



Office of Superintendent of Public Instruction
K-12 Financial Resources

Funding Formula Technical Working Group Report

December 1, 2009

OVERVIEW

Funding Formula Technical Working Group

Purpose & Focus

Created by ESHB 2261 in 2009 Legislative session to:

- Develop details of K-12 funding formula based on a prototypical school funding structure;
- Recommend an implementation schedule for phasing-in any increased program or instructional requirements concurrently with increases in funding; and
- Examine and present to QEC and Legislature, possible sources of revenue to support increases in funding allocations.



Approach

To accomplish its work, the FFTWG:

- Reviewed new prototypical school model
- Discussed distribution methodology for individual elements of prototypical school model
- Created values in recommended prototype model that represent current/baseline funding
- Discussed implementation priorities
- Identified revenue options



Discussion of Major Recommendations

- Prototypical School Structure
- Baseline
- Implementation
- Revenue Options
- Key Policy Implications of the FFTWG Recommendations



PROTOTYPICAL SCHOOL STRUCTURE

Overview of Prototype Structure Recommendations

- Reviewed and recommended changes to the prototypical school model.
 - Concurred with prototypical school sizes.
 - Recommended creation of district-wide support, separate from school staff and central administration.
 - Suggested more distinct categories of staff and maintenance, supplies, and operating costs; separate category for facilities maintenance; and separation of curriculum and text books from other supplies and library materials.



Prototypical School Model Formula

- System uses more discrete and commonly understood staffing categories for *better transparency*.
- More accurately reflects actual staffing and operations of a school district.
- Upon implementation, policymakers can compare state allocations for staff to hiring practices at both school-level & district-level. Such comparisons are not possible under the current formula.



For Allocation Purposes Only

- ESHB 2261 does not direct schools to spend resources according to the new state funding formula. Rather, the funding formula is for allocation purposes only.
- *Exception:* Funds allocated to categorical programs (Learning Assistance, Special Education, etc.), must be used for such programs, but schools determine their own structure for delivery of those services.

FFTWG supports this assumption.



Methodology for Distributing Funds

- FFTWG reviewed elements of prototypical school formula and made recommendations regarding how those elements would be implemented, including:
 - Calculating the percentage for central administration based on a percentage of staff rather than percentage of resources
 - Developed alternatives for the calculation of class size reductions for high poverty schools
- Key policy decisions for the QEC are outlined at the end of the presentation.



BASELINE FOR PROTOTYPICAL SCHOOL MODEL

Transition of Formula: Baseline Values

- What level of funding should be used for the baseline? Three levels are identified in the report:
 - Basic Education staffing ratios based in current statute
 - Current funding levels in the operating budget for general apportionment (includes K-4 staff enhancement, classified staff enhancement, and related NERC amounts)
 - Current funding levels with 2011-12 School Year Initiative 728 resources included in the prototype
- Primary example in report and in this presentation uses the current funding levels



3 Simple Staff Categories Need to be Arrayed Across 4 Groups and 19 Elements

		Certificated Instructional	Classified	Certificated Administration
1	Classroom Teachers	X		
2	School Staff	X	X	X
3	District-wide Support		X	X
4	Central Administration		X	X



Class Size

Calculating Actual Class Size is complex

- Requires *Hours per Day* variable
- Requires *Planning Time Provided* variable
- State only sets
 - *Hours per Year Offered*
 - *Days per Year Offered*
 - *Number of Teachers per 1,000 Students*



Current Requirements

- Current requirement: At least offer a district-wide average of 1,000 instructional hours per year across at least 180 days
 - State does not dictate number of hours per day on average or dictate hours per day by grade level/span
 - Anecdotal: Districts frequently offer six periods per day for secondary students
 - Anecdotal: Districts offer varied hours at elementary school; often driven by most efficient use of buses and hours worked per day by certificated staff



FFTWG: Crosswalk Should Reflect Reality

- Planning time and instructional time assumptions used to calculate class size are based on examples of current operations in schools
- These assumptions are not intended to be a statement about what the state funds; rather, they reflect what the state funding can purchase in the current operating environment



FFTWG: Crosswalk Should Reflect Reality

- Teacher schedules include planning time: 13% elementary and 17% secondary
 - Elementary is based on typical day; Secondary is 1 period out of 6 for planning time
 - Drives 15.5% and 20% increase in teachers respectively
- The percentages in these examples assume the following instructional days
 - 5.6 hours in elementary, which equates to 1,008 hours over 180 days
 - 6 periods in middle and high schools, which equates to 1,080 hours over 180 days



What This Means...

