



Educational Programs and Operation (EPO) Levies: What it Takes to Submit EPO Levies to Voters

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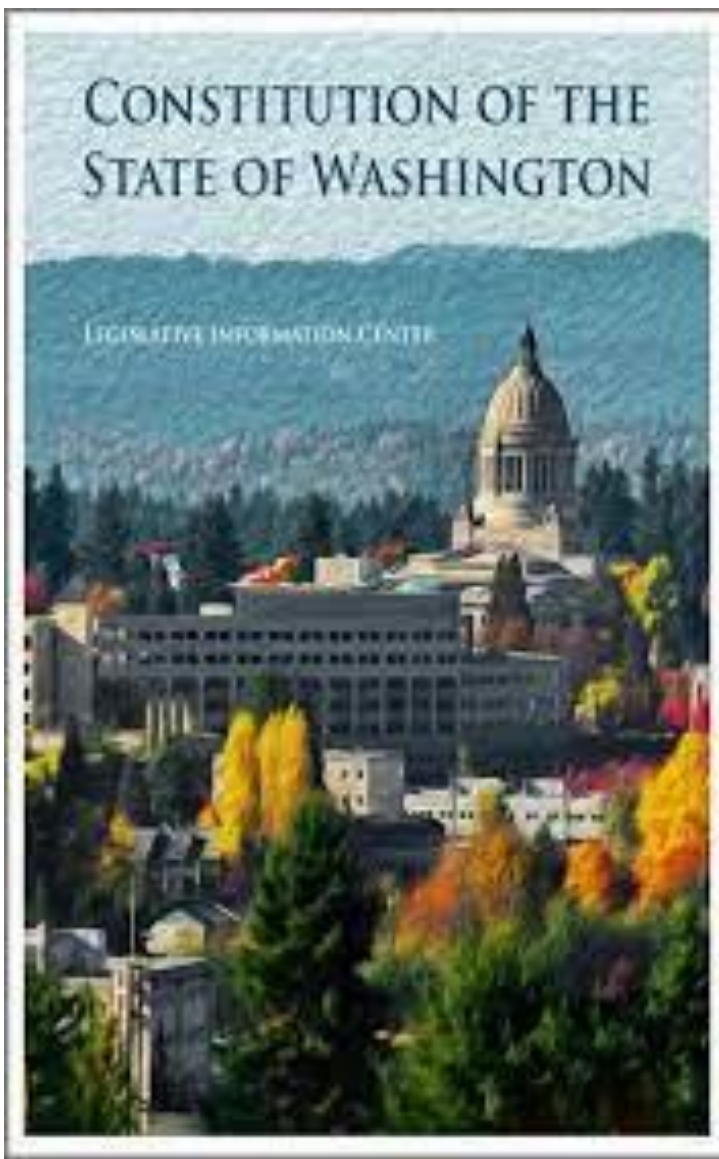
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Learning Objectives

- Discuss legal background for Educational Programs & Operations (EPO) Levies.
- Explore the steps necessary to submit an EPO Levy to voters.
- Acquire an understanding of how school district excess property taxes (including those authorized by an EPO Levy) are certified for collection.



*Accounting Manual for
Public School Districts
in the State of
Washington*

2021

LEGAL BACKGROUND

EPO Levy Authority

- Authorized by the Wash. Const. (Article VII, Section 2) and state statutes (RCW 84.52.053, .0531 and .054).
- Limited to a period of up to 4 years.
- Requires voter approval (simple majority). No validation.
- May only be submitted twice during 12 month period.
- No additional EPO Levy may be authorized for that same period, except for a supplemental EPO Levy to provide for subsequently enacted increases affecting a district's levy limit.

“What’s in a name?...”

- Pre-2017, state law identified EPO Levies as “maintenance and operation” or “M&O” levies.
- But many school districts described M&O levies as “educational programs and operation” or “EPO” levies.
- In 2017, the Legislature renamed M&O levies as “enrichment” levies (EHB 2242).
- Consistent with prior conventions and to avoid voter confusion, districts continue to refer to enrichment levies as EPO levies.

