McCleary Education Funding Plan: Unpacking EHB 2242
Unpacking EHB 2242

- 2017–19 Operating Budget
- Education Funding Plan: EHB 2242
  - Salary Allocations
  - Enrichment Levies & LEA
  - Collective Bargaining & Supplemental Contracts
  - Accountability & Transparency
  - Health Benefits
- Next Steps
- Resources
Paramount Duty Clause

“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, Section 1
Washington State Constitution
SSB 5883
2017–19 Operating Budget
<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>2017–19</th>
<th>4–Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Allocations</td>
<td>93,071</td>
<td>1,002,042</td>
<td>1,095,113</td>
<td>5,291,723</td>
</tr>
<tr>
<td>Professional Learning Days</td>
<td>--</td>
<td>26,378</td>
<td>26,378</td>
<td>198,726</td>
</tr>
<tr>
<td>Health Benefit Allocations</td>
<td>39,858</td>
<td>70,498</td>
<td>110,356</td>
<td>462,008</td>
</tr>
<tr>
<td>COMPENSATION–RELATED</td>
<td>132,929</td>
<td>1,098,918</td>
<td>1,231,847</td>
<td>5,952,457</td>
</tr>
<tr>
<td>LAP</td>
<td>91,886</td>
<td>130,660</td>
<td>222,546</td>
<td>527,902</td>
</tr>
<tr>
<td>Local Effort Assistance</td>
<td>60,523</td>
<td>104,760</td>
<td>165,283</td>
<td>370,375</td>
</tr>
<tr>
<td>Class Size—CTE</td>
<td>33,744</td>
<td>48,277</td>
<td>82,021</td>
<td>197,511</td>
</tr>
<tr>
<td>TBIP</td>
<td>11,004</td>
<td>15,939</td>
<td>26,943</td>
<td>65,745</td>
</tr>
<tr>
<td>Highly Capable</td>
<td>10,992</td>
<td>15,591</td>
<td>26,583</td>
<td>62,850</td>
</tr>
<tr>
<td>Special Education</td>
<td>9,439</td>
<td>13,258</td>
<td>22,697</td>
<td>53,471</td>
</tr>
<tr>
<td>Hold Harmless</td>
<td>--</td>
<td>5,000</td>
<td>5,000</td>
<td>9,000</td>
</tr>
<tr>
<td>MSOC—CTE</td>
<td>831</td>
<td>1,087</td>
<td>1,918</td>
<td>4,293</td>
</tr>
<tr>
<td>CATEGORICAL &amp; PROGRAMS</td>
<td>218,419</td>
<td>334,572</td>
<td>552,991</td>
<td>1,291,147</td>
</tr>
<tr>
<td>McCLEARY–RELATED TOTAL</td>
<td>351,348</td>
<td>1,433,490</td>
<td>1,784,838</td>
<td>7,243,604</td>
</tr>
<tr>
<td>NET ADD AFTER LEVY LOSS</td>
<td>351,348</td>
<td>1,055,490</td>
<td>1,133,835</td>
<td>5,624,604</td>
</tr>
</tbody>
</table>
## Operating Budgets—K–12 Spending

<table>
<thead>
<tr>
<th>Operating Budget</th>
<th>Total K–12 Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011–13</td>
<td>$13.65 billion</td>
</tr>
<tr>
<td>2013–15</td>
<td>$15.27 billion</td>
</tr>
<tr>
<td>(Basic Education Enhancement $1.0 billion)</td>
<td></td>
</tr>
<tr>
<td>2015–17 (6/15)</td>
<td>$18.16 billion</td>
</tr>
<tr>
<td>2015–17 (5/16)</td>
<td>$18.20 billion</td>
</tr>
<tr>
<td>(Basic Education Enhancement $1.3 billion)</td>
<td></td>
</tr>
<tr>
<td>2017–19</td>
<td>$21.97 billion</td>
</tr>
<tr>
<td>(Basic Education Enhancement $1.8 billion)</td>
<td></td>
</tr>
</tbody>
</table>
McCleary Basic Education Investments

NOTE: Includes actual McCleary–related enhancements to basic education since Court ruling; does NOT take into account loss of local levy authority beginning in 2017–19 biennium
**AMPLE STATE FUNDING "PROGRESS"**

**PATH OF STEADY PROGRESS**

**PATH OF ACTUAL STATE FUNDING PROGRESS**

according to State Legislature’s 2015 Report to the Supreme Court

Source: Network for Excellence in Washington Schools, 10/16
Purpose of EHB 2242: to “realize the promise” of the reforms embodied in ESHB 2261 (2009) and SHB 2776 (2010)

