

SENATE BILL REPORT

E2SSB 6362

As Amended by House, March 8, 2018

Title: An act relating to modifying basic education funding provisions.

Brief Description: Modifying basic education funding provisions.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Wellman, Rolfes and Billig; by request of Superintendent of Public Instruction).

Brief History:

Committee Activity: Early Learning & K-12 Education: 1/22/18, 1/25/18 [DPS-WM, w/oRec].

Ways & Means: 2/01/18, 2/06/18 [DP2S, DNP, w/oRec].

Floor Activity:

Passed Senate: 2/14/18, 25-22.

Passed House: 3/08/18, 50-48.

Brief Summary of Engrossed Second Substitute Bill

- Removes the phase in for the increased state salary allocations and instead implements the increases in 2018-19 school year instead of the 2019-20 school year.
- Adjusts regionalization.
- Creates a salary net grant program.
- Revises the timeline and criteria for rebasing salaries.
- Indicates legislative intent to provide funding to support schools with paid sick leave costs.
- Specifies an inflationary measure for salaries, levies, and local effort assistance.
- Changes the definition of maximum local effort assistance.
- Defines resident student, for levies and local effort assistance purposes.
- Strikes all references to transportation vehicle enrichment levies; provides that 2-year transportation vehicle fund levies may only be used for enrichment; and excludes the levies from the restrictions of \$1.50 and the \$2,500 caps and the resident student definition.

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.

- Increases the special education base allocation and excess cost multiplier, and directs changes to the safety net rules.
- Modifies the high-poverty, school-based Learning Assistance Program (LAP) allocation.
- Creates a transportation alternate funding grant program.
- Addresses running start funding, a net revenue hold harmless, and a shift in the apportionment schedule.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 6362 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Wellman, Chair; Rolfes, Vice Chair; Billig, Hunt, Mullet and Pedersen.

Minority Report: That it be referred without recommendation.

Signed by Senators Zeiger, Ranking Member; Hawkins, Padden and Rivers.

Staff: Sarian Scott (786-7729), Susan Mielke (786-7422)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6362 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rolfes, Chair; Braun, Ranking Member; Honeyford, Assistant Ranking Member; Bailey, Becker, Billig, Darneille, Fain, Hunt, Mullet, Palumbo, Rivers, Schoesler, Van De Wege and Warnick.

Minority Report: Do not pass.

Signed by Senators Frockt, Vice Chair; Carlyle, Hasegawa, Pedersen and Ranker.

Minority Report: That it be referred without recommendation.

Signed by Senators Brown, Conway, Keiser and Wagoner.

Staff: Sarian Scott (786-7729), Susan Mielke (786-7422)

Background: Engrossed House Bill 2242. In the third special session of 2017, the Legislature enacted EHB 2242. This legislation increased and revised state allocations for K-12 basic education salaries, professional development days, and the prototypical school funding model; and limited use of school district levies for enrichment outside of the basic education program. It created a School Employees Benefits Board to procure health care and other benefits for school district employees statewide. A new state property tax for common schools was established at a total rate of \$2.70 per \$1,000 of assessed value when combined with the existing state property tax; capped school district levies at the lesser of \$2,500 per

student or \$1.50 per \$1,000 of assessed property value; and revised local effort assistance up to \$1,500 per student.

Basic Education. Since 2012, when the Washington Supreme Court found that the state had failed to meet its paramount duty to amply fund a program of basic education and retained jurisdiction, the Legislature has annually reported to the court on legislative progress towards amply funding a program of basic education. The July 2017 report to the court included summary information on EHB 2242.

In the November 2017 court order, the court concluded that the state had met its constitutional duty to fully fund basic education with regards to materials, supplies and operating costs; student transportation; categorical programs of basic education, including Special Education, the Highly Capable student program, Transitional Bilingual Instructional Program, the Learning Assistance Program (LAP); and the new salary allocation model under EHB 2242. However, the court found that the state remains out of full compliance with its constitutional duty because the salaries are not fully implemented by September 1, 2018. The court declared if the state is not in compliance by the end of the regular 2018 legislative session on March 8, 2018, the court will immediately address the need to impose additional remedial measures.