EPO Levy Lid

- Under EHB 2242 (2017), beginning with taxes levied for collection in 2019, the maximum EPO Levy was the lesser of:
 - \$2,500 per student (adjusted for inflation) or
 - 1.50 per \$1,000 of assessed property value.
- Under ESSB 5313 (2019), beginning with taxes levied for collection in 2020, the maximum EPO levy is the lesser of:
 - \$2,500 per student (adjusted for inflation) for school districts with fewer than 40,000 FTE students or
 - \$3,000 per student (adjusted for inflation) for districts with 40,000 or more FTE students (i.e. Seattle Public Schools) or
 - \$2.50 per \$1,000 of assessed property value.
- Inflationary adjustments (CPI for Seattle-Tacoma-Bellevue WA):
 - 2023 = 9.0%
 - Fewer than 40,000 FTE students = \$2,988.32
 - Greater than 40,000 FTE students = \$3,585.99

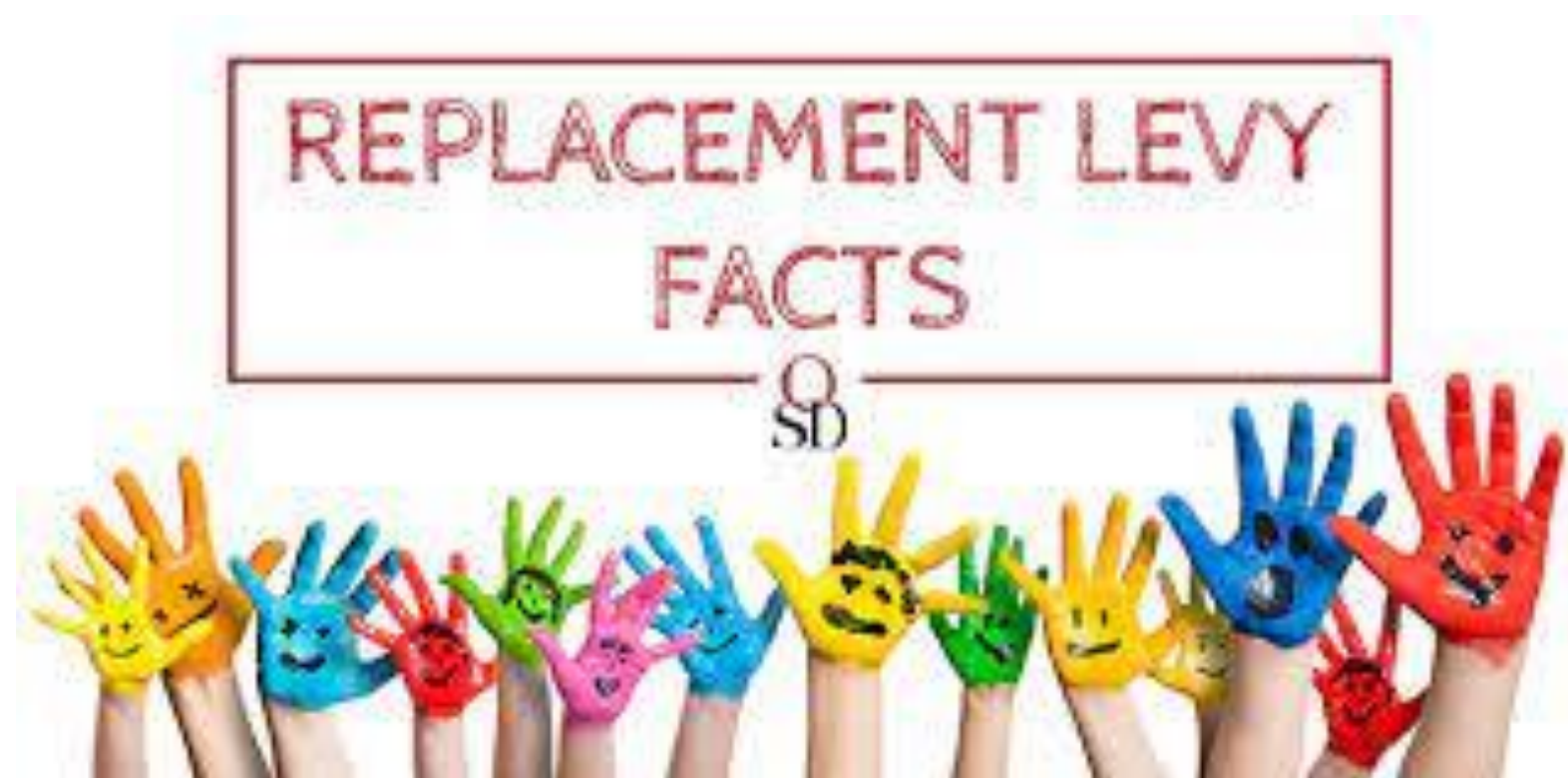
EPO Levy Lid - Enrollment

- Enrollment for Levy and LEA calculations is defined as the school district's actual prior school year student enrollment.
- Student enrollment means the average annual full-time equivalent student enrollment.
- For districts in a high/nonhigh relationship, the enrollments for the nonhigh students attending the high school shall only be counted by the nonhigh school districts.
- For school districts participating in an innovation academy cooperative, enrollments of students attending the academy school be adjusted so that each participating school district receives its proportional share of student enrollments.

Limitation on Uses

- EPO levy collections may only be used to fund educational programs and operations not funded by the State's basic education program funding (RCW 28A.150.276).
- Expressly permitted "enrichment" activities consist of:
 - Extracurricular activities, extended school days and school year.
 - Additional course offerings.
 - Activities associated with early learning programs.
 - Any additional salary costs attributable to enrichment activities.
 - Additional activities or enhancements that OSPI determines to be a documented and demonstrated enrichment of basic education.

EPO LEVY APPROVAL PROCESS



Five-Step Process

