

HOUSE BILL REPORT

HB 1657

*As Reported By House Committee on:
Education
Appropriations*

Title: An act relating to education fiscal matters.

Brief Description: Adopting a weighted student funding formula for common schools.

Sponsor(s): Representatives Locke, Holland, Phillips, Peery, Ebersole, Zellinsky, Pruitt, Van Luven, R. Meyers, Ferguson, Forner, Jacobsen, Cole, Valle, Roland, Dorn, Appelwick, Nelson, Heavey, Wang, Rasmussen, O'Brien, R. Johnson and Anderson.

Brief History:

Reported by House Committee on:
Education, February 28, 1991, DPS;
Appropriations, March 10, 1991, DPS(ED)-A.

**HOUSE COMMITTEE ON
EDUCATION**

Majority Report: *That Substitute House Bill No. 1657 be substituted therefor, and the substitute bill do pass.*
Signed by 13 members: Representatives Peery, Chair; G. Fisher, Vice Chair; Brough, Ranking Minority Member; Cole; Dorn; Holland; Jones; Orr; Phillips; Rasmussen; Roland; H. Sommers; and Valle.

Staff: Jack Daray (786-7178).

Background: Prior to the enactment of the Basic Education Act in 1977, state funding for school districts was distributed through a "weighted pupil formula." In other words, the Legislature established a per pupil funding amount, which was adjusted for special cost factors such as handicapped enrollment and seniority of teaching staff. In 1978-79, the weighted pupil formula was replaced with a staffing formula based on an allocation of 50 certificated employees per 1,000 full-time students. This staffing formula, with some modifications, remains the basis for state education funding today.

Currently, the state-funded salary amount per allocated employee acts as a limit on teachers salaries. The state

salary control statute prohibits a school district's actual average salary for certificated instructional staff from exceeding the state-allocated amount. Thus, school districts are limited to salary increases funded by the state. However, the salary control statute exempts from this lid any increases in supplemental contracts for additional time, responsibilities, or incentives.

While enacting the Basic Education Act in 1977, the Legislature also adopted a plan to phase down school district levy authority. Operating levies were to be lidded at an amount equivalent to 10 percent of the district's state funding. In 1987, the levy statute was amended so that districts would be phased down to a 20 percent lid. In 1991, approximately 91 school districts have "grandfathered" levy authority between 20 and 30 percent.

The Legislature has also recently implemented a program of state matching funds to help school districts with low per-pupil assessed valuations. This program, known as "levy equalization," enables all school districts to raise the equivalent of a 10 percent levy at the statewide average 10 percent levy rate.

A recent study of the Seattle School District (Cresap), commissioned by the Legislature, reaffirmed long standing concerns on the special problems associated with education in large urban settings and in areas with concentrations of students from low-income families. Past efforts at addressing such problems included the Urban, Rural, Racial, Disadvantaged program (URRD) funded by the Legislature until the revenue problems of the early 1980s.

Summary of Substitute Bill:

K-12 Finance Study

A study of the merits of use of a weighted student formula or other approaches to budget allocation methods in the K-12 system is to be conducted by December 15, 1991. Two members of each legislative body, parents, school administrators, teachers, classified staff and school board members will participate in the study which will have staff support provided by the Superintendent of Public Education.

Levy Authority

Limitations on school district levy authority are raised by 10 percent to 30 percent statewide; those districts authorized to be above the levy limit are provided an additional 10 percent revenue authority.

Levy Equalization

Levy equalization is raised 10 percent; the new level is 20 percent for eligible districts.

Reference in the Appropriations Act

If funding and reference to this bill by number are not provided in the appropriations act then the sections of the bill concerning levy equalization and levy lids become null and void; the effect is to revert to current policy which includes a 20 percent limit.

Substitute Bill Compared to Original Bill:

Replace Basic Education Formula with a Weighted Pupil Formula: A study of budgeting approaches will be conducted rather than "implementation" of the weighted pupil formula.

Repeal of State Salary Lids for Instructional Employees: Salary lids are not repealed.

Repeal of Levy Lid Limitations: Levy lids are increased to 30 percent from the existing 20 percent limit instead of being repealed; districts in excess of the current levy lids are increased by 10 percent.

Levy "Equalization": Twenty percent is provided in the substitute as in the original bill.

Reference to the Appropriations Bill: Null and void language is added.

Fiscal Note: Requested February 14, 1991.

Effective Date of Substitute Bill: The bill contains an emergency clause and sections 1 and 2, pertaining to the weighted student formula study, take effect immediately. Sections 3 and 4, pertaining to the equalization and levy lid increase, take effect January 1, 1992.

Testimony For: Review of current "staff formula" budgeting in the context of a "pupil weighted formula" would be useful to reveal strengths and weaknesses of various approaches to budget allocation methods. Concern with budgetary issues of specific programs includes vocational education, skills centers, handicapped education, bilingual education and various other programs. Special costs are associated with educating children from poor families and large urban schools.

Additional levy capacity and levy equalization provide important resources to districts which are experiencing budget difficulties due to increasing program demands. Many communities are willing to tax themselves to improve their

schools. Controls on salaries limit the ability to collectively bargain and use local funds to attract and maintain a quality workforce.

Testimony Against: None.

Witnesses: Rick Ogelsby, Seattle Education Association (supports); Bob Watt, City of Seattle (supports); Ken Watson, Larry Matsuda, and Pat Moyer, Seattle School District (supports); Dr. George Daniel (supports in concept); Paul Sjunnesen, Everett School District (supports with amendment); Pete Gomes, Kent Chamber of Commerce (supports); Karen Davis, Washington Education Association (supports); and Reese Lundquist, Seattle Education Association (supports).

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *The substitute bill by Committee on Education be substituted therefor and the substitute bill as amended by Committee on Appropriations do pass.* Signed by 24 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Bowman; Braddock; Brekke; Dorn; Ebersole; Ferguson; Fuhrman; Hine; Lisk; Nealey; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; Wang; and Wineberry.

Minority Report: *Do not pass.* Signed by 2 members: Representatives Belcher and McLean.

Staff: Jack Daray (786-7178).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Education: Provisions increasing levy equalization to 20 percent and raising the levy lid to 30 percent are removed.

Fiscal Note: Requested March 6, 1991.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: None.

Testimony Against: None.

Witnesses: None.