

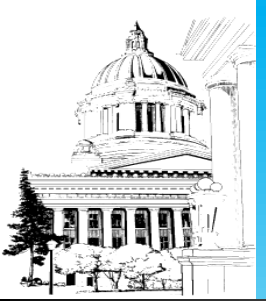
Recent Changes to State and School District Property Taxes & Local Effort Assistance

An overview of the major property tax changes resulting from K-12 finance reform, including a discussion of Local Effort Assistance

Presenters:

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Presentation roadmap

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- ▶ Look at recent changes in the state property tax and local school district enrichment levies.
- ▶ Provide an overview of Local Effort Assistance, a state funding program to assist school districts with low property values.



In 2017, the legislature substantially modified K-12 finance with the enactment of EHB 2242

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- ▶ State Funding Enhancements
 - K-12 salary allocations
 - Categorical and other programs

- ▶ State Property Tax
 - Tax rate
 - 1% revenue growth limit

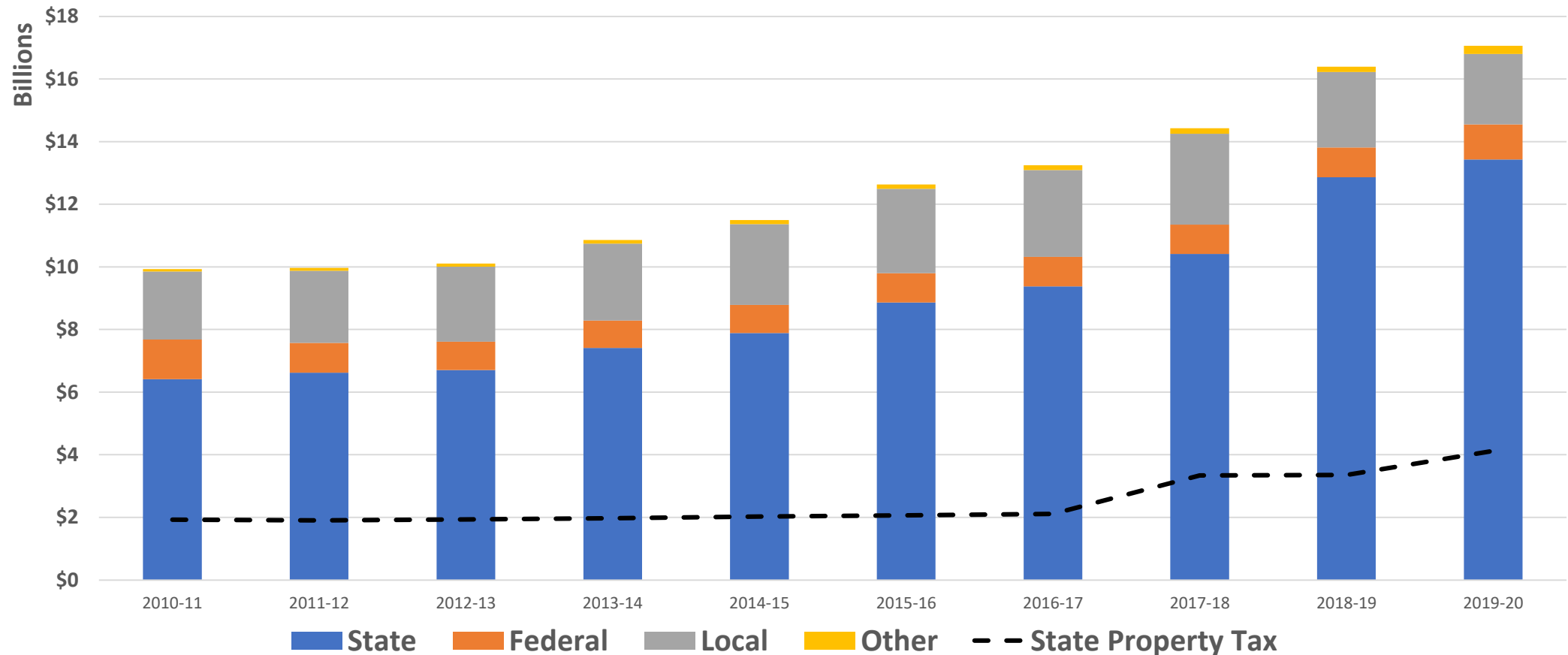
- ▶ Local School District Levies & Local Effort Assistance (LEA)
 - Local levy lid
 - New per-pupil-based LEA calculation



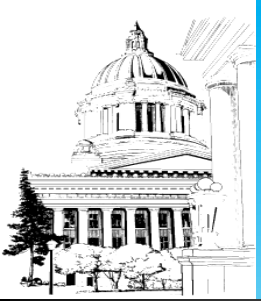
State funding as a percentage of total school district funding has increased substantially over the past decade (both from property taxes and other sources).

