

SENATE BILL REPORT

SB 5396

As of February 13, 1997

Title: An act relating to school levies.

Brief Description: Changing school levy provisions.

Sponsors: Senators West, Hochstatter and Spanel; by request of Office of Financial Management.

Brief History:

Committee Activity: Education: 2/14/97.

SENATE COMMITTEE ON EDUCATION

Staff: Karen Carter (786-7424)

Background: School districts are allowed to collect excess property tax revenues, with voter approval, to enrich their programs beyond the level of basic education.

Limits on School Levies (Levy Lid): Local excess levies are limited to an amount equal to 20 percent of most state and federal allocations school districts receive. This means that by definition, the maximum levy grows and shrinks with changes in funding per pupil.

Certain school districts were collecting a higher percentage before the levy lid was imposed. Those districts have the authority to raise amounts greater than 20 percent through a grandfather clause.

Two statutory changes expanded district taxing authority in recent years:

- In 1992, the Legislature expanded the levy base for all districts by dividing the per pupil inflator by 55 percent.
- In 1993, the Legislature extended to all districts the temporary authority to raise, with voter approval, an additional 4 percent. This temporary authority is scheduled to expire December, 1997.

While limiting the taxing authority of local schools, the state assists districts with lower than average property valuations by matching a portion of their voter approved maintenance and operations levies. This state program is called "local effort assistance" also referred to as levy equalization.

Local Effort Assistance (Levy Equalization): Local effort assistance (LEA) is formula driven and amounts to a portion of a district's levy base, up to an amount equivalent to a 10 percent levy. To qualify, a district must pass a levy and its property tax rate for a 10 percent levy must exceed the statewide average tax rate for a 10 percent levy. In 1997, the statewide

average is \$1.26 per \$1,000 of property value. In 1996, 217 districts were eligible for local effort assistance of which, 188 passed levies and received state funding.

Total amounts raised locally through excess levies must account for LEA from the state, and beginning in 1998 districts can only request that voters approve amounts which are consistent with statutory limits in place at the time such a request is made.

Summary of Bill: The temporary 4 percent levy authority is made permanent and phased back in over two years. With continued exceptions for grandfathered districts, the maximum levy authority is 21 percent in 1998 and 24 percent in 1999.

The act clarifies that in seeking voter approval, districts must not request amounts greater than the estimated levy limit and that boards of directors must employ reasonable assumptions for enrollment, revenue and other factors affecting the limit when making such levy estimates.

With respect to a district's levy base, the 55 percent divisor of the per pupil inflator is removed from the calculation.

Technical changes are made to align statutory language with current administrative rules governing apportionment for districts without high schools and students served by agreement between districts, as it relates to levy authority.

State match for local effort assistance (LEA) is increased from 10 percent of a district's levy base in 1997 to 11 percent in 1998, and 12 percent in 1999 and thereafter. The maximum LEA for districts that receive enhanced small school or remote plant funding is reduced by the amount of this general apportionment enhancement.

Appropriation: None.

Fiscal Note: Requested on February 4, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed.