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**SENATE BILL 5298**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Senator Ranker; by request of Office of Financial Management

AN ACT Relating to lowering the levy authority and local effort assistance; amending RCW 28A.500.020 and 28A.500.020; reenacting and amending RCW 84.52.0531, 84.52.0531, 28A.500.030, and 28A.500.030; providing effective dates; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Sec.**  RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11 are each reenacted and amended to read as follows:

The maximum dollar amount which may be levied by or for any school district for maintenance and operation support under the provisions of RCW 84.52.053 shall be determined as follows:

(1) For excess levies for collection in calendar year 1997, the maximum dollar amount shall be calculated pursuant to the laws and rules in effect in November 1996.

(2) For excess levies for collection in calendar year 1998 and thereafter, the maximum dollar amount shall be the sum of (a) plus or minus (b), (c), and (d) of this subsection minus (e) of this subsection:

(a) The district's levy base as defined in subsection (3) of this section multiplied by the district's maximum levy percentage as defined in subsection (4) of this section;

(b) For districts in a high/nonhigh relationship, the high school district's maximum levy amount shall be reduced and the nonhigh school district's maximum levy amount shall be increased by an amount equal to the estimated amount of the nonhigh payment due to the high school district under RCW 28A.545.030(3) and 28A.545.050 for the school year commencing the year of the levy;

(c) Except for nonhigh districts under (d) of this subsection, for districts in an interdistrict cooperative agreement, the nonresident school district's maximum levy amount shall be reduced and the resident school district's maximum levy amount shall be increased by an amount equal to the per pupil basic education allocation included in the nonresident district's levy base under subsection (3) of this section multiplied by:

(i) The number of full-time equivalent students served from the resident district in the prior school year; multiplied by:

(ii) The serving district's maximum levy percentage determined under subsection (4) of this section; increased by:

(iii) The percent increase per full-time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year divided by fifty-five percent;

(d) The levy bases of nonhigh districts participating in an innovation academy cooperative established under RCW 28A.340.080 shall be adjusted by the office of the superintendent of public instruction to reflect each district's proportional share of student enrollment in the cooperative;

(e) The district's maximum levy amount shall be reduced by the maximum amount of state matching funds for which the district is eligible under RCW 28A.500.010.

(3) For excess levies for collection in calendar year 1998 and thereafter, a district's levy base shall be the sum of allocations in (a) through (c) of this subsection received by the district for the prior school year, including allocations for compensation increases, plus the sum of such allocations multiplied by the percent increase per full time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year and divided by fifty-five percent. A district's levy base shall not include local school district property tax levies or other local revenues, or state and federal allocations not identified in (a) through (c) of this subsection.

(a) The district's basic education allocation as determined pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

(b) State and federal categorical allocations for the following programs:

(i) Pupil transportation;

(ii) Special education;

(iii) Education of highly capable students;

(iv) Compensatory education, including but not limited to learning assistance, migrant education, Indian education, refugee programs, and bilingual education;

(v) Food services; and

(vi) Statewide block grant programs; and

(c) Any other federal allocations for elementary and secondary school programs, including direct grants, other than federal impact aid funds and allocations in lieu of taxes.

(4)(a) A district's maximum levy percentage shall be twenty-four percent in 2010 and twenty-eight percent in 2011 through 2017 and twenty-four percent every year thereafter;

(b) For qualifying districts, in addition to the percentage in (a) of this subsection the grandfathered percentage determined as follows:

(i) For 1997, the difference between the district's 1993 maximum levy percentage and twenty percent; ((~~and~~))

(ii) For 2011 through 2017, the percentage calculated as follows:

(A) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;

(B) Reduce the result of (b)(ii)(A) of this subsection by any levy reduction funds as defined in subsection (5) of this section that are to be allocated to the district for the current school year;

(C) Divide the result of (b)(ii)(B) of this subsection by the district's levy base; and

(D) Take the greater of zero or the percentage calculated in (b)(ii)(C) of this subsection;

(iii) For 2018 and thereafter, the percentage shall be calculated as follows:

(A) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;

(B) Reduce the result of (b)(iii)(A) of this subsection by any levy reduction funds as defined in subsection (5) of this section that are to be allocated to the district for the current school year;

(C) Divide the result of (b)(iii)(B) of this subsection by the district's levy base; and

(D) Take the greater of zero or the percentage calculated in (b)(iii)(C) of this subsection.

