

SENATE BILL REPORT

SB 5812

As of April 15, 2025

Title: An act relating to investing in the state's paramount duty to fund K-12 education and build strong and safe communities by modifying the state and local property tax authority and adjusting the school funding formula.

Brief Description: Investing in the state's paramount duty to fund K-12 education and build strong and safe communities.

Sponsors: Senators Wellman and Hansen.

Brief History:

Committee Activity: Ways & Means: 4/16/25.

Brief Summary of Bill

- Changes the 101 percent revenue growth limit for state and local property taxes to 100 percent plus population change and inflation, capped at 103 percent.
- Increases the maximum per-pupil limit used for school enrichment levies gradually over several years up to \$5,035 in the 2031 calendar year.
- Increases the per-student state Local Effort Assistance (LEA) threshold by \$200 above inflation in 2026 and \$300 above inflation in 2027.
- Increases LEA thresholds by an additional \$200 per-pupil in 2030 and 2031.
- Requires the Superintendent of Public Instruction to convene a kindergarten through grade 12 (K-12) funding equity workgroup to analyze options for revising K-12 funding formulas.
- Removes the funded enrollment limit for special education (SPED) excess cost funding in the 2028-29 school year and requires changes to SPED accounting methodologies for the use of SPED students' general

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.

apportionment allocations.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438) and Kayla Hammer (786-7305)

Background: Property Tax—Limit Factor. All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited as follows:

- for jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent; and
- for jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent.

For purposes of the revenue growth limit factor, inflation means the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the United States Department of Commerce by September 25th of the year before the taxes are payable. Taxing districts other than the state may adopt a resolution of substantial need to levy up to 101 percent if the IPD is less than 1 percent.

The value of the following add-ons are in addition to the limit factor:

- new construction;
- construction of wind turbine, solar, biomass, and geothermal facilities;
- improvements to property;
- increased value of state-assessed property; and
- increased value of real property within a local tax increment financing area.

The state collects two regular property tax levies. The revenue growth limit applies to both state levies and all regular local property tax levies. Excess levies are not subject to this limit and require voter approval.

Local School 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 adjusted for inflation—\$3,149.69 in 2024—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—\$3,779.63 in 2024. The inflation measure used is the consumer price index for all urban consumers, Seattle area (Seattle CPI).

Local Effort Assistance. The state provides additional Local Effort Assistance (LEA)

funding to school districts that would not generate an enrichment levy of at least \$1,550 per student based on prior year enrollment 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 student multiplied by the district's prior year enrollment. The \$1,550 per student limit, also known as the state LEA threshold, is adjusted annually by the Seattle CPI.

Special Education Excess Cost Multipliers and Enrollment. The state allocates funding for a program of special education (SPED) for students with disabilities using an excess cost formula. For eligible students in kindergarten through age 21 (K-21), the formula multiplies a school district's base allocation by an excess cost multiplier up to an enrollment limit of 16 percent of a school district's full-time student enrollment. A multiplier of 1.12 is provided for SPED students that spend at least 80 percent of the school day in a general education setting. For students in a general education setting less than 80 percent of the time, districts receive a 1.06 multiplier.

Beyond allocations from excess cost multipliers, the Office of the Superintendent of Public Instruction (OSPI) may provide safety net funding if a school district has one or more high-need individual students or is in a community impacted by large numbers of families with children eligible for SPED, such as communities with group homes, regional hospitals, or military bases.

General Apportionment Funding Used for Special Education. The K-21 students receiving SPED services generate funding through both general apportionment, also referred to as the basic education allocation (BEA), and excess cost formulas. OSPI is required to develop an allocation and cost accounting methodology to ensure general apportionment funding is prorated and allocated to a student's SPED program and accounted for before calculating SPED excess cost when services are provided outside of the general education setting. A portion of the BEA amount based on the least restrictive environment (LRE) percentage of time a student is outside of a general education setting is redirected from general apportionment and dedicated to SPED purposes by OSPI.

Summary of Bill: For purposes of the revenue growth limit for state and local property taxes, the limit factor of 101 percent is replaced with a limit factor of 100 percent plus population change and inflation, with a cap of 103 percent.

