

SENATE BILL REPORT

SHB 2776

As Reported by Senate Committee On:
Early Learning & K-12 Education, February 24, 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, Jaks, 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].

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)

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

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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 discreet 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 the baseline funding using the level of basic education ratios, the baseline using the level of current funding, and the baseline with Initiative 728 resources included, all of which was 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): Many of the QEC recommendations are enacted and other topics are addressed.

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, except that the funding for classified education support employees is funded at the current funding level, which is above the basic education funding level.

Basic Education Enhancements. Beginning in the 2011-12 school year, the following enhancements will be phased-in over the next three years: K-3 class size reduction to 15 students per classroom teacher in the prototypical school funding allocation model; and an increase in MSOC based on costs incurred by school districts. Full-day kindergarten will continue to be phased-in with full implementation by 2018.

Student Transportation Funding. Beginning no later than the 2011-12 (not 2013) phase-in, the new student transportation funding formula with full implementation by the 2013-14 school year. Technical changes are made to align dates and effective dates.

Working Groups. Local Finance Working Group. The Group will begin April 10, 2010, but the report is not due until June 30, 2011. The Group is required to examine options based on specified principals, and 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.

Compensation Working Group. The start date of July 1, 2011, is maintained and the report date is extended until June 30, 2012. The lead staff is changed from OFM to OSPI.

FFTWG. FFTWG is continued to advise the QEC and OSPI.

Other. The Washington State Institute for Public Policy must calculate an annual estimate of the savings to taxpayers resulting from any improvement in the extended graduation rate. OSPI must annually report the estimate.

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.

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: 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: 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.