(5) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsection (3) of this section: (a) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and (b) that are or were specifically identified as levy reduction funds in the appropriations act. If levy reduction funds are dependent on formula factors which would not be finalized until after the start of the current school year, the superintendent of public instruction shall estimate the total amount of levy reduction funds by using prior school year data in place of current school year data. Levy reduction funds shall not include moneys received by school districts from cities or counties.

(6) For the purposes of this section, "prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.

(7) For the purposes of this section, "current school year" means the year immediately following the prior school year.

(8) Funds collected from transportation vehicle fund tax levies shall not be subject to the levy limitations in this section.

(9) The superintendent of public instruction shall develop rules and regulations and inform school districts of the pertinent data necessary to carry out the provisions of this section.

(10) This section expires January 1, 2019.

**Sec.**  RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11 are each reenacted and amended to read as follows:

The maximum dollar amount which may be levied by or for any school district for maintenance and operation support under the provisions of RCW 84.52.053 shall be determined as follows:

(1) For excess levies for collection in calendar year 1997, the maximum dollar amount shall be calculated pursuant to the laws and rules in effect in November 1996.

(2) For excess levies for collection in calendar year 1998 and thereafter, the maximum dollar amount shall be the sum of (a) plus or minus (b), (c), and (d) of this subsection minus (e) of this subsection:

(a) The district's levy base as defined in subsection (3) of this section multiplied by the district's maximum levy percentage as defined in subsection (4) of this section;

(b) For districts in a high/nonhigh relationship, the high school district's maximum levy amount shall be reduced and the nonhigh school district's maximum levy amount shall be increased by an amount equal to the estimated amount of the nonhigh payment due to the high school district under RCW 28A.545.030(3) and 28A.545.050 for the school year commencing the year of the levy;

(c) Except for nonhigh districts under (d) of this subsection, for districts in an interdistrict cooperative agreement, the nonresident school district's maximum levy amount shall be reduced and the resident school district's maximum levy amount shall be increased by an amount equal to the per pupil basic education allocation included in the nonresident district's levy base under subsection (3) of this section multiplied by:

(i) The number of full-time equivalent students served from the resident district in the prior school year; multiplied by:

(ii) The serving district's maximum levy percentage determined under subsection (4) of this section; increased by:

(iii) The percent increase per full-time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year divided by fifty-five percent;

(d) The levy bases of nonhigh districts participating in an innovation academy cooperative established under RCW 28A.340.080 shall be adjusted by the office of the superintendent of public instruction to reflect each district's proportional share of student enrollment in the cooperative;

(e) The district's maximum levy amount shall be reduced by the maximum amount of state matching funds for which the district is eligible under RCW 28A.500.010.

(3) For excess levies for collection in calendar year 1998 and thereafter, a district's levy base shall be the sum of allocations in (a) through (c) of this subsection received by the district for the prior school year, including allocations for compensation increases, plus the sum of such allocations multiplied by the percent increase per full time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year and divided by fifty-five percent. A district's levy base shall not include local school district property tax levies or other local revenues, or state and federal allocations not identified in (a) through (c) of this subsection.

(a) The district's basic education allocation as determined pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

(b) State and federal categorical allocations for the following programs:

(i) Pupil transportation;

(ii) Special education;

(iii) Education of highly capable students;

(iv) Compensatory education, including but not limited to learning assistance, migrant education, Indian education, refugee programs, and bilingual education;

(v) Food services; and

(vi) Statewide block grant programs; and

(c) Any other federal allocations for elementary and secondary school programs, including direct grants, other than federal impact aid funds and allocations in lieu of taxes.

