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Resource Proposal

Superintendent Bergeson proposes that funding for non-employee related costs (NERC) be allocated on a per student basis at a rate of \$1,383. This rate includes the per student funding for a statewide technology program of \$282 per student once fully implemented. The state would allocate a single amount per student for NERC. The single allocation would be paired with a legislative document (typically a LEAP document) breaking the allocation into common sense categories of costs for school districts. This allocation method retains simplicity but also provides transparency regarding the components of the state allocation. Additionally, by establishing the detail behind the NERC allocation, policymakers can and should apply specific inflation measures to each component to ensure that over time the formula will continue to provide adequate resources for operating costs.

For each category, a weighted student average expenditure was calculated using data from the F-196 or the survey. The table below summarizes the proposed resource allocation and inflation method by category, followed by any necessary background or explanation.

Category		SPI Proposal	
		Allocation	Inflation Method
Utilities		Average Expenditures in 2006-07; \$252/student	Utilities rate increase analysis from UTC
Insurance		Average Expenditures in 2006-07; \$49/student	More research needed
Security		\$10/student	IPD
Instructional Professional Development		Picus/Odden recommendation; \$103/student	IPD
Instructional Support	Curriculum	Curriculum Adoption Cycle Module, \$126/student	Module inflates with materials on state curriculum menu
	Library	Industry standard of 1 book per student and digital learning needs; \$25/student	IPD
	Other	Average Expenditures in 2006-07 plus \$52 for annual consumables related to curriculum; \$287/student	IPD
	Instructional Support Total	\$438	
Technology	Administrative/ Infrastructure	Average Expenditures in 2006-07; \$44/student	Market-basket inflation
	Instructional	OSPI drafted module based on state's technology plan; \$282/student	Market-basket inflation
	Technology Total	\$326	

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Category		SPI Proposal	
		Allocation	Inflation Method
Facility Maintenance/ Operations/ Grounds		Average Expenditures in 2006-07 as a starting point; more research needed; \$130/student	More research needed
Central Office	HR, Business office, Board, Communications, etc	Average Expenditures in 2006-07; \$56/student	IPD
	Legal Services	Average Expenditures in 2006-07; \$19/student	Asst. Attorney General rate increase
	Audit Services	Allocate directly to State Auditor's Office (SAO)	SAO rate increase
	Gen. Office Total	\$75	

Total NERC Per Student	\$1,101
Total NERC Per Student with 21st Century Technology Plan	\$1,383

Utilities

Per pupil cost for utilities was calculated using F-196 data. Districts must cover these costs regardless of funding availability. Therefore, the proposed allocation should be equal to the weighted average expenditure, \$252/student. To inflate this allocation, the Superintendent proposes the state rely on an analysis of rate increases approved by the Utilities and Transportation Commission (UTC) in the prior year.

Insurance

Per pupil cost for insurance was calculated using survey data. Districts were asked to exclude any expenditures from Insurance (Activity 68) related to pupil transportation, catastrophic student accident (excess medical insurance), foreign liability (student out-of-country travel), and workers compensation employer's liability and statutory benefits. Again, districts must fully cover insurance costs regardless of funding availability. Therefore, the Superintendent proposes an allocation equal to the weighted average expenditure in 2006-07, \$49/student. Inflation options for this category require more research.

Security

The F-196 was used to determine the amount districts spend on pupil management and safety. However, this is a category where district expenditures do not reflect need; the expenditures are a reflection of available resources. The Superintendent recommends an allocation of \$10/student for safety equipment and infrastructure, based on the recommendation of a small group of security personnel. This category can be inflated by Implicit Price Deflator (IPD). (Please see Part III, 1, B for the full Student and Staff Safety recommendation.)

