



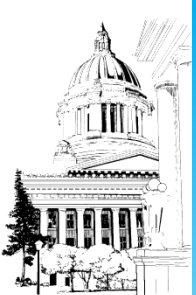
An Update on K-12 Funding and EHB 2242

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House Appropriations Committee

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McCleary in 2017

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- ▶ In January 2012, the Court in *McCleary* ruled that the State had not satisfied its Article IX duty to amply fund K-12 education, and the Court retained jurisdiction over the case to monitor implementation.
- ▶ The Court also endorsed previously enacted legislative reforms (ESHB 2261 and SHB 2776) and said that if fully funded they would bring the State into compliance.
- ▶ Beginning in 2012, the Court directed the Legislature to provide the Court with a plan for fully funding education by 2018.
- ▶ In 2015, the Court held the State in contempt over its failure to provide a plan, fining the state \$100,000 per day.
- ▶ In 2017, the Legislature enacted EHB 2242, which contained comprehensive revisions to K-12 funding and revenues.

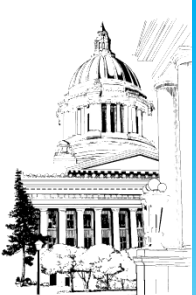


November 2017:

New Court order in *McCleary*

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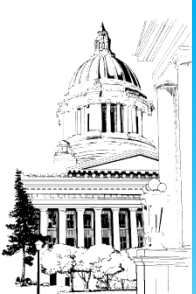
- ▶ Court upheld the elements of EHB 2242 but declared that salary allocation phase-in did not comply with constitutional deadline.
- ▶ Court: Measure of constitutional compliance is whether the state's action achieves or is reasonably likely to achieve constitutionally required objective of ample state funding.
- ▶ Court agreed with State on how the legislative prototypical school formula aligns with the state's duty.
 - Not a reimbursement model.
 - Prospective allocation model with evidence-based formulas that take account of actual costs of state program.
 - Districts retain authority to deploy funds, subject to specified limits.



Court upholds the funding elements of EHB 2242

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- ▶ For specified components of basic education, state has satisfied court's mandate according to formulas and benchmarks in ESHB 2261 and SHB 2776.
 - Legislature's actions "are not perfect" but Legislature has acted within range of policy discretion.
 - Court will let state's program operate and will "let experience be the judge" of adequacy.
- ▶ MSOCs: State has funded the formulas required by SHB 2776.
- ▶ Transportation: State has funded the formulas required by SHB 2776.
- ▶ Categorical programs: State has funded categorical programs in accordance with ESHB 2261 and SHB 2776.



Court upholds the funding elements of EHB 2242, cont.

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- ▶ All-day Kindergarten: State has funded the formulas required by SHB 2776 and ESHB 2261.
- ▶ K-3: State has implemented class size reduction according to formulas and benchmarks of ESHB 2261 and SHB 2776.
- ▶ K-3, All-day K, and Capital: *McCleary* does not address capital costs or make them part of Article IX obligation.
 - Capital costs are not solely a state obligation.
- ▶ Revenue: Court will not further evaluate whether state has enacted sufficient revenue sources.
 - *McCleary* has never required new dedicated K-12 funding.
 - “Regular and dependable” criterion means solely through state funds.



State salary allocations: Model is adequate but phase-in is not

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- ▶ Salary allocations expressly made a component of the statutory program of basic education.
 - Adjusted regionally and for inflation.
- ▶ Court is satisfied that EHB 2242's salary model provides for full state funding to recruit and retain school employees.
- ▶ However, funding for the EHB 2242 salary model is phased in over SY 18-19 and SY 19-20.
- ▶ Court: The phase-in does not result in full funding by September 1, 2018, putting the state out of constitutional compliance.
- ▶ The estimated cost to fully fund the new salary allocations in SY 18-19 is approximately \$957 million



Court's order:

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- ▶ State is out of constitutional compliance.
- ▶ Court will retain jurisdiction to ensure constitutional compliance by deadline of September 1, 2018.
- ▶ Sanction of \$100,000 per day remains because failure to fully fund salary model for SY 18-19 means State is still in contempt.
- ▶ State must deposit fine in separate account from which it may not spend without court authorization.
- ▶ If measures to achieve compliance are not enacted in 2018 regular session, "court will immediately address the need to impose additional remedial measures."
- ▶ Joint Committee must submit its report by April 9.



