

SENATE BILL REPORT

ESB 5023

As Passed Senate, March 8, 2017

Title: An act relating to delaying implementation of revisions to the school levy lid.

Brief Description: Changing provisions relating to school district excess levies.

Sponsors: Senators Wellman, Rolfes, Nelson, McCoy, Carlyle, Frockt, Palumbo, Lias, Billig, Hunt, Keiser, Pedersen, Conway, Saldaña, Darneille, Hasegawa, Chase, Mullet and Kuderer.

Brief History:

Committee Activity:

Floor Activity:

Passed Senate: 3/08/17, 48-1.

Brief Summary of Engrossed Bill

- Delays for one year changes to the formulas for calculating school district maximum maintenance and operation levy authority, and corresponding local effort assistance.
- Requires local levy revenue to be deposited into a separate sub-fund beginning in calendar year 2018.
- Provides that the Office of the Superintendent of Public Instruction must approve the use of maintenance and operation levy proceeds prior to a levy proposition election.

Staff: Alia Kennedy (786-7405)

Background: School District Excess Levies. School districts have the authority to levy local property taxes above the 1 percent constitutional property tax limit. These local excess levies must be approved by the voters of that school district. School district voters may approve four types of excess levies up to a certain number of years: maintenance and operation (M&O) levies for up to four years; bond levies for the life of the bonds; capital levies for up to six years; and transportation levies for one or two years. Local excess levies may only be used for enhancements outside of basic education.

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.

A school district's maximum M&O levy amount is determined by the district's levy base and levy percentage. A district's annual levy base is generally calculated using 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. The current levy percentage, also referred to as the levy lid, for most school districts is 28 percent. Those school districts are authorized to collect up to 28 percent of their levy base each calendar year. However, there are certain school districts that have historically had a higher levy authority and are grandfathered at a levy lid above 28 percentage.

Current law requires that beginning in calendar year 2018, the levy lid is reduced by four percentage-points for all school districts, including grandfathered districts. This reduction to the levy lid is often referred to as the levy cliff. The 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 (LEA). LEA, or levy equalization, is state money paid to eligible districts to match excess levies. The program provides additional funding to school districts that are at a disadvantage in raising local revenue due to relatively low property values. School districts are eligible for LEA if they have a higher than average levy rate and have 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. LEA is expressly not part of the state's program of basic education. In calendar year 2016, 217 districts were eligible to receive LEA, of which 212 districts received the assistance.

Summary of Engrossed 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: (1) the four percentage-point reduction in the levy lid; (2) the elimination of additional calculated amounts from the levy base; and (3) the change in the equalization rate from 14 percent to 12 percent.

Beginning in calendar year 2018, levy collections must be deposited into a local revenue sub-fund within the general fund to track the amount and object of expenditures from levy collections. The Office of the Superintendent of Public Instruction (OSPI) and the Office of the State Auditor must develop guidance to help districts carryout sub-fund requirements.

Beginning in calendar year 2018, to ensure M&O levies are not used for basic education programs, school districts must provide a report to OSPI detailing the programs and activities that will be funded through the proposed levy. OSPI must approve the report before a ballot proposition can be submitted for voter approval.

Enrichment beyond the state-provided funding in the omnibus appropriations act for basic education programs is a permitted use of M&O levies.

Appropriation: None.

Fiscal Note: Not requested.

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

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 2 and 3, relating to school district levy authority, which take effect January 1, 2018, and January 1, 2019, respectively.