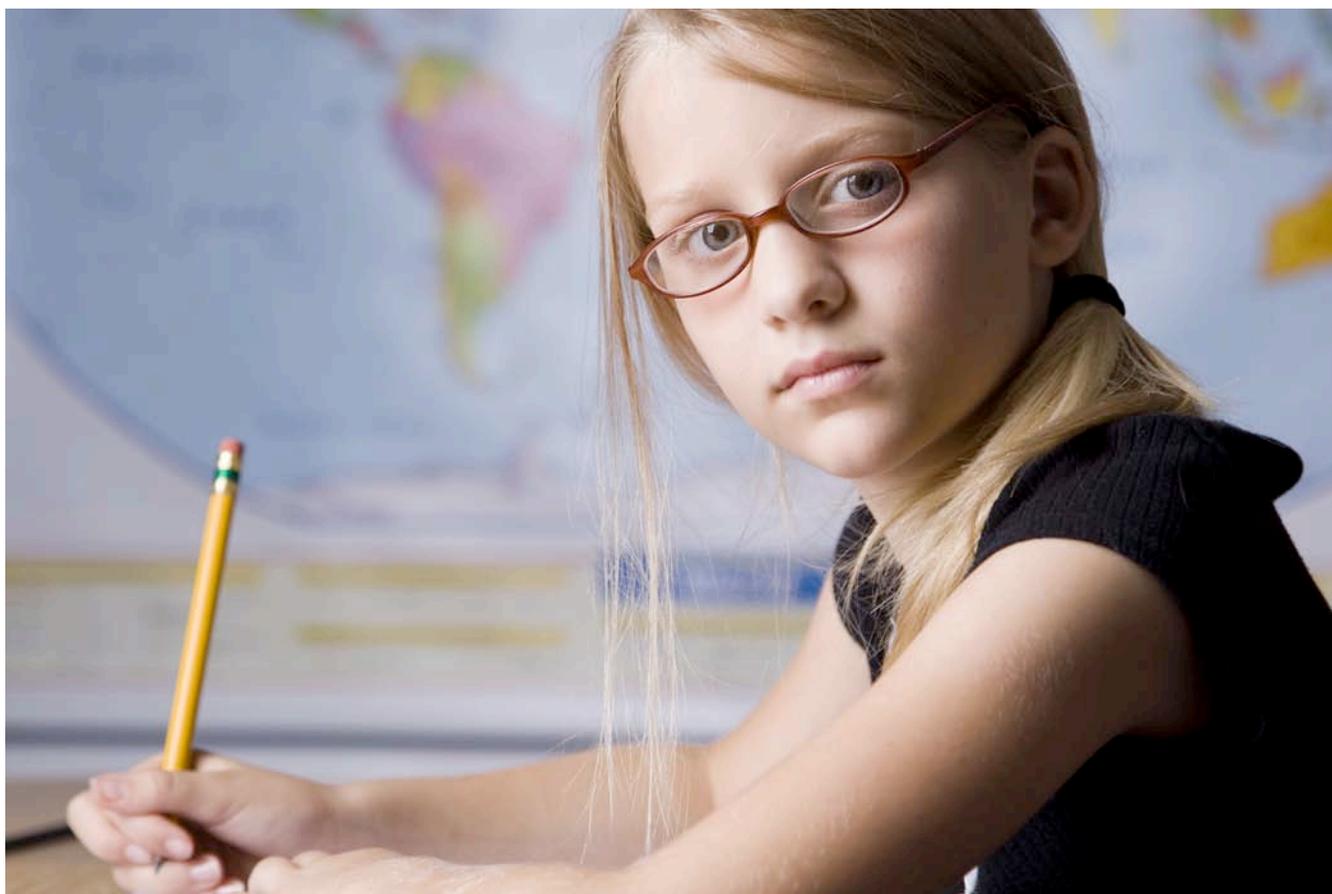


ATTAINING A WORLD-CLASS K–12 SYSTEM

Aligning Washington's Funding Structure with 21st Century Educational Expectations

*Submitted by The Full Funding Coalition
June 10, 2008*



Association of Washington Principals
Public School Employees
Washington Association of School Administrators
Washington Education Association
Washington State School Directors' Association

Executive Summary

The Full Funding Coalition

In January of 2006, five of Washington State's largest education organizations (WSSDA, WASA, AWSP, WEA and PSE) signed a joint statement agreeing to work collaboratively with the legislature to develop a new funding formula for K-12 that provides the resources necessary to fully fund a 21st century education for all students. The 2007 Legislature established the Joint Task Force on Basic Education Finance to "review the current basic education definition and funding formulas, structure and... [to] propose a new definition of basic education that is realigned with the new expectations of the state's education system." In 2008, the Task Force invited interested stakeholders to submit proposals for a new K-12 finance system.

As a follow-up to the 2006 joint statement, WSSDA, WASA, AWSP, WEA and PSE formed the Full Funding Coalition. We established a committee comprised of the executive directors and officers of the associations, appointed a technical advisory work group, and hired Dr. David Conley, a nationally recognized expert in school funding models, as a consultant.

The recommendations set forth in this report represent the work of the Full Funding Coalition. Our goal is to create a framework for a new state basic education funding system that meets Washington's constitutional requirements, providing the necessary resources for students to have the opportunity to achieve the state's learning goals within a framework of accountability, transparency, flexibility, and simplicity.

The Problem

With the enactment of Education Reform in 1992 and 1993, the state established for the first time clear performance expectations for the K-12 system in the form of learning goals, challenging Essential Academic Learning Requirements (EALRs), and the Washington Assessment of Student Learning (WASL) to measure student knowledge and skills in the key areas identified in legislation. The objective of these education reforms was to create a world-class, internationally competitive K-12 system.

WASL results indicate that the proportion of students meeting state standards has more than doubled from 1999 to 2007. Despite this increase, a significant percentage of students fail to meet the state's performance expectations in reading, writing, math, and science.

Since the passage of the Basic Education Act in 1979-80 and its commitment to comprehensively fund basic education, Washington's national ranking in terms of per pupil funding has declined substantially, to 34th among states on a nominal basis and 45th if adjusted for cost-of-living. Washington also has the nation's fifth-largest class sizes, is below the national average on teacher compensation, and dead last in teacher compensation among the West Coast states. Increasingly, special levy revenues are being used to support Basic Education programs. Recent newspaper stories document the budget difficulties numerous

Washington school districts face as they are forced to make program cuts and reductions in their educator and support staffs.

Although Washington set ambitious performance goals for its K-12 system, the state never determined what it would cost to achieve these goals. K-12 funding has not kept pace with the state's increasing expectations for student learning. Annual improvements in student performance have slowed—an indication that the K-12 system has largely exhausted its ability to generate any further incremental gains within the available resource structure.

The current process for determining what goals schools are expected to accomplish and the funding they are provided to accomplish these goals are not connected. This disconnect results in schools being expected to do things they are not capable of doing with the resources they have available to them. In order to address this fundamental problem, we recommend creating new funding and accountability systems to generate adequate funding and ensure the state's basic education goals will be met.

Principles of New State Basic Education Funding Formulas

Our proposal shifts the focus of state basic education funding formulas from program compliance to student performance, from fiscal inputs to student outcomes. School accountability measures would transition from the current input and seat time variables to multiple indicators of performance.

Two-Way Accountability

Schools should be held accountable in proportion to state funding they receive for basic education. If state funding is less than 100 percent of what it takes to reach the state's goals in a particular year, then the state's performance goals and accountability targets should be adjusted accordingly.

Determining the relationship between funding and performance requires determining the level of resources necessary to fully achieve the state's performance goals. To make this determination, we rely on the Washington Adequacy Funding Study (WAF study), which identified the resource levels necessary to achieve the state's current goals (Conley & Rooney, 2007).

Under our proposal, the responsibility for fully funding this definition of basic education rests with the state. Because it is not feasible for schools and the state to implement all of the recommendations at once (even if funding were available), programs necessary to achieve state goals fully would need to be implemented gradually over the course of successive school years. As new state funding levels and distribution formulas are periodically introduced, the definition of basic education would change to encompass all funded elements. Each year's state funding level and education goals would establish the limits of the basic education definition.

Establishing and Updating Basic Education Funding Levels

We use the WAF study to guide initial 2009-11 biennium investments. However, adequacy studies require routine updates to account for changes in underlying facts, costs and new research findings. The appropriate mechanism would be a newly created Commission for Quality Education in Washington (CQEW), whose duties would include determining the resources necessary to make ample provision for the education of all Washington public school students by creating and updating prototype school models similar to those in the WAF study.

The CQEW would also develop a means to calculate expected performance of Washington schools in relation to the state funding provided, taking into account individual district and school demographic characteristics. Struggling schools and school districts not meeting expected performance would receive progressive state support and assistive measures.

WAF Study Prototype Levels Compared with State Funded Levels

The WAF study specifies resource allocations based on prototype schools at the elementary, middle, and high school levels, and identifies the various interventions necessary for all students to achieve the state’s goals. Using prototype schools reduces the complexity of school budgeting to a manageable level by illustrating in a simple, transparent fashion the various necessary resources. Figure 1 provides an excerpt of the prototype schools.

Figure 1: Excerpt Drawn From Appendix A

	Elementary		Middle School		High School	
Total School Enrollment	482		660		1312	
Kindergarten	45					
Grades 1-3	263					
Grades 4-5	174					
Special Education Enrollment	62		85		170	
Disadvantaged LAP Enrollment	194		242		40	
English Language Learner Enrollment	37		54		108	
Staffing & Other Components	FTE Staff	Staff per Student Ratio	FTE Staff	Staff per Student Ratio	FTE Staff	Staff per Student Ratio
Principal's Office						
Principal	1.07	1 per 450	1.09	1 per 606	1.13	1 per 1,161
Assistant Principal	0.5	1 per 964	1.00	1 per 660	2.00	1 per 662
Building Office Cert. Staff	0.94	1 per 513	0.16	1 per 4,250	1.64	1 per 801
Building Office Classified Staff	3.23	1 per 149	4.10	1 per 161	6.53	1 per 201
Teachers						
K-3 (Including all day-Kindergarten and summer school.)	20.79	1 per 17				
Grades 4-5	8.30	1 per 21				
Grades 6-8			28.70	1 per 23		
Grades 9-12					62.48	1 per 21
Special Education (1)	4.13	1 per 15	5.67	1 per 15	11.33	1 per 15
Learning Assistance (2)	3.88	1 per 50	4.84	1 per 50	8.00	1 per 50
English Language Learners (3)	1.48	1 per 25	2.16	1 per 25	4.32	1 per 25
Educational Staff Associates Staffing (Certified)						
Librarian/Media Specialist	1.00	1 per 482	1.00	1 per 681	2.03	1 per 645
Counselor	1.93	1 per 250	2.64	1 per 250	5.25	1 per 250
Occupational Therapist (1)	0.38	1 per 165	0.82	1 per 104	1.42	1 per 120
Social Worker	1.00	1 per 482	1.00	1 per 660	1.00	1 per 1,323
Speech/Language/Audio (1)	0.03	1 per 2,067	0.05	1 per 1,760	0.09	1 per 1,888
Psychologist	0.38	1 per 1,282	0.51	1 per 1,946	1.02	1 per 2,462
Nurse	1.00	1 per 482	1.00	1 per 681	1.00	1 per 1,323
Physical Therapist (1)	0.09	1 per 775	0.14	1 per 587	0.44	1 per 386
Reading Resource Specialist	0.03	1 per 14,827	0.05	1 per 12,122	0.08	1 per 15,510
Other Certified Support Staff	1.00	1 per 482	1.45	1 per 454	1.98	1 per 662
Regular Education Staffing (Classified)						
Aides	2.99	1 per 161	6.17	1 per 107	13.81	1 per 95
Crafts/Trades	0.16	1 per 3,073	0.35	1 per 1,868	0.81	1 per 1,627
Laborers	0.02	1 per 29,318	0.04	1 per 16,637	0.11	1 per 11,470
Office/Clerical	0.94	1 per 515	2.24	1 per 294	4.56	1 per 288
Professional	2.51	1 per 192	3.24	1 per 204	5.88	1 per 223
Technical	1.00	1 per 482	0.97	1 per 681	0.99	1 per 1,323
Director/Supervisor	0.15	1 per 3,314	0.31	1 per 2,128	0.70	1 per 1,870

Compared to current expenditure levels from all funding sources, WAF study prototype resource levels would provide improved classroom-centered supports, as well as educator, instructional and learning environment supports.

