

## Rural Alliance – Superintendents' Leadership Cohort January 13<sup>th</sup>, 2020

Jon Gores  
Managing Director  
jgores@dadco.com  
(206) 389-4043

Cory Plager  
Sr. Vice President  
cplager@dadco.com  
(509) 462-6370



**D|A|DAVIDSON**  
D.A. Davidson & Co. member SIPC

# Discussion Topics

- Introduction and Election History
- Capital Projects Levies
- Hot Topics
- Supermajority and Bond Analysis

# Discussion Topics

- Introduction and Election History

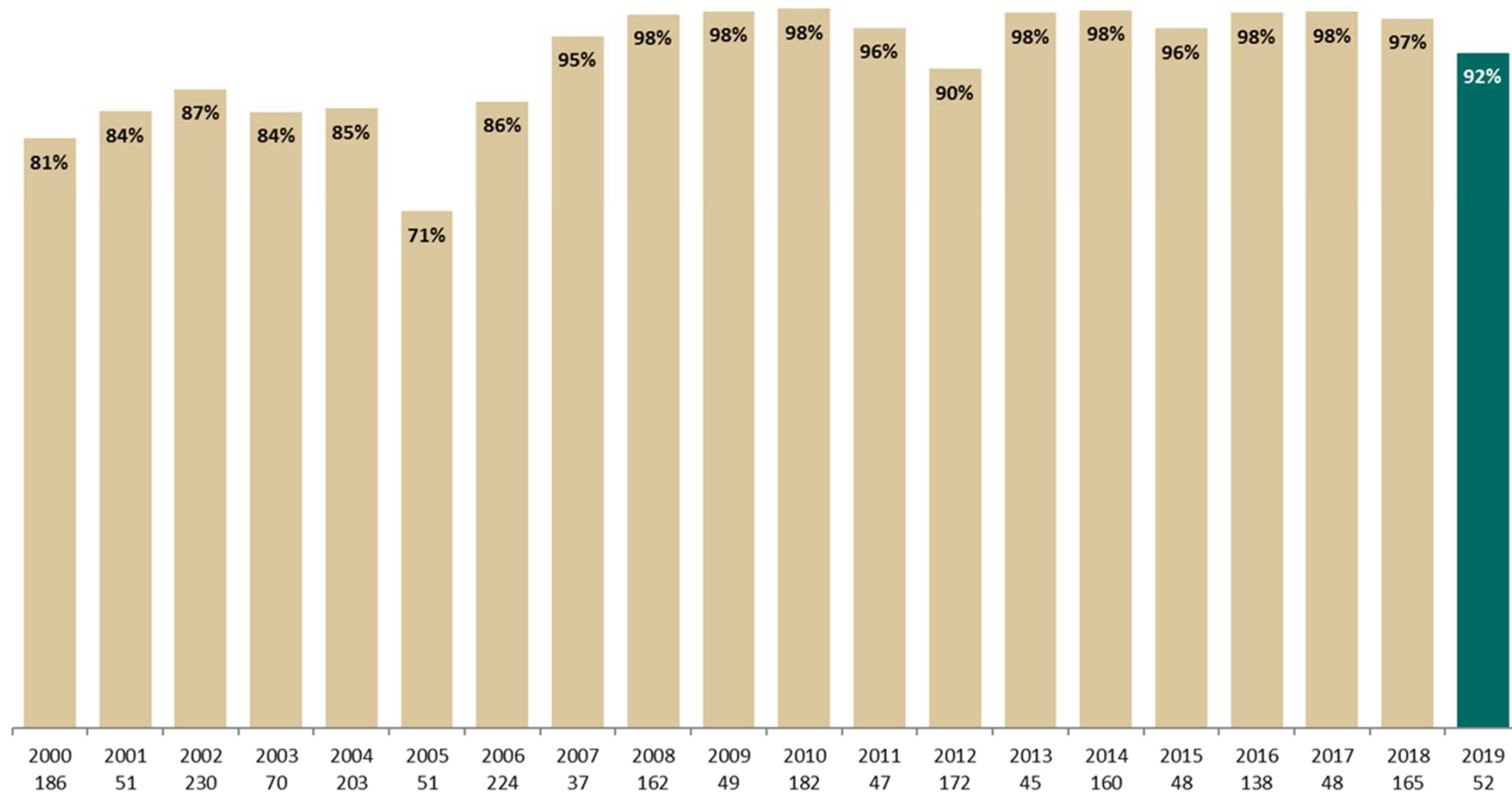
# School District Property Taxes

---

- Maintenance & Operation Levy/Educational Programs and Operation Levy (1 to 4 years)
- Capital Levy (1 to 6 years)
- Transportation Vehicle Levy (1 to 2 years)
- Bonds (varies, but 20 years most common)

# School Election Voting Patterns

General Fund M&O/EP&O Levies

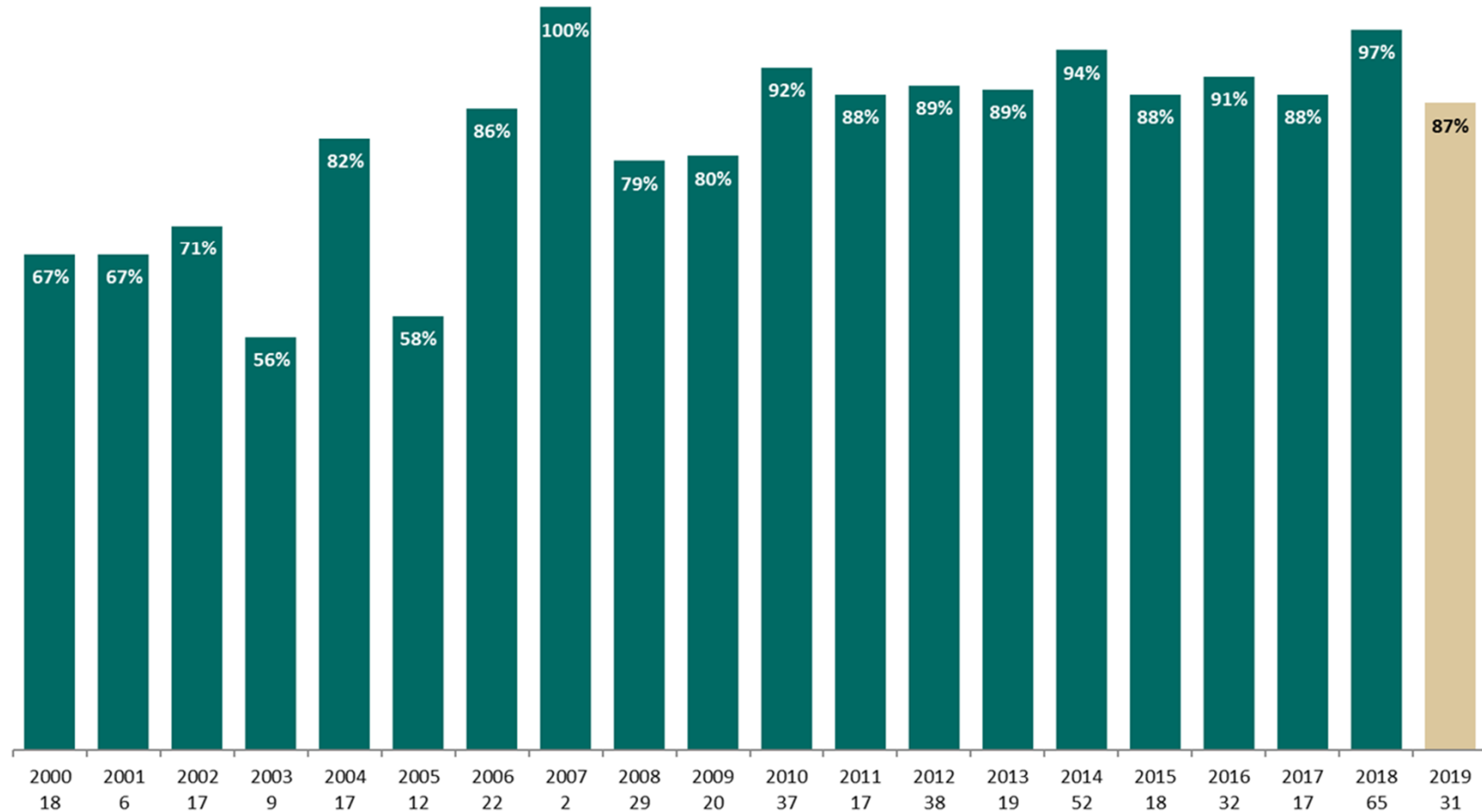


D|A|DAVIDSON

Source: State of Washington, Office of Superintendent of Public Instruction, County Elections

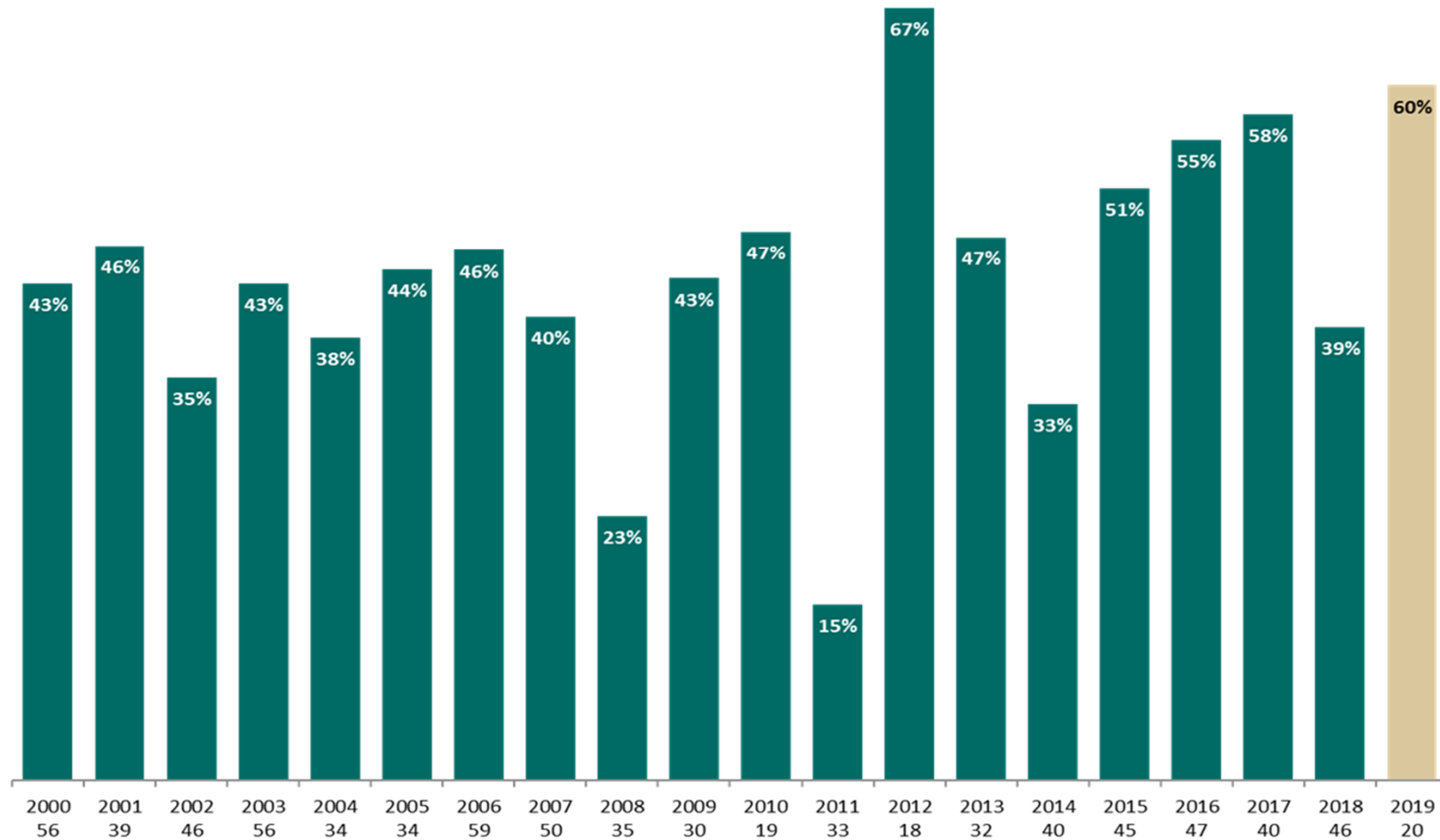
# School Election Voting Patterns

## Capital Project Levies



# School Election Voting Patterns

## School Bond Issues



# Election and Resolution Filing Dates

The 2020 - 2021 special election dates and ballot resolution filing deadlines pursuant to the Revised Code of Washington ("RCW") are listed below for your information.<sup>(1)</sup> These are the dates permitted under current law, which are subject to change by the Legislature.

ELECTION DATE	RESOLUTION FILING DEADLINE <sup>(2)</sup>	APPROXIMATE DATE BALLOTS ARE MAILED <sup>(3)</sup>
February 11, 2020	December 13, 2019	January 24, 2020
March 10, 2020 <sup>(4)</sup> (Pres. Primary)	February 4, 2020	February 21, 2020
April 28, 2020	February 28, 2020	April 10, 2020
August 4, 2020	May 8, 2020	July 17, 2020
November 3, 2020	August 4, 2020	October 16, 2020
February 9, 2021	December 11, 2020	January 22, 2021

The 2020-2021 special election dates and ballot resolution filing deadlines pursuant to the Revised Code of Washington ("RCW") are listed above for your information.<sup>(1)</sup> These are the dates permitted under current law, which are subject to change by the Legislature.

