

SENATE BILL REPORT

SB 5919

As Reported by Senate Committee On:
Ways & Means, May 23, 2011

Title: An act relating to education funding.

Brief Description: Regarding education funding.

Sponsors: Senators Murray and Zarelli.

Brief History:

Committee Activity: Ways & Means: 4/06/11, 4/15/11, 5/23/11 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5919 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Brown, Conway, Fraser, Hewitt, Honeyford, Kastama, Keiser, Kohl-Welles, Regala, Rockefeller, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senator Pflug.

Staff: Elise Greef (786-7708)

Background: Basic Education and K-12 Funding Formulas. In the 2009-11 biennium, two pieces of legislation were enacted to redefine basic education and restructure the K-12 funding formulas. The first was Engrossed Substitute House Bill 2261 (ESHB 2261), Chapter 548, Laws of 2009, which expands the definition of basic education by adding the programs for highly capable students and student transportation to and from school. A new transportation funding formula was adopted to predict pupil transportation costs based on regression analysis. Additionally, the all-day kindergarten programs that had been phased in since 2007 are to become part of basic education with the continued phase in of the highest poverty schools first. Increases in the number of instructional hours and the minimum number of credits for high school graduation are to be phased in on a schedule set by the Legislature. The framework for a new K-12 funding allocation formula based on prototypical schools was created. These changes are to take effect September 1, 2011.

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.

ESHB 2261 also created the Quality Education Council to develop strategic recommendations and guide implementation of the new definition of basic education. The group is made up of designated representatives including four state Senators and four state Representatives, the Superintendent of Public Instruction, the director of the Department of Early Learning, representatives from the State Board of Education and the Professional Educator Standards Board, and an appointee chosen by the Governor.

The second bill, Substitute House Bill 2776, Chapter 236, Laws of 2010, enacted in statute that the new prototypical school allocation formulas at funding levels which represent the 2009-10 school year state spending on basic education. The bill also established a timeline, effective September 1, 2011, for phasing in enhancements to the program of basic education and certain funding levels as follows: During the 2011-13 biennium,

- enhanced funding for transportation must begin to be phased in to be completed by the 2013-15 biennium;
- and beginning with the schools with the highest poverty students, the K-3 class size must be reduced to 17 students per teacher by 2017;
- the minimum allocation for maintenance, supplies, and operating costs (MSOC) must be increased as specified in the Omnibus Appropriations Act until specific amounts are provided in the 2015-16 school year; and
- funding for all-day kindergarten must continue to be phased in each year until full statewide implementation is achieved in the 2017-18 school year.

Initiative 728 (I-728). I-728, approved by the voters in November 2000, created the Student Achievement Fund and dedicated certain state revenues to support various school reform activities in public schools. The funds may be used for several specific purposes, including reductions in certain class sizes, and teacher professional develop, among others.

Allocations to school districts are based on the average number of full-time equivalent (FTE) students in the school district in the previous school year. The amount is designated in statute as \$450 per-student FTE in school year 2007-08, to be adjusted for inflation by the Implicit Price Deflator (IPD) annually thereafter. In Chapter 541, Laws of 2009 the Legislature amended the statute to allow the value of the per-student allocation to be set in the Omnibus Appropriations Act for school years 2009-10 and 2010-11.

Allocations to school districts are estimated to total \$860.2 million for the upcoming 2011-13 biennium, which represents allocation rates of \$476.55 per-student FTE for school year 2011-12 and \$484.45 for school year 2012-13.

Career and Technical (CTE) Student Organizations. SPI must provide staff support for statewide coordination of CTE student organizations, including but not limited to the National FFA Organization; Family Career, and Community Leaders of America; SkillsUSA; Distributive Education Clubs of America; Future Business Leaders of America; and the Technology Student Organization.

Special Services Pilot Program. In 2003 the Legislature authorized and funded two school districts to pilot programs of early and intensive intervention services in reading and language with the intent to reduce the number of children who may eventually require special education services. The pilot program was originally to expire June 30, 2007. In 2007 the

Legislature reauthorized, expanded, and funded the pilot program for seven school districts. The expanded pilot program is to expire June 30, 2011.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): Basic Education and K-12 Funding Formulas. It is clarified that the number of instructional hours and the minimum number of credits for high school graduation will be increased no sooner than the 2014-15 school year.