The WAF study compares 2004-05 baseline expenditure levels from all fund sources, including local, federal and state, with the adequacy prototypes. The WAF study is much easier to compare with current levels by excluding local and federal funds, as demonstrated in Figure 2.

Figure 2: Selected State-Funded Resource Levels Compared with Washington

Selected State Funded Resource Levels Compared With Washington Adequacy Funding Study Prototype Levels		
	2009-10 Maintenance Level	Adequacy Prototype
Grades K-3 - Students per Teacher **	21.7	17.0
Educational Staff Associate - K-12 Students per ESA	243.4	94.8
Classified - K-12 Students per staff	58.75	54.8
Non-Employee Related Costs - \$/Student (K-12)	\$531	\$1,691
Number of State Funded Staff Development Days **	3.3	10.0
Learning Assistance - Students per Teacher (Tutor)	146.3	50.0
All Day Kindergarten - Percent of students funded **	30%	100%

** Includes Initiative 728 funds based on 2006-07 reported expenditures

Staff Compensation

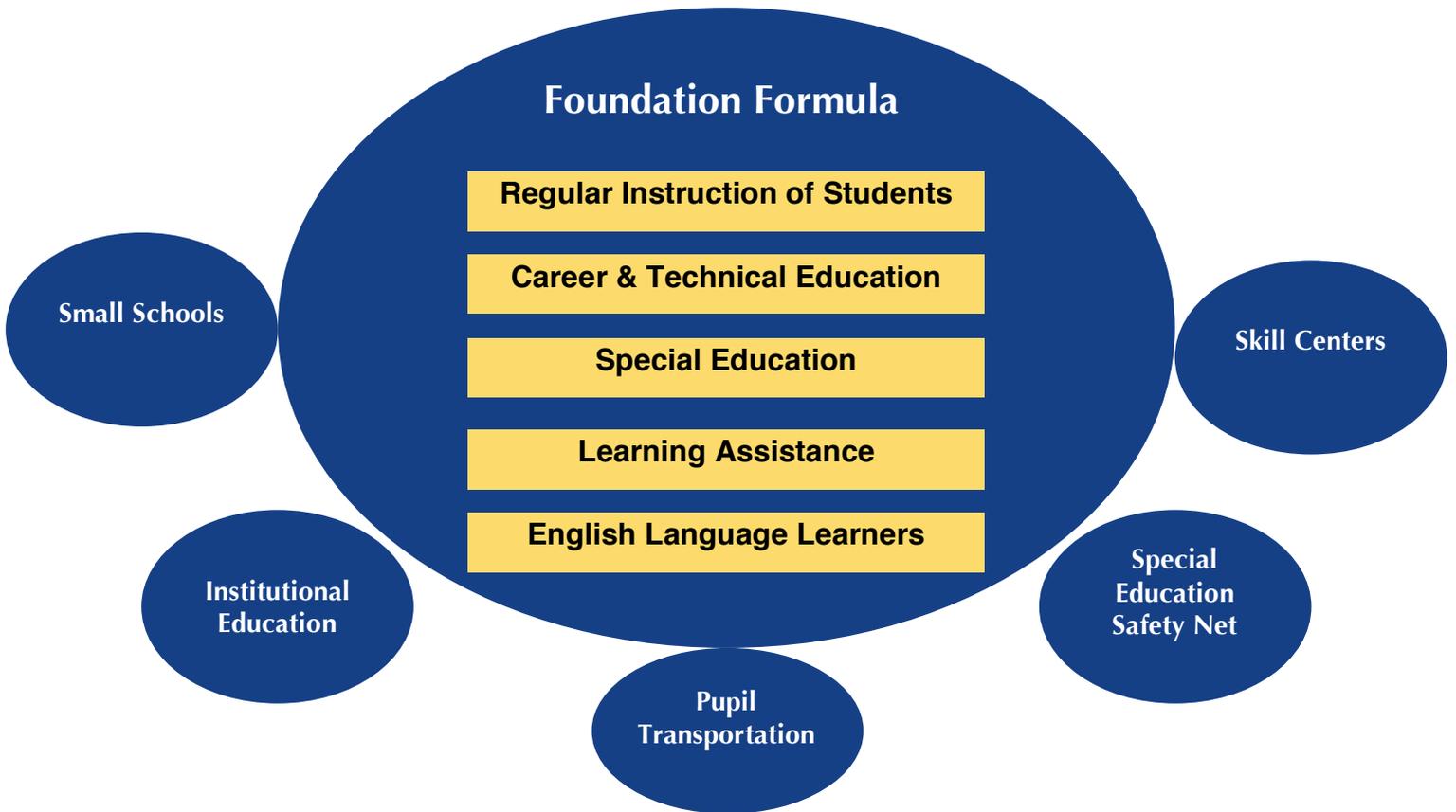
A recent Superior Court decision determined that state salary allocations to school districts are not rationally determined. The WAF study utilizes several rational, systematic methods to set salary levels, one of which involves using comparative wage analysis. This method compares the average salaries of one profession with those of similar professions. Not only could this type of analysis be used to set statewide average salary levels, but it could also be used to reflect differences among districts in regional costs-of-living.

The WAF study, using a comparative wage analysis and other methods, recommended increasing teacher salaries by 18.25 percent. As a point of reference, Washington teacher salaries in 2007-08 were approximately \$3,000 below the national average. With respect to classified and administrator salaries, actual district classified salaries exceeded state funded average salaries by 26 percent in 2006-07, while actual average administrator salaries exceeded the state funded average salary by 66 percent.

We propose that state-funded salary levels should be sufficient to attract and retain quality staff, but not require the use of local levy funds to accomplish that objective. The Coalition understands that the Institute for Public Policy will report on compensation levels to the Task Force in August 2008. The Coalition is interested in using comparative wage analysis to set salary levels. However, as revealed in “The Teaching Penalty” (2008, Mishel, et al.), such comparative analyses can be quite complex, so we recommend this analysis be conducted under the auspices of the newly created Commission on Quality Education in Washington (CQEW).

New Basic Education Funding Structure – Foundation Formula

To simplify the funding system and change the focus of accountability from inputs to outcomes, the Coalition proposes creating a new foundation formula that replaces 10 current basic education formulas with six. A schematic of the current foundation formula is shown below.



Although special education is included within the foundation formula, special education expenditures would continue to be reported separately.

Foundation formula dollars would be used for allocation purposes only, as is currently the practice for general apportionment funds. The focus of district expenditure accountability would change from inputs to student outcomes. Districts would choose how they expend the funds as long as their students meet state accountability requirements and expected performance. We propose a new set of accountability requirements, discussed at length in this report, to

accompany the change to a new funding formula and increased state funding. The new accountability structure accounts for special levy expenditures separately to preclude mixing special levy dollars with basic education foundation formula expenditures.

Six-Year Implementation Plan for New Funding

Since it is not feasible for the state and the K-12 system to implement all of the WAF study recommendations at once, the changes would need to be implemented gradually. As such, this implementation needs to follow a logical progression wherein each investment supports the implementation of the next. Moreover, the initial funding phases need to alleviate the use of local levy funds to meet basic education requirements by providing resources that begin to approach the baseline prototype funding level in the WAF study. The following six-year phased implementation plan is consistent with the WAF study and proposes a basic strategy for adding resources in a systematic fashion so that Washington K-12 students meet state standards at levels specified by the CQEW.

Year One Implementation:

- Begin K-3 class size reduction. This intervention is gradually implemented because it requires the addition of teachers and, eventually, the re-organization or construction of classroom spaces.
- Continue full-day kindergarten implementation with higher poverty districts currently receiving funding priority.
- Add professional development for teachers focused on enabling more students to meet standards.
- Add resources for struggling students.
- Improve school-wide behavioral management by increasing allocations for better counselor staffing ratios and initiating funding for social workers.
- Increase classified support staff in the principal's office to coordinate assessments, collect and manage data, and ensure compliance with other federal and state accountability requirements.
- Increase compensation three percent above I-732 COLA to enable recruitment and retention of the most qualified educators.
- Phase in funding for education support costs (non-employee related costs) to ease dependence on levies.

Year Two Implementation:

- Continue K-3 class size reductions, all-day kindergarten, additional counselors, librarians and social workers and a professional outreach coordinator; and continue to improve classified staff allocations for teacher aides and other purposes.
- Add funding for key instructional programs in core subjects and instructional improvement coaches. The coaches mentor new teachers and help experienced teachers improve their instructional practices.

- Add a professional outreach coordinator for parent involvement to help ensure that school goals are supported in the home.
- Add campus security to the middle and high school levels to provide a safer learning environment for students as a key prerequisite to improving student learning.
- Increase two percent compensation above the I-732 COLA.

Years Three to Six Implementation:

- Authorize the CQEW to review progress made by schools and to make recommendations on the phase-in of further interventions designed to improve student learning. These recommendations would focus on groups most in need of additional support and those failing to make progress toward state goals. Some interventions, such as class size reductions, all-day kindergarten, educational support funding, technology and security, staff development, and compensation adjustments would necessarily be spread across all six years.
- Convert to the new Foundation Formula for budgeting and allocating state funds for school expenditures. The state would do this in consultation with the CQEW.
- Adopt a rational basis for setting staff compensation levels using comparative wage analysis.

Although the proposed phased implementation plan contains specific prescriptions regarding fund allocation to meet state goals, the basic principle remains that **schools and districts may allocate these additional revenues in response to locally determined needs as long as they are achieving all state goals.** The state provides increasing support toward full adequacy along with a road map of interventions that districts and schools can follow to achieve state goals. Districts retain authority for their instructional programs, but if they do not meet expected performance levels, then they will be held much more accountable for the decisions they make. The CQEW represents a rational means to detail this road map. The phased implementation model is designed to be instructive, not prescriptive, for schools and districts.

