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## EXECUTIVE SUMMARY

### BACKGROUND

Article 7 of the State Constitution and chapter 84.52 RCW give school districts authority to levy local property taxes. The voters of the school district must approve such levies. School district levies are of four fund types:

**Excess general fund levies** are one to four-year levies used for day-to-day operations of the school. Such levies are also known as “maintenance and operation” (M&O) levies.

**Debt service fund levies** are multi-year levies used to pay principal and interest on general obligation bonds sold to finance school construction and remodeling. Voter approval of a bond issue authorizes the sale of bonds and the levy of taxes over the life of the bonds, which is often 15 to 30 years. Tax revenues are deposited in the debt service fund.

**Transportation vehicle fund levies** are one or two-year levies used to pay for school buses or other school transportation needs.

**Capital project fund levies** are one to six-year levies used to pay for school construction or remodeling.

School districts may run a levy for a particular fund only two times in a calendar year. Unsuccessful levies may be resubmitted in subsequent years.

**Local effort assistance** is state money paid to eligible districts to match excess general fund levies. These payments help school districts with above-average tax rates due to low property valuations.

### LEVY HISTORY 1975–2005

Tables and graphs on pages 1–6 summarize school levy history since 1975. Tables 1–3 summarize excess general fund levies. Table 4 summarizes bond issue election results. Table 5 summarizes levy authority, rollbacks and local effort assistance history.

**Table 1** - The number of districts passing 2005 excess general fund levies decreased by two, to 272 districts. The number of districts that tried but failed to pass a levy increased to 6 districts. The total dollar amount of approved levies is \$1.318 billion.

**Table 2** - The statewide average excess general fund levy rate per \$1,000 decreased from \$2.31 the prior year to \$2.23. The levy per student increased from \$1,283 in the prior year to \$1,328.

**Table 3** - This table displays excess general fund levies as a percent of total school district revenues. The percent decreased from 16.09 percent in 2003–04 to 15.99 percent in 2004–05.

**Table 4** - Bond issue levy submissions and approvals decreased from \$1.937 billion in submissions the prior year to \$946 million and decreased from \$868 million in approvals the prior year to \$474 million.

**Table 5** - Levy authority increased 2.8 percent from \$1.378 billion in the prior year to \$1.417 billion. The number of districts eligible for local effort assistance (LEA) increased by one to 236 and the eligible amount increased from \$168 million to \$170 million. The districts receiving LEA decreased by two to 215, and the amount received increased 0.6 percent from \$164.3 million to \$165.3 million.

## **LEVY ELECTION RESULTS**

The Report 1463 series shows detailed election results for the four fund types.

### **Comments on Report 1463-GF**

Report 1463-GF shows results of elections held in 2001, 2002, 2003, and 2004 for excess general fund levies collectible in 2005.

Voter approval requires either total votes of at least 40 percent of votes cast in the last general election and at least 60 percent “yes” votes, or if total votes are less than 40 percent, “yes” votes of at least 24 percent (60 percent of 40 percent) of votes cast in the last general election.

The number of districts submitting levies was 278. The number of districts with successful levies was 272. The number of districts not submitting an excess general fund levy to the voters was 18.

Levy election data for these reports came from county auditors’ reports. The tax rate shown in “dollars per thousand” was an estimate when the election was held. Actual tax rates are shown in Report 2010.

### **Comments on Report 1463-BI**

Report 1463-BI shows the results of bond issue elections held in 2004. Voter approval of a bond issue permits the school district to issue general obligation bonds, which will be repaid by debt service fund levies made over the life of the bonds. For example, a bond issue approved in 2004 may result in debt service levies in calendar years 2005 through 2030.

Voter approval requires at least 60 percent “yes” votes and total votes of at least 40 percent of votes cast in the last general election.

Bond issues totaling \$946 million were submitted and \$474 million (50 percent) received voter approval. Of the 31 districts submitting bond issues, 13 districts (42 percent) were successful.

## Comments on Report 1463-TVF

Report 1463-TVF shows the results of transportation vehicle fund levy elections held in 2004.

Transportation vehicle fund levies are deposited in the transportation vehicle fund and used for purchase and repair of pupil transportation vehicles (mostly school buses). Voter approval requirements are the same as excess general fund levies.

In 2004, three districts submitted transportation vehicle fund levies totaling \$2.8 million. Two districts passed levies totaling \$2.6 million for collection in 2005 and 2006.

## Comments on Report 1463-CP

Report 1463-CP shows the results of capital project levy elections held in 2004 for collection in 2005 through 2010.

Capital project levies must be used for construction, modernization, or remodeling of school facilities. Capital project levies for up to six years may be approved at a single election. Voter approval requirements are the same as for bond issues.

