through the 2011 FEL Levy to support elementary (sometimes referred to as “K-5”) schools. A new funding category known as Opportunity and Access investments would replace three categories of funding from the current 2011 FEL Levy: innovation investments, summer learning, and community-based family support.

In the 2017-18 school year, 21 elementary schools received innovation investments. Innovation investments function like block grants to schools with high concentrations of

academically low-performing students or students at risk of missing key developmental milestones. The funding is flexible and allows schools to determine the best method for meeting the needs of their students, with strategies including academic support, social emotional support, and case management.

The 2011 FEL Levy also funds summer learning programs at the elementary level and a community-based family support program designed to address the needs of struggling immigrant, refugee, and Native American students and their families. Combined elementary investments in the 2017-18 school year total nearly \$10 million.

The proposed new category of Opportunity and Access (O&A) would be open to schools, community-based organizations, and other governmental agencies. O&A funds are intended to be used to support smaller-scale investments in key areas. According to information provided by DEEL, O&A funds will “invest in programming offering students opportunities for social, emotional and academic skills advancement, exposure to enrichment experiences, access to job exploration and career pathways, and enhanced family engagement.”

The proposal includes two separate categories for O&A funds: one restricted for K-5 services, and the other for Kindergarten through 12<sup>th</sup> grade (K-12) services. In the 2020-21 school year (the second year of the proposed FEPP Levy, but the first to use the new funding model), the K-5 category would have \$2.1 million available, and the K-12 category would have \$1 million available, for a total of \$3.1 million. This represents a 69 percent reduction in the amount of potential funding available for K-5 services relative to the 2011 FEL Levy.

As has been described by the Executive in previous presentations and materials, some of the elementary investments are being redirected to provide additional funding for expanded high school investments. The Executive has stated that the elementary innovation investments have produced mixed results and, given the resources available and the overall funding landscape, the FEPP proposal is focusing on providing intensive support to a limited number of middle and high schools serving high concentrations of levy focus students.

Options:

- a. Accept the Mayor’s proposal with respect to elementary investments.
- b. Modify the FEPP Levy proposal to include additional funding for elementary investments. This could be accomplished by increasing the overall size of the levy, or by making reductions from other areas within the proposal to create capacity.
- c. Add an item to the companion resolution providing direction on how the Opportunity and Access funds should be prioritized in the Implementation and Evaluation Plan.

### 3. Financial Support for Higher-Income Families

As proposed, the FEPP Levy would provide tuition subsidies in both the Seattle Preschool Program and the Seattle Promise program to all participants regardless of income level.

#### *Seattle Preschool Program:*

The ordinance that established the Seattle Preschool Program and submitted the SPP Levy to voters in 2014 ([Ordinance 124509](#)) included the following core strategies related to tuition: free tuition for children from families earning at or below 300 percent of the federal poverty level, a sliding tuition scale for families above 300 percent of the federal poverty level, and some level of tuition subsidy for all families. SPP's tuition scale is consistent with these core strategies. For children from families at the top of the SPP income scale, the tuition subsidy is currently \$535, or five percent of the full tuition cost.

The tuition model for the proposed FEPP Levy, although not fully developed, continues to assume a tuition subsidy for all participants. The model estimates a minimum subsidy of \$1,000 per student for high-income families, for a total estimated subsidy to high-income families over the levy period of approximately \$3.6 million.

#### *Seattle Promise:*

The Seattle Promise program, as proposed, would also make tuition subsidies available to all public school graduates, regardless of income level. Tuition subsidies for higher-income students would cost more than tuition subsidies for lower-income students. This is a byproduct of the program offering a "last dollar" award that covers the remaining tuition balance after other financial aid, grants, and scholarship awards have been applied. Lower-income students typically qualify for more financial aid than higher-income students, which results in a smaller remaining tuition bill.

The Executive's financial model assumes an average tuition subsidy of \$2,000 per student for the schools that have historically participated in South Seattle College's 13<sup>th</sup> Year Scholarship program, which all have relatively high rates of families with household incomes low enough to qualify for free and reduced lunches. For the proposed Seattle Promise program that would include support for students from all high schools in the city, the Executive assumes that the average tuition subsidy will increase to \$3,000 per student. This increase in the planned average subsidy amount reflects the assumption that more higher-income students may participate in the program.

#### Options:

- a. Accept the Mayor's proposals to maintain some level of subsidy for all SPP participants and to offer tuition subsidies for all high school graduates participating in the Seattle Promise program.

- b. Add an item to the companion resolution providing direction on how the Implementation and Evaluation Plan should handle tuition subsidies for SPP and the Seattle Promise program (e.g., eligibility criteria, prioritization, etc.).
- c. Modify the FEPP Levy proposal to decrease funding for tuition subsidies for higher-income families. This modification could apply to one or both of the programs.