(4)((~~(a)~~)) A district's maximum levy percentage ((~~shall be twenty-four percent in 2010 and twenty-eight percent in 2011 through 2017 and twenty-four percent~~)) is fifteen percent in 2019 and every year thereafter((~~;~~

~~(b) For qualifying districts, in addition to the percentage in (a) of this subsection the grandfathered percentage determined as follows:~~

~~(i) For 1997, the difference between the district's 1993 maximum levy percentage and twenty percent; and~~

~~(ii) For 2011 through 2017, the percentage calculated as follows:~~

~~(A) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;~~

~~(B) Reduce the result of (b)(ii)(A) of this subsection by any levy reduction funds as defined in subsection (5) of this section that are to be allocated to the district for the current school year;~~

~~(C) Divide the result of (b)(ii)(B) of this subsection by the district's levy base; and~~

~~(D) Take the greater of zero or the percentage calculated in (b)(ii)(C) of this subsection;~~

~~(iii) For 2018 and thereafter, the percentage shall be calculated as follows:~~

~~(A) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;~~

~~(B) Reduce the result of (b)(iii)(A) of this subsection by any levy reduction funds as defined in subsection (5) of this section that are to be allocated to the district for the current school year;~~

~~(C) Divide the result of (b)(iii)(B) of this subsection by the district's levy base; and~~

~~(D) Take the greater of zero or the percentage calculated in (b)(iii)(C) of this subsection.~~

~~(5) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsection (3) of this section: (a) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and (b) that are or were specifically identified as levy reduction funds in the appropriations act. If levy reduction funds are dependent on formula factors which would not be finalized until after the start of the current school year, the superintendent of public instruction shall estimate the total amount of levy reduction funds by using prior school year data in place of current school year data. Levy reduction funds shall not include moneys received by school districts from cities or counties~~)).

((~~(6)~~)) (5) For the purposes of this section, "prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.

((~~(7)~~)) (6) For the purposes of this section, "current school year" means the year immediately following the prior school year.

((~~(8)~~)) (7) Funds collected from transportation vehicle fund tax levies shall not be subject to the levy limitations in this section.

((~~(9)~~)) (8) The superintendent of public instruction shall develop rules and regulations and inform school districts of the pertinent data necessary to carry out the provisions of this section.

**Sec.**  RCW 28A.500.020 and 1999 c 317 s 2 are each amended to read as follows:

(1) Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(a) "Prior tax collection year" means the year immediately preceding the year in which the local effort assistance shall be allocated.

(b) "Statewide average twelve percent levy rate" means twelve percent of the total levy bases as defined in RCW 84.52.0531(3) summed for all school districts, and divided by the total assessed valuation for excess levy purposes in the prior tax collection year for all districts as adjusted to one hundred percent by the county indicated ratio established in RCW 84.48.075.

(c) The "district's twelve percent levy amount" means the school district's maximum levy authority after transfers determined under RCW 84.52.0531(2) (a) through (c) divided by the district's maximum levy percentage determined under RCW 84.52.0531(4) multiplied by twelve percent.

(d) The "district's twelve percent levy rate" means the district's twelve percent levy amount divided by the district's assessed valuation for excess levy purposes for the prior tax collection year as adjusted to one hundred percent by the county indicated ratio.

(e) "Districts eligible for local effort assistance" means those districts with a twelve percent levy rate that exceeds the statewide average twelve percent levy rate.

(2) Unless otherwise stated all rates, percents, and amounts are for the calendar year for which local effort assistance is being calculated under this chapter.

(3) This section expires January 1, 2019.

**Sec.**  RCW 28A.500.020 and 1999 c 317 s 2 are each amended to read as follows:

(1) Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(a) "Prior tax collection year" means the year immediately preceding the year in which the local effort assistance ((~~shall be~~)) is allocated.

(b) "Statewide average ((~~twelve~~)) seven and one-half percent levy rate" means ((~~twelve~~)) seven and one-half percent of the total levy bases as defined in RCW 84.52.0531(3) summed for all school districts, and divided by the total assessed valuation for excess levy purposes in the prior tax collection year for all districts as adjusted to one hundred percent by the county indicated ratio established in RCW 84.48.075.