School District Salaries & Regionalization. In 2017, the Legislature phased-in increased state salary allocations for certificated instructional staff (CIS), certificated administrative staff (CAS), and classified staff (CLS) with 50 percent implemented in the 2018-19 and 100 percent in school year 2019-20.

In 2017, the Legislature reformed state allocations for school district staff salaries, including how school district staff salaries are established and adjusted in the future, through the enactment of EHB 2242. These changes take effect with the 2018-19 school year.

Before EHB 2242. Through school year 2017-18 the state allocated funding for certificated instructional staff (CIS) salaries based on a grid which provides salary values that increase based on educational credit and years of service. Each district's CIS allocation is based on its staff mix, that is, the distribution on the state salary grid of the CIS hired by the district. Funding to support salaries for the classified staff (CLS) and administrative staff (CAS) is specified in the budget bill as a salary rate per state-funded staff person. In general, state salary funding is for allocation purposes only, and school districts are not required to hire staff according to the prototypical school staffing formula, nor are they required to pay CIS salaries according to the state CIS salary grid. Instead, actual salaries are determined by each district's collective bargaining agreements.

After EHB 2242. Under EHB 2242, beginning in school year 2018-19, the state will cease using the state salary schedule to allocate CIS salaries for school districts, thus eliminating use of a district's staff mix of CIS education and years of experience. Instead, the state will allocate salary funding to school districts based on minimum statewide average salaries for each of the three school staffing categories. Beginning in school year 2018-19, the minimum allocated salaries must be increased in equal increments to the following amounts for school year 2019-20, adjusted for inflation from the 2017-18 school. In school year 2018-19 salaries are phased in at 50 percent:

- CIS—an average salary of \$64,000;
- CAS—an average salary of \$95,000; and
- CLS—an average salary of \$45,912.

Beginning with the 2018-19 school year, the state must further adjust its salary allocations to reflect regional differences in the cost of hiring staff. The regionalization factor for each school district is based on differences in the median residential value of each school district and its nearby districts, with adjustments of 6, 12, or 18 percent. An additional adjustment equal to 6 percent is identified in the budget bill and must be reduced on a specified schedule through the 2022-23 school year. For districts with a total adjustment of 24 percent, the additional 6 percent adjustment is completely eliminated by the 2022-23 school year. The additional 6 percent adjustment is reduced by 3 percentage points by the 2022-23 school year for other school districts receiving the additional adjustment.

Additional requirements are established for CIS salaries. Districts may not pay CIS less than \$40,000, or more than \$90,000, and salaries for CIS with five years' experience must be at least 10 percent more than the minimum salary. These restrictions apply to salaries for the basic education program, and exclude supplemental contracts. Districts may exceed the caps for specified hard-to-staff positions. Each of the minimum and maximum salaries is adjusted by inflation and by a district's regionalization factor.

School districts must deposit local revenues and state local effort assistance funds in a local revenue subfund, and report revenues to expenditures, by the 2019-20 school year.

Temporary Limitations on Salary Increases. EHB 2242 required for the 2018-19 school year, if a school district's collective bargaining agreement was modified after July 6, 2017, and in effect for the 2018-19 school year, then school districts are restricted from providing a percentage increase to total salary for CIS, CAS, and CLS above inflation as measured by CPI, including supplemental contracts. These provisions expire August 31, 2019.

Paid Sick Leave. Initiative 1433 was approved by voters in 2016. Among other things, it requires every employer to provide one hour of paid sick leave for every forty hours worked by each of its employees.

