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**Education Committee**

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**HB 3148**

**Brief Description:** Authorizing voter approved regular property tax levies for school purposes.

**Sponsors:** Representatives Ruderman, Tom, Hunter and Jarrett.

**Brief Summary of Bill**

- Permits a voter approved county property tax of \$0.25 per \$1,000 of value to be used for school maintenance and operations, including regional cost-of-living salary supplements, extended learning opportunities, and professional development for educators.

**Hearing Date:** 2/5/04

**Staff:** Susan Morrissey (786-7111).

**Background:**

I-728 was approved by voters in the November 2000 general election. Under this initiative, lottery proceeds and a portion of the state property tax are dedicated for educational purposes by transferring revenues into the Student Achievement Fund and the Education Construction Account.

Under I-728, allowable uses of the Student Achievement Fund include: hiring more teachers to reduce class sizes and making necessary capital improvements; creating extended learning opportunities for students; providing professional development for educators; and providing early childhood programs.

Property taxes are imposed by the state and many local governments. All real and personal property in this state is subject to property tax each year based on its value, unless a specific exemption is provided by law. The county assessor determines assessed value for each property. The county assessor also calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district. The assessor calculates the rate so that the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied. The tax bill is determined by multiplying the assessed value of property by the tax rate for each taxing district in which the property is located.

The sum of property tax rates is limited by the state constitution to a maximum of 1 percent of true and fair value, or \$10 per \$1,000 of value. The constitution provides a procedure for voter approval for tax rates that exceed the 1 percent limit. These taxes are called "excess" levies. The most common excess levies are maintenance and operation levies for school districts and bond

retirement levies. Excess levies must obtain a 60 percent majority vote plus meet a minimum voter turnout requirement. Levies that fit within the 1 percent rate limit are regular levies. Generally, districts are not required to get voter approval for regular levies.

In order to implement the 1 percent limit, the legislature has adopted rate limits for each individual type of district. The dollar rate limits are statutory, and provide a specific limit on the rate each tax district can levy. The state levy rate is limited to \$3.60 per \$1,000 of assessed value; county general levies are limited to \$1.80 per thousand; county road levies are limited to \$2.25 per thousand; and city levies are limited to \$3.375 per thousand. These districts are known as "senior" districts. Junior districts like fire, library, and hospital districts each have specific rate limits as well.

In addition, there is an overall rate limit of \$5.90 per thousand for most districts. The state property tax and a specific list of local levies, such as emergency medical services, conservation futures, and affordable housing, are not subject to the \$5.90 limit. There is a complex system of prorating the various levies so that the total rate for local levies does not exceed \$5.90. If the total rate exceeds \$10 after prorationing under the \$5.90 aggregate rate limit then another prorationing procedure reduces levy rates so that the total rate is below \$10 per \$1,000 of value.

In addition to the rate limitations, a district's regular property tax levy is limited by a statutory maximum growth rate in the amount of tax revenue that may be collected from year to year. The voters amended this revenue limit most recently with the passage of Initiative 747 in November 2001. The limit requires a reduction of property tax rates as necessary to limit the growth in the total amount of property tax revenue received to the lesser of one percent or inflation, generally. The revenue limitation does not apply to new value placed on tax rolls attributable to new construction, to improvements to existing property, or to changes in state-assessed valuation. In areas where property values have grown more rapidly than 1 percent per year the 101 percent revenue limit has caused district tax rates to decline below the maximum rate.

**Summary of Bill:**

Counties are authorized to impose a regular property tax with a rate up to \$0.25 per \$1,000 of assessed value. The tax must be used for the maintenance and operation of schools. The levy proceeds are distributed to school districts based on the number of full-time equivalent students in each school district. Majority voter approval of the tax is required. The tax is submitted to a vote after the county has received resolutions requesting the levy from school district boards representing a majority of the students in the county. The tax is not subject to the \$5.90 aggregate rate limit and is also not subject to the 101 percent levy revenue limit.

The Legislature intends that this additional funding be used by school districts to provide regional cost-of-living salary supplements and to support two of the objectives of I-728: extended learning opportunities and additional professional development for educators.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2004.