(1) This data is for informational purposes only and does not take the place of local, state or federal laws. Specific RCW information can be found at: [http://www.secstate.wa.gov/elections/election\\_laws.aspx](http://www.secstate.wa.gov/elections/election_laws.aspx).

(2) Some dates may have been adjusted to reflect the business day prior to actual resolution filing date, according to RCW 29A.04.330, if falling on a weekend.

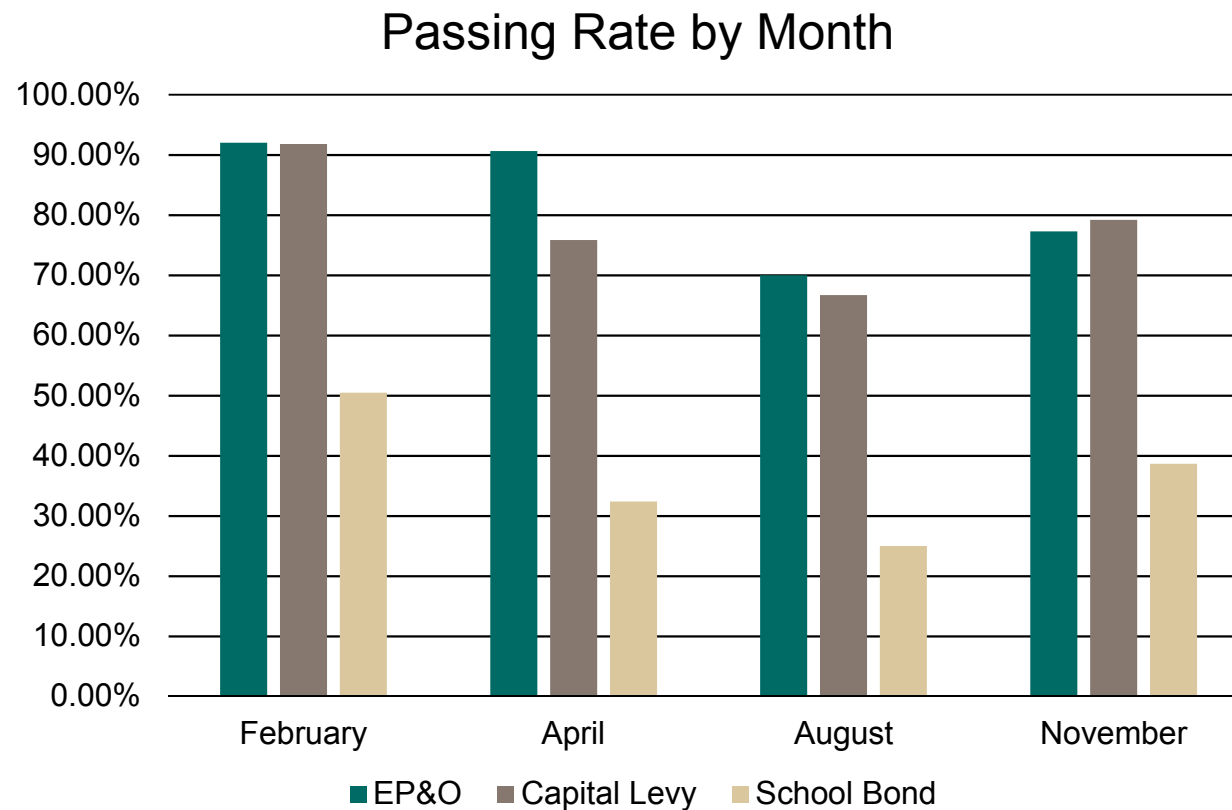
(3) Applies to both mail and absentee ballots. Absentee ballots are required to be mailed no later than 18 days prior to the election date. RCW 29A.40.070

Source: Washington Secretary of State's Office, Elections and Voting website.



# School Election Voting Patterns

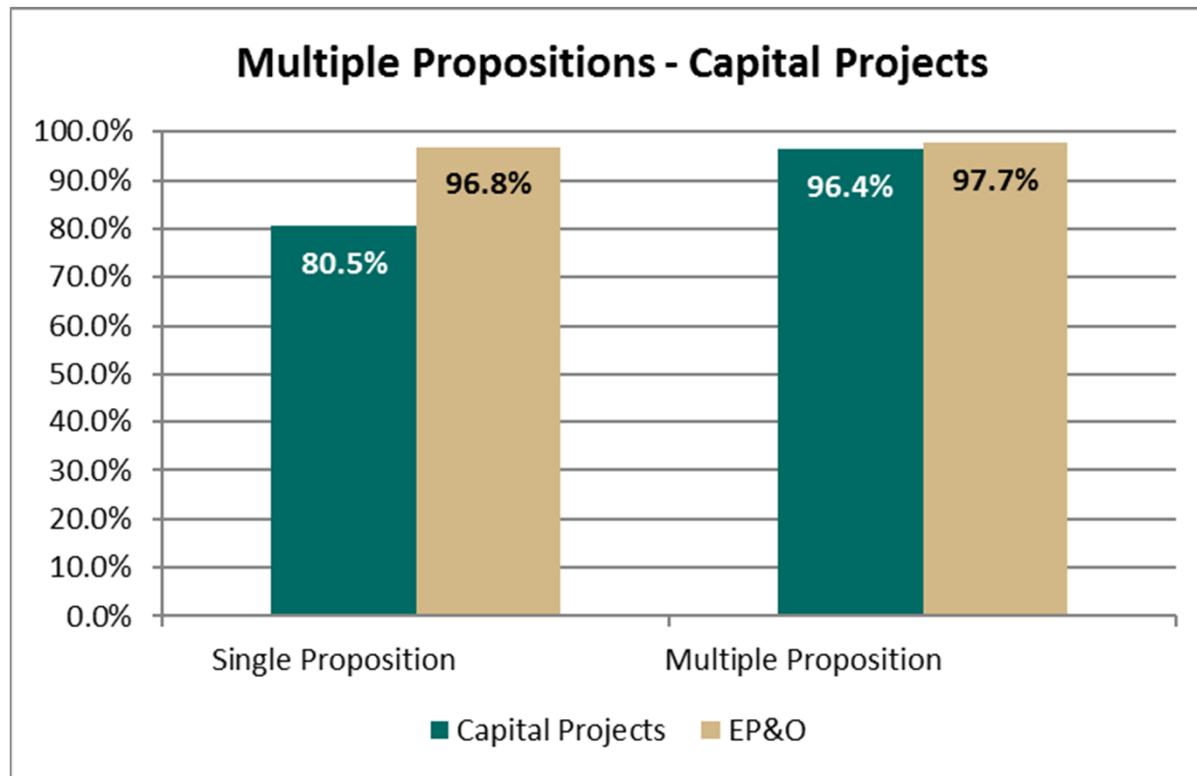
When is the best time to submit a proposition to the voters?



# School Bond Election Voting Patterns

## Capital Projects/M&O on the Same Ballot

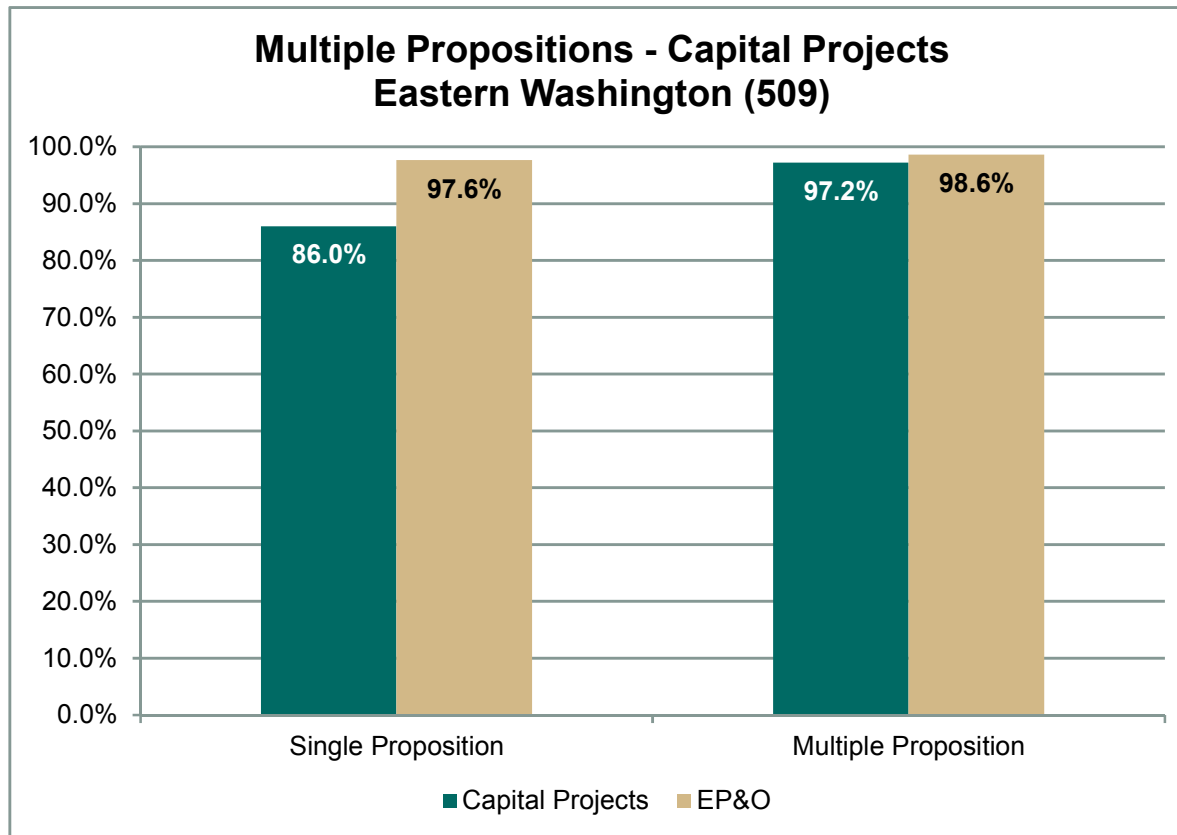
Average Success Rates  
(Since 2008)



# School Bond Election Voting Patterns

## Capital Projects/M&O on the Same Ballot

Average Success Rates  
(2010-2019)

