

SENATE BILL REPORT

SB 5956

As of February 3, 2024

Title: An act relating to enrichment levies.

Brief Description: Concerning the maximum per-pupil limit for enrichment levies.

Sponsors: Senators Wellman, Lovelett, Kuderer, Nobles, Valdez and Wilson, C.; by request of Superintendent of Public Instruction.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/15/24, 1/31/24 [DPS-WM, DNP].

Ways & Means: 2/03/24.

Brief Summary of First Substitute Bill

- Provides that a school district's maximum per-pupil limit for enrichment levy purposes must be multiplied by the district's regionalization factor.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 5956 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Wellman, Chair; Nobles, Vice Chair; Wilson, C., Vice Chair; Hunt and Pedersen.

Minority Report: Do not pass.

Signed by Senators Hawkins, Ranking Member; Dozier, McCune and Mullet.

Staff: Alex Fairfortune (786-7416)

SENATE COMMITTEE ON WAYS & MEANS

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: Richard Ramsey (786-7909)

Background: Regionalization Factor. The Legislature allocates money to each school district for state-funded employee salaries and associated fringe benefits. Salary funding is allocated to school districts based on minimum statewide average salaries for each of the three school staffing categories: certificated instructional staff, certificated administrative staff, and classified staff.

Salary allocations are adjusted to reflect regional differences in the cost of hiring staff. The regionalization factor for each school district is based, in part, on differences in the median residential value of each school district as well as all neighboring districts within a 15-mile radius. Districts whose median residential values exceed the statewide average receive upward adjustments of 6, 12, or 18 percent. Some school districts receive additional regionalization based on proximity to higher regionalized school districts or higher ratios of instructional staff with experience and advanced degrees. The operating budget may include additional regionalization adjustments.

Enrichment Levies. The state constitution limits regular property tax levies to a maximum of 1 percent of the property's value. Upon voter approval, school districts are authorized to collect excess levies above the 1 percent constitutional property tax limit. School district voters may approve enrichment levies for up to four years, capital levies for up to six years, and bond levies for the life of the bonds.

A district's maximum enrichment levy is the lesser of \$2.50 per \$1,000 of assessed value or the maximum per pupil limit, which is \$2,500 per pupil for districts with fewer than 40,000 students and \$3,000 per pupil for districts with 40,000 or more students. Before a school district may submit an enrichment levy to the voters, it must receive approval of its expenditure plan from the Office of the Superintendent of Public Instruction (OSPI). OSPI may approve the plan if it determines the district will spend enrichment levy revenues only for permitted enrichment activities.

Summary of Bill (First Substitute): Beginning with taxes levied for collection in calendar year 2025 a district's maximum per-pupil limit for enrichment levy purposes is either:

- \$2,500 per-pupil, multiplied by the district's regionalization factor as defined in the omnibus appropriations act for the prior school year, for school districts with fewer than 40,000 students; or
- \$3,000 per-pupil, multiplied by the district's regionalization factor as defined in the omnibus appropriations act for the prior school year, for school districts with 40,000 or more students.

EFFECT OF CHANGES MADE BY EARLY LEARNING & K-12 EDUCATION COMMITTEE (First Substitute):

- Modifies the enrichment levy maximum per-pupil limit for school districts with

40,000 or more students to be \$3,000 per-pupil multiplied by the district's regionalization factor, beginning with taxes levied for collection in calendar year 2025.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Early Learning & K-12 Education): *The committee recommended a different version of the bill than what was heard.* PRO: The regionalization that was part of the McCleary fix doesn't work, and we've been asked to address this. This is the first phase of corrections we need. This allows districts to regionalize levies that high-regionalization districts can afford to hire staff with enrichment dollars. Local enrichment levies help pay for critical supports for students, and without regionalization accounted for the levy dollars have diminished buying power in relation to state apportionment dollars. For some districts this bill would allow collection of \$10 to \$12 million in local dollars that have already been approved, which would address their funding deficits and keep them from having to cut programs. Any change in regionalization must also be applied to local effort assistance so that equity issues are not exacerbated.