State funding for K-12 Public Education has nearly doubled since the Court's *McCleary* decision in 2012

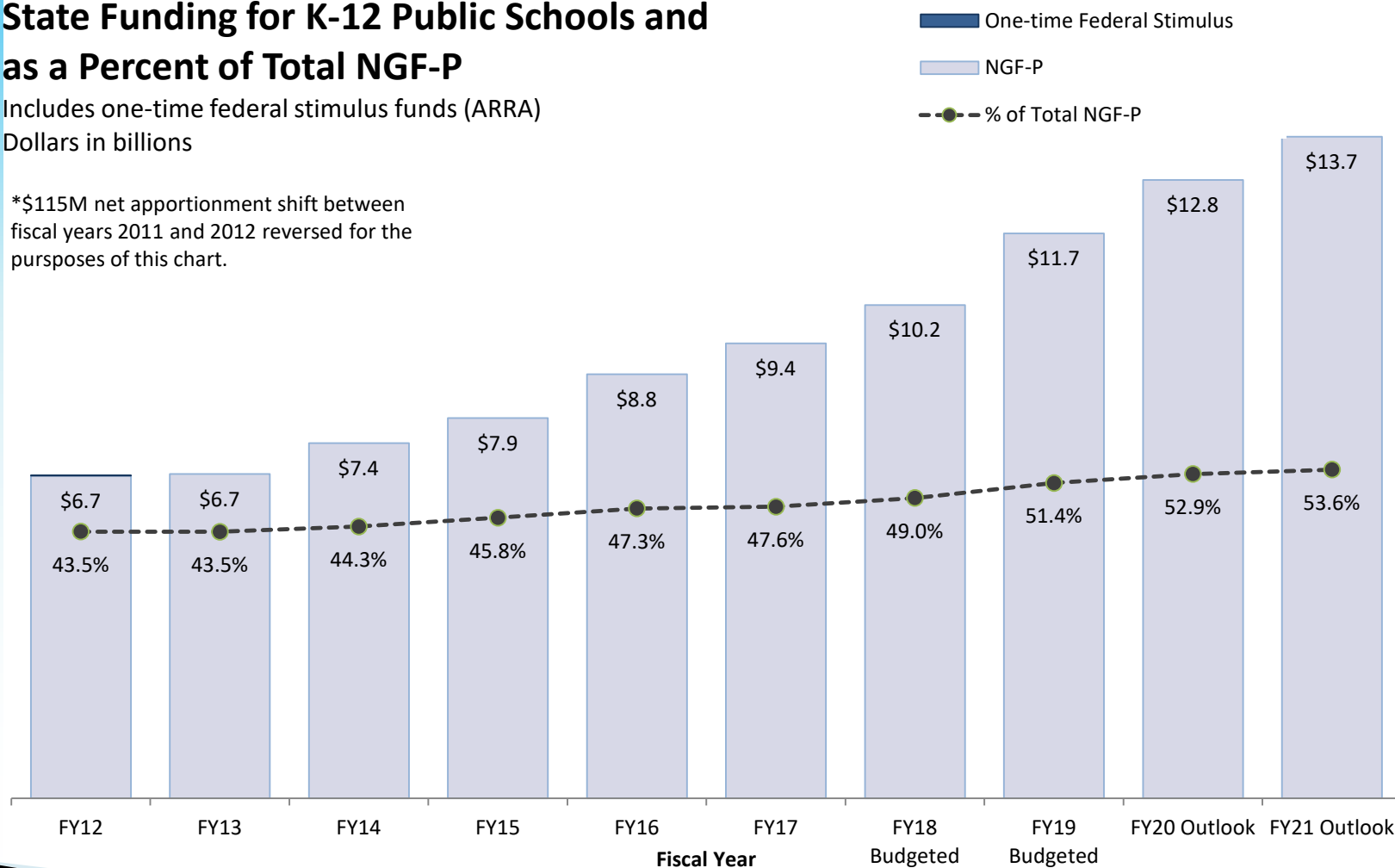
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State Funding for K-12 Public Schools and as a Percent of Total NGF-P

Includes one-time federal stimulus funds (ARRA)

Dollars in billions

*\$115M net apportionment shift between fiscal years 2011 and 2012 reversed for the purposes of this chart.





