

AGENDA

Tax Structure Work Group Meeting #3 – October 9, 2020 from 8:00 a.m. – 12:00 p.m.

Virtual meeting via WebEx Event #126 623 6138

Instructions to enter the virtual meeting:

1. Work Group Members and Presenters

- Only **WORK GROUP MEMBERS** and **PRESENTERS** will be able to enter the event as panelists. All others must enter the event as attendees.
- Work group members and presenters will be able to enter the event starting at 7:30 a.m.
- **Panelists via Web (strongly preferred):**
<https://triangleassociates.webex.com/triangleassociates/onstage/g.php?MTID=eed22be197801cf3213f67ff69e5a4701>
- **Event password:** vaTzZKfJ625 **Numeric password:** 169532

2. Meeting Attendees

- All other attendees will be able to enter the event starting at 7:55 a.m.
- **Attendees via Web:**
<https://triangleassociates.webex.com/triangleassociates/onstage/g.php?MTID=e202a94d136c818672db5a610db70700c>
- **Event password:** c2MwpwmBx23

3. To join audio by phone, or if there are technical computer issues:

- Attendees or Panelists via Phone: Dial 1-415-655-0001, access code: 126 623 6138

4. Experiencing Technical Problems? If you experience technical difficulties on the day of the webinar, please contact Kizz Prusia at

Kprusia@triangleassociates.com or (626) 373-4763 or Kathy Oline @ KathyO@dor.wa.gov

Meeting to be live-streamed via TVW: <https://www.tvw.org/watch/?clientID=9375922947&eventID=2020071065>

Tax Structure Work Group Web Page: <https://dor.wa.gov/about/tax-structure-work-group>

How can you participate?

We have allotted a limited amount of time at the end of the agenda for public comment. If you would like to provide public comment, please send us your name and organization via the email: DORTaxStructureWorkGroup@DOR.WA.GOV.

Work Group Members	
<input type="checkbox"/>	Representative Noel Frame, Co-Chair
<input type="checkbox"/>	Senator Keith Wagoner, Co-Chair
<input type="checkbox"/>	Senator Joe Nguyen
<input type="checkbox"/>	Representative Ed Orcutt
<input type="checkbox"/>	Representative Pat Sullivan
<input type="checkbox"/>	Senator Lisa Wellman
<input type="checkbox"/>	Representative Jesse Young
<input type="checkbox"/>	Scott Merriman, Legislative Liaison, Office of Financial Management
<input type="checkbox"/>	Dean Carlson, Senior Tax Policy Coordinator, Department of Revenue
<input type="checkbox"/>	Anne McEnerny-Ogle, Mayor, City of Vancouver
<input type="checkbox"/>	Derek Young, Councilmember, Pierce County

Topic: Washington State Property Tax

No	Agenda Item	Time	Lead	Meeting Instructions
Pre	WebEx Event Active – early sign-on and technical troubleshooting	7:30 – 8:00 a.m. (30 mins)	Rep. Frame / Sen. Wagoner / Kathy Oline / Kizz Prusia	<ul style="list-style-type: none"> • Work group members and presenters are encouraged to sign-on early to make sure they can join the WebEx, test audio and video, etc. • Attendees can sign-on at 7:55 a.m.
1	Introductions and Meeting Overview	8:00 – 8:20 am (20 mins)	Rep. Frame and Sen. Wagoner Facilitators Betsy Daniels and Kizz Prusia	<ul style="list-style-type: none"> • Co-Chairs call the meeting to order • Agenda will be shared on the screen. • Co-Chair Rep. Noel Frame will call the meeting to order and introduce the consultant team and their role in facilitating today’s meeting. • Facilitator will do a roll call of work group members. Please unmute when your name is called to acknowledge you are on the line and then re-mute yourself. • Any member of the public who wants to provide public comment should email DORTaxStructureWorkGroup@dor.wa.gov with your name and organization by 11 a.m. We will allow as many individuals to comment as possible at the conclusion of the presentations. The public may also send any questions or comments regarding any of the topics covered during today’s meeting to the above email. As responses are available, they will be posted on the Tax Structure Work Group web page linked above.

				<ul style="list-style-type: none"> • Facilitator will share instructions on video call etiquette and guidance. • The meeting is being recorded and streamed live on TVW, so you can check anything you miss later.
2	Property Tax 101 (Real and Personal Property Tax) - Packet Pg. 5	8:20 – 9:05 a.m. (45 mins)	Michael Braaten (Dept. of Revenue)	<ul style="list-style-type: none"> • Co-Chairs introduce the topic • Presentation: Overview of historic and current real and personal property taxes • Presentation will be shared on the screen. • Facilitator will moderate Q&A with work group members at the end of the presentation. • Kizz Prusia will monitor any chat activity, take notes on questions, answers, and outstanding action items.
3	Overview of Property Tax on Intangibles - Packet Pg. 37	9:05 – 9:50 a.m. (45 mins)	Scott Sampson & Jordan Dilba (Dept. of Revenue)	<ul style="list-style-type: none"> • Co-Chairs introduce the topic • Overview of historic and current property taxes • Presentation will be shared on the screen. • Facilitator will moderate Q&A with work group members at the end of the presentation. • Kizz Prusia will monitor any chat activity, take notes on questions, answers, and outstanding action items.
4	Break	9:50 – 9:55 a.m. (5 mins)	All	<ul style="list-style-type: none"> • Co-Chairs introduce the topic • Presenters and work group members are encouraged to remain on the WebEx during the break but mute themselves. • Attendees can opt to stay on or reconnect.
5	School Finance in Washington State - Packet Pg. 51	9:55 – 10:40 a.m. (45 mins)	Jeffrey Mitchell (Senate Finance Staff) & James Mackison (House Finance Staff)	<ul style="list-style-type: none"> • Co-Chairs introduce the topic • Overview of HB-2242 (McCleary Decision) • School financing pre and post HB-2242 • Presentation will be shared on the screen. • Facilitator will moderate Q&A with work group members at the end of the presentation. • Kizz Prusia will monitor any chat activity, take notes on questions, answers, and outstanding action items.
6	Washington State Education Association Comments	10:40 a.m. – 11:20 a.m. (40 mins)	AWSP, WASA, WASBO, WEA, WSPTA, WSSDA	<ul style="list-style-type: none"> • Co-chairs introduce the topic • Comments from Washington State Education Associations including <ul style="list-style-type: none"> • Association of Washington School Principals (AWSP); • Washington Association of School Administrators (WASA); • Washington Association of School Business Officials (WASBO); • Washington Education Association (WEA);