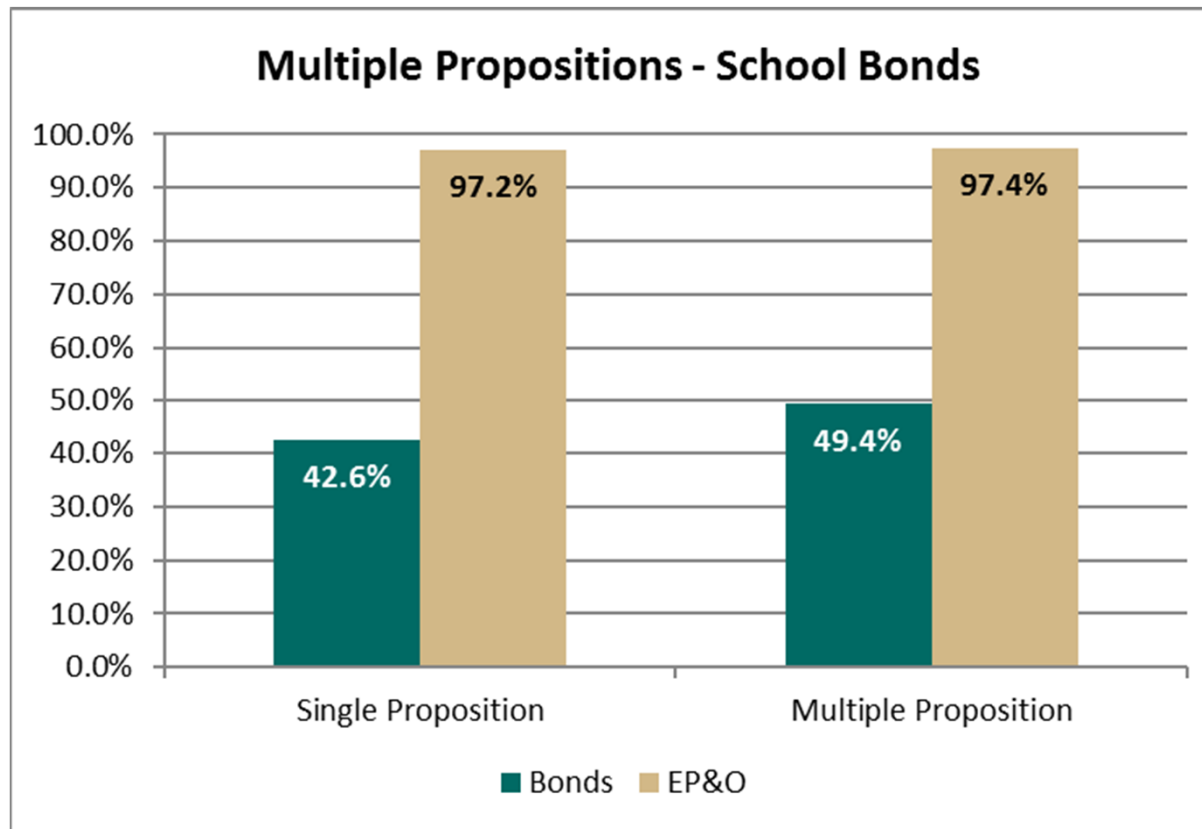


D|A|DAVIDSON

# School Election Voting Patterns

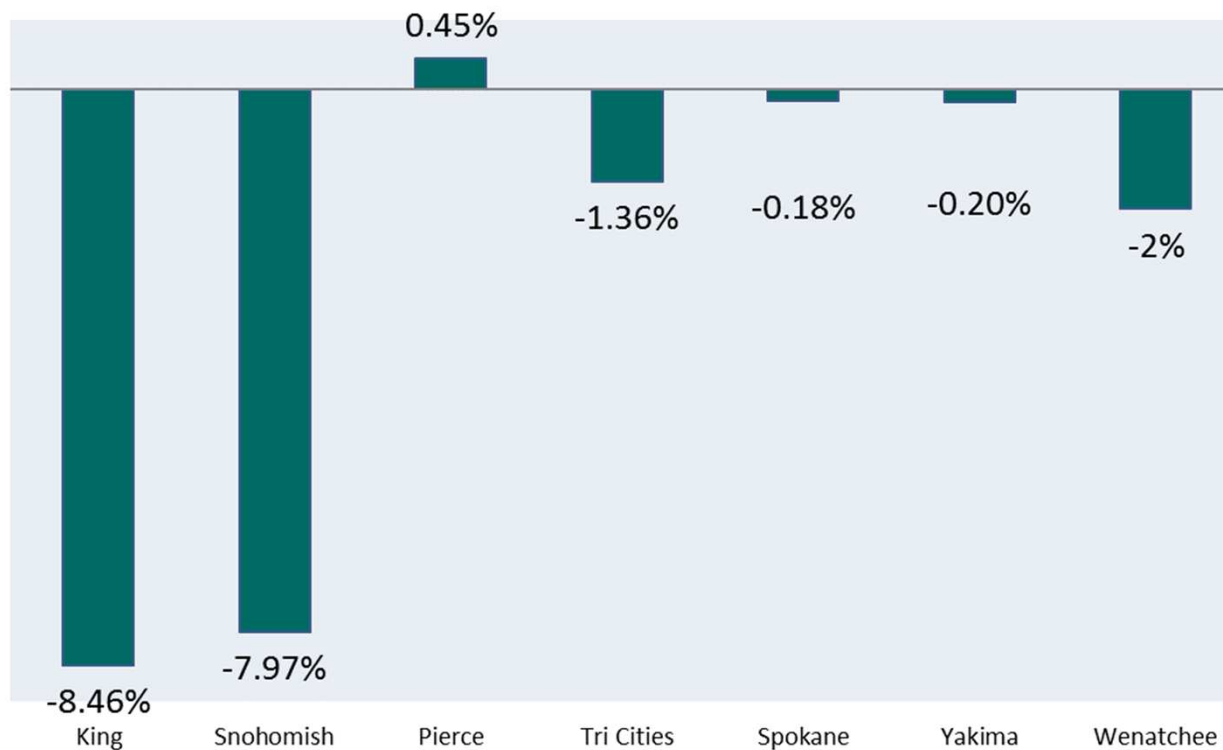
## M&O/Bonds on the Same Ballot

Average Success Rates  
(Since 2008)



# Election Analysis

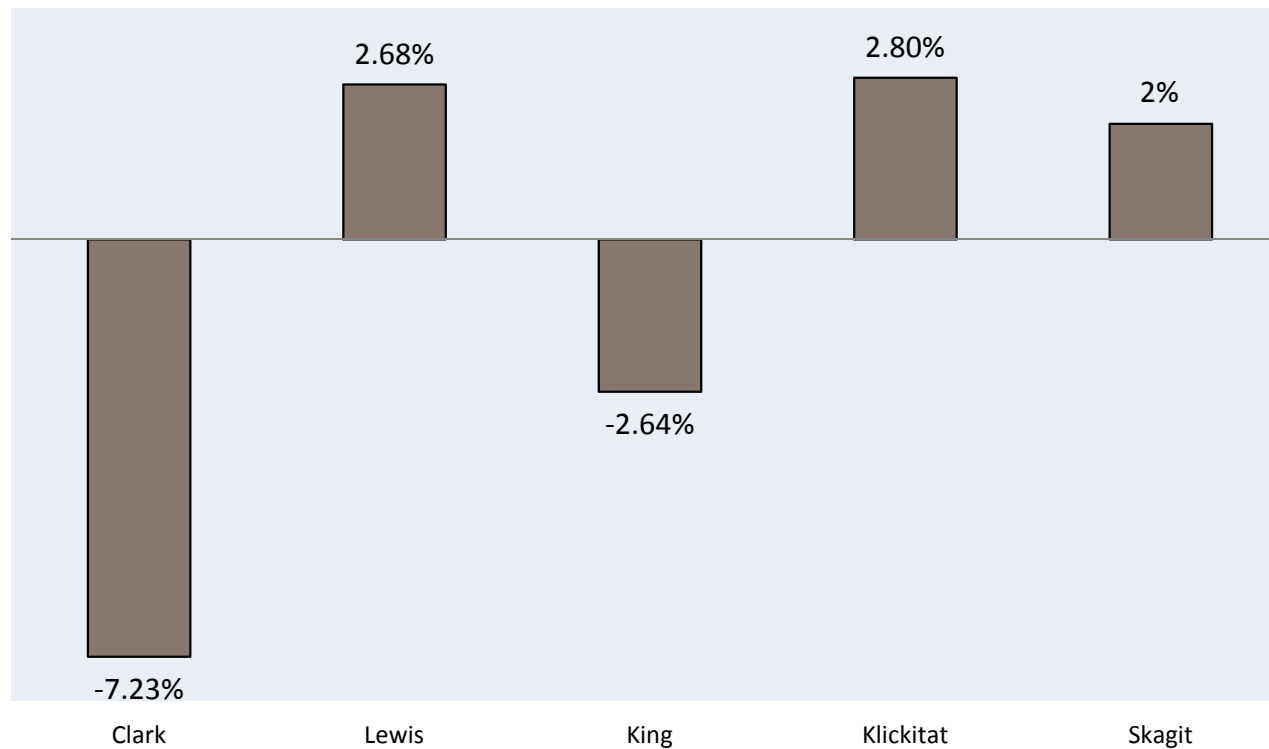
2018 Change in Voting Yes Percentage  
*From Prior Election*



In the February 2018 election, most counties observed an overall decrease in voter support.

# Election Analysis

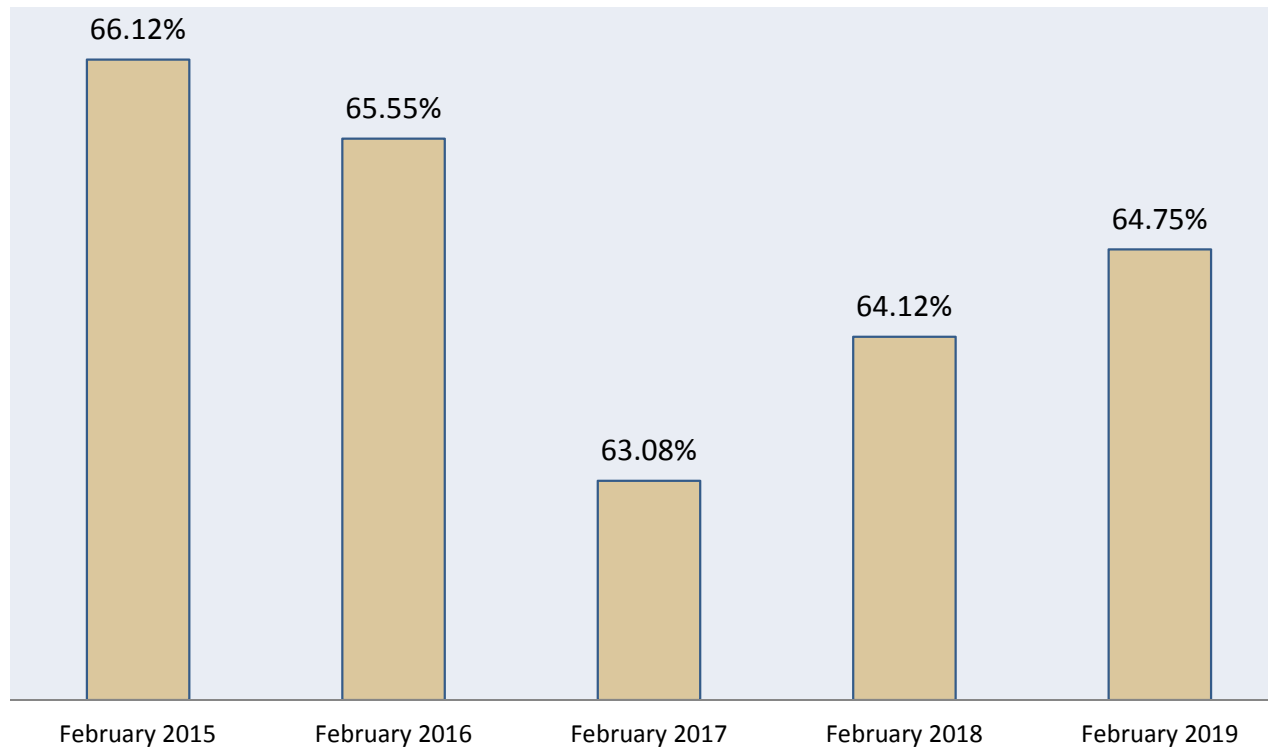
February 2019 Change in Voting Yes Percentage  
*From Prior Election*



In the February 2019 election, the results were mixed (smaller sample).

# Election Analysis

February Average Yes Percentage  
OSPI Election Results - EP&O Levies  
2015-2019



School election results are trending more favorable heading into the February 2020 election

# Discussion Topics

- Capital Projects Levies



# Capital Financing Options

## Bonds:

- Voted
- Non-Voted

## **Capital Projects Levy:**

- **Voted**

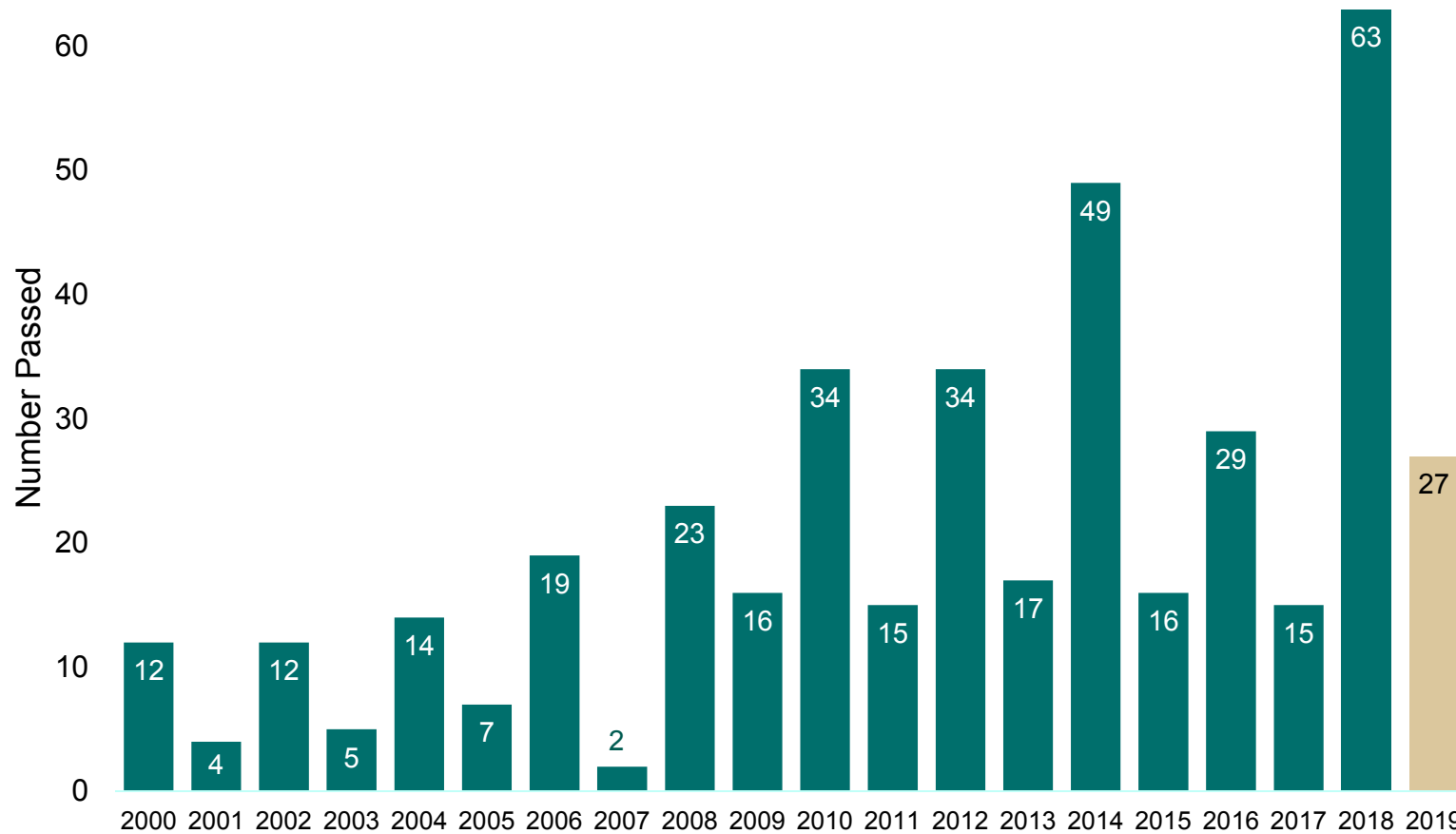
# Capital Projects Levy

## **Capital Projects Levy (no dollar limit)**

- Simple majority
- Two to six year collection\*
- No interest cost
- May free up General Fund resources (Technology)
- Jump start a long range capital plan