Summary 2009-11 Biennial State Costs

Table 10: Summary of State Costs for 2009-11 (in millions)

Intervention	FY 2009-10	FY 2010-11	2009-11 Biennial Cost
Staff Development	\$19.9	\$46.0	\$66.0
K-3 Class Size	\$52.7	\$117.9	\$170.6
Classified Staff Ratio	\$8.3	\$19.3	\$27.6
Struggling Students	\$53.6	\$123.5	\$177.1
ESA Staff Ratio	\$69.3	\$154.9	\$224.2
Compensation Adj.	\$119.0	\$243.0	\$362.0
Non-Personnel Costs	\$47.0	\$118.0	\$165.0
All-Day Kindergarten	\$2.5	\$5.7	\$8.1
Total	\$372.3	\$828.3	\$1,200.6

Potential Sources of Revenue for Initial Implementation Phase

Assign a Portion of State Revenue Increases to Basic Education Funding

The 2008 Legislature enacted Engrossed Substitute Senate Bill 6573. Starting in 2011, in when biennial general state revenue collections increase by more than 5 percent, legislation requires the state treasurer to transfer (subject to appropriation) funds to a Local Public Safety Enhancement Account for retirement benefit improvements for law enforcement and firefighters. Estimated transfers from the general fund project \$5 million in 2011, \$10 million in 2013, \$20 million in 2015 and \$50 million in 2017. This signifies that retirement benefit improvements are a first priority for expenditure of revenue increases exceeding five percent.

This same concept could be adopted by the legislature to fund the state's paramount duty, which according to the state constitution, is to "make ample provision for the education of all children residing within its borders ..." (Article IX, Section 1).

The average increase in general fund-state revenues in current dollars (as in the provisions of ESSB 6573) from 1961 to 2009 is 17.3 percent. The expected increase for 2009-11 is 8.3 percent. Revenue increases in excess of 5.0 percent equals \$1.06 billion. Transferring half of that would amount to \$500 million, which would pay for nearly half of the K-12 basic education funding improvements shown in Table 10 above.

Recapturing the Uncollected State Property Tax for Schools

The state property tax rate for schools in calendar year 2010 is expected to be \$2.12 per \$1000 of assessed value. By statute, the state has reserved a total rate of \$3.60 per \$1000 of assessed value for the funding of the common schools.

The actual rate of \$2.12 per \$1000 of assessed value is lower than the statutory maximum of \$3.60 and has been declining due to the 1 percent limit on property tax revenue growth. The state could recapture some of that revenue by re-establishing a higher state collected property tax rate. A \$0.25 increase in the state rate would raise an estimated \$222 million in calendar year 2010 and \$229 million in 2011. For the 2009-11 biennium, such an increase could generate an additional \$341 million in state revenues.

Conclusion

The Full Funding Coalition supports achieving high standards by providing students with the educational opportunities necessary for them to lead productive, satisfying lives as contributing citizens. Washington State should not settle for anything less than the best educational experience it can offer to the young people of the state, who embody the hopes and dreams for the future.

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Preface

With the enactment of Education Reform in 1992 and 1993, the State of Washington established for the first time clear performance expectations for the K-12 system in the form of learning goals, challenging Essential Academic Learning Requirements (EALRs), and the Washington Assessment of Student Learning (WASL) to measure student knowledge and skills in the key areas identified in the legislation. The objective of these education reforms was to create a world-class, internationally competitive K-12 system.

The 1993 Education Reform Act created and charged a legislative committee to review the basic education funding formulas and submit any findings or recommendations for a new funding model by 1995. The committee's report did not recommend funding changes but recommended that the finance system be reviewed on a regular basis. In retrospect, the reason the committee was not able to recommend specific changes was that the funding levels needed to achieve state goals were not evident in 1993-95 because student outcome information was not available and did not become so until 1999. Since that time, WASL results indicate that the proportion of students meeting state standards has more than doubled from 1999 to 2007. However, even with this increase, a significant percentage of students are not meeting the state's performance expectations in reading, writing, math, and science. Moreover, the focus on these core subjects has created challenges in the system that may restrict the ability of schools to offer programs in other subject areas that are also within the state learning goals.

Since adopting the notion of full funding in the Basic Education Act in 1979-80, Washington's national ranking in terms of per pupil funding has declined substantially. The state ranked in the top ten states in terms of total operating expenditures per student from the 1930s to 1980. By 2006, Washington had slipped to 34th on a nominal basis and 45th if adjusted for cost-of-living. Washington also has the nation's fifth largest class sizes, is below the national average on teacher compensation, and falls last in teacher compensation among the West Coast states. Increasingly, special levy revenues are being used to support Basic Education programs. Recent newspaper stories document the budget difficulties numerous school districts around the state face as they are forced to make program cuts and reductions in their educator and support staffs.

Although the state set ambitious performance goals for its K-12 system, it never determined what it would cost to achieve these goals. As a result, K-12 funding has not kept pace with the state's increasing expectations for student learning. Annual improvements in student performance have slowed, which is an indication that the K-12 system has largely exhausted its ability to generate any further incremental gains with available resources.

We view the establishment of the Basic Education Finance Task Force by the 2007 Legislature as an opportunity to review the definition of basic education and its funding formulas and to make recommendations on how to calibrate performance expectations and funding for K-12 education. The Task Force has asked stakeholders to present their ideas for a new K-12 finance system. This report is in response to that invitation. The Full Funding Coalition thanks the Task Force for the opportunity to share our recommendations for its consideration.

Attaining a World-Class K-12 System

Aligning Washington's Funding Structure with 21st Century Educational Expectations

What is Our Objective?

The objective of this report is to outline a framework for a new state basic education funding system that meets Washington State's constitutional requirements and provides the resources necessary to give students the educational opportunity to achieve the state's educational goals within a framework of accountability, transparency, flexibility, and simplicity.

This report does more than simply specify the amount of money necessary to meet state education goals. It also ties funding to accountability and clarifies state and local roles in order to provide world-class, internationally competitive educational opportunities and outcomes for our K-12 students.

Principles of a New Funding System

The following key principles outline the parameters of a new funding system and all the governance and policy elements that interact with a funding system. The intent of presenting this holistic portrait is to demonstrate how all elements of the system will need to change in concert for schools to achieve goals established for them by the Legislature.

- (1) **Redefine basic education to include all expectations, goals, requirements, practices, and policies included in state and federal legislation, rules, and regulations.** This new definition of basic education clarifies that schools do not have a choice in many areas regarding the programs they must offer and the goals they are tasked to achieve. A new and more inclusive definition of basic education is critical to establishing a direct link between what schools are expected to do and their capacity to do so.
- (2) **Create a K-12 finance system that generates sustainable funding sufficient to address state student achievement standards.** State K-12 funding should be based on what it takes to educate students locally to achieve state learning standards. Currently, student success is defined by the Washington Assessment of Student Learning and by local graduation standards. Funding for K-12 education must be sufficient to address all specified state and federal requirements and goals. As these requirements and goals change and evolve, the funding system must remain aligned with any such changes so that the system can be realistically expected to meet the charges it is given.

- (3) **Shift the focus of state school funding accountability from program compliance to student performance, and from fiscal inputs to student outcomes.** Rather than focus primarily on how schools are spending their dollars, the state should provide necessary resources and then hold schools accountable for achieving specified goals. The state must provide necessary resources to fund all elements of basic education. In turn, the schools must achieve those elements if provided the necessary resources. However, accountability should be a function of the degree to which state funding is sufficient to address all elements of basic education.
- (4) **Distinguish local levies from state basic education funding.** Local school districts should not be expected to fund basic education out of local levies. Levies would be used by school districts only for purposes beyond state-funded basic education requirements. A Local Levy Program will be designed to account for levy expenditures to prevent co-mingling of local levy funds with state basic education funds. Accounting procedures for Local Levy Program expenditures will be the same as for federal programs, which are currently accounted for as separate programs.
- (5) **Conceive of accountability as a two-way street.** State expectations of school districts will need to transition from input and seat time variables to accountability for performance based on multiple measures of achievement, including assessment results, on-time graduation rates, grade progression, and attendance. Districts are then responsible for providing effective educational opportunities to students in proportion to the state funding provided. Districts exercise local control over how to best meet the state's performance objectives and accountability requirements. School district accountability for performance is determined in relation to the degree to which the state has provided funding for all elements of the expanded definition of basic education outlined above. Struggling schools and school districts would receive progressive levels of support and assistive measures after a thorough diagnosis is undertaken to determine the reasons they are struggling. The goal is to improve these schools and districts so that they were capable of meeting state goals.
- (6) **Redesign existing distribution formulas and create new formulas to allocate resources in ways that ensure that every school and every school district receives resources commensurate with the challenge associated with educating their specific students.** This requires a much more sophisticated view on how much it costs to educate each student, taking into account special circumstances and challenges associated with each child. This includes providing additional targeted funding to help struggling students succeed. These students would receive progressive levels of support based on demonstrated challenges to educate them. The Legislature must avoid the temptation to micromanage schools through funding allocation formulas that force resources into particular categories, whether or not this is where they are needed by the schools. State foundation formula funding should be reserved for allocation purposes only, rather than mandated for specific operational functions of school districts.

- (7) **Review funding formulas to determine their rationality and currency, and determine all new formulas on a rational basis.** Current formulas are often established based on circumstances in place at the time of their creation. They have evolved over time to accommodate a variety of factors. They have not necessarily been updated routinely based on changes in the underlying facts and conditions or on changes in cost of living, cost of doing business, or new findings on how best to instruct students and to run schools. They need to be updated to reflect new knowledge of funding needs in relation to state goals. The preponderance of state funding will be through a new foundation formula that allocates dollars based on the demographic characteristics of each district's students and staff and each district's compensation factors. The basis for foundation formula specifications will be the prototype schools in the 2007 Washington Adequacy Funding (WAF) study.ⁱ
- (8) **Make the definition of basic education dynamic and adaptive.** Each legislative session the state's definition of basic education must be updated and adjusted to maintain currency in today's changing world. As implementation of a new foundation formula proceeds, each year's financing level becomes the new baseline for state support of the revised basic education definition.
- (9) **Determine employee compensation allocations rationally and systematically.** State allocations for employee compensation will be based on comparable wage analyses and other means designed to ensure the rationality of any conclusions regarding what constitutes adequate compensation. State responsibility for salary costs will extend only to those factors included within the state's definition of basic education.
- (10) **Design state and local fiscal practices so that they are consistent, transparent, and efficient.** The preponderance of state funding will be through a new foundation formula that allocates dollars based on the demographic characteristics of each district's students and staff and each district's compensation factors. The bases for foundation formula specifications are the prototype schools in the 2007 WAF study.ⁱⁱ

Setting the State's Performance Goals

The 1993 Legislature modified the 1977 Basic Education Act, stating that “the goals of each school district...shall be to provide opportunities for *all students* to develop the knowledge and skills” to read, write, know and apply math and science, and understand the importance of work, performance, and effort (RCW 28A.150.210, emphasis added). These educational opportunities for all students were to be based on challenging Essential Academic Learning Requirements with the objective of creating a world-class, internationally competitive K-12 system.

The state has established assessments to measure student, school, and district attainment of the four goals. Since the inception of the WASL, the proportion of students meeting state standards has more than doubled in each subject area tested. Schools have demonstrated a willingness to attempt to meet state goals by focusing their programs on the goals and by reallocating existing resources accordingly.

However, a large percentage of students, nearly half, continue not to meet state expectations in math and science. This reflects the reality that gains cannot continue indefinitely without the infusion of additional resources to help meet the needs of those students who present greater challenges and to redesign educational programs to meet all students' needs more effectively in relation to state goals.

