

HOUSE BILL REPORT

HB 2792

As Reported by House Committee On: Appropriations

Title: An act relating to implementing the state's education funding obligation by increasing allocations to school districts, which include materials, supplies, and operating costs, all-day kindergarten, and class size reduction in kindergarten through third grade.

Brief Description: Implementing the state's education funding obligation by increasing allocations to school districts, which include materials, supplies, and operating costs, all-day kindergarten, and class size reduction in kindergarten through third grade.

Sponsors: Representatives Sullivan, Hunter, Freeman, Morrell, Walkinshaw, Ryu, Tarleton, Appleton, Jinkins, Lytton, Tharinger, Fey, Bergquist, Pollet, Reykdal, Van De Wege, Roberts, S. Hunt and Carlyle.

Brief History:

Committee Activity:

Appropriations: 3/1/14 [DPS].

Brief Summary of Substitute Bill

- Revises the prototypical school model to reflect the enhancements included in the 2013-2015 State Omnibus Appropriations Act, Chapter 4, Laws of 2013 (3ESSB 5034).
- Requires specified Instructional Program of Basic Education allocations to be increased in equal annual increments beginning in the 2015-16 school year through the 2017-18 school year.
- Phases in increased salary allocations for classified and administrative staff in biennial increments based on market rate salaries identified in a 2012 study.
- Directs the State Board of Education to adopt a 24-credit graduation requirement framework to take affect with the graduating class of 2019.
- Aligns the statutory pupil transportation funding formula to reflect the full funding and implementation of the system.
- Creates a legislative Task Force on Local Education Financing Reform, and requires a report by December 20, 2014.

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.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Carlyle, Cody, Dunshee, Green, Haigh, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, Morrell, Pettigrew, Seaquist, Springer, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 13 members: Representatives Chandler, Ranking Minority Member; Ross, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Christian, Dahlquist, Fagan, Haler, Harris, G. Hunt, Parker, Schmick and Taylor.

Staff: Jessica Harrell (786-7349).

Background:

The prototypical school funding formula provides the statutory framework for the state's allocation of funds to support the Instructional Program of Basic Education (Basic Education), including allocations for such programs as the Learning Assistance Program (LAP), the Transitional Bilingual Instruction Program (TBIP), and other categorical programs. The formula includes allocations for various categories of staff based on an assumed school grade level and size, districtwide staff, and administration. For most categorical programs, the allocation is based on assumed hours of supplemental instruction per week.

The LAP provides instructional support for students who are performing below grade level. Funds are allocated based on the percentage of students in the school district who are eligible for free and reduced price lunch. The TBIP provides instructional support for students whose level of English language proficiency is determined to be sufficiently deficient to impair learning. Students exit the TBIP based on results from a statewide assessment administered each spring.

Phased-in Implementation of Basic Education Changes.

Legislation enacted in 2009 and 2010 provided for phased-in implementation of changes in both the Basic Education program and the funding to support it. Class size reductions for grades kindergarten through 3 (K-3) and statewide implementation of all-day kindergarten are to be completed by the 2017-18 school year. A new pupil transportation funding formula must be fully implemented in the 2013-15 biennium. Specified increases to support materials, supplies, and operating costs (MSOC) are to be achieved by the 2015-16 school year. The amounts to be allocated for the MSOC are based on a survey of school districts' expenditures in the 2007-08 school year.

Graduation Requirements.

The State Board of Education (SBE) establishes minimum requirements for high school graduation through administrative rules. The current requirements are 20 credits among a specified distribution of subjects, a culminating project, and a High School and Beyond Plan. Under Chapter 548, Laws of 2009 (ESHB 2261), school districts, as part of their Basic

Education program, must provide students with the opportunity to complete 24 credits for graduation, based on courses specified by the SBE. The increase to 24 credits is to be phased in according to a schedule adopted by the Legislature.

In November 2010 the SBE proposed a Career and College Ready framework for the 24 credits, and a year later adopted those changes that were found not to have a fiscal impact. In January 2014 the SBE modified its proposal slightly, but must wait for legislative authorization before adopting the remaining components.

