

HOUSE BILL REPORT

HB 1871

As Reported by House Committee On:
Education

Title: An act relating to education system benchmarks and monitoring.

Brief Description: Regarding education system benchmarks and monitoring.

Sponsors: Representative Santos.

Brief History:

Committee Activity:

Education: 2/6/07, 2/26/07 [DPS].

Brief Summary of Substitute Bill

- Establishes a financial health and monitoring system to evaluate and rate the long-term financial health of school districts, and requires a review of the current budget submittal and approval process.
- Creates an education data center to provide data analysis and support to the P-20 Council.

HOUSE COMMITTEE ON EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Quall, Chair; Barlow, Vice Chair; Priest, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Haigh, McDermott, Roach, Santos and P. Sullivan.

Staff: Andrew Colvin (786-7304).

Background:

Responsibility for financial management of each school district rests with the local school board and the superintendent they retain to manage the operations of the school district. However, the district's financial management is regulated by state law and supervised by the Office of Superintendent of Public Instruction (OSPI). The Washington State Auditor audits

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school district financial records for compliance with laws and regulations, general accounting practices, and adequate internal controls.

Each school district develops and adopts its own budget prior to the beginning of each school year. The budget process is governed by state law (RCW 28A.505) and regulations (WAC 392.123), and on instructions provided by the OSPI. The budget approval and review process varies slightly between first class and second class school districts, with the second class districts actually having to receive approval from a budget review committee.

The 2005 Legislature created a comprehensive education study to include examination of early learning, K-12 education, and higher education. The study effort, chaired by Governor Gregoire, became known as Washington Learns. Washington Learns issued an interim report in November 2005 and final recommendations in November 2006, for consideration by the Legislature.

As part of addressing quality and accountability, Washington Learns recommended the development of a financial health monitoring system for the K-12 public schools. In its final recommendations, Washington Learns found that the current budget review system focuses on the current school year, and does not provide a long-term, prospective look at school districts' budget health.

Washington Learns also recommended the creation of a P-20 Council to track progress toward long-term goals and improve student transitions through the education system. To provide support for that effort, the recommendation included the development of an education data center, which would compile and analyze student data from the various educational agencies.

Summary of Substitute Bill:

Financial Health Ratings System for School Districts. The Legislative Evaluation and Accountability Program (LEAP) and the Office of Financial Management (OFM) are directed to identify a limited set of system measures for a public financial reporting system based on recommended measures developed by the Government Finance Officers Association. The LEAP and the OFM shall also develop a financial health outlook rating system consisting of three categories. Based on a school district's system measures, the district will be placed in one of the three financial health outlook categories. The system measures and rating system shall be presented to the Governor and the Legislature by November 2007. The financial health ratings system shall be implemented during the 2008-09 school year unless the Legislature changes the system measures or ratings system during the 2008 legislative session.

Each school district's financial health outlook category will be published annually, and updated as needed. Those districts in the lowest two categories will receive technical assistance through regional financial specialists contracted through Educational Service Districts (ESDs). The LEAP and the OFM shall also review the school district budget process, and develop recommendations for oversight and potential intervention for districts in

the lowest two categories. Such recommendations must receive legislative approval before being implemented.

The system measures and the financial health outlook rating system shall be presented to the Governor, the Superintendent of Public Instruction (SPI), and the fiscal committees of the Legislature by November 1, 2007.

Education Data Center. The Education Data Center shall be established within the LEAP, and will conduct collaborative analyses of education issues across the P-20 system. The education data center will provide the data and analyses to support the P-20 Council, as well as assist other state education agencies in establishing benchmarks and determining progress relative to those benchmarks. To accomplish this, the LEAP may work with the OFM in conducting analysis. The Education Data Center will work with the various state education agencies and institutions to develop data sharing and research agreements. The SPI shall develop format and reporting instructions for school districts to facilitate data analysis of student achievement using disaggregated data.

Substitute Bill Compared to Original Bill:

The data center shall be housed in the LEAP rather than in the OFM. The system measures and ratings system shall be developed by the LEAP and the OFM. Implementation of the system is automatic unless the Legislature changes it during the 2008 session. Recommendations by the LEAP and the OFM relative to the school budget process must receive Legislative approval before being implemented.

The Education Data Center is housed within the LEAP rather than the OFM. The SPI must develop collection and format instructions for school districts to collect student demographic data that is disaggregated by distinct ethnic categories within racial subgroups. The data center will conduct analysis using this data.

Deletes the section pertaining to identifying and updating a list of the Global Challenge States (GCS) for purposes of benchmarking.

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.

Staff Summary of Public Testimony:

(Invited testimony) Use of the GCS for benchmarking is an idea that came out of Washington Learns. The GCS are those states in the top eight of the New Economy Index, as published by the Progressive Policy Institute. The index ranks states on their potential to compete in the global economy. Comparisons to other countries would have been preferable, but the data is not available for that, so the GLC are really a surrogate for international comparisons. School

district budgets undergo a number of reasonableness tests. However, the current budget review system is limited, and only provides a snapshot of budgets and year-end financial statements. The ESDs can only provide advice to most districts, not mandate changes. Cuts in funding have limited the ability of ESDs to assist school districts with budget preparation and review. It would be beneficial to be able to see at an earlier stage when a district may be heading for financial trouble. This bill would assist in training of the ESD staff. It may require some additional authorization for some districts to enable them to enter data into the system.

(In support) Making the budgeting process more transparent is a good thing. The public will support education more if they understand it better.

(In support with concerns) This could impose unfunded mandates on school districts. Hopefully this bill will not result in a duplication of efforts. It may be advisable to include the Washington school business officials in the process because they know how the system works. It is important that school districts get actual assistance, not just policing and invention. School districts need assistance from SPI and the ESDs to be successful, so we need to look at the support provided to those entities as well.

(With concerns) Providing school district's with support and assistance in the budgeting process is good, but it is important to consider issues of school district authority and local control. There is some concern over how the system measures would be determined, and how the system would work. These details should be known before anything is implemented. This bill casts a negative connotation on long-term collective bargaining agreements.

(Opposed) None.

Persons Testifying: (Invited testimony) Julie Salvi, Office of Financial Management; Cal Brodie, Office of the Superintendent of Public Instruction; Time Merlino, Educational Service District 112; and John Molohan, Educational Service District 113.

(In support) Christie Perkins, Washington State Special Education Coalition.

(In support with concerns) Mitch Denning, Alliance of Education Association; and Allan Jones, Tumwater School District.

(With concerns) Barbara Mertens, Washington Association of School Administrators; Bill Freund, Washington Education Association; and Dan Steele, Washington State School Directors Association.

Persons Signed In To Testify But Not Testifying: George Scarola, League of Education Voters.