Inflation Measures. Except for the temporary restrictions on salary increases, state salary allocations must provide an inflationary adjustment based on the IPD, rather than the CPI. The IPD is described as the inflationary measure compiled by the Bureau of Labor Statistics, United States Department of Labor for the State of Washington. The CPI is described as the inflationary measure compiled by the Bureau of Labor Statistics, United States Department of Labor, for the city of Seattle. For the purposes of school district levies, the inflationary measure is the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce, by September 25 of the year before the taxes are payable.

Local School District Levies and Local Effort Assistance (LEA). In 2017, the Legislature reformed the maximum amount school districts may collect through their local district levies (enrichment levies) through the enactment of EHB 2242. EHB 2242 also substantially

modifies state funding for the state Local Effort Assistance (LEA) program, which currently provides support for school districts with high local tax rates due to low assessed values. These changes take effect in calendar year 2019.

Before EHB 2242. Through calendar year 2019, a school district's maximum enrichment levy amount is determined by the district's levy base and levy percentage, also referred to as a lid. Generally speaking, a district's annual levy base is the total of its state and federal funding for the prior school year, adjusted for inflation, and including additional amounts that were added to the levy base in 2010, sometimes referred to as ghost money. The levy lid is the maximum allowable percentage of the levy base that a school district may collect. The levy lid for most school districts is 28 percent, which means that each calendar year, districts may collect up to 28 percent of their levy base. Some districts are grandfathered at a higher levy percentage. The 28 percent lid extends through calendar year 2018.

Through calendar year 2019, a school district is eligible for LEA funding if the school district has a higher than average levy rate and if the district has certified a local enrichment levy. Levies are equalized up to 14 percent of the levy base, half of the 28 percent levy lid that is applied to the majority of districts.

After EHB 2242. Beginning with calendar year 2019, school districts may collect enrichment levies based on a new levy lid. A district's maximum enrichment levy is the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1,000 of assessed value.

To qualify for LEA funding, a school district must have a maximum local levy that generates less than a state LEA threshold of \$1,500 per pupil. LEA funding is provided on a per-pupil allocation basis so that the sum of enrichment levy funding and LEA funding for a qualifying district levying the maximum \$1.50 tax rate is \$1,500 per pupil. State LEA allocations are provided in proportion to the ratio of a school district's actual enrichment levy compared to its maximum levy.

Both the per-pupil local levy lid and LEA threshold amount are adjusted annually for inflation beginning in calendar year 2020. The per pupil calculations are based on the average annual resident full-time equivalent students.

Enrichment Levy Restrictions. EHB 2242 changed maintenance and operation levies and transportation vehicle levies to enrichment levies. Beginning 2019-20 school year, school districts may use local levies, including transportation vehicle levies solely for documented and demonstrated enrichment and not for basic education. Use of local levies for supplemental contracts must be for only documented and demonstrated enrichment. School districts must receive pre-ballot approval from OSPI for an expenditure plan for enrichment levies, before submitting the levy to voters.

Before EHB 2242. The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value—\$10 per \$1,000 of assessed value (AV). The state levies a regular property tax for common schools with a statutory maximum rate of \$3.60 per \$1,000 AV. In addition to the 1 percent constitutional rate cap, regular property taxes are subject to a statutory revenue growth limit based on the lesser of inflation or 1 percent. Under the 1

percent growth restriction, the estimated state property tax for calendar year 2018 is \$1.80 per \$1,000 AV.

After EHB 2242. An additional state property tax is levied for the support of the common schools. For taxes levied for collection in calendar year 2018 through 2022, the 1 percent revenue growth limit is suspended and the aggregate combined rate for both the current state levy and the new state levy is \$2.70 per \$1,000 AV. Beginning in calendar year 2022, the 1 percent revenue growth limit is reinstated. The new state tax is deposited in the State General Fund.