Inflation is defined as the annual percentage increase in the consumer price index for all urban consumers in the western region for all items as provided for the most recent 12-month period by the United States Department of Labor by July 25th of the year before the taxes are payable.

“Population change” means the percent increase in the population of a taxing district between the two most recent years provided in the official population estimates published by the Office of Financial Management in April of the year before the taxes are payable. If

population decreases, the population change is zero.

By September 1st of each year, the Department of Revenue (DOR) must provide the limit factors to county assessors. By October 1st of each year, county assessors must determine how the limit factor applies to each taxing district and notify each taxing district.

The ability for taxing districts with regular levies and a substantial need to adopt a resolution to use the growth factor of 101 percent instead of the IPD if the IPD is less than 1 percent is repealed.

The changes are applicable for taxes levied for collection in 2026 and thereafter.

Enrichment Levies. Beginning in the 2026 calendar year (CY), a school district's maximum per-pupil limit for enrichment levy purposes is increased as follows:

- the maximum per-pupil limit is increased by an inflation enhancement of \$500 above Seattle CPI for all school districts in CY 2026;
- the maximum per-pupil limit is increased for school districts with fewer than 40,000 students by an inflation enhancement of 3.3 percent above Seattle CPI each year from CY 2027 to CY 2030; and
- beginning in CY 2031, the maximum per-pupil limit is \$5,035 for all school districts, to be increased by Seattle CPI annually thereafter.

Local Effort Assistance. Beginning in CY 2026, the state LEA threshold is increased as follows:

- the state LEA threshold is increased by an inflation enhancement of \$200 above Seattle CPI in CY 2026;
- the state LEA threshold is increased further by an inflation enhancement of \$300 above Seattle CPI in CY 2027;
- the state LEA threshold is increased further by an additional \$200 per-pupil in 2030 and 2031; and
- the inflation enhancements are also applied to state tribal compact tribal schools' LEA.

Special Education. Beginning in the 2028-29 school year:

- the 16 percent enrollment limit is removed;
- awards for communities impacted by large numbers of families with children eligible for SPED are removed from the safety net; and
- the allocation and cost accounting methodology for SPED is changed to shift 30 percent of the BEA amount for SPED students to the school district's SPED program for expenditure, instead of a percentage based on the LRE.

If a school district's SPED expenditures exceed state funding provided by excess cost formulas, the SPED safety net, and redirected general apportionment revenue, the remaining portion of the BEA amount for SPED students must be used prior to other funding sources.

Language specifies that the methodology does not prohibit other funding and state allocations from being used for SPED programs.

Improving Equity in Kindergarten Through Grade 12 Funding. The Superintendent of Public Instruction (SPI) is required to convene a kindergarten through grade 12 (K-12) funding equity workgroup to analyze options for revising K-12 funding formulas to be responsive to students' needs, including economic, demographic, and geographic differences. The SPI is authorized to contract with higher education and public, nonpartisan research entities to support the workgroup's analysis. The SPI may determine the composition and meeting frequency of the workgroup, provided that it includes representation from education and community partners that are demographically and geographically diverse and groups representing educators, school and district administrators, labor unions, families, students, community partners who support groups disproportionately impacted by inequities, and legislators.

The workgroup's analysis must address:

- impacts of changes to per-pupil funding formulas and local revenue;
- compensation factors;
- distribution trends from the prototypical funding formulas; and
- formulas that benefit specific populations, like the Learning Assistance Program, the LEA, and small school factors.

The SPI must use the workgroup's analysis to consider options for revising school funding formulas. By November 1, 2025, and annually thereafter, the SPI must report progress and any proposed options to the fiscal and education committees of the Legislature, which must include options that address:

- system and resource inequities;
- state, local, and regional needs;
- potential adoption of student weights; and
- metrics to monitor equitable access to resources.

Any option or group of options proposed by the SPI must not exceed the amounts provided by the additional state property tax revenues generated under the bill, when combined with the other K-12 funding increases in the bill for SPED and LEA. DOR must provide relevant data and analysis to the SPI to support the requirement.

The statute establishing the workgroup expires December 1, 2027.

Appropriation: None.

Fiscal Note: Requested on April 15, 2025.

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

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