The state has responded to this slowdown in the rate of improvement by changing requirements concerning the tenth grade math assessment and postponing the requirement that students pass the math assessment in order to attain a high school degree. In essence, the state backed down when faced with the challenge of holding students to higher standards. In part, this occurred because no systematic calculation of the cost of elevating all students to the higher math performance levels was ever made. The consequences of this fundamental disconnect between state ambitions and local capabilities are beginning to be seen as standards are raised.

The responsibilities and prerogatives to set student performance goals rest with the state. Those actions carry with them fiscal implications. As a general rule of thumb, the more specific and comprehensive the state's student performance goals are, the more resources required to achieve them.

Depending on the desired level of student achievement, the state will be faced with one of three likely funding scenarios:

1. The state wants all students to pass the WASL by 2014 (as required by the No Child Left Behind Act). If this is the desired outcome, then additional resources will be necessary. The WAF study suggests what this level would be.
2. The state is satisfied with the current level of student performance. If this is the case, then overall current funding levels are about right. However, the state's education goals need to be realigned to correspondingly lower education

expectations. Districts would not be expected to increase the proportion of students meeting state standards significantly, and the standards-based graduation requirements would be relaxed.

3. The state abandons a standards-based system and returns to a policy framework focused on offering programs, not achieving results. Funding would then be keyed to program costs alone without respect to the effect the programs had on learning. Offering the program would be sufficient. Some students would reach standards; others would not. The programs offered would be based strictly on the funding provided and would vary considerably from biennium to biennium based on funds provided.

Guaranteeing specific outcomes for all students represents a tremendous fiscal and operational challenge to the state and school districts. One of those challenges is how to establish who is accountable for what in a new system based on performance. Accountability becomes much more important when the goal is for all students to reach high standards. This requires a rethinking of current notions of accountability.

Accountability: The Two-Way Street

A new system in which the state and school districts share accountability for achieving state educational goals requires new mechanisms to establish the ground rules for the expectations each level of governance has for the other. The current process for determining what schools should be expected to accomplish, and the funding they are provided to do so, are not connected. This results in policy being determined largely by politics without reference to technical issues, capacity considerations, or research to inform the decisions. This can result in schools being expected to do things they are not capable of doing with the resources they are provided and within the existing regulatory structure.

In a rational approach, the political process would retain its primacy, but it would be informed and even constrained somewhat by requirements to consider data on the ramifications of policy decisions on school operations and the resources necessary to achieve stated policy goals. In such a framework, policy and budget decisions would be informed by data on effective educational practices combined with research that specified what it is reasonable to expect schools to accomplish relative to given goals, student populations, and timelines. This data-driven process would lead to detailed specification of the resources necessary to achieve those goals, and examples of programs that demonstrate how the goals could be achieved with the resources provided.

Such a process would, at the least, ensure that members of the legislative and executive branches would have confidence that laws, rules, and regulations they were enacting were feasibly implemented and reasonably likely to achieve their stated aims. The process could also help signal situations in which particular goals, however laudable, might not be desirable to pursue at that time, due to lack of sufficient resources or sufficient specification of how the goals might be achieved by schools. The process would function in an anticipatory fashion to design good policy solutions and ensure that they were properly resourced and in a preventive fashion in order to avoid policy initiatives or requirements that seemed likely to fail, be impractical, or not be able to be provided adequate resources to succeed.

The primary mechanism to accomplish this outcome is a commission structure that would be accountable to the legislature and the governor. The governor, contingent on legislative approval, would appoint commission members. Such a commission would become a forum for the expression and negotiation of a range of viewpoints and for the synthesis and conversion of data on system performance into policy inputs and outputs. In practice, this means that this governmental commission could devote the necessary time and energy to making reasoned and rational determinations of educational needs and expected performance, and to crafting recommendations to inform the legislature and governor in the budgeting process and in evaluating the overall functioning of the public school in relation to state goals and to optimizing system efficiency and effectiveness.

Prior to discussing the commission and its duties, it is profitable to examine how a new funding structure could be designed to achieve the state's educational goals.

A New Basic Education Funding Structure

The state's education goals are specified in the Basic Education Act and related Washington statutes. We rely on the 2007 Washington Adequacy Funding (WAF) study to provide specification of what constitutes an adequate funding level to achieve the state's student performance goals.ⁱⁱⁱ The study defined an adequate education as "one that provides the required resources for all students to achieve the state's goals..."^{iv}

The WAF study specifies resource allocations necessary to provide an adequate education based on three prototype schools at the elementary, middle, and high school levels. Structuring funding models using prototype schools reduces the complexity of school budgeting to a manageable level by illustrating in a simple, transparent fashion the various resources necessary in a school to serve an average state student population. In addition, the study addresses adjustments for needs not addressed by the prototype schools, such as small school size and high concentrations of students from low-income families.

Each of the three prototype schools is based on the average demographic characteristics of the state that serve a variety of students with differing educational needs requiring differing educational interventions. The elements and components of the prototypes are shown in Appendix A and are updated to reflect the 2007-08 student demographic profile (the WAF study was based on the 2004-05 school year). On the following page (23), an excerpt of Appendix A is shown in Figure 1 to demonstrate the concept of prototype schools.

Figure 1: Excerpt Drawn From Appendix A

Total School Enrollment	Elementary		Middle School		High School	
	FTE Staff	Staff per Student Ratio	FTE Staff	Staff per Student Ratio	FTE Staff	Staff per Student Ratio
	482		660		1312	
Kindergarten	45					
Grades 1-3	263					
Grades 4-5	174					
Special Education Enrollment	62		85		170	
Disadvantaged LAP Enrollment	194		242		40	
English Language Learner Enrollment	37		54		108	
Staffing & Other Components	FTE Staff	Staff per Student Ratio	FTE Staff	Staff per Student Ratio	FTE Staff	Staff per Student Ratio
Principal's Office						
Principal	1.07	1 per 450	1.09	1 per 606	1.13	1 per 1,161
Assistant Principal	0.5	1 per 964	1.00	1 per 660	2.00	1 per 662
Building Office Cert. Staff	0.94	1 per 513	0.16	1 per 4,250	1.64	1 per 801
Building Office Classified Staff	3.23	1 per 149	4.10	1 per 161	6.53	1 per 201
Teachers						
K-3 (Including all day-Kindergarten and summer school.)	20.79	1 per 17				
Grades 4-5	8.30	1 per 21				
Grades 6-8			28.70	1 per 23		
Grades 9-12					62.48	1 per 21
Special Education (1)	4.13	1 per 15	5.67	1 per 15	11.33	1 per 15
Learning Assistance (2)	3.88	1 per 50	4.84	1 per 50	8.00	1 per 50
English Language Learners (3)	1.48	1 per 25	2.16	1 per 25	4.32	1 per 25
Educational Staff Associates Staffing (Certified)						
Librarian/Media Specialist	1.00	1 per 482	1.00	1 per 681	2.03	1 per 645
Counselor	1.93	1 per 250	2.64	1 per 250	5.25	1 per 250
Occupational Therapist (1)	0.38	1 per 165	0.82	1 per 104	1.42	1 per 120
Social Worker	1.00	1 per 482	1.00	1 per 660	1.00	1 per 1,323
Speech/Language/Audio (1)	0.03	1 per 2,067	0.05	1 per 1,760	0.09	1 per 1,888
Psychologist	0.38	1 per 1,282	0.51	1 per 1,946	1.02	1 per 2,462
Nurse	1.00	1 per 482	1.00	1 per 681	1.00	1 per 1,323
Physical Therapist (1)	0.09	1 per 775	0.14	1 per 587	0.44	1 per 386
Reading Resource Specialist	0.03	1 per 14,827	0.05	1 per 12,122	0.08	1 per 15,510
Other Certified Support Staff	1.00	1 per 482	1.45	1 per 454	1.98	1 per 662
Regular Education Staffing (Classified)						
Aides	2.99	1 per 161	6.17	1 per 107	13.81	1 per 95
Crafts/Trades	0.16	1 per 3,073	0.35	1 per 1,868	0.81	1 per 1,627
Laborers	0.02	1 per 29,318	0.04	1 per 16,637	0.11	1 per 11,470
Office/Clerical	0.94	1 per 515	2.24	1 per 294	4.56	1 per 288
Professional	2.51	1 per 192	3.24	1 per 204	5.88	1 per 223
Technical	1.00	1 per 482	0.97	1 per 681	0.99	1 per 1,323
Director/Supervisor	0.15	1 per 3,314	0.31	1 per 2,128	0.70	1 per 1,870

As can be seen in Figure 1 (drawn from Appendix A), the interventions are similar, but not identical, for each of the three prototype schools since they are specifically adapted to the needs and structures of each level. A general summary of the purpose of the interventions follows:

- **Regular Academic Program** - All three school levels receive extra support (compared with current state funding levels) in academic areas so that all schools can offer high

quality, effective programs that develop basic skills for all students consistent with a world-class education.

- **Struggling Students** - Learning needs of students who require more time to reach necessary performance levels are addressed in part through the provision of summer school programs and tutoring opportunities. Schools receive resources to provide programs that enable English Language Learners (ELLs) to make comparable academic progress.
- **At the elementary level**, full-day kindergarten and targeted class size reductions in the lower grades are provided.
- **High schools** receive additional teachers to offer career academy programs; engage students; reduce dropouts; and help students transition to work or college.
- **Libraries** - Additional professional staff is provided to support student learning of new research skills.
- **Technology** - The technology replacement and updating cycle is accelerated to ensure schools have current technologies to enable efficient administrative record keeping, better information on student achievement, and increased technology use in the classroom as a learning tool. A technology specialist is available to ensure the entire information management system functions properly and that administrators and teachers are properly supported in their uses of technology.
- **Professional Development** - Teacher and administrator skills are enhanced through additional targeted professional development, which includes instructional improvement coaching for teachers. Special education teachers receive additional support so that they can focus on students rather than paperwork.
- **The counselor's office** is adequately staffed to help address problems from home that students bring with them to school and to support students who require extra assistance.
- **Extracurricular programs** provide more students the opportunity to develop leadership skills, interact successfully with a range of students from backgrounds different than their own, and strengthen their affiliation with school. Research literature on extracurricular activities consistently identifies a positive relationship between most extracurricular activities and education outcomes in middle school and high school, including engagement in school, higher self-esteem, and decreases in problem behavior, dropout rates, and absenteeism.
- **A parent involvement and outreach coordinator** works in concert with counselors to engage and assist parents in participating as full partners in their children's education. Behavior support programs make classrooms environments more productive allowing more time devoted to learning, not behavior management.
- **Campus security** is sufficient so that administrators are not spending time monitoring the grounds, ensuring that students learn in a safe, secure environment.

Comparing Current State Funding with Adequacy Prototype School Models

Using prototypes as the means to establish adequate funding for the K-12 system differs substantially from the current methods. This makes it difficult to compare current state-funded resource levels with the resource levels in the adequacy prototype schools. Current state funding formulas are highly aggregated whereas district expenditures span the gamut of what it takes to actually run schools. Lumping allocations in broad categories as occurs in current state funding formulas is akin to using a “black box” where one cannot tell what is in it. In the WAF study, resources in prototype schools are delineated in numerous, detailed elements, or interventions, designed to reflect real world district operations, expenditure categories, and program delivery modes.