Special Education. School districts receive a special education base allocation under the prototypical school funding statute based on up to 13.5 percent of a district's enrolled students with disabilities who receive special education. In addition, school districts receive funding for the excess costs of educating students receiving special education services that is 93 percent of the district's base allocation. Beyond these allocations, OSPI may provide safety net funding if a district has one or more high-cost students, or a district is in a community that draws a larger number of families with children in need of special education, such as a community with group homes or military bases. In 2017, the Legislature directed OSPI to review special education safety net rules and make recommendations on providing new access to safety net funding.

The Learning Assistance Program (LAP). This program provides supplemental instruction and services to assist students in grades K-12 who are not meeting academic standards and to reduce disruptive behaviors in the classroom. The state allocation for LAP is based on the number of K-12 students enrolled in the school district who are eligible for free- or reduced-price meals (FRPMs) in the prior school year, but students do not have to be eligible for FRPMs to be served in the LAP.

In 2017, the Legislature created an additional allocation that is a high-poverty, school-based LAP allocation for schools with at least 50 percent of the enrolled students eligible for FRPMs. School districts must distribute this allocation to the school buildings that generated the allocation. This funding provides a statewide average of 1.1 hours in additional instruction.

Transportation Funding Grant Program. In the 2017-19 Operating Budget, up to \$10 million was provided for fiscal years 2018-2019 for a transportation funding grant program.

Professional Learning Days. Under EHB 2242, the state must phase in funding for three professional learning days by the 2020-21 school year. This does not entitle any individual teacher to any particular number of professional learning days. The phase in schedule is one day in the 2018-19 school year, two days in the 2019-20 school year, and three days in the 2020-21 school year. The 2017-19 operating budget salary allocations included funding for one day of professional learning for each funded full-time equivalent certificated instructional staff in the 2018-19 school year.

School Day. Current law defines a school day as each day of the school year on which pupils enrolled in the common schools of a school district are engaged in academic and career and

technical instruction planned by and under the direction of the school. There is no minimum number of hours specified for a school day.

Running Start. School districts may keep 7 percent of the state basic education allocation under the prototypical school funding statute that is received for students who participate in the Running Start program. The rest of the state allocation must be transmitted by the school district to the institution of higher education attended by the Running Start student.

State Apportionment Schedule. State law provides an apportionment schedule indicating the proportional share of the total amount due to districts each month. The school district fiscal year is from September 1 through August 31, whereas the state fiscal year is July 1 through June 30.

Hold-Harmless Provisions. The 2017-19 budget funded two hold harmless provisions.

- Net revenue hold harmless—\$5 million provided for districts expected to receive a net funding reduction (state and local) with the funding formulas under EHB 2242. This provision was funded but not explicit in EHB 2242 nor the operating budget bill; and
- Salary hold harmless—for the 2018-19 school year, districts receive the greater of the new minimum salary allocations plus regionalization; or the salary allocations for the 2017-18 school year, that used staff mix, increased by 2.3 percent.

Summary of Engrossed Second Substitute Bill: School District Salaries. The phase-in of increased state salary allocations for CIS, CAS, and CLS is eliminated and instead the increased state salary allocations are funded in school year 2018-19 instead of 2018-19 and 2019-20. The maximum CIS salary of \$90,000 is removed from statute.

The timeline for rebasing salaries is changed from every six years to every four years. The review conducted when rebasing the salaries must include which inflationary measure is the most representative of the actual market experience for school districts.

A salary safety net grant program, for the 2018-19 school year only and subject to funding, is created. The program is for school districts that can demonstrate, at a minimum, that the total CIS state salary negatively impacts the district's ability to recruit and retain staff. Additional criteria for the salary safety net grant program are also specified. The total under the program may not be greater than a 2 percent increase to the statewide average CIS salary allocation to the district.

Restores the annual inflationary salary adjustment for teachers and other school employees in the 2019-20 school year instead of the 2020-21 school year.

Salary Regionalization. The salaries of charter and tribal compact schools will be adjusted by the regionalization factor that applies to the school district in which the charter school is geographically located.