				<ul style="list-style-type: none"> • Washington State Parent Teacher Association (WSPTA); • Washington State School Directors' Association (WSSDA);
7	Washington State Association of County Assessors (WSACA)	11:20 a.m. – 11:30 a.m. (10 mins)	Steven Drew (Washington State Association of County Assessors)	<ul style="list-style-type: none"> • Co-chairs introduce the topic • Comments from Washington State Association of County Assessors (WSACA)
8	Public Comment / Testimony	11:30 a.m. – 11:50 a.m. (20 mins)	Attendees	<ul style="list-style-type: none"> • Any member of the public who wants to provide public comment should email DORTaxStructureWorkGroup@dor.wa.gov with your name and organization by 11:00 am. • The list of individuals for public comment will be shared with Facilitators prior to 11:20 am. • Facilitator will explain how the public testimony will work and identify how much time everyone has. We will allow as many individuals to comment as possible. Please note, commenters will have no more than five-minutes to provide comments and may only be extended at the discretion of the Co-chairs. • Attendees that are not able to provide comment will be encouraged to submit any comments or questions via the email: DORTaxStructureWorkGroup@dor.wa.gov. • As responses are available, they will be posted on the Tax Structure Work Group web page linked above.
9	Wrap Up and Summary of Action Items	11:50 – 12:00 p.m. (10 mins)	Rep. Frame	<ul style="list-style-type: none"> • Kizz Prusia will summarize any action items • Notes to be taken by Kizz Prusia • Facilitator will announce upcoming meeting dates. • December 4, 8:00 am – noon



*"Working together to
fund Washington's future"*

Property Tax 101

Overview of Washington's Tax System

Mike Braaten, Property Tax Division

October 9, 2020

Topics

- Property Tax Administration
- Framework of the Property Tax System
- Property Valuation
- Levy Rates and Limitations
- Equalization
- Advantages and Disadvantages

Property Tax Administration

- Taxing Districts
- County Assessor
- County Treasurer
- Department of Revenue



Department of Revenue Responsibilities

- Oversight and Guidance
- Central Assessment
- Program Administration



County Assessor

- Values real and personal property
- Calculates levy rates
- Creates assessment roll



Property Tax Administration

- **Budget Based System:** The amount of revenue determines the rate, and specific limitations apply.

$$\text{Revenue/Assessed Value} = \text{Rate}$$

- **Rate Based System:** The rate determines the amount of revenue.

$$\text{Assessed Value} \times \text{Rate} = \text{Revenue}$$

- The State School Levy is currently rate based from 2018 through 2021, when it returns to a budget based system.
- The State School Levy is currently the only rate based levy.

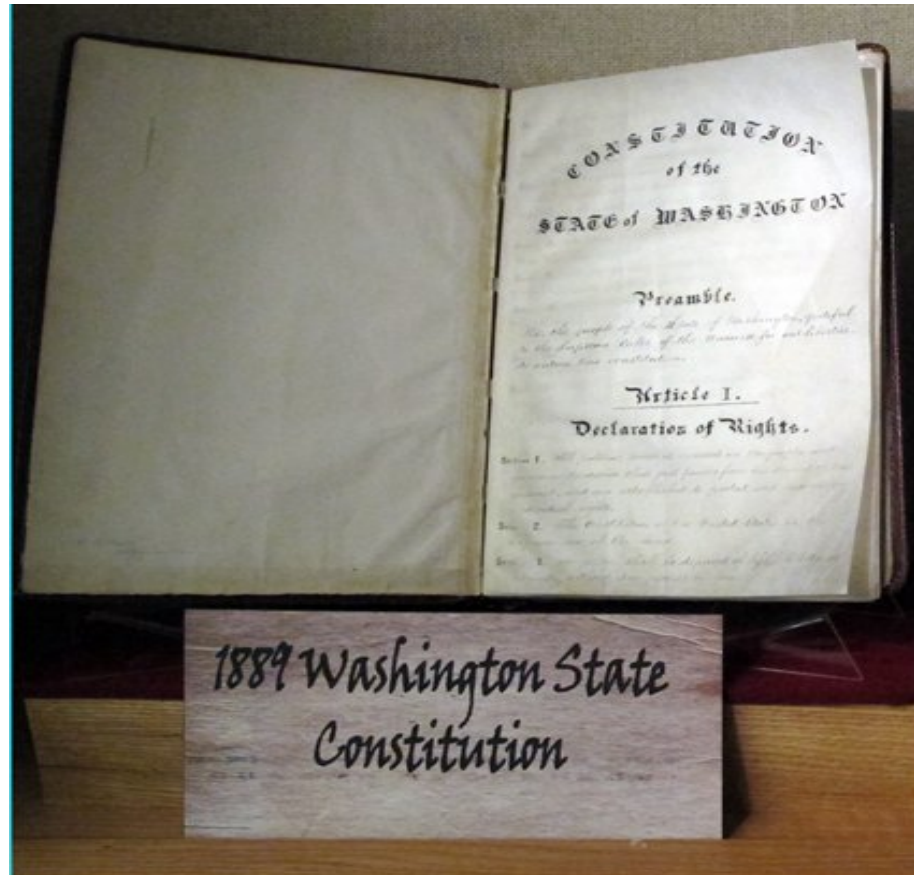
Taxing Districts

- State – schools
- Schools – local special
- Counties
- Road
- Cities
- Ports
- Fire
- Emergency medical (EMS)
- Library
- Hospital
- Parks
- Public utility
- Sewer
- Cemetery
- Flood
- Mosquito control
- Other

Total number of taxing districts in 2019: **1862**

State Constitution

Property Tax is established by Article VII, Section I of the State Constitution



Tax Base

RCW 84.36.005: What is subject to property tax?



Examples of Property Tax Exemptions

- Property owned by government
- Property owned in fee by Tribes and used for essential government purposes
- Intangible property
- Household goods and personal effects
- Business inventories
- Property of some non-profit organizations
- Agricultural crops and timber
- Vehicles – aircraft, watercraft, cars and trucks
- Property belonging to certain “*retired*” citizens

Determination of Value

- County Assessor values properties located within their county
- Department of Revenue values utility and transportation properties that cross county or state lines



Valuation Standard is “True and Fair Value,” or “Market Value”



Methods of Determining Value

- Market
- Income
- Cost



County Assessor Revaluation Requirements

Each county assessor establishes a program of revaluation:

- Physical inspection at least once each six years.
- All counties required to revalue property annually.



Tax Rate

- Tax Rates are the annual levy rates applied to the assessed value of taxable property by the various taxing districts.
- Levy rates are expressed in terms of dollars per \$1000 of value.
- Average tax rate for taxes due in 2019 was \$9.99 per \$1000 of assessed value or .999%.



Property Tax Limitations

- Statutory Maximum Rate
- Levy Limit (A.K.A. “The 101% Limit”)
- \$5.90 Aggregate Rate
- Constitutional 1% (A.K.A. “The \$10.00 Limit”)

The Statutory Maximum Rate Limit

- Maximum levy rates for each taxing district's regular levy are provided in state law.
- Districts can request additional funding above the statutory maximum rate limit through an "excess levy," which requires voter approval.