After EHB 2242, K-12 salary allocations are now based on a statewide average, adjusted for inflation and regionalization

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- ▶ Beginning with the 2019-20 school year, salary allocations are based on a minimum statewide average, adjusted for inflation and a regionalization factor
- ▶ Minimum allocations before adjustments
 - CIS: \$64,000
 - CAS: \$95,000
 - CLS: \$45,912
- ▶ Regionalization adjustments up to 24% in 2019-20, scaling back to 18% by the 2022-23 school year
- ▶ Regionalization factors rebased every six years to ensure salaries reflect market rates
- ▶ Inflationary adjustments based on the Implicit Price Deflator



K-12 salary allocations are based on a statewide average, adjusted for inflation and regionalization

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Estimated State-Funded Salary Allocations, as Required by EHB 2242 and as Funded in the 2017-19 Operating Budget and 2019-21 Planned Expenditures

	2017-18 Salary Allocations	2018-19 State Funded Salary Range	2019-20 Estimated State Funded Salary Range
Certificated Instructional Staff	\$55,852	\$59,334 to \$73,574	\$66,194 to \$83,081
Classified Staff	\$34,668	\$39,976 to \$49,570	\$47,486 to \$58,883
Certificated Administrative Staff	\$64,278	\$79,128 to \$98,118	\$98,257 to \$121,839

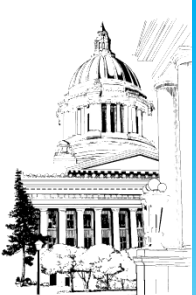
Note: Salary allocations in the 2019-20 school year are based on February 2017 inflation estimates. Actual allocations may differ.



Limitations to basic education staff compensation are specified

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- ▶ Salaries continue to be bargained locally, including identification of a salary grid
- ▶ Beginning certificated instructional staff (CIS) pay must be at least \$40,000 (adjusted for inflation and regionalization)
- ▶ Minimum pay for CIS staff with at least 5 years' experience must be at least 10% more than the minimum beginning CIS salary
- ▶ Districts may not pay more than \$90,000 (adjusted for inflation and regionalization) unless that CIS person works in a specified hard-to-staff position, in which case districts may not pay greater than 10% over the maximum.



Limitations to basic education staff compensation are specified

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- ▶ No specific limitations on basic education compensation for classified staff
- ▶ Administrative staff compensation not limited in amount, but districts are limited in proportion of salary coming from local levies
- ▶ Limitations apply to basic education compensation...districts may continue to enter into supplemental contracts for activities that meet the definition of enrichment
- ▶ Newly bargained/opened collectively bargained agreements may not increase by more than Seattle CPI for the 2018-19 school year



Health benefits to be provided through a consolidated school district employees health benefits purchasing program

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- ▶ EHB 2242 established a 9 member School Employees' Benefits Board, similar to the state PEBB system
- ▶ The scope of medical, dental, vision, and other basic and optional insurance benefits provided for school employees is removed from local bargaining
- ▶ Beginning January 1, 2020, bargaining for health care benefits must be conducted between the Governor and one coalition of all representatives impacted by the benefit purchasing with SEBB
- ▶ To qualify for benefits, a school employee must work at least 630 hours per year
- ▶ Districts may not bargain additional health benefits beyond those bargained by the coalition



EHB 2242 included enhancements to the prototypical school model and codified allocations previously provided in the budget

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- ▶ Smaller class sizes in vocational education:
 - Career & technical education (CTE) class sizes are reduced from 26.6 students to 23 students
 - Skills Center class sizes are reduced from 22.8 students to 20 students
- ▶ Allocations for Skills Center Materials, Supplies & Operating Costs (MSOC) are increased to align with the MSOC allocation for CTE
- ▶ Enhanced prototypical allocations for middle school guidance counselors, elementary school parent involvement coordinators, increased Learning Assistance Program instructional hours, and the Transitional Bilingual After Exit program are all codified in EHB 2242