- Revises and increases State salary allocations for education staff
- Revises State and local education funding contributions
- Increases transparency and accountability of education funding
Salary Allocations
Current Salary Allocation Model (SAM) and “staff mix” are eliminated after SY 2017–18

Salary allocations for CIS, CAS, CLS based on statewide average salary, adjusted for regionalization and inflation

Beginning SY 2019–20, CIS salary: Min=$40K, Max=$90K; after 5 years mandatory 10% increase

10% increase over Max allowed for ESAs or teachers in STEM, TBIP and Special Ed (not provided by State, but allowable use of State allocation)

Salary allocation and regionalization reviewed and re-based every six years (begins 2023–24)
## Certificated Staff Salary Allocations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>$35,700</td>
<td>$36,521</td>
<td>None</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Average</td>
<td>$54,943</td>
<td>$56,201</td>
<td>$59,334</td>
<td>$64,000</td>
<td>$64,000</td>
</tr>
<tr>
<td>Maximum</td>
<td>$67,288</td>
<td>$68,836</td>
<td>None</td>
<td>$90,000</td>
<td>$90,000</td>
</tr>
<tr>
<td>Specialty</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Up to 10% add</td>
<td>Up to 10% add</td>
</tr>
</tbody>
</table>

- 2019–20 and 2020–21 amounts will be annually increased by inflation (IPD, not Seattle CPI)
- 2017–18 Average is currently an estimate
- 10% Specialty “bonus” will not be paid by State, but considered an allowable use of State allocation
2019–20 Average allocation for Certificated Administrative Staff = $95,000 (adjusted for inflation and regionalization)

- Funded salary is for allocation purposes
- Districts may expend local revenue on CAS salaries; however, the proportion of administrator salaries that are attributable to enrichment program cannot exceed the proportion of salary that local revenue represents as a percent of other revenues
Regionalization


- Based on single-family residential value of each school district and “proximate school district” median single-family residential value (“proximate” = within 15 miles of boundary)

- Regionalization factors/enhancements will be 6, 12, or 18 percent (with additional adjustments in the Operating Budget).
  - Most factors remain the same until re-basing (2023–24).
  - NOTE: 93 districts have regionalization factor; of those, 27 districts have factors above the calculated value, which will decline beginning in 2020–21
EHB 2242 Regionalization Factors
School Year 2018–19
## Regionalization Examples

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoreline</td>
<td>1.24</td>
<td>1.24</td>
<td>1.22</td>
<td>1.20</td>
<td>1.18</td>
</tr>
<tr>
<td>Lake Washington</td>
<td>1.18</td>
<td>1.18</td>
<td>1.18</td>
<td>1.18</td>
<td>1.18</td>
</tr>
<tr>
<td>North Thurston</td>
<td>1.06</td>
<td>1.06</td>
<td>1.05</td>
<td>1.04</td>
<td>1.03</td>
</tr>
<tr>
<td>Yelm</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>
Case Study: Bethel School District

All Bethel schools are located above the line
Hold Harmless

- In 2018–19, a district’s salary allocation will be the greater of the district’s 2017–18 salary allocations, adjusted for inflation, or the district’s allocation based on the new statewide average salaries.

- Regionalization hold harmless: no district will receive less state funding for minimum state salary allocations as compared to its prior school year as a result of adjustments reflecting updated regionalized salaries.
EHB 2242 eliminates current SAM (and staff mix), but requires OSPI to develop a model salary grid

- Technical Working Group must provide model grid to Legislature by Dec. 1, 2017

Intended to be a resource for districts in developing local compensation plans

School districts will not be required to use OSPI model grid
## New Salary Model Example:

Compensation Technical Work Group Report (June 2012)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bachelor’s Degree</td>
<td>Advanced Degree</td>
<td>Bachelor’s Degree</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>0</td>
<td>$48,687 1.0000</td>
<td>$52,582 1.0800</td>
<td>$58,424 1.2000</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8&lt;sup&gt;th&lt;/sup&gt;</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9&lt;sup&gt;th&lt;/sup&gt;</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10&lt;sup&gt;th+&lt;/sup&gt;</td>
<td>9+</td>
<td>$70,109 1.4400</td>
<td>$75,718 1.5552</td>
<td>$75,718 1.5552</td>
</tr>
</tbody>
</table>

