

# FINAL BILL REPORT

## 2ESHB 1932

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*Synopsis As Enacted*

**Brief Description:** Raising school levy limits.

By House Committee on Education (originally sponsored by Representatives Locke, Appelwick, H. Sommers, Wineberry, Anderson, Ferguson, Brough, May, Paris, Mitchell, Phillips, O'Brien, Nelson, Forner and Jacobsen).

Senate Committee on Education  
Senate Committee on Ways & Means

**Background:** In 1977, when the state assumed additional responsibility for funding schools, the Legislature limited school district general fund maintenance and operation (M&O) levy authority by passing the "levy lid law." This law sets the maximum amount of a school district's general fund M&O levy for a calendar year. This maximum levy is also known as the district's "levy authority."

The Legislature has amended the levy lid law eight times since 1977.

In 1979 the Legislature expanded the "levy base" on which the 10 percent levy lid is calculated. State categorical funding, such as allocations for transportation and handicapped education, were added to basic education allocations in determining the base on which the 10 percent levy amount is calculated.

In 1987 the Legislature expanded the levy base to include selected federal revenues and state block grant revenues. It also expanded the levy base by multiplying the prior school year's revenue in the levy base by the percentage increase in state basic education allocations per pupil between the prior and current school years.

Under the current law, a school district's levy lid equals: (levy base x levy percentage) + transfers - maximum local effort assistance.

A district's levy base includes most state and federal revenues for the prior school year, e.g., 1988-89 revenues make up the 1990 levy base. This base is further increased by the percentage increase in state basic education funding

per pupil between the prior and current school years, e.g., between 1988-89 and 1989-90 for the 1990 levy base.

All districts have a levy authority percentage of at least 20 percent of their levy base. For 1991 levies, 91 districts have levy authority percentages between 20 percent and 30 percent. Levy authority percentages above 20 percent will be reduced when the Legislature increases state allocations by enhancing state funding formulas.

**Summary:** In order to provide expenditure increases from local levy sources occurring at the beginning of a school year funded from levies that aren't collected until the second half of the school year, the levy base is increased to cover the lag in revenue availability.

The levy base is adjusted as follows: current law provides for adjustment of the levy base by the increased percentage in per pupil expenditures in the appropriations act that impact school district budgets in the year the levy would be collected. The substitute bill increases by 55 percent the percentage calculated as the adjustment in a given year. The effect is to increase the levy base by about 4 percent, given recent trends of the adjustment being approximately 5 percent. The adjustment percentage for levies must be as stated in the appropriations act. The changes to the levy base calculations are to be applied to taxes collected in 1993.

Increasing the levy base causes an accompanying increase in funds needed to meet the requirements of levy equalization because the estimate of what a hypothetical statewide average 10 percent levy would raise in revenue is increased by the adjustment in the levy base. The additional funds needed for levy equalization as a result of the substitute bill are approximately \$3 million per year. The timing of state payments for levy equalization is modified to match receipt of local property taxes.

***Votes on Final Passage:***

House	77	21
Senate	40	9

***Effective:*** June 11, 1992