
Appropriations Committee

HB 2366

Brief Description: Concerning basic education obligations.

Sponsors: Representatives Lytton, Magendanz, Sullivan, Caldier, Kochmar, Rossetti, Muri, Haler and Santos.

Brief Summary of Bill

- Establishes the Education Funding Task Force to continue the work of the governor's informal work group to make recommendations to the legislature on implementing the program of basic education.
- Directs the Washington State Institute for Public Policy to contract for independent professional consulting services.
- Directs the Legislature to take legislative action by the end of the 2017 session to eliminate school district dependency on local levies for implementation of the state's program of basic education.
- Appropriates \$500,000 to the Evergreen State College.

Hearing Date: 1/20/16

Staff: Jessica Harrell (786-7349).

Background:

Basic Education Funding Formulas.

Under the prototypical school formula established in Chapter 548, 2009 Laws PV (ESHB 2261) and Chapter 236, 2010 Laws PV (SHB 2776), the state allocates funding to the state's 295 school districts for implementation of the state's program of basic education. These bills called for phased-in implementation of specified enhancements to the basic education program and the funding to support it. The 2015-17 omnibus appropriations act included full implementation of: (1) the pupil transportation funding model; (2) specified increases in funding for materials, supplies, and operating costs (MSOC); and (3) statewide implementation of all-day kindergarten.

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.

The 2015-17 appropriations also included phase-in of the remaining K-3 class size reduction policy, funding class sizes ranging from 19 to 22 students for general education K-3 class sizes and 17 to 21 students in high poverty schools. The remaining step to fully implement class size reductions for grades kindergarten through 3 (K-3) to 17 students is due to be fully funded by the 2017-18 school year.

School District Employee Compensation.

State Allocations. Funding to support salaries for the classified and administrative staff allocated through the prototypical school funding formula is specified in the omnibus operating appropriations act. Funding for certificated instructional staff (CIS) is allocated based on a "grid" which provides salary values that increase based on educational credit and years of experience. 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. In addition, the state allocates a salary rate for classified staff and a salary rate for administrative staff in each district. (Some districts are "grandfathered" at a higher salary allocation for one or more of the staff types.)

State Restrictions on CIS Salaries. 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 CIS salaries are determined by each district's collective bargaining agreements.

However, the state places some restrictions on actual salaries districts may pay. First, a district may not pay CIS less than the lowest salary on the state grid for a bachelor's or master's degree and zero years of experience. Second, a district's actual average CIS salary may not exceed the district's actual average salary that is allocated under the state formula. Third, CIS salaries in the basic education program must be consistent with CIS salaries in other programs. Finally, CIS salaries may exceed these limits only by separate contract for additional time, responsibility, or incentive (TRI). Under the TRI restrictions, supplemental contracts may not be used to pay for services that are part of the state's program of basic education.

Salary Enhancements. ESHB 2261 expressed intent to enhance allocations for school district employee compensation by 2018. A report issued in 2012 by a Compensation Technical Working Group (Group) recommended that allocations be based on market-rate salaries for comparable occupations, as identified by a study commissioned by the Group. The commissioned study recognized that districts use locally funded TRI pay to supplement state salary allocations for CIS, but it did not include data on or analysis of the services provided under those contracts.

Local Property Tax Levies for Schools.

Schools District Excess Levies. Upon voter approval, school districts are authorized to collect levies above the 1 percent constitutional property tax limit. School district voters may approve maintenance and operation (M&O) levies for up to four years, capital levies for up to six years, and bond levies for the life of the bonds. Under the rulings of the state Supreme Court, M&O levies may be used only for "enrichments" beyond the program of basic education, and the state may not cause school districts to rely on local levies for the support of the state's basic education program.

A school district's maximum M&O levy amount is determined by the district's levy base and levy percentage. Generally speaking, a district's annual levy base is its state and federal funding for

the prior school year, adjusted for inflation. Until calendar year 2018, the levy percentage 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.) Beginning in calendar year 2018, the levy percentage drops to 24 percent.

Local Effort Assistance.

Under the state's program of local effort assistance (LEA), also known as levy equalization, the state provides additional funding to school districts that are at a relative disadvantage in raising M&O levies due to relatively low property values. Local effort assistance is not part of the basic education program. Currently, 215 districts are eligible to receive LEA, of which 205 districts are receiving the assistance.

McCleary Ruling and Subsequent Orders.

