

HOUSE BILL REPORT

2SSB 6760

As Reported by House Committee On:
Education Appropriations
Ways & Means

Title: An act relating to the basic education instructional allocation distribution formula.

Brief Description: Regarding the basic education instructional allocation distribution formula.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Oemig, Gordon, McDermott, McAuliffe, Tom, Kauffman, Fairley, Ranker, Hargrove, Kline, Murray, Eide, Franklin, Hobbs and Shin).

Brief History:

Committee Activity:

Education Appropriations: 2/25/10 [DPA];
Ways & Means: 2/27/10 [DPA(WAYS w/o APPE)].

**Brief Summary of Second Substitute Bill
(As Amended by House)**

- Sets forth in statute numeric values in the prototypical school funding formula adopted in 2009, for average class size, allocations of building-level staff, supplemental instruction for categorical programs, central office administration, and allocations for maintenance, supplies, and operating costs (MSOC), all to take effect September 1, 2011. Includes classified staff ratio enhancements funded in the operating budget within the new definition of basic education.
- Requires that allocations for class size in grades K-3 be phased in to provide for a class size of 15.0 by the 2015-16 school year.
- Requires an increase in MSOC allocations to be phased in to a total of \$1,082.76 per full-time equivalent student by 2013-14, plus adjustment for inflation.
- Requires continued incremental phase-in of full-day kindergarten starting in 2011-12, with statewide implementation by 2017-18.
- Implements a new funding formula for pupil transportation in 2011 rather than 2013, and adopts a schedule for phasing-in funding under that formula with full implementation by 2013-14.

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.

- Changes timelines for technical working groups on compensation and local finance and puts the Compensation Working Group under the lead direction of the Office of the Superintendent of Public Instruction, rather than the Office of Financial Management.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 14 members: Representatives Haigh, Chair; Probst, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Anderson, Carlyle, Haler, Hunter, Kagi, Maxwell, Nealey, Quall, Rolfes and Wallace.

Staff: Barbara McLain (786-7383), and Ben Rarick (786-7349)

Background:

Overview.

Legislation enacted in 2009 (chapter 548, Laws of 2009 or Engrossed Substitute House Bill 2261) revised the definition of the program of Basic Education and established new methods for distributing state funds to school districts to support this program of Basic Education. Various technical working groups were established to continue implementation of the legislation, as well as a Quality Education Council (QEC) composed of eight legislators, leaders of four state education agencies, and a representative of the Governor's Office.

Prototypical School Funding Formula.

The current funding formula for Basic Education relies on allocations of three different types of staff (certificated instructional, certificated administrative, and classified) per 1,000 full-time equivalent (FTE) students, plus an allocation for nonemployee-related costs calculated per certificated staff. Funding for categorical programs such as the Learning Assistance Program (LAP), the Transitional Bilingual Instructional Program (TBIP), and the Highly Capable Program is expressed as a per-student allocation. Funding for Special Education is through an excess cost allocation, which is a specified percent of the Basic Education allocation. With the exception of minimum staffing ratios, these formulas and their funding values are found in the appropriations act and associated documents rather than in statute.

The current statutory allocation for classified staff is based on one staff for each 60 students. The appropriations act contains an enhanced allocation of one staff for every 58.75 students.

The 2009 legislation states that, beginning September 1, 2011, "to the extent the technical details of the formula have been adopted by the Legislature, the distribution formula for the Basic Education instructional allocation shall be based on minimum staffing and non-staff costs the Legislature deems necessary to support instruction and operations in prototypical schools serving high, middle, and elementary school students."

In the 2009 legislation, a certain amount of detail about the structure of the formula was placed into statute. However, with the exception of the excess cost allocation for Special

Education, the 2009 legislation did not contain any numeric values for the various funding formula elements to be implemented in 2011.

The 2009 legislation also repealed, effective September 1, 2011, a law requiring school districts to maintain a minimum staffing ratio of 46 certificated instructional staff (CIS) per 1,000 full-time equivalent students.

Funding Formula Technical Working Group.

The Office of Financial Management (OFM) and the Office of the Superintendent of Public Instruction (OSPI) were directed to convene a working group made up of school financial managers, representatives of various education groups, and other individuals with expertise in education finance to develop the details of the new funding formula and submit recommendations to the Legislature by December 1, 2009.

The Funding Formula Technical Working Group (FFTWG) developed a recommended set of numeric values for the prototypical school funding formula that are intended to represent, as closely as possible, a translation of current levels of state funding for Basic Education into the new formula elements. Their final report calls these the "Baseline" values. The report also recommends various adjustments to the structure of the formula that appear in statute. According to an implementation timeline in the report, some action by the 2010 Legislature would be needed to continue the transition to a new formula in order for school district accounting and budgeting, as well as state budgeting and apportionment, to be based on the new funding structure by September 1, 2011.

