



Recommendations of the Washington Association of School Administrators To the Washington State Legislature’s Education Funding Task Force July 2016

The Washington Association of School Administrators appreciates the opportunity to provide input to the Education Funding Task Force regarding their assignment. Our recommendations are listed below, organized around the specific task force responsibilities as defined in E2SSB 6195, Section 2.

(1) The education funding task force is established to ... make recommendations to the legislature on implementing the program of basic education as defined in statute.

Background:

The prototypical school funding model is at the heart of the revised definition of basic education incorporated in ESHB 2261. That model derives from the recommendations of Picus and Odden’s 2006 evidenced-based approach that was part of the Washington Learns study. While ESHB 2261 created most of the new staff allocation categories of Picus and Odden’s prototypical school funding model, that law didn’t define the values for the allocation formulas.

The work of creating the allocation formula was assigned to two different groups. The Funding Formula Technical Working Group (FFTWG) was the first to create values. In their [Final Report](#), the FFTWG stated that their proposed baseline values merely translated current funding levels into the more numerous staff categories of the new allocation model:

This baseline provides the same level of staffing and non-employee related costs as the current formula, but allocates those funds according to the new prototypical school structure in ESHB 2261. (pg. iv)

This work was only intended as the starting point upon which additional funding was to follow. The Quality Education Council (QEC) was “created to recommend and inform the ongoing implementation by the legislature of an evolving program of basic education” (ESHB 2261, pg. 26). Their [2010 Report](#) provided the recommended 2018 values for the prototypical allocation model.

[RCW 28A.150.260](#) provides the current actual allocations. With the exception of the staffing elements addressed in SHB 2776, most of those values still reflect the baseline developed in 2009 by the Funding Formula Technical Working Group. In

other words, much more needs to be done to provide school districts with the staff required to implement the new prototypical funding model. A critical aspect of this funding model is that the formula is intended for allocation purposes only. This allows districts the flexibility to adjust their staffing to accommodate fractional FTE allocations and to address local priorities.

In addition to the need to fully implement the prototypical school funding model, there are several significant areas of underfunding that are not addressed by that formula. School districts across the state are routinely forced to make significant expenditures from their local levy revenue to fund programs that aren't part of the prototypical formula such as special education, substitute costs, free/reduced meal costs, and professional development. Those issues must also be addressed if local levies are limited to the enhancement role spelled out by two State Supreme Court decisions. Additional capital funding will also be needed for districts to realize the expansion of All Day Kindergarten and the lower grades 1-3 class sizes funded in the staff allocation model.

Recommendation:

Implement the prototypical school funding model as defined in the QEC 2010 Report and maintain the statutory expectation that such funds are for allocation purposes only.

In his 2016 budget request, State Superintendent of Public Instruction Randy Dorn used the QEC recommended values as a starting point but made proposed modifications in some of the staffing levels. WASA supports the rationale used by Superintendent Dorn in making those adjustments. We would support either the 2010 QEC recommendation, or the 2016 OSPI budget request. Whichever target is selected by the Legislature; full funding should be achieved within four years.

Steps should also be taken immediately to provide ample allocations for programs that aren't part of the prototypical formula such as special education, certificated and classified substitute costs, free/reduced meal costs, professional development, and any other areas of underfunding not fully addressed by the prototypical model.

(2) Using the data and analysis provided by the consultant and the previous body of work provided to the legislature, the task force must, at a minimum, make recommendations for compensation that is sufficient to hire and retain the staff funded under the statutory prototypical school funding model and an associated salary allocation model.

Background:

In ESHB 2261 the Legislature recognized the importance of providing competitive wages:

... providing students with the opportunity to access a world-class educational system depends on our continuing ability to provide students with access to world-class educators. The legislature also understands that continuing to attract and retain the highest quality educators will require increased investments. The legislature intends to enhance the current salary allocation model and recognizes that changes to the current model cannot be imposed without great deliberation and input from teachers, administrators, and classified employees. Therefore, it is the intent of the legislature to begin the process of developing an enhanced salary allocation model that is collaboratively designed to ensure the rationality of any conclusions regarding what constitutes adequate compensation (pg. 57).