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Instructional Professional Development

Districts reported expenditures related to instructional professional development at \$40 per student. Examples include travel, registrations, consultants/trainers, facility rental, materials (textbooks, reference materials/supplies), notifications (materials, postage), certifications (first aid, etc), magazine subscriptions, and professional dues. No personnel costs related to professional development (substitutes, extra days/hours, overtime, planning coordination, clerical services/tracking) were included in the survey. In addition, districts reported any Initiative 728 dollars spent on professional development. This is another category where expenditures do not reflect the actual need so the proposal is to allocate the amount recommended by the Picus/Odden report, using IPD to inflate the \$100 recommendation based on the 2004-05 school year. The best way to inflate this allocation is to use IPD.

Instructional Materials

Districts reported expenditures for this category separated into three subcategories; curriculum, library, and other from the following activities: Learning Resources (Activity 22), Principal's Office (Activity 23), Guidance and Counseling (Activity 24), Health/Related Services (Activity 26), Teaching (Activity 27), Supervision (Activity 21), and the portion of Printing (Activity 73) related to instructional materials.

The proposed per student allocations for curriculum and libraries are detailed in separate papers. The recommendation for library-related NERC is \$25/student funding for library collections and equipment. Library collections funding of \$25/student will permit a district to provide four research databases (cost is estimated at \$3.50 - \$4.00 per student, assuming a statewide subscription level), leaving at least \$21 for books (about \$20 each), subscriptions to periodicals and other databases, library equipment (computers), and incidentals. (Please see Part I, 3, B for the full Libraries recommendation.)

The proposed per student allocation for curriculum and instructional materials is \$126/ student. This will permit districts to adopt new curriculum on a 6-year cycle. (Please see Part III, 2, B for the full Curriculum Materials recommendation.)

The proposed allocation for all other instructional materials is based on the average of actual costs (\$235/student) and the calculated annual cost for consumables related to curriculum (\$52/student) for a total of \$287/student.

The curriculum allocation inflation rate should be based on the increase of the costs for curriculum on the state curriculum menu. The allocations for libraries and all other materials NERC can be inflated by IPD.

Technology

Where districts were investing resources from capital levies technology, these expenditures were figured into the weighted average per student expenditures. These expenditures were combined with F-196 data for Technology (Activity 72) to calculate per student spending.

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Because many districts contract with outside vendors to provide technology support, in order to calculate district expenditures for the administrative/infrastructure portion of technology, the costs for contracted services in Activity 72 were isolated to determine an allocation for technology administrative/infrastructure separate from instructional technology for a cost of \$44/student, to be inflated using a market basket of related costs.

For instructional technology costs, please see Part III, 2, C for the full recommendation for 21st Century Technology for Teaching and Learning. In summary, the Superintendent proposes a new statewide program to separately allocate resources to buy instructional technology supplies. At full adoption, the program would cost \$282/student to maintain the proposed replenishment cycle. The program would inflate based on a market basket of related costs.

Facility Maintenance/Operations/Grounds

In order to determine basic education expenditures, districts reported expenditures associated with athletics in each of the following activities: Grounds Maintenance (Activity 62), Operation of Buildings (Activity 63), Maintenance (Activity 64), Building and Property Security (Activity 67), Warehousing and Distribution (Activity 74), Motor Pool (Activity 75), and Supervision (Activity 61). These expenditures were subtracted from the NERC expenditures reported in the F-196 to get a basic education NERC.

Not all districts were able to provide this level of detail. Because of this, for the districts that were able to report athletic expenditures, the average percentage of total expenditures spent on athletics was calculated. Two percent was then deducted from the F-196 expenditures for all surveyed districts. After making this adjustment, staff found that districts spent \$130/student in these activities.

Through research of maintenance and grounds expenditures only, staff found that according to the American School and University 37th Annual Maintenance & Operations Cost Study (April 2008), \$294/student or \$1.58/square foot is spent on only these two activities. The University of Washington spends \$660/student or \$1.82/square foot.

Anecdotally, we are aware that maintenance, similar to curriculum, is being delayed because of the lack of funding. A newspaper article earlier in the year reported that Seattle School District has at least \$450 million in deferred maintenance costs. In order to determine the true costs to districts and an appropriate inflation factor, further study needs to be conducted. The study should also recommend whether districts should be allocated money on a per student basis or a square footage basis. As a starting point, \$130/student should be allocated to districts and this amount should be inflated using IPD.