# School Election Voting History

## Capital Projects Levies Approved



# Capital Projects Levy

## **Capital Projects Levy allowable uses:**

- Major renovation and replacement
  - Periodical repairs no longer economical
  - Painting, roofing, exterior walls, windows, HVAC, flooring, electrical, plumbing
- Athletic fields
- Energy audits and capital improvements

# Capital Projects Levy

## Capital Projects Levy allowable uses - Technology:

- Implementing technology
  - Acquiring hardware, licensing software
- Modernization of technology systems for operations
  - Fees for online applications, subscriptions, software licenses, training
  - Must be transferred to General Fund
  - Time and Effort

# Capital Projects Levy

## Capital Projects Levy allowable uses - New:

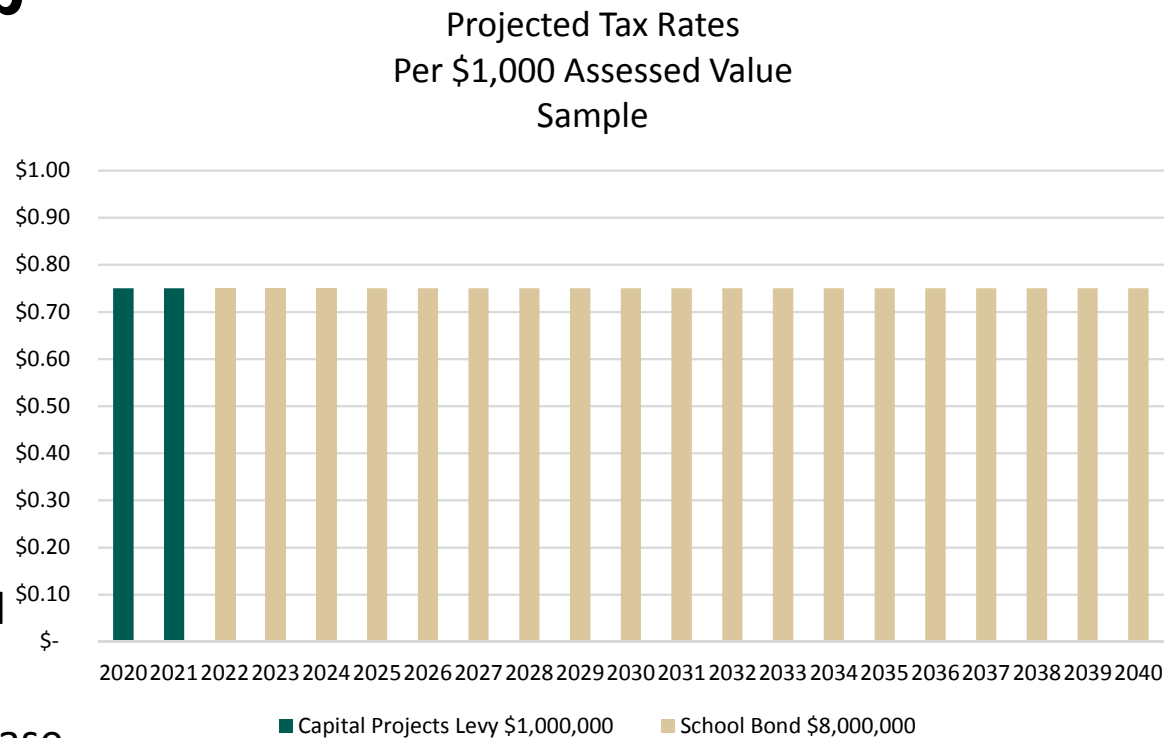
- During the 2019-21 fiscal biennium only
  - Maintenance vehicles, equipment and machinery,

# Capital Financing Options

## Capital Levy “Jump Start”

- Seek voter approval for Capital Levy at simple majority
- Successfully carryout promises made to the community with proceeds
- Place bond before voters during final year of Capital Levy

1. Without tax increase
2. Supermajority

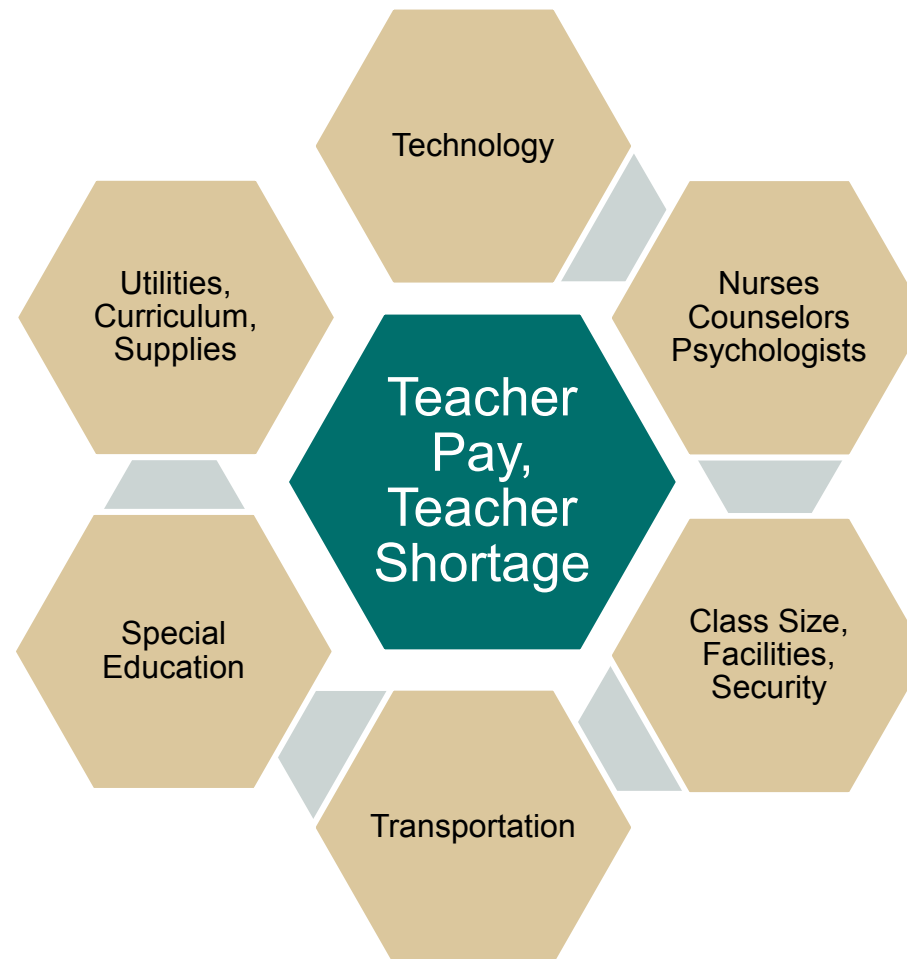


# Discussion Topics

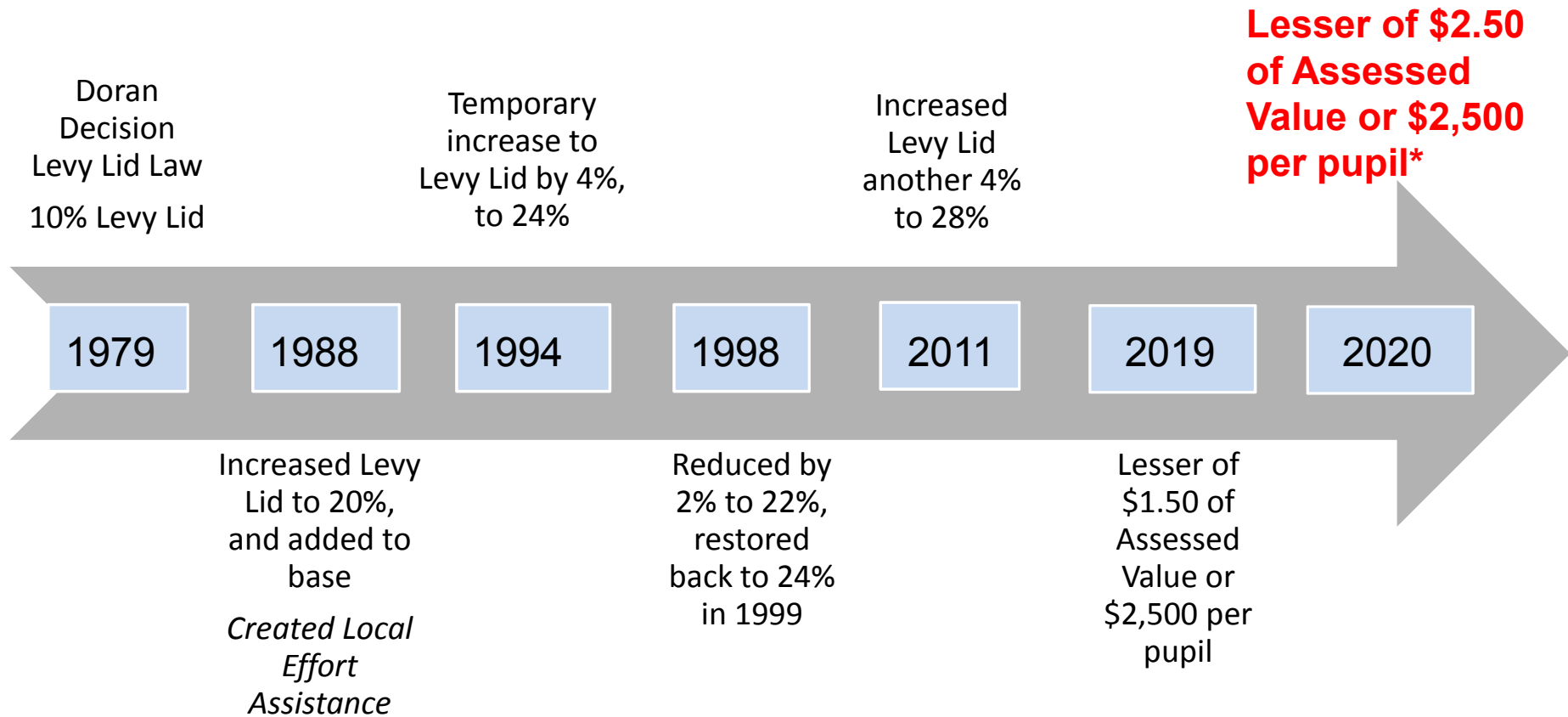
- Hot Topics (Tax Rates, LEA, Supplemental Levies)



# McCleary Impact



# Levy Lid History – McCleary Impact

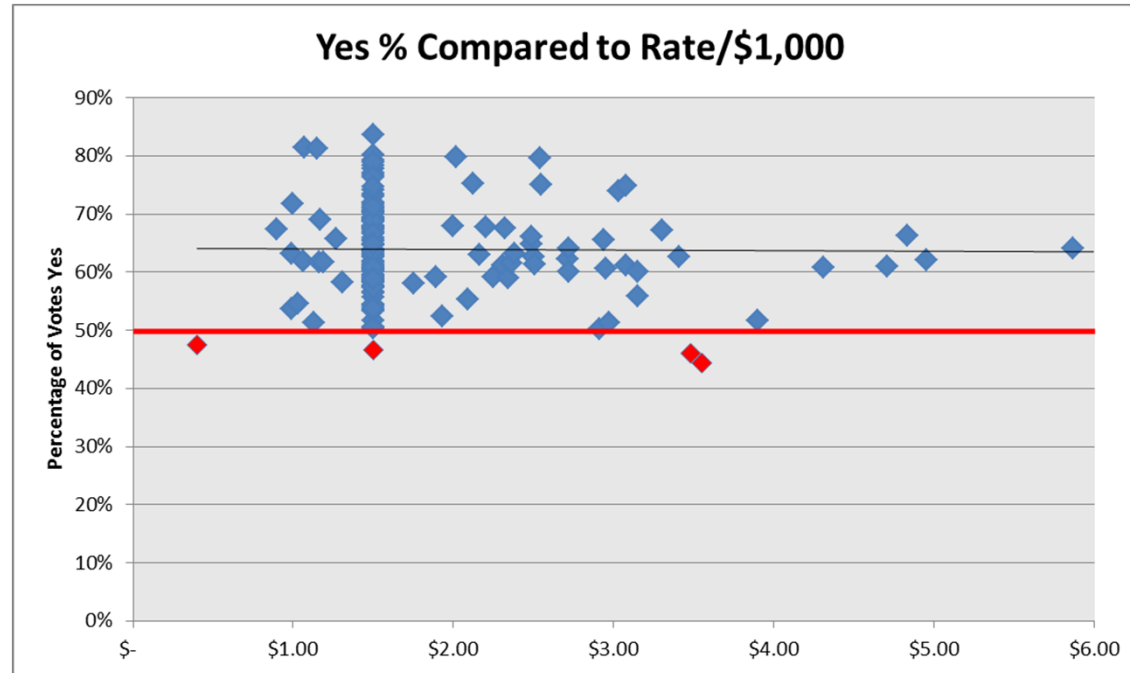


*\*with fewer than 40,000 FTE*

D|A|DAVIDSON

# McCleary Impact

## Educational Programs and Operations Levies and the \$1.50 Impact



An analysis of the 153 school districts who submitted ballot resolutions for the February 2018 election shows no correlation between tax rate on the ballot and yes percentage.

