

July 29, 2019

## Legislative Update – Engrossed Substitute Senate Bill 5313 School District Enrichment Levies

The 2019 Legislature passed Engrossed Substitute Senate Bill 5313 ([ESSB 5313](#)), which takes effect on July 28, 2019. This bill amends school district enrichment levy limitations, local effort assistance, school district reporting requirements to the Office of Superintendent of Public Instruction (OSPI), and the State Auditor Office's (SAO) audit requirements.

This notice addresses school district enrichment levy limitations only.

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### What the amended law does

Engrossed Substitute Senate Bill 5313 amends RCW [84.52.0531](#), and RCW [43.09.2856](#), by increasing an enrichment levy's statutory maximum rate limit, increasing the maximum per-pupil limit, and providing for a reduction to these two limitations when a SAO report finds a school district has not used the enrichment funds appropriately.

**Question:** How did the enrichment levy's statutory maximum rate change?

**Answer:** ESSB 5313 made the following changes to the formula for calculating the maximum levy:

- Increased the maximum rate from the lesser of \$1.50 per thousand dollars assessed value or the maximum per-pupil limit, to the lesser of \$2.50 per thousand dollars assessed value or the maximum per-pupil limit.
- For school districts with an annual full-time equivalent student enrollment of 40,000 or more in the prior school year, the maximum is changed from \$2,500 per-pupil to \$3,000 per-pupil, adjusted by inflation starting with the 2020 tax year. For school districts with fewer than 40,000 annual full-time equivalent students, the maximum per-pupil limit is unchanged and remains at \$2,500 per-pupil.

**Question:** Who will determine the maximum per-pupil limit?

**Answer:** OSPI will continue to provide the maximum per-pupil limit to county assessors each November.

**Question:** What happens when SAO finds an expenditure from a school district's enrichment levy is out of compliance?

**Answer:** There is no property tax levy impact if the school district resolves the issue within a year of the finding. If the school district does not resolve the finding within a year of the report, SAO must notify OSPI of the amount of the finding. OSPI will provide this amount to the appropriate county assessor. As part of the county assessor's requirement in RCW [84.52.010](#) to determine the levy rate for most districts, within the limitations provided by law, the county assessor must deduct the amount of the finding from the enrichment levy's maximum rate per thousand dollars assessed value limitation and per-pupil limit limitation. If the district's enrichment levy is limited to a limitation other than the maximum rate per thousand dollars assessed value or per-pupil limitation, the district's levy may not be impacted by the incorrect expenditure.

# Property Tax Special Notice

**Question:** How does the statutory maximum rate change effect school district enrichment levies approved by the voters before July 28, 2019?

**Answer:** Keep in mind the voters approved a levy amount, rather than a levy rate ([RCW 84.52.054](#)). Depending on the dollar amount the voters approved and the district’s taxable value, the levy rate for the 2020 tax year may exceed the approximate levy rate stated in the ballot measure.

Here’s an example where the voters approved a two-year enrichment levy during the 2018 calendar year when the levy’s statutory maximum levy rate was \$1.50 per thousand dollars assessed value:

Ballot Title Information			Assessor’s Calculations				
Tax Year	Voter Approved Levy Amount	Voter approved approximate Levy Rate	Taxable Value of the District		Statutory Maximum Levy Rate Per \$1,000 AV		Statutory Maximum Levy Amount
2019	\$800,000	\$1.50	\$483,000,000	X	\$1.50	=	\$ 724,500
2020	\$900,000	\$1.50	\$500,000,000	X	\$2.50	=	\$1,250,000

In this example the 2019 tax year amount approved by the voters exceeded the district’s statutory maximum levy amount, thus their levy was limited to \$724,500 with a levy rate of \$1.50 per thousand dollars assessed value.

The 2020 tax year statutory maximum levy rate amount exceeds the voter approved levy amount. The district is limited to the voter approved levy amount of \$900,000, with a levy rate of \$1.80 per thousand dollars assessed value ( $\$900,000/\$500,000,000 * \$1,000 = \$1.80$ ).

**Question:** If the voters had approved a multiple year enrichment levy amount based on the approximate \$1.50 statutory maximum levy rate, can the school district go back to the voters for approval to increase the levy based on the changes in this bill?

**Answer:** Yes. [RCW 84.52.053](#)(2)(a) provides an exception allowing school district to go back to the voters and approve additional funds when the Legislature increases their levy limitations.

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**Questions:** If you have questions or need additional information, please contact Diann Locke at (360) 534-1427 or [Diannl@dor.wa.gov](mailto:Diannl@dor.wa.gov).