The QEC recommended that the 2010 Legislature adopt the Baseline values and details of the prototypical school funding formula as recommended by the FFTWG and place these values into statute, to take effect September 1, 2011.

Pupil Transportation Funding Formula.

The 2009 Basic Education legislation authorized a new funding formula that uses a regression analysis of various cost factors to allocate funds to school districts. The laws authorizing the new formula take effect September 1, 2013, but the formula is to be phased-in according to an implementation schedule adopted by the Legislature.

The QEC recommended that the new formula be authorized beginning September 1, 2011, rather than 2013, and further recommended that funding for the new formula be phased-in over a three-year period beginning in 2011.

Other Funding Working Groups.

The 2009 legislation also created a Local Finance Working Group and a Compensation Working Group. The Local Finance Working Group is to be convened beginning July 1, 2010, to develop options for a new system of supplemental school funding through local levies and local effort assistance. Their report is due December 1, 2011. The Compensation Working Group is to be convened beginning July 1, 2011, with an initial report due by December 1, 2012.

The QEC recommended that these two groups be convened immediately, with reports due in 2010. The QEC also recommended that the FFTWG be continued and asked to monitor

implementation of the new funding formula and provide technical advice to the OSPI and the QEC.

Other QEC Recommendations.

The QEC's January 2010 report also contained recommendations to phase-in enhancements of state allocations for K-3 class size, MSOC, and full-day kindergarten above the values expressed in the Baseline. The QEC recommended that these enhancements be adopted in statute.

Summary of Amended Bill:

Intent.

The Legislature intends to adopt the technical details of a new distribution formula for Basic Education and authorize a phase-in of implementation of a new distribution formula for pupil transportation. The Legislature also intends that Basic Education funding for a school district not be decreased as a result of the transition to the new formulas. The Legislature will continue to review the formulas and make revisions as necessary for technical purposes and to correct errors.

Prototypical School Funding Formula.

The following numeric values for general education average class size, which forms the basis of allocations for classroom teachers in the funding formula, are specified:

- Grades K-3 25.23
- Grade 4 27.00
- Grades 5-6 27.00
- Grades 7-8 28.53
- Grades 9-12 28.74
- Middle and high school CTE 26.57
- Skill center programs 22.76

The appropriations act must specify class sizes for high poverty schools, laboratory science, Advanced Placement, and International Baccalaureate.

The following allocations of building-level staff for each level of prototypical school are specified:

	<u>Elementary</u>	<u>Middle</u>	<u>High</u>
principals and building administration	1.253	1.353	1.880
teacher librarians	0.663	0.519	0.523
guidance counselors	0.493	1.116	1.909
teaching assistance	0.936	0.700	0.652
office support and non-instructional aides	2.012	2.325	3.269
custodians	0.079	0.092	0.141
student and staff safety	0.077	0.090	0.138

The allocations for health and social services staff are subdivided into three new categories:

	<u>Elementary</u>	<u>Middle</u>	<u>High</u>
school nurses	0.076	0.060	0.096
social workers	0.042	0.006	0.015
psychologists	0.017	0.002	0.007

A new category of administrative staff allocations is created, called district-wide support, to be allocated per 1,000 FTE students in the school district:

- technology 0.628
- facilities, maintenance, and grounds 1.813
- warehouse, laborers, and mechanics 0.332

Staffing unit allocations for central office administration are calculated as 5.45 percent of the staffing unit allocations for classroom teachers, building-level staff, and district-wide support. An allocation is created for CTE and skill center administrative and other school-level certificated staff, to be specified in the appropriations act.

Minimum allocations of additional resources to support the LAP, TBIP, and Highly Capable Programs provide, as a statewide average, the following instructional hours per week per student in a class size of 15:

- LAP 1.5156 hours
- TBIP 4.778 hours
- Highly Capable 2.159 hours

The minimum allocations for MSOC per FTE student are specified:

- technology \$ 54.43
 - utilities and insurance \$147.90
 - curriculum and textbooks \$ 58.44
 - other supplies and library materials \$124.07
 - professional development \$ 9.04
 - facilities maintenance \$ 73.27
 - central administration and security \$ 50.76
- Total: \$517.90

Additional modifications are made to the structure of the funding formula:

1. Several categories for allocation of building-level staff and MSOC are changed.
2. Allocations for categorical programs are standardized.
3. The base used to calculate staffing allocations for central administration is adjusted to exclude categorical programs and include a new districtwide support allocation.
4. The funding base used to calculate excess costs for special education is corrected to exclude enhanced funding for CTE.