If a school district shares a boundary with any school district with a regionalization factor more than one tercile higher, then the regionalization factor for the district with the lower regionalization factor must be increased

by 6 percent, if the lower district is located west of the crest of the Cascade Mountains.

Temporary Limits on Salary Increases. Exceptions are added to the temporary limit to CPI for salary increases in the 2019-20 school year. The exceptions include increases for annual experience and education salary step increases; if the district is below the average total salary by staff group then the district may provide increases up to the statewide average allocation; salary changes for staffing increases due to enrollment growth or state-funded increases; salary changes to provide professional learning or National Board bonuses.

Paid Sick Leave. The Legislature intends to provide funding in the Omnibus Appropriations Act to support school districts with the additional costs of paid sick leave under Initiative 1433.

Inflation Measures. The inflation measure for salaries is the IPD compiled by the Bureau of Labor Statistics, US Department of Labor, for the State of Washington; except that during the 2019-20 school year when there is a temporary limit on salary increases, the inflationary measure must be CPI as compiled by the Bureau of Labor Statistics, US Department of Labor, for the city of Seattle. Inflation measures for the purposes of increasing the LEA threshold and the maximum per pupil limit is the CPI for all urban consumers, Seattle area, using the official current base compiled by the Bureau of Labor Statistics, US Department of Labor.

Local School District Levies and Local Effort Assistance. The use of local levies for administrator's salaries must not exceed 25 percent of the total district expenditures for administrator salaries.

Language is restored that was inadvertently struck in 2017. A high school district's maximum levy amount and LEA is reduced by the non-high payment due to the high school district when high school students living in a non-high district transfers to the high school district.

For the purposes of levies, resident means (1) students who reside within the geographic boundaries of the school district; and (2) students who transfer into the district by choice, except students who participate in an online course or school and do not also attend a school within the district or receive direct instruction from district CIS are excluded from the definition. The home district of a student who transfers into another district by choice must not receive levy revenues. School districts participating in an innovation academy cooperative get a proportional share of the student enrollments.

For the purpose of determining a school district's LEA, resident means (1) students who reside within the geographic boundaries of the school district; and (2) students who transfer into the district by choice, except students who participate in an online course or school and do not also attend a school within the district are excluded from the definition. The home district of a student who transfers into another district by choice must not receive levy revenues. School districts participating in an innovation academy cooperative get a proportional share of the student enrollments.

The maximum LEA is as the difference between the a school district's actual prior school year enrollment multiplied by the state local effort assistance threshold and the school district's maximum allowable enrichment levy.

The date for using the sub-fund for local revenues and LEA proceeds, and for districts to report revenue to expenditures is moved up from the 2019-20 school year to the 2018-19 school year.

Enrichment Levy Restrictions. All references to transportation vehicle enrichment levies are removed from law. Transportation vehicle levies are removed from some restrictions on enrichment levies including, the definition of local revenues, the \$1.50 and the \$2,500 caps, and the resident definition. Levies for transportation vehicles and construction levies may only be used for enrichment beyond the funding provided for basic education beginning September 1, 2018.

Special Education. The three professional learning days are included as part of the special education base allocation. The special education excess cost multiplier is increased from 0.9309 percent to 0.9609 percent. The date for OSPI to review and revise the rules to administer the special education funding safety net process is advanced from September 1, 2019 to September 1, 2018. Additionally, OSPI is directed to revise the rules to provide easier access by districts to the safety net funds by reducing the required annual threshold that must be exceeded for high cost students and adding flexibility to access community impact awards. A district's service delivery choice is eliminated as one of the criteria considered for awarding safety net funds.

LAP. The high-poverty, school-based LAP allocation is modified to send the allocation to a qualifying school not school building. A qualifying school is a school in which the three-year rolling average of the prior year total annual average enrollment that qualifies for free or reduced-price meals equals or exceeds fifty percent or more of its total annual average enrollment.