In the 2012 *McCleary* ruling, the state Supreme Court invalidated the state's pre-ESHB 2261 funding formulas and determined that the state had failed to fulfill its constitutional duty to make ample provision for the education of all children. Among other things, the court ruled that the state funding formulas failed to allocate sufficient funding to hire and retain staff to implement the state's program of education. In subsequent orders, the court has directed the state to provide the court with a year-by-year plan for full funding of all aspects of basic education. In 2014, the court declared that the state's failure to submit a plan constituted contempt of court, and in 2015 the court imposed sanctions against the state.

Summary of Bill:

Findings and Intent.

The Legislature indicates its commitment to funding its statutory formulas for the state's program of basic education, explaining that the current 2015-17 operating budget funds its statutory formulas for pupil transportation, MSOC, statewide all-day kindergarten, and class size reductions in grades K-3. The Legislature explains that the four-year budget outlook reflects the plan for funding the remaining increment of K-3 class size reduction by the scheduled statutory due date.

The Legislature declares its commitment to fully funding the program as defined and to eliminating school dependency on local levies for implementation of the state's program. Legislative intent is declared to provide state funding for competitive salaries and benefits that are sufficient to hire and retain competent staff.

The Legislature finds that the lack of transparency regarding the use of local levy funds limits its ability to make informed decisions and that previous studies did not include data and analysis of compensation paid by districts that is above basic education salary allocations. The Legislature declares that data and analysis on the source of compensation funding, duties, uses or categories for which compensation is paid above the state's allocation is necessary to inform the legislature's decisions.

Education Funding Task Force Established.

The Education Funding Task Force (EFTF) is created to continue the work of the Governor's informal work group to review the data and analysis provided by the consultant retained in this bill. The task force consists of eight legislators, two member from each of the two largest

caucuses of the House of Representatives and the Senate; and the governor or his designee as a non-voting member to serve as a facilitator. Recommendations of the EFTF require an affirmative vote of five of its members and must be submitted to the legislature by January 9, 2017. Staff support is provided by the Office of Program Research and Senate Committee Services, with additional support provided by the Office of Financial Management. EFTF meetings are open to the public and must include the solicitation of input from the public.

The EFTF must make recommendations to the legislature on implementing the program of basic education. Using the data and analysis provided by the consultant retained under the bill, the work of the Washington State University report on inventories and assessment of the condition of Washington's schools, and the Professional Educator Standards Board report on addressing teacher shortages, the EFTF must, at a minimum, make recommendations regarding the following:

- Compensation that is sufficient to hire and retain the staff funded under the statutory prototypical model and an associated salary allocation model.
- Whether future salary adjustments should be incorporated into the salary allocation model and the method for providing adjustment, if applicable.
- Whether a local labor market adjustment formula should be incorporated and, if so, the method for adjustment, including considerations for rural and remote districts and districts with economic distressing factors that affect recruitment and retention.
- How to achieve sufficient classroom facilities to fully accommodate K-3 class size reduction, while maintaining the existing shared responsibility of local districts and the state to fund school construction.
- Improving or expanding existing educator recruitment and retention programs.
- Local M&O levies and local effort assistance.
- Local school district collective bargaining.
- Clarification of the distinction between services provided as part of the state's statutory program of basic education and services that may be provided as local enrichment.
- The provision and funding method for school employee health benefits.
- Sources of state revenue to support the state's statutory program of basic education.

Consulting Services and Data and Analysis.

The Washington State Institute for Public Policy, in consultation with the EFTF, must contract for independent professional consulting services to collect and analyze K-12 public school staff compensation. The data to be collected and analyzed includes public school staff total compensation data including: compensation paid in addition to basic education salary allocations; source of funding, and the duties, uses or categories for which the additional compensation is paid. In addition the consultant must also identify market rate salaries that are comparable to each of the prototypical school staff types and provide analysis regarding whether a local labor market adjustment formula should be implemented and which market adjustment factors should be used.

The superintendent of public instruction must collect the data from the school districts with sufficient time for the consultant to accomplish the work required. The consultant must provide an interim report by September 1, 2016 and a final report by November 15, 2016.

Specified Legislative Action.

The legislature must take legislative action by the end of the 2017 session to eliminate school district dependency on local levies for implementation of the state's program of basic education.

Appropriation: An appropriation in the amount of \$500,000 for the 2015-17 biennium is made to the Evergreen State College.

Fiscal Note: Available.

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