



VOTED & BOARD LOCAL LEVY PROGRAMS

LOCAL PROPERTY TAX REVENUES

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

During the 2011 General Session, the Legislature passed House Bill 301, "School District Property Tax Revisions" which collapsed thirteen different property tax levies into six. This legislation created the Board Local Levy Program by combining seven levies, including the following levies: Recreation, Transportation, Board Leeway, Impact Aid, Ten-Percent of Basic, Reading, and Tort Liability. As a result, the local revenue generated by the Board Local Levy is significantly higher than by the original Board Leeway. The Voted Leeway was simply renamed to the Voted Local Levy Program.

The state budget includes revenues from three property tax programs; the Voted Local Levy and Board Local Levy represent two of these levies. Other than authorizing the levies, the state has little control over how districts expend the revenue generated from the levies. Also, school districts may expend all property tax revenue regardless of the amount appropriated in the state budget. These revenues are included in the state budget because of the way they interact with state funds in statutory formulas.

Questions have surfaced as to whether the total revenue generated by the Board Local Levy should be reflected in the state budget.

ISSUES & RECOMMENDATIONS

Prior to the statutory change, the state appropriated budget included all of the local revenue generated by the Voted Leeway and the Board Leeway. In FY 2013, local property tax revenues included in the state budget totaled \$300.9 million with \$223.5 coming from the Voted Leeway, \$62.4 million coming from the Board Leeway, and \$15.0 million coming from the Board Leeway – Reading Improvement Program.

In FY 2014, estimates indicate that property tax revenue from the Voted Local Levy will decrease slightly to \$222.2 million. Property tax revenue from the Board Local Levy is estimated at approximately \$341.5 million, an increase of \$279.1 million. As mentioned earlier, most of this revenue comes from former property tax levies not associated with the state guarantee program.

Property Tax Revenue and the State Guarantee

The state guarantees that a school district that levies the Voted Local Levy or the Board Local Levy will receive a minimum amount of revenue per weighted pupil unit (WPU). Each of the two levies has a maximum possible rate and the state only guarantees a portion of each rate as detailed below.

- *Voted Local Levy* – voters in a school district must approve the levy and revenue supports the district's general fund. The rate may not exceed 0.002 per dollar of taxable value. The state guarantee of \$27.36 applies for each 0.0001 of the first 0.0016 portion of the rate. All revenue generated by the levy is shown in the state budget regardless of a school district qualifying for a state guarantee.
- *Board Local Levy* – a local school board may levy the tax to support the district's general fund. The rate may not exceed 0.0018 or 0.0025 depending on the combined rate levied by the district prior to January 1, 2011. The state guarantee of \$27.36 applies for each 0.0001 of the first 0.0004 portion of the rate. The remainder of the rate is not part of the state guarantee. Prior to the consolidation, all of the revenue generated by the levy was shown in the state budget. However, the FY 2014 base budget only includes the revenue generated from the 0.0004 portion of the rate.

The state only guarantees a total of .002 between the two levies.

Voted & Board Revenue and the State Budget

The creation of the Board Local Levy has introduced an inconsistency in the way local property tax revenues are reflected in the base budget. Namely, all of the revenue generated by the Voted Local Levy is included and only a portion of the revenue generated by the Board Local Levy is included. As mentioned earlier, the new Board Local Levy includes revenues from property tax levies that were not associated with the original Board Leeway. The statutory definitions of these prior levies have also been eliminated.

To address this inconsistency, the Legislature has two of options:

1. *Include All Revenues Generated by the Voted & Board Local Levies* – This option will significantly increase the amount of local property tax revenue shown in the state appropriated budget by approximately \$280 million. It provides more information on the total amount of revenue supporting the operation and maintenance of the public schools. But, it may also over-value the role local property tax revenue plays in funding state programs.
2. *Only Include Revenues Guaranteed by the State* – For this option, only the amount of revenue generated by the first 0.0016 of the Voted Local Levy rate and the first 0.0004 of the Board Local Levy rate would be included in the state budget. This would slightly reduce the amount of property tax revenue included in the budget from the Voted Local Levy, by approximately \$1.3 million. The amount of revenue included from the Board Local Levy would remain the same as in the base budget bill at \$69.6 million.

Recommendation

- The Analyst recommends that the Legislature only include the local revenues guaranteed by the state for the Voted Local Levy and the Board Local Levy in the budget.