The Compensation Technical Working Group (CTWG) was the collaborative design group created to develop the new market-based salary allocation model. They worked for an entire year, beginning in July of 2011, and submitted their [Final Report](#) in June of 2012. In addition to the broad-based membership of this committee, the CTWG also utilized recommendations from numerous outside experts in developing a fair market-based salary allocation model. Even though the CTWG's final report was submitted on June 30, 2012, as directed by the Legislature, it didn't receive a legislative hearing until 2015.

While there may be some misgiving among some legislators about some of the conclusions reached by the CTWG, it is doubtful that the current Education Funding Task Force will be able to improve on the rigor of their work in the few months they have available. The current teacher shortage highlights how important it is to move forward immediately with this delayed aspect of ESHB 2261.

Recommendation:

Begin implementation of the salary allocation model proposed by the [Compensation Technical Working Group](#) with values adjusted to reflect cost of living increases that have occurred since the study was completed. Balancing the urgency of addressing inadequate educator salaries with the time needed to implement such a significant change, we recommend that the new model be implemented over four years. That would also provide ample time during the transition period to review and adjust any of the recommendations which may not make sense in the current context. Such a review should involve both legislators and representatives of the groups who will be impacted by the new system.

(2) *The recommendations must also include provisions indicating whether:*

(a) *A system for future salary adjustments should be incorporated into the salary allocation model and if so, the method for providing the adjustment;*

Recommendation:

Implement the Compensation Technical Working Group proposal found on page 14 of their Final Report:

To ensure that the K–12 salary allocations keep pace with the wages of comparable occupations, the CTWG recommends that the comparable wage analysis be conducted every four years and allocations be adjusted accordingly, if necessary. In the interim, state allocations should be adjusted annually with the Seattle-Tacoma-Bremerton Consumer Price Index as per the provisions of Initiative 732.

(2) *The recommendations must also include provisions indicating whether:*

(b) *A local labor market adjustment formula should be incorporated into the salary allocation model and if so, the method for providing the adjustment. This must include considerations for rural and remote districts and districts with economic and distressing factors that affect recruitment and retention.*

Background:

The purpose of any labor market adjustment is to ensure that each district is able to attract and retain excellent educators. Many districts face a challenge in that regard due to their high cost of living. Other school districts face a similar challenge due to their remote location and lack of amenities. Any system designed to provide a fair labor market adjustment should address both challenges.

The proposals offered thus far to address the high cost needs have been based on regional or county data. Those systems aren't able to address the often dramatic differences within such areas. In Chelan County, for example, the cost of living in Lake Chelan is much higher than living in Wenatchee; yet most proposals would have treated them as the same. It is important, therefore, for any high cost market adjustment to be based on district-level data. The median home value provided within the US Census data provides this type of district-level data and is a good proxy for other cost of living differences.

A staff mix factor is calculated for each school district, and it provides a good metric for measuring differences in the ability to attract and retain teachers. School districts with low staff mix factors have less experienced and/or less highly-trained staff. Averaging

that factor over a few years would provide a good metric that eliminates the volatility that might occur annually in small districts' data.

Recommendation:

A labor market adjustment should be utilized which includes two elements—an index that reflects cost-of-living differences, and one that addresses the needs of school districts in hard to recruit and retain areas. Both indices should rely on district-level data rather than factors at a county or regional level.

For cost of living differences, the US Census provides district-level median home values and the data is updated every few years. That would provide a reasonable proxy for cost-of-living differences. To address needs of districts in hard to recruit areas, we propose an index based on a multi-year average of district staff mix factors. Both indices should be calculated for each district and the higher of the two should be applied to each district's salary allocation.

(3) The task force must review available information to determine whether additional state legislation is needed to help school districts to support state-funded, all-day kindergarten and class-size reduction in kindergarten through third grade.