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- In SY 2010-11, school district GF revenue was \$9.9 billion with 65% from the state and 22% from local sources
- In SY 2019-20, school district GF revenue was \$17.1 billion with 79% from the state and 13% from local sources



Sources: OSPI F195 (budget SY 2019-20) and F196 (actual SY 2011 through SY 2018-19) financial summary databases for revenues (compiled by LEAP in K12GFRevsByType); DOR levy files



EHB 2242 (2017) made three significant changes to the state property tax and ESSB 6614 (2018) made an additional change.

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- **EHB 2242 increased the state property tax rate to \$2.70 per \$1,000 of assessed value beginning with property taxes due in CY 2018.**
 - The state rate would have otherwise been about \$1.76
 - Based on the most recent forecast, the rate increase and other changes to the state property tax are estimated to generate about \$6 billion in additional property tax revenues for CY 18 through CY 21.
 - On property tax bills, the state property tax is reflected as two separate state levies: a state school - part 1 and state school – part 2
- **EHB 2242 suspended the application of the one percent revenue growth limit to the entire state property tax for calendar years 2018 through 2021.**
 - Based on the most recent forecast, without suspension of the revenue limit, total CY 18 through CY 21 state property tax collections would be roughly \$1.6 billion less.
- **EHB 2242 exempted property owners qualifying under the senior citizen property tax relief program from state property tax – part 2.**
- **ESSB 6614 lowered the state property tax by 30 cents for one year, i.e. the rate was lowered from \$2.70 to \$2.40 for CY 19 collections.**



EHB 2242 (2017) and ESSB 5313 (2019) made several significant changes to school district enrichment levies.

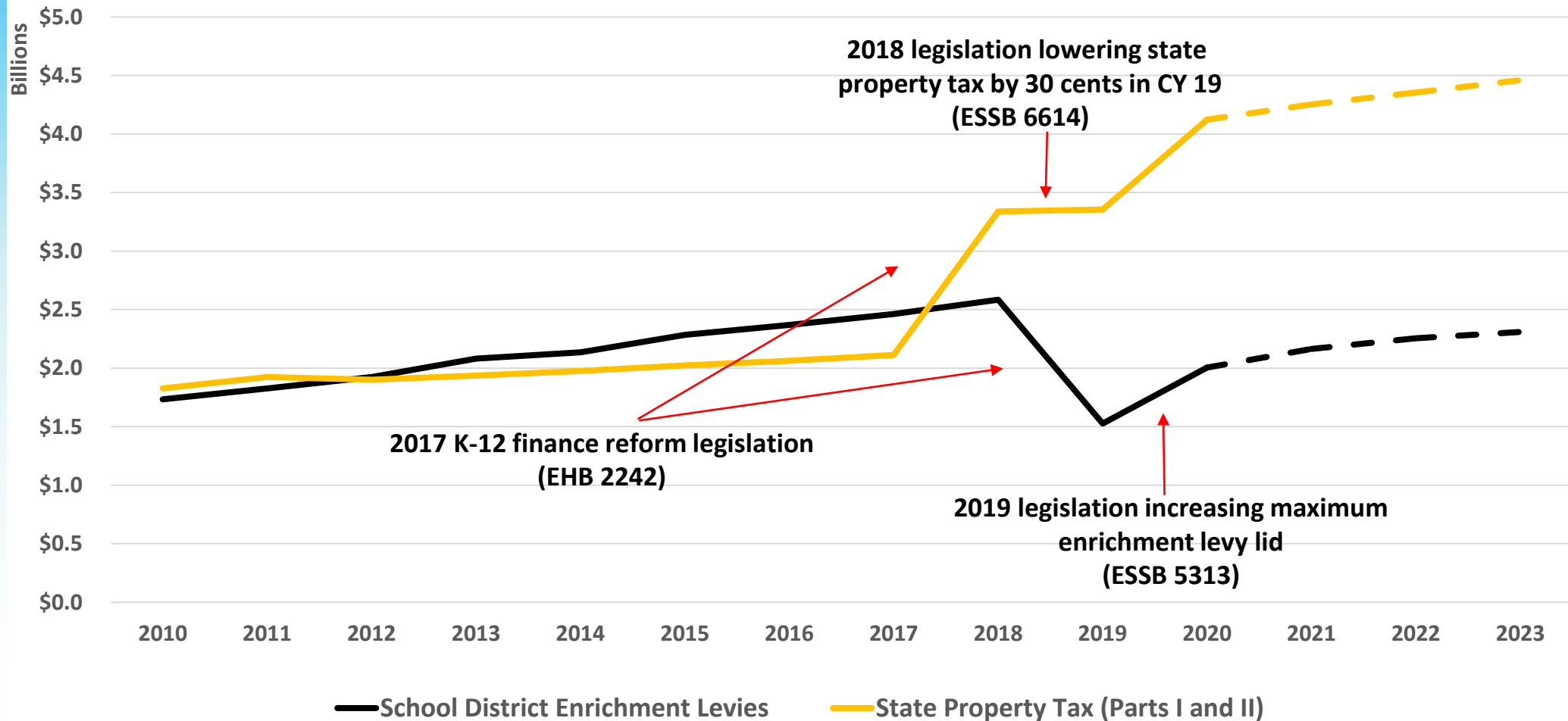
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- **Maintenance and operation levies or “M&O” levies are now called enrichment levies.**
 - EHB 2242 did not address school district bond or capital levies.
- **The maximum amount a school district can generate through its enrichment levy, referred to as the levy lid, was substantially reformulated beginning with levies collected in CY 19:**
 - For school district enrichment levy collections prior to CY 19, the levy lid was calculated as a percentage of state and federal funding, which was 28% for most districts.
 - Beginning with taxes levied for collection in CY 19, the maximum enrichment levy became the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1,000 of assessed value.
 - ESSB 5313 (2019) increased the maximum enrichment levy to the lesser of \$2,550 per pupil (\$3,000 for Seattle) or a rate of \$2.50 per \$1,000 of assessed value beginning with levies collected in CY 20.