(c) The "district's ((~~twelve~~)) seven and one-half percent levy amount" means the school district's maximum levy authority after transfers determined under RCW 84.52.0531(2) (a) through (c) divided by the district's maximum levy percentage determined under RCW 84.52.0531(4) multiplied by ((~~twelve~~)) seven and one-half percent.

(d) The "district's ((~~twelve~~)) seven and one-half percent levy rate" means the district's ((~~twelve~~)) seven and one-half percent levy amount divided by the district's assessed valuation for excess levy purposes for the prior tax collection year as adjusted to one hundred percent by the county indicated ratio.

(e) "Districts eligible for local effort assistance" means those districts with a ((~~twelve~~)) seven and one-half percent levy rate that exceeds the statewide average ((~~twelve~~)) seven and one-half percent levy rate.

(2) Unless otherwise stated all rates, percents, and amounts are for the calendar year for which local effort assistance is being calculated under this chapter.

**Sec.**  RCW 28A.500.030 and 2006 c 372 s 904 and 2006 c 119 s 1 are each reenacted and amended to read as follows:

Allocation of state matching funds to eligible districts for local effort assistance ((~~shall be~~)) is determined as follows:

(1) Funds raised by the district through maintenance and operation levies shall be matched with state funds using the following ratio of state funds to levy funds:

(a) The difference between the district's twelve percent levy rate and the statewide average twelve percent levy rate; to

(b) The statewide average twelve percent levy rate.

(2) The maximum amount of state matching funds for districts eligible for local effort assistance shall be the district's twelve percent levy amount, multiplied by the following percentage:

(a) The difference between the district's twelve percent levy rate and the statewide average twelve percent levy rate; divided by

(b) The district's twelve percent levy rate.

(3) Calendar year 2003 allocations and maximum eligibility under this chapter shall be multiplied by 0.99.

(4) From January 1, 2004, to December 31, 2005, allocations and maximum eligibility under this chapter shall be multiplied by 0.937.

(5) From January 1, 2006, to December 31, 2006, allocations and maximum eligibility under this chapter shall be multiplied by 0.9563. Beginning with calendar year 2007, allocations and maximum eligibility under this chapter shall be fully funded at one hundred percent and shall not be reduced.

(6) This section expires January 1, 2019.

**Sec.**  RCW 28A.500.030 and 2006 c 372 s 904 and 2006 c 119 s 1 are each reenacted and amended to read as follows:

Allocation of state matching funds to eligible districts for local effort assistance shall be determined as follows:

(1) Funds raised by the district through maintenance and operation levies shall be matched with state funds using the following ratio of state funds to levy funds:

(a) The difference between the district's ((~~twelve~~)) seven and one-half percent levy rate and the statewide average ((~~twelve~~)) seven and one-half percent levy rate; to

(b) The statewide average ((~~twelve~~)) seven and one-half percent levy rate.

(2) The maximum amount of state matching funds for districts eligible for local effort assistance shall be the district's ((~~twelve~~)) seven and one-half percent levy amount, multiplied by the following percentage:

(a) The difference between the district's ((~~twelve~~)) seven and one-half percent levy rate and the statewide average ((~~twelve~~)) seven and one-half percent levy rate; divided by

(b) The district's ((~~twelve~~)) seven and one-half percent levy rate.

(3) ((~~Calendar year 2003 allocations and maximum eligibility under this chapter shall be multiplied by 0.99.~~

~~(4) From January 1, 2004, to December 31, 2005, allocations and maximum eligibility under this chapter shall be multiplied by 0.937.~~

~~(5) From January 1, 2006, to December 31, 2006, allocations and maximum eligibility under this chapter shall be multiplied by 0.9563. Beginning with calendar year 2007, allocations and maximum eligibility under this chapter shall be fully funded at one hundred percent and shall not be reduced.~~)) Beginning with calendar year 2007, allocations and maximum eligibility under this chapter must be fully funded at one hundred percent and may not be reduced.

NEW SECTION. **Sec.**  Sections 1, 3, and 5 of this act take effect January 1, 2018.

NEW SECTION. **Sec.**  Sections 2, 4, and 6 of this act take effect January 1, 2019.

**--- END ---**