4. Parent-Child Home Program

The FEPP Levy proposal eliminates funding provided in the 2011 FEL Levy for the Parent-Child Home Program (PCHP).

PCHP is a two-year home visitation literacy program for two- and three-year-old children that is administered by United Way of King County. The City has historically provided funding for PCHP through the Families and Education Levy, with recent contributions ranging from approximately \$556,000 in 2016 to \$588,000 in 2018. In each of the last two years, the City has also provided supplemental funding via the General Fund: \$500,000 in 2017 from the General Subfund, and \$525,000 in 2018 from Sweetened Beverage Tax (SBT) proceeds.

The proposed FEPP Levy does not include any funding for PCHP. Rather, the Executive has stated that both the “base” funding that has been provided by the FEL Levy and the supplemental General Subfund and SBT funding will be entirely funded by SBT proceeds. This shift to fund PCHP outside of the FEPP Levy is consistent with the funding for the City’s other birth to age three investments, such as the Nurse Family Partnership and the Early Learning Academy.

It is important to note that SBT proceeds are expected to decline over time, assuming the tax is effective at encouraging consumers to change their purchasing decisions. If SBT proceeds do decline substantially over time, PCHP may need to compete for funding against other SBT-funded programs; alternatively, the Council could decide in the future whether to support PCHP through the General Fund.

Options:

- a. Accept the Mayor’s proposal to shift PCHP funding to the Sweetened Beverage Tax.
- b. Modify the FEPP Levy proposal to include funding for PCHP. This could be accomplished by increasing the overall size of the levy, or by making reductions from within the proposal to create capacity for PCHP.
- c. Memorialize in the companion resolution the Council’s expectation that the 2019-2020 proposed budgets will include current funding levels for PCHP.

## 5. Oversight Committee Recommendations

As proposed, the FEPP Levy council bill does not require the Executive to seek the recommendation of the Committee prior to submitting plans or changes to the Council for approval.

Section 8 of the FEPP Levy proposal would establish an Oversight Committee (Committee) to make recommendations on the design and modifications of Levy-funded programs, review and advise on proposed course corrections, and periodically review and advise on program evaluations. In addition to these types of general activities that the Committee may undertake, the 2011 FEL and 2014 SPP Levies require the Executive to seek the recommendation of the Committee before submitting plans or changes to the Council for approval.

The language in the 2011 FEL Levy ordinance ([Ordinance 123567](#), Section 7(C)) states: “The Council requires that before the Executive submits to the Council the Implementation and Evaluation Plan, Partnership Agreement or proposes any changes in Levy funding requiring Council approval by ordinance, the Executive will seek the recommendation of the Committee.”

The 2014 SPP Levy ordinance ([Ordinance 124509](#), Section 7(C)) states: “The Council requires that the Executive seek the recommendation of the Committee before the Executive submits to the Council the Implementation Plan and the Partnership Agreement. If it chooses to, the Executive may seek recommendations from other persons or entities.”

Options:

- a. Accept the Mayor’s proposal with respect to the role of the Oversight Committee.
- b. Amend the council bill to require the Executive to seek the recommendation of the Oversight Committee prior to proposing the Implementation and Evaluation Plan, Partnerships Agreements, or changes in Levy funding requiring Council approval via ordinance.

## 6. Unprogrammed Revenue

The FEPP Levy as proposed is projected to generate approximately \$1.4 million more in revenue than is projected to be spent during the seven-year life of the levy, or approximately \$200,000 per year.

The FEPP Levy would authorize an estimated \$619.6 million in property tax revenues. Of this amount, approximately \$2.4 million is estimated to be uncollectable, resulting in expected property tax collections of \$617.2 million. In addition, the Executive is planning to utilize underspend from the 2011 FEL Levy and anticipated interest earnings from the FEPP Levy proceeds to fund proposed investments.

The table below shows a high-level summary of projected revenues and expenditures. Attachment 1 to the Summary and Fiscal Note provides additional detail on these estimates.

Table 1: FEPP Levy Projected Expenditures and Revenues (*\$ in millions*)

Estimated Property Taxes	\$617.2
Estimated 2011 FEL Underspend	\$12.0
Estimated Interest Earnings	\$8.7
<b>Total Revenues</b>	<b>\$637.9</b>
<b>Total Expenditures</b>	<b>\$636.5</b>
<b>Unprogrammed Revenue</b>	<b>\$1.4</b>

As a percentage of the total levy amount, this unprogrammed revenue of \$1.4 million is not particularly significant. It could, however, be used to help offset the cost of Council-identified priorities.

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