

HOUSE BILL REPORT

HB 1811

As Reported by House Committee On:

Education

Title: An act relating to studying the education finance system.

Brief Description: Requiring a study of the state's education finance system.

Sponsors: Representatives Hunter, Talcott, Haigh, Jarrett, Cox, Tom, Rockefeller, Schual-Berke, Miloscia, Quall, McDermott, Grant, Bailey, Nixon, Santos, Hunt and Clibborn.

Brief History:

Committee Activity:

Education: 2/19/03, 3/3/03 [DPS].

Brief Summary of Substitute Bill

- Directs the Office of Financial Management to conduct a comprehensive school funding study that includes an examination of teacher compensation models..

HOUSE COMMITTEE ON EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Quall, Chair; McDermott, Vice Chair; Talcott, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Anderson, Cox, Haigh, Hunter, McMahan, Rockefeller and Santos.

Staff: Susan Morrissey (786-7111).

Background:

The Washington State Constitution (Constitution) establishes the education of all children as the paramount duty of the state and requires the Legislature to provide for a uniform system of public schools. The Constitution is the foundation upon which three school funding decisions, made in the 1970s and 1980s, rested. Those decisions, coupled with subsequent state laws and court decisions, have helped shape the budget formulas used to determine the state support for public education. In order to meet its paramount duty, the Legislature dedicates almost one-half of the State's general fund monies to support the

education of children in the public schools.

The funding system begins with state-supervised school district budgeting, accounting, and financial reporting practices. State resources, supplemented by local and federal monies, are distributed through funding formulas to equalize educational opportunities throughout the state. Basic education and categorical programs are state supported through these formulas. State resources include general fund revenue, property taxes, timber excise taxes, and other state revenues.

Every few years, the Legislature revisits various aspects of school funding. The 1998 Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to study the financing system for the public schools. The study included a review of school district revenue and expenditure practices, resource allocations within selected districts, and available data sources. The study also addressed class size and personnel deployment issues. It was presented to the Legislature in 1999. During the 2002 interim, two studies directed by the Legislature looked at various aspects of school financing related to school construction and levy equalization. The committee studying levy equalization recommended a more thorough and comprehensive review of the entire school financing system.

In his budget request to the 2003 Legislature, the Governor asked the state to undertake a comprehensive study of school finance, including an examination of alternative teacher compensation models. The Governor estimated that 2.5 full-time equivalent employees and \$1,500,000 would be necessary to manage and coordinate the study.

Summary of Substitute Bill:

The Office Financial Management (OFM) will conduct a comprehensive study of the state's education finance system. The study will include an examination of alternative teacher compensation models. In addition, it will: (1) compare the funding system with the system in states that are linking their finance systems to education reform and student results; (2) review the role of state and local funding and levy equalization policies; (3) design alternative school finance systems that align with policy expectations, provide stable, predictable, and flexible funding for districts, recognize district staffing costs and provide accountability based on student results for taxpayers; (4) design one or more compensation models that attract and retain high performing teachers, reward teachers for improving skills and knowledge in a way that improves student learning, and recognizes mentors and different career stages for teachers, including leadership roles; and (5) design a pre-kindergarten finance system to help maximize school readiness and smooth transitions into kindergarten.

A 23 member steering committee will direct the OFM on the study and on any recommendations that result from it. The members include eight legislators, the

Superintendent of Public Instruction (SPI), the Governor, and 13 additional members. The Governor will appoint six of the 13 additional members. The Governor and the SPI will jointly appoint the remaining seven members who will represent the education community. These additional 13 members represent various sectors of the educational community, one person from the business community, one parent, and three members representing the public. The eight legislators will include the House and Senate majority and minority leaders and four other legislative members, one from each major caucus.

The Governor or the Governor's designee will chair the steering committee. The steering committee may form an executive committee and subcommittees. It may also permit alternative representatives. The members of the steering committee will be reimbursed for travel expenses. The members of subcommittees may also receive money for travel.

Appointments to the steering committee will occur within 30 days after the law takes effect.

The OFM will report initial findings and recommendations of the steering committee to the Legislature, including the Education and Fiscal Committees, by June 30, 2004. The final report will be provided to the Education and Fiscal Committees by December 20, 2004.

The legislation expires on June 30, 2005.

Substitute Bill Compared to Original Bill:

The Governor and the SPI will jointly appoint education stakeholders to the steering committee. The steering committee will direct rather than provide advice on the study. Members of the steering committee will, and members of the subcommittees may, be reimbursed for travel expenses.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The education funding system is focused on inputs instead of results and is not compatible with the performance based education system the state has in place. The financing system is broken; it is neither equitable nor stable. It doesn't recognize cost of living differences among different regions of the state and has codified the inequities in place when the system was created. For example, 31 districts get higher salaries per teacher than other districts. There are 91 districts that have higher levy lids than the remaining 205 districts. Every major education group has asked for a change to

the funding formula. Instead of changing the system piecemeal, the whole structure should be reexamined and revised. It's been 25 years since the basic education act was adopted, so the reexamination is long overdue. It is also time to examine the state's teacher compensation structure to ensure that we can attract and retain the best possible teachers and that the compensation structure is aligned with the state's expectations for teachers.

Testimony Against: None.

Testified: (In support) Representative Hunter, prime sponsor; Megan Atkinson, Office of Superintendent of Public Instruction; Dan Steele, Washington State School Directors Association; Barbara Mertens, Washington Association of School Administrators; Rainer Houser, Association of Washington School Principals; Larry Davis, School Board of Education; Mary Boston, Washington Association of Education of Young Children; Neil Sullivan, Spokane School District; Jennifer Wallace, Professional Educator Standards Board; Bob Maier, Washington Education Association; Jim Crawford, Office of Financial Management; Norm Wisner, Association of Educational Service Districts; Chris Thompson, A+ Commission; Carol Taylor Cann, Washington State Parent Teacher Association; and Kathleen Lopp, Washington Association for Career and Technical Education.