EHB 2242 enhanced each of the state's categorical basic education programs

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- ▶ **Learning Assistance Program**
 - Increased instructional hours previously provided in the budget are codified (increase from 1.5156 to 2.3975)
 - New high-poverty based learning assistance program created, providing an additional 1.1 hours of instruction in schools with at least 50% high poverty students
- ▶ **Transitional Bilingual Instruction Program**
 - Instructional hours for exited students previously provided in the budget are codified (3 hours)
 - Instructional hours for middle and high school English learners are increased by 2 hours to 6.778 hours per week
- ▶ **Highly Capable Program**
 - Allocations for the Highly Capable program are increased from 2.314% of each district's enrollment to 5%
 - Districts required to prioritize equitable identification of low-income students when identifying most highly capable students



EHB 2242 enhanced each of the state's categorical basic education programs

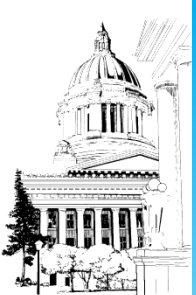
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► Special Education

- The percentage of enrollment districts may claim for special education funding is increased from 12.7% to 13.5%
- The Superintendent of Public Instruction is directed to review and revise rules related to Special Education Safety net

► Pupil Transportation

- \$10 million is provided each year for a transportation alternate funding grant program to address unique school district characteristics not captured by the formula



Additional school district staffing ratios required under I-1351 are revised

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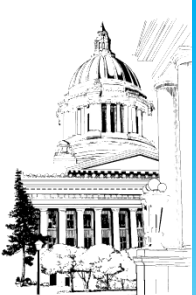
- ▶ Staffing ratios in Initiative 1351 are re-established as potential future enrichments outside the program of basic education
- ▶ The I-1351 implementation schedule is repealed
- ▶ The Superintendent must convene a work group to recommend a phase-in plan for enrichments that prioritizes implementation of research or evidence-based strategies



The prototypical school funding model continues to be for allocation purposes only, with some new limitations

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- ▶ Districts may only use vocational education funding for vocational education
- ▶ Allocations for K-3 class size reductions are provided in proportion to actual K-3 class sizes, beginning with SY 2018-19
- ▶ New high-poverty based LAP allocations must support programs in the school building that generates the funding



New limits are applied to school districts' local levies

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- ▶ Maintenance & Operation levies are renamed “Enrichment Levies”
- ▶ Beginning with calendar year 2019, districts' local enrichment levies are limited to the lesser of \$2,500 per pupil or \$1.50 per \$1,000 assessed value
- ▶ For districts that are limited by the \$1.50/\$1,000 and whose local levy is less than \$1,500 per pupil, Local Effort Assistance is provided to increase the sum of their local levy and LEA to a total of \$1,500 per pupil



