

# SENATE BILL REPORT

## SHB 2776

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As Reported by Senate Committee On:  
Early Learning & K-12 Education, February 24, 2010  
Ways & Means, March 1, 2010

**Title:** An act relating to funding distribution formulas for K-12 education.

**Brief Description:** Regarding funding distribution formulas for K-12 education.

**Sponsors:** House Committee on Education Appropriations (originally sponsored by Representatives Sullivan, Priest, Maxwell, Dammeier, Carlyle, Finn, Anderson, Eddy, Nelson, Goodman, Orwall, Hunter, Simpson, Jacks, Kagi, Ormsby, Morrell, Probst and Santos).

**Brief History:** Passed House: 2/13/10, 73-23.

**Committee Activity:** Early Learning & K-12 Education: 2/17/10, 2/24/10 [DPA-WM, DNP, w/oRec].

Ways & Means: 3/01/10 [DPA, DNP, w/oRec].

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### 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 McAuliffe, Chair; Kauffman, Vice Chair, Early Learning; Oemig, Vice Chair, K-12; Gordon, Hobbs and McDermott.

**Minority Report:** Do not pass.

Signed by Senators King, Ranking Minority Member; Brandland and Holmquist.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Roach.

**Staff:** Susan Mielke (786-7422)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Oemig, Regala and Rockefeller.

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*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.*

**Minority Report:** Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Honeyford and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Brandland, Hewitt and Parlette.

**Staff:** Elise Greef (786-7708)

**Background:** Basic Education Funding. Currently, the state funding allocation for the basic education instructional program is based on instructional, administrative, and classified staff per student ratios, staff compensation factors, and nonemployee related costs. School districts receive additional categorical funding for the Learning Assistance Program, Transitional Bilingual Instructional Program, and Special Education Program.

Last session the Legislature passed ESHB 2261, expanding the definition of basic education by increasing the number of instructional hours; increasing the minimum number of credits required for high school graduation; and adding all-day kindergarten, the educational program for highly capable students; and student transportation to and from school. These changes are to be phased-in according to an implementation schedule adopted by the Legislature and fully implemented by September 1, 2018. Additionally, the legislation created the framework for a new K-12 funding allocation formula based on prototypical schools to take effect September 1, 2011. The new formulas have more categories of staff and discrete subsets of maintenance, supplies, and operating costs (MSOC). The Office of Financial Management (OFM), with the Office of the Superintendent of Public Instruction (OSPI), were directed to convene the Funding Formula Technical Working Group (FFTWG) to develop the details of the prototypical school funding formulas. The FFTWG reviewed the components of the new prototypical school formulas, discussed the distribution methodology for individual elements of the formula, and determined the values in the formulas that represent three options for baseline formulas: (1) the baseline funding using the level of basic education ratios currently in statute; (2) the baseline using the level of current funding, which includes staff ratio enhancements above the statutory level; and (3) the baseline with enhanced staffing ratios plus Initiative 728 resources included, all of which were included in its December 1, 2009, report to the Legislature.

Student Transportation Funding. ESHB 2261 added student transportation to and from school to the definition of basic education. A new funding formula was also adopted based on an average of the predicted costs using the number of basic and special education students transported and site characteristics that are significant. The new formula is to be phased-in according to an implementation schedule adopted by the Legislature beginning no later than the 2013-14 school year.

Working Groups. *Local Finance Working Group.* ESHB 2261 directs OFM with OSPI to convene a Local Finance Group, with specified representation, beginning July 2010 to develop a new system of supplemental school funding through local levies and levy equalization, and report to the Legislature by December 1, 2011.

*Compensation Working Group.* ESHB 2261 requires OFM to convene a Compensation Working Group beginning July 1, 2011, to begin the process of developing an enhanced

salary allocation model that is collaboratively designed; recommend the details of an enhanced salary allocation model that aligns educator development and certification with compensation; and report to the Legislature by December 1, 2012.

Quality Education Council (QEC). ESHB 2261 also created the QEC, which is composed of eight legislators, a representative of the Governor's Office, and representatives of the four state-level educational agencies: OSPI, the State Board of Education (SBE), the Professional Educator Standards Board, and the Department of Early Learning. The QEC is to recommend and inform the ongoing implementation by the Legislature of an evolving program of basic education. The QEC submitted an initial report to the Governor and the Legislature on January 13, 2010. The QEC submitted 13 recommendations, including the following for the 2010 Legislature:

Beginning in the 2011-12 school year:

1. Enact the prototypical school funding allocation formula using the baseline values determined by the FFTWG.
2. Phase-in over three years class size reductions in grades K-3 to provide 15 students per classroom teacher in the prototypical school funding allocation formula, beginning with schools that have the highest poverty levels.
3. Phase-in over three years an increase in the MSOC amounts in the prototypical school funding formula based on information collected by OSPI regarding the costs incurred by districts.
4. Continue incremental phase-in of full-day kindergarten beginning with schools that have the highest poverty levels.
5. Phase-in over three years the new student transportation funding formula.

The QEC recommendations also addressed the working groups created under ESHB 2261:

1. Begin the work of the Compensation Working Group immediately with a report due November 30, 2010, and change the lead staff agency to OSPI.
2. Begin the work of the Local Finance Working Group immediately, including additional tasks, with a report due November 30, 2010.
3. Continue the FFTWG to monitor early implementation of the prototypical school formula, provide technical advice to the QEC and OSPI.

