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## Appropriations Committee

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### HB 2361

**Brief Description:** Delaying implementation of revisions to the school levy lid.

**Sponsors:** Representatives Lytton, Magendanz, Sullivan, S. Hunt, Sells, Reykdal, Rossetti, Senn, Kirby, Pollet and Chandler.

#### Brief Summary of Bill

- Delays for one year, changes to the school district formula for calculating school districts' maximum maintenance and operation levy authority, and corresponding local effort assistance provisions.

**Hearing Date:** 1/20/16

**Staff:** Jessica Harrell (786-7349).

#### Background:

##### Local Property Tax Levies for Schools.

*Schools District Excess Levies.* Upon voter approval, school districts are authorized to collect levies above the one percent constitutional property tax limit. School district voters may approve maintenance and operation (M&O) levies for up to four years, capital levies for up to six years, and bond levies for the life of the bonds.

A school district's maximum M&O levy amount is determined by the district's levy base and levy percentage. Generally speaking, a district's annual levy base is its state and federal funding for the prior school year, adjusted for inflation, plus additionally calculated amounts that were added to the levy base in 2010. Until calendar year 2018, the levy percentage, also referred to as levy lid, for most school districts is 28 percent, which means that each calendar year districts may collect up to 28 percent of their levy base. (Some districts are "grandfathered" at a higher levy percentage.) Beginning in calendar year 2018, the levy percentage drops to 24 percent, or for districts grandfathered at a higher levy percentage, drops by four percentage points. The

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calculated amounts that were added to the levy base in 2010 will also be eliminated from the base beginning in calendar year 2018.

Local Effort Assistance.

The Local Effort Assistance program (LEA), also known as levy equalization, was created in 1987. Under the state's LEA program, additional funding is provided to school districts that are at a relative disadvantage in raising M&O levies due to relatively low property values. School districts are eligible for LEA if they have a higher than average levy rate and if the district has certified a local excess levy. Levies are equalized up to 14 percent of the levy base, half of the 28 percent levy lid that is applied to the majority of districts. Beginning in 2018, the equalization percentage will decrease to 12 percent, maintaining the current one-half policy.

Local effort assistance is expressly not part of the basic education program. Currently, 215 districts are eligible to receive LEA, of which 205 districts are receiving the assistance.

**Summary of Bill:**

Each of the following provisions that were scheduled to change beginning in calendar year 2018 are delayed by one year to calendar year 2019: The four percentage point reduction in the levy lid; the elimination of additional calculated amounts from the levy base; and the change in the equalization rate from 14 percent to 12 percent.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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