Transportation Grants. A transportation alternate funding grant program is created in statute, subject to the availability of amounts appropriated for this specific purpose. As part of the award process for the grants, OSPI must include a review of the school district's efficiency rating, key performance indicators, and local school district characteristics, such as, unique geographic constraints, low enrollment, geographic density of students, or whether a district is a non-high district.

Professional Learning Days (PLDs). The phase-in of the three PLDs is changed from 2018-19 to 2019-20. A school district is not required to provide professional learning days in excess of the state allocations. The state allocation must be used solely for the purpose of providing professional learning. The state auditor must audit the use of the state funds. A calculation for funding professional learning days is specified.

As the Legislature phases in the PLDs the number of late start or early release of students resulting in partial days of instruction must be phased down so that when three professional learning days are funded each school district must limit the number of partial days of instruction to no more than seven during the school year.

Running Start. In school year 2017-18, OSPI must allocate \$6,570 per full-time equivalent college student to the pupil's school district. Each school year thereafter, this allocation shall be increased by the rate of inflation. For career and technical education running start students, OSPI must allocate an additional 13.5 percent of the \$6570, increased by the rate of inflation.

State Apportionment Schedule. The apportionment schedule adjusts some of the monthly percentages so that there is less provided in February, March, and April and more in August.

Hold-Harmless Provisions. For the 2018-19 and 2019-20 school years, a school district qualifies for a hold harmless payment, if the total state allocation, enrichment levies, and LEA is less than what the district would have received under laws as of January 1, 2017, which is before EHB 2242 was passed by the Legislature.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill (Early Learning & K-12 Education): *The committee recommended a different version of the bill than what was heard.* PRO: Between all of the four bills you are hearing today, you have several options to improve on the bipartisan work and progress that the Legislature made last year. The entire levy implementation needs to be delayed so the Legislature and stakeholders can have time to figure out how to create a sustainable system that works for everyone. This year is a stop-gap year so that school districts do not continue to spiral into a hole. You have options you can choose from: look at a different model that is more mathematical, delay a year, or flip to the "greater of" and going to \$25,000.

We support the removal of the OSPI pre-ballot approval for a levy expenditure plan because the state should not second-guess the locally elected school directors and the school district voters. Some districts already have approved levies and now in February they are going back to the voters to roll back the amount that was previously approved before 2242. The rollback of levies needs to be slowed down or delayed. If the Legislature raises the maximum per-pupil limit on local levies as this bill does then it will provide a significant amount of resources for school districts to continue enrichment programs that the districts are currently operating with local levies. We support returning to a rate per thousand or a percentage. Clearly local levies cannot be used for basic education but restricting the amount that can be raised by local levies was not something that the court required. There are already safeguards on the use of the levies with the new accounting requirements, audits, and the Legislature's definition of enrichment, so why restrict the amount raised?

The definition of resident student for the purposes of levies needs to be fixed. It does not appropriately address transferring students for the purposes of levies. The definition will negatively impact school districts that have a high number of choice and ALE students.

The Legislature lifted the percentage of enrollment for which schools receive special education excess costs from 12.7 to 13.5, but funding gaps still exist and there are new limits on local levy use for special education. Please increase the multiplier from 93 percent to cover the shortfall.

The transportation funding formula is also underfunded, and should be reviewed and revised.

Without a sufficient number of classrooms many districts will continue to struggle to meet the ratio of 17:1. This results in those districts being penalized and not receiving the funding.

We support the hold harmless, but it needs to work for all school districts. The hold harmless is expanded, but only for two years and that is not enough for school districts running their levies in 2019. We prefer an ongoing unlimited hold harmless.

A salary allocation schedule with staff mix or experience factor needs to be added back to ensure consistency, conformity, and equity across the state. We support removing the limitation for using levies to pay for administrative salaries because it is unfair and makes it very complicated to implement.