The Levy Limit (A.K.A. 101%)

- Taxing districts are limited to an annual increase in their tax revenue of 1% or inflation.
- Additional levy capacity results from new construction and increases in value resulting from higher state-assessed utility values.



101% Limit for Taxing District

- **Step 1**

- Highest lawful levy since 1985 **\$200,000**
- Increase by 1% x 1.01 **× 1.01**
- Authorized levy **\$202,000**

- **Step 2**

- Add: Value of New Construction
 x Last Year's Levy Rate **\$5,000**

- **Step 3**

- Add: Increase in value of state-assessed
 property **\$1,000**
- x Last year's levy rate
- Maximum allowable levy (101% levy limit) **\$208,000**

The 101% Limit: Calculation of Tax Rate

- Tax amount to be raised
 - ✓ **\$208,000**
- Divided by assessed value of district
 - ✓ **\$100,000,000**
- Equals tax rate for district
 - ✓ **\$2.08 per \$1000 assessed value**
- Rate on individual property is the sum of all the taxing districts

The \$5.90 Aggregate Limit

- The total amount of regular property tax levies cannot exceed \$5.90.
- When it exceeds \$5.90, the levies are prorated for some districts.
- Prorating occurs based on statutory priorities.

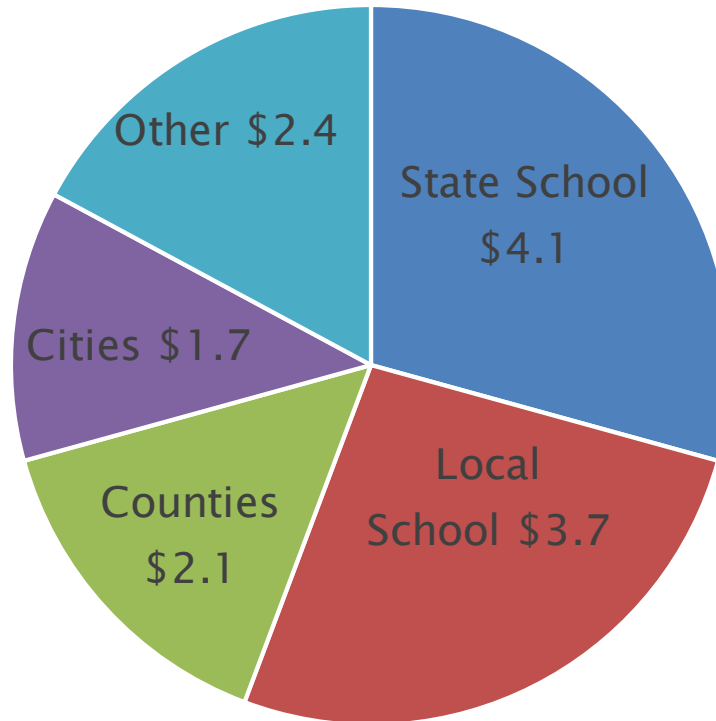


Constitutional 1% Limit (A.K.A. “\$10.00 Limit”)

The Constitution limits the total amount of property tax.



2020 Property Tax Due by District (Billions)



Source: Property Tax Statistics 2020 Property Tax by Fund

Ratio or Intercounty Equalization

- Standard of valuation is 100% of fair market value.
- We measure how close a county's assessed value is to the 100% standard each year.
- A “*ratio*” comparing assessed value to market value is developed by counties and the Department.



Equalization of State Levy

- Assume identical properties located in different counties
- Each has a market value of \$100,000
- The assessed for each is lower:

Smith - \$99,000 = 99% Ratio

Jones - \$80,000 = 80% Ratio

Equalization of State Levy

State School Levy Rate (example)

$$\$2.70 \text{ (per \$1,000 AV)} / .99 = \$2.73 \text{ (per \$1,000 AV)}$$

$$\$2.70 \text{ (per \$1,000 AV)} / .80 = \$3.38 \text{ (per \$1,000 AV)}$$

Equalized Rate

$$\text{Smith: } \$99,000 \times \$2.73 \text{ (per \$1,000 AV)} = \$2.70 \text{ Tax}$$

$$\text{Jones: } \$80,000 \times \$3.38 \text{ (per \$1,000 AV)} = \$2.70 \text{ Tax}$$

Now the taxpayers are paying the same.

Property Tax Timeline

- January 1, 2020 – Existing real and personal property valued for taxes due in 2021
- July 2020 – New construction is valued for taxes due in 2021
- November 2020 – Amount of taxes to be levied by district
- December 2020 – Levy rates are calculated
- January 2021 – Assessor delivers tax roll to Treasurer
- February 2021 – Treasurer mails tax bill
- April 30, 2021 - First half taxes due
- October 31, 2021 – Second half taxes due

Property Tax Advantages

- Funds popular services.
- Assessment/collection procedures are well-established.
- Certainty.
- Sense of local control and accountability.
- Correlation between property value and the cost of some local services.
- The tax is very visible.
- Exemptions address unique situations (senior citizens, current use).

Property Tax Disadvantages

- Very complex.
- Assessed values may have no relationship with income.
- The tax is influenced by the market with no control by owners.
- Unpopular tax.
- Costly and labor intensive to administer.
- Lag time between assessment year and tax year.

Property Tax Disadvantages

- Can be significant differences in value of tax base among districts.
- Budget based system – exemptions result in a shift of tax burden to others.
- Annual process – changes such as refunds can result in significant impacts to district budgets.

Questions?





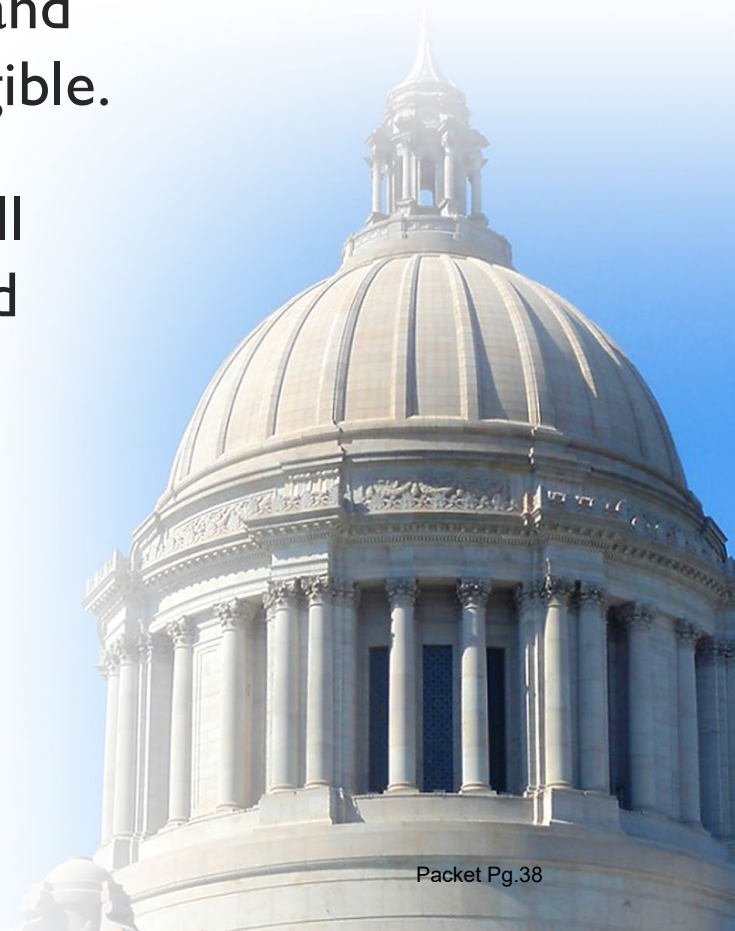
*"Working together to
fund Washington's future"*