Instructional Hours.

Legislation enacted in ESHB 2261 requires school districts to increase minimum annual instructional hours under Basic Education from a districtwide average of 1,000 hours, to 1,000 hours in each of grades 1 through 6 and 1,080 hours in each of grades 7 through 12. The increase in instructional hours is to be implemented according to a schedule adopted by the Legislature. The 2013-2015 Omnibus Appropriations Act (Act) directs school districts to implement the increase beginning in the 2014-15 school year.

School districts may schedule the last five days of the school year for noninstructional purposes for graduating seniors, but may still claim those students as full-time equivalent (FTE) students for funding purposes. The SBE has recently created a "frequently-asked questions" document indicating that any noninstructional time during the last five days of the school year for graduating seniors may not count toward the minimum annual hours of instruction required.

Compensation.

Funding to support salaries for the classified and administrative staff allocated through the prototypical school funding formula is specified in the Act. The state allocates a salary rate for classified staff and a salary rate for administrative staff in each district. There are 71 school districts with grandfathered allocation rates above the standard rate for classified staff and 207 districts with grandfathered rates for administrative staff. A report issued in 2012 by a Compensation Technical Working Group (Group) recommended that allocations be based on market-rate salaries for comparable occupations, as identified by a study commissioned by the Group.

Enhancements in the 2013-2015 State Omnibus Appropriations Act.

The 2013-2015 State Omnibus Appropriations Act, Chapter 4, Laws of 2013 (3ESSB 5034), included several enhancements to the prototypical school model and the program of Basic Education:

- reduced class size for grades K-1 in high poverty schools from 24.10 student FTEs to 20.85 student FTEs in the 2013-14 school year and 20.30 in the 2014-15 school year. Enhanced class size funding in the 2014-15 school year is provided to the extent of, and proportionate to, the school's demonstrated class size, but no less than 24.10 student FTEs;
- increased MSOC allocations from the minimum allocation to \$737.02 per student FTE in school year 2013-14 and \$782.72 in school year 2014-15;
- expanded all-day kindergarten from 22 percent of enrollment to 43.75 percent of enrollment for school years 2013-14 and 2014-15;
- implemented the pupil transportation funding formula;

- increased instructional hours in the LAP from 1.5156 hours to 2.3975 hours;
- funded additional instructional support for students exiting from the TBIP;
- funded increased instructional hours and required school districts to implement the increased instructional hours for the program of basic education required under the provisions of RCW 28A.150.220(2)(a) beginning with the 2014-15 school year; and
- increased allocations for Parent Involvement Coordinators in the prototypical elementary school and guidance counselors in the prototypical middle and high schools.

Summary of Substitute Bill:

Prototypical School Funding Formula.

The prototypical formula is revised to align with the enhancements to the Instructional Program of Basic Education (Basic Education) funding allocations provided in the 2013-2015 State Omnibus Appropriations Act (Act) as follows:

- School districts are required to implement the increased instructional hours beginning with the 2014-15 school year with funding provided as specified in the Act.
- Guidance counselor allocations in the prototypical middle and high school are increased by 0.1 full-time equivalent (FTE) and Parent Involvement Coordinators, renamed Family Engagement Coordinators, are increased by 0.083 FTE.
- Instructional hours for the Learning Assistance Program are increased to 2.3975 hours.
- Minimum instructional hour allocations are specified for instructional support of students exiting from the Transitional Bilingual Instruction Program (TBIP).
- Effective September 1, 2014, the pupil transportation funding formula is revised to reflect full funding and implementation of the expected cost model.