In summary, EHB 2242 (2017) made substantial changes to both the state property tax levy and local school district enrichment levies. Legislation enacted in 2018 and 2019 made additional changes.

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Source: DOR State Levy Model, OSPI/Legislative School District Levy Model



Property tax rate impacts for property owners in selected school districts

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DISTRICT	School District Rates				State Rate				Total Rate			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Bellevue	\$1.15	\$1.06	\$0.71	\$0.69	\$2.03	\$2.92	\$2.63	\$3.03	\$3.18	\$3.98	\$3.34	\$3.72
Bellingham	\$2.59	\$2.43	\$1.50	\$1.69	\$2.23	\$3.20	\$2.76	\$3.07	\$4.82	\$5.63	\$4.26	\$4.76
Camas	\$2.58	\$2.97	\$1.50	\$2.15	\$1.98	\$2.89	\$2.51	\$2.85	\$4.56	\$5.87	\$4.01	\$5.00
Central Kitsap	\$3.25	\$2.99	\$1.50	\$1.50	\$2.12	\$3.02	\$2.66	\$2.98	\$5.36	\$6.01	\$4.16	\$4.48
Chehalis	\$2.87	\$2.63	\$1.50	\$2.44	\$2.23	\$2.63	\$2.62	\$3.07	\$5.10	\$5.27	\$4.12	\$5.51
Everett	\$3.07	\$2.62	\$1.50	\$1.92	\$2.03	\$2.85	\$2.57	\$2.87	\$5.10	\$5.47	\$4.07	\$4.79
Federal Way	\$3.94	\$3.60	\$1.50	\$1.55	\$2.03	\$2.92	\$2.63	\$3.03	\$5.97	\$6.52	\$4.13	\$4.58
Issaquah	\$1.85	\$1.81	\$1.08	\$1.28	\$2.03	\$2.92	\$2.63	\$3.03	\$3.89	\$4.73	\$3.71	\$4.31
Kent	\$3.42	\$2.78	\$1.50	\$1.70	\$2.03	\$2.92	\$2.63	\$3.03	\$5.45	\$5.70	\$4.13	\$4.73
North Thurston	\$3.47	\$3.41	\$1.50	\$2.50	\$1.99	\$2.81	\$2.54	\$2.93	\$5.46	\$6.22	\$4.04	\$5.43
Oak Harbor	\$2.23	\$2.50	\$1.37	\$2.29	\$1.95	\$2.86	\$2.55	\$2.84	\$4.18	\$5.36	\$3.92	\$5.13
Olympia	\$3.07	\$2.97	\$1.50	\$2.42	\$1.99	\$2.81	\$2.54	\$2.93	\$5.06	\$5.78	\$4.04	\$5.34
Richland	\$3.40	\$3.45	\$1.50	\$2.50	\$2.15	\$3.17	\$2.74	\$3.07	\$5.54	\$6.62	\$4.24	\$5.57
Seattle	\$1.10	\$1.10	\$0.55	\$0.64	\$2.03	\$2.92	\$2.63	\$3.03	\$3.13	\$4.01	\$3.18	\$3.67
Sedro Woolley	\$3.74	\$3.44	\$1.50	\$2.50	\$2.04	\$2.89	\$2.45	\$2.92	\$5.77	\$6.33	\$3.95	\$5.42
South Kitsap	\$3.25	\$3.21	\$1.50	\$2.50	\$2.12	\$3.02	\$2.66	\$2.98	\$5.36	\$6.23	\$4.16	\$5.48
Spokane	\$3.96	\$3.79	\$1.50	\$1.60	\$2.00	\$2.80	\$2.52	\$2.83	\$5.96	\$6.59	\$4.02	\$4.43
Tacoma	\$3.96	\$3.54	\$1.50	\$2.32	\$2.07	\$2.91	\$2.62	\$3.01	\$6.03	\$6.44	\$4.12	\$5.33
Vancouver	\$2.82	\$2.65	\$1.50	\$1.52	\$1.98	\$2.89	\$2.51	\$2.85	\$4.80	\$5.54	\$4.01	\$4.37
Yakima	\$3.02	\$2.94	\$1.50	\$2.50	\$2.05	\$3.07	\$2.73	\$3.18	\$5.08	\$6.00	\$4.23	\$5.68

