Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Education Committee

HB 1700

Brief Description: Requiring a statewide cost-of-living index for basic education salary allocations.

Sponsors: Representatives Anderson, Pflug and Jarrett.

Brief Summary of Bill

- The state's teacher salary allocation model will include a cost-of-living index.

Hearing Date: 2/19/03

Staff: Susan Morrissey (786-7111).

Background:

Three school funding court cases, also called the Doran decisions, have shaped the way the State defines and funds basic education. The first and second Doran decisions both included, as a principle, the importance of salary costs in meeting the state's basic education obligation. The court stated, "The most significant factors to be considered in determining the funding used are the staff ratios and the related salary costs." In addition, the State must fund "salaries necessary to assure local school districts the ability to hire and retain competent staff."

The State meets this obligation through formulas that include, for teachers and educational staff associates, a salary allocation model. The model is limited to two factors, experience and education. The salary allocation model is used to determine the amount of funding the State will provide for salaries. With two exception, the actual distribution of salary monies at the local level is determined by each district's school board. The exceptions: by law, districts may not pay a teacher less than the amount provided for a beginning teacher with a baccalaureate degree, nor may they pay a person with a master's degree less than the amount provided for a teacher with a master's degree and no years of experience.

The 2000 Legislature directed the Office of Financial Management (OFM) to conduct a review of K-12 regional cost issues. The OFM's report submitted in response indicated: (1) state funding formulas for salaries of school district staff do not currently recognize regional differences in the cost of living; (2) housing costs account for most of the differences in the cost of living among regions in Washington; and (3) about two-thirds of teacher households in Washington are homeowner households.

Based on data from the Economic Research Institute (ERI) the OFM estimated that differences in annual homeowner costs range from approximately $8,000 in Klickitat County to more than $42,000 in King County. The median annual teacher homeowner cost for the 1998-1999 school year was $16,000.

The OFM review also analyzed available measures of cost of living, examined methods for simulating a cost-of-living adjustment by district, and discussed housing allowance implementation issues and other options.

Summary of Bill:

The Legislative Evaluation and Accountability Program (LEAP), in consultation with the State Forecast Council, will establish and maintain a set of economic indicators for use in adjusting the state's salary allocation model. The indicators, which will be used to create a cost-of-living index for the salary model, will include the median cost of housing.

By July 1, 2004, LEAP will provide the cost-of-living index to an advisory committee for its review. The six member committee, which is appointed by the Governor, will include the representation from the Superintendent of Public Instruction (SPI), the Office of Financial Management (OFM), Employment Security, and three representatives of the private sector. The committee's review and recommendations on the index must be provided to LEAP by October 1, 2004.

The index will recognize cost-of-living differences among the nine educational service districts (ESDs).

By January 15, 2005, the director of LEAP will present the index to the Governor and the chair and ranking members of the House and Senate Fiscal and Education Committees. The index will be deemed approved unless it is rejected by resolution of both houses of the Legislature. The index will then be used to adjust the state salary allocation model, using the cost-of-living index developed for the ESD in which the school district is located.

Twice a year, LEAP will report to policymakers on changes to the economic indicators that underpin the cost-of-living index. Upon further consultation with the SPI and OFM, LEAP will identify the changes in the cost-of-living index for each ESD every two years. In addition, every two years, LEAP will recommend any needed changes to the manner in which the index is calculated and applied. Changes to the index cannot cause a teacher's base salary to be lower than the teacher's base salary was the previous year.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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