

SENATE BILL REPORT

SHB 1059

As of January 30, 2017

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

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

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Lytton, Sullivan, Kagi, Fitzgibbon, Dolan, Kilduff, Frame, Pollet, Senn, Ormsby, Jinkins, Bergquist, Farrell, Blake, Hudgins, Tarleton and Cody).

Brief History: Passed House: 1/23/17, 62-35.

Committee Activity: Ways & Means: 1/30/17.

Brief Summary of Substitute Bill

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

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: Local Property Tax Levies for Schools. Upon voter approval, school districts are authorized to collect levies above the 1 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, and additionally calculated amounts that were added to the levy base in 2010, sometimes referred to as "ghost money." The levy percentage is the maximum allowable percentage of the levy base that a school district may collect. 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 decreases to 24 percent, or for districts

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grandfathered at a higher levy percentage, decreases by 4 percentage points. 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. The Local Effort Assistance program (LEA), also known as levy equalization, was created in 1987. Under the state's LEA program, the state provides additional funding 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. Equalization is set to reduce to 12 percent beginning in 2018, 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 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 4 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: Available.

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.