Source: DOR levy detail files



Enrichment levy collections in selected school districts

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DISTRICT	School District Enrichment Levies		
	2018	2019	2020
Bellevue	\$66,710,555	\$51,302,483	\$52,712,754
Bellingham	\$34,022,008	\$23,690,292	\$29,817,726
Camas	\$16,100,515	\$9,086,281	\$13,696,585
Central Kitsap	\$22,934,129	\$12,635,713	\$14,055,372
Chehalis	\$4,870,129	\$2,877,451	\$5,065,587
Everett	\$51,044,546	\$32,765,979	\$45,572,465
Federal Way	\$53,199,125	\$24,644,270	\$27,008,181
Issaquah	\$54,050,465	\$36,364,074	\$44,958,751
Kent	\$67,211,313	\$40,678,480	\$50,113,798
North Thurston	\$39,707,798	\$19,266,651	\$35,526,133
Oak Harbor	\$9,623,961	\$5,797,237	\$10,485,792
Olympia	\$26,372,046	\$14,219,688	\$24,769,628
Richland	\$25,400,000	\$12,462,686	\$23,364,751
Seattle	\$233,953,770	\$134,419,338	\$164,775,986
Sedro Woolley	\$10,135,946	\$4,990,033	\$9,132,425
South Kitsap	\$24,347,131	\$12,808,095	\$23,397,455
Spokane	\$69,700,447	\$29,998,938	\$35,287,199
Tacoma	\$86,723,684	\$42,169,203	\$72,424,661
Vancouver	\$47,453,033	\$30,509,309	\$32,774,970
Yakima	\$14,276,064	\$7,997,846	\$14,199,905
Total (All Districts)	\$2,583,829,369	\$1,526,453,515	\$1,964,034,477

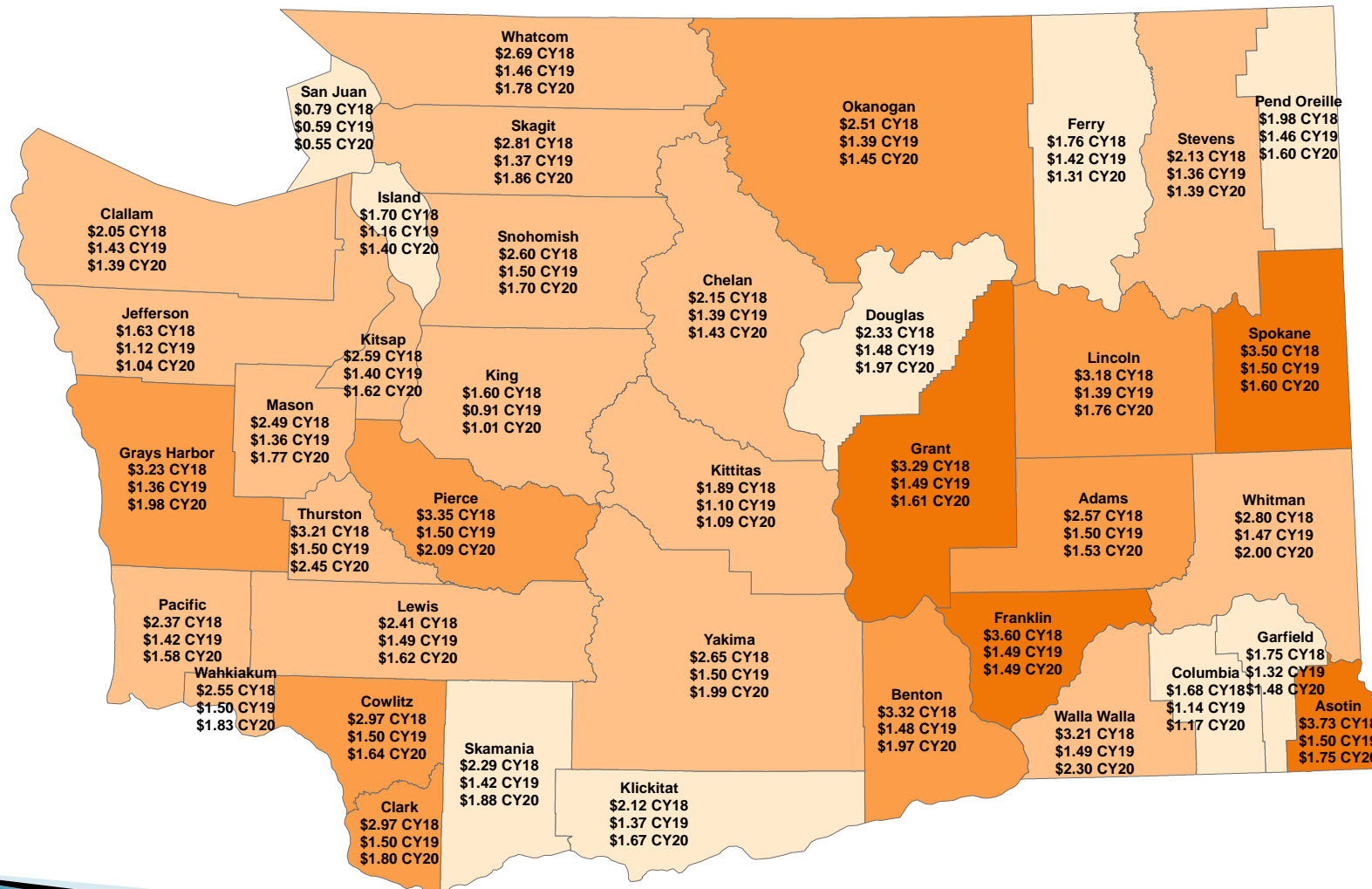
- In CY 20, total school district enrichment levy collections are approximately 76% of CY 2018 collections.
- In CY 20, about 191 districts imposed a rate above \$1.50.
- In CY 20, six school districts did not impose a school district enrichment levy.
- About 126 districts are subject to the \$2,500 per pupil limit.