Background:

School districts across the state face challenges in providing the classroom space needed to realize the expansion of all-day Kindergarten and lowering of class sizes in grades K–3. Legislative actions thus far have been inadequate in addressing this challenge. Based on OSPI's calculation of the need, Superintendent Dorn's 2015–17 Capital Budget proposal requested almost \$2.0 billion to provide the new classrooms necessary. In response, the Legislature only provided \$235 million to address that need. Additional funding is needed if students, regardless of their zip code, are able to benefit from the reduced class sizes allocated in the prototypical funding model.

The other state legislation needed to ensure all students have adequate classroom space is to change the current supermajority requirement for school bond elections. With the statewide change to mail-in ballots for all elections, there can no longer be a justification within our democracy for allowing minority rule with such capital ballot measures.

Recommendation:

To ensure all school districts have the resources to secure additional facility space necessary to accommodate all-day kindergarten and K–3 class size reduction, WASA urges the Legislature to:

- (1) Advance a constitutional amendment to the people authorizing school district bond issues to be approved with a simple majority vote;**

- (2) Enhance the State’s investment in K–12 construction by updating the current, outdated funding formulas for the Construction Cost Allowance and Student Space Allocation to ensure funding more closely reflects actual construction costs and educational space needs; and**
- (3) Provide a significant increase in capital funds to assist school districts with necessary new construction or modernization.**

(5) The task force must also make recommendations regarding:

(a) Local maintenance and operation levies and local effort assistance;

Background:

The WASBO-WASA Local Funding Workgroup spent over a year studying this complicated issue. In the [Whitepaper](#) produced at the conclusion of that effort, the Local Funding Workgroup emphasized the importance of funding basic education costs before any adjustment is made to local levy levels:

Fund the full cost of basic education labor first, followed by other improvements as outlined in ESHB 2261 and SHB 2776. Requiring additional staff units or additional salary without first addressing the funding shortfall in the underlying compensation for state-funded staff units not only fails to solve the State underfunding problem, it actually increases districts’ reliance on local levy funding.

AFTER state funding is provided for basic education costs that are currently covered by local levies, some reduction in levy authority makes sense. However, it would invite financial disaster in many districts for the state to lower levy authority, either prior to or concurrently with, steps to fully fund basic education. It will take a significant transition period to gradually unwind this complicated blend of local and state dollars that support basic education.

Recommendation:

Local levies can be reduced after state funding has increased to cover basic education costs formerly paid with those local dollars. Such reductions should only occur after the new state funding is fully integrated into school district operating costs.

Even with a reduced levy, there would still be a need for LEA due to the dramatic disparity in district property values and related levy rates. We stand ready to work with the Legislature to review and revise the current LEA formula as long as any changes create an equitable learning opportunity for all students regardless of their zip code.

- (5) *The task force must also make recommendations regarding:*
(b) *Local school district collective bargaining;*

Background:

Most of the current contentiousness related to collective bargaining relates to compensation issues. Given the lack of state funding to provide market rate educator salaries, school districts have become the focal point of union efforts to enhance salaries. Section (4) of [RCW 28A.400.200](#) allows such locally bargained salaries “for additional time, for additional responsibilities, for incentives, or for implementing specific measurable innovative activities.” This is generally referred to as TRI pay. That section prohibits districts from using local funds to pay for “services which are a part of the basic education program.” But as pointed out by the Supreme Court in the *McCleary* decision:

The State points to the Basic Education Act, which declared from its inception that “[b]asic education shall be considered to be fully funded by those amounts of dollars appropriated by the legislature pursuant to” the funding formulas (pg. 60).

In other words, for nearly four decades the definition of basic education has been whatever the Legislature funded under that title. Given that fact, nothing school districts have done to enhance state salaries with local levies should be viewed as violating that section of RCW 28A.400.200.

