

CAN YOU EXPLAIN WHERE THE SCHOOL DISTRICT GETS ITS MONEY?

You might be asked to. Over the next several months, money is going to be a major topic in the Mukilteo School District and in school districts throughout the state. Last month we reported that Governor Christine Gregoire proposed a state budget that would make dramatic cuts in state funding for education. Meanwhile, Mukilteo voters will consider two ballot measures on February 9 that, if passed, will provide about 19 percent of the school district's revenue and provide money to maintain and modernize school buildings. Do you know the difference between the state budget and the levies? Do you know which one pays for what? Are you confused about this entire topic? Here's a quick review that might help you understand the talk that you're likely to hear in the weeks ahead:

Where does the money come from?

The school district gets its operating money from three main sources:

- 1) The state of Washington provides about 69 percent of the revenue to fund basic education;
- 2) The taxpayers within the Mukilteo School District add another 19 percent of the revenue to pay for programs that are not funded by the state; and
- 3) The federal government contributes about 10 percent of the revenue to subsidize school meals and pay for programs that support students with special needs.

Let's just discuss the first two.

State – When the governor talks about funding for education, she is talking about

the first source of money listed above. The state can't cut funding for "basic education" because that is mandated by the State Constitution. But, the state also provides money for a number of programs beyond what it defines as basic education. For example, state voters passed Initiative 728 nine years ago that provides extra money (called Student Achievement Funds) for a number of programs that are intended to improve student learning.

When the state legislature begins its 2010 session next week, one of the top items on the agenda will be discussions on how the state can reduce its budget by another \$2.6 billion to close an expected shortfall in state revenue. Because it's one of the largest items in the state budget, the funding for public education will likely be a part of that discussion.

Local Taxes – School districts typically offer many programs that are not funded by the state. The state doesn't pay for sports and other extracurricular activities, for example. Instead, those programs are usually funded by a levy on local property taxes that is approved by local voters. Called Educational Maintenance and Operations Levies, they can be in place no more than four years. Consequently, the voters are periodically asked to renew the levy so the funding for those programs can continue.

In Mukilteo, a levy was passed by voters in 2006 and is set to expire at the end of 2010. The levy provides about 19 percent of the school district's revenue and provides funding for additional teachers to reduce

class size, sports and instrumental music programs, student transportation, teacher training, student activities, teaching assistants and services for special needs students.

On February 9, 2010, voters in the Mukilteo School District will consider two school ballot measures:

The renewal of an Educational Maintenance and Operations Levy that will expire at the end of 2010.

A Capital Projects Fund Levy that will provide money to maintain and modernize school buildings.

The funding of schools is a complicated and frequently misunderstood process.

The basic education provided by school districts is funded largely by the state because the Washington State Constitution identifies education as the state's "paramount duty." The Mukilteo School District, consequently, gets about 64 percent of its operating revenue from the state. But, schools also provide other educational programs beyond what is defined by the state as "basic education." Those programs are funded by local property taxes through the Educational Maintenance and Operations Levy.

Please see the reverse side for more Levy information.

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THE EDUCATIONAL MAINTENANCE AND OPERATIONS LEVY:

What does the Educational Maintenance and Operations Levy pay for?

It pays for educational programs that are not funded by the state.

The Washington State Constitution requires the state to fund basic education. But, schools also provide other educational programs beyond what is defined by the state as "basic education." Those programs are funded by local property taxes through the Educational Maintenance and Operations Levy.

Examples of programs not fully funded by the state, and instead funded by the Mukilteo School District through its Educational Maintenance and Operations Levy, are additional teachers to reduce class size, sports and instrumental music programs, student transportation, teacher training, student activities, more teaching assistants, and services for special needs students.

How much money does the school district receive from the Educational Maintenance and Operations Levy?

When voters approved the most recent Educational Maintenance and Operations Levy in 2006, they authorized the school district to collect \$26.8 million in 2009 and \$28.8 million in 2010. However, state law limits the amount that a school district can actually collect through an Educational Maintenance and Operations Levy. This "levy lid," which is based on the school district's revenue the previous year, limits the Mukilteo School District to collecting no more than \$26.7 million in 2009 and an estimated \$28.5 million in 2010. The money from the Educational Maintenance and Operations Levy accounts for about 19 percent of the school district's total operating budget.

If property values go up, does that mean the school district will collect more money than it expected?

No. The school district cannot collect any more than the dollar amount that was ap-

proved by the voters.

Why is this measure on the ballot?

Educational Maintenance and Operations levies is a replacement for a levy that was approved by voters in 2006 and that will expire at the end of 2010. It is not a new tax. The ballot measure asks voters to renew the Educational Maintenance and Operations Levy for another four years beginning in 2011.