For purposes of the statewide salary allocation schedule, those staffing categories from the prototypical school formula that are considered CIS are specified.

The requirement that school districts maintain a minimum staffing ratio of 46 CIS per 1,000 students in basic education is restored rather than repealed as of September 1, 2011.

Enhancements.

The average class size for grades K-3 must be reduced each year beginning in 2011-12 and beginning with schools with the highest percent of low-income students, until the class size in the formula beginning in the 2015-16 school year is 15.0.

Beginning with the 2011-12 school year, funding must continue to be phased-in incrementally each year for full-day kindergarten until full statewide implementation is achieved in the 2017-18 school year.

Beginning in 2011-12, the allocations for MSOC must be annually increased after being adjusted for inflation until the following 2007-08 values (to be adjusted for inflation) are provided beginning in the 2013-14 school year:

• technology	\$113.80
• utilities and insurance	\$309.21
• curriculum and textbooks	\$122.17
• other supplies and library materials	\$259.39
• professional development	\$ 18.89
• facilities maintenance	\$153.18
• central administration and security	<u>\$106.12</u>
Total:	\$1,082.76

Pupil Transportation Funding Formula.

Laws authorizing a new pupil transportation funding formula take effect September 1, 2011, instead of September 1, 2013. The phase-in of the implementation of the new formula must begin no later than the 2011-12 school year and be fully implemented by the 2013-14 school year.

Funding Working Groups.

The Local Finance Working Group is convened by April 1, 2010, and a report is required by June 30, 2011. In addition to its existing task, this group is directed to examine district capacity and facility needs associated with phasing in class size reduction and full-day kindergarten, as well as analyze the potential use of local funds that are made available from proposed increases in funding for transportation and MSOC.

The initial report from the Compensation Working Group is due by June 30, 2012. Lead responsibility for convening the Compensation Working Group is re-assigned to OSPI, in collaboration with the OFM. The FFTWG is to be periodically convened to provide advice and technical assistance to the OSPI and the QEC.

Other Items.

The OSPI must implement and maintain an internet-based portal that provides, for each school building, the staffing levels and other funding elements assumed in the prototypical

school funding formula, along with a comparison of how school districts actually deploy staff and resources in the building.

The Washington State Institute for Public Policy (WSIPP) must annually calculate a savings to taxpayers resulting from improved extended graduation rates compared to the prior school year. The OSPI must include this estimate in its annual dropout and graduation report.

Two non-legislative representatives from the Achievement Gap Oversight and Accountability Committee (Achievement Gap Committee) are added to the QEC. The QEC must submit a report by December 1, 2010, that includes recommendations for specific strategies, programs, and funding designed to close the achievement gap and increase the high school graduation rate.

Amended Bill Compared to Second Substitute Bill:

The intent of the bill is adoption of the technical details of the new distribution formula, rather than continued refinement. An intent statement is added that Basic Education funding for a school district not be decreased as a result of transitioning to the new funding formulas. The funding factors for MSOC are to be increased over a three-year period; the K-3 class size allocation must be enhanced over a five-year period to 15.0 students per classroom teachers; and full-day kindergarten must continue to be incrementally phased in with full implementation in 2018. The pupil transportation funding formula is implemented in 2011 rather than 2013, and full funding of the new formula is to be phased in over a three-year period.

Revised dates for convening and receiving reports from a Compensation Working Group and Local Finance Working Group are added to the bill, as well as an expansion of tasks for the Local Finance Working Group. The Funding Formula Technical Working Group is continued.

The following modifications are made to the prototypical school funding formula: (1) the funding values for classified staff allocations are adjusted to reflect the 2009-10 budget values rather than the Basic Education Act values, including adjusting the Central Administration allocation for the increase in classified staff; (2) building-level staff categories for professional development coaches and parent involvement coordinators are removed; (3) specified allocations for CTE and skill center administrative and building-level certificated staff are removed; (4) allocations of "zero" instructional hours during vacation periods are removed within the formulas for categorical programs.

The WSIPP must calculate savings from increases in the extended graduation rate, and the OSPI must include this information in an annual report. The OSPI must implement an internet portal displaying the prototype school allocations compared to actual allocations by building. Two non-legislative members of the Achievement Gap Committee are added to the QEC, and the QEC must submit a report with recommendations to close the achievement gap and increase the high school graduation rate.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 17, 2010.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except sections 2, 3, 4, 8, 10, 13, and 14 that deal with funding formulas and the restoration of the Certificated Instructional Staff ratio which take effect September 1, 2011, and section 6 that convenes a Local Finance Working Group by April 1, 2010, which contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This is among the top three education priorities for this session, with preserving current funding being the top one. This bill attempts to do as direct and pure a translation as possible of current funding from our current formulas to the new formulas. The Senate tried to include other funding enhancements, but the general consensus was that those would be more appropriate in other vehicles, so the bill before you is a cost-neutral crosswalk. This bill is necessary to move forward, but the House version is much preferred. We need to rely heavily on the work that has been done to recommend not only a baseline, but also improvements to our K-12 funding system. Hold harmless provisions are particularly important to small school districts.