Overview of the Taxability of Intangible Personal Property

- Scott Sampson, Utility Valuation, Advisory Appraisal, & GIS Programs Manager
- Jordan Dilba, Utility Valuation, Supervisor

Constitutional Framework

- Washington's Constitution defines the word 'property' broadly to include all real and personal property, tangible and intangible.
- The Constitution also requires that all property, real and personal, be treated equally.
- All property is taxable unless specifically exempted.
- Intangible personal property exempt under RCW 84.36.070.



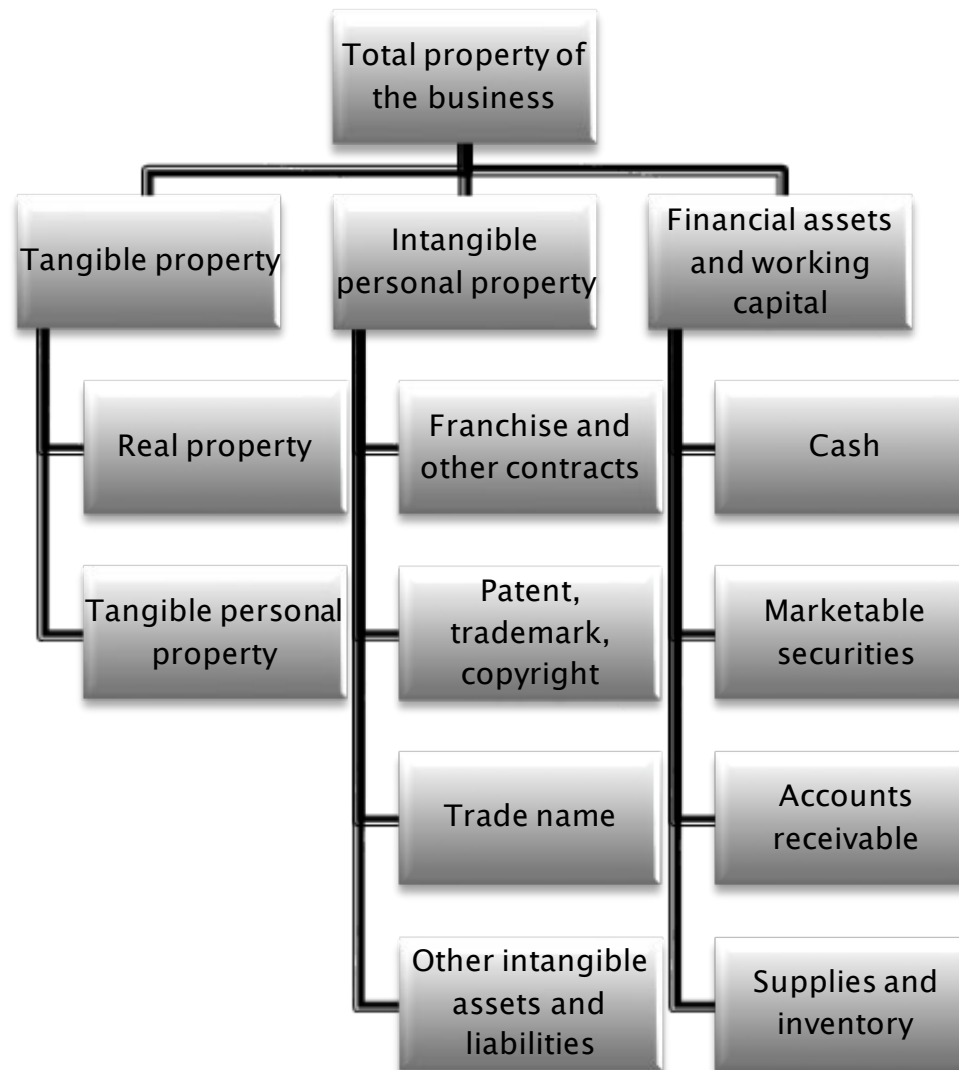
What is intangible personal property - a.k.a. “intangibles”?



Intangibles Four-Part Test

- Identifiable
- Legal Ownership
- Separate and Divisible
- Legally Transferable

Categorization of Property Types



Timeline of Intangibles

- 1930 – Washington voters approve the 14th Amendment.
- 1931 – the Legislature specifically exempts “financial” intangibles.
- 1935 – the Revenue Act of 1935 shifts the state’s principal form of taxation from property tax to an excise tax.
- 1974 – exemption added for certain private nongovernmental personal service contracts and private nongovernmental athletic or sports franchises or agreements.
- Mid-1990s – IRS rules change.
- 1997 – revisions to intangibles exemption.

Timeline of Intangibles (cont'd)

- *1997 revisions :*
 - Expanded the exemption to include: trademarks, trade names, brand names, patents, copyrights, trade secrets, franchise agreements, licenses, permits, core deposits of financial institutions, non-compete agreements, customer lists, patient lists, favorable contracts, favorable financing agreements, reputation, exceptional management, prestige, good name, or integrity of a business.
 - Clarified that intangible property does not include attributes and characteristics of real property, such as zoning, location, view, and geographic features.

RCW 84.36.070



Additional Background

- 1997 required study.
- Report to the Legislature in 2000.
- County assessors identify and assess all taxable property.
 - *Except* certain properties that operate in multiple counties, generally referred to as state-assessed properties.
 - The Department assesses these properties on behalf of the county assessors, under chapters 84.12 & 84.16 RCW.
 - This includes inter-county airlines, electric, gas, pipeline, railroad, and telephone companies.

Intangibles – to Tax or Not to Tax?