A funding system based on prototype schools is difficult to compare to a highly aggregated finance system. The WAF study baseline prototype schools present 2004-05 actual district expenditures, disaggregated into the various prototype categories shown in Appendix A. This disaggregation enables calculation of the additional resources necessary beyond 2004-05 expenditure levels to achieve the state’s goals. These additional resources are contained in Table 7 of the study, which is shown on page 26 of this report.^v

Table 7 identifies additional resources needed to meet the state’s basic education goals *beyond* available state, federal, and local funds expended in the 2004-05 school year. Previous Washington school funding court cases established that local school operating levies may not be used directly or indirectly to reduce the state’s obligation to fully fund basic education, (School Funding I, 1978, School Funding II, 1983). Since special levies are intertwined in funding district basic education programs, this new specification of basic education has significant implications for future state funding.

Table 7: Components included in the interventions

Intervention	School Prototype	Additional FTE	Type of Staff	Component Costs in Addition to FTE	Type of Expenditure
Administrator Professional Development	Elementary			\$5,704.48	Other Training and Development Expenditures
	Middle School			\$8,166.97	Other Training and Development Expenditures
	High School			\$15,881.97	Other Training and Development Expenditures
Behavioral Support Programs*	Elementary	0.88	Social Worker	1 additional day at the total cost of \$250 per teacher	Teacher Building-Directed Training and Development
	Middle School	0.86	Social Worker	1 additional day at the total cost of \$250 per teacher	Teacher Building-Directed Training and Development
	High School	0.77	Social Worker	1 additional day at the total cost of \$250 per teacher	Teacher Building-Directed Training and Development
Campus Security	Middle School			\$18,075.46	Other Building Expenditures
	High School			\$35,774.27	Other Building Expenditures
Career Academies	High School	7.81	Non Special-Instruction Teachers	\$12,500.00	General School Supplies
Class Size	Elementary	2.34	Non Special-Instruction Teachers		
Counselors	Elementary	1.64	Counselors		
	Middle School	2.21	Counselors		
	High School	4.21	Counselors		
ELL Support	Elementary	1.21	ELL Teachers	\$1,612.64	ELL Supplies and Expenditures
	Middle School	1.77	ELL Teachers	\$2,308.77	ELL Supplies and Expenditures
	High School	3.48	ELL Teachers	\$4,489.78	ELL Supplies and Expenditures

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Intervention	School Prototype	Component			
		Additional FTE	Type of Staff	Costs in Addition to FTE	Type of Expenditure
Parent Involvement and Outreach Coordinator	Elementary	1.00	Professional		
	Middle School	1.00	Professional		
	High School	1.00	Professional		
Special Education Support		0.36	Special Education Teacher		
	Elementary	0.60	Classified Special Education Staff		
	Middle School	1.10	Special Education Teachers		
	High School	3.17	Special Education Teachers		
Substitute Teachers	Elementary			\$18,880.00	Substitutes
	Middle School			\$21,585.00	Substitutes
	High School			\$44,580.00	Substitutes
Summer School		0.07	Principal	\$2,932.63	General School Supplies
	Elementary	0.85	Non Special-Instruction Teacher	\$8,797.88	Other Building Expenditures
		0.09	Principal	\$3,854.74	General School Supplies
	Middle School	1.12	Non Special-Instruction Teachers	\$11,564.22	Other Building Expenditures
		0.13	Principal	\$5,759.44	General School Supplies
	High School	1.68	Non Special-Instruction Teachers	\$17,278.31	Other Building Expenditures
Teacher Professional Development*	Elementary			3 additional days at the total cost of \$750 per teacher	Teacher Building-Directed Training and Development
	Middle School			3 additional days at the total cost of \$750 per teacher	Teacher Building-Directed Training and Development
	High School			3 additional days at the total cost of \$750 per teacher	Teacher Building-Directed Training and Development

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Intervention	School Prototype	Component			
		Additional FTE	Type of Staff	Costs in Addition to FTE	Type of Expenditure
Technology Replacement Cycle	Elementary			\$8,794.41	Computer Hardware
				\$4,397.21	Computer Supplies (other than hardware)
				\$4,397.21	Other Information Systems Expenditures (other than hardware and supplies)
	Middle School			\$12,587.74	Computer Hardware
				\$6,295.37	Computer Supplies (other than hardware)
				\$6,295.37	Other Information Systems Expenditures (other than hardware and supplies)
	High School			\$24,484.70	Computer Hardware
				\$12,242.35	Computer Supplies (other than hardware)
				\$12,242.35	Other Information Systems Expenditures (other than hardware and supplies)
Technology Specialist	Elementary	0.87	Technical Staff		
	Middle School	0.61	Technical Staff		
	High School	0.02	Technical Staff		
Tutoring	Elementary	0.72	LAP Teacher		
	Middle School	1.13	LAP Teachers		
	High School	1.50	LAP Teachers		

* Building-based teacher professional development is accounted for in supplemental teacher salary. Thus, researchers manually integrated this component back into teacher salary. Please see Appendix J for more information.

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Intervention	School Prototype	Component			
		Additional FTE	Type of Staff	Costs in Addition to FTE	Type of Expenditure
Extracurricular Activities	Elementary			\$17,826.51	Extracurricular Staff Compensation
				\$5,942.17	Extracurricular Non-Compensation Supplies and Expenditures
	Middle School			\$33,178.30	Extracurricular Staff Compensation
				\$11,059.43	Extracurricular Non-Compensation Supplies and Expenditures
	High School			\$124,077.89	Extracurricular Staff Compensation
				\$41,359.30	Extracurricular Non-Compensation Supplies and Expenditures
Full-Day Kindergarten	Elementary	1.96	Non Special-Instruction Teachers	\$599.04	General School Supplies
Instructional Improvement Coach	Elementary	1.00	Other Certificated Support Staff		
	Middle School	1.49	Other Certificated Support Staff		
	High School	1.98	Other Certificated Support Staff		
Key Instructional Programs in Core Subjects	Elementary			\$12,359.72	General School Supplies
	Middle School			\$17,695.09	General School Supplies
	High School			\$34,410.94	General School Supplies
Libraries	Elementary	0.17	Librarian/Media Specialist	\$14,261.21	General School Supplies
		1.00	Aides		
	Middle School	0.06	Librarian/Media Specialist	\$20,417.42	General School Supplies
		1.00	Aide		
	High School	2.00	Aides	\$39,704.93	General School Supplies

Examples of how adequacy prototype resource levels compare with estimated state maintenance funding levels for the 2009-10 school year are shown in Figure 2 on page 30. The 2009-10 school year is used for consistency with later sections of this paper that address how to phase in funding of the prototypes starting in the 2009-11 biennium.

Figure 2: Selected State-Funded Resource Levels Compared with Washington

Selected State Funded Resource Levels Compared With Washington Adequacy Funding Study Prototype Levels		
	2009-10 Maintenance Level	Adequacy Prototype
Grades K-3 - Students per Teacher **	21.7	17.0
Educational Staff Associate - K-12 Students per ESA	243.4	94.8
Classified - K-12 Students per staff	58.75	54.8
Non-Employee Related Costs - \$/Student (K-12)	\$531	\$1,691
Number of State Funded Staff Development Days **	3.3	10.0
Learning Assistance - Students per Teacher (Tutor)	146.3	50.0
All Day Kindergarten - Percent of students funded **	30%	100%

** Includes Initiative 728 funds based on 2006-07 reported expenditures

A more detailed comparison of current state funding to the WAF study adequacy prototypes would require updating the baseline calculations of the WAF study, which is a challenging task. We propose establishing a commission whose duties would include making such intricate calculations.

Characteristics of a Proposed New Foundation Formula

Previous sections of this report address what constitutes adequate funding of basic education that is structured in terms of prototypes. This section addresses how state funds should be allocated.

State Funding Formulas: Apportionment and Categorical Programs

The state’s current basic education funding system consists of six funding formulas or programs: general apportionment, special education, transportation, bilingual, learning assistance, and institutions. Included within the general apportionment formula are provisions for small schools, skills centers, and career and technical education.

The state’s general apportionment formula is largely “for allocation purposes only and does not mandate specific operational functions on the part of school districts” (RCW 28A.150.260). Therefore, the use of these funds is not restricted, and districts may use these funds in any number of ways, including not depleting all the funds, or using the funds for the support of other categorical programs.

In contrast, state funding for other basic education programs (e.g., special education, bilingual education, learning assistance, transportation) is categorical, meaning that the funds must be expended by districts exclusively within these programs for their specified purposes. The highly capable program is also a categorical program, but is not part of basic education.

What is wrong with Categorical Program Funding?

Since it focuses accountability on financial inputs, and not student outcomes, the state’s current categorical funding model can be an obstacle to change and to efficient program delivery. The nature of categorical programs is that categorical dollars must be spent only on the target populations. For example, a district must show that Learning Assistance Program (LAP) dollars benefit only LAP students. Categorical funding is inefficient because student instructional requires overlap, but services are not allowed to do so. Furthermore, funding is not linked to the desired results of student achievement.

The state has now detailed student assessment data for the target populations. This student assessment data facilitates shifting accountability from inputs to student achievement.

Proposed New Program Funding Structure

Under the proposed new program funding structure, ten current state basic education funding formulas are reduced to six, as follows:

1. Foundation Formula^{vi}

The basic education general apportionment formula is renamed and expanded to incorporate the following current categorical programs:

- Funds for the education of regular students (previously general apportionment)
- Special Education (not including safety net)
- Transitional Bilingual
- Career and Technical Education, (not including Skills Centers)
- Learning Assistance Program (LAP)
- Student Achievement Program (I-728)

Accountability for special populations is ensured by monitoring student achievement of target populations and by providing technical support and intervention when student performance demonstrates a need for improvement. This concept is developed in greater detail later in this report.

Additional funding beyond regular education dollars is provided for high-need student populations including students in poverty, English Language Learners (ELLs), and special education students at levels based on the WAF study.^{vii}

Additional funding for career and technical education remains embedded in the general apportionment formula. Skills Center funding is provided as a new stand-alone basic education program as described below.

Student Achievement (I-728) funds are rolled into the foundation formula to support funding for full-day kindergarten, lower K-3 class sizes, and additional state-funded staff development.

Special education funds provided in addition to regular education funding are embedded in the new foundation formula. Although special education revenues are embedded in the foundation formula, expenditures for special education would continue to be accounted for on a full cost basis, as is currently practiced to comply with accounting requirements of the federal Individuals with Disabilities Education Act (IDEA).

2. Special Education Safety Net

The complexity of Safety Net eligibility requirements makes it difficult to incorporate into the foundation formula. Furthermore, allocation of Safety Net funds decided by a Safety Net committee is incongruent with the entitlement nature of the foundation formula.

3. Small School District Factors

Small school factor enhancements are treated as a separate program to avoid complexity in the foundation formula. Small school factors have been provided by the state to compensate small districts for diseconomies of scale. We propose to continue funding this factor at current dollar funding levels adjusted for inflation.

4. Pupil Transportation

Development of a new pupil transportation formula is currently underway by the state. The foundation formula funds the educational needs of regular- and special-need student populations. The transportation program is a support program more effectively handled as a

separate categorical program, since the funding factors are likely to be quite different from educational program funding formulas.

