

## **Governor's 2011 Preliminary Proposal to Restructure K-12 Levy Equalization**

Today, levy equalization is a \$600 million per biennium state tax relief program for school districts. The program is by far the largest state funding program in K-12 that is not included in the Legislature's definition of basic education.

Governor Gregoire reviewed many budget reduction alternatives across state government that would reduce state support to local governments and communities. In making preliminary budget choices across all of these programs, the Governor has attempted to focus state assistance on the most critically needy communities. Further, she recognizes local governments and communities—including school districts—need time to adjust their budgets and services to the loss of state resources.

### **Governor's Goals for Levy Equalization:**

1. **Avoid complete elimination of the levy equalization program.**
2. **Achieve significant state savings** both in the current biennium and in the ensuing 2013-15 biennium. Budget pressure in the state general fund will continue for some time.
3. **Protect those districts with the lowest assessed valuations** (highest potential levy tax rates) as much as possible.
4. **Refocus the program on the neediest districts.**
5. **Give all levy equalization districts as much time as possible to adjust to reductions** to the program by implementing reductions beginning in calendar year 2013.

### **Proposal:**

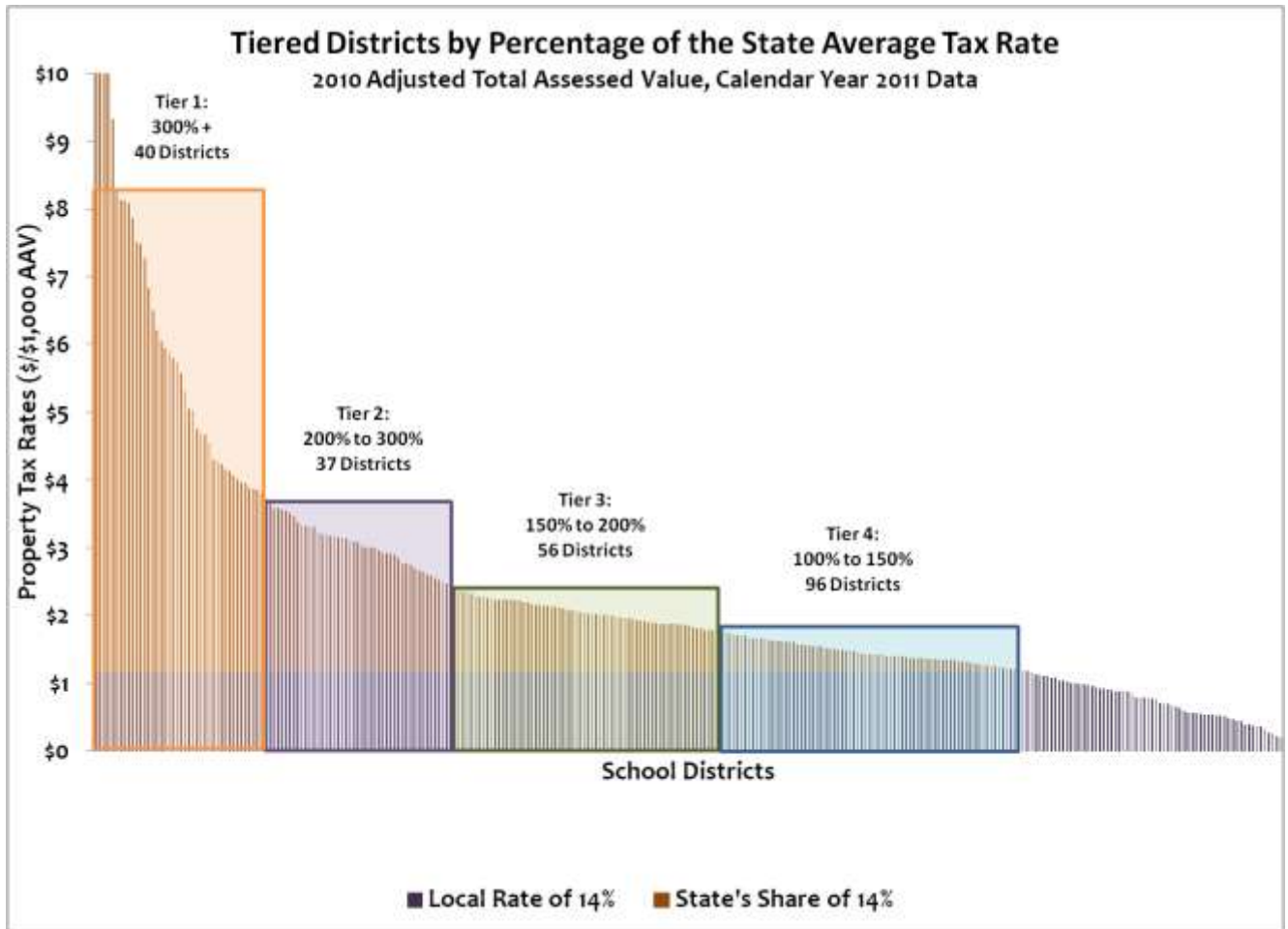
For fiscal year 2013, the state's total levy equalization payments are reduced by \$150 million. This is achieved through two adjustments beginning in calendar year 2013: 1) restructure levy equalization into four tiers of school districts, with targeted reduction amounts based on districts' relative need; and 2) shift timing of levy equalization payments. The proposal does not change calendar year 2012 equalization payments.

#### Tiered Equalization

The Governor's proposal restructures districts into four tiered groups, based on each district's property tax rate for maintenance and operations levies. Districts with the highest property tax rates will receive the lowest proposed reduction to levy equalization support.

Levy equalization payments for calendar year 2013 will be reduced as follows:

| Levy Equalization TIER | Percent Reduction to Levy Equalization | Local Property Tax Rate Percentage Above State Average | Number of Districts in the Tier |
|------------------------|----------------------------------------|--------------------------------------------------------|---------------------------------|
| TIER 1                 | (10%)                                  | Over 300%                                              | 40                              |
| TIER 2                 | (25%)                                  | Between 200% and 300%                                  | 37                              |
| TIER 3                 | (50%)                                  | Between 150% and 200%                                  | 56                              |
| TIER 4                 | (100%)                                 | Between 100% and 150%                                  | 96                              |



#### Timing

The Governor recognizes districts need time to adjust to a change in levy equalization. Delaying implementation of levy equalization reductions until calendar year 2013 does three things. It: 1) avoids mid-year reductions in the current school year; 2) gives districts time to adjust their budgets for the 2012-13 school year; and 3) provides districts with time to adjust levy requests and certifications for 2013 levies.

Additionally, the Governor proposes shifting 2013 levy equalization payments to districts from the spring to the summer. This avoids adverse immediate impacts to schools, while still achieving necessary state savings this biennium.