Class Size is the Balancer

- Lower Assumption re: # Hours Provided Today = Lower Class Size
- Higher Assumption re: # Hours Provided Today = Higher Class Size

FFTWG question came down to, should:

- crosswalk reflect actual class size today? OR
- crosswalk reflect long-standing assumptions regarding the number of hours that state pays for?

FFTWG recommends reflecting actual class sizes today



Transition to Opportunity for Core 24

While baseline includes over 1,000/1,080 hours for elementary/secondary schools, the FFTWG anticipates costs associated with implementation of Core 24 or Opportunity for Core 24 and the associated specific course requirements:

- Some schools are offering fewer total hours than assumed.
- Students will need additional instructional opportunities to successfully meet more requirements.



Other Assumptions Related to Class Size

- High poverty schools are funded for the same class size as non-high poverty schools
- 100% of CIS enhancement for K-3/K-4 employs classroom teachers, not Librarian/ESAs
 - Allowable to employ other CIS, but here assume all teachers



Baseline Outcome, Current Funding: Class Size

	Current Funding Level		
School Level	Elementary	Middle	High
Prototypical School Size	400	432	600
Class Size Assumptions	Non-High Poverty Schools		High Poverty Schools
Class Size K-3	23.11		Same
Class Size 4	23.11		Same
Class Size 5-6	27.00		Same
Class Size 7-8	28.53		Same
Class Size 9-12	28.74		Same
Career and Technical Ed (CTE)	26.58		Same
Skills Centers	22.76		Same
Lab Science	28.74		Same
AP/IB	28.74		Same



District-wide Support

- ESHB 2261 identified general categories of staff:
 - Class Size
 - Other School staff
 - Central Administration
- FFTWG adds an additional category:
 - District-wide Support
 - Current OSPI accounting system is divided in this manner
 - Technology, security, facilities maintenance, warehouse, laborers are not central administration but also frequently not linked to a specific school



Baseline Outcome, Current Funding: School and District-Wide Staff

School Level Staff	Elementary (Staff per 400)	Middle (Staff per 432)	High (Staff per 600)
Principal/School Admin	1.253	1.353	1.880
Teachers	19.103	18.169	25.050
Teacher Librarian	0.663	0.519	0.523
Professional Development Coaches	0.000	0.000	0.000
Guidance Counselor	0.493	1.116	1.909
Student Health (Nurse/SW/Other)	0.135	0.068	0.118
Instructional Aides	0.936	0.700	0.652
School Office/Other Aides and Support	2.012	2.325	3.269
Student and Staff Security	0.079	0.092	0.141
Custodial	1.657	1.942	2.965

District-wide Support	Staff per 1,000 Students
Technology	0.628
Facilities Maintenance and Grounds	0.201
Warehouse/Laborers/Mechanics	1.944



Administration Assumptions

- Districts employ 3.7 administrators per 1,000 students
- Baseline must account for full state allocation of 4 per 1,000
- Prorate extra administrators between Principals and Central Administration
- Baseline is conducted for in terms of staffing in order to translate staffing into Central Administration as a percentage of school / district staffing



Baseline Outcome, Current Funding: Central Administration

Central Administration	Staff per 1,000 Students
Supervisors/Finance/Personnel/Comm.	0.773
Office Clerical	1.765
Certificated Administrators	0.867

*NOTE: Central Administration is listed in terms of staffing units for the purpose of establishing the baseline that translates current staffing ratios to the new categories of staff. After transitioning to the new formula, central administration will be stated in percentage terms. The baseline would translate into **5.35** percent of school and district-wide support staff.*