CON: This bill does not go far enough in fixing technical, policy, and funding issues. The levy policy will create a levy cliff between two neighboring districts. The bill cuts the professional learning allocation. The changes made in section 12 and 13—the restrictions on salary increases for 2018-19 SY—have could the potential result of a hiring freeze.

OTHER: The Legislature just reorganized the structure of public education funding in response to the *McCleary* court decision. This infused a historical increase into the system.

The school districts are adjusting to the changes. It has only been seven months since these decisions were made. This bill undoes some of the components of last year's bill. The provisions in last year's bill are very interconnected and you need to keep stability by keeping these provisions in place.

This bill does not expand support or inclusion of parents in the system. The treatment of charter schools is not equitable under this bill.

Any changes made to EHB 2242 should focus on increasing equity and transparency, in the distribution of teachers and resources, a fair levy system that does not create a reliance on local levies for basic education, nor create a two-tiered system where there is a different per-pupil amount based on the district.

Persons Testifying (Early Learning & K-12 Education): PRO: Dan Steele, Washington Association of School Administrators & Washington Association of School Business Officials; Gene Sementi, West Valley School District, Spokane; Randy Russell, Freeman School District; Dave Smith, Newport School District; Brian Talbot, Nine Mile Falls School

District; Nancy Chamberlain, Washington State PTA; Heidi Bennett, Washington State PTA; JoLynn Berge, Assistant Superintendent, Finance & Business, Seattle Public Schools; Gary Cohn, Everett Public Schools; Jeff Moore, Everett School District; Krestin Bahr, Eatonville School District; Melissa Gombosky, Evergreen and Vancouver Public Schools; Roger Andrascik, Eatonville School Board Director; Frank Wilson, Olympia School District Board President; Chris Reykdal, OSPI; Jessica Vavrus, Washington State School Directors' Association; Chris Reydal, OSPI.

CON: Lorrell Noahr, Washington Education Association.

OTHER: Dave Powell, Stand for Children; Liv Finne, Washington Policy Center; Daniel Zavala, League of Education Voters.

Persons Signed In To Testify But Not Testifying (Early Learning & K-12 Education):
No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: Support the intent, and recommend inclusion of full salary funding in the 2018-19 SY, as included in 6352. Important salary regionalization and experience mix are needed. A salary allocation schedule with experience mix factor needs to be added to ensure consistency, conformity, and equity across the state.

This bill adds funding to special education. Consider increasing the multiplier beyond the 0.96 percent proposed.

Without a sufficient number of classrooms and lack of capital, many districts will continue to struggle to meet the ratio of 17 to 1.

We support the hold harmless, but it needs to work for all school districts. The hold harmless is expanded, but only for two years and that is not enough for school districts running their levies in 2019. We prefer an ongoing unlimited hold harmless.

Support modifications to the underlying levy policy. The definition of resident student for the purposes of levies needs to be included. It does not appropriately address transferring students for the purposes of levies. The definition will negatively impact school districts that have a high number of choice and ALE students.

Would like the LAP to see an adjustment to 40 percent as the poverty rate percent, dropping it from 50 percent.

OTHER: Regionalization opportunity gaps are very challenging for districts and adjustments are requested. Teachers are looking for new jobs due to other districts receiving higher salary regionalization.

This bill has no specifics on levy change. Do no more harm, and do not cut voter approved levies so districts have a buffer. Levy is the last flexible money we have.

Concerns with K-3 compliance due to rapidly growing school districts and capital challenges. Potential hiring freeze concern at the same time as districts are working to hire more staff to comply with K-3 class size ratios.

Persons Testifying (Ways & Means): PRO: Dan Steele, Washington Association of School Administrators, Washington Association of School Business Officials; Jim Kowalkowski, Superintendent, Davenport School District, Executive Director, Rural Education Center; Jessica Vavrus, Washington State School Directors' Association; Aaron Millstein, School Alliance; Sally McLean, Federal Way School District; Tom Seigel, Bethel School District; Charlie Brown, Tacoma Public Schools; Monty Sabin, North Thurston Public Schools; Chris Reykdal, OSPI; Lisa Dawn-Fisher, OSPI.

