

Fully Funding Basic Education

2017–19 Biennium Budget Decision Package

Agency: 350 Office of Superintendent of Public Instruction

Decision Package Code/Title: AA/Fully Funding Basic Education

Budget Period: 2017–19

Budget Level: PL

Agency Recommendation Summary Text:

Superintendent Dorn believes to meet the state’s “paramount duty,” a significant step must be made towards fully funding basic education. This step is part of a six–year plan to meet our state’s responsibilities and constitutes additional funding in state fiscal year 2018 of approximately \$1.5 billion. Current compensation funding by the state pay about 80% of the actual cost of each teacher. Typically, levy funds make up the difference and reliance on levies grows with each new state funded teacher.

Fiscal Summary: The Superintendent recommends phasing–in the remaining obligations of the McCleary Decision and Initiative 1351 (I-1351) based on the implementation schedule found in this decision package. The costs for this implementation schedule are shown in the chart below:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001–01	\$1,485,480,000	\$2,012,268,000	\$2,351,351,000	\$2,724,345,000
Fund 17F–01	\$7,781,000	\$13,363,000	\$15,824,000	\$17,724,000
Total Cost	\$1,493,261,000	\$2,025,631,000	\$2,367,175,000	\$2,742,069,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001–01	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. A	\$0	\$0	\$0	\$0
Obj. B	\$0	\$0	\$0	\$0
Obj. C	\$0	\$0	\$0	\$0
Obj. E	\$0	\$0	\$0	\$0
Obj. G	\$0	\$0	\$0	\$0
Obj. J	\$0	\$0	\$0	\$0
Obj. N	\$1,493,261,000	\$2,025,631,000	\$2,367,175,000	\$2,742,069,000

Package Description

Background:

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Education: The Paramount Duty

“It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex.”

– Article IX, Washington State Constitution

This provision of our constitution seems perfectly clear, but for most of our state’s history, the state has struggled to implement it.

On January 14, 1977, Thurston County Superior Court issued a declaratory judgment by Judge Doran, known as Doran Decision I, in the case of Seattle School District No. 1, et al., vs. State of Washington, et al. On September 28, 1978, the Washington State Supreme Court affirmed Judge Doran’s decision reiterating it is the state’s constitutional obligation to pay for basic education. That court decision, referred to as Doran I, resulted in the creation of the funding formulas and levy laws of the Basic Education Act and the Levy Lid Act of 1977. These acts build the basis for the current basic education Revised Codes of Washington (RCW). While the basic education funding formulas have become more specific, the funding values are generally the same.

In 1991, Governor Gardner created the Governor’s Council on Education Reform and Funding (GCERF), which led to the creation of the Commission on Student Learning.

This resulted in the state’s 1993 school reform legislation, which established the learning goals now in the RCW. The 1993 law recognized that dramatic changes in our economy and technology had raised the bar for students, and that higher levels of skill and knowledge would be required for meaningful participation in the emerging knowledge-driven world.

In 2006, Washington Learns—a Governor-led study of Washington’s cradle-to-career education system—called for raising the educational attainment of citizens even further.

Following the work of Washington Learns, in 2007 the Joint Task Force on Basic Education Finance was commissioned to (1) review the current definition of basic education and the associated funding formulas, (2) develop options for a new funding model, and (3) propose a new definition of basic education.

In the years after the Doran I ruling the legislature has conducted over 17 studies (not including research for specific legislation or projects) to address the school financing concerns for public schools.

These studies and others over the last 30 years have all come to the same conclusion; basic education in Washington State is not fully funded.

In 2012, the Washington Supreme Court has again affirmed the Doran I decision and ruled in McCleary vs. State that the state has not complied with its Article IX, Section 1 duty to make ample provision for the education of all children in Washington. The court references a promising reform package under ESSB 2261 (2009), which includes fully funding full day kindergarten, reducing class sizes, increasing allocations for other school and district based staffing, and funding MSOC at the level adopted by the Quality Education Council—the oversight group created in ESSB 2261 (2009).

Additionally, the Court has identified salaries as a significant area of underfunding by the State, in fact noting that the use of levy funds for basic education compensation is unconstitutional.

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Current Situation

While the legislature has increased state funding for K–12 education by about \$982.2 million in the 2013–15 biennium, or 6% of the K–12 budget, and by about \$1.44 billion, or 8% of the total budget, in the 2015–17 biennium, substantial investments are still required in order to comply with the Supreme Court decision.

