

SENATE BILL REPORT

SB 5563

As Reported by Senate Committee On:
Early Learning & K-12 Education, January 21, 2022
Ways & Means, February 7, 2022

Title: An act relating to enrollment stabilization funding to address enrollment declines due to the COVID-19 pandemic.

Brief Description: Concerning enrollment stabilization funding to address enrollment declines due to the COVID-19 pandemic.

Sponsors: Senators Wellman, Hasegawa, Cleveland, Conway, Dhingra, Kuderer, Nguyen, Nobles, Pedersen, Randall, Stanford and Wilson, C..

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/12/22, 1/21/22 [DP-WM, DNP, w/oRec].

Ways & Means: 1/31/22, 2/07/22 [DPS, DNP].

Brief Summary of First Substitute Bill

- Provides proportional enrollment stabilization in the 2021-22 school year if a local education agency's combined state revenue generated in the 2021-22 school year is less than what its combined state revenue would be using 2019-20 enrollment amounts.
- Authorizes the use of 2019-20 enrollment values to calculate enrichment levy limits in the 2023 calendar year and to calculate local effort assistance in the 2022 and 2023 calendar years.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Wellman, Chair; Nobles, Vice Chair, K-12; Wilson, C., Vice

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.

Chair, Early Learning; Hunt and Pedersen.

Minority Report: Do not pass.

Signed by Senators Hawkins, Ranking Member; McCune.

Minority Report: That it be referred without recommendation.

Signed by Senators Dozier and Mullet.

Staff: Alexandra Fairfortune (786-7416)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5563 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Billig, Carlyle, Conway, Dhingra, Hasegawa, Hunt, Keiser, Mullet, Pedersen, Van De Wege and Wellman.

Minority Report: Do not pass.

Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Schoesler, Assistant Ranking Member, Capital; Honeyford, Ranking Minority Member, Capital; Braun, Gildon, Muzzall, Rivers, Wagoner and Warnick.

Staff: Kayla Hammer (786-7305)

Background: State Funding for K-12 Education. The general apportionment formula provides foundational state funding to school districts for basic education. The amount received by each school district varies based on certain characteristics of the district, with enrollment being the largest factor. Generally, enrollment drives the number of certificated, administrative, and classified staff, and the associated salaries and benefits, allocated to the district, as well as the allocation of funds for other non-employee related costs.

State funding formulas for special education, learning assistance, highly capable, transitional bilingual, institutional education, and transportation programs all use student enrollment as a primary factor in determining allocation amounts.

Local Enrichment Levies. School districts are authorized to raise funds locally through enrichment levies, which are voter approved and limited in duration. A district's maximum enrichment levy is limited to 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. A school district's prior school year average annual full-time equivalent enrollment (FTE enrollment) is used for determining the maximum per pupil limit.

Local Effort Assistance. Local effort assistance (LEA), also known as levy equalization, is state funding that is provided to a 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 amount 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 FTE enrollment. Districts that are eligible for LEA but levy below a \$1.50 per \$1,000 rate receive LEA in proportion to their actual levy collection. A school district's prior school year FTE enrollment is used for purposes of determining LEA eligibility and calculating maximum local effort assistance.

COVID Enrollment Stabilization Funding. The 2021 Operating Budget provided general apportionment and categorical program enrollment stabilization funds for local education agencies if FTE enrollment in the 2020-21 school year was less than the funded FTE enrollment in the 2019-20 school year. This enrollment stabilization funding was reduced by the amount of total federal funding available to the local education agency under the Elementary and Secondary School Emergency Relief Fund (ESSER II).

Through ESHB 1476 (2021), the Legislature revised the enrichment levy formulas in the 2022 calendar year, requiring that 2019-20 enrollment be used in place of 2020-21 enrollment if the 2019-20 enrollment was greater and the district was open for in-person instruction to all students by the beginning of the 2021-22 school year.

Summary of Bill (First Substitute): State Funding for K-12 Education. If a local education agency's combined state revenue generated in the 2021-22 school year is less than what its combined state revenue would be using the 2019-20 annual average enrollment values and formulas in place for the 2021-22 school year, then the Office of the Superintendent of Public Instruction must provide a proportional enrollment stabilization amount to the local education agency in the 2021-22 school year.

Combined state revenue includes the amounts from the following allocations:

- general apportionment allocations;
- special education allocations;
- learning assistance program allocations;
- transitional bilingual program allocations;
- highly capable program allocations;
- career and technical education and skill center allocations;
- institutional residential schools and detention facility allocations;
- dropout reengagement program allocations;
- alternative learning experience allocations; and
- Running Start allocations.

A local education agency's enrollment stabilization amount is equal to 50 percent of the local education agency low enrollment impact— difference in local education agency's combined state revenue using 19-20 enrollment and 21-22 enrollment.

Local education agencies include school districts, charter schools, and state-tribal compact schools. Amounts allocated may be used for any allowable cost within any of the programs, and are not part of the state's program of basic education.

Local Enrichment Levies. The revisions to the enrichment levy formulas authorized under ESHB 1476 (2021) are extended for the 2023 calendar year. In the 2023 calendar year, 2019-20 enrollment must be used in place of the district's 2021-22 school year enrollment if the 2019-20 enrollment was greater and the district was open for in-person instruction to all students by the beginning of the 2021-22 school year.