Note: Movement on the salary schedule from Residency/Initial Certification to the Professional/Continuing Certification columns requires attainment of a Professional or Continuing Certificate through the Washington Professional Educators Standards Board (PESB) and a minimum of 4 years of experience. Within the Professional/Continuing Certification columns, a second salary increase occurs after nine years of experience with retention of the Professional/Continuing Certificate. Years of experience represent the earliest progression to the Professional/Continuing Certification column on this model; the actual amount of time for an individual to attain the Professional or Continuing Certificate may vary from 3 to 9 years.
New Salary Model Example:
Governor Inslee Budget Request (Dec. 2016)
Professional Learning Days

- Beginning in SY 2018–19, Professional Learning Days are phased in for CIS, as follows:
  - 2018–19 — 1 day
  - 2019–20 — 2 days
  - 2020–21 — 3 days

- Professional Learning Days are not included in base salaries, but the funding for the days is included in the salary allocations.

- Districts have discretion in how the Days are used; however, they meet the definitions and standards as provided in law.
Enrichment Levies & LEA
State Property Tax increased to $2.70/$1,000 assessed valuation (approx. $0.82)

Maximum “Enrichment” Levy is *lesser* of $1.50/$1,000 AV or $2,500 per student

Beginning in Fall 2018, Enrichment Levy plan must be submitted to OSPI and approved before levies can go to ballot

Local revenues must be deposited in separate “sub-fund” of General Fund

Local Effort Assistance is funded at maximum $1,500 per student (max of levy + LEA)
Levy Lid

- Beginning with taxes levied for collection in CY 2019, “Enrichment Levies” are limited to $1.50 per $1,000 of assessed value of property in the district OR $2,500 per pupil—*whichever is less*
  - Per pupil limit calculated using prior year’s average FTE student enrollment
  - Beginning with taxes levied for collection in CY 2020, per pupil limit increased by inflation

- Use of levy proceeds are restricted to enrichment activities only
Local Effort Assistance

- LEA is continued “to assist property-poor districts with funding to enhance equity in students’ access to extracurricular activities and similar enrichments”

- To qualify for LEA, a district must:
  - pass a levy; and
  - have a maximum levy that is less than $1,500 per pupil

- LEA will be provided on a per-pupil allocation basis so the sum of levy funding and LEA is $1,500 per pupil

- $1,500 per pupil LEA maximum adjusted for inflation beginning in CY 2020
Beginning Sept. 1, 2019, local revenues may only be used for “documented and demonstrated enrichment of the State’s statutory program of basic education”

Enrichment are expenditures which provide a supplement beyond State:
- Minimum instructional offerings;
- Staffing ratios or program components of basic education (including additional staff); or
- Professional learning allocations
Permitted enrichment activities:
- Extracurricular activities, extended school days, or an extended school year;
- Additional course offerings beyond the minimum basic education instructional program;
- Early learning programs;
- Additional salary costs attributable to the provision or administration of allowed enrichment activities; and
- Additional activities or enhancements determined to be a documented and demonstrated enrichment of basic education by OSPI as part of the Enrichment Levy pre-ballot approval process.
OSPI “may” develop recommendations for expanding the list of specifically permitted enrichment activities

- OSPI not required to provide recommendations and no deadline is provided
- If OSPI provides recommendations, the Legislature must “consider the recommendations in the 2018 Legislative Session”—but is not required to adopt
Levy Expenditure Plans

- Beginning with collection in CY 2020, OSPI must approve districts’ Enrichment Expenditure Plan before a proposition may be submitted to voters—required for Enrichment Levies and Transportation Vehicle Enrichment Levies

- Pre-ballot approval process will begin in Fall of 2018
When plan submitted, OSPI has 30 days to notify district of approval

If plan is rejected, district may revise and resubmit, and OSPI has 30 days to respond
  ◦ After a plan has been approved, a school district may submit revised spending plan
  ◦ District must make revisions in an open meeting of the Board
  ◦ Following resubmission, OSPI has 30 days to respond

If OSPI has approved expenditures, a district may change the relative amounts to be spent of respective purposes without receiving additional approval from OSPI—if the change is adopted as part of the district’s annual budget
Accounting for Local Revenues

- By SY 2019–20, school districts must establish a local revenue “sub-fund” to account for financial operations that are paid from local revenues
  - Local revenues include Enrichment Levies, Transportation Vehicle Enrichment Levies, LEA funding, and other local revenues, such as grants, donations, and state/federal payments in lieu of taxes

- Districts must track expenditures from this sub-fund separately to account for the expenditure of each stream of revenue by source