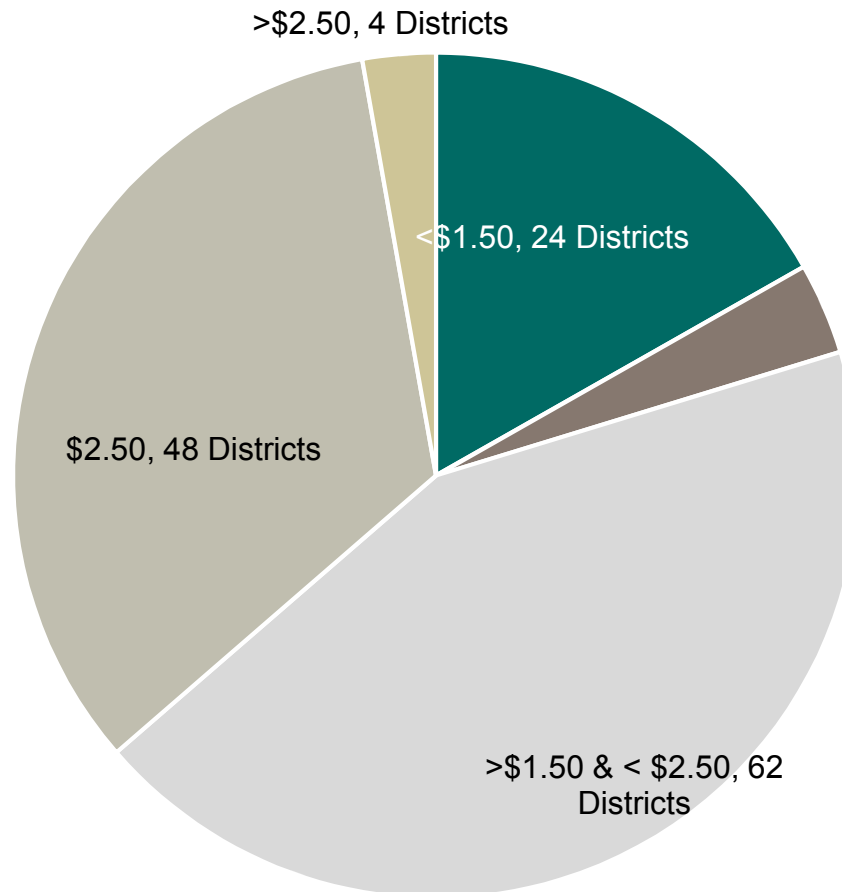
# School District Property Taxes

---

- **Changes from 2018 to 2019 per OSPI:**
  - Levy rate
    - Average tax rate was **\$2.29** in 2018 – now **\$1.41** in 2019
    - High tax rate was **\$8.83** in 2018 - now **\$1.50** in 2019
  - Levy per student
    - Highest collection per pupil was **\$9,261** in 2018 – now **\$2,500** in 2019

# McCleary Impact

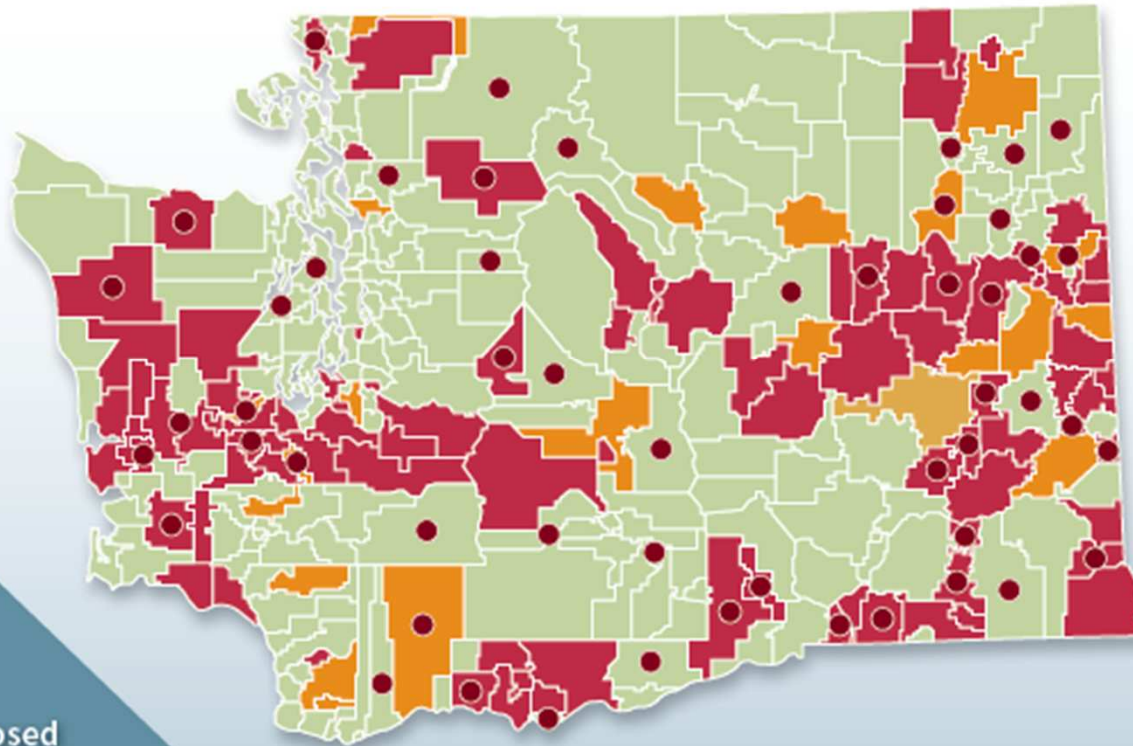
## February 2020 Ballot Levy Rate



# Levy Lid Changes

2019 Levy Lid	< \$1,500 per Pupil	Between \$1,500 and \$2,500	\$2,500 per Pupil
School Districts	178	70	47
Percent of School Districts	60%	24%	16%
Local Effort Assistance Eligible	Yes	No	No
2017-18 FTE	717,542	234,257	136,648

# Hold Harmless



This proposed solution would help those districts most negatively impacted by the state school funding changes—  
**132 out of 295** Washington school districts.

- Districts currently losing money that would be "held harmless"
- Districts barely breaking even that would receive IPD funding only
- Districts eligible for "experience factor" funding

*Wasa*  
LEADERSHIP | TRUST | ADVOCACY

D|A|DAVIDSON

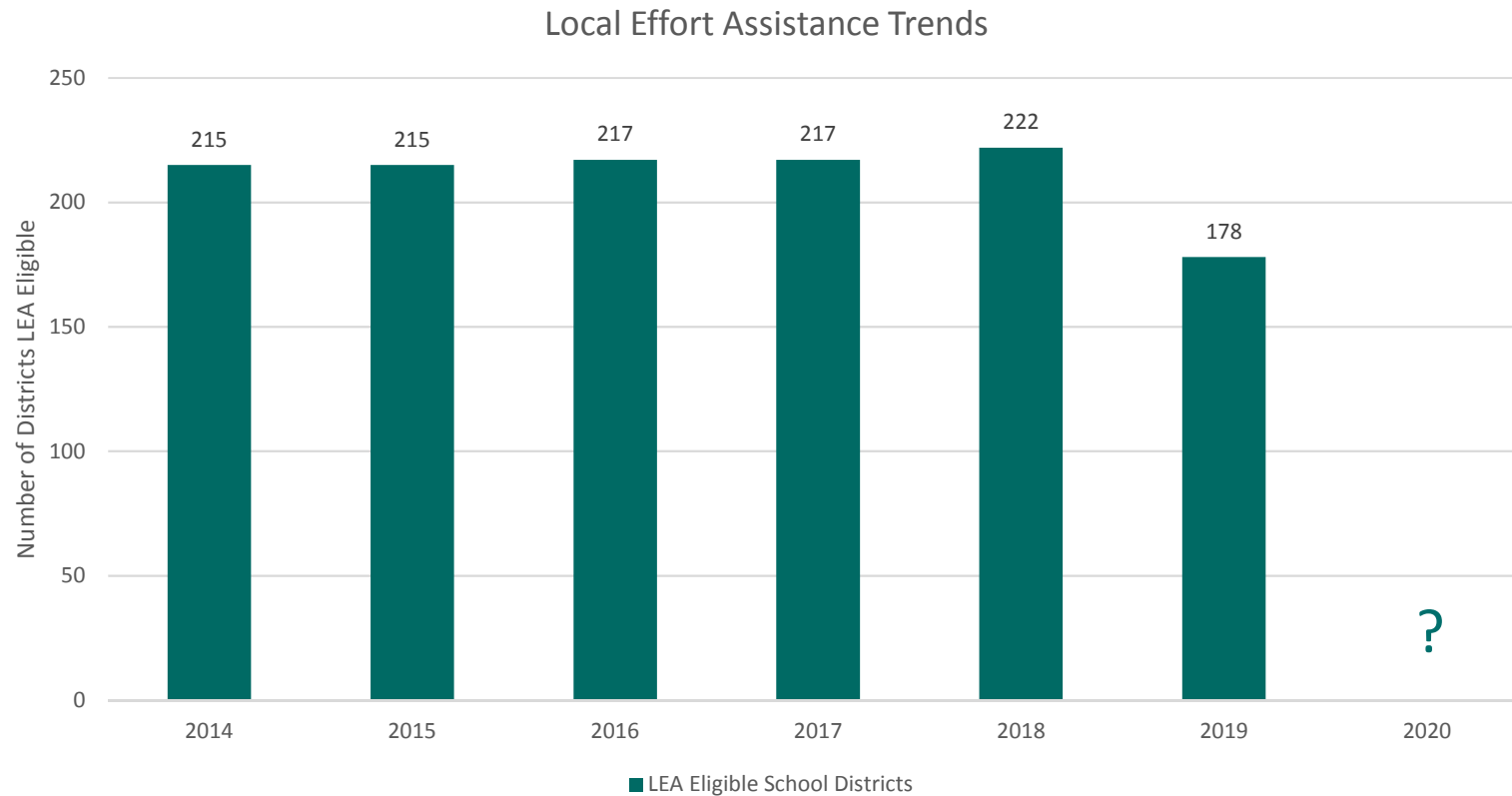
# Budget Summary 2019

## Hold Harmless - ESHB 2163 (\$58.4 Million)

- Provided to a set of school districts that were most negatively impacted by McCleary legislation
- Provided funding to “breakeven”
- 95 School Districts benefited
- One time only, short term solution
- Examples:
  - Almira \$43,069
  - Colton \$19,725
  - Oakesdale \$206,016
  - Lacrosse \$178,114
  - Riverside \$165,605
  - Wilbur \$357,003



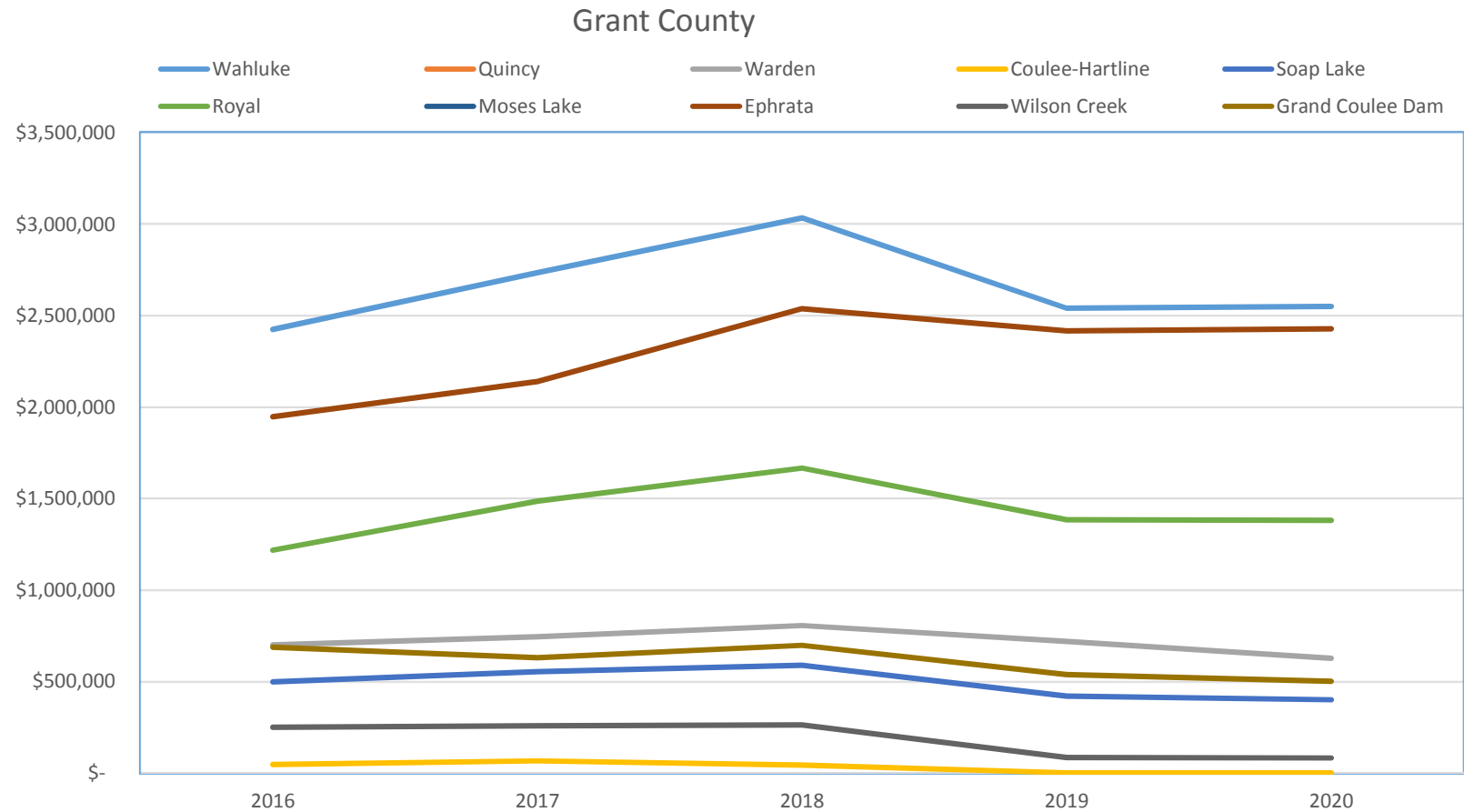
# Local Effort Assistance



# Local Effort Assistance



# Local Effort Assistance



# Enhancing Education Equity (3E)

---

- **Proposal to Change Local Effort Assistance Formulas**
  - Dr. Alicia Henderson, Aberdeen School District (with ESD 113)
    - Increase LEA to \$2.50/\$1,000 and \$2,500 threshold per student
      - Districts who do not reach \$2.50 = prorated LEA
    - Hold Harmless for those negatively impacted by formula
    - Change would impact 2021 (Second half of upcoming 2020-21 budget)
    - Cost \$95.7 million in the first calendar year

