



Overview of the Final Report of the House K-12 Finance Workgroup

House
Subcommittee
on Education
Finance
Structures

Presented to the
House Subcommittee on Education Finance Structures

by
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The State Constitution and K-12 Funding

- The state constitution, statutes and court decisions provide the legal framework for the state K-12 funding system.
- It is the responsibility of the Legislature to define and fully fund basic education.
- The Legislature has not only the right but the obligation to review, evaluate, and revise, if necessary, the education system of the state to meet children's current needs.



Workgroup

- Focus: Finance Structure
- Purpose: “To acquire a foundation of knowledge that will allow the Legislature to address the question of whether our K-12 education finance structure is consistent with the state's education policies, including the goals of education reform.”



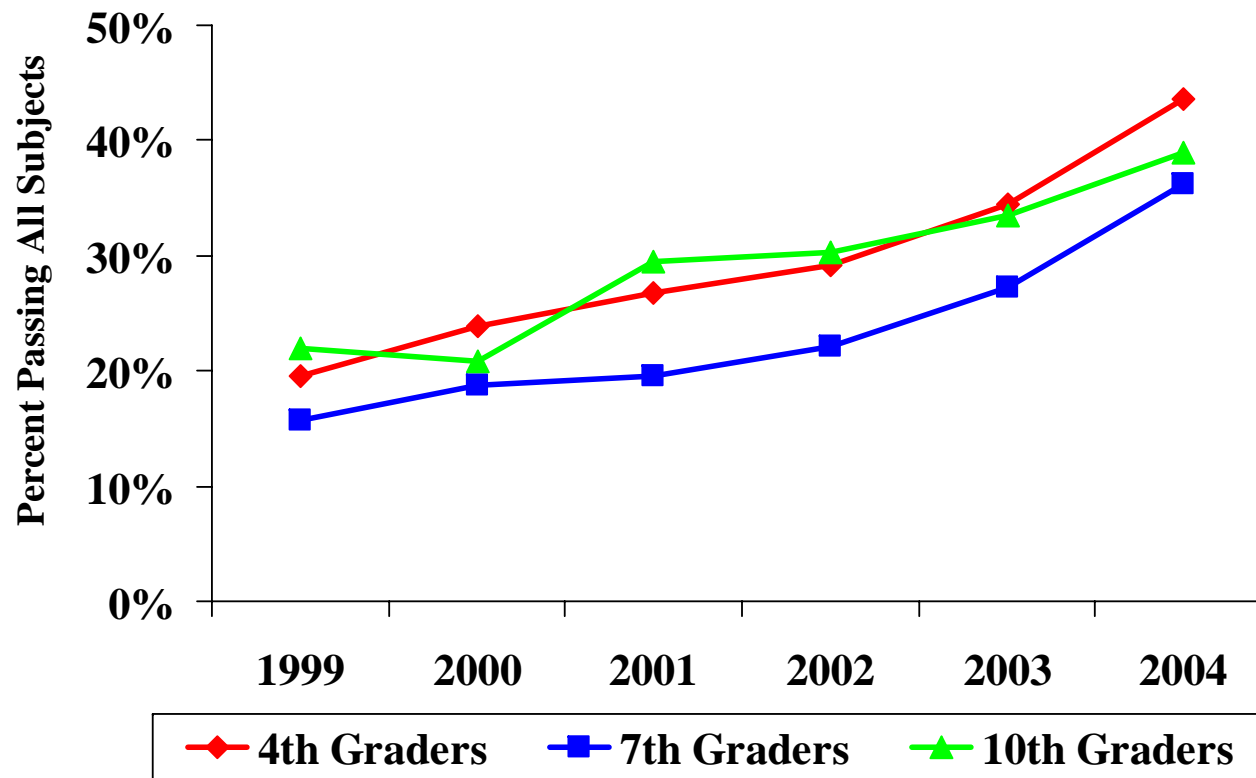
Policy Framework

- With Education Reform, the state has moved toward a standards-based system:
 - State-adopted academic standards
 - Criterion-based student assessments
 - Accountability for students (graduation requirement in 2008), schools and districts



While increasing, the percentage of students passing all subjects on the Washington Assessment of Student Learning is still under 50%.