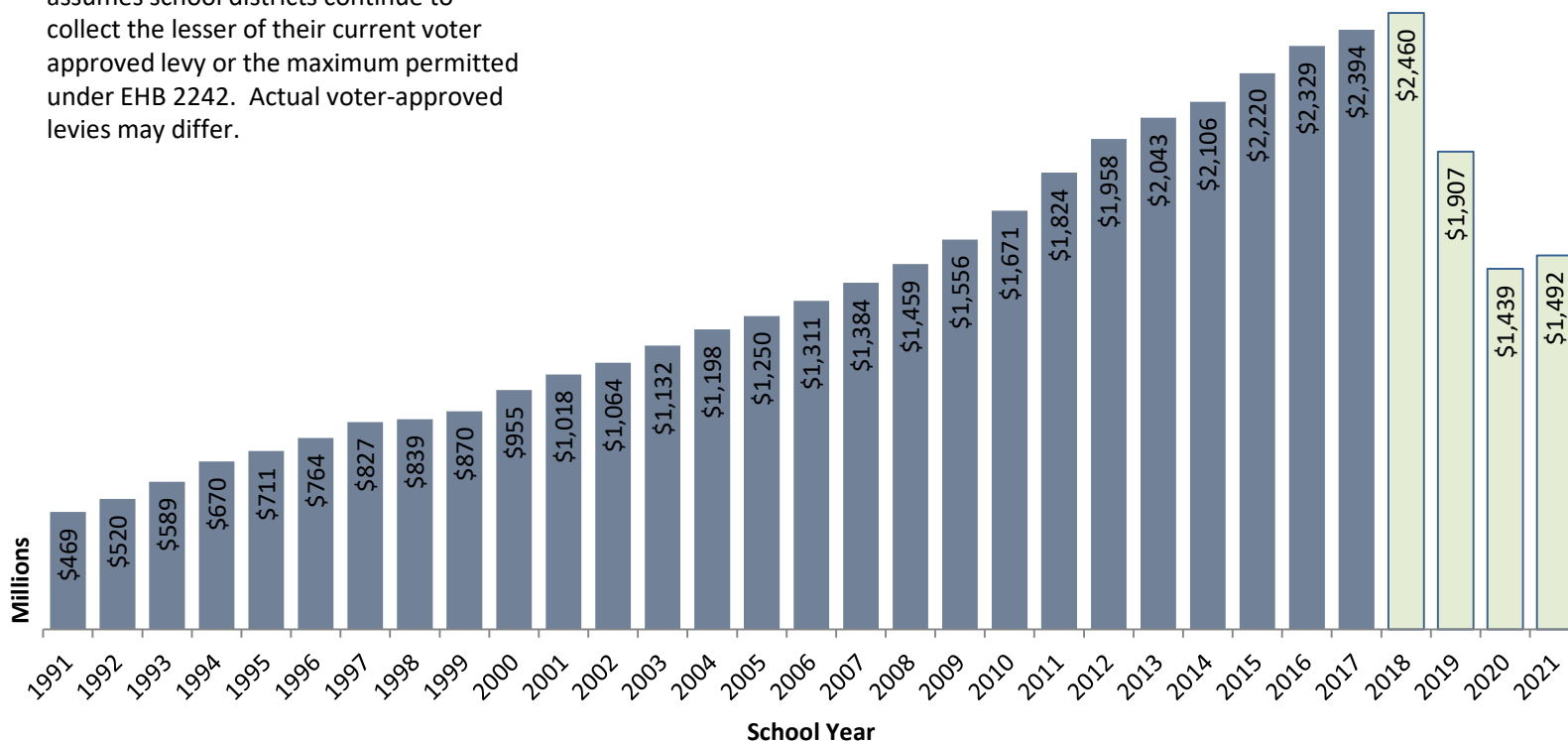
District levies are projected to decrease by \$1 billion by SY 2019-20

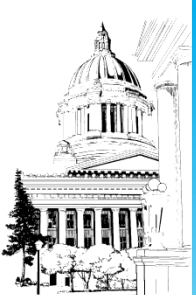
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School District Maintenance & Operation Levies

Prior School Year Actual Levies and Estimated Future Levy Collections
Dollars in thousands

*Estimate of future levy collections assumes school districts continue to collect the lesser of their current voter approved levy or the maximum permitted under EHB 2242. Actual voter-approved levies may differ.





Local levies are for enrichment purposes, with new limitations specified

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- ▶ Beginning with SY 2019-20, districts may spend enrichment levies, LEA and other local revenues only for documented and demonstrated enrichment to the state's program of basic education
- ▶ Permitted forms of enrichment include extracurricular activities, extended school days or years, additional course offerings, early learning, administration of enrichment activities, and additional activities approved by the SPI through the pre-ballot review process
- ▶ Beginning with levies collected in CY 2020, a district must receive approval by SPI of an enrichment expenditure plan before submitting the levy proposition to the voters



New accounting, budget and reporting requirements

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- ▶ Beginning in 2018:
 - School districts must develop four-year budget plans that include enrollment projections
- ▶ Beginning with the 2019-20 school year:
 - The State Auditor's regular financial audits must include a review of enrichment levy expenditures, including supplemental contracts
 - School districts must use revenue-to-expenditure accounting to separately document expenditures from the respective sources
 - School districts must set forth specific information about amounts and sources of each employee's salary
 - School districts must annually report supplemental contracts to the Superintendent of Public Instruction