

SENATE BILL REPORT

ESHB 2494

As of February 24, 2024

Title: An act relating to state funding for operating costs in schools.

Brief Description: Increasing state funding for operating costs in schools.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Bergquist, Rude, Simmons, Senn, Pollet, Callan, Paul, Macri, Stonier and Gregerson).

Brief History: Passed House: 2/13/24, 80-17.

Committee Activity: Early Learning & K-12 Education: 2/19/24, 2/21/24 [DPA-WM, w/oRec].

Ways & Means: 2/24/24.

Brief Summary of Amended Bill

- Updates and increases per pupil amounts for materials, supplies, and operating costs in state prototypical school funding formulas beginning in the 2023-24 school year.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Wellman, Chair; Nobles, Vice Chair; Wilson, C., Vice Chair; Hawkins, Ranking Member; Dozier, Hunt, Mullet and Pedersen.

Minority Report: That it be referred without recommendation.
Signed by Senator McCune.

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: State school funding formulas include allocations per annual average full-time equivalent student for maintenance, supplies, and operating costs (MSOC). There are several categories of MSOC specified in state formulas and updated inflation-adjusted values are provided in the operating budget. For the 2023-24 school year, total general education MSOC per pupil is anticipated to be \$1,483.44.

The 2023-24 MSOC amounts by category, as listed in the operating budget, are:

- \$178.98 for technology;
- \$416.26 for utilities and insurance;
- \$164.48 for curriculum and textbooks;
- \$326.54 for other supplies;
- \$22.65 for library materials;
- \$25.44 for instructional professional development for certified and classified staff;
- \$206.22 for facilities maintenance; and
- \$142.87 for security and central office.

The technology category includes \$25 per pupil outside the state's program of basic education that was added in the 2022-23 school year above statutorily required amounts.

Additional MSOC amounts are provided for students in grades 9 through 12 and students enrolled in career and technical education courses and skill centers.

Summary of Amended Bill: The MSOC per pupil amounts defined in state prototypical formulas are updated in statute to the 2023-24 school year and include a \$21 per pupil increase, from \$1,483.44 to \$1,504.44 per pupil. The increased MSOC allocation amount of \$21 per pupil is intended to address growing costs in the enumerated categories and may not be expended for any other purpose. The \$25 per pupil increase provided for technology in 2022-23 is added to statute.

The new 2023-24 general education MSOC per pupil amounts by category are:

- \$178.98 for technology;
- \$430.26 for utilities and insurance;
- \$164.48 for curriculum and textbooks;
- \$326.54 for other supplies;
- \$22.65 for library materials;
- \$28.94 for instructional professional development for certified and classified staff;
- \$206.22 for facilities maintenance; and
- \$146.37 for security and central office.

The full amount of MSOC provided in the 2023-24 school year under the bill, including additional amounts, must be provided in that school year. The first month's MSOC payment after the bill is enacted must include the additional amounts from the beginning of

the 2023-24 school year through that month.

EFFECT OF EARLY LEARNING & K-12 EDUCATION COMMITTEE AMENDMENT(S):

- Provides that the increased MSOC allocation amount of \$21 per student is intended to address growing costs in the enumerated categories and may not be expended for any other purpose.

Appropriation: The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

Fiscal Note: Available. New fiscal note requested on February 15, 2024.

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 Engrossed Substitute House Bill (Early Learning & K-12 Education): *The committee recommended a different version of the bill than what was heard.* PRO: MSOC will help every district across the state with rising costs that they have no control over. For example, four years ago insurance costs were \$142 million and this year they are \$228 million. This is a modest step in what we can do to help districts with their loss of students and loss of COVID relief dollars. Children can't learn until their basic needs are met. The real need is \$400/student and this bill provides \$21/student. This is a small step compared to the overall need. MSOC allocations have failed to keep pace with inflation. It is not an issue of mismanagement, it is a lack of resources. There is a 30-60 percent funding gap for MSOC in Whatcom County school districts.

CON: More money is not the problem. The average per-student dollar amount has doubled but educators continue to underperform, which is reflected in the OSPI report card. Raising the budget will not raise academics. 45 percent of state taxes go to the public school system already. Education rot starts in the Legislature.

OTHER: Each year insurance and utilities increase anywhere from 9-54 percent.

Persons Testifying (Early Learning & K-12 Education): PRO: Representative Steve Bergquist, Prime Sponsor; Melissa Gombosky, Spokane, Evergreen, Vancouver and Richland School District; Jim Kowalkowski, Rural Education Center; Nikki Lockwood, Washington State School Directors' Association; Charlie Brown, South Sound Superintendents and Skills Centers Directors; Mitch Denning, Alliance of Educational Associations; Doug Vanderleest, WA Association of Maintenance and Operation Administrators; Justin Mckaughan; James Everett, Meridian School District.

CON: John Axtell; Leslie Williams, Conservative Ladies of WA.

OTHER: LYNETTE BROWER, WA State Skills Center Association.

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

PRO: Michelle Harris, Washington State PTA; Lacey Stanage, School Alliance.

Staff Summary of Public Testimony on Bill as Amended by Early Learning & K-12 Education (Ways & Means): PRO: The costs of utilities have increased. 150 school districts have written you about the increased cost of insurance. We ask that you consider using funding from the Climate Commitment Act to fund increases in the utility costs. The \$21 in this bill is clearly not enough. Prior to becoming a lobbyist I was a teacher. If a child's basic needs are not met, they cannot learn. That's what MSOC is, our very basic needs. The actual cost is closer to \$400 rather than the \$21 in this bill. The budget crisis facing the school districts had started before the pandemic and has only increased. Increasing MSOC was proposed in this bill would help to close some of this gap. The costs of operating schools has increased and the districts have no control over the increases in food, utilities, insurance. MSOC formulas are adequate only if they are adjusted for the cost of inflation. School districts should not have to rely upon local levy funds to fund basic education. This bill would help every district.

I presented to this committee in 2019. We were spending \$379,000 more on MSOC then. \$21 is a start; it is not enough. For districts of 600 is about \$12,000. I talked with a district yesterday and their insurance increased over one year by \$97,000. The state funding has not kept pace with the costs of running a school district. The cost of insurance for Shoreline has forced the district to use 8 percent of levy funds. Shoreline's unreserved fund balance is 0.6 percent. This bill is significant for us and our budget. Our insurance has increased 38 percent this year and is projected to increase another 40 percent next year. This bill will give us \$13,000—not enough but helpful. All 295 school districts are facing increased costs of insurance and utilities. This bill is a step in the right direction.

Persons Testifying (Ways & Means): PRO: Jim Kowalkowski, Rural Education Center; Malorie Larson, WSPTA Advocate; Charlie Brown, Federal Way SD and South Sound Superintendents; Marissa Rathbone, Washington State School Directors' Association (WSSDA); Jason Perrins, Chewelah SD; Melissa Gombosky, Spokane, Evergreen, Vancouver, Richland, and ESD 105 Schools Coalition ; Anna Hernandez-French, Office of Superintendent of Public Instruction; Kyle Rydell, West valley School District.

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