

HOUSE BILL REPORT

HB 1244

As Reported by House Committee On:
Appropriations

Title: An act relating to increasing the maximum per pupil limit for enrichment levy authority.

Brief Description: Increasing the maximum per pupil limit for enrichment levy authority.

Sponsors: Representatives Ramel, Bergquist, Peterson, Ortiz-Self, Stonier, Lekanoff, Slatter, Hackney, Entenman, Simmons, Senn, Reeves, Reed, Duerr, Doglio, Pollet, Alvarado and Gregerson.

Brief History:

Committee Activity:

Appropriations: 1/25/23, 2/2/23 [DP].

Brief Summary of Bill

- Increases the maximum per-pupil limit used for enrichment levies for school districts with less than 40,000 students over several years to equal the limit used for school districts with 40,000 or more students.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 19 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Chopp, Davis, Fitzgibbon, Hansen, Lekanoff, Pollet, Riccelli, Ryu, Senn, Simmons, Slatter, Springer, Stonier and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Chandler, Connors, Couture, Dye, Harris, Rude, Sandlin, Schmick and Steele.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: James Mackison (786-7104).

Background:

Local Enrichment Levies.

Local enrichment levies can be approved by voters within a school district as a property tax for enrichment beyond the state's statutory program of basic education. Enrichment levy collections are capped for school districts at the lesser of \$2.50 per \$1,000 of assessed property value in the district, or \$2,500 per pupil increased for inflation (\$2,988.32 in 2023) for school districts with less than 40,000 students. School districts with 40,000 or more students subject to a per-pupil limit are allowed to collect up to \$3,000 per pupil adjusted for inflation (\$3,585,99 in 2023).

Summary of Bill:

From calendar year 2024 to 2028, an inflation enhancement is added to the maximum per-pupil limit for enrichment levies for districts with fewer than 40,000 students. "Inflation enhancement" is defined as 3.17 percentage points added to inflation each year from the 2024 to 2028 calendar years.

Beginning in calendar year 2029, all school districts are subject to the \$3,000 plus inflation maximum per-pupil limit.

Provisions relating to enrollment stabilization for levies in calendar years 2022 and 2023, which no longer apply after the effective date of the bill, are removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2024.

Staff Summary of Public Testimony:

(In support) This is an urgent need for school districts in island communities. Small, low populated districts with high costs of living, particularly island school districts, are disadvantaged by the current levy formula. San Juan Island districts are facing deep cuts. This bill would increase equity across school districts. There is a gap between what other school districts can levy and what the largest district can levy per pupil. The gap grows with inflation. This policy narrows the gap over several years until all are subject to the

same per-pupil limit. There are about 49 districts that would be affected by the bill, many of which have high rates of eligibility for free-and-reduced price meals. Any increase to levies would still need the permission of the voters.

Schools need help to avoid a financial cliff. Funding formulas do not consider unique island circumstances, and island districts were lumped in with lower cost of living areas on the mainland. The school levy cap makes it impossible to close the gap with other districts. Without raising the cap, the San Juan Island school may not be able to pay their bills. School districts should not be denied local access to resources to help mitigate the high cost of living.

Small schools pay more per student than the prototypical school provides because they do not have the same economies of scale as districts with higher enrollments. As many as 80 more districts pay more per pupil than Seattle. Voter approved levies are higher than districts are allowed to collect. There is not a negative impact to other districts or state funding. Without adequate funding, districts will lose programs, teachers, and students. Small school funding is vital, and this bill is a step in the right direction.

This policy is equitable and sustainable for our small schools on the islands. Small, rural islands have small enrollments, and many have special needs or are minorities. The school may be the largest employer and provide enrichment and programs for students. Because of the levy lid, the future of these schools is in jeopardy. The existing lid has crippled school budgets. Economies of scale do not work in districts with high costs of living and small enrollment.

The Orcas Island union represents 50 teachers and certificated staff. The most pressing issue for them is the cost of living on Orcas Island. In recent years, the district has struggled to recruit and retain teachers due to the unique challenges of having a school on an island. There are ferry disruptions, limited housing, and few tools to invest in the community. This bill would help to recruit and retain teachers and compete with mainland schools. This will adequately fund schools and help pay fair and competitive wages to teachers.

(Opposed) Homeschool families do not benefit from public schools. Ferry county is very poor, and the tax burden for homeowners is too high. There is already a recession, and this bill increases financial challenges. There is no option for opting out of communities that are most at risk. Education should be funded in a responsible and constitutional manner that doesn't impoverish communities. Spending and taxpayer burdens should be reduced. During times of economic instability, policy should focus on taxpayers' ability to contribute to the economy in other areas.

More than 60 percent of property taxes go to schools. Next month there are 39 districts running levies, and residents won't get their tax bill until after the election is over. There is support for paying teachers, but schools were also closed for nearly 2 years and students are

suffering pandemic learning loss. During this time, teachers were paid and received pay increases. The average per pupil expenditure is more than \$18,000 in the state. Districts receive sufficient funding to educate their students. Increasing the levy will price people out of their homes.

(Other) This is a property tax increase that breaks the Legislature's promise to limit local levies for the second time. Public schools have \$18,000 per student statewide. Schools require the trust of the public, and trust has never been lower after the COVID-19 school closures. Many students have been pulled out of public schools, and there is a net emigration from Washington state. Bills like these contribute to the loss of trust in public education and the exodus of students from public schools.

Persons Testifying: (In support) Representative Alex Ramel, prime sponsor; Cindy Wolf, San Juan County Council; Kirman Taylor, Lopez Island School District; Jane Fuller; and Melissa DeMaria, Orcas Education Association.

(Opposed) Jeannie Magdua and Leslie Williams, Conservative Ladies of Washington.

(Other) Liv Finne, Washington Policy Center.

Persons Signed In To Testify But Not Testifying: None.