Pros

- Intangibles are an increasing share of the national economy.
- Increases the tax base and raises revenue to fund tax districts and important government services.
- Generally reduces tax rates.
- Diminishes likelihood of prorationing for junior taxing district levies under the \$5.90 and \$10 constitutional aggregate limits.


Cons

- All taxpayers owning intangibles would be required to self-report their intangibles to their county assessor.
- Labor intense administration of valuing and taxing intangibles.
- Assessors may not have the expertise to value intangibles.
- Determining the location of intangible property may be challenging.
- Perceived as double taxation.
- Potential litigation costs due to disputes over location, existence, and the value of intangibles.

Other considerations

- Taxpayers with significant, valuable, intangible property holdings shoulder more of the property tax burden.
- Federal statutes require assessing airlines and railroads like other commercial and industrial properties, unless there is sufficient justification to do otherwise.
- Finance theory as applied to corporate valuation generally does not agree on a methodology for identifying and isolating intangible value.





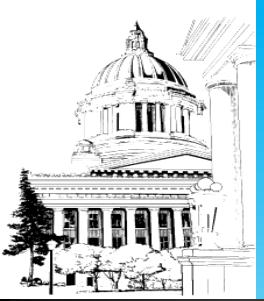
Recent Changes to State and School District Property Taxes & Local Effort Assistance

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

Presenters:

Jeff Mitchell, SCS

James Mackison, OPR



Presentation roadmap

Office of Program
Research &
Senate Committee
Services

- ▶ 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

Office of Program
Research &
Senate Committee
Services

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

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

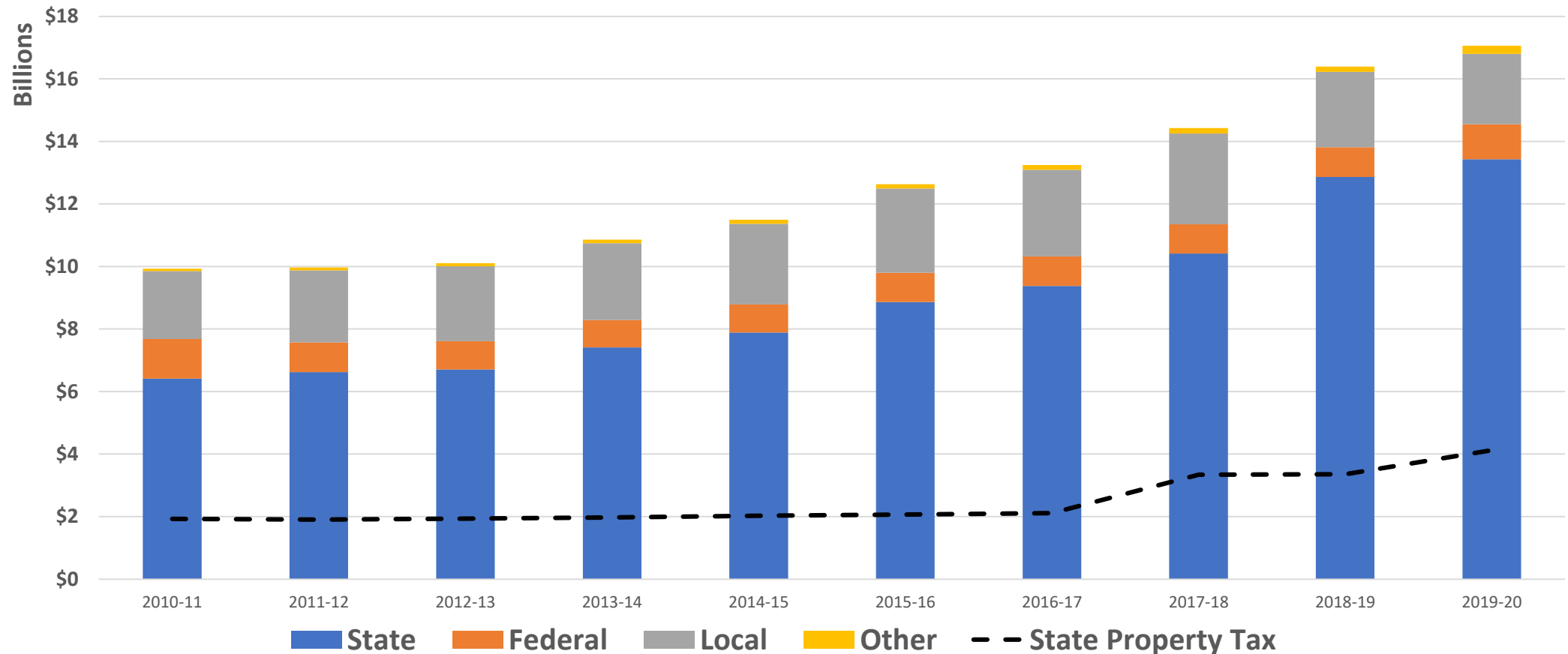
- ▶ Local School District Levies & Local Effort Assistance (LEA)
 - Local levy lid
 - New per-pupil-based LEA calculation