- OSPI to update accounting rules by SY 2019–20
Collective Bargaining & Supplemental Contracts
CBAs & Supplemental Contracts—Overview

- Levy funds can only be used for “enrichment” beyond basic education
- CBAs currently in place are not impaired; however agreements executed after bill’s effective date must comply with new law
- Supplemental pay may not exceed the employee’s basic education hourly rate
- Beginning Sept. 1, 2017, districts must annually report to OSPI on TRI contracts
During the 2018–19 transitional period for new salary allocations, district CBAs may not provide a total salary increase (including supplemental contracts) that exceeds inflation (Seattle CPI)

- Applies to CBAs executed after July 6, 2017

If a district’s average CIS, CLS or CAS salary is less than the allocation for 2018–19, the district may increase those salaries up to the amount allocated by the State.
Supplemental Contracts

- Districts may pay CIS salaries exceeding State salary allocations, but must use separate supplemental contracts for additional Time, Responsibility, or Incentive (Innovation eliminated)

- Supplemental contracts are restricted to activities defined as enrichment, beginning Sept. 1, 2019

- The hourly rate under a supplemental contract may not exceed the hourly basic education salary provided to that employee
Accountability & Transparency
Accountability/Transparency—Overview

- State Auditor will continue regular financial audits, with expanded review
- School Boards must adopt policy regarding audit findings
- School districts must develop four-year budget plans
**Auditor Reviews**

- Beginning with SY 2019–20, regular State Auditor audits must include:
  - Review of expenditure of local revenues for compliance with new restrictions; and
  - Compliance with OSPI-approved Levy Expenditure Plans

- Any audit findings must be reported to OSPI, OFM and Legislature

- Before SY 2019–20, School Boards must adopt policy for responding to audit findings

- The policy:
  - must require a public hearing; and
  - may include “progressive disciplinary actions” for superintendent
Transparency

- Beginning in 2018, districts must develop four-year budget plans, including enrollment projections, and estimates of funding necessary to maintain current program levels and supplemental contract obligations.

- Budget must specify amounts and sources of each employee’s salary, beginning SY 2019–20.

- School districts must: provide public notice of budget hearing; and electronically post the budget and four-year plan.
Transparency Cont’d

- Districts must submit budget and four-year plan to their ESD and OSPI
- OSPI must use budgets and plans to rank districts by financial health and provide information to districts to help them avoid financial difficulty, insolvency, or binding conditions
Health Benefits—Overview

- New SEBB established to design insurance benefit plans for school employees
- Existing health care plan provisions remain in effect through Dec 31, 2019
- Employee costs for full family coverage cannot exceed the cost for employee-only coverage
- Health benefits removed from local bargaining; beginning Jan 1, 2020, no basic or optional health benefits may be provided by school districts that are not provided through SEBB
Health Benefits

- New School Employees’ Benefits Board established to design insurance benefit plans for school employees and develop educational employee benefit plans
- Governor required to appoint 8 SEBB members by Sept. 30, 2017; HCA Director to serve as Chair
- Existing health care plan provisions remain in effect through Dec. 31, 2019
- Employees must work 630 hours per year to qualify for coverage
Employee costs for full family coverage under authorized plans cannot exceed the cost for employee-only coverage.

School districts must provide HCA with specified data by Jan. 1, 2018 to support initial procurement of SEBB plans.

After Dec. 31, 2018, school districts must provide required data to SEBB to administer the consolidated purchasing of health services.
Health Benefits Cont’d

- Beginning Jan. 1, 2020 health benefits for school district and ESD employees merge into SEBB
- Health benefits removed from local bargaining and beginning Jan 1, 2020, no basic or optional health benefits may be provided by school districts that are not provided through SEBB
- Employee benefit bargaining with the governor’s office must be initiated after July 1, 2018 over the dollar amount expended for health care benefits beginning Jan. 1, 2020; subsequent bargaining to occur every even-numbered year
Next Steps
Local Funding Workgroup

- Represent nearly 8,000 school district leaders
- Established in May 2014 to:
  - review current education financing;
  - analyze education funding proposals; and
  - develop a common set of recommendations
- Continue to meet to:
  - fully analyze new Education Funding Plan; and
  - offer assistance to school district leaders and policymakers
EHB 2242 Resources

- WASA Summary: http://bit.ly/2hhrcZJ
  ◦ Summary (page 8); Timeline (page 27)
- OSPI FAQ: http://bit.ly/2wMKZKt