The funding provided in the 2013–15 biennium included fully funding the transportation formula in school year 2014–15. However, school district actual expenditures for to and from pupil transportation continue to exceed this funded amount. The legislature continued to phase–in the reduction of K–3 class sizes and all–day kindergarten.

The funding provided in the 2015–17 biennium included full funding of MSOC funding formula in school year 2015–16, continued phase–in for the reduction of class sizes for grades Kindergarten through third grade (K–3) and All–day Kindergarten is fully implemented at 100 percent of Kindergarten enrollment in the 2016–17 school year.

Proposed Solution

Superintendent Dorn confirms the need for education to be fully funded, and puts forth this budget package as a means of achieving full compliance with Article IX, section 1 by 2022–23. This proposal phases–in the full funding values over the next six school years in order to comply with the 2022–23 school year timeline.

In December 2014, Governor Inslee put forward an education plan as part of his 2015–17 proposed budget. The plan reported that over 7,000 teachers will be needed to meet the original SHB 2776 (2010) class size requirements and full phase–in of all–day kindergarten. School districts have seen the impact of the current teacher shortage as they implement state–funded all–day kindergarten and class size reductions. The capacity of the current teacher pipeline and current school district hiring challenges justifies an extension of the timeline beyond the 2017–18 school year, which is outlined in this proposal.

In addition, the legislature should adopt the guiding principle to do no more harm to the magnitude of underfunding for basic education when implementing current or new legislative programs and initiatives. Because the state only pays a portion of the true compensation cost for each teacher, implementing new policies such as class size reduction and full day kindergarten increase districts reliance on local levies. Many districts pay 20%–30% in additional compensation for every teacher out of local levy dollars. More teachers equal a higher reliance on levy funds. This issue is directly related to the state underfunding compensation for each and every state funded FTE.

Contact person

- Michelle Matakas, Financial Policy and Research Analyst, 360-725-6019 (calculations)
- T.J. Kelly, Director of School Apportionment and Financial Services, 360-725-6292 (policy)

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).

I–1351, which provides a new minimum funded values for the K–12 basic education funding formulas, was approved by the voters in 2014. The Legislature delayed the implementation of this initiative by one biennium with the enactment of EHB 2266 (2015). The phase–in milestones in statute require one half of

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the increase in K–12 staffing in one school year to be provided in the 2019–21 biennium. This decision package assumes the cost for this statutory requirement to be calculated in the public school maintenance level funding. The specific staffing funding values for this calculated cost are not provided for in statute. Therefore, the Superintendent recommends the following phase-in levels to ensure the state’s persistently achieving schools receive reduced class sizes first. The final values provided below for school year 2022–23 are the current values in statute with an effective date of September 1, 2022.

Class Sizes – Suggested I–1351 Implementation Maintenance Level

School Year	Current Year 2016–17	2019–20	2020–21	2021–22	2022–23
Kindergarten Class Size	19	17	17	17	17
Kindergarten Class Size Poverty	17	17	17	17	15
Grades 1–3 Class Size	21, 22	17	17	17	17
Grade 1 High Poverty	17	17	17	17	15
Grades 2–3 High Poverty	18, 21	17	17	17	15
Grades 4–6 Class Size	27	26	26	26	25
Grades 4–6 Class Size Poverty	27	24	24	24	22
Grades 4–6 HP Low Performing	27	22	22	22	22
Grades 7–8 Class Size	28.53	28.53	28.53	28.53	25
Grades 7–8 Class Size Poverty	28.53	28.53	28.53	28.53	23
Grades 7–8 HP Low Performing	28.53	23	23	23	23
Grades 9–12 Class Size	28.74	28.74	28.74	28.74	25
Grades 9–12 Class Size Poverty	28.74	28.74	28.74	28.74	23
Grades 7–12 CTE Class Size	26.57	26.57	26.57	26.57	19
Grades 9–12 Skill Center	22.76	22.76	22.76	22.76	16
Lab Science Class Size	19.98	19.98	19.98	19.98	19.98

School Level and Districtwide Support Staff – Suggested I–1351 Implementation Maintenance Level