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Source: OSPI



The Achievement Gap

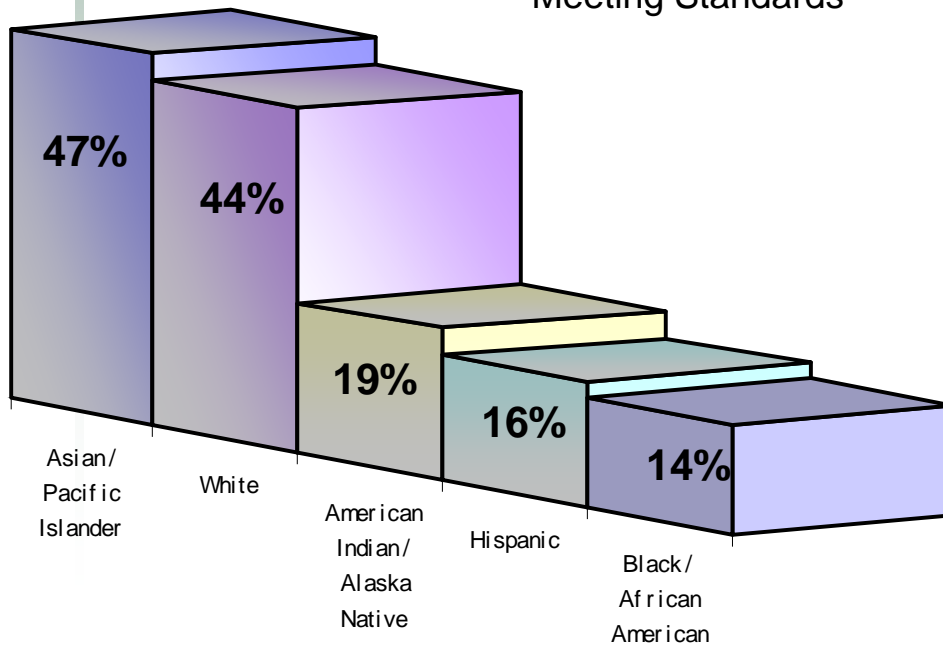
The Percentage of 10th Graders Meeting Standards in Reading, Writing, and Math

2004 WASL

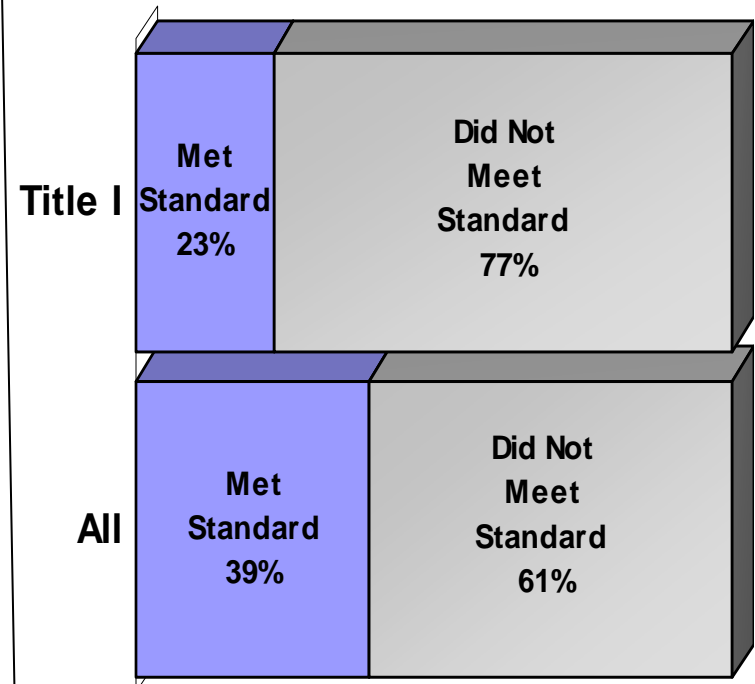
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By Ethnic Group

Percentage Meeting Standards



By Poverty





Workgroup Conclusions

- The K-12 finance structure is sound in that it is responsive to student enrollment and different characteristics of students, consistent with standards-based education policies.
- More could be done to better align the funding structure with our education policies.
- A number of weaknesses in our funding formulas need further consideration.



Workgroup Conclusions: Areas That Need Further Review

- Teacher Compensation
- Special Education Allocation Formula and Safety Net Process
- Student Transportation Funding Formula
- LAP Allocation Formula
- Grandfathered Levy Lids



Workgroup Conclusions: Areas That Need Further Review

■ **Teacher Compensation**

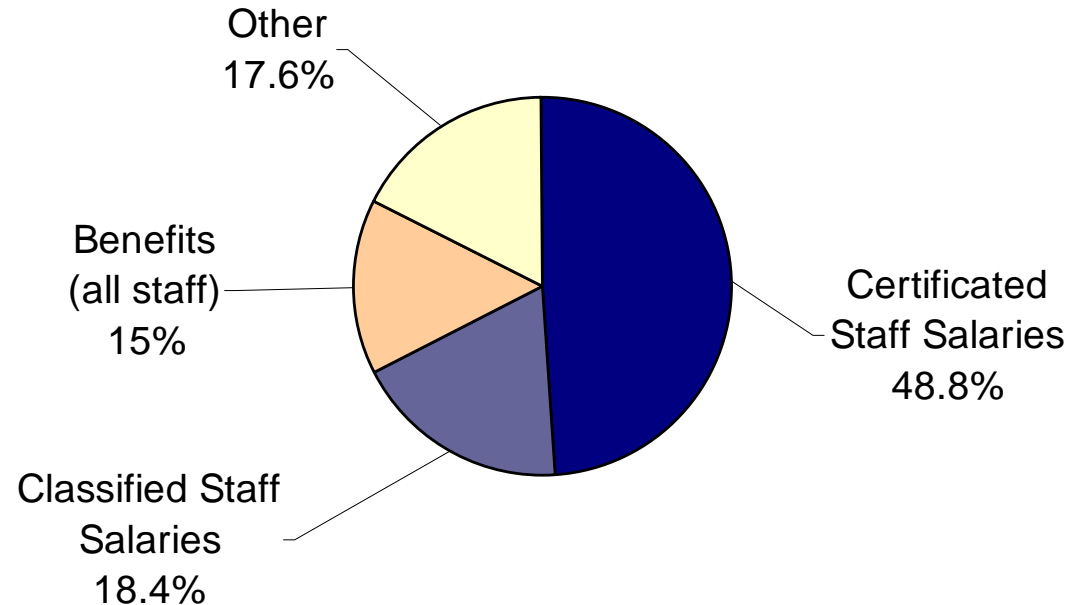
- Establish a process to evaluate new teacher salary structure aligned with standards-based policies and the new teacher certification and professional development policies.
- Consider including factor for regional cost-of-living differences; incentives for teaching in hard-to-serve schools and difficult-to-fill positions; incentives for mentoring and increasing student achievement; rewards for professional development.
- Ensure rational basis for differences in salary allocations.