Baseline Outcome, Current Funding: CTE Summary

Career and Technical Education	Class Size	Staff per 100 CTE enrollment
Class Size	26.58	
CTE School Admin/Support		0.612
CTE Teachers		4.516

Skills Centers	Class Size	Staff per 100 skills center enrollment
Class Size	22.76	
Skills Centers Other Support		0.715
Skills Center Teachers		5.273



Baseline Outcome: Reconciliation to Current Ratios

Reconciliation to Current Ratios	Staff per 1,000 Students
Certificated Instructional per 1,000 (K-4)	53.200
Certificated Instructional per 1,000 (5-8)	46.000
Certificated Instructional per 1,000 (9-12)	46.000
Classified Staff per 1,000	17.022
Administrators per 1,000	4.000
Vocational Staff per 1,000	51.282
Skills Centers Staff per 1,000	59.880



Baseline Outcome, Current Funding: Categorical Programs

Learning Assistance Program

	1.303 Hours/week (1 hour, 18 minutes)
Instructional hours per week in class sizes of 15	
Instructional hours during vacation in class sizes of 15	0
Maintenance, supplies and operating costs per student	0
Administration percentage	0
Hold Harmless – Discontinued Concentration Factors	Approx. \$23 million

Transitional Bilingual Instruction Program

	4.826 Hours/week (4 hours, 50 minutes)
Instructional hours per week in class sizes of 15	
Instructional hours during vacation in class sizes of 15	0
Maintenance, supplies and operating costs per student	0
Administration percentage	0
Factors for age and complexity of population	0

FFTWG assumes staff are allocated as teachers. These funds are dedicated to the specific programs, but are for allocation proposes within those programs. When districts hire instructional aides instead of teachers, FFTWG assumes that funding can be used for classified aides' salaries and professional development consistent with the salary and learning improvement day allocation for teachers.



Baseline Outcome, Current Funding: Categorical Programs (continued)

Highly Capable Program

Instructional hours per week in class sizes of 15	2.196 Hours/week (2 hours, 12 minutes)
Instructional hours during vacation in class sizes of 15	0
Maintenance, supplies and operating costs per student	0
Administration percentage	0
Minimum funding level	0

Special Education

Birth - PreK -- Factor of 1.15 of the basic education allocation
K-Age 21 -- Factor of 0.9309 of the basic education allocation



Baseline Outcome, Current Funding: Professional Development

Learning Improvement Days

Teachers	1
Teacher Librarian	1
Professional Development Coaches	1
Guidance Counselors	1
Student Health (Nurses/SW/Other)	1
Instructional Aides	0



Core Non-Employee Related Costs

- Rate (\$511.60 per student) includes the NERC generated for K-4 ratios in the current funding formula, but excludes any NERC generated for small school/district enhancement, which is assumed to continue within that funding structure.
- FFTWG recommends proportional distribution of current funding among new categories.



Baseline Outcome, Current Funding: Maintenance, Supplies, and Operating Costs

Maintenance, Supplies and Operating Costs	2007-08 State Funding (\$ per student FTE)
Technology	53.77
Curriculum	57.73
Other Supplies and Library Materials	122.56
Professional Development	8.93
Utilities/Insurance	146.10
Central Office and Security	50.14
Facilities Maintenance	72.38
Total	\$ 511.60

Note: Current State allocations do not represent actual cost to adequately support any of above.



Small Schools and Districts

- FFTWG recommends continued review and analysis of the number and size of small schools and how the current small school formula compares to the new prototype funding before any small schools formula changes are made. At that time:
 - A hold-harmless should be considered for any districts that would lose money in a revised formula.
 - Levy capacity should not be a consideration in the state formula for the Basic Education Act (BEA).



Small Schools and Districts

- All districts should be funded using the same prototypical school models. A small school and small district allocation will be articulated with the same ratios for staff units and non-employee cost allocations as currently exists. District will receive the greater of the two allocations.
- Formula blending – As the new funding formulas are phased in there should be a constant check to assess the points at which regular prototype school funding provides equal or greater funding.
- Formula integration – Small schools must continue to be considered in ongoing implementation discussions, such as Core 24 and local levy work group.
- Consider incentives or policy for small high schools to increase student participation in internet or distant learning programs.