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Central Office

Districts reported expenditures for the central office in the following subcategories:

- Central Office includes Board of Directors (Activity 11), Superintendent's office (Activity 12), Business office (Activity 13), Human Resources (Activity 14), Public Relations (Activity 15), and the remaining portion of Printing (Activity 73) not accounted for in instructional materials. Districts were asked to exclude legal and audit costs from these categories and report them separately.
- Legal Services include costs for general legal services and exclude legal costs for lawsuits against the state and settlements and fees when a district is found negligent.
- Audit Services includes only payments to the State Auditor for required audits; it does not include costs to the business office to assist state auditors.

The central office and communications allocation of \$56/student should be increased by IPD annually.

Currently, the classified staff ratio probably does not, nor should it be adjusted to, include an allocation for attorney services. Instead, districts should be provided with a legal services allocation within the NERC. The legal services allocation of \$19 per student is based on district expenditures for both contracted attorneys and staff attorneys in 2006-07. The allocation should be inflated annually by the state's assistant attorney general hourly rate increase.

Finally, the Audit Services allocation should be made directly to the State Auditor's Office, using revolving funds allocations similar to state agencies, and inflated according to their rate increases.

Overarching Allocation Method

To make the allocation more transparent for the public and policymakers and comparable to actual expenditures per student, NERC is proposed as a per-student allocation. However, the translation carries consequences for small schools and must be adjusted to ensure small districts benefit from the enhanced funding levels.

Further, the allocation from the state to districts will remain a single NERC allocation. However, the intended allocation by category should be contained in a legislative document, typically a LEAP-document (Legislative Evaluation and Accountability Program), in a manner similar to allocations for classified or administrative staff salary allocations (which are very detailed as they are specific to each district). Such a table would be no more complex than other LEAP documents, would permit the state to maintain a simple allocation yet provide transparency for state allocations for the public and policy makers, and permit research to track allocations against expenditures to check that inflation methods remain appropriate.

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Background

The state currently allocates NERC resources at \$9,951 per state-funded certificated instructional staff (CIS) unit (including the one-time \$12 million allocation for technology investments).¹ For the general NERC, \$9,951 per state-funded CIS translates to \$492 per student FTE in 2007-08. This funding must cover all non-staff operating costs; including utilities, legal and audit services, security equipment, professional development (conference fees, speaker fees, and travel), student and staff supplies, technology (administrative and instructional), maintenance and operations of facilities and grounds maintenance, textbooks and curriculum, library materials and equipment, and many other costs.

Districts spent \$1,029 per student on general operating NERC in the 2006-07 school year (which corresponds to \$469 per student in state funding for the year). Districts widely report that while they must fully cover costs for utilities, legal services, and audit services regardless of funding level, most other investments are based on available resources, not appropriate investment levels. Instructional technology, facilities maintenance, curriculum and instructional materials adoption, library collections all are improved to the extent that local resources are available.

Based on recommendations for Washington Learns and other finance studies, and simple analysis of district expenditures compared total state funding, we have known for many years that NERC funding is inadequate. State funding is routinely and systematically subsidized by local funds; based on this survey data, the state covers only 46% of NERC expenditures. Given the significant local subsidy, it is fair to conclude that districts are trimming costs and implementing efficiencies where ever possible. We conclude that by forcing efficiencies through underfunding, it is appropriate to drive future allocations using current district expenditures.

Approach to Development

A workgroup of school and educational service district business officers and maintenance and operations specialists was formed and began meeting fall 2007. The group reviewed current accounting data, discussed where data was aggregated at too high a level to understand its contents, identified where non-basic education expenditures were likely coded, and settled on a survey of school districts to better identify how much districts spend on key basic education NERC components. The survey was used to inform appropriate resource allocations for some NERC components. By reviewing the survey, staff calculated the percentage of expenditures in each of the categories. These percentages were applied to the state NERC allocation to determine the funded amount in each of the categories.