Background: Salaries and Benefits Account for Over 80% of School District Expenditures

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2002-03 School District Expenditures



Source: OSPI Financial Reporting Summary District Fiscal Year 2002-03;
Based on school district general fund expenditures.



Background: Certificated Administrators 2002-03 Salaries

- Average Actual Salaries: \$82,517
- State salary allocation:
 - Low: \$30,583 for the Evaline School District (Lewis County)
 - High: \$74,541 for the Skykomish (King County), Harrington (Lincoln County), Columbia (Stevens County), and St. John (Whitman County) school districts.



Background: Classified Staff 2002-03 Salaries

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- Average Actual Salaries: \$31,814
- State salary allocations:
 - Low: \$21,266 for the Damman School District (Kittitas County)
 - High: \$32,173 for the Seattle School District



Background: In Washington, total pay for teachers is a combination of base pay and supplemental pay for additional time, responsibility or incentives (TRI)

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Statewide Average Teacher Salaries for 2002-03 School Year

Base	\$45,264
TRI*	<u>5,865</u>
Total	\$51,129

*Note: Average TRI salaries calculated based on reported total salaries and base salaries. This difference is primarily supplemental contracts, but can include sick leave buyouts, changes to the base pay during the school year, and other adjustments.



Background: TRI Contracts

- TRI salaries are for time and activities outside of regular classroom time and duties - grading papers, professional development, curriculum planning, coaching.
- Locally bargained: rate of pay, number of days, optional teacher-directed vs. mandatory district-directed, duties.
- Locally bargained salary increases above any state-provided salary increases are through TRI contracts.
 - can take the form of additional time/responsibilities or increased rate of pay
- “Supplemental contracts shall not cause the state to incur any present or future funding obligation.” 28A.400.200(4) RCW



Background: The Current Salary Allocation Model, which influences local salary schedules, rewards more years of service & additional education credits.

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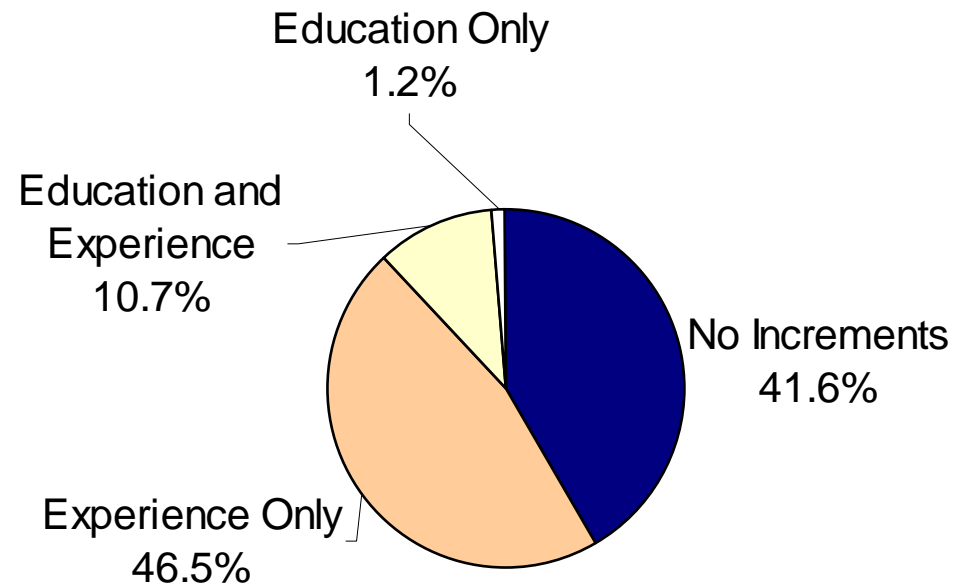
K-12 State Salary Allocation Schedule For Certificated Instructional Staff