Nonetheless, it will be a very complicated process to unwind four decades of history. Over the years, much of this local salary has been bargained as “deemed done.” In other words, it’s viewed for what it is, a backfilling of the inadequate state salary allocation. Given that fact, concurrent with or prior to the implementation of a new salary allocation model, the state must eliminate the current TRI provisions of 28A.400.200 (4). As addressed below, some local salary should be permitted, but only as defined in the recommendation.

Recommendation:

RCW 28A.400.200 should be amended to eliminate current TRI provisions and to only allow for locally funded salaries related to:

- **Additional recorded time needed to implement student programs outside of the state-funded contract school day.**
- **Additional duties not funded by the state basic education allocation (e.g., instructional coaches, department chairs, etc.).**
- **Additional recorded time for staff professional development outside of the state-funded contract school day or school year.**

With this statutory change, collective bargaining should continue to occur at the local level except for state-funded salaries and insurance benefits. Those compensation elements should be bargained at the state level with a panel composed of the unions who represent staff impacted by the state-level compensation decisions.

(5) The task force must also make recommendations regarding:

(c) Clarifying the distinction between services provided as part of the state's statutory program of basic education and services that may be provided as local enrichment;

Background:

As pointed out in Section (1), the Legislature has not completed the work of providing school districts the staffing levels necessary to fully implement the prototypical school funding model that is at the heart of ESHB 2261. Because the prototypical model has not yet been fully implemented, school districts have added significantly to the staff allocated by the state.

For the 2014–15 school year, school districts added nearly 10,000 staff in the building and central office categories (not including CTE, Skills Centers, and Categorical Programs). Those added staff represent a 15% increase over the state staffing allocation in those categories, with a local base salary cost (not including TRI) of over \$630 million per year. While some may view that as an enhancement, most of it is backfilling the state's underfunding of the commitments made to the prototypical model in ESHB 2261.

Until the prototypical school funding model is fully implemented, the new definition of basic education created by ESHB 2261 will not be fully realized. And until that happens, it is difficult to define what the state's responsibility and what is a permissible local enhancement.

Even after the prototypical model and other basic education costs are funded, there will still be a significant challenge in creating a working definition of basic education which can help define permissible local enhancement. For example, the current transportation formula, which is considered fully funded, does not meet districts' costs for half of the districts (148). For many of those districts the formula is close, but for eighteen districts (18) the funding only meets 80% or less of their costs.

Should the fact that half of our districts need to supplement the state allocation be considered an enhancement, or does it reflect a formula that doesn't cover the actual cost of providing basic education? Many other examples could be provided regarding the complexity of this enhancement issue. As a result, it would be very difficult to nail down the issue of enhancement until a clear plan exists regarding what is included in the state's basic education allocation and when it will be fully implemented.

Recommendation:

Assign a task force to study this issue and make legislative recommendations after a fully developed basic education funding plan is adopted by the Legislature. The task force should be made up of equal numbers of legislative and school district representatives who have extensive knowledge and expertise in this area.

(5) The task force must also make recommendations regarding:

(d) District reporting, accounting, and transparency of data and expenditures;

Background:

There seems to be little debate that the state's current school accounting system cannot provide the kind of data necessary to differentiate school district expenditures by the source of funds. The current school district data collection requested by the consultants who were contracted to support this task force, is a good example of how hard it is to get complete answers to fairly simple questions.

The federal *Every Student Succeeds Act* includes a requirement for this type of funding source reporting at the school level. Significant changes will be required in our current accounting systems to meet that requirement.

In creating any system to address these needs, it is absolutely critical that we not drown school district business officials with data demands that are not really necessary to answer the Legislature's questions. It is also imperative that the cost of any accounting system change is fully funded at both the state and school district level.

Recommendation:

Work with OSPI and WASBO, the school business officials' association, to collaboratively design an efficient system to provide the data necessary to evaluate school districts' use of funds from state, local, and federal sources. After the system is defined it should only be launched after the Legislature fully funds the cost of implementation at both the state and district levels.