OTHER: Stephen Miller, Vice President, Washington Education Association; Lorrell Noahr, Washington Education Association; Nancy Chamberlain, Washington State PTA; Heidi Bennett, Washington State PTA; Gene Sementi, West Valley School District; Marie Sullivan, Richland School District, Pasco; Doug Nelson, PSE/SEIU 1948; Dana Rosenbach, North Mason School District; John Campbell; Jennifer Lewis, North Mason School District; Cindy Smethers, North Mason School District; Katie Patti, Belfair Elementary PTA.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.

EFFECT OF HOUSE AMENDMENT(S):

- Delays requirement to meet 17:1 class size ratio for kindergarten through 3rd grade to receive funding at that ratio until September 1, 2019.
- Adds a 4 percent experience factor increase for districts with higher than average experience and a higher ratio of advanced to master degrees than the statewide ratio, beginning in the 2019-20school year.
- Revises language related to increasing regionalization for districts west of the crest of the Cascade Mountains.
- Removes the section creating the Salary Safety Net Grant Program.
- Restores the \$90,000 salary limit for CIS, subject to regional adjustments in current law.
- Reverts to current statutory language relating to salaries that may exceed the maximum CIS salary by 10 percent.
- Adds salary increases to hire new CIS in the 2018-19 school year to the list of allowable increases for the 2018-19 school year.
- Removes references to resident students in sections related to local enrichment levies and Local Effort Assistance.
- Removes language related to enrichment beyond the state provided funding from the statute authorizing school district levies.
- Adds a section requiring salaries for the State School for the Blind and the Washington State Center for Childhood Deafness and Hearing Loss to be based on salaries and regionalization factors of the school district in which the facilities are located—currently the Vancouver School District.
- Revises hold-harmless language to be based on local levies collected in 2017, rather than based on current law as of January 1, 2017.
- Adds criteria for prioritizing hold harmless payments from amounts appropriated in the act for a district that would receive less than half in local levies and Local Effort

Assistance—based on the lesser of \$2,500 per pupil or \$1.50 per \$1,000 of assessed property value—than it would have received under law as it existed on January 1, 2017 and have an adjusted assessed property value in the district of greater than \$20 billion dollars.

- Appropriates \$12 million for a new hold harmless payment.
- Removes the section changing fees paid to higher education institutions for Running Start students.
- Splits the allocation for library materials out from other supplies and library materials in the prototypical school funding formula.
- Adds the percentage of homeless students served under the federal McKinney-Vento Homeless Assistance Act from outside the district as a local school district characteristic reviewed for Transportation Alternate Funding Grant awards.
- Adds a section requiring the special education Safety Net Oversight Committee to consider the extraordinary high-cost needs of special education students served in institutional settings for safety net awards.
- Removes a provision requiring school districts to make reasonable efforts to streamline the process for charging fees and to automatically discount fees for students that qualify for free and reduced-price meals if that district has the appropriate technology.
- Specifies that levies collected in 2018 are subject to audits and enrichment levy restrictions for the 2018-19 school year.
- Removes language limiting the hourly rate paid under a supplemental contract to the same rate for paid services under the basic education salaries.
- Authorizes public schools to develop curricula that links student learning with engagement in seasonal or non-seasonal outdoor-based activities, is aligned with the essential academic learning requirements, and includes locally administered competency based assessments that align with the Washington State Learning Standards.
- Authorizes public schools that develop the curricula to request authorization from OSPI to consider student participation in the activities as instructional days for the purposes of specified basic education requirements.
- Directs OSPI to approve requests by public schools to consider student participation in seasonal or non-seasonal outdoor-based activities as instructional days for the purposes specified basic education requirements.