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

Packet Pg.54



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

- **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.**



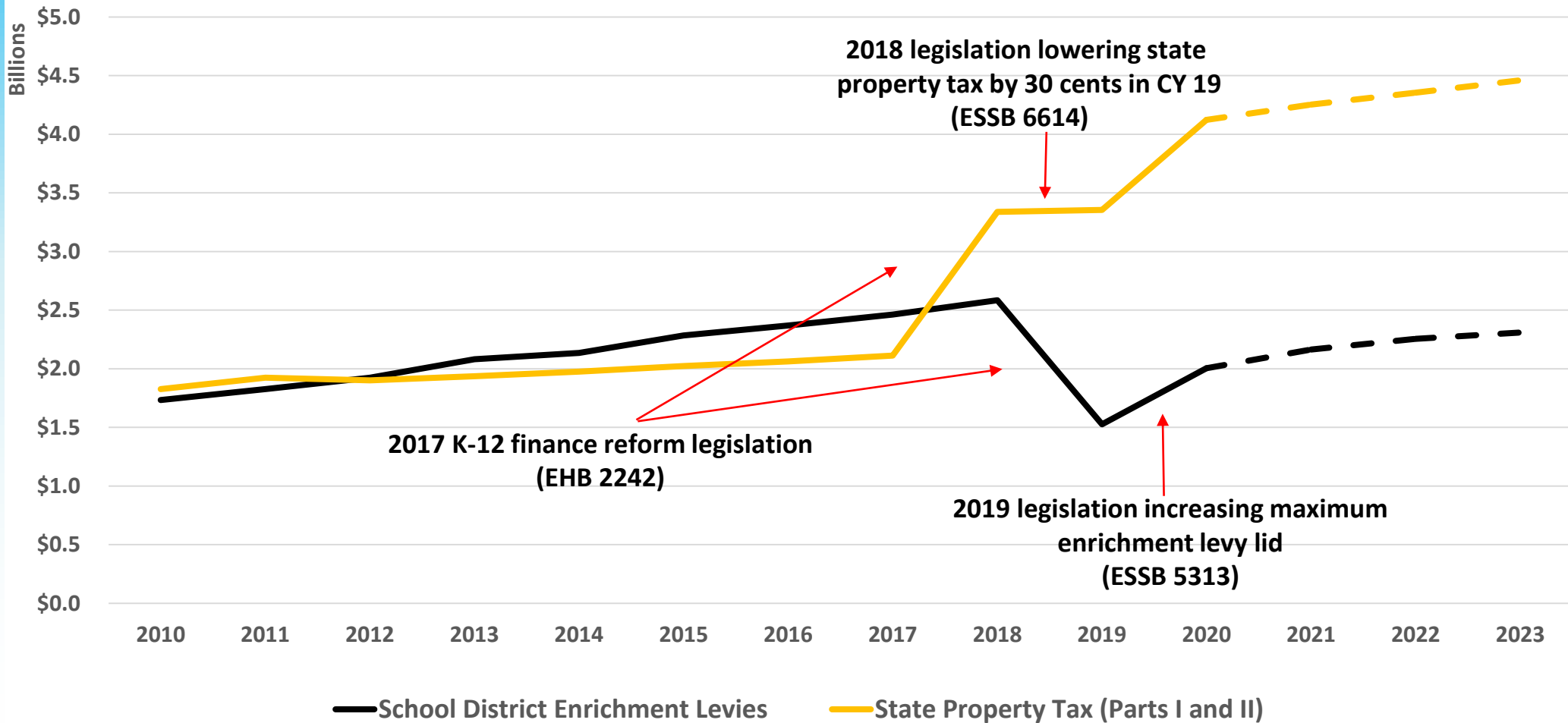
EHB 2242 (2017) and ESSB 5313 (2019) made several significant changes to school district enrichment levies.

- **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



Enrichment levy collections in selected school districts

Office of Program
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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

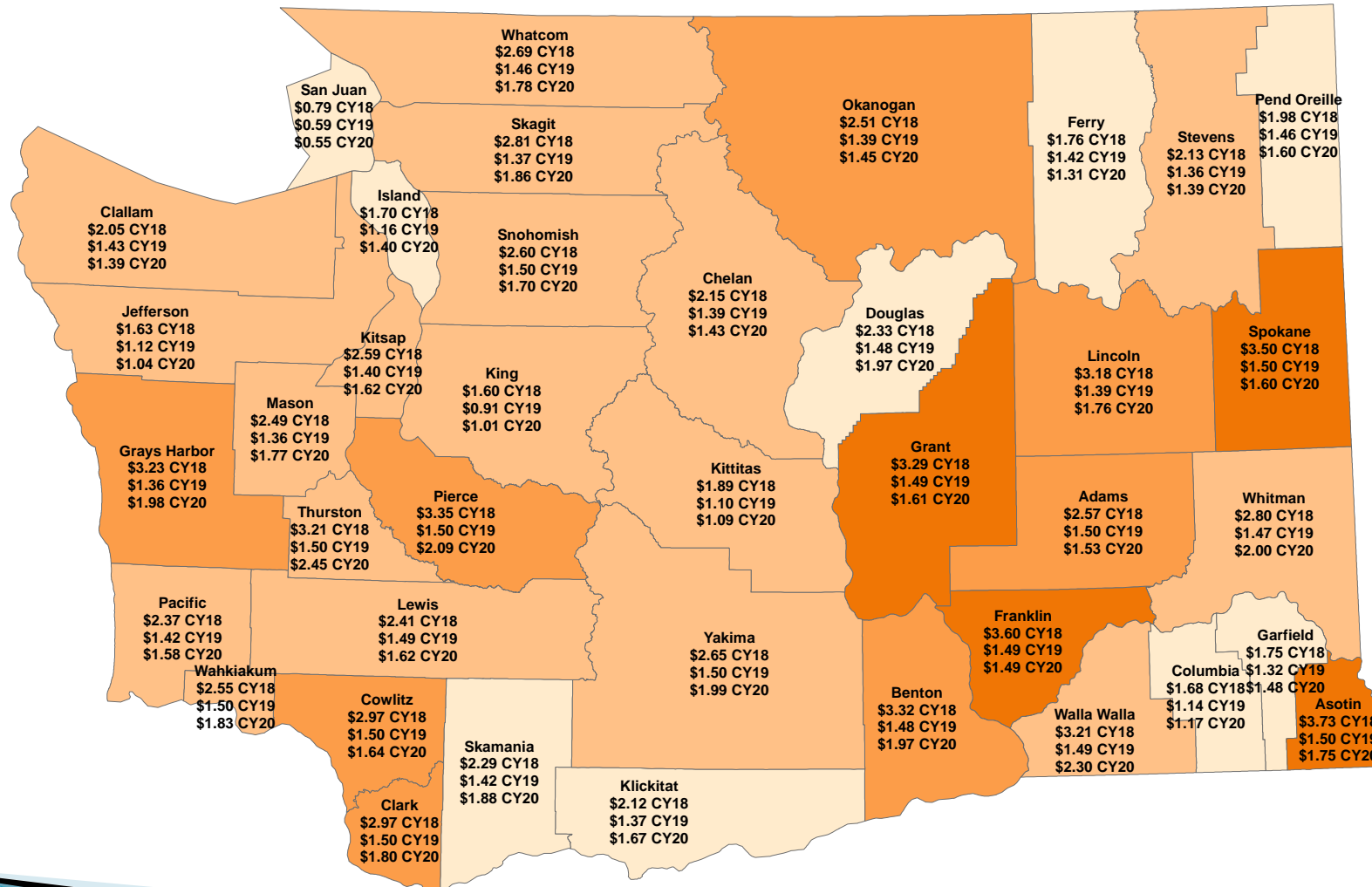
- In CY 20, total school district enrichment levy collections are approximately 76% of CY 2018 collections.
- In CY 20, about 191 districts imposed a rate above \$1.50.
- In CY 20, six school districts did not impose a school district enrichment levy.
- About 126 districts are subject to the \$2,500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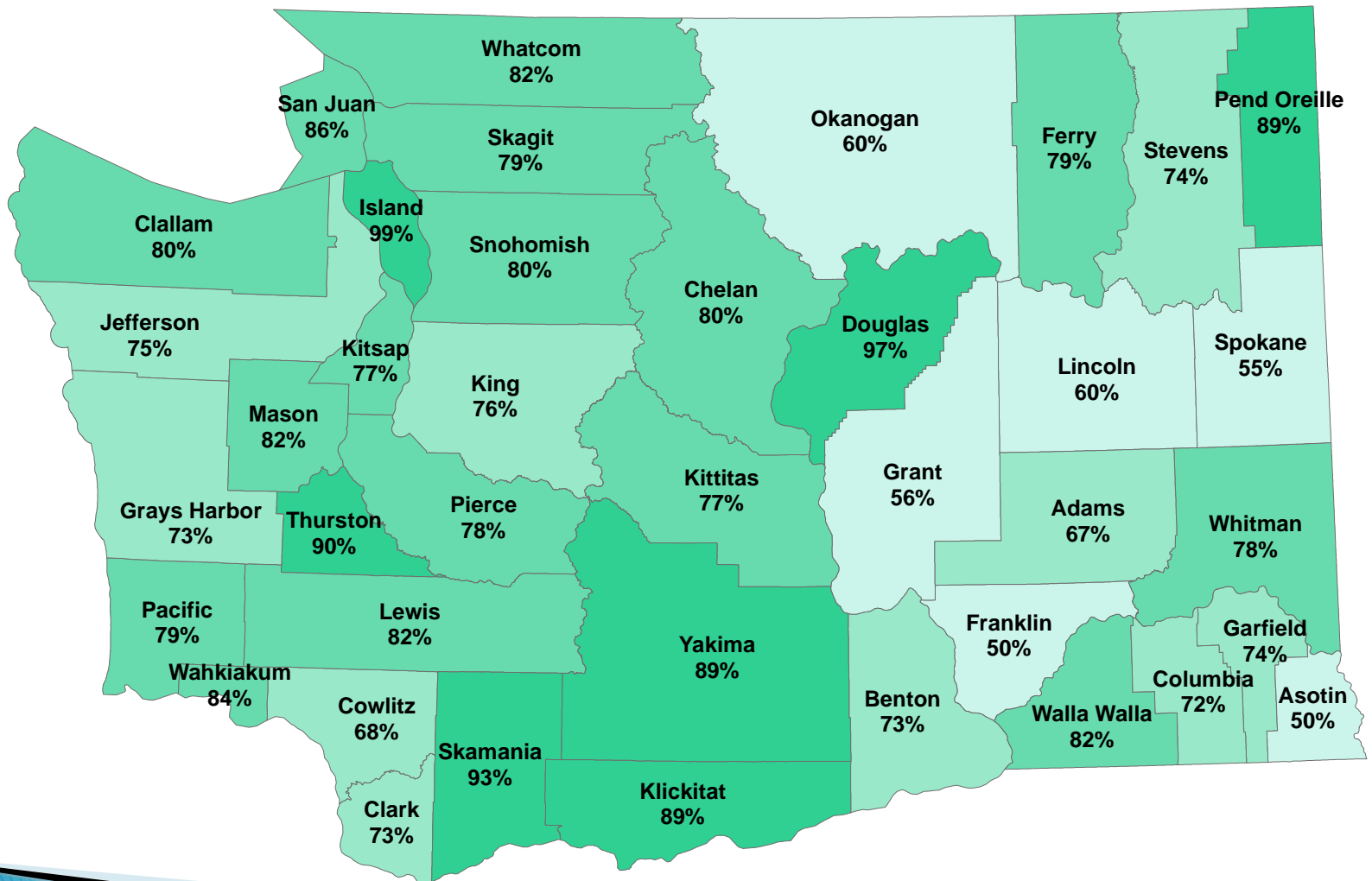