# Enhancing Education Equity (3E)

---

## ■ **Proposal to Change Local Effort Assistance Formulas**

### **Held Harmless:**

Asotin, Brewster, Colfax, Columbia, Curlew, Freeman, Garfield, Grand Coulee, Kettle Falls, Mabton, Mansfield, Mary Walker, Medical Lake, Northport, Odessa, Reardan, Republic, Riverside, Royal, Tekoa, Valley, Warden, Waterville, Wellpinit

Bridgeport \$81,951

Chewelah \$68,785

Davenport \$248,008

Entiat \$5,085

Finley \$89,721

Granger \$204,624

Highland \$213,023

Kiona Benton \$338,677

Newport \$103,056

Omak, \$202,359

Oroville \$55,210

Palouse \$7,064

Pateros \$108,673

Pe Ell \$4,494

Soap Lake \$265,538

Summit Valley \$14,124

Toledo \$20,921

Tonasket \$125,091

Toppenish \$1,648,658

Wahluke \$1,217,564

Waitsburg \$381

Wilbur \$12,690

# School District Property Taxes

Two types of property tax levies are the primary funding source that support the Washington state public school system;

- The state school levy paid by all Washington property owners for public schools,
- and special or excess levies approved by voters for a specified school district.

# State Schools Tax

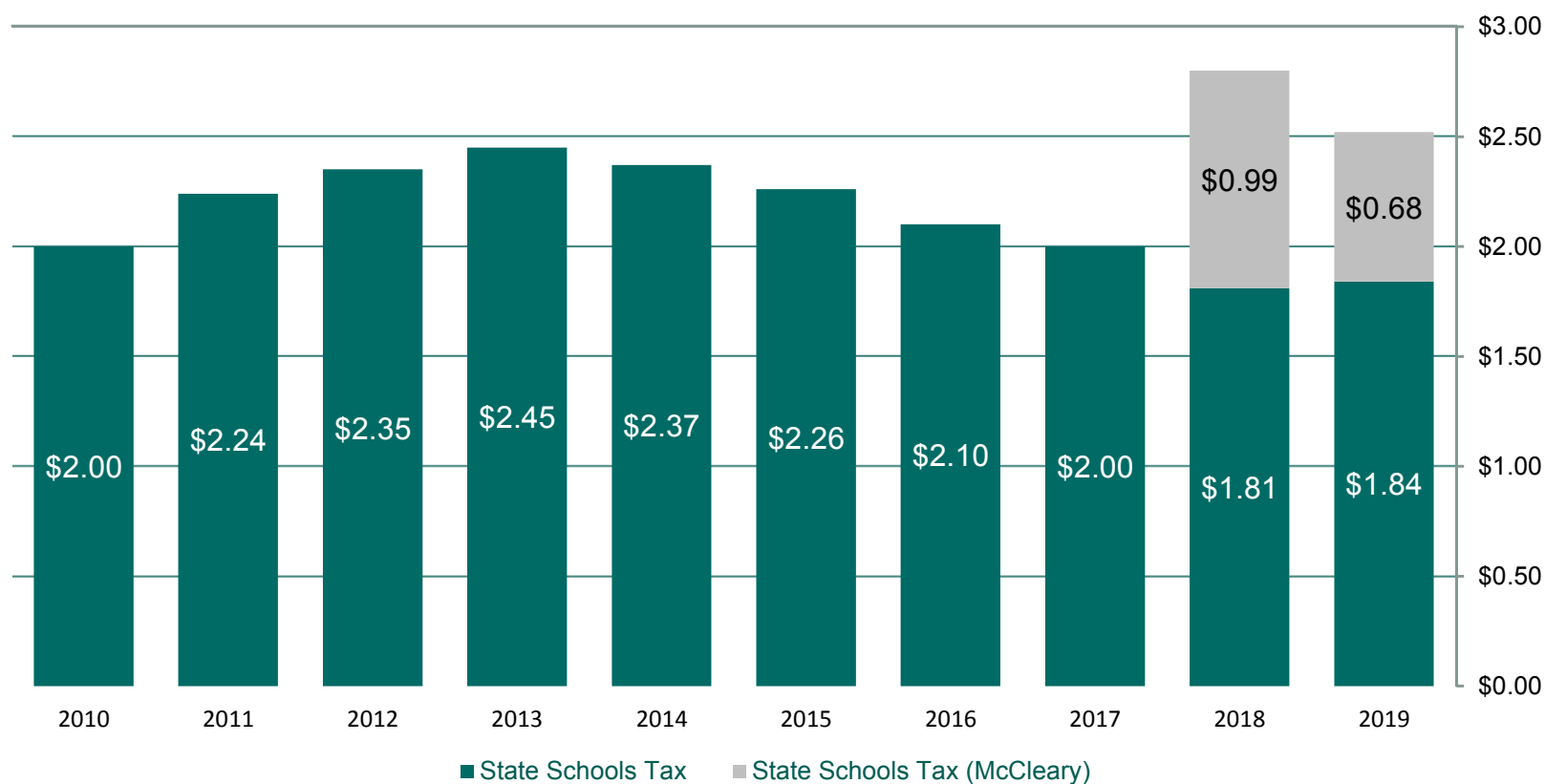
In 2017 the state schools tax was approximately \$2.00/\$1,000 depending on your county

In 2018 the state schools tax increased to \$2.70/\$1,000  
*(adjusted by County)*

In 2019 the state schools tax decreased to \$2.40/\$1,000  
*(adjusted by County)*

# State Schools Tax

Example School District  
Tax Rates/\$1,000 (with State Schools Tax)



D|A|DAVIDSON

Source: OSPI report F-780, OSPI and report 2030, OSPI



# State Schools Tax

In 2020 the state schools tax will return to \$2.70/\$1,000 (adjusted by County)



# State Schools Tax

The closer the assessed value is to market value, the closer the rate will be to \$2.70. The example below shows how different rates help equalize the total amount you and similar property owners pay.

## County A



• Market Value \$100,000

### PROPERTY TAX BILL

Assessed Value	\$100,000
Tax rate	\$2.70
<b>Total Tax</b>	<b>\$270.00</b>

## County B



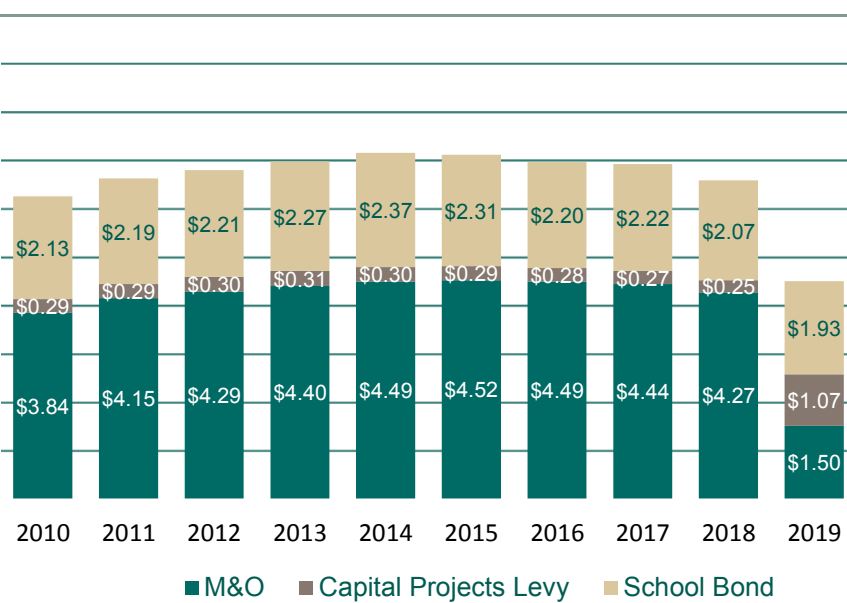
• Market Value \$100,000

### PROPERTY TAX BILL

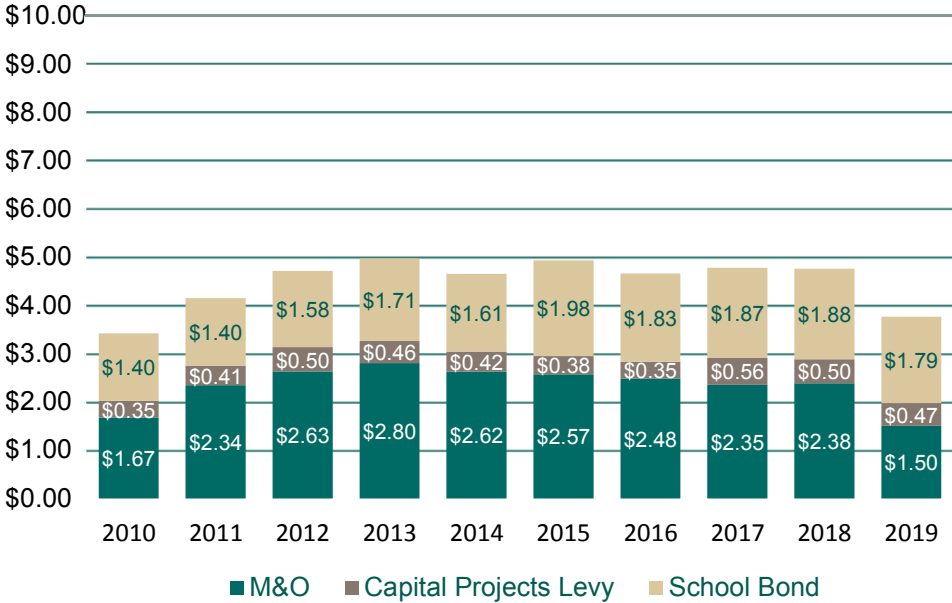
Assessed Value	\$80,000
Tax rate	\$3.37
<b>Total Tax</b>	<b>\$270.00</b>