Estimated Cost to Transition to New Formulas

Not perfectly cost neutral

Costs below are in 2007-08 dollars

- NERC costs more b/c FFTWG blends NERC for K-4 and 5-12 (about a \$800,000 cost)
- Central Administration costs approximately \$2.5 million more at 5.35%; equivalent to about 47 FTE staff statewide
- Smaller items add to less than \$1 million cost



IMPLEMENTATION

Implementation Discussion

- Prioritization exercise completed by FFTWG members required incremental phasing over eight years.
- FFTWG members made prioritization choices balancing two factors: greatest expected impact on student achievement and feasibility given current facilities and availability of additional staff.



Implementation Priorities

- Early investments recommended by the FFTWG include:
 - Transitional Bilingual Instructional Program
 - Guidance counselors
 - Mentor teacher program
 - Instructional coaches
 - Office support and security staff
 - Maintenance, supplies, and operating costs (which will free up local funds for high priority investments unique to each district)



Implementation Considerations

- Provide a hold harmless in the implementation process.
- Determine final target levels of service as soon as possible.
- Accelerate the timelines for the compensation work group.
- Request studies to establish data driven funding values of several elements included in the funding structure; including MSOC, central administration, professional development for classified staff, substitute costs and health benefit allocations.
- Fold I-728 funding into the prototype school model to address class size and staffing improvements.
- Phase-in increases to programs serving struggling students, ELL students, and students in high poverty schools at a similar pace targeting the highest need school districts first.
- Continue to utilize the FFTWG for periodic input on specific issues in formula development and implementation throughout the implementation phase.



REVENUE OPTIONS

The FFTWG recognized that current state K-12 funding will not provide total resources needed to implement ESHB 2261

- Crosswalk from current allocation model to prototypical model is a first step toward implementation.
- More state funds will be needed to fully transition to the prototypical model.



Revenue Options, not prioritized

- Recommend that any revenue package have varied sources to provide greater stability.
- Property taxes remain a fundamental source of revenues for schools; property tax should be a cornerstone of any revenue package.
- Some portion of the growth in current revenue sources should be dedicated to the implementation of K-12 funding reforms.
- Any resources generated for the implementation of ESHB 2261 should be dedicated in an education trust to preserve these funds for K-12 investments.



KEY POLICY IMPLICATIONS

District-wide support

- Divide the prototype into 3 sections: school staff, district-wide support and central administration.
- Tradeoff is simplicity for accuracy.



Enrollment

- Most prototype allocations, excluding class size reductions in high poverty schools, should be calculated based on district-wide enrollment.
- High poverty schools – enrollment and free and reduced price lunch percentages should be calculated at the school level.
- OSPI should create an interactive report so that the public can compare the prototype staffing allocations for a particular school to the actual district practice.
- Tradeoff is a true school-based allocation system and likely potential for inaccuracy for simplicity with no loss in transparency



Cost of Staff/Salary Assumptions

- Assumed that staff in prototypical school categories would be grouped as certificated instructional staff, certificated administrative staff and classified staff for salary purposes until the work of the compensation workgroup is completed.
- Critical assumption that cannot be refined until further work is completed.



Class Size Reduction for High Poverty Schools: Formula

- FFTWG presents two options for consideration:
 - Eligibility for funding is based on percentage of students eligible for FRPL; resources are generated based on a specified class size reduction for the entire school
 - Eligibility for funding is based on either a percentage of students eligible for FRPL or a concentrated number of students eligible for FRPL; resources are generated based on numbers of students eligible for FRPL



Class Size Reduction for High Poverty Schools: Allocation

- FFTWG recommends that the funding be for allocation purposes only; no specific school has a “guaranteed” allocation.
 - Most allocations for a school will be odd/small portions of a staff (e.g., .257 of a teacher); no district could split/allocate this exactly to a school.
 - OSPI-created transparency tool will provide accountability by school.
- Tradeoff is assurance at state level that specific students receive benefit of extra teachers for recognition of the complexity of a district.