The following Basic Education funding allocations must be increased in equal annual increments from the 2014-15 allocations, beginning in the 2015-16 school year and through the 2017-18 school year:

- K-3 class size reductions in high poverty (more than 50 percent low-income students) and non-high poverty elementary schools until a class size allocation of 17 student FTEs is achieved in all elementary schools;
- continued phase in of all-day kindergarten, prioritizing the highest poverty schools first;
- increased allocations for the TBIP from 4.778 hours per week of supplemental instruction for all students to 6 hours per week for grades 7 and 8 and 8 hours per week for grades 9 through 12; and
- increased staffing allocations of 0.5 full-time equivalent staff for guidance counselors in middle and high schools and family engagement coordinators in elementary schools.

Graduation Requirements.

School districts must provide students with the opportunity to complete 24 credits for high school graduation beginning with students in the graduating class of 2019. The State Board of Education (SBE) must adopt rules to implement the Career and College Ready framework

that was adopted by resolution on November 10, 2010, and revised on January 9, 2014. The provisions of the bill constitute the legislative authorization required under law to change graduation requirements. The instructional hour requirement is clarified to state that hours scheduled for non-instructional purposes for graduating seniors during the last five days of the school year count toward required instructional hours.

Compensation.

Salary allocations for classified and administrative staff must be increased in equal biennial increments beginning with the 2015-16 school year through the 2017-18 school year to market-rate salaries as identified by a 2012 comparable wage analysis submitted to the Compensation Technical Working Group, adjusted for inflation from fiscal year 2011. School districts with grandfathered allocation rates receive the greater of their grandfathered allocation or the new state allocation.

Task Force.

A legislative Task Force on Local Education Financing Reform (Task Force) is established to review: local levies, including school district use of local levies; issues related to grandfathered base salary allocations for certificated instructional staff in state funding formulas; and options for addressing regional labor market differences in state funding formulas. The Task Force is composed of eight legislators, the Superintendent of Public Instruction, and the Governor. A report from the Task Force is due December 20, 2014, and must address: a system for state and local funds that are distributed in a manner that provides all children with the opportunity to meet the state's academic standards; and the provision of compensation allocations that are adequate to hire and retain competent teachers.

Substitute Bill Compared to Original Bill:

The increase in instructional hours is delayed by one year. Districts are required to increase instructional hours to 1,000 hours in grades 1 through 8 and 1,080 hours in grades 9 through 12, and they may use a districtwide average across grades 1 through 12 to meet this obligation, rather than requiring 1,000 hours in each of grades 1 through 6 and 1,080 hours in each of grades 7 through 12.

A phrase is added to the 24-credit graduation requirement, specifying that the State Board of Education revised graduation requirement includes authorization for a school district to waive up to two credits for an individual student. A requirement is removed that allocations include resources to support the increase in instructional hours.

The following changes are made to the statutory prototypical school funding formula, to begin in the 2014-15 school year: increases high school counselors to 2.539 full-time equivalents per school; adds a laboratory science class size for grades 9 through 12, assuming two high school laboratory science classes over four years of high school; and adds a new materials, supplies, and operating costs per full-time equivalent student in grades 9 through 12.

Appropriation: None.

Fiscal Note: Requested on February 26, 2014.

Effective Date of Substitute Bill: The bill takes effect on September 1, 2014, except for section 7 relating to a Joint Task Force on Local Education Financing Reform, which contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Just prior to the start of session, the supreme court ordered that the Legislature have a plan in place for meeting its education funding obligations. Putting that plan in statute provides a clear plan forward for meeting that obligation. The investments that are outlined in the bill are appreciated and show progress toward meeting the Legislature's obligations. The Legislature will still need to work to address certificated instructional staff salaries and the number of funded staff. The sections addressing salary allocations for classified and administrative staff will take the burden off the local district and the local taxpayer. These salaries are already being paid at the local level. The levy and levy equalization problem are a Gordian knot times 10 for which the Legislature will need to have an incredible basis of knowledge in order to begin to address the issues there. The two-credit waiver needs some work and more flexibility.

(Opposed) None.

Persons Testifying: Representative Sullivan, prime sponsor; Julie Salvi, Washington Education Association; Doug Nelson, Public School Employees of Washington; and Charlie Brown, School Alliance.

Persons Signed In To Testify But Not Testifying: None.