CON: This does not address the root problem of underfunding. It would place more responsibilities on local communities instead of the state and exacerbate inequities.

OTHER: The Legislature continues to not meet its obligation to fully fund basic education. Levies continue to backfill unfunded needs and this bill would further exacerbate the inequities between the haves and the have-nots. This would just recreate the problem addressed by McCleary. This helps 68,000 out of 1 million students so it is a narrow fix. The majority of school districts would not be affected. Regionalization is broken and does not get fixed by incorporating it further into levy language. The state should work on programs that affect all districts and fully fund special education and transportation.

Persons Testifying (Early Learning & K-12 Education): PRO: Senator Lisa Wellman, Prime Sponsor; Chris Reykdal, Superintendent of Public Instruction; Supt. Kelly Aramaki, Bellevue School District; Jackie Bryan, CFO, Highline Public Schools; Jackie McGourty, School Board Director, Northshore School District; Julie Salvi, Washington Education Association; Andrew McCollum; Kate Davis, Olympia School District; Jane Fuller, Councilmember, San Juan County.

CON: Rob Bryant, Federal Way Public Schools.

OTHER: Melissa Gombosky, ESD 105 Schools Advocacy Coalition; Dan Steele, WA Assn of School Administrators & WA Assn of School Business Officials; Charlie Brown, South Sound Superintendents; Melissa Beard, Washington State School Directors' Association (WSSDA); Jacob Vela, The League of Education Voters.

Persons Signed In To Testify But Not Testifying (Early Learning & K-12 Education):

No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): PRO: The current levy system regionalizes cost of living differences between districts with state funds but locally funded staff are not afforded the same logic and do not receive the additional funds provided to their state-funded peers. Allowing districts to prevent layoffs by using local dollars is not OSPI's preferred policy. We believe the state should bear more of this burden by covering a larger share of education costs. Until then the state should allow districts to support their local schools.

Fixes to our levy model alone are not enough. We need robust LEA for districts. Please consider increasing the state's investment in LEA. This bill addresses one of the issues in our levy and levy equalization systems. Those systems changed in the McCleary implementation but now some of the cracks are starting to show. The levy's were put on a dollar per student basis yet when we regionalize salaries it means that that dollar per student would not be the same level of staffing from district to district. We support this as one of those fixes. We also strongly support you look at levy equalization and the levy equalization system. Although the state has rightly accounted for regionalization in apportionment, regionalization was not accounted for in what we could collect in our local enrichment levy. As a result, our levy dollars have diminished buying power compared to our apportionment dollars. This bill is a critical step in fixing this.

If this bill were to pass, it would be \$16 million in 2024-25 and \$27 million per year in 2025-26 and ongoing after that. This has no cost to the state budget. In addition, we are all advocating for an increase in local effort assistance. Districts are hurting everywhere and we need many tools to address the unique challenges facing school districts. Last year, as Bellevue came out of the pandemic, 4000 kids qualified for free and reduced priced lunch, the district faced a \$31 million shortfall. This led to Bellevue being among the first in the state to close schools to balance the budget. Despite closing two schools this coming year, Bellevue is facing another \$10 million deficit followed by a \$15 million deficit in 2025-26 and another \$15 deficit in the following year, including the potential of closing another school. This bill would bring Bellevue an additional \$10 million annually, substantially closing our budget gap with zero fiscal impact to the state. 103 districts receive regionalization and could benefit; 12 right away. The belief that all should benefit or no one should will only harm kids. I agree with my colleagues that regionalization was not intended to assist the local enrichment levy—much of which is currently paying for special education staffing and services. If this bill were to pass, it would mean upwards to \$5

million for the 2024-25 school year and \$9.5 million for the 2025-26 school year and beyond. This is all at no cost to the state. We face a \$16 million deficit over the next three years. We'll start by cutting \$8 million which will have a significant affect on our ability to meet the needs of our students and educators.