(5) The task force must also make recommendations regarding:

(e) The provision and funding method for school employee health benefits;

Background:

Employee health benefits are an integral part of employee compensation. The Court has ruled that such compensation for the program of basic education is the state's responsibility. The state should, therefore, provide the same health benefit to all K–12 employees. Providing the same dollar amount may seem like a reasonable solution, but that would result in different levels of coverage in different parts of the state. The Legislature has spent years studying a potential K–12 system similar to the Public

Employees Benefit Board (PEBB). As is the case with the PEBB, multiple options could be provided within such a state plan. Now is the time to realize the efficiency and equity that would be created by such a unified educator healthcare benefit system.

Recommendation:

Work with OSPI and representatives from all categories of K–12 employees to design and implement a unified employee health benefit system similar to PEBB.

(5) The task force must also make recommendations regarding:

(f) Sources of state revenue to support the state's statutory program of basic education.

Background:

In January 2012, in its ruling in *McCleary v. State*, the Supreme Court held that the state “has consistently failed” to comply with its constitutional paramount duty to make ample provision for the basic education of all children in Washington. The Court also ruled that the ample provision be “by means of dependable and regular tax sources.” To fully fund basic education, additional revenues will be required. The current state budget structure cannot accommodate the required increases in basic education to fully comply with the *McCleary* decision. Some argue that basic education could be fully funded without new revenues if current non-basic education expenditures were reduced or eliminated. A significant percentage of the non-basic education budget, however, is federally or constitutionally required (including debt service, pensions, and certain medical services) and, therefore, is “off limits.”

Similar to one of the charges of this Education Funding Task Force, in 2012 the Legislature established a Joint Task Force on Education Funding (JTFF) to “develop a proposal for a reliable and dependable funding mechanism to support basic education programs.” That task force was required to recommend “one preferred alternative.” In its [final report](#), the JTFF—comprised of legislators from both parties and both houses, as well as three citizens—failed to recommend one preferred option. Instead, they adopted a list of “options for the Legislature to consider.” Potential funding options included use of the Rainy Day Fund, enacting budget efficiencies, eliminating tax exemptions, and using the State School Levy to replace local district levies.

Each year the Department of Revenue produces a tax exemption study which lists exemptions for the major state and local taxes in Washington. The [2016 Tax Exemption Study](#) calculates the potential state revenue gains to be \$30.1 billion in the 2017–19 biennium for all such exemptions.

Legislation was adopted in 2006 (EHB 1069), creating the Citizen Commission for Performance Measurement of Tax Preferences (CCPMTP). The Commission works with the Joint Legislative Audit & Review Committee (JLARC) to review tax preferences. This review and CCPMTP recommendations could help evaluate tax preferences that could be eliminated.

Recommendation:

We strongly support an expansion of state revenues to ensure the Legislature is able to fully comply with the constitutional paramount duty with “regular and dependable” sources of funding.

We do not claim to be tax experts and do not feel qualified to determine the “best option” to secure ample funding for basic education. Even the legislators serving on the Joint Task Force of Education Funding were unable to recommend a single proposal. We suggest that the Education Funding Task Force follow their lead and advance a list of potential choices, so your colleagues will have a full menu of options from which to choose.

While we do not suggest any specific sources of revenue, there are three guiding principles we strongly advocate the Legislature follow in deciding on any new revenue package:

- (1) The revenue system should be designed to provide ample and dependable full funding of basic education, rather than adjusting basic education to fit the revenue package;**
- (2) Any new taxes or changes to existing taxes should result in a system that is less regressive for the Washington citizens; and**
- (3) Any proposal to fund basic education that simply “swaps” state and local property tax authority without providing significant new state funding will not result in ample funding and, therefore, cannot be supported.**

The Washington Association of School Administrators appreciates the opportunity to share these recommendations related to the Education Funding Task Force’s legislative proposal. We stand ready to provide any additional input that would be helpful in completing your assignment.

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