

# UPDATE

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The Washington State Legislature (the “Legislature”) recently completed its 2010 legislative session. While much of the legislative focus was on the challenging financial condition of the state of Washington (the “State”) and numerous cuts were required to balance the budget, there was at least one bright spot related to school district (“District”) financing with substitute House Bill 2893 (“SHB 2893”), which allows increased maintenance and operation (“M&O”) levy limits and authorizes supplemental elections for such increased levy amounts. Additionally, Districts should be aware of new public meeting requirements related to incurring nonvoted indebtedness imposed by substitute House Bill 3036 (“SHB 3036”).

## **Levy Base Increase**

SHB 2893 is a comprehensive bill relating to increases in District M&O levies collected in 2011 through 2017, described as follows:

- Increases the levy lid for levies collected by any District, including grandfathered Districts, by four percent. For non-grandfathered Districts, levy lids increase from 24 percent to 28 percent.
- Local Effort Assistance (also known as levy equalization) payments for qualified Districts are increased from 12 percent to 14 percent.
- Initiative 728 (“I-728”) funding, relating to funds available to Districts through the Student Achievement Program and the Education Construction Account, and Initiative 732 (“I-732”) funding, relating to cost-of-living adjustment funds available for Districts, are each considered as fully funded when included in calculation of levy bases under RCW 84.52.0531.
- District levy base includes enhanced allocation for grades Kindergarten-through-four, in the event the enhancement allocation is reduced in the future.

Additionally, SHB 2893 amends the prohibition set forth in RCW 84.52.053 on additional levies after an M&O levy has been authorized. Specifically, SHB 2893 provides that Districts may submit to voters a supplemental levy to provide for subsequently enacted increases, including the up to 4 percent increase, affecting the Districts’ levy base or maximum levy percentage.

## **Public Hearings for Nonvoted Indebtedness**

Districts are authorized by State law to issue both voted and nonvoted indebtedness and issue bonds as evidence of such indebtedness. Nonvoted bonds may only be issued for limited purposes, and must be repaid with existing revenue sources, as no additional taxing authority is provided.

Pursuant to SHB 3036, RCW 28A.530.080 is amended to provide that Districts issuing nonvoted bonds in excess of \$250,000 must now hold a public hearing on the proposed bonds prior to issuance. Notice of the public hearing must be published in a newspaper of general circulation in

the District or county or counties within which the District is located at least once per week for the two weeks prior to the public hearing. The last notice must be published no later than seven days immediately prior to the public hearing. The notice must include the date, time and place of the hearing, purpose and amount of the bonds, type, terms and conditions of the bonds, means identified for repayment and that any person may appear at the hearing and comment on the topic of issuing such bonds.

Finally, the public hearing requirements do not apply to refinancing or refunding of any outstanding voted or nonvoted bonds.

### **Update Questions**

If you are interested in pursuing a supplemental levy increase election, or have questions regarding any other items discussed in this Update, please do not hesitate to contact Roy J. Koegen ([roy@koegenedwards.com](mailto:roy@koegenedwards.com)), Mary J. Edwards ([mary@koegenedwards.com](mailto:mary@koegenedwards.com)) or Erik J. Lamb ([erik@koegenedwards.com](mailto:erik@koegenedwards.com)) or at (509) 747-4040.