- Determine levy amounts, collection years, levy rates and election date.
- OSPI approves levy expenditure plan.
- School board adopts an “election resolution” that submits EPO Levy ballot proposition to voters.
- Election resolution filed with Elections Department of the County Auditor.
- Voters approve the proposition at a special election (February, April, August or November).

Amounts, Collection Years & Rates

- The District must determine:
 - Levy Amounts (OSPI has a levy authority worksheet for assistance)
 - <https://www.k12.wa.us/sites/default/files/public/2023Pre-BallotApprovalTemplate.xlsx>
 - Years of Collection
 - estimated tax levy rates produced by these amounts
- Work closely with ESD, financial advisor, underwriter and assessor to confirm this information

What You Need to Calculate EPO Levy

To calculate an EPO Levy rate you need to know three things:

- Amount of EPO Levy to be requested in a calendar / tax collection year, as determined by the school district.
- “Excess Value” of all property within the school district, for the same calendar / tax collection year, as provided by the county assessor’s office(s).
 - Excess value is the total value of all property less exemptions
- Timber Assessed Value (if any) to be applied to the EPO Levy for that calendar / tax collection year, as provided by the county assessor’s office(s).
 - EPO Levies utilize the greater of the following two values:
 - (i) 50% of the tax collection year Timber Assessed Value (changes annually) or
 - (ii) 80% of the 1983 tax collection year Timber Assessed Value (a static number for each school district)

EPO Levy Tax Rate Formula

Many school districts target a specific Levy Amount (i.e. \$1,500,000).

- To determine an EPO **Levy Rate** based upon a specific Levy Amount apply the following formula:

$$\text{Levy Rate} = \text{Levy Amount} \times 1,000 / (\text{Excess Value} + \text{Timber Assessed Value})$$

Example: **Levy Rate** = \$1,500,000 x 1,000 / (\$995,000,000 + \$5,000,000) = **\$1.50**

Alternatively, many school districts target a specific Levy Rate (i.e. \$2.50 / \$1,000) rather than a **Levy Amount**.

