

SENATE BILL REPORT

SB 5593

As of February 6, 2025

Title: An act relating to enrichment levies and local effort assistance.

Brief Description: Adjusting enrichment levies and local effort assistance.

Sponsors: Senators Wellman, Pedersen, Cleveland, Shewmake, Wilson, C., Cortes, Saldaña, Slatter and Valdez.

Brief History:

Committee Activity: Early Learning & K-12 Education: 2/06/25.

Brief Summary of Bill

- Provides that the maximum enrichment levy amount that a school district may collect is 30 percent of its levy base, which is the sum of the district's basic education allocation, categorical program allocations, and food service allocations.
- Provides new formulas to calculate local effort assistance eligibility and amounts.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Staff: Alex Fairfortune (786-7416)

Background: 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

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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.

Local Effort Assistance. Under the Local Effort Assistance (LEA) Program, also known as levy equalization, the state provides additional funding to school districts at a disadvantage in raising enrichment levies due to low property values.

LEA is provided to any school district that does not generate an enrichment levy of at least \$1,550 per student when levying at a rate of \$1.50 per \$1,000 of assessed value. An eligible school district's maximum LEA is the difference between the district's per pupil levy amount, based on a rate of \$1.50 per \$1,000 of assessed value, and \$1,550 per pupil, multiplied by the district's resident enrollment. Districts eligible for LEA that levy below a \$1.50 per \$1,000 rate receive LEA in proportion to their actual levy collection.

State-tribal compact schools may also receive LEA in an amount equal to the enrichment levy per student for the school district in which the state-tribal compact school is located, multiplied by the state-tribal compact school's enrollment. For purposes of making this calculation levy and enrollment data from the prior school year is used. The maximum LEA a state-tribal compact school can receive is \$1,550 per student.

Summary of Bill: Enrichment Levies. Beginning in calendar year 2026, the maximum enrichment levy that a school district may collect is modified. The new maximum enrichment levy amount is 30 percent of a district's levy base, which is the sum of a district's basic education allocation and categorical allocations for pupil transportation, special education, highly capable education, learning assistance, bilingual education, and food services.

If a district is participating in a high or nonhigh relationship, interdistrict cooperative agreement, or innovation academy cooperative, the maximum enrichment levy amount must be adjusted accordingly.

The maximum enrichment levy amount must also be reduced by the maximum amount of local effort assistance for which the school district is eligible and any out-of-compliance expenditure amounts identified by the state auditor.

The term "prior school year" is defined for the purposes of local enrichment levy provisions to mean the most recent school year completed prior to the year in which levies are to be collected.

OSPI is directed to develop rules and regulations and inform school districts of the pertinent

data necessary to carry out the enrichment levy provisions.

Local Effort Assistance. Beginning in calendar year 2026, local effort assistance eligibility thresholds and funding amounts are modified.

Eligibility. Under the new formulas, a district is eligible for local effort assistance if the levy rate required to achieve an 18 percent enrichment levy amount, referred to as the district's 18 percent levy rate, exceeds the statewide average 18 percent levy rate.

Amounts. Funds raised by eligible school districts through enrichment levies shall be matched using the following ratio:

$$\frac{\text{Dist. 18\% levy rate} - \text{Statewide average 18\% levy rate}}{\text{Statewide average 18\% levy rate}}$$

The maximum local effort assistance amount an eligible district may receive must be calculated using the following formula:

$$\text{Dist. average 18\% levy amount} * \frac{\text{Dist. 18\% levy rate} - \text{Statewide average 18\% levy rate}}{\text{Dist. 18\% levy rate}}$$

Local effort assistance for state-tribal education compact schools is equal to the actual enrichment levy per student for the previous school year for the district in which the state-tribal education compact school is located, up to \$1,550, multiplied by the student enrollment of the state-tribal education compact school.

Formula Components. A district's 18 percent levy amount is calculated by multiplying its maximum enrichment levy amount by 18 percent.

A district's 18 percent levy rate is calculated by dividing its 18 percent levy amount by its assessed valuation for the prior tax collection year.

The statewide average 18 percent levy rate is calculated by taking 18 percent of the total levy bases of all school districts, divided by the total assessed valuation for all school districts in the prior tax collection year.

Other Defined Terms. The term "prior tax collection year" is defined to mean the year immediately preceding the year in which the local effort assistance is allocated.

The term "inflation" is defined to mean, for any school year, the rate of the yearly increase of the previous calendar year's annual average consumer price index for all urban consumers, Seattle area, as of the beginning of the school year, using the official current base compiled by the Bureau of Labor Statistics, United States Department of Labor.

Appropriation: None.

Fiscal Note: Requested on February 4, 2025.

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

Effective Date: The bill takes effect on January 1, 2026.

Staff Summary of Public Testimony: PRO: Special education, MSOC, and transportation are huge budget priorities. This ought to be part of the mix as it complements the big three very well. Districts are dealing with financial crisis and the levy cap is preventing communities from addressing these woes. Decreasing the amount that districts could levy was a mistake and this gives more flexibility to districts. Levy equalization has declined each year with fewer districts qualifying. This is one of the major reasons for less equity coming out of McCleary. There were 200-220 districts that qualified for LEA before McCleary, now there are only 129 districts that qualify.

CON: The complexity of this bill is enormous and it made my head hurt. It is incomprehensible. There is a reason that this tax cap was passed, it is a local continual tax hunger. Locals are taxed enough already and have had enough.

OTHER: The big three funding priorities are special education, MSOC, and transportation. Those are the primary issues that districts would like to see funded. This should be considered additive. If the big three were funded then it would lessen the need for levies. This bill eliminates complex calculating with a percentage base, which is better, and increases LEA to 60 percent, which is a positive. But this would go back to the methodology from 1979-2018 and that model had its own problems. There are concerns that we won't learn from history and bridge the gap between property rich and property poor districts. The current model only brings the bottom up to the average. This bill will raise more funds but exacerbate the gap. Larger reforms are needed to fundamentally alter state funding to address the varying needs. The Legislature should look to Texas to develop a more equitable model. Charter schools currently receive LEA through the budget but they should be added to this bill because without a permanent fix they are left in limbo.

Persons Testifying: PRO: Senator Lisa Wellman, Prime Sponsor; Julie Salvi, Washington Education Association; Clifford Traisman, Bellevue, Seattle, Northshore and Highline Public School Districts; Tyler Muench, Office of Superintendent of Public Instruction; Martin Turney, Issaquah School District.

CON: Jeff Pack, Washington Citizens Against Unfair Taxes; Laurie Layne.

OTHER: Oliver Miska; Dan Steele, WA Assn of School Admin & WA Assn of School Business Officials; Marissa Rathbone, Washington State School Directors' Association; Nora Palattao Burnes, ESD 105 Coalition; David Knight; Melissa Gombosky, Vancouver and Evergreen Public School Districts; Charlie Brown, Federal Way Schools, Tacoma Public Schools, and other South Sound School Districts; Tom Fleming, Educational Service District 105, CFO; Barbara Gilchrist, Washington State Charter Schools Association; Dan

Effland, Summit Atlas High School.

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