5. Skills Centers

Skills Center funding is provided as a separate program because

- the limited number of Skills Centers are regional facilities;
- Skills Centers can more easily be managed as separate business entities to the benefit of both the host district and their governing councils; and
- treating Skills Center funding as a separate program would preclude mixing Skills Center data with a district's financial data, which distorts the serving district's financial reports because they function as the fiscal agent for a regional entity.

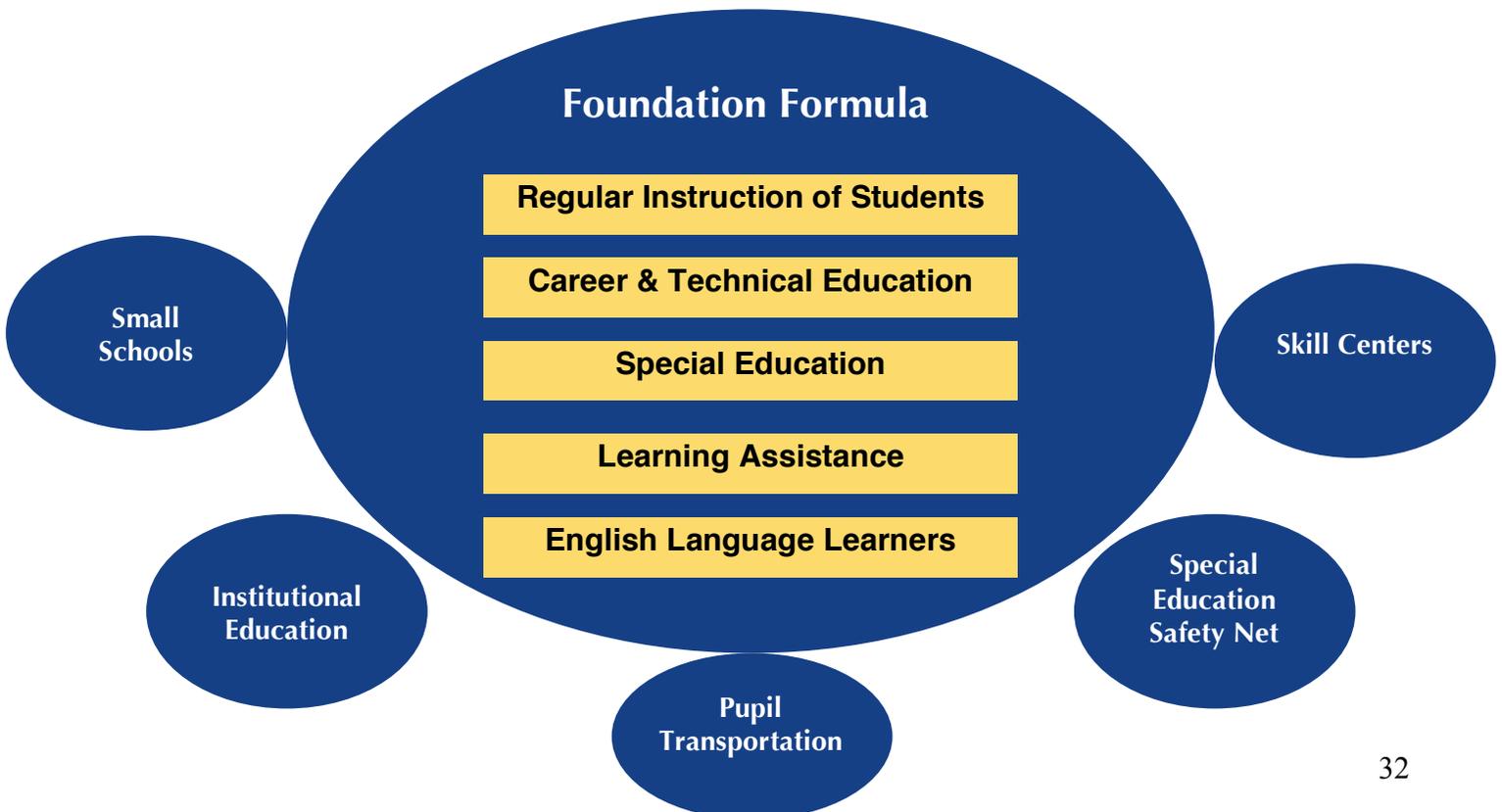
6. Institutions

County Detention Centers, Group Homes, and Residential Habilitation Facilities are regional facilities currently managed as separate business entities by the host school district. Continuing as a separate formula is most appropriate for these institutions.

7. Facilities and Capital Projects

Whether state aid for school construction should become part of the foundation formula (as is the practice in some states) or part of basic education is an open question. Full-day kindergarten, lower class sizes, and enhanced funding for special needs students are expected to have a capital impact that should be explored, as funding for these factors is phased-in.

Diagram of New Basic Education Program Structure



Commission for Quality Education in Washington (CQEW)

One of the mechanisms proposed to achieve a number of the goals discussed above is the formation of a Commission for Quality Education in Washington (CQEW).

Purposes of the CQEW:

- Determine annually the resources necessary to make ample provision for the education of all Washington public education students by creating and updating prototype schools that represent hypothetical models of schools that could achieve all basic education goals effectively and at specified levels. These prototypes would contain detailed specifications of the programs, staffing, and resources sufficient to enable all students to meet state and federal goals and to offer a program of education consistent with state and federal mandates, rules, and regulations. Schools would not be required to adopt these programs provided they met all specified goals associated with basic education and adopted by the CQEW.
- Review the results of each legislative session pertaining to actions that have a potential fiscal impact on public schools. For each such action, determine the fiscal impact and incorporate into the prototype schools resources sufficient to comply with all enacted laws, regulations, and rules.
- Apply a set of adjustments to the prototype schools that take into account variations in the cost of educating students to basic education standards by school size, region, family income level, and other relevant student demographic factors.
- Identify a comprehensive set of performance indicators that can be quantified and collected longitudinally in order to track the performance of Washington schools along a number of key dimensions that represent basic education goals for schooling, including but not necessarily limited to student performance. Review the results from the data collected on each of the performance indicators and issue a report assessing the performance of Washington schools relative to basic education goals. The assessment would also take into account the resources provided in relation to the performance achieved.
- Develop a means to calculate expected performance of Washington schools relative to basic education goals when provided full funding at the level identified by the prototype schools and at funding levels below full funding. The purpose is to establish appropriate performance expectations for schools in relation to funding provided. If funding provided is less than that identified as necessary to accomplish basic education goals, the expectations for schools would be adjusted accordingly.
- Determine annually the projected performance of Washington schools in relation to the percent of full funding provided to schools for basic education. Forecast future expected

performance of Washington schools at varying funding levels from less than full funding sufficient to meet basic education goals to full funding.

Tasks and Duties of the CQEW

- Review existing data sources and identify additional data necessary to determine the relation between funding and achievement of basic education goals. In the process of developing this relational model, identify areas where additional data are necessary and make recommendations to the governor and legislature regarding the nature and functioning of a comprehensive data system to support accurate determinations of school funding needs and projected performance expectations. Recommend new data sources necessary to improve the accuracy of resource and performance estimates along with ways to improve existing data sources so that they yield more precise, useful information that improves the descriptive and predictive capabilities of the CQEW models.
- Issue a technical report annually and transmit it to the governor and appropriate legislative committees. This report shall document the level of funding necessary to meet all state and federal goals and basic education requirements and related mandates, compare this to the current and projected levels of funding for education, and consider scenarios that describe the impact of various funding levels on the performance of the educational system.
- Conduct feasibility studies and analyses to determine the proportion of the student population that can be expected to achieve any given performance standard in order to establish the performance levels schools are expected to meet.
 - The studies shall take into account factors beyond the school's ability to control that might prevent a student from reaching a performance level or achieving a performance goal. Examples include students who may have physiological or cognitive limitations that are not amenable to instructional intervention, the proportion of students who at any given time may be unable to engage in schooling for any of a range of reasons, any groups of students that could not be expected to reach a performance standard for reasons such as having not attended school in Washington long enough to have learned any of the tested material or to have learned English well enough to understand material being tested or the test questions themselves.
 - Prior to each legislative session, review and update the identified assumptions about the structural limitations inherent in the student population that prevent all students from achieving target performance levels based on any new evidence or examples of programs that demonstrated actual performance of students with special conditions.
- Prepare and release a non-technical report to the general public. This report will highlight progress or issues in funding to the level identified by the CQEW as necessary to fulfill constitutional obligations. This report shall contain analyses of the potential

reasons Washington schools were achieving expected performance levels or failing to do so.

- To prepare the report, the CQEW will constitute advisory committees and technical panels comprising educators and members of the private and public sector with expertise on systems analysis and data-driven outcomes measurement systems. These committees and panels will assist the Commission in determining with increasing precision the costs of various educational elements that make up basic education.

While the legislature will not be legally bound to accept the recommendations of the CQEW, those recommendations will be expected to serve as the point of departure for all budget formulation processes. The governor's office, when submitting an education budget to the legislature, will include an explanation of the degree to which the budget conforms with or departs from the recommendations of the CQEW and the rationale for doing so.

Structure of the CQEW

The CQEW will be nonpartisan in nature and will be comprised of individuals who are highly respected in the state. Oregon has a Quality Education Commission composed of members nominated by the governor and approved by the Senate Education Committee. Details of its operation can serve as a useful template for establishing the CQEW.

The Oregon Quality Education Commission (OQEM) was authorized in 2000 as a result of Ballot Measure 1, which passed statewide by a significant majority. The measure, in addition to specifying the OQEM and its duties, most prominent among them the requirement to determine the amount of money necessary to provide Oregon students with an adequate education, also requires the Oregon Legislature to issue a report with each budget detailing the degree to which funding provided for public education meets the targets established by the OQEM, and, if the budget does not meet the targets, the implications and ramifications of any shortfall. The legislature is not required to fund to the level specified by the OQEM, but it is required to state the consequences of not doing so.

The OQEM determines adequate funding through a two-step process. First, the desired performance levels in designated performance areas are identified. How many students are supposed to do how well in which areas? What other metrics are schools expected to achieve? What has the state asked schools to do, and how well are schools expected to do these things? Second, technical panels examine the best research and evidence on how to accomplish these aims. In this part of the process, panels cost out programs that can reasonably be expected to result in desired outcomes. For example, what does it take to enable 90 percent of third graders to be able to read at grade level? What does it take to reduce and maintain the dropout rate below 2 percent? How can the proportion of students graduating from high school and going on directly to some form of postsecondary education be increased to 75 percent?

The panels also consider the costs of various mandates and requirements, such as transportation, special education, testing and record keeping, and all other programs that must

be funded by schools. The actual costs of meeting the requirements of each mandate or rule is then calculated to ascertain if sufficient funds are being allocated by the state for these purposes in combination with the funds needed for all programs related to performance goals. This phase of the process helps identify places in the system where funds are being redistributed, perhaps unintentionally, in ways that limit the ability of schools to address specified performance goals, a process by which the specified goals themselves may end up being under funded.

The governor nominates members to the Commission, and their appointments are confirmed by the Senate Education Committee. Members serve a single term of four years. The Commission has 11 members, all of whom serve without compensation on a non-partisan basis. The Commission is staffed by the Department of Education with a full-time professional position and a part-time support position. The Department of Education maintains web pages for the Commission upon which Commission meeting agendas and minutes are made available for public review along with all reports and recommendations.