Source: DOR levy detail files



School district enrichment levy rates averaged by county for calendar years 2018 through 2020

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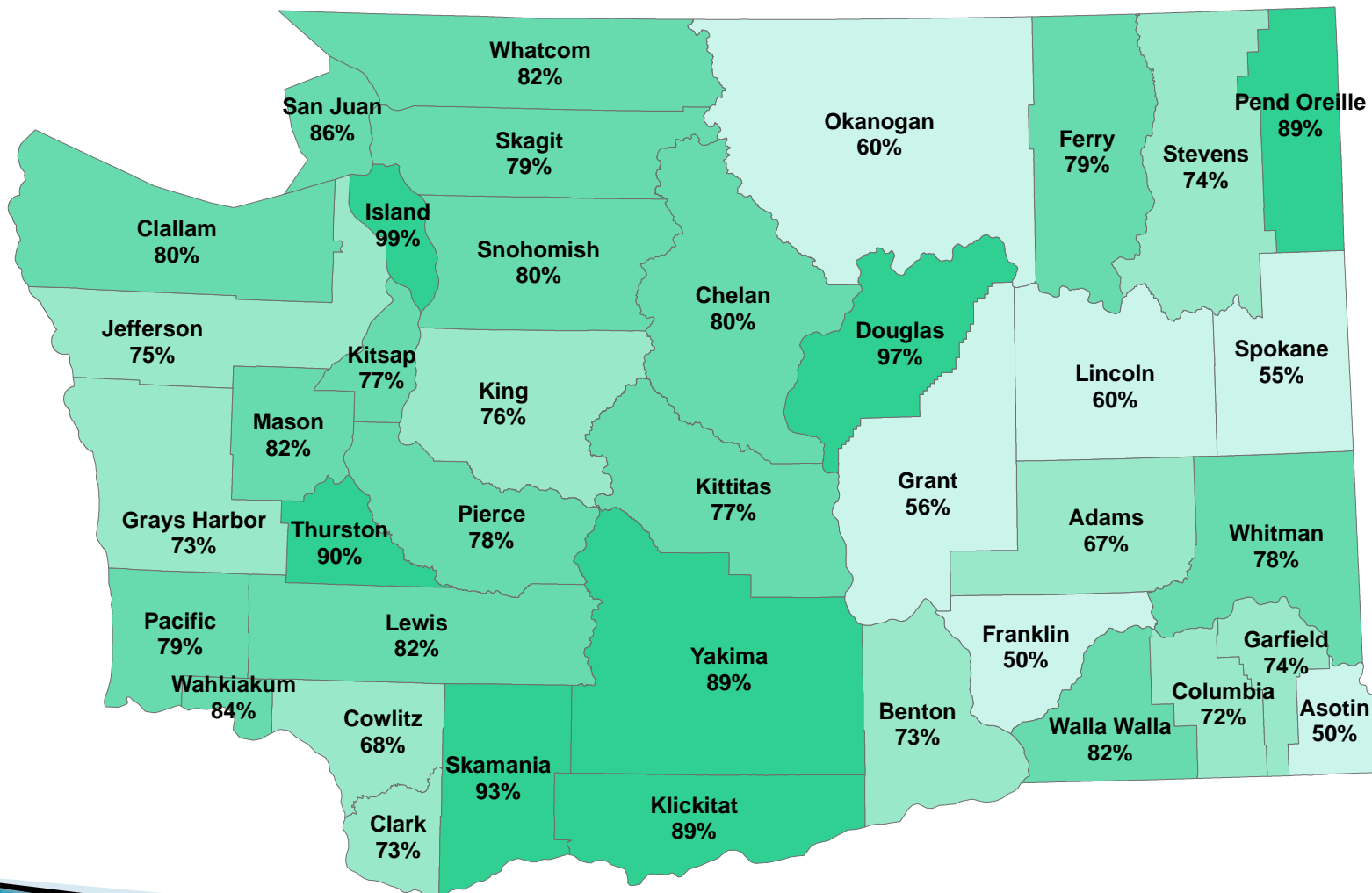
Darkest coloration represents the counties with school districts having the largest tax rate decline between CY 2018 and CY 2020.