# School Tax Rate History

Example School District A  
Tax Rates/\$1,000

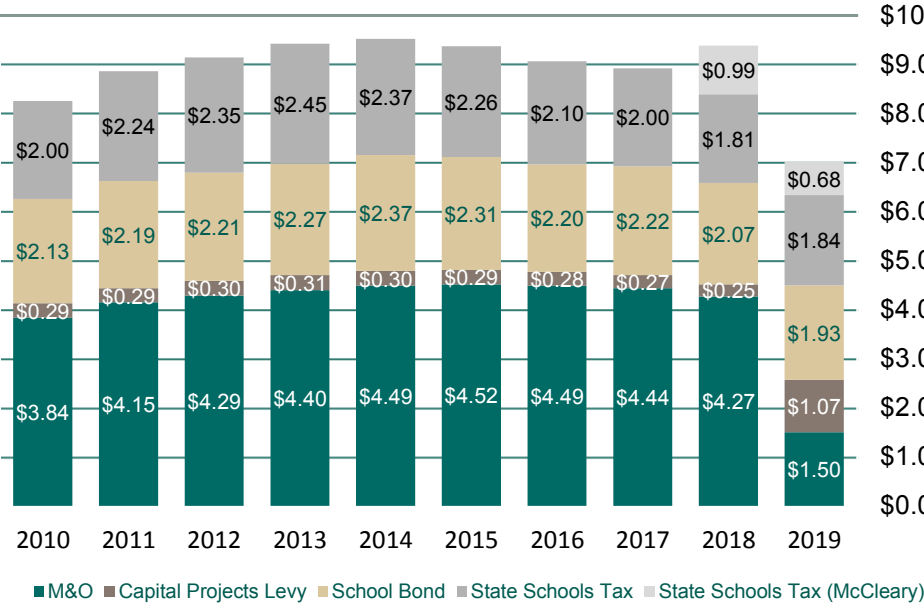


Example School District B  
Tax Rates/\$1,000

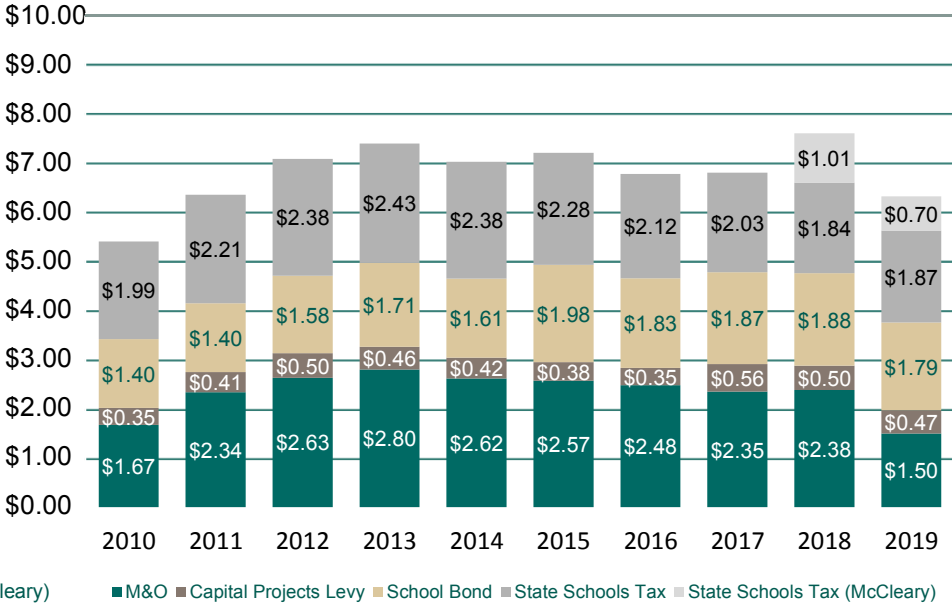


# School Tax Rate History With State Schools Tax

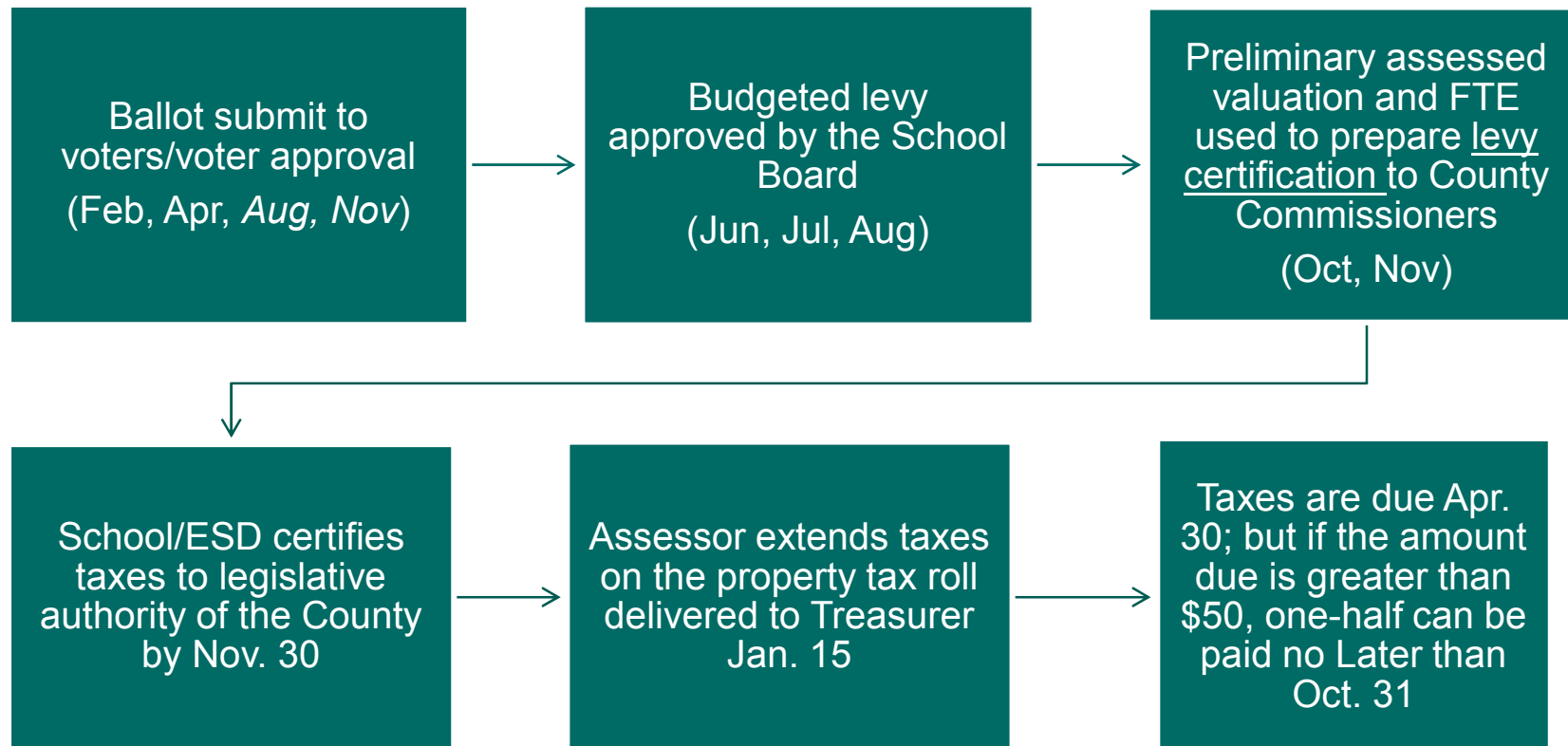
Example School District A  
Tax Rates/\$1,000 (with State Schools Tax)



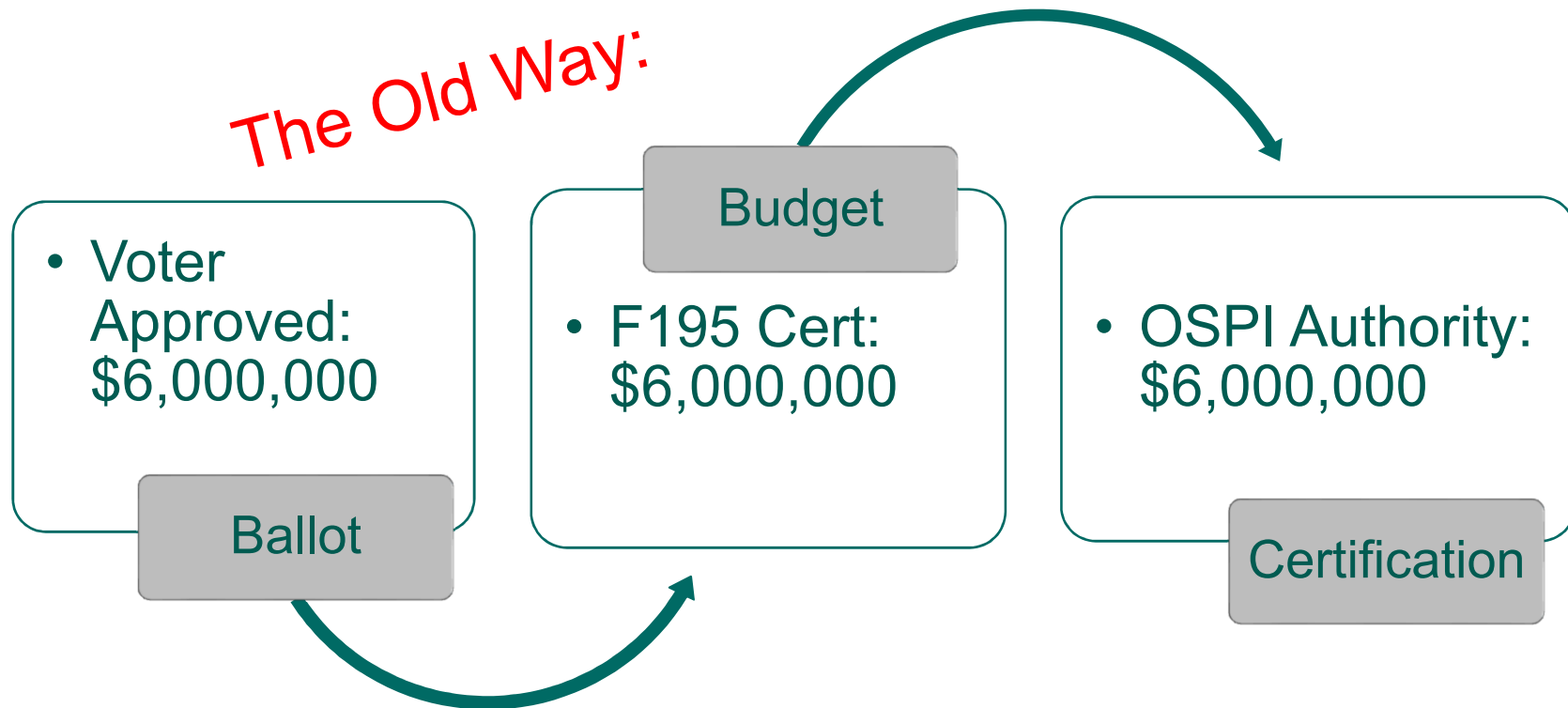
Example School District B  
Tax Rates/\$1,000 (with State Schools Tax)



# How are Property Taxes Collected?



# Property Tax Levy Certification



# Property Tax Levy Certification

FY 2019-2020

Run: 10/16/2019

## McCleary School District No.065

### BUDGET AND EXCESS LEVY SUMMARY

	General Fund	Associated Student Body Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
<b>SECTION A: BUDGET SUMMARY</b>					
Total Revenues and Other Financing Sources	4,939,679	15,750	526,972	42,780	26,021
Total Appropriation (Expenditures)	5,136,935	15,215	517,350	51,500	76,500
Other Financing Uses--Transfers Out (G.L. 536)	15,000	XXXX	18,000	0	0
Other Financing Uses (G.L. 535)	0	XXXX	0	0	0
Excess of Revenues/Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	-212,256	535	-8,378	-8,720	-50,479
Beginning Total Fund Balance	695,500	31,440	280,000	22,000	75,900
Ending Total Fund Balance	483,244	31,975	271,622	13,280	25,421

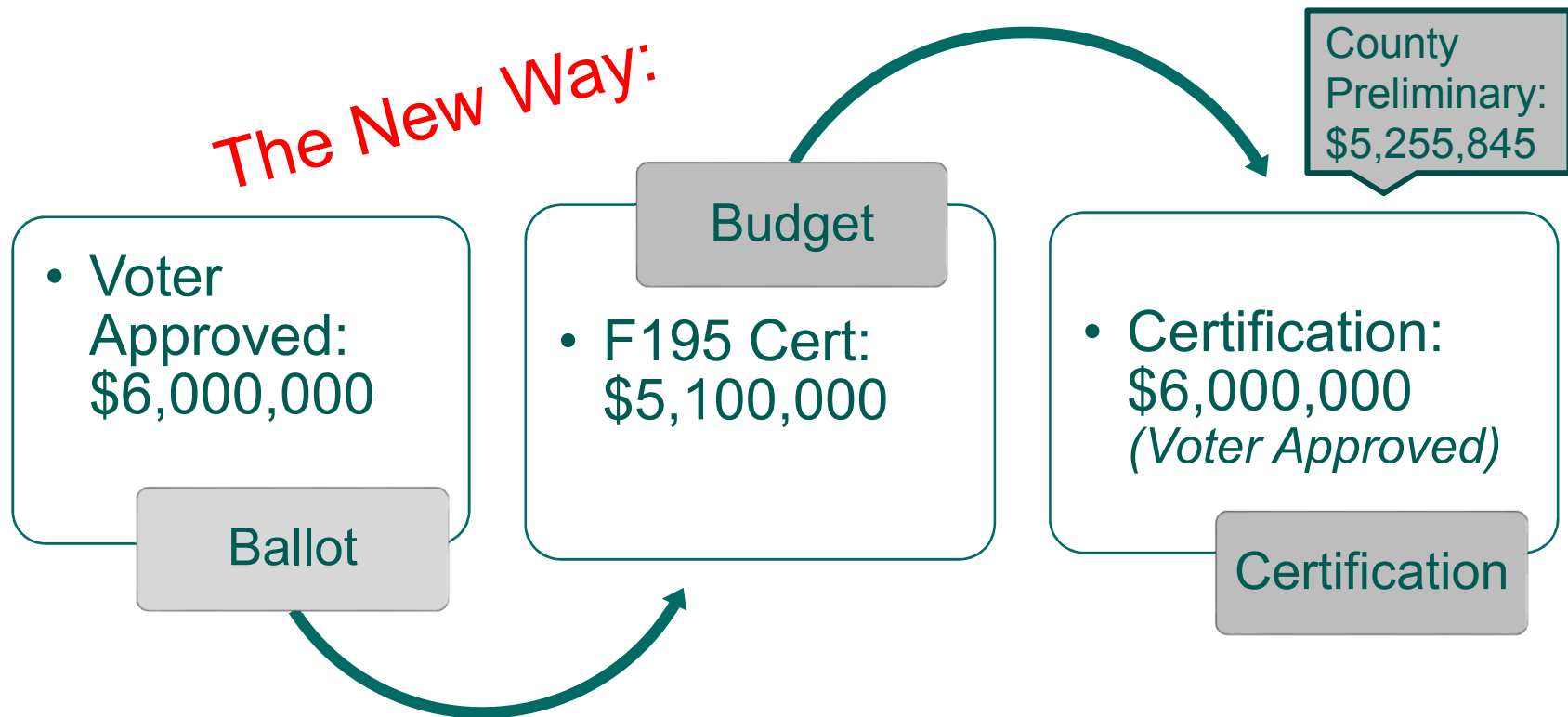
### SECTION B: EXCESS LEVIES FOR 2020 COLLECTION

Excess levies approved by voters for 2020 collection	800,000	0	0	0	0
Rollback mandated by school district Board of Directors 1/	240,288	0	0	0	0
Net excess levy amount for 2020 collection after rollback	559,712	XXXX	535,000	0	0

1/ Rollback of levies needs to be certified pursuant to RCW 84.52.020. Please do NOT include such resolution as part of this document.