2004-05 School Year

Years of Service	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90 or PHD
0	30,023	30,834	31,674	32,516	35,218	36,958	35,995	38,697	40,439
1	30,427	31,249	32,100	32,979	35,709	37,440	36,395	39,125	40,855
2	30,812	31,642	32,502	33,449	36,171	37,920	36,798	39,520	41,269
3	31,209	32,047	32,916	33,893	36,610	38,401	37,180	39,895	41,687
4	31,598	32,473	33,347	34,358	37,091	38,895	37,580	40,313	42,118
5	32,000	32,879	33,762	34,829	37,552	39,392	37,987	40,711	42,551
6	32,413	33,273	34,186	35,306	38,016	39,866	38,404	41,114	42,963
7	33,139	34,012	34,937	36,118	38,868	40,769	39,185	41,934	43,836
8	34,202	35,122	36,069	37,348	40,135	42,106	40,414	43,202	45,172
9		36,272	37,266	38,591	41,443	43,481	41,656	44,510	46,548
10			38,477	39,898	42,788	44,894	42,964	45,855	47,960
11				41,243	44,196	46,344	44,309	47,263	49,410
12				42,545	45,642	47,854	45,707	48,708	50,921
13					47,123	49,401	47,154	50,189	52,467
14					48,611	51,006	48,644	51,775	54,073
15					49,876	52,333	49,908	53,121	55,479
16 or more					50,873	53,379	50,906	54,183	56,588



Background: In the 2002-03 school year, 42% of all teachers received no increment increase, and 58% received some kind of increment increase.





Background: Allocation Model versus Salary Schedule

- Most, but not all districts, have chosen to adopt a salary schedule exactly like or similar to the one used for allocating state funds.
- 34 districts remain grandfathered at a higher allocation rate.
- State salary control restricts local districts' ability to vary from the schedule within their base salary contracts.



Background: Strengths of Washington's Single-Salary Allocation Model

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- Intentionally objective.
- Based on level of education and experience.
- Intended to allow districts equal ability to attract and hire teachers.
- No penalty for hiring more experienced (costly) teachers.



Background: Limitations of Washington's Single-Salary Allocation Model

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- No recognition of cost-of-living differences among districts.
- Creates no incentives related to service in high-need districts or schools (e.g. low performing, critical shortages).
- Based on credits and time, yet system of educator development is increasingly based on performance.
- Movement toward performance-based system of teacher development.
- All teachers must attain the same standards required by the state, but they do not attain the same salary eligibility when they do.



Background: Types of Alternative Compensation Structures

- Differential or Market-Based Pay
 - Signing bonuses
 - Bonuses for Teaching in High Need Schools and/or Certification Shortage Areas
 - Adjustments for Cost of Living Differences
- Group Performance Incentives
 - Provides financial or other rewards to recognize improvement.
- Knowledge and Skills Based Pay
 - Rewards specific, demonstrated knowledge or skills.



Workgroup Conclusions: Areas That Need Further Review

- **Special Education Allocation Formula and Safety Net Process**
 - Legislature should look at:
 - Efficacy of safety net process
 - Potential lack of equity as well as adequacy from allocations based on presumed average cost per student
 - Accounting methodology
 - Ability to distinguish between costs within the districts' control and costs beyond the districts' control



Background: State Special Education Funding

- Special Education Allocation Formula
 - State allocation based on the district's per student Apportionment allocation
 - For each student with a students with an Individualized Education Plan (IEP).
 - Allocations and are intended to represent an average cost of providing special education services.
- Safety Net Awards
 - Districts must apply
 - Funded with federal funds beginning in the current biennium
- Excess Cost Accounting



Workgroup Conclusions: Areas That Need Further Review

- **Student Transportation Funding Formula**
 - Examine whether the formula equitably and adequately fund student transportation.
 - Technological changes might make it possible to base the allocation on something other than weighted straight-line miles.
 - Education reform policies may have changed transportation demands on districts.



Background: Student Transportation Funding

- Operations Allocations
 - Allocation based on the number of students transported from route stops to learning centers (schools, skill centers, etc.) and the straight line distances between route stops and destinations.
 - Allocation rate for 2004-05: \$40.66 per weighted student mile
 - Rate established in the 1980s and has been adjusted for inflation and state-funded compensation increases since



Background: Student Transportation Funding

- School Bus Reimbursement
 - Straight depreciation for contracting school districts
 - Replacement money for district-operated transportation
 - Replacement is based on current state quote price. As the price varies, the cost to the state varies for all buses in the system.
 - School districts must front-fund buses.



Workgroup Conclusions: Areas That Need Further Review

■ **LAP Allocation Formula**

- Formula based in part on assessment scores penalizes districts that improve.
- Consider using poverty as the sole factor in allocating remediation funding.



Background: Learning Assistance Program Funding

- Learning Assistance Program (SB 5877)
 - Beginning in the 2005-06 school year, funding must be allocated 50% based on poverty, 50% based on test scores. Currently, 10% poverty and 90% test scores.
- Governor Locke's budget request adds \$41 million to the \$135 million maintenance level LAP funding and allocates based solely on poverty.