The pupil transportation funding formula, scheduled to go into effect September 1, 2011, is adjusted as follows:

- The new formula includes statistically significant factors only.
- The indirect-cost rate added to the final prior year expenditures is specified as the federal restricted indirect rate.
- The growth in salaries and benefits in the allowable prior year expenditures will not exceed the growth provided for in the budget.
- During the transition to full implementation, the funding will include budgeted increases provided in the Omnibus Appropriations Act for salaries or fringe benefits.
- Clarifies that, during the transition to full implementation, in-lieu bus depreciation payments to contracting districts are not included in the reported prior year expenditures.

The transitional bilingual education funding formula is amended to provide that, notwithstanding the requirement that funding allocation provide a statewide average additional number of hours per week of instruction, the actual per-student allocation may be scaled for a larger allocation for students needing more intensive intervention and a commensurate reduced allocation for those needing less intensive intervention.

The Quality Education Council (QEC). The QEC must include in its report to the Legislature that is due January recommendations for an implementation schedule to phase out the funding for I-728 and phase in statewide funding for the HB 2776 enhancements by December 31, 2018.

I-728. I-728 statutes will be repealed when full statewide implementation of the funding for the prototypical schools under RCW 28A.150.260, including the enhanced funding, is achieved, which must be no later than 2018 and adds a repealing clause, effective December 31, 2018, to the I-728 statute.

(CTE) Student Organizations and Special Services Pilot. The SPI is responsible for staffing the CTE student organizations only to the extent that funds are available. The special services pilot program expires March 1, 2011, instead of June 30, 2011.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute as Passed Committee): The changes to the implementation dates of the basic education expanded definition and funding enhancements are removed.

The elimination of I-728 effective September 1, 2011, is removed and replaced with direction to the QEC to recommend an implementation plan for phasing out I-728 as the basic

education funding enhancements are phased in. I-728 statutes are repealed effective December 31, 2018, which is when the new basic education funding enhancements must be implemented statewide under current law.

The amendment to the transitional bilingual education funding formula is added. Provisions regarding I-732 COLAs and teachers' National Board bonuses are removed.

Amendments to CTE student organizations and special services pilot program statutes are added.

Appropriation: None.

Fiscal Note: Requested on April 5, 2011.

Committee/Commission/Task Force Created: None.

Effective Date: Sections 1, 2 and 3 take effect September 1, 2011. The bill contains an emergency clause and Sections 5 and 7 take effect immediately. Sections 4, 6, 8, and 9 take effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee:

CON: Judge Erlich's decision in the Superior Court ruling said the state cannot avoid its Constitutional duty to fully fund basic education by stating an intent to comply at some point in the future. This bill is realizing Judge Erlich's prediction. I hope you're uncomfortable and embarrassed. We've done a lot of great work in recent years putting the new system in place, and this bill allows you to bail. I understand this is an uncomfortable conversation to have every year when you don't have the money to follow through on a lot of these efforts but it's your paramount duty to have the conversation and keep the focus on basic education. This bill has good intentions but good intentions are not good enough. The bill strips all the dates. The Legislature is making dreadful decisions this year, but the dates should not be removed because they provide a backstop. Learning Achievement and English Language Learners programs are already part of basic education. They should not be removed. We understand the I-728 needs to be suspended, but don't eliminate it altogether. The four-year suspension of I-732 is too long, and the lost COLA should be brought forward. The school directors' first priority is keeping HB 2261 and HB 2776 moving forward. You could look at the House budget to see a way to manage the funding. Put just a little bit into these programs in the next biennium. If you don't have timelines, it won't happen. You can afford it because you can at least give a dollar. In the transportation section, there are four amendments; the fourth is good.

Persons Testifying: CON: Chad Magendanz, Marnie Maraldo, Issaquah School Board; Lucinda Young, Washington Education Association; Marie Sullivan, Washington State School Directors' Association; Mitch Demming, Alliance of Educational Associations.