Creating such a commission in Washington State would require legislation, after which it would take several years for the commission to be fully operational. In our view, establishing such a commission is essential to a well-functioning finance system.

The following sections of this report address other actions the legislature needs to take, including establishing accountability provisions and beginning the phase-in of additional state funding.

Accountability and Expectations of a Successfully Functioning Fully-funded K–12 Education System

Historically, state policy has been to delegate responsibility for operational functions to school districts and accountability for school performance to school boards. The 1993 Education Reform Act continued this general approach to governance, indicating that the state’s focus should be primarily on outcomes, not inputs. This arrangement leaves unspoken many facets of accountability. In order to clarify the full set of accountability relationships that arise from an output-driven system, it may be time to rethink these relationships.

The following section contains examples of a fuller range of accountability dimensions. In order to achieve state goals, the accountability of all aspects of the system needs to be specified in greater detail. The theory is that if the types of conditions specified below are being met, the probability that state goals are being achieved is high. The state would need ways to measure this broader range of accountability dimensions. Examples of ways that the system’s performance can be determined in relation to the major constituent groups follow.

Example Accountability Measures

Students

- enter kindergarten and each subsequent grade level ready to learn
- are connected to school and engaged in academics and extra curricular programs
- reach designated performance standards through successful completion of academic programs as measured by multiple assessments at rates established by the CQEW
- progress from grade to grade and graduate on time from high school at least at rates established by the CQEW

Classroom Practices

- Curricula and instruction are aligned with state education goals and are designed to incorporate effective instructional methods

Teachers

- possess the content knowledge base, technical skills, and human relations capabilities to enable students to meet specified learning goals
- are responsible for addressing student learning needs

Schools

- are organized in ways that facilitate student learning
- involve parents and community members
- demonstrate the ability to adapt to changes in the characteristics of the student population
- create a culture based on the belief that all students can learn and that all willing students can achieve state goals

- provide a safe and orderly learning environment
- use data and analysis to improve instructional programs
- address the needs of the support staff

Central Administration

- are accountable to the school board for management and operation of the district and for achievement of specified performance goals related to student learning
- support student learning needs by making strategic and operational decisions based on improving student learning
- manage long range strategic and operational plans
- ensure that laws, policies, procedures and contracts are followed
- advocate for student and staff needs

Local School Boards

- set long range policy strategies and purpose
- hold school administrators accountable for achieving designated goals
- set policies that establish the conditions under which learning can take place and performance goals can be achieved
- monitor district operation and adherence to state, State Board of Education, and Office of the Superintendent of Instruction policies

Executive Branch

- appoints and provides resources for the Commission for Quality Education in Washington
- develops a biennial education budget consistent with CQEW guidelines
- forwards recommendations for revisions and adjustments to basic education definition

Legislative Branch

- supports the state definition of basic education by providing adequate and equitable funding
- reviews its definition of basic education to maintain currency
- establishes state education goals
- sets accountability expectations for schools

Six-Year Phased Implementation Plan of New Funding

The WAF study identified changes to the Washington K-12 education system that are necessary to ensure an adequate education for all students. Because it is not feasible for schools to implement all of the recommendations at once, even if funding were available, the changes need to be implemented gradually over the course of successive school years. The six-year phased implementation plan that follows lays out a basic strategy for adding resources in a systematic fashion so that Washington K-12 students meet state standards at levels specified by the CQEW.

Although the CQEW is unlikely to produce a full report prior to the 2011-13 biennium, it is important to start the process of providing adequate funding by beginning the six-year phase-in through the 2009-11 biennial budget. The recommendations below are consistent with the WAF study and are designed to improve student performance and reduce the need to use special levies to fund basic education.

Year One Implementation:

- At the elementary level, the first year of a six-year phase-in of class size reduction begins to ultimately reduce K-3 class size to one teacher per 17 students. This intervention is gradually implemented because it requires the addition of teachers and at some point, the re-organization or construction of classroom spaces.
- Full-day kindergarten implementation continues over the next six years with higher poverty districts receiving funding priority.
- In the first year, all schools implement additional professional development for teachers. This professional development would be focused on providing teachers with the skills necessary to enable more students within their classrooms to meet standards. Substitute teacher expenditures increase to enable teachers to spend more time on professional development.
- Additional resources for struggling students are phased in, ultimately resulting in one tutor per 50 students and additional summer school (or other extended learning) opportunities.
- Behavior support systems are implemented to improve school-wide behavioral management, which also leads to more time on task for learners. Improved classroom order is supported through increased allocations for Educational Staff Associates, chiefly in the form of improved counselor staffing ratios and initiating funding for social workers. Parent involvement is addressed in year two through the addition of a professional outreach coordinator who helps to ensure that school goals are supported in the home.
- The number of classified support staff in the principal's office is increased in the first two years to coordinate assessments, collect and manage data, and ensure compliance with other federal and state accountability requirements.

- Additional funding is phased in for education support costs (non-employee related costs) with the objective of providing adequate funding amounts and easing dependence on levies for basic education funding.

Year Two Implementation:

- Continuation of: K-3 class size reductions; all-day kindergarten; additional Educational Staff Associates for counselors, librarians, social workers, and a professional outreach coordinator; and continued improvement in classified staff allocations for teacher aides and other purposes.
- Additional funding for key instructional programs in core subjects and instructional improvement coaches. The coaches mentor new teachers and help experienced teachers improve their instructional practices.
- At the middle and high school levels, additional campus security is added to provide a safer environment for students to learn as a key prerequisite to improving student learning.

Years Three to Six Implementation:

- The CQEW would review progress being made by schools and would make recommendations on phasing in further interventions designed to improve student learning in very specific ways. These recommendations would focus on groups most in need of additional support and those failing to make progress toward state goals. Some interventions, such as class size reductions, all-day kindergarten, educational support funding, technology and security, staff development, and compensation adjustments would necessarily be spread across all six years and would therefore continue to be implemented in years three through six.

Although the proposed phased implementation plan contains very specific prescriptions regarding how funds should be allocated to meet state goals, the basic principle expounded in this paper is that ***schools and districts should be free to allocate these additional revenues in response to locally determined needs as long as they are achieving all state goals.*** The basic principle here is that the state provides increasing support toward full adequacy along with a road map of interventions that districts and schools can follow to achieve state goals. Districts still retain authority for their instructional programs, but if the result is that if they do not meet state goals, they would then be held much more accountable for the decisions they make. The CQEW represents a rational means to draw out this road map, and the phased implementation model is designed to be instructive, not prescriptive.

The costs of the initial phases of implementing a new definition of basic education follow. These have been taken from the WAF study, which provides a much more detailed explanation of the rationale for each element. For further information on rationale, please refer to the WAF study report.

Costs of Initial Phases of Implementing New Basic Education Definition

Staff Development

Teacher professional development is a cost-effective strategy for improving the quality of teaching quickly and in very focused ways. Currently the state funds two days of staff development; the WAF study recommends ten days. The state also provides Initiative 728 Student Achievement Funds that can be used for staff development. We recommend a six-year phase-in of additional state-funded staff development days during which time the state, districts, and schools would develop comprehensive, high quality programs of staff development clearly focused on improving student performance.

Regarding I-728 funds (in 2006-07) districts reported expending 18 percent for staff development, which on average would be sufficient to fund an additional 1.3 staff development days at state-funded levels per day. To reach the recommended 10 days of staff development over six years, the following phase-in is recommended:

Table 1: State-Funded Staff Development Days

Fiscal Year	State-funded Professional Development Days	Estimated Cost*
2008-09	3.3**	N/A
2009-10	4.5	\$19.9 million
2010-11	5.6	\$46.0 million
Total		\$66.0 million

* Consists of two days already directly funded by the state, and 1.3 days from I-728 funds.

Class Size Reduction

The WAF study recommends one teacher per 17 students in grades K-3. Current state-funded K-3 regular program class sizes are an estimated 23.6 students per teacher, not including Initiative 728 amounts. We recommend programming I-728 funds into the current state funding formulas based on expenditure patterns reported by school districts for these funds. Including I-728 funds, state-funded class size in 2007-08 was an estimated 21.1 students. A six-year phase-in would reduce the K-3 class size to 1 teacher per 20.4 students in 2009-10 and to 19.7 in 2010-11. Estimated state fiscal year cost is as follows:

Table 2: K-3 Class Size

Fiscal Year	Estimated State-Funded K-3 Class Size, incl. I-728	Estimated Cost*
Current	21.1	N/A
2009-10	20.4	\$52.7 million
2010-11	19.7	\$117.9 million
FY 2009-11		\$170.6 million

* Assumptions: Class size reduction affects special education costs; Costs do not include K-12 capital budget impacts; Compensation levels adjusted for I-732 COLAs only.

Initially, capital costs are not expected to present major problems because district class sizes may be increasing due to layoffs as a result of financial difficulties the K-12 system is experiencing in the 2007-08 and 2008-09 school years.

Classified Staffing in the Regular Education Program

As shown in Appendix A, the WAF study would determine classified staff ratios in seven classifications such as aides, office/clerical, and technical, as opposed to using one staffing ratio, as is currently the case in the state’s general apportionment formula.

For comparison and costing purposes with current state funding amounts, the WAF study would allocate one classified staff per 54.8 students. In contrast, the state currently allocates one classified staff per 58.75 students. District classified staffing ratios exceed state allocated ratios, and the difference is funded with special levy dollars.

One of the key purposes that classified staff serve is to support the implementation of various state and federal requirements. For example, initial increases in classified staffing ratios are assumed for principal’s office staff to coordinate assessments, collect and manage data, and ensure compliance with other state and federal accountability mandates. Classified staff also help to create an orderly learning environment by increasing the number of adults present in the school building. To achieve this goal, classified staff in the form of additional campus security is added at the middle and high school. The cost of the first two years of a six-year phase-in is as follows:

Table 3: Regular Program, Classified Staffing Ratios

Fiscal Year	State-Funded Students Per Classified Staff	Estimated Cost*
Current	58.75	N/A
2009-10	58.11	\$8.3 million
2010-11	57.47	\$19.3 million
FY 2009-11		\$27.6 million

*Cost estimates above do not assume change in compensation levels beyond I-732 COLAs.

Learning Assistance – Program for Struggling Students

The state Learning Assistance Program (LAP) allocates funds based on the percent of a district’s enrollment that is eligible for free and reduced price lunch. Currently, districts with more than 40 percent of their enrollment eligible for free and reduced price lunch receive additional state funds. The 2008 legislature amended the program to provide additional funding for districts with enrollments of more than 20 percent transitional bilingual students and more than 40 percent eligible for free and reduced price lunch. In addition, districts receive federal funds for learning assistance from Title I Part A. Federal funds are approximately twice the amount funded by the state.

Meeting the needs of children in poverty and English Language Learners (ELLs) are among the most significant challenges schools face today. In order to help address this pressing issue, the WAF study recommends additional funding for learning assistance beyond state and federal funding (Table 7 of the WAF study) for summer school for struggling students and additional teachers for tutoring. The recommended ratio for tutoring is one teacher per 50 learning assistance students. The fiscal estimates below compare the current state funding learning assistance staffing ratios with the new funding ratios.