Workgroup Conclusions: Areas That Need Further Review

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■ Grandfathered Levy Lids

- Re-examine the policy of allowing 91 districts to have a higher levy lid percentage than all other districts.
- Stay aware of key role played by levy equalization in maintaining equitable funding system.



Background: Local Levy Revenue and Levy Equalization

- Levy Lid: M&O levy revenues limited to a percentage of a district's state and federal revenues.
 - For most districts: 24 percent of state and federal revenues
 - For 91 grandfathered districts: Up to almost 34 percent
- Levy Equalization
 - Helps to equalize local tax rates
 - Districts with above average tax rates receive allocations if they pass a local levy.



Appendix

- Basic Education Items in the 2005-07 Maintenance Level Budget
- Non-Basic Education Items in the 2005-07 Maintenance Level Budget
- Grandfathered Salary Districts
- M&O levy revenues have been growing as a portion of total district revenues since the early 1980's.
- 91 districts are grandfathered above 24% levy lid.
- Grandfathered Levy Lid and Salary Districts
- Districts Receiving Levy Equalization in 2004



Basic Education Items in the 2005-07 Maintenance Level Budget

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Dollars in Millions

General Apportionment	\$8,355	72%
Special Education	\$921	8%
Transportation	\$507	4%
Learning Assistance Program	\$135	1%
Transitional Bilingual Program	\$125	1%
Institutions	<u>\$39</u>	<u>0%</u>
Subtotal: Basic Education	\$10,083	87%
Non-Basic Education Programs	\$1,547	13%
Total - State Funds	\$11,630	100%



Non-Basic Education Items in the 2005-07 Maintenance Level Budget

	\$\$ in Millions	
▪ Student Achievement Fund (I-728)	\$629.2	5.4%
▪ Levy Equalization	372.3	3.2%
▪ K-4 Enhanced Staffing Ratio	207.9	1.8%
▪ Initiative 732 Cola (1.1%, 1.4%)	122.3	1.1%
▪ Education Reform Programs	76.9	0.7%
▪ Two Learning Improvement Days	58.8	0.5%
▪ State Office & Ed Agencies	25.8	0.2%
▪ Statewide Programs/Allocations	19.6	0.2%
▪ Highly Capable	14.1	0.1%
▪ Educational Service Districts	7.6	0.1%
▪ Food Services	6.2	0.1%
▪ Summer & Extended Day Skills Centers	5.0	0.0%
▪ Pupil Transportation Coordinators	1.6	0.0%
Subtotal: Non-Basic Education Programs	\$1,547	13.3%
Basic Education Programs	\$10,082.5	86.7%
Total - State Funds	\$11,630	100%