Source: DOR levy detail files



CY 2020 school district enrichment levies as a percentage of CY 2018 levies averaged by county

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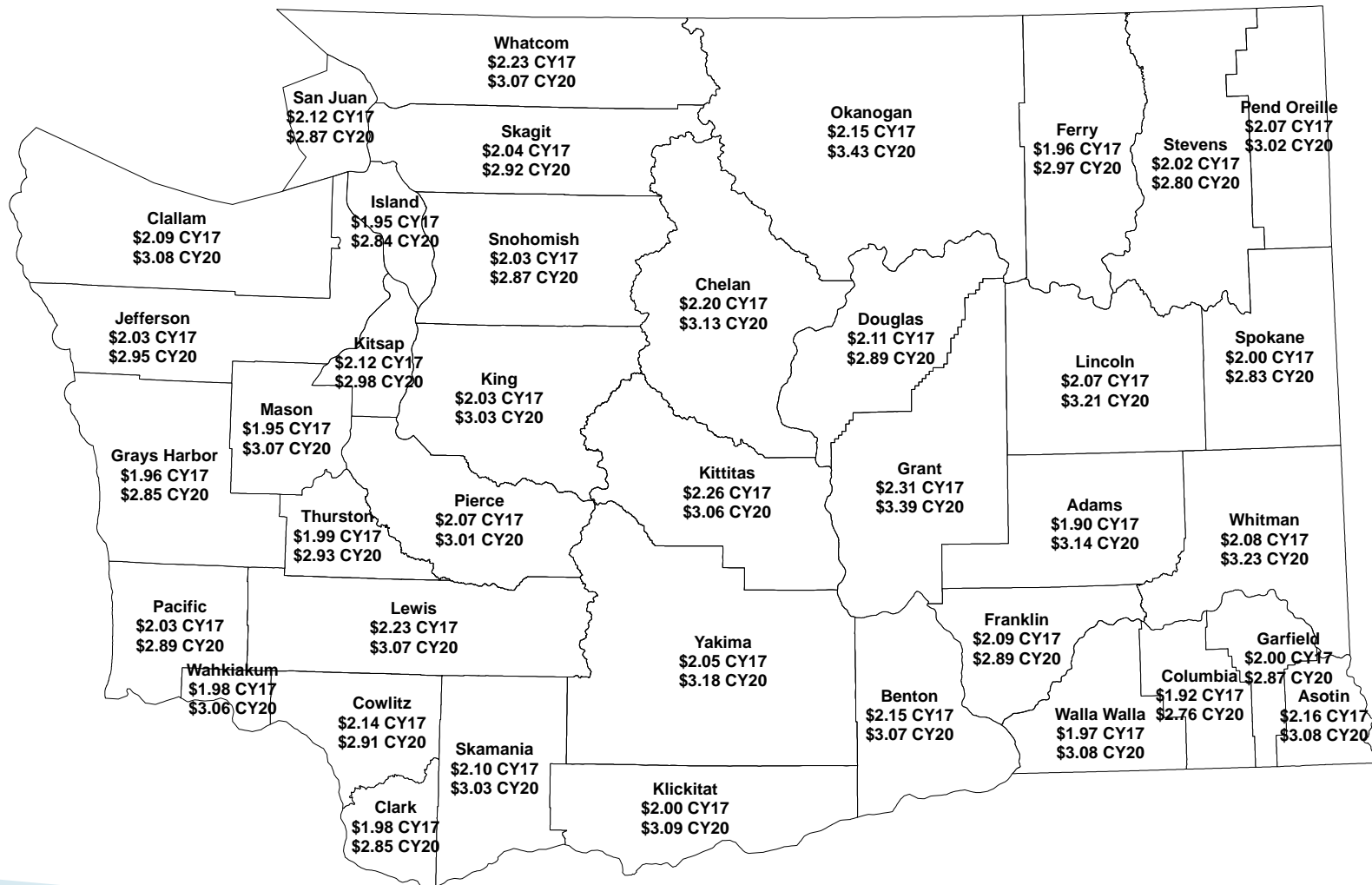
The darkest shade of green represents counties containing school districts with the highest CY 2020 levies as a percentage of CY 2018 levies.

Source: DOR levy detail files



Comparison of CY 2017 and CY 2020 state property tax rates by county

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Source: DOR levy detail files



EHB 2242 & ESSB 5313 Recap: School District Enrichment Levies, Levy Equalization

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Revised the Levy Lid Formula (i.e. maximum cap on annual local levy collections)

- Previous calculation was a percentage of state and federal revenues – 28% for most districts.
- New calculation is based on the lesser of: \$2.50 tax rate or the tax rate that would generate no more than \$2,500 per pupil.

