

SENATE BILL REPORT

SB 6760

As Reported by Senate Committee On:
Early Learning & K-12 Education, February 3, 2010
Ways & Means, February 9, 2010

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

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

Sponsors: Senators Oemig, Gordon, McDermott, McAuliffe, Tom, Kauffman, Fairley, Ranker, Hargrove, Kline, Murray, Eide, Franklin, Hobbs and Shin.

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/28/10, 2/03/10 [DPS-WM, DNP].
Ways & Means: 2/09/10 [DP2S, w/oRec].

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 6760 be substituted therefor, and the substitute bill do pass 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.

Staff: Susan Mielke (786-7422)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6760 be substituted therefor, and the second substitute bill do pass.

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

Minority Report: That it be referred without recommendation.

Signed by Senators Brandland, Honeyford, Parlette, Pflug and Schoesler.

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.

Staff: Elise Greef (786-7708)

Background: 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 new K-12 funding formulas based on prototypical schools to take effect September 1, 2010. The new formulas have more categories of staff and discreet subsets of maintenance, supplies, and operating costs. The Office of Financial Management (OFM), with the Office of the Superintendent of Public Instruction (OSPI), were directed to convene a working group to develop the details of the prototypical school funding formulas. The working group 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 current or baseline funding, which was included in its December 1, 2009, report to the Legislature.

ESHB 2261 also created the Quality Education Council (QEC) 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:

1. enact a law replacing current funding formulas with the new prototypical school funding formulas with the baseline values as determined by the funding formula technical working group; and
2. increase the Maintenance, Supplies, and Operating Costs (MSOC) in the prototypical school funding formula based on data collected by OSPI about costs incurred by school districts, phased in over a three-year period beginning in the 2011-12 school year.

Summary of Bill (Recommended Second Substitute): The current funding formulas are replaced in statute with the new prototypical school funding formulas using the baseline values as determined by the funding formula working group with some additional technical refinements but no enhanced funding levels. The category of student health services employees is disaggregated into three individual categories of school nurses, social workers, and psychologists but maintains the current allocation amount for student health services. Parent involvement coordinators are added to the list of other school employees funded in a

school and shows that the state does not currently fund this category of employee. Retains the current minimum staffing ratios for Certificated Instructional Staff (CIS).

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): The funding rate for utilities and insurance portion of materials, supplies, and operating costs (MSOC) are amended to reflect current funding and the recommendation of the Funding Formula Technical Working Group. The definition of CIS is added. The upcoming September 2011 repeal of current CIS staffing ratio of 46 CIS per 1,000 student FTEs is canceled, retaining the current minimum staffing ratio.

EFFECT OF CHANGES MADE BY EARLY LEARNING & K-12 EDUCATION COMMITTEE (Recommended First Substitute): The current funding formulas are replaced in statute with the new prototypical school funding formulas using the baseline values as determined by the funding formula working group with some additional technical refinements but no enhanced funding levels.

The category of student health services employees is disaggregated into three individual categories of school nurses, social workers, and psychologists but maintains the current allocation amount for student health services. Parent involvement coordinators are added to the list of other school employees funded in a school and shows that the state does not currently fund this category of employee. Displays the amounts to be funded for the costs of utilities and insurance as the amounts that would fully fund these costs based upon a survey conducted annually by the OSPI.

Appropriation: None.

Fiscal Note: Requested on proposed substitute on February 6, 2010.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on September 1, 2011.

Staff Summary of Public Testimony on Original Bill (Early Learning & K-12 Education): PRO: We support translating the current funding values into the new prototypical school funding structure because it creates transparency, and provides a greater understanding for everyone to know what are the state funds and the additional needs; Using the current funding values reflects the hard work done by the funding formula technical working group. We support the specific funding of gifted programs because there is a high return on the dollars that the state invests in this program.

OTHER: We have a concern that the bill translates the current level of funding into the new funding formula except to fund MSOC over the current level, which buys less teachers (estimated to be 7700 less teachers). This makes it cost neutral now but in the future it will not be neutral because compensation is increasing faster than MSOC costs. MSOC was debated at length by the workgroup and they considered these things and landed on their recommended distribution because it is more reflective of reality. The current funding values should be established in statute as a baseline and don't confuse it with the policy enhancements.

Persons Testifying (Early Learning & K-12 Education): PRO: George Scarola, League of Education Voters; Mitch Denning, Alliance of Education Assns; Marcia Holland, Janis Traven, WA Coalition for Gifted Education; Doug Nelson, Public School Employees; Dan Steele, WA State School Directors Assn; Barbara Mertens, WA Assn of School Administrators; Kim Howard, PTA.

OTHER: Jennifer Priddy, OSPI; Randy Parr, WEA.

Staff Summary of Public Testimony on Recommended First Substitute (Ways & Means): PRO: Adopts the specifics of the funding formulas that were designed in concept in last year's legislation. The state spends \$6 billion a year in the funding formulas that are specified in this legislation. The formulas that would be adopted in this legislation make that spending clearer for the public, teachers, and communities. We support the enhancements for utilities and insurance costs.

OTHER: It is important to enact this bill immediately if we hope to meet the timelines for putting the new prototypical model into place. The SPI needs a full year to change over their accounting and allocation systems, and failure to act this legislative session would push the implementation back a full year. Appreciate breaking out the health and social services groups into discrete categories - more transparency is important for these groups. The concern is that this bill is revenue neutral and additional funds are necessary. We support the bill but have one concern. We like making a major move toward converting a convoluted, and difficult to understand, funding system to something that will be limpid for teachers, principals, parents, and legislators. However, we wish it really stepped up with funding more than just insurance and utilities, which the House bill does. Support the legislation but have one concern. In 2008 more funding was added for the classified employees' staffing ratios; this prototype does not reflect those enhancements. In full support of the bill and the new transparent funding formulas. Appreciate the addition of the parent-involvement coordinator to the structure and feel this will help encourage funding this needs in the future. The longer-term commitment for funding is missing.

Persons Testifying (Ways & Means): PRO: Jennifer Priddy, Assistant Superintendent of Public Instruction for Financial Resources; Mitch Denning, Alliance of Education Associations.

OTHER: Randy Parr, Washington Education Association; George Scarola, League of Education Voters; Doug Nelson, Public School Employees of Washington; Kim Howard, Washington State PTA.