- To determine an EPO **Levy Amount** based upon a set Levy Rate, adjust the formula as follows:

$$\text{Levy Amount} = \text{Levy Rate} \times (\text{Excess Value} + \text{Timber Assessed Value}) / 1,000$$

Example: **Levy Amount** = \$2.50 x \$1,000,000,000 / \$1,000 = \$2,500,000

Estimation of Future EPO Levy Rates

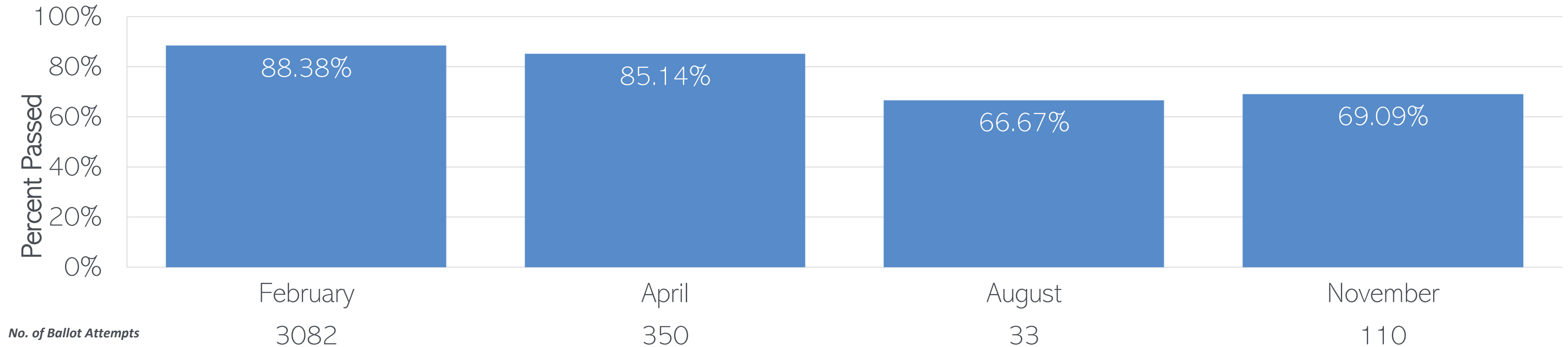
- Utilizing the prior formula, it is a simple endeavor to project estimated EPO Levy rates for future years.
- Develop a basis for your future year Excess Value and Timber Assessed Value growth assumptions.
 - Build a multi-year history of both values based upon actual information provided by the county assessor's office(s) (consider a minimum 5-year history).
 - Calculate historical growth rates (i.e. average over 5, 10 years; Compound Annual Growth Rate over 20 years).
 - Consider local, regional and national economic conditions that might positively or negatively impact future growth.
- Identify potential targeted amounts for each calendar / tax collection year contemplated for the EPO Levy (2-4 years).
- With this information you will have the necessary tools to project the EPO Levy rate for any contemplated amount over any number of collection years.

Example Calculation

McNeill-Murray Joint School District No. 1-888						
Historical and Projected Educational Programs & Operation Levy Amounts						
Calendar Year	Amount Levied	Real & Personal AV	Timber AV	Total Assessed Value	R&P Growth Rate	EP&O Rate
2019	\$ 1,359,606	\$ 901,254,813	\$ 5,148,966	\$ 906,403,779	--	\$ 1.5000
2020	2,179,988	988,325,635	2,578,213	990,903,848	9.3%	2.2000
2021	2,363,250	1,100,055,613	9,451,320	1,109,506,933	12.0%	2.1300
2022	2,353,278	1,185,946,158	2,578,213	1,188,524,371	7.1%	1.9800
2023	2,335,234	1,239,567,324	2,578,213	1,242,145,537	4.5%	1.8800
2024	2,400,000	1,301,545,690	2,578,213	1,304,123,903	5.0%	1.8403
2025	2,700,000	1,353,607,518	2,578,213	1,356,185,731	4.0%	1.9909
2026	2,700,000	1,394,215,743	2,578,213	1,396,793,956	3.0%	1.9330
2027	2,700,000	1,422,100,058	2,578,213	1,424,678,271	2.0%	1.8952
2028	2,700,000	1,436,321,059	2,578,213	1,438,899,272	1.0%	1.8764