Local Effort Assistance (LEA)

- Previous calculation: Equalized to a statewide average tax rate.
- New calculation: The difference between \$1,550 and the actual per pupil property tax amount for the school district at a \$1.50 tax rate.
- LEA may not be used to support the state program of basic education and that it is subject to the same EHB 2242 “enrichment” restrictions as local levies.



Local Effort Assistance is provided to districts with relatively lower property values.

- ▶ LEA is state enrichment funding to districts.
- ▶ Qualifying districts receive up to \$1,550 per pupil in combined levy and LEA, beginning CY 20.
- ▶ A district qualifies if its levy collections under an assumed rate of \$1.50 per \$1,000 of AV are less than \$1,550 per pupil.
- ▶ Per pupil amounts increase annually with Seattle Consumer Price Index (with inflation 2020 per pupil limit is \$1,589).
- ▶ LEA is pro-rated if levy collections are below \$1.50 rate.

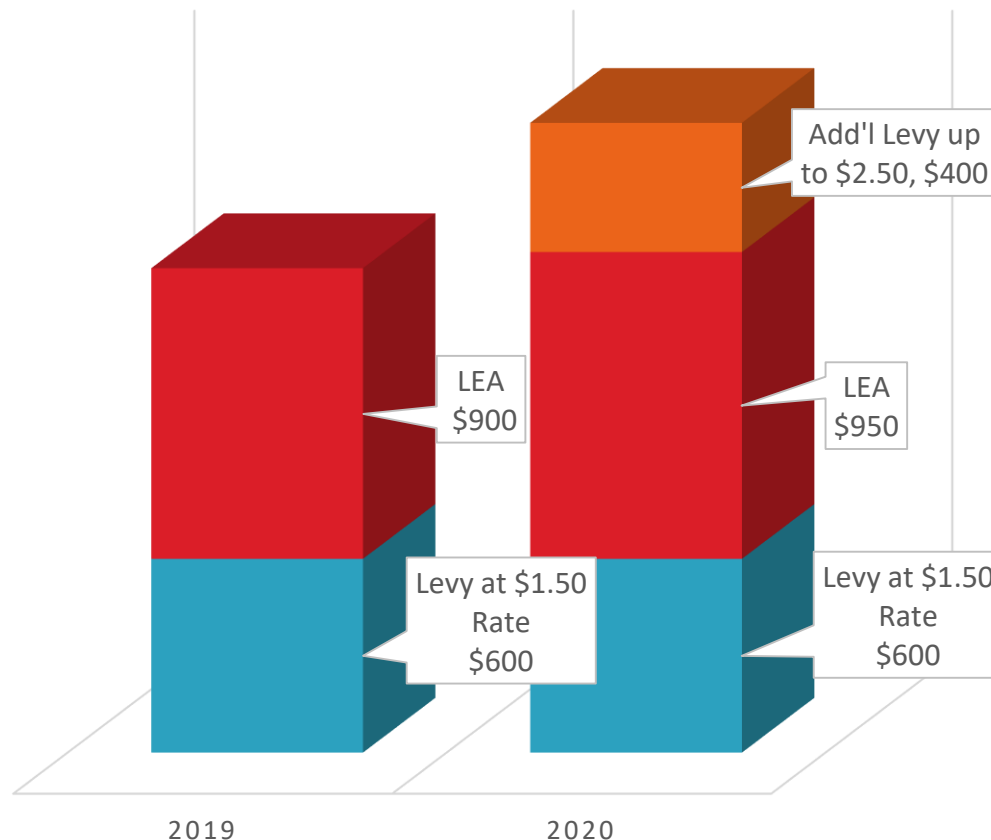


Local Effort Assistance increased by \$50 per pupil from 2019 to 2020.

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PER PUPIL LEA

EXAMPLE DISTRICT



- ▶ Levy rate used for LEA (\$1.50) differs from the maximum levy authority rate (lesser of \$2.50 rate or \$2,500 per pupil).
- ▶ Estimated increase of \$36 million per CY, beginning in 2020.
- ▶ ESSB 5313 provided additional LEA funding for:
 - Tribal schools beginning in 2022.
 - \$12.9 million - One-time per-pupil amounts in 19-20 school year for select districts. (Vancouver and Evergreen-Clark)



