

# HOUSE BILL REPORT

## ESSB 5313

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### As Passed House - Amended:

April 28, 2019

**Title:** An act relating to school levies.

**Brief Description:** Concerning school levies and local effort assistance.

**Sponsors:** Senate Committee on Early Learning & K-12 Education (originally sponsored by Senator Wellman; by request of Office of Financial Management).

### Brief History:

#### Committee Activity:

None.

#### Floor Activity:

Passed House - Amended: 4/28/19, 53-45.

### Brief Summary of Engrossed Substitute Bill (As Amended by House)

- Allows a district to levy at the lesser of \$2.50 per \$1,000 of assessed value or \$2,500 per pupil for school districts with fewer than 40,000 full time equivalent (FTE) students.
- Allows a district to levy at the lesser of \$2.50 per \$1,000 of assessed value or \$3,000 per pupil for school districts with 40,000 FTE students or more.
- Provides local effort assistance to school districts that do not generate an enrichment levy of at least \$1,550 per student when levying at a rate of \$1.50 per \$1,000 of assessed value.
- Provides enrichment funding to state-tribal compact schools based on the local enrichment levy collected by school districts, up to \$1,550 per student.
- Provides additional enrichment funding to school districts that meet certain enrollment criteria.
- Requires school districts, beginning in the 2019-20 school year, to provide an expenditure schedule that identifies the amount expended on certain supplementary enrichment activities.

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*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.*

- Requires, should the state auditor find that a school district has used local revenues for non-enrichment activities, the school district's maximum enrichment levy collection must be reduced.

**Staff:** James Mackison (786-7104).

**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 Engrossed House Bill 2242.* Prior to the passage of Engrossed House Bill (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. 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 Engrossed House Bill 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). The OSPI may approve the plan if it determines the district will spend enrichment levy revenues only for permitted enrichment activities.

Local Effort Assistance. Local Effort Assistance (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 Engrossed House Bill 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 Engrossed House Bill 2242.* Beginning with LEA distributions in calendar year 2019, the 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 the 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 maximum enrichment levy is the lesser of \$2,500 per pupil or a rate of \$2.50 per \$1,000 of assessed value for school districts with fewer than 40,000 FTE students. For school districts with 40,000 FTE students or more, the maximum enrichment levy is the lesser of \$3,000 per pupil or a rate of \$2.50 per \$1,000 of assessed value.

Local Effort Assistance. Beginning with LEA distributions in calendar year 2020, LEA is provided to school districts that do not generate an enrichment levy of at least \$1,550 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 \$1,550 per pupil, multiplied by the district's resident enrollment. Districts that are eligible for LEA, but do not levy \$1.50 receive LEA in proportion to the lesser of \$1.50 or the school district's actual levy.

Additional enrichment funding is provided to state-tribal compact schools. This additional funding is equal to the prior year enrichment levy amount per student for the school district in which the school is located, up to \$1,550, multiplied by the school's prior year enrollment. Additional enrichment funding is also provided to school districts that meet certain enrollment criteria and are located west of the Cascades in a county that borders another state.

Supplemental Expenditures. Beginning in the 2019-20 school year, school districts must provide a supplemental expenditure schedule by revenue source, identifying the amount expended by object for a specific list of supplementary enrichment activities beyond the state funded amount. School districts must also maintain a record describing how salary and related benefit costs for certain supplementary enrichment activities are documented, and demonstrate enrichment of the state's program of basic education. Should the state auditor find a school district has used local revenues for non-enrichment activities, the school district's maximum enrichment levy collection authorized under law must be reduced by the unauthorized expenditure amount in the following year.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.