

# FAIR LOCAL FUNDING

## BACKGROUND

Historically, local levies have provided about one quarter of K-12 education funding in Washington state, amounting to \$2.6 billion in school year 2018-19. In 2018-19, districts raised an average of \$2,395 per student in local levy funding, with levies ranging from \$86 per student in some districts to over \$4,000 in others. This difference is driven not only by the levy rates, or amounts that district voters agree to tax themselves, but also by the property values in a district.

For example, in 2018-19 one district passed a levy of about \$1.13 per \$1,000 of assessed value and raised \$198 per student, while a higher property value district passed a similar levy of \$1.14 per \$1,000 of assessed value to raise \$4,381 per student.<sup>1</sup>



## WHAT HAS CHANGED?

As part of the legislative solution to fully fund basic education, several changes were made to how much districts can raise through the levy system that went into effect in January 2019. The two biggest changes to the levy system relate to the formula used to calculate how much districts can raise through levies and placing a lower overall limit on how much districts can raise.<sup>2</sup>

**New Formula:** Starting in January 2019, the levy rate a district can pass was capped at \$1.50 per \$1,000 of assessed property value or a levy rate that would generate \$2,500 per student, whichever would be a lower levy rate.

- E.g., If a district can raise \$2,500 per student with a levy rate of \$0.80 per \$1,000 of assessed value, then their max levy is \$0.80.
- E.g., If a district can only raise \$1,000 per student with a levy rate of \$1.50 per \$1,000 of assessed value, then their max levy is \$1.50.

**Less available levy funding:** The previous max levy districts could pass allowed some districts to raise

more than \$4,000 per student through their levies. The new levy formula that began in January 2019 caps districts at \$2,500 per student. This change is expected to reduce levy revenues from \$2.5 billion per year to around \$1.5 billion per year starting in 2019-20.

## LOCAL EFFORT ASSISTANCE (LEA)

Because of differences in property values, some districts can pass a levy with a levy tax rate of \$0.57 and raise \$2,500 per student while other districts can pass a levy rate of \$1.50 and raise only \$83 per student. To compensate for the difference in ability to raise money through local levies, the state supplements districts with higher than average levy tax rates by providing additional funding called Local Effort Assistance (LEA). By providing additional resources for eligible low-income districts, but not ensuring low-income and higher-income districts are provided with equal resources LEA, as currently designed, eases, but does not eliminate, the levy inequity between districts.



- For LEA eligible districts, their combined local levy revenues and LEA funding are capped at \$1,500 per student.
- A district's amount of LEA funding is determined by how close they come to passing their maximum allowable levy.
  - E.g., A district using 50% of their \$1.50 levy authority by passing a levy rate of \$0.75/\$1,000 assessed property value would be able to receive 50% of their maximum LEA.

### OSPI PROJECTED LEVY RATES AND REVENUES (2020-21 school year)

| District  | Enrollment | Low-Income Student Enrollment (2018) | Projected Levy Rate | Projected Levy Per Student w/o LEA | Projected Levy & LEA Per Student |
|-----------|------------|--------------------------------------|---------------------|------------------------------------|----------------------------------|
| Sunnyside | 6,910      | 83%                                  | \$1.50              | \$328                              | \$1,536                          |
| Spokane   | 30,795     | 56%                                  | \$1.50              | \$1,011                            | \$1,536                          |
| Seattle   | 54,744     | 32%                                  | \$0.57              | \$2,560                            | \$2,560                          |

## LOOKING AHEAD

The current laws concerning district levies and Local Effort Assistance (LEA) create a two-tiered levy system in which the 179 LEA eligible districts are capped at a total of \$1,500 per student in combined levy and LEA funding, while 50 non-LEA districts are able to raise the maximum of \$2,500 per student in levy funding.<sup>3</sup> The 66 remaining districts are able to raise between \$1,500 - \$2,500 per student. LEA eligible districts with lower levy caps also serve a higher percentage of low-income students. This means that districts with higher percentages of high needs

students have access to less money than higher income districts.

The \$1,000 per student funding difference between districts creates a funding inequity rooted in property wealth that disadvantages low-income communities. This inequity should be addressed, by increasing LEA to provide eligible districts with up to \$2,500, so that the local levy system is a tool to enhance the program of education for all communities regardless of wealth.

<sup>1</sup> <http://k12.wa.us/safs/PUB/LEV/1819/1061r.pdf>

<sup>2</sup> HB 2242 (2017)

<sup>3</sup> OSPI Multi Year Budget Comparison Tool