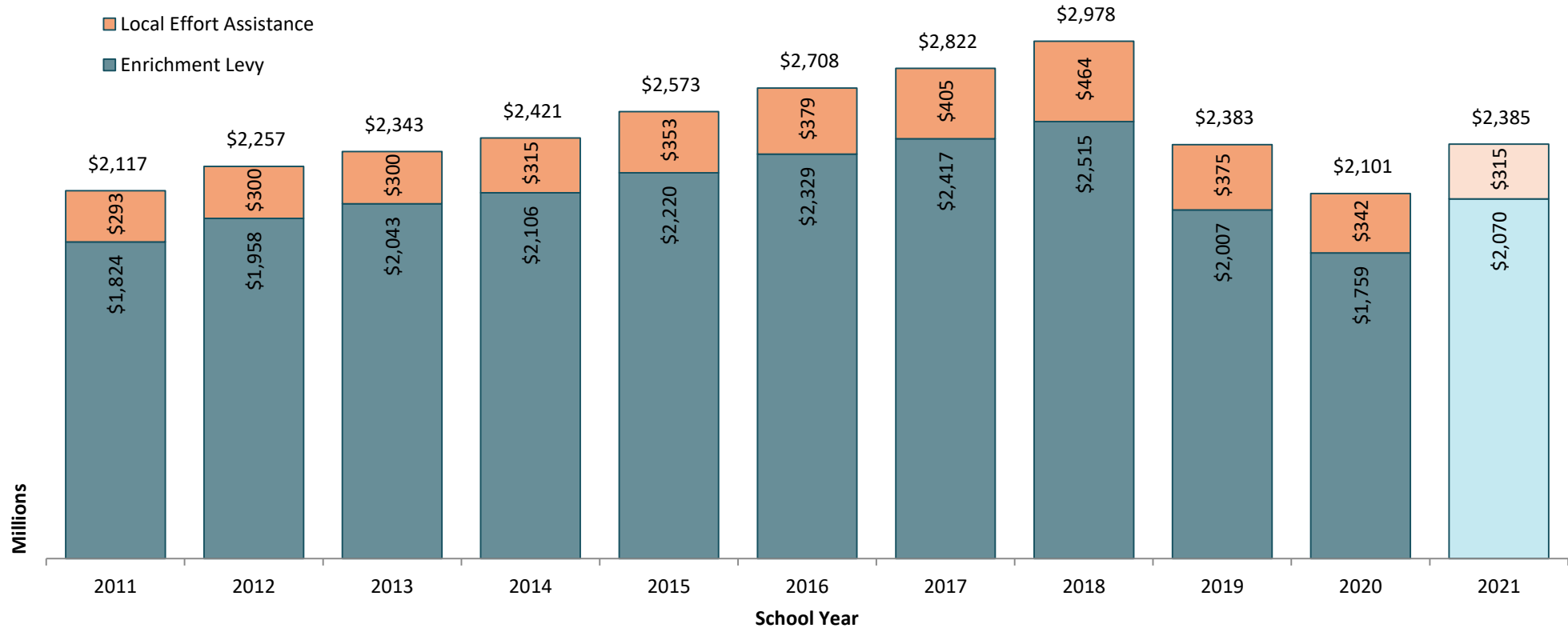
Estimated LEA and Enrichment Levy Collections

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School Year Enrichment Levies and LEA

Prior School Year Actuals Levies and Estimated 2020 and 2021
Dollars in millions

Estimate of future levy collections and LEA based on estimated enrollments, inflation, property values and voter approved levies as of Sept 2020. Actual voter-approved levies may differ.



*2020 School Year includes \$12.9 million in one-time amounts provided in ESSB 5313 for select districts. Actuals based on school district F-196 data. 2018-19 based on F780 reports. Projected school years (lighter shaded) based on inflation, enrollment and property value assumptions provided by OSPI and DOR as of fall 2020.



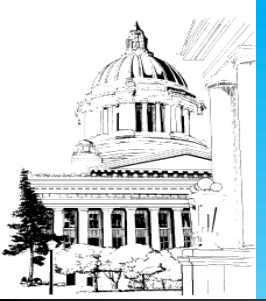
Impacts from LEA and enrichment levy changes vary by district.

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Calendar Year	2018	2019	2020
<i>Policy (Levy/Lea)</i>	<i>28% of levy base/LEA up to 14% levy base</i>	<i>Lesser of \$2500 PP or \$1.50 rate/LEA up to \$1500 PP + infl.</i>	<i>Lesser of \$2500 PP or \$2.50 rate/LEA up to \$1550 PP + infl. based on \$1.50 rate</i>
Seattle*	Local Tax Rate: \$1.10 LEA: \$0	Local Tax Rate: \$0.55 LEA: \$0	Local Tax Rate: \$0.64 LEA: \$0
West Valley (Spokane)	Local Tax Rate: \$4.27 LEA: \$2,507	Local Tax Rate: \$1.50 LEA: \$2,343	Local Tax Rate: \$2.50 LEA: \$2,258
Tacoma	Local Tax Rate: \$3.54 LEA: \$11,377	Local Tax Rate: \$1.50 LEA: \$333	Local Tax Rate: \$2.32 LEA: \$0
Davenport	Local Tax Rate: \$4.01 LEA: \$579	Local Tax Rate: \$1.50 LEA: \$451	Local Tax Rate: \$2.50 LEA: \$438
Aberdeen	Local Tax Rate: \$4.40 LEA: \$3,746	Local Tax Rate: \$1.50 LEA: \$3,007	Local Tax Rate: \$2.50 LEA: \$3,030

Dollars in thousands

*Seattle may levy up to \$3000 per pupil



Questions?

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