School Year	Current Year 2016–17	2019–20	2020–21	2021–22	2022–23
Principals (Elem/Mid/High)	1.3 / 1.4 / 1.9	1.3 / 1.4 / 1.9	1.3 / 1.4 / 1.9	1.3 / 1.4 / 1.9	1.3 / 1.4 / 1.9
Librarian	0.663 / 0.519 / 0.523	0.663 / 0.519 / 0.523	0.663 / 0.519 / 0.523	1.0 / 1.0 / 1.0	0.663 / 0.519 / 0.523
Guidance Counselor	0.5 / 2.0 / 3.5	0.5 / 2.0 / 3.5	0.5 / 2.0 / 3.5	0.5 / 2.0 / 3.5	0.5 / 2.0 / 3.5
Health/Social Services	1.0 / 1.0 / 1.0	1.0 / 1.0 / 1.0	1.0 / 1.0 / 1.0	1.0 / 1.0 / 1.0	1.0 / 1.0 / 1.0
Teaching Assistant	0.936 / 0.700 / 0.652	0.936 / 0.700 / 0.652	0.936 / 0.700 / 0.652	1.195 / 1.295 / 1.121	0.936 / 0.700 / 0.652
Office Support	2.012 / 2.325 / 3.269	2.012 / 2.325 / 3.269	2.012 / 2.325 / 3.269	3.220 / 3.029 / 3.382	2.012 / 2.325 / 3.269
Custodian	1.657 / 1.942 / 2.965	1.657 / 1.942 / 2.965	1.657 / 1.942 / 2.965	3.524 / 3.454 / 4.512	1.657 / 1.942 / 2.965
Student & Staff Safety	0.079 / 0.092 / 0.141	0.079 / 0.092 / 0.141	0.079 / 0.092 / 0.141	0.099 / 0.506 / 0.723	0.079 / 0.092 / 0.141
Family Engagement	0.083 / 0.000 / 0.000	0.083 / 0.000 / 0.000	0.083 / 0.000 / 0.000	0.676 / 0.676 / 0.676	0.083 / 0.000 / 0.000
District Technology Staff	0.628	0.628	0.628	2.01	0.628
Facilities, Maint & Grounds	1.813	1.813	1.813	4.719	1.813

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School Year	Current Year 2016–17	2019–20	2020–21	2021–22	2022–23
Warehouse, Laborers, & Mech	0.332	0.332	0.332	0.571	0.332

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

School year expenditure calculations are based on anticipated enrollment as projected by the caseload forecast council through school year 2019–20. Statutorily required cost-of-living (COLA) and calculated regional cost factors are included in all salary figures. The regional cost models build on the work of the legislatively hired contractor, 3Si, who was hired as a result of the enactment of SHB 6195 (2016). On September 21, 2016, the contractor presented to the Education Funding Task Force their preliminary report and methodologies for calculating regional compensation comparisons. In advance of this work for the purposes of this decision package, OSPI has attempted to calculate a similar regional cost factor. This regional cost factor is a placeholder until future regional cost factors are developed by the legislatively directed study underway. Models used to derive calculated values are provided.

Costs include K–12 healthcare consolidation and are based on a report by Washington State Health Care Authority on June 1, 2015 (scenario 2) provided to the legislature in response to Engrossed Substitute Senate Bill 5940. Also included in the rates is \$64.39 for the retirement carve out, \$80 per staff for dental and a 1.152 per staff benefit factor for classified employees.

The following tables show the proposed funding drivers contributing to the cost of this request.

Categorical Program Hours per Week

School Year	Current Year 2016–17	2017–18	2018–19	2019–20	2020–21
Highly Capable (Grades K–6 / Grades 7–12)	2.1590 / 2.1590	2.8825 / 2.3158	3.6060 / 2.4727	4.3295 / 2.6295	5.0530 / 2.7863
Learning Assistance Program (Grades K–6 / 7–12)	2.3975 / 2.3975	2.6229 / 2.8313	2.8483 / 3.2650	3.0738 / 3.6988	3.2992 / 4.1325
Learning Assistance Program Class Size (K–6 / 7–12)	15.0 / 15.0	13.5 / 15.0	11.3 / 15.0	9.4 / 15.0	7.8 / 15.0
Transitional Bilingual Program (Grades 7–8 / 7–12)	4.7780 / 4.7780	4.982 / 5.315	5.185 / 5.852	5.389 / 6.389	5.593 / 6.926