(In support with concerns) This bill reflects the genuine effort and hard work of the Funding Formula Working Group to create a revenue-neutral crosswalk at current funding levels. However, the group did recommend that the crosswalk be established at budgeted levels rather than statutory levels. And it was a strong recommendation that there be hold harmless provisions so that districts do not lose money in the transition to the new formula. There is strong support to break out nurses and social workers into categories. Transparency in what is being funded is important not only to parents, but also to policymakers. An allocation for parent involvement coordinators is also supported, even though the current funded value is zero.

(With concerns) The Superintendent of Public Instruction is very supportive of the fact that this bill provides the specifics and the path to implement the new funding structure. However, it does not contain other recommendations from the QEC, especially implementation of full-day kindergarten, K-3 class size reduction, increased funding for MSOC, and pupil transportation funding. The House bill is much preferred.

Regardless of which vehicle moves forward, there are several additions requested. One is to base the funding formulas on budgeted levels of spending rather than the Basic Education Act. Another is to retain the current minimum staffing ratio of 46 CIS per 1,000 students as in the Senate bill. It is also important that there be some indication that the Legislature intends to hold districts harmless in the transition to the new formula. Systemwide, the crosswalk generates very little in the way of hold-harmless costs. However, in the LAP program about \$20 million of current funding for concentration factors in districts with high poverty and high bilingual student populations is not distributed through the funding formula. While it is presumed that the Legislature intends to hold these districts harmless, neither bill

comes out and says this. This may be the intent of the 2010 Legislature; it may not be the intent of the 2011 Legislature.

It is very important to separate out the allocations for nurses and social workers. The Senate bill does this, but provides very low levels of staff allocation for nurses. Even recognizing that this bill is intended to be a crosswalk of current funding, this is not even close to the staffing ratios recommended by the OSPI and health professionals. We need to be clear that this level of staffing is not adequate and is unsafe for children.

This bill falls short in improving funding for transportation and MSOC and providing funding for the current enhanced classified staffing ratio.

(Opposed) None.

Persons Testifying: (In support) Senator Oemig, prime sponsor; and Mitch Denning, Alliance of Educational Associations.

(In support with concerns) Randy Parr, Washington Education Association; and Barbara Mertens, Washington Association of School Administrators.

(With concerns) Jennifer Priddy, Office of the Superintendent of Public Instruction; Lynn Nelson, School Nurse Organization of Washington; and Doug Nelson, Public School Employees/Service Employees International Union.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Ways & Means and without amendment by Committee on Education Appropriations. Signed by 16 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Dammeier, Assistant Ranking Minority Member; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest and Seaquist.

Minority Report: Do not pass. Signed by 6 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Chandler, Hinkle, Ross and Schmick.

Staff: Ben Rarick (786-7349).

Summary of Recommendation of Committee On Ways & Means Compared to Recommendation of Committee On Education Appropriations:

The Building-level allocations for two types of classified staff are corrected to reflect the 2009-10 budgeted level for all classified staff. The Quality Education Council is required to make recommendations to the Legislature by December 1, 2010, regarding adequate levels of state-funded classified staff.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except sections 2, 3, 4, 8, 10, 13, and 14 that deal with funding formulas and the restoration of the Certificated Instructional Staff ratio which take effect September 1, 2011, and section 6 that convenes a Local Finance Working Group by April 1, 2010, which contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) The Washington Education Association signed in with concerns on the bill as it came to the Education Appropriations Committee; however, those concerns have been addressed by subsequent amendment. There may be a need for one more technical amendment on this bill. The two basic education bills should be made to mirror each other to reflect the classified staff enhancement. Many of the associations appreciate being included in the work groups, and look forward to the compensation work group up-coming.

(Other) There are many other provisions in the bill to address teacher shortages that will be far more effective. The fiscal note likely underestimates the true cost of a community college trying to ramp up to offer an academic four-year degree plus certification. This represents a huge and expensive policy shift that has not been vetted through appropriate policy consideration.

(Opposed) None.

Persons Testifying: (In support) Barbara Mertens, Washington Association of School Administrators; Randy Parr, Washington Education Association; and Mitch Denning, Alliance of Educational Associations.

(Other) Bob Cooper, Washington Association of Colleges for Teacher Education.

Persons Signed In To Testify But Not Testifying: None.