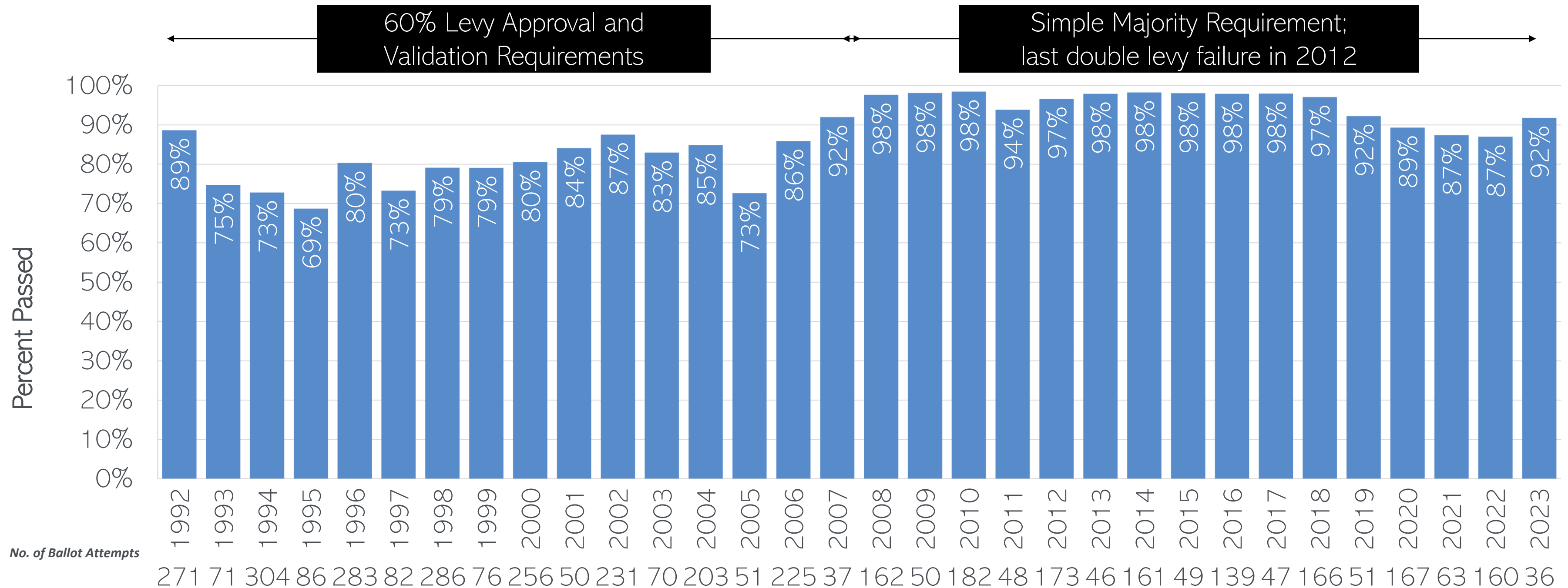
Determination of Election Date

- Historically, spring elections have been the most favorable for school EP&O levies (1992- February 2023).



- Be cognizant of resolution filing deadlines as you are planning.

EPO Levies Election Results by Year*



*2023 data through February election only.

OSPI Approves Levy Expenditure Plan

- Required by RCW 84.52.053(4) and RCW 28A.505.240.
- OSPI has the levy expenditure plan form at <https://www.k12.wa.us/sites/default/files/public/2023Pre-BallotApprovalTemplate.xlsx>
- Although not required, advisable to obtain approval of the levy expenditure plan from OSPI before the Board adopts the EPO levy resolution (avoids potential scrutiny from Auditor or Prosecuting Attorney).

OSPI Tips for Completing the Levy Expenditure Plan

- Fill out the form completely, including getting a signature.
- Only fill out the form for the school years being impacted by the proposed levy collection.
 - If your levy proposal is only for two calendar years, your form will have blank columns.
- Provide a detailed and complete narrative (example on next slide).
- OSPI usually will process approval within a week or so of submission (some districts have been approved on the same day as submission).