Darkest coloration represents the counties with school districts having the largest tax rate decline between CY 2018 and CY 2020.



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

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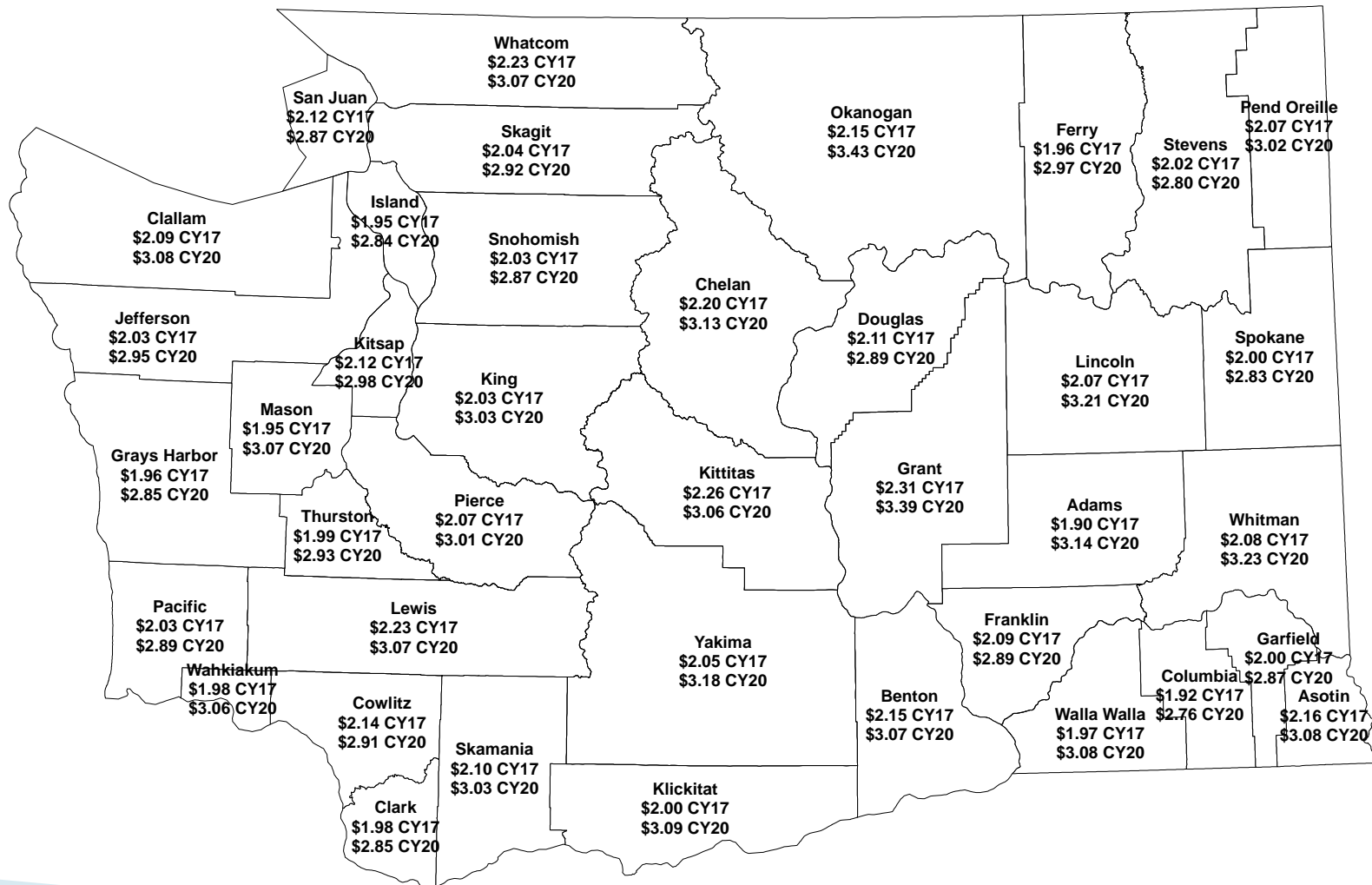


The darkest shade of green represents counties containing school districts with the highest CY 2020 levies as a percentage of CY 2018 levies.