D\A\DAVIDSON

# Property Tax Levy Certification





# Supplemental Levies

---

## 2010

In the Spring of 2010 legislation was adopted raising the levy lid by **4%** for the 2011 calendar year

Thirteen school districts submit supplemental levies to the voters in an attempt to take advantage of the increased local levy limit maximum

## 2019

In the Spring of 2019 legislation was adopted raising the levy lid to **\$2.50** for certain school districts

Five school districts submit supplemental levies to the voters for up to \$1.00/\$1,000 additional authority

# Supplemental Levies

---

## 2010

Tax rates ranged from \$0.04 to \$0.62

Passed at a slightly lower rate than regular levies **(11 out of 13 passed, 84.6%)**

Received **10.5% less voter support**, on average, than the previous regular school levy election

Primarily run on the west side of the state

## 2019

Tax rates ranged from \$0.54 up to \$1.00

Passed at a much lower rate than regular levies **(2 out of 5 passed, at 40%)**

Received **14.6% less voter support**, on average, than the previous regular school levy election

Primarily run on the east side of the state

# Supplemental Levies

## Final Election Results EP&O Levies – November 2019

COUNTY	ISSUER	TOTAL AMOUNT (\$)	YES VOTES	NO VOTES	% YES	RESULTS
Ferry	Inchelium SD	\$319,043	132	99	57.14%	Passed
Pierce	White River SD*	\$11,250,000	3,160	3,573	46.93%	Failed
Skagit	Mount Vernon SD*	\$6,145,000	4,801	4,492	51.66%	Passed
Spokane	West Valley SD*	\$5,308,096	3,478	2,669	56.58%	Passed
Spokane	Mead SD*	\$14,600,000	8,823	11,032	44.44%	Failed
Whitman	Lamont SD*	\$80,000	22	26	45.83%	Failed

\* Supplemental Levy

TOTAL # OF ISSUES ON BALLOT	6	TOTAL PASSED	3
TOTAL \$ AMOUNT ON BALLOT	\$37,702,139	TOTAL \$ PASSED	\$11,772,139
% OF ISSUES PASSED	50.00%		
% OF \$ AMOUNT PASSED	31.22%		

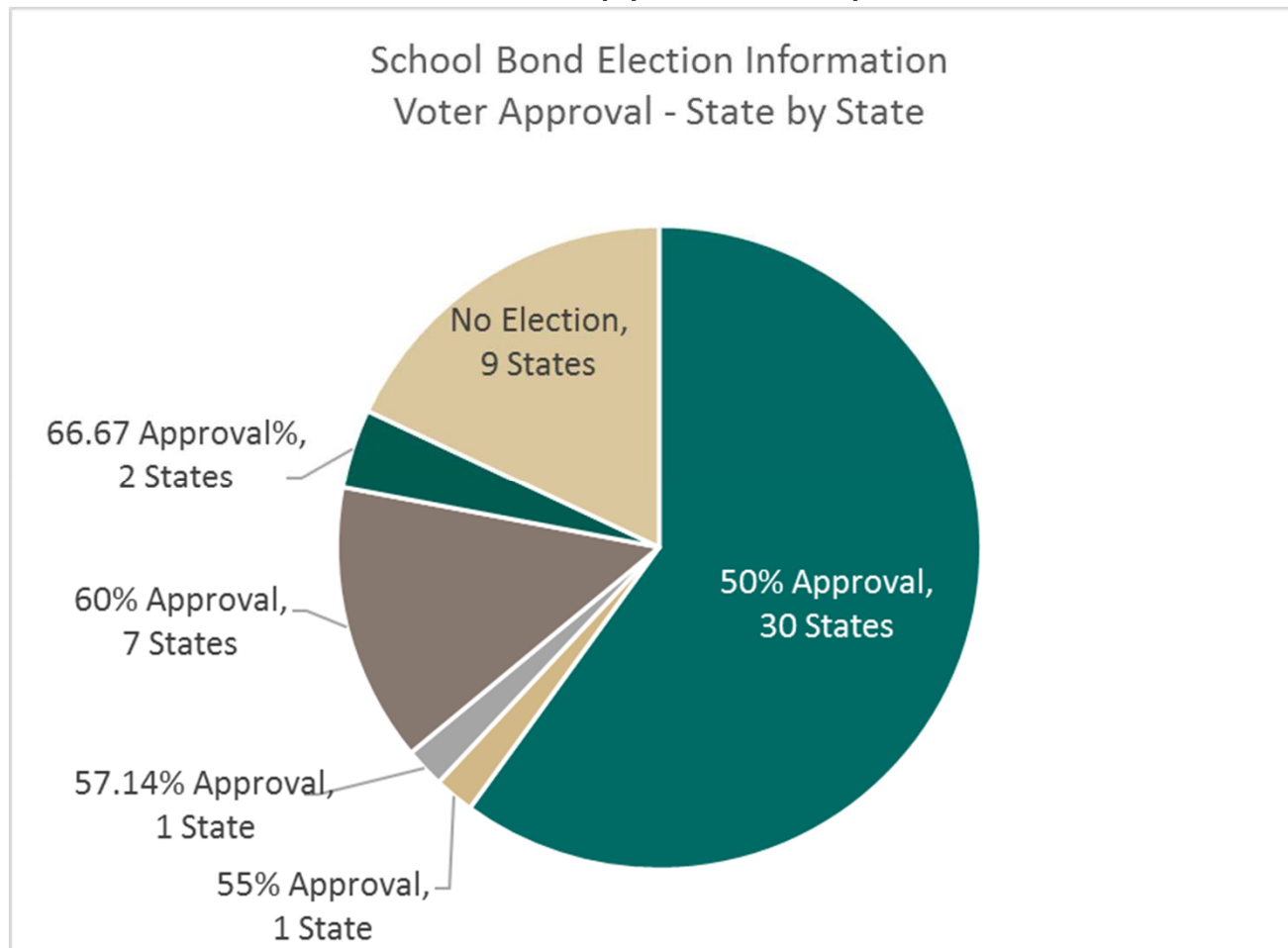
# Discussion Topics

---

- Supermajority and Bond Analysis

# School Bond Election Background

## United States Approval Requirements



D|A|DAVIDSON

*Source: State by State School Bond Voter Accountability Measures, Ballotpedia.org*

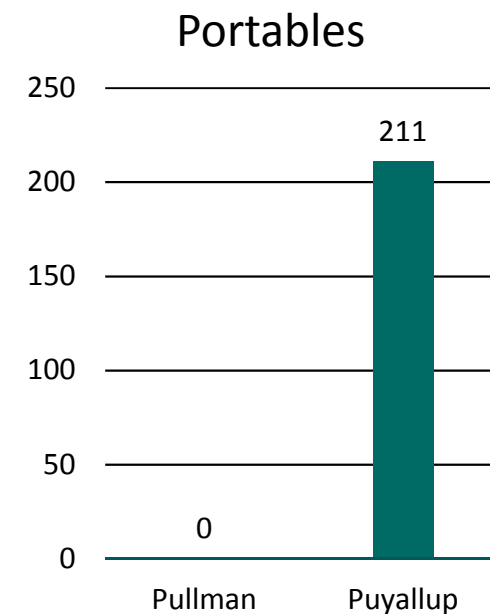
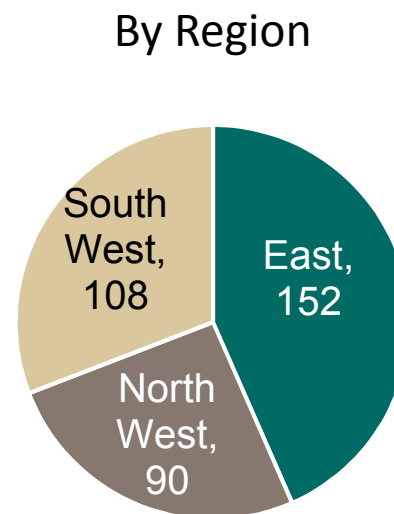
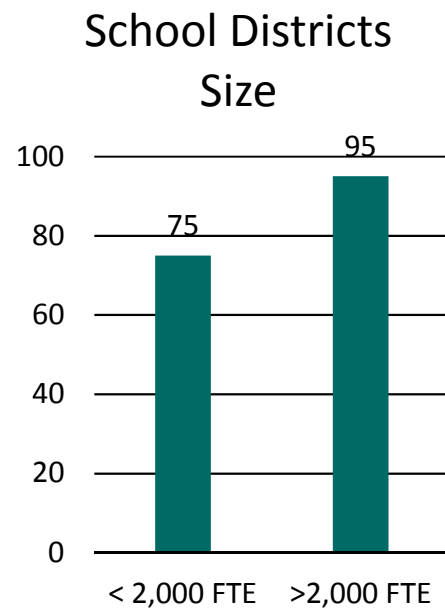
# School Bond Election Background

## History of voter requirements:

- Supermajority – three-fifths voter approval
  - Article VII, Section 2
  - Article VIII, Section 6
- Simple majority work for school levies (excluding bonds) began in 1993
  - EHJR 4204 passed in 2007 to be submit to a vote of the people
  - “a proposition under this subsection to levy an additional tax for a school district shall be authorized by a majority of the voters voting on the proposition, regardless of the number of voters voting on the proposition.”
  - Washington State voters supported at 50.61% - November 6<sup>th</sup>, 2007
  - Constitution amended for 2008

# School Bond Election Analysis

Sample size of 350 school district bonds submitted to voters from 2009 through 2018:



# School Bond Election Analysis

Sample size of 350 school district bonds submitted to voters from 2009 through 2018:

Voter Approval	Bond Issues	% of Bond Issues
Greater than 60%	156	44.6%
Greater than 55% (<60%)	77	22.0%
Greater than 50% (<55%)	56	16.0%
Less than 50%	61	17.4%

- **32 school districts**, with projects totaling **\$2.5 billion dollars**, received at least a simple majority from voters and were unable to pass a school bond with the supermajority in this ten year period.



# School Bond Election Analysis

Between 2009 and 2018, first and third attempts had the highest success rates (*bond attempts only reset after successful election*):

Ballot Attempt	Bonds Approved	Bond Issues	Approval Percent
Attempt #1	104	212	49.1%
Attempt #2	29	85	34.1%
Attempt #3	17	37	45.9%
Attempt #4 - #6	6	16	37.5%

# School Bond Election Analysis

Between 2009 and 2018, there were minor correlations between the following school factors and the probability of success running a school bond:

Factor	Correlation
New Debt ( <i>Bond Amount</i> ) as a % of Assessed Value	Minor Correlation
Outstanding Debt ( <i>2015-2018</i> )	Minor Correlation
Enrollment	Minor Correlation
Bond Amount	Minor Correlation
Graduation Rates	Minor Correlation
Assessed Value	Minor Correlation

# School Bond Election Analysis

Between 2009 and 2018, there were no correlations between the following school factors and the probability of success running a school bond:

Factor	Correlation
Free and Reduced Priced Lunch	No Correlation
Number of Portable Buildings	No Correlation
Location (NW, SW, E. WA)	No Correlation

# Questions?

- Will it be harder to pass a bond or levy due to:
  - Supreme Court declaration that schools are fully funded?
  - Spirited negotiations?
  - Tax changes and tax fatigue?
  - School districts in deficit budget?
- Will we repeat history, resulting in the legislature increasing local taxes...again?

NORTHWEST EDUCATION FINANCE TEAM

## Seattle & Spokane



D|A|DAVIDSON

**Jon Gores**

Managing Director  
(206) 389-4043  
[jgores@dadco.com](mailto:jgores@dadco.com)

**Dave Trageser**

Managing Director  
(206) 903-8699  
[dtrageser@dadco.com](mailto:dtrageser@dadco.com)

**Maura Lentini**

Vice President  
(206) 903-8687  
[mlentini@dadco.com](mailto:mlentini@dadco.com)

**Jordan Donohue**

Associate  
(206) 389-4060  
[jdonohue@dadco.com](mailto:jdonohue@dadco.com)

**Cory Plager**

Sr. Vice President  
(509) 462-6370  
[cplager@dadco.com](mailto:cplager@dadco.com)

**Suzanne Eide**

Vice President  
(206) 903-8690  
[seide@dadco.com](mailto:seide@dadco.com)

**Mark Froio**

Senior Vice President  
(206) 903-8690  
[mfroio@dadco.com](mailto:mfroio@dadco.com)

**Crystal Vogl**

Vice President  
(406) 791-7214  
[cvogl@dadco.com](mailto:cvogl@dadco.com)

### DA DAVIDSON OFFERS:

- Bond and Levy Planning
- Attend and Present at Facility/Community Meetings
- Market and Sell Bonds
- Long Range Capital Financing
- Credit Evaluation and Ratings Presentations
- Continuing Disclosure Compliance
- Annual Debt Service Fund Cash Flows
- Tax Rate Projections
- Budget Support and Notes to the Financials
- Arbitrage Rebate Support
- Monitor Potential Refunding Savings

D|A|DAVIDSON

*Neither this material nor any of its contents may be disclosed, sold, or redistributed, electronically or otherwise, without prior written consent of Davidson Companies. The information presented herein is based on public information we believe to be reliable, prevailing market conditions, as well as our views at this point in time. We make no representation or warranty with respect to the accuracy or completeness of this material. Past performance is not necessarily indicative of future results. Davidson Companies does not assume any liability for any loss which may result from the reliance by any person upon such material. We make no representations regarding the legal, tax, regulatory, or accounting implications of entering into a Transaction.*

*Required Disclosure Pursuant to MSRB Rule G-23: An underwriter's primary role will be to purchase as principal, or arrange for the placement of the securities in a commercial arm's length transaction with the issuer, and may have financial and other interests that differ from those of the issuer. In its capacity as underwriter and not as financial advisor, an underwriter may provide incidental financial advisory services at the issuer's request, including advice regarding the structure, timing, terms and other similar matters concerning the issuance. However, an underwriter does not assume any financial advisory or fiduciary responsibilities with respect to the issuer.*