**Summary of Bill (Recommended Amendments):** Basic Education Funding. Beginning in the 2011-12 school year, the current funding formulas in statute are replaced with the new prototypical school funding allocation formula using the basic education funding level as determined by the FFTWG as the baseline values with some additional technical refinements, including discrete detail on the health and social services staffing category and the display of two new staffing categories, professional development coaches and parent involvement coordinators both shown at a value of zero.

Working Groups. *Local Finance Working Group.* The Group will begin April 10, 2010, with an initial report due by November 30, 2010, and a final report June 30, 2011. The Group is required to examine local district capacity to expand all-day kindergarten, analyze the potential use of local funds that will be available for redirection with increased MSOC funding, and advise on the continued implementation of the new prototypical school-funding allocation formula.

*Compensation Working Group.* The start date is July 1, 2010, rather than 2011, with initial and final reports due the same time as the Local Finance Working Group reports are due. OSPI is to collaborate with OFM in the convening of the group.

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

**EFFECT OF CHANGES MADE BY EARLY LEARNING & K-12 EDUCATION COMMITTEE (Recommended Amendments):** The level of funding in the prototypical school model for classified education support employees is changed from the basic education level to the current funding level. The local funding technical working group is required to examine options based on specified principles, must consider and analyze innovative proposals that have been previously developed, examine the impact on taxpayers in the various regions of the state, and identify possible alternatives. The Department of Revenue must provide technical assistance to the Group.

Prototypical School-Funding Formula. Removes enhanced classified staffing ratio from the new prototypical school-funding allocation formula. Adds discrete detail in the staff category, health and social services as well as new staff categories, professional development coaches and parent involvement coordinators.

Schedule for Enhancing Programs. Removes set schedule for phasing in K-3 class-size reduction and increased MSOC payments over three years from school year 2011-12 through school year 2013-15. Removes the start date for continued phasing in of all-day kindergarten. Removes the earlier phase-in period of the new transportation funding formula compared to existing law.

Work Groups. An initial report from the Local Finance Working Group is due November 30, 2010, and the group's assignments are modified. The group is not required to examine innovative proposals that have been previously developed, nor to add staff support from the Department of Revenue. The Compensation Working Group starts in July of 2010 rather than 2011, and the report dates are aligned with the Local Finance Working Group dates. The FFTWG is not continued.

Other. The requirement is eliminated for the the Washington State Institute for Public Policy to calculate an annual estimate of the savings to taxpayers resulting from any improvement in the extended graduation rate.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on the substitute on February 15, 2010.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Substitute House Bill (Early Learning & K-12 Education):** PRO: This bill embodies many of the QEC recommendations, which are concrete and research based. The bill focuses on three areas: implementing the prototype funding model at the basic education levels and the web-based portal, which will provide greater transparency regarding how our schools are funded by the state (although we would like for career and technical education be more visible in the model); funding the foundation by phasing-in an increase in the MSOC in three years; and focusing on early learning by phasing-in all day kindergarten and a reduction in the class sizes in grades K-3, which will provide savings for the state in the long run. We would prefer the funding levels to be at the current funding levels, which would include the K-4 enhancement, I-728 funding, an enhanced classified staff ratio, and a hold-harmless provision at the district level, since the QEC's first recommendation was not to reduce education funding during this legislative session. We would like for the QEC to be directed to report on what funding level would represent an ample funding level. We like the early implementation of the new student transportation funding formula. We support/do not support the delay in the compensation workgroup. The additional tasks given to the local funding workgroup are good. We prefer the greater transparency provided by the Senate version by disaggregating the health and social services and showing the parent involvement coordinator in the model. We think the fund in the Senate bill to provide for schools that need improvement should be also be included. The fiscal note sounds large but if we break it down to a dollar a day or \$5 a day for the education of our kids we would have enough money to fund it.

OTHER: I ask that you amended the bill to reflect the current updated classified employee ratios.

**Persons Testifying (Early Learning & K-12 Education):** PRO: Representative Sullivan, prime sponsor; Representative Priest, co-sponsor; Randy Parr, Washington Education Association; Tim Knue, Washington Association of Career and Technical Education; Christy Perkins, Washington State Special Education Coalition; Frank Ordway, League of Education Voters; Kris Lytton, parent; Jennifer Priddy, OSPI; Kim Howard, PTA; Barbara Mertens, Washington Association of School Administrators; Jess Hasken, Dana Roberts, Leigh Stokes, Stand for Children; Dan Steele, Washington State School Directors Association; Mitch Denning, Alliance of Education Association.

OTHER: Doug Nelson, Public School Employees/Service Employees International Union.

**Staff Summary of Public Testimony on Recommended Amendments (Ways & Means):** PRO: The Washington Education Association (WEA) strongly supports this legislation but were equally supportive of SB 6760 as it passed this committee. We particularly support the crosswalk of current spending into the new prototypical school model and are bullish on that section being enacted into law to allow the schedule to stay on track. Would prefer to have the health services positions disaggregated as SB 6760 provided. Would also prefer language that districts be held harmless in the transition to the new baseline. But support the bill even if these changes cannot be made. Support the inclusion of enhanced classified staffing ratios in the basic crosswalk. OSPI appreciates that the legislation addresses the transportation funding formula and the funding for MSOC.

**Persons Testifying (Ways & Means):** PRO: Randy Parr, WEA; Doug Nelson, Public School Employees of Washington; Jennifer Priddy, OSPI.