

Keeping the McCleary Promise:

Recommended Technical and Policy Changes to EHB 2242

Washington Education Association

Background: In the final hours of the 2017 legislative session, the State’s “McCleary Funding Plan” saw the light of day and was approved by the Legislature without a public hearing or stakeholder input. These new laws contain technical errors that make implementation difficult to impossible. Over the past few months, unintended consequences have been uncovered as we analyze the resulting impacts on a district-by-district basis. WEA supports legislation that addresses these issues and enhances the state’s plan to ensure the state’s paramount duty is fulfilled and allows students equitable opportunities for success regardless of their zip code.

WEA Recommended Changes:

- Technical corrections are needed throughout the bill to ensure the original intent of the bill can be implemented, references are corrected, and unintentionally omitted bill language needs restored. *(Technical correction bill language developed with other K-12 stakeholders is available upon request.)*

- State Salary Allocation and the Regionalization Factor
 - Modify compensation statutes to allow for expedited salary phase-in to comply with the November 2017 state Supreme Court order.
 - Create a new process for “reviewing and rebasing” the state salary allocations every six years. Current statutes do not allow for public input or transparency. This process should include K-12 stakeholders and incorporate data-driven analysis.
 - The initial workgroup should explore hedonic wage analysis to recruit staff across the state (especially east of the Cascades), address retention problems resulting from the border effects of regionalization, and explore considering out-of-state property valuations in the calculation if there is a lack of housing within the school district.
 - Require a tapering process for the border effects of the current regionalization factor by stepping down half the value of the adjacent higher regionalized school district(s).
 - Create a “general and uniform” phase-out of the temporary hold-harmless factor (a.k.a. super-regionalization factor) of one percent per year for all affected districts.
 - Create an “experience mix” factor for school districts with above average certificated instructional staff experience and educational attainment. School districts with high staff mix are provided proportionally smaller increases of state funds needed to implement the state’s new compensation structure. It is recommended that school districts with above average ratios of bachelor degrees to advanced degrees AND staff experience above the state median should be provided an additional eight percent salary factor to ensure the state allocation is at a level to recruit and retain instructional staff.
 - Flexibility for the normal day-to-day operations of a school district should be allowed during SY 2018-19 by amending sections 701 and 702. School districts should be able to amend collective bargaining agreements already in effect to correct existing salary allocation model references that were changed as a result of the new compensation structure without the state considering the agreement modified.

- Levies & Local Effort Assistance (LEA)
 - The new levy system created two different levy caps that grow annually by two different inflation factors. School districts can levy the lesser of: 1) \$1.50/\$1,000 of assessed property valuations; or 2) \$2,500 per resident student. The annual growth rates should be aligned by allowing the per pupil rate to be the three-year average annual growth of assessed property valuations.
 - The per pupil cap for calculating levy rates should be increased to \$3,000 per student.
 - An automatic, built-in year-to-year growth factor for the per pupil rates for levy and LEA calculations should be added to the per pupil maximum levy amount to allow the local levy a corresponding increase when state policies are changed.
 - Small school districts with less than 1,000 students will struggle with the new levy and LEA formulas created in EHB 2242. Funding formula “floor” calculations need to be created for these small districts so that the full \$1.50 levy can be assessed. Increases to the per pupil LEA amounts should be considered so that small school districts are not disproportionately affected by the new LEA policy.
 - The one percent growth limit on the regular common school levy should be eliminated.
 - The local levy limitations in section 501 should be replaced with the previous language from the levy cliff bill (SB 5023). This language is easy to understand, eliminates administrative burdens for school districts, and allows local levy revenues to be expended only for any enrichment that is above and beyond the state’s funding formula.

- Funding Formula
 - K-3 class size reduction compliance language should be eliminated. No statewide policy has been developed to address the teacher shortage, and K-3 classroom grants provided by SB 6080 (2015) have not been fully funded; thereby, slowing the implementation of this policy and shifting the burden for long-term solutions to local school districts.
 - Create a soft landing for schools previously eligible for the high-poverty school building LAP allocation. Schools on the cusp of 50 percent participation in the free and reduced-price meals program will face year-to-year eligibility struggles with the new formula. The soft landing should be comprised of two components: 1) A district will become ineligible if they do not meet the poverty threshold for two consecutive years; and 2) Once ineligible, the funding will phase-out over a two-year period.
 - Increase the minimum state allocation for the classified staffing units provided by the prototypical school funding model to comply with I-1433 (paid sick leave and minimum wage initiative).
 - Phase-in the remaining I-1351 staffing allocations starting in SY 2021-22.

- Hold-harmless
 - *Salary hold-harmless* - Codify the current salary hold-harmless provided in budget law so that school districts will not receive a funding reduction due to the implementation of the new average salary. Currently, this authority is only provided through budget law and is only in effect for one year.
 - *Net revenue hold-harmless** - Add statutory language for a net revenue hold-harmless for school districts experiencing a net loss of total revenue (state and local).

**2017-19 Legislative Budget Notes identify \$5M for a “hold-harmless” payment beginning in SY 18-19 if a school district is expected to receive a net funding reduction with the new funding formulas (2017 LBN pg. O-377). No corresponding statutory authority for these payments was provided in EHB 2242.*