Grandfathered Salary Districts

2004-05 School Year

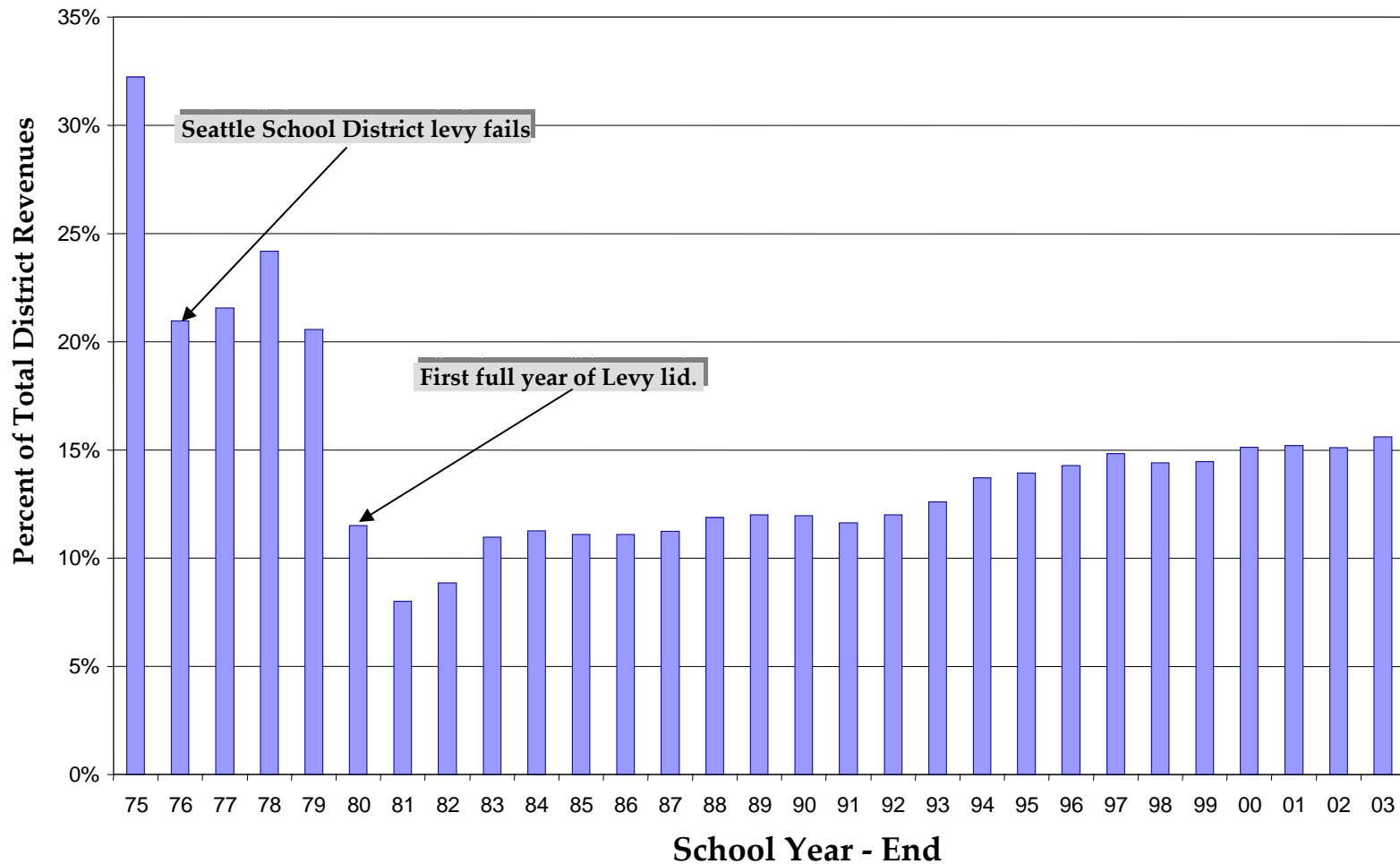
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<u>District</u>	<u>Base Salaries</u>	<u>% Higher Than "All Others"</u>	<u>District</u>	<u>Base Salaries</u>	<u>% Higher Than "All Others"</u>
1. Everett	31,927	6.3%	18. Eatonville	30,260	0.8%
2. Orondo	31,865	6.1%	19. Taholah	30,238	0.7%
3. Northshore	31,682	5.5%	20. Green Mountain	30,230	0.7%
4. Marysville	31,588	5.2%	21. Benge	30,229	0.7%
5. Puyallup	31,031	3.4%	22. Darrington	30,229	0.7%
6. Vader	31,020	3.3%	23. Evaline	30,222	0.7%
7. Shaw Island	30,998	3.2%	24. Loon Lake	30,222	0.7%
8. Southside	30,877	2.8%	25. Thorp	30,198	0.6%
9. Lake Chelan	30,865	2.8%	26. Wenatchee	30,191	0.6%
10. Mukilteo	30,780	2.5%	27. Lake Washington	30,173	0.5%
11. Lopez Island	30,747	2.4%	28. Bellevue	30,104	0.3%
12. Seattle	30,623	2.0%	29. Centerville	30,096	0.2%
13. Oak Harbor	30,615	2.0%	30. Port Townsend	30,095	0.2%
14. Edmonds	30,386	1.2%	31. Sumner	30,079	0.2%
15. McCleary	30,371	1.2%	32. Kelso	30,069	0.2%
16. Eastmont	30,342	1.1%	33. Toppenish	30,048	0.1%
17. Boistfort	30,296	0.9%	34. Cosmopolis	30,047	0.1%
All others: \$30,023					



M&O levy revenues have been growing as a portion of total district revenues since the early 1980s.

