

SENATE BILL REPORT

SB 6458

As Reported by Senate Committee On:
Ways & Means, February 6, 2018

Title: An act relating to providing school districts with authority to impose an additional enrichment levy amount to fund high quality early learning programs.

Brief Description: Concerning additional enrichment levy amounts to fund early learning programs. [**Revised for 1st Substitute:** Providing school districts with authority to impose an additional enrichment levy amount to fund high quality early learning programs.]

Sponsors: Senators Billig, Mullet, Wellman, Rolfes, Lias and Kuderer.

Brief History:

Committee Activity: Ways & Means: 1/30/18, 2/06/18 [DPS, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Increases the maximum dollar amount a school district may collect through its enrichment levy by \$0.25 per \$1,000 of assessed values.
- Requires the additional levy amount to be used exclusively for high quality early learning programs.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6458 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Billig, Conway, Darneille, Hasegawa, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker, Van De Wege and Wagoner.

Minority Report: Do not pass.

Signed by Senators Bailey, Becker, Brown, Schoesler and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Carlyle.

Staff: Jeffrey Mitchell (786-7438)

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

Background: Local School District Levies and Local Effort Assistance (LEA). In 2017, the Legislature reformed the maximum amount school districts may collect through their local district levies (enrichment levies) through the enactment of EHB 2242. EHB 2242 also substantially modified state funding for the state LEA program, which currently provides support for school districts with high local tax rates due to low assessed values. These changes take effect in calendar year 2019.

Before EHB 2242. Through calendar year 2019, a school district's maximum enrichment levy amount is determined by the district's levy base and levy percentage, also referred to as a lid. Generally speaking, a district's annual levy base is the total of its state and federal funding for the prior school year, adjusted for inflation, and including additional amounts that were added to the levy base in 2010, sometimes referred to as ghost money. The levy lid is the maximum allowable percentage of the levy base that a school district may collect. The levy lid for most school districts is 28 percent, which means that each calendar year, districts may collect up to 28 percent of their levy base. Some districts are grandfathered at a higher levy percentage. The 28 percent lid extends through calendar year 2018.

Through calendar year 2019, a school district is eligible for LEA funding if the school district has a higher than average levy rate and if the district has certified a local enrichment levy. Levies are equalized up to 14 percent of the levy base, half of the 28 percent levy lid that is applied to the majority of districts.

After EHB 2242. Beginning with calendar year 2019, school districts may collect enrichment levies based on a new levy lid. A district's maximum enrichment levy is the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1,000 of assessed value.

To qualify for LEA funding, a school district must have a maximum local levy that generates less than a state LEA threshold of \$1,500 per pupil. LEA funding is provided on a per-pupil allocation basis so that the sum of enrichment levy funding and LEA funding for a qualifying district levying the maximum \$1.50 tax rate is \$1,500 per pupil. State LEA allocations are provided in proportion to the ratio of a school district's actual enrichment levy compared to its maximum levy. Both the per-pupil local levy lid and LEA threshold amount are adjusted annually for inflation beginning in calendar year 2020. The per pupil calculations are based on the average annual resident full-time equivalent students.

Early Childhood Education and Assistance Program (ECEAP). This state-funded voluntary preschool program serves children ages three and four who are from low-income households, are eligible for special education, or have other risk factors. Children from families with an annual income at or below 110 percent of the federal poverty level (\$27,060 for a family of four) are eligible for enrollment in ECEAP. The Department of Early Learning (DEL) develops program standards and provides ECEAP through contracts with educational service districts, school districts, community colleges, local governments, and nonprofit organizations.

Current law requires that state funding continue to be phased in each year until full statewide implementation is achieved in the 2022-23 school year, at which time any eligible child shall be entitled to be enrolled in the program. Additional children may be admitted to the extent

that grants and contributions from community sources provide sufficient funds for a program equivalent to that supported by state funds.

The Department of Children, Youth, and Families (DCYF) will administer ECEAP starting on July 1, 2018.

Early Achievers. This program rates the quality of child care and early learning programs on a scale of one to five. In 2015, the Early Start Act required licensed child care and early learning providers serving nonschool-age children and receiving state subsidies to be enrolled in Early Achievers and meet certain rating deadlines.

ECEAP providers were required to rate at a level 4 or 5 by March 1, 2016. Other providers serving non-school age children and receiving state subsidies must rate at a level three or higher by December 31, 2019.

Early Start Account. State law encourages local governments, school districts, institutions of higher education, and nonprofit organizations to collaborate with DCYF when establishing early learning programs for residents.

These entities may contribute funds to DCYF through the Early Start Account. These funds may be used for the following purposes:

- initial investments to build capacity and quality in local early care and education programming;
- reductions in copayments charged to parents or caregivers; and
- expanding access and eligibility in ECEAP.

Summary of Bill (First Substitute): Local School District Levies and Local Effort Assistance (LEA). Beginning with enrichment levies collected in 2019, the maximum dollar amount a school district may levy for its enrichment levy is increased by 25 cents per \$1,000 of assessed value. The additional dollar amount must be used exclusively for early learning programs.

A change is made to LEA provisions to maintain the current calculation for LEA funding based on the \$1.50 enrichment levy rate.

Early Learning Programs. An additional enrichment levy for high quality early learning programs must be used exclusively for:

- ECEAP;
- early learning programs that score at least 3.5 in the Early Achievers program;
- other high quality early learning programs approved for this purpose by DCYF; and
- capital expenses if such expenses are limited to 25 percent of the total revenues generated by the tax levy and school districts have demonstrated a need for additional classroom space and such facilities would be used primarily for high quality early learning programs.

Funds dedicated to ECEAP must be used for expanding access and eligibility in this program. Children enrolled in ECEAP using funds dedicated under this section are not

considered to be eligible children and are not considered to be part of the state-funded entitlement.

Funds raised by the levy may be deposited into the Early Start Account and used for the specified purposes.

School districts must consult with early learning regional coalitions before finalizing plans to spend revenues collected by a levy.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Limits capital expenses to 25 percent of the total revenues generated by the additional enrichment levy.
- Requires school districts to consult with early learning regional coalitions before finalizing plans to spend collected revenues.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Whatever is your main policy concern, high quality early learning is your solution. The net payout for one child in ECAEP is \$34,000. We have made recent investments in early learning but there is a long way to go. The new enrichment levy would allow school districts to make targeted early learning investments and to be creative. High quality early learning is the single best thing that we can do to for educational success, break the cycle of poverty, and close the opportunity gap. We have strong partnerships with our community based preschools, head start, and ECAEP. Therefore, if we had resources we could expand those partnerships. Tacoma Public Schools will have a significant reduction in its levy rate due to the K-12 legislation that passed last year. The district has been operating an early learning program that the local levy has been funding. We look at this as an opportunity to continue to support the early learning programs that operate across the district.

Persons Testifying: PRO: Senator Andy Billig, Prime Sponsor; Charlie Brown, Tacoma Public Schools; Melissa Gombosky, Spokane Public Schools; Lisa Dawn-Fisher, OSPI.

Persons Signed In To Testify But Not Testifying: No one.