

SENATE BILL REPORT

SB 6352

As of February 3, 2018

Title: An act relating to modifying provisions relating to funding fully the state's program of basic education.

Brief Description: Modifying provisions relating to funding fully the state's program of basic education.

Sponsors: Senator Nelson; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 2/01/18.

Brief Summary of Bill

- Modifies salary provisions.
- Modifies the apportionment payment schedule.
- Eliminates staff mix for certificated instructional staff (CIS) at charter schools.
- Adjusts the inflation definition.
- Amends date for maintenance and operations levies solely as enrichment.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Sarian Scott (786-7729)

Background: Engrossed House Bill 2242. In the third special session of 2017, the Legislature enacted EHB 2242. This legislation increased and revised state allocations for K-12 basic education salaries, professional development days, and the prototypical school funding model; and limited use of school district levies for enrichment outside of the basic education program. It created a School Employees Benefits Board to procure health care and other benefits for school district employees statewide. A new state property tax for common schools was established at a total rate of \$2.70 per \$1,000 of assessed value when combined with the existing state property tax; capped school district levies at the lesser of \$2,500 per

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student or \$1.50 per \$1,000 of assessed property value; and revised local effort assistance up to \$1,500 per student.

Since 2012, when the Washington Supreme Court found that the state had failed to meet its paramount duty to amply fund a program of basic education and retained jurisdiction, the Legislature has annually reported to the court on legislative progress towards amply funding a program of basic education. The July 2017 report to the court included summary information on EHB 2242.

In the November 2017 court order, the court concluded that the state had met its constitutional duty to fully fund basic education with regards to materials, supplies and operating costs; student transportation; categorical programs of basic education, including Special Education, the Highly Capable student program, Transitional Bilingual Instructional Program, the Learning Assistance Program (LAP); and the new salary allocation model under EHB 2242. However, the court found that the state remains out of full compliance with its constitutional duty because the salaries are not fully implemented by September 1, 2018. The court declared if the state is not in compliance by the end of the regular 2018 legislative session on March 8, 2018, the court will immediately address the need to impose additional remedial measures.

School District Salaries & Regionalization. In 2017, the Legislature reformed state allocations for school district staff salaries, including how school district staff salaries are established and adjusted in the future, through the enactment of EHB 2242. These changes take effect with the 2018-19 school year.

Before EHB 2242. Through school year 2017-18 the state allocated funding for CIS salaries based on a grid which provides salary values that increase based on educational credit and years of service. 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. Funding to support salaries for the classified staff (CLS) and administrative staff (CAS) is specified in the budget bill as a salary rate per state-funded staff person. 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 salaries are determined by each district's collective bargaining agreements.

After EHB 2242. Under EHB 2242, beginning in school year 2018-19, the state will cease using the state salary schedule to allocate CIS salaries for school districts, thus eliminating use of a district's staff mix of CIS education and years of experience. Instead, the state will allocate salary funding to school districts based on minimum statewide average salaries for each of the three school staffing categories. Beginning in school year 2018-19, the minimum allocated salaries must be increased in equal increments to the following amounts for school year 2019-20, adjusted for inflation from the 2017-18 school. In school year 2018-19 salaries are phased in at 50 percent:

- CIS—an average salary of \$64,000;
- CAS—an average salary of \$95,000; and
- CLS—an average salary of \$45,912.

Additional requirements are established for CIS salaries. Districts may not pay CIS less than \$40,000, or more than \$90,000, and salaries for CIS with five years' experience must be at least 10 percent more than the minimum salary. These restrictions apply to salaries for the basic education program, and exclude supplemental contracts. Districts may exceed the caps for specified hard-to-staff positions. Each of the minimum and maximum salaries is adjusted by inflation and by a district's regionalization factor.

Implicit Price Deflator (IPD). Under EHB 2242, state salary allocations must provide an inflationary adjustment based on the IPD, rather than the Consumer Price Index (CPI). The IPD is the inflationary measure published by the Bureau of Labor Statistics, U.S. Department of Labor, for the State of Washington.