In 2004, 15 districts submitted capital project levies totaling \$265 million. Fourteen districts passed levies totaling \$255 million for collection in 2005 through 2010.

## ACTUAL 2005 LEVIES BY FUND

Report 2010 shows actual tax rates and levy amounts certified for collection in 2005 for all four types of levies. The state average and highest tax rates are as follows:

	<u>Total</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Transport. Vehicle</u>	<u>Capital Projects</u>
Average Tax Rate (\$/1000)	\$3.85	\$2.23	\$1.35	\$0.00	\$0.27
Highest Tax Rate (\$/1000)	\$8.24	\$5.88	\$3.56	\$0.16	\$1.19

The tax rates shown on this report are actual rates used by county assessors as reported to the Department of Revenue. Certified levy amounts are those certified to county commissioners in the fall of 2004 for collection in calendar year 2005.

Total excess general fund levies certified for collections in 2005 are \$39.5 million less than the amount approved by voters as shown in Report 1463-GF. Differences are shown by district on attached Report 2030. Most of the difference is due to the levy lid that limits the dollar amount of general fund levies.

Tax rates and certified levy amounts for debt service levies are those calculated by county assessors for collection in 2005 for payment of principal and interest on outstanding bonds. Certified 2005 debt service fund levies include levies approved by voters prior to 2004 as well as those shown in Report 1463-BI.

## SUPPLEMENTAL EXCESS GENERAL FUND LEVY INFORMATION

### Comments on Report 1061

Report 1061 shows assessed valuations and tax rates for 2005 excess general fund levies as reported by county assessors to the Department of Revenue (DOR).<sup>1</sup> Certified levy amounts were reported to the Office of Superintendent of Public Instruction (OSPI) by educational service districts (ESDs). Additional columns provide analysis of levy valuations and certified levies per full-time equivalent (FTE) student.

SUMMARY	Avg. for	Avg. Dists.	-----Range-----	
	<u>All Districts</u>	<u>with Levies</u>	<u>High</u>	<u>Low</u>
Tax Rate (\$/1000)	\$2.23	\$2.24	\$5.88	\$0.38 *
Levy Valuation Per Pupil ***	\$594,862	\$596,659	\$7,313,833	\$28,030 **
Certified Levy Per Pupil ***	\$1,328	\$1,339	\$4,425	\$79 *

\* Range for districts with levies.

\*\* Range for all districts.

\*\*\* Pupils are measured in terms of full-time equivalents.

### Comments on Report 2030

Report 2030 shows how the levy lid law (RCW 84.52.0531) affected 2005 levy collections. Thirty-nine districts had to reduce or “rollback” 2005 levies by a total of \$39.5 million due to the levy lid. One district voluntarily rolled back their levy by an additional \$252 thousand.

The middle two columns on Report 2030 show each school district’s levy authority percent and actual levy percent. The levy authority percent for 205 districts is 24 percent. There are 91 districts that have been grandfathered at a levy authority between 24 and 34 percent.

The actual levy percent is calculated by adding the district’s certified levy and LEA allocation and dividing the result by the district’s levy base (adjusted for transfers). About 95 percent of all students reside in school districts levying 15 percent or more of their levy base. About 84 percent of all students reside in school districts levying more than 20 percent of their levy base. About 41 percent of all students reside in school districts levying more than 24 percent of their levy base.

Report 2030 also shows 2005 local effort assistance. LEA, also known as levy equalization, is state matching money paid to eligible districts. To be eligible, a district must have a tax rate for a hypothetical 12 percent levy in excess of the statewide average 12 percent levy rate. (This rate is \$1.288/1000 in 2005.) In determining 12 percent levy rates, assessed values are adjusted to 100 percent of market value using the county-indicated ratios determined by the DOR. The last column on Report 2030 shows each district’s 12 percent levy rate.

<sup>1</sup> Levy assessed valuations include property valuations plus the greater of one-half timber assessed valuations (1/2 TAV) or 80 percent of the 1983 timber roll. Property valuations have been reduced by the amount of senior citizen exemptions.

For the 2005 calendar year, local effort assistance allocations are reduced to 93.7 percent of the formula amount. Maximum LEA is also reduced by 93.7 percent resulting in a small increase in levy authority for LEA districts.

Of the state's 296 school districts, 236 are eligible for LEA in 2005. Of the 236 eligible districts, 207 receive the maximum LEA. Eight eligible districts assessed less than \$1.288/1000 and therefore qualify for only a portion of the maximum possible matching money. Twenty-one eligible districts did not pass an excess general fund levy and therefore receive no LEA.

## **QUESTIONS**

Questions relating to Report 1463 may be directed to Lynn Hallock at (360) 725-6111. All other questions should be directed to Steve Shish at (360) 725-6307. The agency TTY number is (360) 664-3631.