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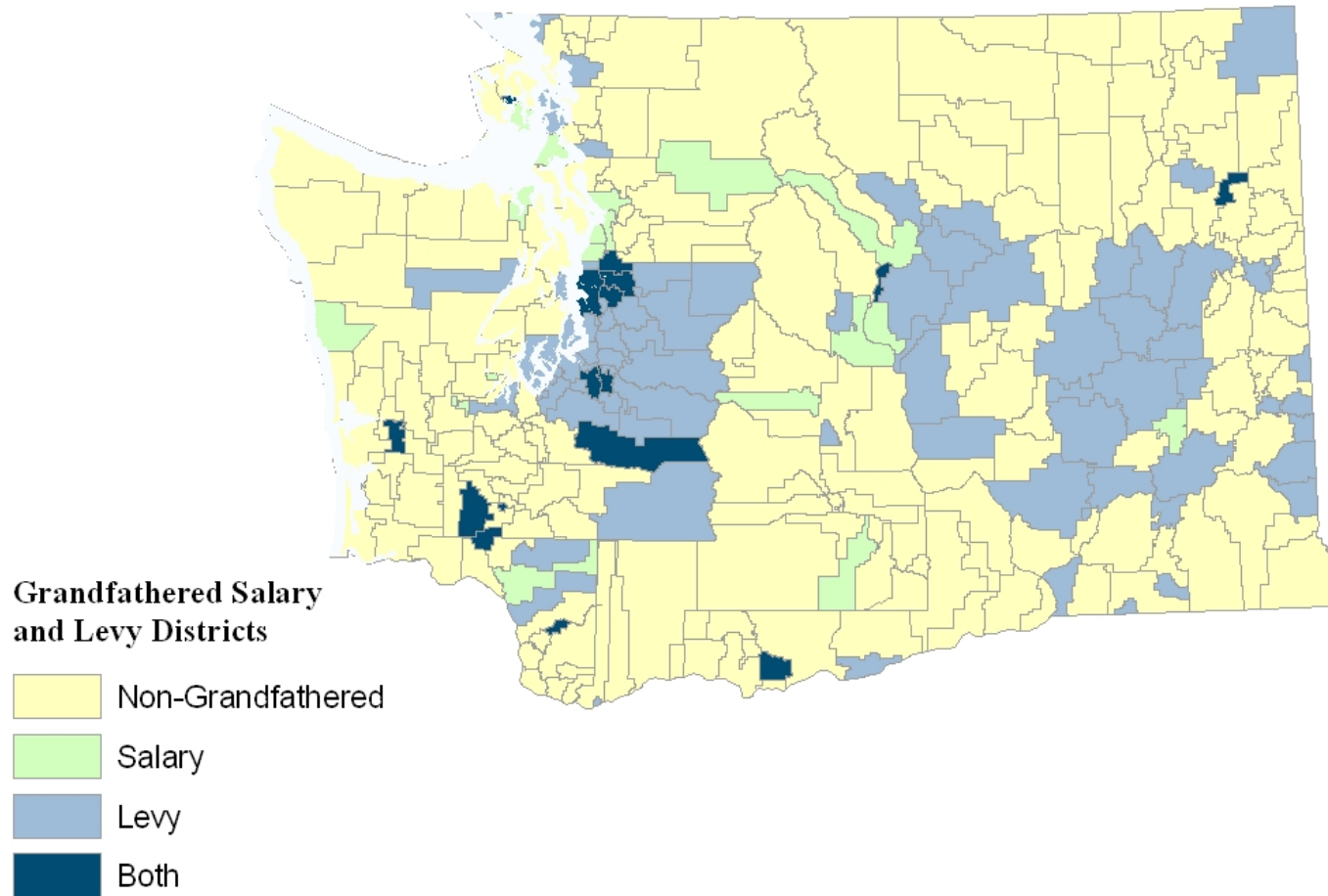


91 districts are grandfathered above 24% levy lid.