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

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Source: DOR levy detail files

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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.

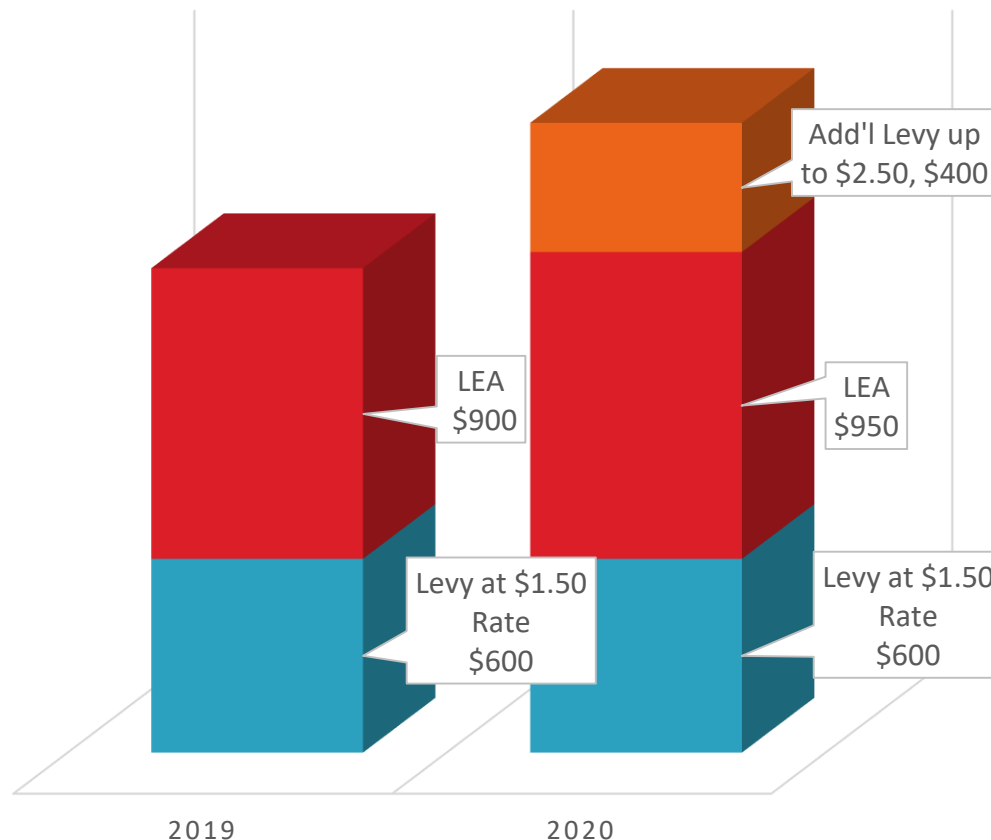


Local Effort Assistance increased by \$50 per pupil from 2019 to 2020.

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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)



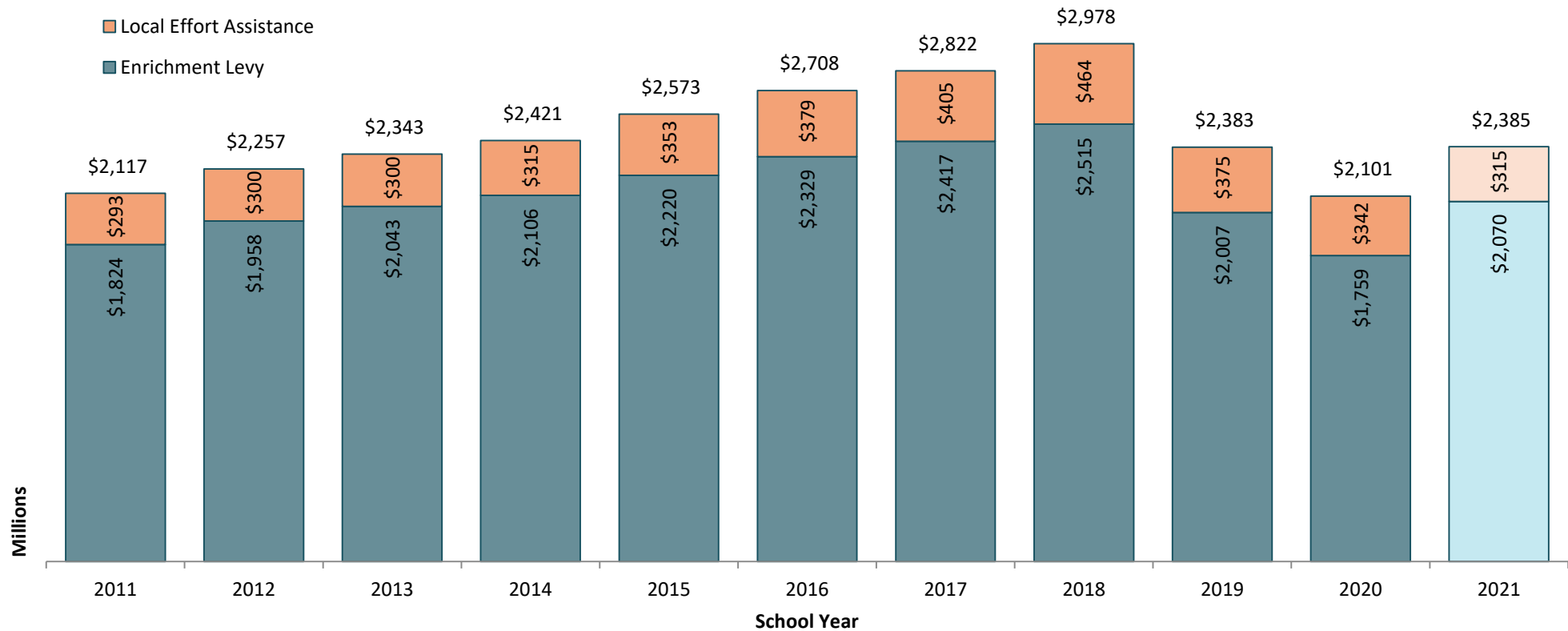
Estimated LEA and Enrichment Levy Collections

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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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