Class Sizes and Planning Time

- Planning time assumed to result in 15.5% increase in elementary teachers and 20% increase in middle and high school teachers to achieve a specified class size.
- Planning time assumptions are based on general (though not universal) practice in schools with 5.6 hours of instruction in elementary and 6 periods in middle and high schools.
- Tradeoff is reflection of no planning time, low class sizes, and 1,000 hours of instruction for reflection of current practice re: planning time and current class size and therefore more hours of instruction



MSOC

- Primary grade staffing enhancements drive a differential NERC for K-3 or K-4 and all other grades.
 - FFTWG recommends blending primary with all other, and allocating one MSOC rate per student (rather than a K-3 amount and 4-12 amount).
 - Transition is not cost neutral b/c districts have different proportions of K-3/4 to all other grades.
 - Cost is \$263,000 to hold all districts harmless against a reduction.
- Tradeoff is complexity for simplicity but at cost to state.



Central Administration

- Calculation of central administration recommended as percentage of staff units generated for school staff and district-wide support rather than percent of funding.
 - Method is neutral to value of staff mix or future regional salary allocations that would drive more resources to some districts that have no additional need for more central administration than another district of the same size.
- Tradeoff is simplicity of percent funding calculation for more complex, but more fair, calculation of staffing percent.



Categorical Program Administration

- Categorical programs are assumed to include an administrative component equal to 5.35% of staff generated by the categorical program (e.g., same administrative rate; same staffing-driven approach).
- ESHB 2261 includes Highly Capable funding in the formula that drives general apportionment or base Central Administration and is inconsistent with the FFTWG recommendation.
- Tradeoff: maintain current ESHB 2261 or allocate administration for categorical programs consistently.



Categorical Programs: Formula Structure

- Transitional Bilingual Instructional Program (TBIP), Learning Assistance Program (LAP), and Highly Capable program are assumed to have the same formula structure:
 - Extended time during the school year and during vacation
 - Represents a change for TBIP
- Tradeoff is *potential* reflection of how districts expend resources for simplicity across the allocation structure



Categorical Programs: Categorical Allocations

- Transitional Bilingual Instruction Program (TBIP), Learning Assistance Program (LAP), and Highly Capable program are assumed to be:
 - Categorical; funds must be used for those programs.
 - Allocations; districts can design program structure within options permitted by governing statutes.
- Tradeoff is pure allocation system for recognition that some programs/populations require specific state assistance.



Categorical Programs: Special Funding Factors

- Poverty concentration factors in LAP are not continued; hold harmless provided to those districts in lieu of continuation of that formula component
- New complexity and/or concentration factors are recommended for development in TBIP program, which could include number of languages in district, literacy in first language or other.
 - FFTWG made these recommendations balancing the High Poverty School Class Size resources with purposes of concentration factors in LAP and felt that the class size reduction in high poverty schools was a better reflection of need for resources.
 - TBIP recommendations are based on wide variation in the student needs among districts.
- Discussion centered around maintaining what we have today vs. whole-system design.



Salary Assumptions for Categorical Programs (LAP, TBIP, Highly Capable)

- Formula design generates hours of service that are then translated into staff “purchased”; the FFTWG assumed that all staff are teachers. Districts, however, may choose to hire teachers, aides, or other instructional staff.
 - FFTWG assumed statewide salary assumptions for these programs (state salary allocation model BA+0 cell times statewide staff mix). This allows cost-neutral transition, although differences in district salaries and staff mix will impact district’s ability to provide formula-driven number of hours of assistance. FFTWG recommends this be reconsidered as implementation funds are available and as compensation workgroup finishes work.
- Tradeoff is transparency by district for cost-neutral transition.



Baseline Level and I-728

- FFTWG recommends that I-728 be folded into the prototype model in the 2011-12 SY, as the first step of implementation.
 - Report specifies allocation of I-728 by prototype elements, generally based on current expenditure patterns.
- Tradeoff is cost neutrality to the state for transparency regarding the actual value of I-728 resources.



Summary

- Conversion to the Prototypical Schools allocation model can be accomplished by Fall of 2011.
- The model is more transparent and rational.
- It will take several years to fully fund the Prototypical Schools Model.