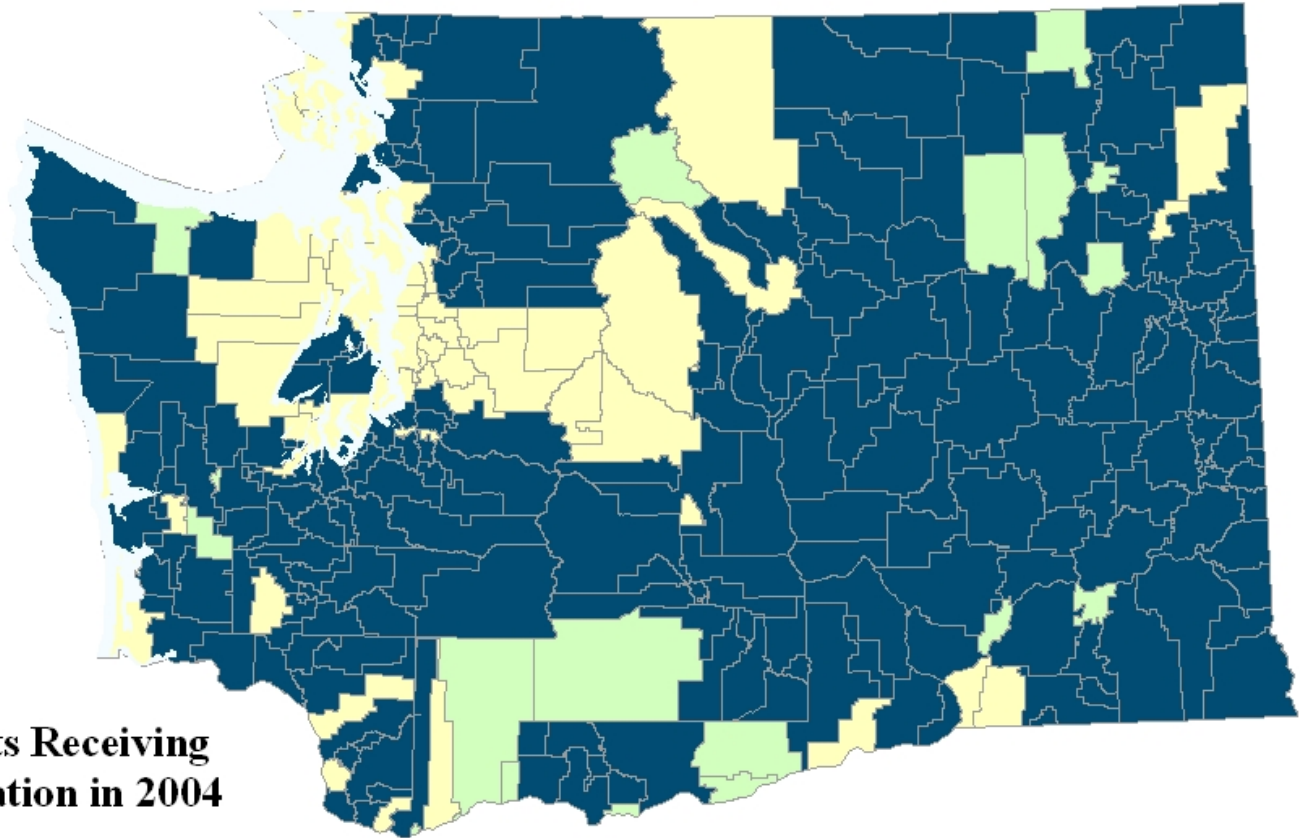
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Rank Highest	County	School District	Max Levy %	Rank Highest	County	School District	Max Levy %	Rank Highest	County	School District	Max Levy %
59	Adams	Lind	25.20%	68	King	Auburn	24.90%	33	Pierce	Dieringer	28.85%
40	Adams	Ritzville	28.12%	71	King	Tahoma	24.89%	83	Pierce	Orting	24.78%
82	Chelan	Cashmere	24.79%	80	King	Snoqualmie Valley	24.83%	52	Pierce	Clover Park	26.76%
12	Clark	Green Mountain	33.58%	61	King	Issaquah	24.97%	67	Pierce	Peninsula	24.91%
11	Columbia	Starbuck	33.61%	42	King	Shoreline	27.93%	61	Pierce	Franklin Pierce	24.97%
27	Cowlitz	Toutle Lake	31.19%	71	King	Lake Washington	24.89%	71	Pierce	Bethel	24.89%
87	Cowlitz	Kalama	24.24%	71	King	Kent	24.89%	61	Pierce	Eatonville	24.97%
15	Douglas	Orondo	33.51%	68	King	Northshore	24.90%	84	Pierce	White River	24.77%
91	Douglas	Bridgeport	24.01%	60	Kitsap	Bainbridge	24.98%	81	Pierce	Fife	24.82%
5	Douglas	Paisades	33.73%	17	Kittitas	Damman	33.44%	2	San Juan	Shaw	33.82%
41	Douglas	Mansfield	28.00%	6	Klickitat	Centerville	33.71%	29	Skagit	Anacortes	30.54%
24	Douglas	Waterville	32.00%	89	Klickitat	Roosevelt	24.14%	32	Skagit	Conway	29.15%
25	Franklin	North Franklin	31.70%	46	Lewis	Vader	27.29%	16	Skamania	Mount Pleasant	33.46%
1	Franklin	Kahlotus	33.90%	20	Lewis	Evaline	33.36%	88	Spokane	Spokane	24.18%
8	Grant	Wahluke	33.69%	58	Lewis	Boistfort	25.32%	39	Spokane	West Valley (Spo)	28.20%
53	Grant	Quincy	26.67%	31	Lewis	White Pass	29.43%	50	Stevens	Valley	26.91%
51	Grant	Coulee/Hartline	26.79%	3	Lincoln	Sprague	33.77%	49	Stevens	Loon Lake	27.01%
19	Grays Harbor	Cosmopolis	33.40%	55	Lincoln	Reardan	26.02%	86	Thurston	Olympia	24.34%
43	Jefferson	Brinnon	27.50%	30	Lincoln	Creston	30.42%	7	Walla Walla	Dixie	33.70%
22	King	Seattle	32.97%	9	Lincoln	Odessa	33.67%	18	Walla Walla	College Place	33.43%
68	King	Federal Way	24.90%	21	Lincoln	Harrington	33.01%	48	Walla Walla	Columbia (Walla)	27.07%
75	King	Enumclaw	24.88%	38	Lincoln	Davenport	28.21%	54	Whatcom	Bellingham	26.35%
9	King	Mercer Island	33.67%	43	Okanogan	Pateros	27.50%	35	Whatcom	Blaine	28.51%
64	King	Highline	24.95%	56	Pend Oreille	Selkirk	25.47%	34	Whitman	Lacrosse Joint	28.75%
75	King	Vashon Island	24.88%	65	Pierce	Steilacoom Hist.	24.93%	75	Whitman	Lamont	24.88%
65	King	Renton	24.93%	78	Pierce	Puyallup	24.87%	89	Whitman	Tekoa	24.14%
57	King	Skykomish	25.43%	26	Pierce	Tacoma	31.47%	47	Whitman	Pullman	27.27%
28	King	Bellevue	30.66%	14	Pierce	Carbonado	33.52%	37	Whitman	Palouse	28.27%
13	King	Tukwila	33.54%	36	Pierce	University Place	28.29%	4	Whitman	Garfield	33.76%
85	King	Riverview	24.72%	79	Pierce	Sumner	24.86%	23	Whitman	Steptoe	32.42%
								45	Whitman	Colton	27.35%

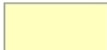
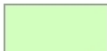

Grandfathered Levy Lid and Salary Districts



Districts Receiving Levy Equalization in 2004



School Districts Receiving Levy Equalization in 2004

-  Not eligible for LEA
-  Eligible to receive LEA, but no local levy
-  Receiving LEA

Map created by LEAP Committee staff.

