

School Funding Changes in Washington State ***Holding School Districts Harmless in the Wake of the McCleary “Fix”***

Background

Changes to the way schools are funded by the state of Washington were implemented by the Legislature following the state Supreme Court’s “McCleary” decision.

Despite overall increases in state funding for education, funding losses are being incurred by approximately one third of districts in the state because under the legislative changes, local levies were reduced by \$1.1 billion. These changes have resulted in the need for many school districts to dip deep into their reserves, and consider cuts to staff and programming to maintain financial viability.

Small school districts were disproportionately negatively impacted with the legislative changes and in response, the Washington Association of School Administrators (WASA) convened a workgroup to develop proposed short-term solutions to be considered by the Washington state Legislature.

Despite a provision in legislative language (E2SSB 6362) that districts shall not lose funding under this legislation (a “hold harmless” provision), the workgroup’s research confirms that 93 school districts, including large, medium and small districts, were incurring funding losses as a result of changes to the way the state funds education and another 22 districts saw only negligible funding increases under the new structure. The group spent significant time researching and drafting a solution, meant to serve as a short-term bridge to a future legislative funding fix.

Additionally, many school districts are facing the challenge of transitioning from a variable teacher salary allocation model to the new fixed state salary allocation of \$65,216. The previous state funding allocation structure recognized that professional educator staff are paid on the basis of education and experience. The current model utilizes a one-size-fits-all state allocation for teacher salaries, which only funds a portion of the actual salaries of educators with training and years of experience above the state average. School districts must bridge the funding gap for the new and increased amount not covered by the state under the current structure.

With this information, the workgroup developed a short term solution to be considered by the Legislature in the upcoming session:

- Increase state funding for a total of 115 districts (93 incurring losses and another 22 only marginally above the break-even point) that have been negatively impacted by legislative changes to get them to a financial break-even point plus add an increase in basic education operating revenue based on the Annual Implicit Price Deflator (IPD), which accounts for inflation.
- Expand the “experience factor” eligibility criteria to include school districts that exceed the statewide average for years of experience by 15%.

Messages/Talking Points:

- Legislative changes to school funding are complex and Washington state's effort to adequately fund education has both come up short and caused inequities among school districts across the state.
- Without legislative action, school districts throughout the state face grim consequences, including program and staff cuts.
- Despite overall increases in state funding for education, funding losses are being incurred by districts because under the legislative changes, local levies were reduced by \$1.1 billion.
 - For approximately one third of districts throughout the state, the loss of local levy funding was greater than the gain of the new basic education operating revenue, leaving many facing significant budget shortfalls.
 - The reductions to local levies cut too much out of district's general operating budgets without supplying adequate state funding to replace the local losses, putting many in a very difficult financial situation.
- Following the implementation of changes to how the state funds education, the Washington Association of School Administrators (WASA) convened a work group with the goal of providing assistance to small school districts negatively impacted by the legislative changes.
 - After analysis of the data and months of work, the group discovered that 93 school districts, including large, medium and small districts, were incurring funding losses as a result of changes to the way the state funds education and another 22 districts saw only negligible funding increases under the new structure. The group spent significant time researching and drafting a solution, meant to serve as a short-term bridge to a future legislative funding fix.
- The short-term solution proposes an increase in state funding to get districts to a financial break-even point plus an increase in basic education operating revenue based on the Annual Implicit Price Deflator (IPD), which accounts for inflation.
 - This funding increase solution would apply to a total of 115 school districts in the state of Washington. Of those 115 districts, 93 of the districts would be "held harmless" and brought back to a break-even point. The additional 22 districts would also receive IPD funding because under the new funding structure, these districts were only marginally above the break-even point when comparing the 2019-2020 school year to the 2017-2018 school year.
- The short term solution also calls for expansion of the state's "experience factor" eligibility criteria to include school districts that exceed the statewide average for teacher years of experience by 15%. This part of the proposal addresses the challenge many school districts are facing as they transition to the current model which only provides state funding at \$65,216 per teacher, regardless of their education or years of experience. This results in only a portion of the salaries of more experienced teachers, with higher earnings, being funded by the state.

- The previous state allocation model recognized that professional educator staff are funded by the state on the basis of education and experience, while the current funding structure utilizes a one-size-fits all teacher funding allocation. The current state structure contributes less to fund more experienced teachers with higher compensation, leaving districts to bridge the funding gap on their own.
- The proposed solution, including the “hold harmless” provision, the IPD increase to basic education operating revenue and an increase in the state’s “experience factor” criteria would cost approximately \$123 million. This cost is negligible when compared to the \$1.1 billion lost in local levy funding under changes to the way education is funded in the state of Washington.
- Administrators across Washington acknowledge that legislative changes with the goal of fully funding basic education were well-intended. Further, the provision to hold districts harmless and keep them from losing funding for general operating expenses under the funding changes was a great start but needs revision.
 - The “hold harmless” provision of Senate Bill 6362, section 401, includes language that states districts are not intended to lose money under the current funding structure and are eligible to receive additional state funds if they qualify for specific subsection criteria. While this is a good start, the “hold harmless” provision only provided relief to a handful of large districts and more state funding must be made available to all districts incurring losses.
 - The proposed solution calls for a revision in the “hold harmless” criteria to accurately reflect the losses to basic operating revenue as a result of reductions in local levy resources, without including funds designated to specific purposes such as special education, grants, transportation and specific state-funded programs.
 - In order to promote equity and consistency, the workgroup is proposing that the “hold harmless” provision for districts above and below 300 full time equivalent students be calculated separately. For districts with more than 300 full time equivalent students, the “hold harmless” criteria would be calculated on a per student basis; for districts with under 300 full time equivalent students, it would be calculated on a net revenue basis.