What happens when a levy expires?

When a levy expires, the school district can no longer collect that money through taxes, which means the programs and activities that are supported by the levy can no longer be funded. That's why school districts go back to voters every so often to ask that they approve the renewal of a levy.

THE CAPITAL PROJECTS FUND LEVY:

What will the Capital Projects Fund Levy pay for?

It will allow the school district to collect a total of \$20 million that will be used to maintain, modernize and renovate buildings. The money will pay for projects such as replacing roofs, boilers and related piping, replacing aging portables, improving heating systems to reduce utility bills, updating fire and smoke detector systems and security systems, updating classroom air handling and ventilation systems, replacing old plumbing to improve drinking water and replacing deteriorating playground equipment at elementary schools.

How long will the Capital Projects Fund Levy last?

Six years. While Educational Maintenance and Operations levies are limited to four years, Capital Projects Fund levies are limited to six years.

Is it the same as a construction bond?

No. A bond is typically used to finance large construction projects, such as the building of a new school or major renovation work. The money for a construction bond comes from investors who loan the money to the school district with the understanding that they will eventually get their money back, plus inter-

est. The payments to the investors, called debt service, are paid from local taxes for a period of 12 to 20 years, depending on the terms of the bond agreement.

How is a bond different from a levy?

When a school district asks voters to approve a bond measure, it is asking permission to borrow money so it can build new facilities or renovate existing facilities. In other words, the voters are agreeing to be taxed in the future to repay the bonds. A levy, on the other hand, provides the school district with a fixed amount of money from local taxes for a set number of years.

What does the difference mean to taxpayers?

The money for the Capital Projects Levy will not be borrowed, which means the school district won't have to pay principal and interest over the next 12 to 20 years like it would for a bond. Instead, the \$20 million will be collected directly from property taxes over the next six years.

What is the tax rate?

The tax rate is calculated by dividing the amount of money that the school district is authorized to collect through property taxes by the total combined assessed valuation of property within the school district. When the school district estimates the tax rate, it makes its calculation based on forecasts of how the total assessed valuation of property within the school district will change in the future. Because the school district collects a fixed dollar amount through taxes, if the total assessed valuation turns out to be higher than was estimated, the tax rate will be lower than estimated.

What is the tax rate in the Mukilteo School District?

In 2010, the school district estimates the total tax rate will be \$3.62 per \$1,000 of assessed valuation. Consequently, if your home is assessed for \$300,000, your total tax for school measures would be \$1,086 per year or about \$91 a month. That tax rate would consist of the following components: \$2.03 for the existing Educational Maintenance and Operations Levy, \$1.35 for the debt service on bonds approved by voters in the past and 23 cents for an existing Capital Projects Fund Levy.

What will the measures do to taxes?

If both measures are approved by voters, the estimated tax rate for 2011 would be \$3.93 per \$1,000 of assessed valuation. That means the added tax for a property owner with a house assessed for \$300,000 would be \$93 a year. To help you calculate the impact on your taxes, here is the added tax for property assessed at other values:

- \$100,000 would be \$31 a year.
- \$200,000 would be \$62 a year.
- \$400,000 would be \$121 a year.

What will be the impact on my taxes if the Educational Maintenance and Operations levy passes but the Capital Projects fund Levy does not?

If the Educational Maintenance and Operations Levy passes but the Capital Projects Fund Levy fails, the estimated tax rate for 2011 would be \$3.79 per \$1,000 of assessed valuation, which is 14 cents less than if both measures pass. With just the Educational Maintenance and Operations Levy passing, it would mean an increase of 17 cents per \$1,000 of assessed valuation as compared to 2010. The added tax for a home valued at \$300,000 would then be \$51 a year.

- \$100,000 would be \$17 a year.
- \$200,000 would be \$28 a year.
- \$400,000 would be \$68 a year

What will be the impact on my taxes beyond 2011 if both measures pass?

The short answer is that of both levy measures are approved, the tax rate would go up and then will decrease over the next couple of years until it reaches a rate in 2013 that is slightly below the current tax rate. As noted above, the current tax rate for 2010 is \$3.62 per \$1,000 of assessed valuation. As also mentioned above, the tax rate would go to \$3.93 in 2011 if both measures pass. Because other components of the tax rate will be going down in the years ahead, however, the total tax rate is expected to drop to \$3.89 in 2012 and then to \$3.45 in 2013 and 2014.

Is there a tax break for senior citizens or disabled property owners?

Yes. If you are aged 61 years or older or are disabled, own your own home and have an income of \$35,000 or less per year, you may qualify for an exemption from voter-approved levies and bonds. For more information, call the Snohomish County Assessor's Office at 425-388-3540. www.mukilteo.wednet.edu