

SENATE BILL REPORT

SB 5313

As of January 21, 2019

Title: An act relating to school levies.

Brief Description: Concerning school levies.

Sponsors: Senator Wellman; by request of Office of Financial Management.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/23/19.

Brief Summary of Bill

- Changes the school district enrichment levy lid to 28 percent of a district's levy base, rather than \$1.50 per \$1,000 of assessed value or \$2,500 per pupil.
- Provides that a school district is eligible for local effort assistance if the district's levy rate needed to raise the 14 percent levy amount exceeds the statewide average 14 percent levy rate.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Staff: Alex Fairfortune (786-7416)

Background: School District Levy Authority. The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value. Upon voter approval, school districts are authorized to collect excess levies above the 1 percent constitutional property tax limit. School district voters may approve enrichment levies, previously referred to as maintenance and operation (M&O) excess levies, for up to four years, capital levies for up to six years, and bond levies for the life of the bonds. Since 1977, the Legislature has limited the amount school districts may collect through their M&O levies.

Prior to EHB 2242. Prior to the passage of EHB 2242 in 2017, a school district's maximum excess levy amount for M&O levies was determined by the district's levy base and levy percentage, also referred to as a lid. Generally, a district's annual levy base was its state and federal funding for the prior school year, adjusted for inflation, and additionally calculated amounts that were added to the levy base in 2010, sometimes referred to as ghost money.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The levy lid was the maximum allowable percentage of the levy base that a school district could collect, and was set at 28 percent for most school districts. Some school districts were grandfathered in at a higher levy percentage.

After EHB 2242. Beginning with calendar year 2019, M&O levies were renamed enrichment levies, and a new levy lid was implemented. A district's maximum enrichment levy is now the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1000 of assessed value. Before a school district may submit an enrichment levy to the voters, it must receive approval of its expenditure plan from the Office of the Superintendent of Public Instruction (OSPI). OSPI may approve the plan if it determines the district will spend enrichment levy revenues only for permitted enrichment activities.

Local Effort Assistance. The Local Effort Assistance program (LEA), also known as levy equalization, was created in 1987. Under the LEA program, the state provides additional funding to school districts that are at a disadvantage in raising enrichment levies due to low property values.

Prior to EHB 2242. Prior to the passage of EHB 2242, the state LEA program provided funding to equalize up to 14 percent of the school district's levy base. A district was eligible to receive LEA if the district's levy rate that was needed to raise the 14 percent levy amount for the district exceeded the statewide average 14 percent levy rate. State funding provided under the LEA program was proportional to the degree at which the district's rate exceeded the statewide average rate.

After EHB 2242. Beginning with LEA distributions in calendar year 2019, LEA is calculated under a new formula that provides assistance to any school district that does not generate an enrichment levy of at least \$1,500 per student when levying at a rate of \$1.50 per \$1,000 of assessed value. An eligible school district's maximum LEA is the difference between the district's per pupil levy amount, based on a rate of \$1.50 per \$1,000 of assessed value, and \$1,500 per pupil, multiplied by the district's resident enrollment. Districts that are eligible for LEA but do not levy the maximum levy allowed receive LEA in proportion to their actual levy collection.

Summary of Bill: School District Levy Authority. Beginning with taxes levied for collection in 2020, a school district's enrichment levy lid is 28 percent of the district's levy base, rather than \$1.50 per \$1,000 of assessed value or \$2,500 per pupil. No districts are grandfathered in at a higher levy lid percentage.

The district's levy base does not include ghost money, and is composed of the following:

- the school district's basic education allocation;
- state and federal categorical allocations, including pupil transportation, special education, education of highly capable students, compensatory education, food services, and statewide block grant programs; and
- federal allocations for elementary and secondary school programs, excluding federal impact aid funds and allocations in lieu of taxes.

Local Effort Assistance. A district is eligible to receive LEA if the district's levy rate needed to raise the 14 percent levy amount exceeds the statewide average 14 percent levy rate. State

funding is proportional to the degree at which the district's rate exceeds the statewide average rate.

Appropriation: None.

Fiscal Note: Requested on January 16, 2019.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.