Professional Development

School Year	Current Year 2016–17	2017–18	2018–19	2019–20	2020–21
Professional Development for Certificated Instructional Staff	0.0	5.0	6.0	7.0	8.0
Professional Development for Classified Staff	0.0	3.0	4.5	6.0	7.5

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Compensation²

School Year	Current Year 2016–17	2017–18	2018–19	2019–20	2020–21
Increased Funded Salary Levels for Certificated Instructional Staff ¹	\$53,822	\$67,312	\$68,482	\$69,519	\$71,591
Increased Funded Salary Levels for Certificated Administrative Staff	\$61,752	\$71,892	\$82,111	\$92,330	\$102,549
Increased Funded Salary Levels for Classified Staff	\$32,299	\$37,228	\$40,566	\$43,903	\$47,240
Certificated Healthcare Rate ³	\$780.00	\$971.39	\$971.39	\$971.39	\$971.39
Classified Healthcare Rate ³	\$898.56	\$1,197.38	\$1,197.38	\$1,197.38	\$1,197.38

¹ Staff mix is included in CIS staff salary base, assumes implementation of a new staff–mix factor by SY 2022–23

² COLA and Regional Cost Factors included in all salary figures

³ Healthcare rates include \$64.39 for retirement carve out and \$80 for dental; Classified Staff has a 1.152 inflator. Rates from scenario #2 in WA Health Care Authority report published June 1, 2015.

School Year Expenditures by funding driver is found in the Chart Below:

School Year	<u>2017–2018</u>	<u>2018–2019</u>	<u>2019–2020</u>	<u>2020–2021</u>
Learning Assistance Program (LAP)	\$47,735,000	\$117,775,000	\$198,066,000	\$285,876,000
Highly Capable Program (HiCap)	\$2,545,000	\$5,340,000	\$8,441,000	\$11,482,000
Transitional Bilingual (TBIP)	\$2,320,000	\$4,793,000	\$7,415,000	\$10,042,000
Professional Development Days	\$147,443,506	\$187,199,721	\$230,794,093	\$272,941,233
PD Days ALL new units (incl 1351)	\$1,435,210	\$4,200,113	\$19,878,569	\$27,184,517
Charter Schools	\$112,000	\$606,000	\$1,000,000	\$1,432,000
Total (less comp)	\$201,590,716	\$319,913,834	\$465,594,662	\$608,957,750
Certificated Increase	\$1,081,512,000	\$1,074,520,000	\$1,071,176,000	\$1,139,237,000
Classified Increase	\$121,286,000	\$219,845,000	\$322,092,000	\$421,613,000
Administrators Increase	\$286,181,000	\$296,028,000	\$307,185,000	\$314,369,000
Comp Increase I–1351 New Units	\$0	\$0	\$73,391,000	\$78,081,000
Comp Increase Categorical New Units	\$10,327,000	\$24,180,000	\$38,812,000	\$58,137,000
Comp Increase PD Days	\$31,065,446	\$38,890,090	\$47,846,084	\$60,870,596
Comp Increase PD Days New Units	\$319,580	\$897,877	\$4,071,626	\$5,800,604
Charter Schools (Op–Pth)	\$8,190,000	\$11,748,000	\$13,182,000	\$14,626,000
Total Compensation	\$1,538,881,026	\$1,666,108,967	\$1,877,755,710	\$2,092,734,200
LEA Savings	\$(134,868,661)	\$(186,717,289)	\$(184,487,801)	\$(171,062,450)
Total Cost	\$1,605,603,081	\$1,799,305,513	\$2,158,862,571	\$2,530,629,501

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

The funding values approved by Washington state voters in I–1351 were created as a result of the Joint Task Force on Basic Education Finance’s work and future implementation of their recommendations provided in ESHB 2261 (2009).

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Research has identified a positive relationship between reducing class size at the elementary level and improving student achievement, with the largest gains coming in the lower elementary grades. While there are few studies to draw from that analyze the benefits of small classes at the secondary level, there is some evidence to suggest that there is a benefit to lowering class size, especially for low-achieving students.

Several studies have revealed quantifiable evidence of the impact that class size reduction (CSR) has on student achievement. The Tennessee Student-Teacher Achievement Ratio (STAR) program found that K-3rd grade students in classes of 13-17 performed .24 and .26 standard deviations higher on reading and math assessments than their peers in classes of 22-25 students. There is also evidence to suggest that these gains endured through later years.