Examples of Approved Narrative Language

- Levy funds will be invested in arts, music, athletics, activities, field trips, supplies, and equipment and other programs for the whole child. Funds will also be directed to professional development for all staff and additional staff positions beyond those in the state's prototypical school funding model, or state and federal funding. Specific additional funding needs to meet local expectations or to fulfil legal obligations, including nurses and counselors; services for students in special education, English language and highly capable; secondary class size/elective offerings; building and grounds maintenance; and food services.
- Levy funds will support programs in our district outside the state defined basic education funding. Programs funded with levy dollars include, but are not limited to, special education, music, school counseling services, nursing services, athletics, extracurricular activities, technology, administrative support, professional development, substitute costs, food services and maintenance and operations.

 Do Not Say: This levy will fund anything the state funding formula does not.

General

- Board must adopt a resolution, at an open public meeting, that submits a levy ballot proposition to voters.
- Bond attorney should prepare the levy election resolution with assistance from school district administration.
- School districts should never try to write their own levy election resolution. Do not use old forms. Laws change and if drafted incorrectly, the results of the election may be questioned.

Basic Elements

- Purpose of levy (fund educational programs and operation expenses not funded by the State).
- Identification that OSPI has or will approve the levy expenditure plan.
- Request Auditor call “special election” on one of statutory election dates (February, April, August or November).
- Annual dollar amount to be collected, estimated dollar rate of tax levy per \$1,000 of AV and years of collection.
- Form of ballot title (see next slides).
- Notice of ballot title.

Form Unchanged

- EHB 2242 and ESSB 5313 do not change the format of excess levy ballot proposition forms (which must describe):
 - For each year, the annual tax levy amount in terms of dollars.
 - An estimate of tax levy rate that will be required to produce the levy amount.
- EB 2242 and ESSB 5313 do not prohibit ballot propositions from using estimated levy rates or levy amounts in excess of the applicable levy lid.
- Build a Buffer? May seek voter approval for levy amounts in excess of projected collections under current formulas due to AV or enrollment growth or anticipated changes in the law (be careful). Levy amounts will be rolled back to then applicable levy lid.

Sample Form of Ballot for EPO Levy

PROPOSITION NO. 1

SNOHOMISH SCHOOL DISTRICT NO. 201

EDUCATIONAL PROGRAMS AND OPERATIONS REPLACEMENT LEVY

The Board of Directors of Snohomish School District No. 201 adopted Resolution No. 16-21, concerning [a proposition to finance educational programs and operations expenses]. [10 words] This proposition would [authorize the District to levy the following excess taxes, replacing an expiring levy, on all taxable property within the District, for support of the District's educational programs and operations expenses not funded by the State of Washington, including instruction, special education and extracurricular activities].

Collection Year	Estimated Levy Rate/\$1,000 Assessed Value	Levy Amount
2023	\$1.80	\$24,545,000
2024	\$1.80	\$26,999,000
2025	\$1.80	\$29,698,000
2026	\$1.80	\$32,668,000

all as provided in Resolution No. 16-21 [75 words]. Should this proposition be approved?

LEVY...YES → → LEVY...NO



Filing Requirements

- Once adopted, resolution must be filed with the Elections Department of the County Auditor.
 - 2023-25 Election Dates
 - ✓ November 7, 2023
 - ✓ February 13, 2024
 - ✓ April 23, 2024
 - ✓ August 6, 2024
 - ✓ November 5, 2024
 - ✓ February 11, 2025
 - ✓ April 22, 2025
 - ✓ August 5, 2025
 - ✓ November 4, 2025
 - Resolution Filing Deadlines
 - ✓ August 1, 2023
 - ✓ December 15, 2023
 - ✓ February 23, 2024
 - ✓ May 10, 2024
 - ✓ August 6, 2024
 - ✓ December 13, 2024
 - ✓ February 21, 2025
 - ✓ May 9, 2025
 - ✓ August 5, 2025
- NOTE CHANGE OF LAW: The Washington Legislature in 2020 enacted ESHB 2421, which requires each county auditor to print and distribute a local voters' pamphlet for each election after July 1, 2021. RCW 29A.32.210. This means that a school district must prepare an explanatory statement and the Board must formally appoint pro/con committee members by the resolution filing deadline.

After Filing

- Auditor assumes jurisdiction to conduct election (must give notice of election as required by State law).
- Prosecuting attorney approves ballot title (hopefully without changes).
- Auditor must give district notice of ballot language.
- Campaign Restriction Laws.