Table 4: Learning Assistance for Struggling Students

Fiscal Year	Estimated LAP Students/Teacher	State-Funded LAP Teachers	Estimated Cost *
Current	146	1,479	N/A
2009-10	130	2,248	\$53.6 million
2010-11	114	3,050	\$123.5 million
FY 2009-11			\$177.1 million

*Assumptions: Does not include changes in compensation above I-732 COLA; Federal Title I Part A funds, (Program 51), are assumed available to reach the 1:50 student/teacher ratio.

In 2006-07, school districts reported using 12 percent of Initiative 728 funds for extended learning and all-day kindergarten. In 2009-11, this percentage would amount to \$267.3 million. Individual district expenditure patterns for I-728 funds differ. Nonetheless, it may be possible to incorporate portions of I-728 funds, which would reduce the amount necessary to fund a six-year phase-in of this intervention.

Educational Staff Associate Staffing Ratios (e.g., Librarians, Counselors)

Educational Staff Associates (ESAs) include counselors, nurses, occupational and physical therapists, social workers, speech/language audio, and several other categories. Funding for ESAs in the general apportionment formula is included within certificated instructional staff, which mostly comprises teachers.

ESAs comprise about 8.4 percent of the certificated instructional staff ratio. In the regular education program, this currently equates to a state allocation of about one ESA per 258.8 students. The WAF study proposes a staffing ratio of one ESA per 94.8 students, due primarily to providing one nurse and one social worker for each average size school, and a counselor for each 250 students.

We assume that the state allocation would increase in the first two years of the phase-in for behavior interventions in the form of counselors and social workers. Parent involvement is also addressed in year two through the addition of a professional outreach coordinator who helps to ensure that school goals are supported in the home. In year two, we assume initial phase-in of funding for instructional improvement coaches.

Table 5: Regular Program, Educational Staff Associate Staffing Ratios

Fiscal Year	State-Funded Students/ Educational Staff Associate	Estimated Cost *
Current	243.4	N/A
2009-10	218.6	\$69.3 million
2010-11	193.9	\$154.9 million
FY 2009-11		\$224.2 million

* Cost estimates do not assume change in compensation levels beyond I-732 COLAs.

K-12 Staff Compensation Levels

The WAF study makes various recommendations regarding setting state salary levels. One involves using comparative wage analysis to establish a rational basis for teacher and educational staff associate salaries. Not only can this type of analysis be used to set statewide average salary levels, but it can be used to reflect differences in regional costs of living.

Comparative wage analysis involves comparing average salaries of a profession with that of similar professions. If the objective is to attract and retain quality staff, this is one way of ensuring that salary levels are competitive with market rates. If the objective is to ensure that differing regions of the state are competitive with one another, then comparative wage analysis can be used to make adjustments in average salary allocations by region.

The WAF study also recommends other wage adjustments to account for hard-to-staff schools and other factors. This allows schools that are challenged to compete for staff with schools and districts that are not as challenged. The state has made some progress in this area through provision of an additional \$5,000 per year for national board certified teachers working in schools having more than 70 percent of their students eligible for free and reduced price lunch. We suggest the state address the adequacy of base salaries in the short run using comparative wage analysis and then proceed with the other wage adjustments as recommended in the WAF study.

The WAF study, using comparative and other wage analyses, made recommendations for adjusting teacher salaries by 18.25 percent. As a point of reference, Washington teacher salaries in 2007-08 were about \$3,000 below the national average.

With respect to classified and administrator salaries, actual district classified salaries exceeded state-funded average salaries by 26 percent in 2006-07, and actual average administrator salaries exceeded the state-funded average salary by 66 percent. The state has made progress in closing the funding gap in many districts through salary equity funding in the 2007-09 biennium. Nonetheless, significant differences exist. The WAF study recommends utilizing actual district compensation levels for funding purposes.

We recommend the state establish a process that recognizes what it takes to attract and retain quality staff. As a first step we propose increasing average salaries beyond I-732 COLA amounts by 3.0 percent in 2009-10 and 2.0 percent in 2010-11 for all K-12 staff. Note that the

state is still behind by 2.6 percent in voter-mandated I-732 COLAs due to the suspension of the COLA in the 2003-05 biennium.

Table 6: K-12 Staff Compensation Adjustments

Fiscal Year	Salary Adjustments Beyond I-732 COLAs	Estimated Cost *
2009-10	3.0%	\$119 million
2010-11	2.0%	\$243 million
FY 2009-11		\$362 million

* Cost estimates are based on improved staffing ratios for class size, classified staff and educational staff associates as specified above.

Foundation Formula Support Costs (NERCs)

For non-employee related costs for 2007-08, the state general apportionment formula allocates about \$510 per student (not including vocational education). The formula allocates the funds on an aggregate basis for such things as books, utilities, insurance, contracts, school supplies, office supplies, and technology. Due to the aggregate nature of the allocation, it is not known what the state specifically intends to fund.

Currently, school district NERC expenditures greatly exceed state NERC allocations. In 2006-07, school districts expended about \$882 million and received about \$456 million from the state, a difference of 92 percent. Clearly, increasing the state allocation would relieve district use of special levy funds for basic education funding purposes.

The WAF study prototypes (as shown in Appendix A of this paper) specify per student amounts in high levels of detail. For example, funds are provided for computers at a ratio of one computer per four students based on a four-year replacement cycle. Aggregating all the various non-personnel costs categories yields \$1,691 per student (excluding \$223 per student in ESD expenditures).

We recommend that the state begin phasing in this component to achieve the WAF study recommended amounts as follows:

Table 8: Regular Program State Non-Personnel Cost Allocations

Fiscal Year	State Non-personnel allocation/ student *	Estimated Cost *
Estimated '09-10	\$531	
Proposed '09-10	\$584	\$ 47 million
Proposed '10-11	\$655	\$118 million
FY 2009-11		\$165 million

* Not including vocational education. Increased amount per student also impacts special education, and learning assistance programs.

Table 8 above contains 10 percent increases per year above maintenance level amounts for the next biennium. Full implementation of the WAF study proposal would be require a 232 percent increase, so clearly this increase would occur at a much slower rate than a six-year

phase-in. We would expect the CQEW to make recommendations about further implementation of the WAF proposal for the 2011-13 biennium.

WAF study NERC increases for the English Language Learner Program (ELL) would be phased-in starting in the 2011-13 biennium.

Continuation of All-Day Kindergarten Phase-In

The 2007 Legislature began phasing-in all-day kindergarten for 10 percent of students per year starting with schools having the highest poverty levels in the 2007-08 school year. The WAF study recommends all-day kindergarten as a high-priority. We propose continuation of all-day kindergarten implementation at a somewhat faster pace than the state’s current 10 percent per year to fully phase it in within six years rather than eight years.

Table 9: All-Day Kindergarten

Fiscal Year	Current State-Funded All Day K %	Proposed State-Funded All Day K %	Estimated Cost
2008-09	20%	20%	
2009-10	30%	33.3%	\$2.5 million
2010-11	40%	46.9%	\$5.7 million
FY 2009-11			\$8.1 million

Summary 2009-11 Biennial State Costs

Table 10: Summary of State Costs for 2009-11 (in millions)

Intervention	FY 2009-10	FY 2010-11	2009-11 Biennial Cost
Staff Development	\$19.9	\$46.0	\$66.0
K-3 Class Size	\$52.7	\$117.9	\$170.6
Classified Staff Ratio	\$8.3	\$19.3	\$27.6
Struggling Students	\$53.6	\$123.5	\$177.1
ESA Staff Ratio	\$69.3	\$154.9	\$224.2
Compensation Adj.	\$119.0	\$243.0	\$362.0
Non-Personnel Costs	\$47.0	\$118.0	\$165.0
All-Day Kindergarten	\$2.5	\$5.7	\$8.1
Total	\$372.3	\$828.3	\$1,200.6

The \$1.2 billion in additional K-12 expenditures for the 2009-11 biennium standing alone appears to be a large number. However, compared to next biennium’s near general fund-state K-12 maintenance level budget of an estimated \$14.7 billion, the \$1.2 billion would be an 8.2 percent increase. Further, compared to next biennium’s general fund-state revenue forecast of \$32.0 billion, the proposed \$1.2 billion increase is 3.7 percent.

Potential Sources of Revenue

Since K-12 is such a large part of the state budget, even small increases in the K-12 budget loom large, and inevitably the question arises, where will the money come from? Below are two potential ways to fund the initial proposed increases in K-12 basic education funding.

Assign a Portion of State Revenue Increases to Basic Education Funding

The 2008 Legislature enacted Engrossed Substitute Senate Bill 6573. In odd-numbered years, starting in 2011, in which biennial general state revenue collections increase by more than 5 percent, this legislation requires the state treasurer to transfer, subject to appropriation, funds to a Local Public Safety Enhancement Account for retirement benefit improvements for law enforcement and firefighters. Estimated transfers from the general fund would be \$5 million in 2011, \$10 million in 2013, \$20 million in 2015, and \$50 million in 2017. This means that a first priority for expenditure of revenue increases exceeding five percent is retirement benefit improvements.

This same concept could be adopted by the legislature to fund the state's education obligation, because according to the state constitution, "it is the paramount duty of the state to make ample provision for the education of all children residing within its borders...." (Article IX, Section 1).

The table on page 49 of this report serves to provide an estimate of how much this concept of prioritizing state revenue increases could generate for K-12.

Table 3.4 Cash Basis
General Fund-State Collections*
 (Millions of Dollars)

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	2000	
			<u>Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,587.3	5.8%
2005-07	27,772.0	18.7%	24,220.0	12.2%
2007-09 [†]	29,462.9	6.1%	24,490.7	1.1%
2009-11 [†]	31,917.9	8.3%	25,587.0	4.5%

[†]: February 2008 Forecast

*Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes.

Source: Department of Revenue, the Office of Financial Management and the Office of the Forecast Council 's November 2007 forecast.

The average increase in general fund-state revenues in current dollars (as in the provisions of ESSB 6573) from 1961 to 2009 is 17.3 percent. The expected increase for 2009-11 is 8.3 percent. Revenue increases in excess of 5.0 percent equal \$1.06 billion. Transferring half of that would amount to \$500 million, which would pay for almost half of the K-12 basic education funding improvements shown in Table 10 on page 47.

Recapturing the Uncollected State Property Tax for Schools

The state property tax rate for schools in calendar year 2010 is expected to be \$2.12 per \$1000 of assessed value. By statute, the state has reserved a total rate of \$3.60 per \$1000 of AV for the funding of the common schools.

The actual rate of \$2.12 per \$1000 of assessed value is lower than the statutory maximum of \$3.60 and has been declining due to the 1 percent limit on property tax collections. The state could recapture some of the revenue by increasing the state collected property tax rate. A \$0.25 increase in the state rate would raise an estimated \$222 million in calendar year 2010 and \$229 million in 2011. On a fiscal year basis, for the 2009-11 biennium, such an increase would generate an additional \$341 million in state revenues.

ⁱ Conley and Rooney (2007) *Washington Adequacy Funding Study*. Educational Policy Improvement Center

ⁱⁱ Ibid

ⁱⁱⁱ Ibid

^{iv} Ibid

^v Ibid

^{vi} "Foundation Formula" replaces the term "general apportionment formula" and is used throughout this document to signify various basic education programs that are constitutionally mandated state-funded programs. Other basic education programs not included within the foundation formula are pupil transportation, institutions, and skills centers. Foundation formulas are commonly used in most states.

^{vii} Conley and Rooney, Appendix H.