Local Effort Assistance. For purposes of determining LEA eligibility and calculating maximum local effort assistance in the 2022 calendar year, "prior school year" means the 2019-20 school year if the 2019-20 enrollment is greater than the 2020-21 enrollment. For purposes of determining LEA eligibility and calculating maximum local effort assistance in the 2023 calendar year, "prior school year" means the 2019-20 school year if the 2019-20 enrollment is greater than the 2021-22 enrollment.

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

- Provides an enrollment stabilization amount equal to 50 percent of the low enrollment impact of a local education agency rather than proportional enrollment stabilization.
- Limits the use of 2019-20 enrollment values to calculate enrichment levy limits to the 2023 calendar year.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony on Original Bill (Early Learning & K-12 Education): PRO: Beginning in January, school districts will need to start returning money due to enrollment declines. Right now is not the time to be pulling resources away. Federal money may be used to hire temporary staff, but not permanent staff. Districts are worried about piecing together a team amid staffing shortages, reducing positions, increasing class sizes, and eliminating essential services. This bill will help provide continuation of service and lend stability to the staffing process. Staff have been working tirelessly throughout the pandemic in the face of great challenges, and are necessary to continue providing in-person education in a safe environment. Enrollment has declined 4 percent statewide, and sometimes drops in the middle of a school year due to new variants.

These enrollment fluctuations primarily affect the K-5 grades. Skill center nursing programs are at half capacity, and losing funding would result in having to close the program which would be hard to start up again.

OTHER: Numbers show that what was destabilized was not funding but rather student learning. Emergencies are lost opportunities and students need direct public aid to hire others.

Persons Testifying (Early Learning & K-12 Education): PRO: Senator Lisa Wellman, Prime Sponsor; Samantha Fogg, Seattle Council PTSA; Jeff Snell, Vancouver public schools; Chris Reykdal, Superintendent of Public Instruction ; Michelle Matakas, Office of Superintendent of Public Instruction; Marissa Rathbone, Washington State School Directors' Association; Vivian van Gelder, Seattle Council PTSA; Manuela Slye, Seattle Council PTSA; Lynette Brower, WA State Skills Center Association/NCTA; Paul Randall, Tri Tech Skills Center; Elizabeth Bonbright, President, Tacoma Public School Board of Directors; Clifford Traisman, Bellevue, Highline, Olympia, Seattle Public Schools; Barbara Posthumus, School Alliance; Grace Yuan, School Alliance; Natalya Yudkovsky, Washington State PTA; Rick Chisa, Public School Employees of WA (PSE); Teena Barnes, North Thurston Public Schools, Executive Director of Fiscal Services; Krestin Bahr, Peninsula School District—Gig Harbor, WA.

OTHER: Liv Finne, Washington Policy Center.

Persons Signed In To Testify But Not Testifying (Early Learning & K-12 Education):
No one.

Staff Summary of Public Testimony on Original Bill (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: The pandemic resulted in enrollment declines and reducing funding would exacerbate funding shortfalls that already exist. ESSER funding was provided, but costs to districts exceed the amounts provided. The decline in enrollment is temporary as has been shown in dips in enrollment mid-year that relate to spikes in COVID. The annual school district budgets expected rebounds in enrollment and contracts are in place with staff already, so stabilization funding is needed. Funding the bill will provide needed support to students. Local Effort Assistance will be reduced due to the temporary enrollment drops. Declining enrollment was already anticipated and some districts are already staffed tightly. The enrollment drops are felt significantly by small districts and they need support in unforeseen times. Kids that need the support the most during these times will feel the impact the most, specifically kids enrolled in special education. Skill Centers have been impacted by declining enrollment and they need to be held whole so they don't have to close programs. Skill Centers rely on apportionment funding alone and feel the impact of declining enrollment. It is important for students to have consistency during these challenging times and reductions in staff could be disruptive to students. With the enrollment declines it is important to include the levy provision in the bill as it passes through committee.

CON: Political indoctrination of students has led to parents removing their students from schools. This is not a temporary decline and schools should be held accountable.

OTHER: The closing of schools has been damaging for students. This is reflected in the poor test scores. The state is an academic emergency and adding more funding will not solve the problem. The state should not fund empty seats in schools.

Persons Testifying (Ways & Means): PRO: Senator Lisa Wellman, Prime Sponsor; Barbara Posthumus, School Alliance; Natalya Yudkovsky, Washington State PTA; Wade Smith, Walla Walla Public Schools; Supt. Brent Jones, Superintendent, Seattle Public Schools; Supt. Patrick Murphy, Superintendent, Olympia School District; Superintendent Art Jarvis, Superintendent, Bellevue School District; Michelle Ledbetter, Pierce County Skills Center/WA State Skills Center Assoc. Past President; Paul Randall, Tri-Tech Skills Center; Sara Betnel, Washington State School Directors' Association; Carole Meyer, Moses Lake School District; Manuela Slye, Seattle Council PTSA; Vivian van Gelder; Sebrena Burr, Seattle Council PTSA; Kathryn Roeder, Parent advocate; Supt. Susan Enfield, Superintendent, Highline Public School District; Brian Wharton, Superintendent, Yelm Community Schools; Rick Chisa, Public School Employees of Washington (PSE).

CON: Julie Barrett, Conservative Ladies of Washington.

OTHER: Liv Finne, Washington Policy Center.

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