Finance and Support Services

November 14, 2022

Metropolitan King County Council
Melani Pedroza, Clerk of the Council
King County Courthouse
516 Third Ave., Room 1200
Seattle, WA 98104

Subject: Excess Levy Certification and Administrative Refunds

Dear Ms. Pedroza,

Please find listed below, the Excess Levy amounts and Administrative Refunds, approved for collection by the Renton School District No. 403, King County, Washington (the "District") for calendar year 2023.

Excess Levy:	
General Fund	\$41,236,226
Debt Service Fund	\$53,000,000
Capital Projects Fund	\$30,000,000

Administrative Refunds:	
General Fund	\$113,490
Debt Service Fund	\$97,537
Capital Projects Fund	\$81,783

This letter fulfills the requirement of RCW 84.52.020 which provides for the Board of Directors of the first-class school districts to certify to you the amount to be raised by taxation on the assessed valuation of the property in the District. I have attached a copy of the Board approved resolution, certifying the amounts of excess property taxes to be collected in calendar year 2023 for the District's General Fund, Debt Service Fund and Capital Projects Fund for your reference.

ANNUAL PROPERTY TAX CERTIFICATION



Authority

- A school district will include all excess property levies for the General Fund, Debt Service Fund, Capital Projects Fund and Transportation Vehicle Fund to be collected for the following calendar year in its budget. See F-195 fund summary.
- Under RCW 84.52.020, school districts are required to file “budgets or estimates of the amounts to be raised by taxation” with the “clerk of the county legislative authority on or before” November 30.
 - First Class (over 2,000 FTE): School board (or designee – Superintendent or Finance Director) files.
 - Second Class: Superintendent of each ESD files on behalf of the school district.
- County legislative authority (county commissioners) certifies taxes to County Assessor on or before the first Monday in December.
- County Assessor extends taxes on the property tax roll and delivers to the County Treasurer by January 15.
- County Treasurer collects the taxes.

EPO Levy Collection Amounts/Rollback

- For EPO levies, school districts prepare estimated authority for the General Fund levy collection amounts during budget process. OSPI posts budgeting tools to estimate EPO levy authority (this may include an estimated rollback to conform to the levy lid).
- OSPI calculates and posts estimated EPO levy authority late Oct. via F-780 report.
- Based on the F-780, if the voter-approved EPO levy amount exceeds calculated levy lid, the district may certify a lesser amount by Nov. 30 (usually by resolution).
 - (Due to lack of final assessed valuations, OSPI states districts may certify a higher amount to the County legislative authority to ensure maximum collection).
- OSPI provides assessors max per pupil limit and voter approved amount (and any state audit errors for inappropriate expenditures in prior year).
- Once the Assessor certifies AV for collection (after Nov. 30), the Assessor, relying on OSPI information and district levy certification, will roll back actual levy collection amount to conform to levy lid.

Don't forget about Bonds, and Capital and TVF Levies

- For bonds, Debt Service Fund levy collection amounts may be obtained/confirmed from bond underwriter or financial advisor.
- For Capital and TVF Levies, Capital Projects Fund and/or Transportation Vehicle Fund levy collection amounts may be obtained/confirmed from the authorizing resolution(s) and ballot(s).

Certification Process

- Certification for First Class school districts:
 - Letter (or DOR Form) from Board of Directors (or designee)
 - Copy of F-195 fund summary (depending on County)
 - Board resolution, if levy amount changes from F-195 Budget (depending on County)
 - ESD may send County a confirmation Letter.
- Certification for Second Class school districts:
 - Letter from ESD Superintendent
 - Copy of F-195 fund summary (depending on County)
 - Board resolution, if levy amount changes from F-195 Budget (depending on County)

Other Suggestions

- Assemble team early (Bond Attorney, Financial Advisor, Underwriter, ESD, Auditor, Treasurer and Assessor).
- Allow ample time for preparation, review and approval of documents.
- Set realistic priorities for actions to be taken.
- Strive for consistency and accuracy in public statements.
- Never hesitate to ask questions.

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Questions