Researchers found that students who had been enrolled in small classes in grades K-3 earned higher high-school grades, and were more likely to complete advanced academic classes, take college admissions tests, and ultimately graduate. Wisconsin's SAGE program targeted class size reductions to low-income schools and found that student achievement increased faster in test schools than in similar schools with larger classes. Enrolling low-income students in smaller classes is one way to accelerate their learning, and to work towards closing the achievement gap that is present as early as the time when students enter kindergarten.

Initially OSPI expects that this funding will help to reduce school districts' reliance on local levy funds to support the program of basic education, especially in the area of compensation. In the long-term OSPI expects this additional funding will provide districts with the tools they need to continue to improve the quality of instruction they provide to students and will ultimately increase student achievement.

Performance Measure detail:

Fully describe and quantify expected impacts on state residents and specific populations served.

The full-funding of the state's K-12 system will have far-reaching impacts for the state's residents and special populations of our state's students.

Full-funding of local school district basic education expenses should result in lower local maintenance and operations levies. Evidence of this can already be seen with the transportation levies. After the legislature funded the state's transportation funding formula levy expenditures and requests for local funds for this activity significantly diminished. It can be assumed the same would happen for the maintenance and operations levies.

The students of our state will find a more general and uniform (equitable) education as envisioned by the language in our state's constitution. These student's education will not be dictated by the property wealth of the school district or the voters, but instead by provided equally across the state.

Increasing compensation of the state's K-12 funding formula will provide additional funding the general education of students, but it will also provide additional funding to our state's special education students, English language learners, highly capable, institutional program, and remediation. Compensation is a funding driver for every part of the state's K-12 funding formulas. Increasing this funding driver increases all programs of basic education.

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Distinction between one-time and ongoing costs:

The funding requested is ongoing.

What are other important connections or impacts related to this proposal?

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify: N/A
Other local gov't impacts?	No	Identify: N/A
Tribal gov't impacts?	No	Identify: N/A
Other state agency impacts?	No	Identify: N/A
Responds to specific task force, report, mandate or exec order?	Yes	Identify: The funding values approved by Washington state voters in I-1351 were created as a result of the Joint Task Force on Basic Education Finance's work and future implementation of their recommendations provided in ESHB 2261 (2009)
Does request contain a compensation change?	Yes	Identify: This request contains a compensation changes for all staff types, Certificated Instructional Staff, Certificated Administrative Staff, & Classified Staff
Does request require a change to a collective bargaining agreement?	No	Identify: N/A
Facility/workplace needs or impacts?	No	Identify: N/A
Capital Budget Impacts?	No	Identify: N/A
Is change required to existing statutes, rules or contracts?	Yes	Identify: Staffing values in RCW 28A.150.260 would need to be amended.
Is the request related to or a result of litigation?	Yes	Identify lawsuit: In 2012, the Washington Supreme Court has again affirmed the Doran I decision and ruled in McCleary vs. State that the state has not complied with its Article IX, Section 1 duty to make ample provision for the education of all children in Washington.
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions: N/A

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Impact(s) To:		Identify / Explanation
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

What alternatives were explored by the agency and why was this option chosen?

N/A

What are the consequences of not funding this request?

The state is currently being held in contempt by the Supreme Court until a K–12 funding plan is submitted. This decision package provides the phase-in schedule and compensation assumptions that can satisfy the court. If the state continues to not address the Court’s requests for a plan and eventual full funding of local school districts, it can be assumed the consequences for this inaction will become more severe. The Superintendent urges the state to address the Court’s concerns before direr consequences are ordered by the Court, such as closing down the state’s schools. Eventual consequences for compliance may affect the learning outcomes for the students of our state. The Superintendent urges the state to act before increased consequences are ordered.

How has or can the agency address the issue or need in its current appropriation level?

The agency cannot address these needs within the current appropriation.

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Activity Inventory:

Activity Inventory Item	Prog	Staffing			Operating Expenditures		
		FY 2018	FY 2019	Avg	FY 2018	FY 2019	Total
A038	021				\$1,485,480,000	\$2,012,268,000	\$3,497,748,000
A038	068				\$7,781,000	\$13,363,000	\$21,144,000
Total Activities					\$1,493,261,000	\$2,025,631,000	\$3,518,892,000

Information technology: Does this Decision Package include funding for any IT–related costs, including hardware, software, services (including cloud–based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)