Temporary Limitations on Salary Increases. EHB 2242 required for the 2018-19 school year, that if a school district's collective bargaining agreement was modified after July 6, 2017, and in effect for the 2018-19, school year then school districts are restricted from providing a percentage increase to total salary for CIS, CAS, and CLS above inflation as measured by the CPI, including supplemental contracts. These provisions expire August 31, 2019.

Enrichment Levy Restrictions. EHB 2242 changed maintenance and operation (M&O) and transportation vehicle levies to enrichment levies. Beginning in the 2019-20 school year, school districts may use local levies, including transportation vehicle levies, solely for documented and demonstrated enrichment and not for basic education. Use of local levies for supplemental contracts must be for only documented and demonstrated enrichment.

Summary of Bill: Salary Provisions. *Salary in 2018-19 school year.* The bill provides full salary funding in the 2018-19 school year, revising it from 50 percent to 100 percent. It also aligns the dates on allowable compensation that school districts may provide to their employees.

Staff Mix. The bill updates the statute governing charter schools to remove references to staff mix in order to align with the elimination of the salary grid in 2017.

IPD. The bill specifies that the IPD is the inflationary measure for salary adjustments, published by the Bureau of Economic Analysis of the Federal Department of Commerce. Additionally, inflationary adjustments will be provided starting with the 2019-20 school year instead of the 2020-21 school year.

State Allocations. *Apportionment Payment Schedule.* The bill adjusts the apportionment payment schedule to reduce percentages in February (-1 percent), March (-1 percent) and April (0.5 percent) and to increase August (+2.5 percent). This changes the school year to the state fiscal year split from 77.5 percent:22.5 percent to 75 percent:25 percent. The effective date is September 1, 2018.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony:

Persons Testifying: PRO: Kate Davis, Office of Financial Management; Stephen Miller, Washington Education Assoc/Vice President; Lorrell Noahr, Washington Education Assoc; Doug Nelson, PSE/SEIU 1948; Lisa Dawn-Fisher, OSPI; James Sawatzki, Bethel School District Teacher.

OTHER: Dan Steele, WA Association of School Administrators & WA Association of School Business Officials; Jim Kowalkowski, Davenport School District/ Superintendent & Rural Ed. Center/Executive Director; Jessica Vavrus, Washington State School Directors' Association.

Persons Signed In To Testify But Not Testifying: No one.

Staff Summary of Public Testimony: PRO: This bill fully funds salaries in the 2018-19 school year. It moves forward legislative reforms, except the accounting system that cannot be completed ahead of time. Apportionment schedule change timed during the same year districts would have half of their 2018 levy. A salary allocation schedule with experience mix factor needs to be added to ensure consistency, conformity, and equity across the state. Consider refocusing the transition salary dollars instead into hold harmless, levy, and LEA for a soft landing, and additional regionalization. We support the hold harmless, but it needs to work for all school districts. The hold harmless is expanded, but only for two years and that is not enough for school districts running their levies in 2019. We prefer an ongoing unlimited hold harmless. The entire levy implementation needs to be delayed so the Legislature and stakeholders can have time to figure out how to create a sustainable system that works for everyone.

OTHER: This bill eliminates the transition year. Levy dollars are the last flexible money we have. Do not add \$1 billion to cover state salaries and then reduce levies the same amount in the 2018-19 school year. The restrictions on salary increases for the 2018-19 school year could have the potential result of a hiring freeze.

Persons Testifying: PRO: Kate Davis, Office of Financial Management; Stephen Miller, Vice-President, Washington Education Association; Lorrell Noahr, Washington Education Association; Doug Nelson, PSE/SEIU 1948; Lisa Dawn-Fisher, Office of the Superintendent of Public Instruction; James Sawatzki, teacher, Bethel School District.

OTHER: Dan Steele, Washington Association of School Administrators, Washington Association of School Business Officials; Jim Kowalkowski, Superintendent, Davenport School District, Executive Director, Rural Education Center; Jessica Vavrus, Washington State School Directors' Association.

Persons Signed In To Testify But Not Testifying: No one.