I am the Superintendent of the Washougal School District. We have a 6 percent regionalization. All we are asking for is an additional boost in our buying power. We will lose \$700,000 in locally approved support if this bill does not pass. We have used every resource possible to repay a \$2 million interfund loan and begin the 2023-24 fiscal year with a modest fund balance. We're already overspending in special education by \$6 million. This would be substantially higher without regionalization enhancements to apportionment. I ask that you look to the future and authorize a tool that was overlooked when the McCleary legislation was written.

If we allow regionalization in apportionment let's afford us the same ability to add regionalization to our local levy. We can extend our levies by \$2.1 million and reach even more students. I've watched the enrichment levies decline in a way that there is no decline for state funds. In Blaine, we will be reducing our staff for the second consecutive year in large part due to the flawed funding model. This is a frustration for our voters that they can no longer generate the funds they once did. On Bainbridge Island we are considering closing one or two of our seven schools. 16 percent of our budget comes from enrichment levies. The positions funded are neither extravagant or extra. They are basic education for our high need students. This is a true game changer in this short session. SB 5956 allows us to fund districts in a way that is commensurate with their cost of living. My children were heartbroken when their librarian faced with budget cuts chose to leave their school. Now their library is closed two days a week.

OTHER: We have grave concerns that this bill further the inequities that regionalization creates in the education funding system. We are facing a funding crisis among school districts. This will help 12 to 22 districts; that leaves 250 that do not benefit. If you do this, please do LEA that benefits all districts. Please meet the needs of all districts across the state. This bill offers a solution to less than 5 percent of schools. This bill has the effect of exacerbating the inequities of the flawed regionalization formula while favoring property-rich districts. The state's reliance on local property tax levees to fund basic education services is a system that creates a disparity in funding with the state failing to meet its obligation to ensure adequate and uniform education funding across all districts, regardless of wealth. This bill aids 12 out of the 295 school districts in Washington. There have been suggestions that the bill supports property poor districts if there was a guarantee of LEA funds. Yet, no LEA legislation is making progress this session. Without it, this does not invest in the districts that need it the most. Our goal should be to foster an education system where every child, regardless of their economic background or district property value, has access to the same quality education.

This bill does help 12 school districts in the first year. However, those are only regionalized

school districts. Next year there'll be no school districts in Eastern Washington that even have regionalization. We most certainly don't want to stand in the way of districts that will be testifying shortly that this is a financial solution for them but we would ask for a more comprehensive solution. After the McCleary fix, only eight districts in Eastern Washington got regionalization. Next school year, not a single Eastern Washington will receive regionalization. That means that this bill is of no value to any Eastern Washington school districts. East Valley will leave \$2.4 million uncollected that's voter approved, even though they have a 61 percent poverty rate. We're concerned that this bill just widens the divide between East and West.

Persons Testifying (Ways & Means): PRO: Senator Lisa Wellman, Prime Sponsor; Tyler Muench, Office of Superintendent of Public Instruction; Julie Salvi, Washington Education Association; Clifford Traisman, Northshore, Highline, Bellevue, Seattle Public Schools; Dr. Brent Jones, Supt, Seattle Public Schools; Dr. Kelly Aramaki, Supt. of Bellevue School District; Dr. Ivan Duran, Supt of Highline Public Schools; Supt. Mary Templeton, Supt, Washougal School District; Supt. Fred Rundle, Supt, Mercer Island School District; Dr. Chris Granger, Supt, Blaine School District; Supt. Amii Thompson, Supt, Bainbridge Island School District; Anku Mancini.

OTHER: Charlie Brown, Tacoma and Federal Way Public Schools; Nora Palattao Burnes, ESD 105 Schools Advocacy Coalition; Melissa Gombosky, Evergreen, Vancouver and Richland School Districts; Marie Sullivan, Eastern Washington Quality Schools Coalition.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.