We know from discussions with district officials that some components of NERC are always fully funded (e.g., utilities and insurance), while key investments in other components are resource-based rather than instructionally-based (e.g., curriculum adoption). To identify the appropriate state allocation for

¹ Additional allocations are available for state CIS units generated for career and technical education and Skills Centers (at \$23,831 and \$18,489 per CIS respectively). The SPI proposal will address these NERC rates as part of funding proposals for Career and Technical Education.

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some NERC components, OSPI staff gathered input and developed modules for technology, facility/maintenance/operations/grounds, and curriculum.

Finally, even updated allocations for specific components will quickly become out-dated unless new allocations are inflated according to reality-based measures.

Survey

The survey was distributed April 2008 and 71 districts reported 2006-07 school year expenditures. Districts were asked to report non-employee related costs expenditures in Basic Education (Program 01) and Districtwide Support (Program 97). These expenditures include supplies, instructional resources and noncapitalized items (Object 5); purchased services (Object 7); travel (Object 8); and capital outlay (Object 9). Using the Picus/Odden report as a starting point, the NERC Workgroup created common-sense categories for NERC. These categories were linked to current activity codes.

After this exercise, the workgroup discussed which activities included expenditures that should be excluded when determining the state’s responsibility for basic education NERC. For example, districts were asked to report expenditures spent on athletics in the facility maintenance/operations/grounds category so these costs could be excluded when determining the per student cost for this category. In a category that the workgroup determined was entirely basic education, staff used expenditure data from OSPI’s Financial Summary Report (F-196).

The following table summarizes information on the 71 districts providing survey responses. The survey is based on 2006-07 school year data and there were 296 districts at this time.

Enrollment	Survey	71	Total	296
Under 100	4	5.63%	42	14.19%
100-500	9	12.68%	69	23.31%
500-1,000	9	12.68%	45	15.20%
1,000-5,000	32	45.07%	89	30.07%
5,000-10,000	5	7.04%	23	7.77%
Over 10,000	12	16.90%	28	9.46%
Levy	69	97.18%	271	91.55%
No Levy	2	2.82%	25	8.45%
ESD				
101	13	18.31%	59	19.93%
105	3	4.23%	25	8.45%
112	7	9.86%	31	10.47%
113	10	14.08%	43	14.53%
114	4	5.63%	15	5.07%
121	17	23.94%	35	11.82%
123	3	4.23%	23	7.77%
171	5	7.04%	29	9.80%
189	9	12.68%	35	11.82%
FTE Enroll.	357,422.66	39.56%	903,520.52	
# of districts	71	23.99%	296	

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The following table compares current funding, funding recommendations by Picus and Odden for Washington Learns in 2006 and Conley in 2007, and per student weighted expenditures.

Category		Funded	Recommendations		Spent Weighted Average
			Picus/Odden	Conley	
Utilities		\$115	\$216	Further analysis needed	\$252
Insurance		\$22	\$49		\$49
Security		\$2	\$13	\$10	\$5
Instructional Professional Development ¹		\$18	\$103	\$40	\$40
Instructional Support	Curriculum	\$42	See Subtotal	See Subtotal	\$92
	Library	\$5	See Subtotal	\$31	\$11
	Other	\$107	See Subtotal	See Subtotal	\$235
	Instructional Support Total	\$154	\$155	\$313	\$338
Technology ²	Administrative/ Infrastructure	\$20	See Subtotal	\$43	\$44
	Instructional	\$42	See Subtotal	\$83	\$92
	Technology Total	\$62	\$258	\$126	\$136
Facility Maintenance/ Operations/ Grounds		\$59	\$40	\$307	\$130
Central Office	HR, Business office, Board, Communications, etc	\$25	See Subtotal	See Subtotal	\$56
	Legal Services ³	\$9	See Subtotal	See Subtotal	\$19
	Audit Services	\$2	See Subtotal	See Subtotal	\$4
	Cen. Office Total	\$36	\$310	\$61	\$79

Total NERC Per Student	\$469	\$1,145	TBD	\$1,029
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¹Survey includes expenditures using I-728 dollars

²Survey includes expenditures using technology levies

³Survey includes staff costs