

## Report to the Washington State Supreme Court by the Joint Select Committee on Article IX Litigation

### Executive Summary

The Joint Select Committee on Article IX Litigation (Committee) has prepared this report as requested by the Washington State Supreme Court (Court) in the Court's exercise of continuing jurisdiction over the landmark *McCleary v. State* school funding case. This is the second report by the Committee, and it follows up on the Committee's report of September 17, 2012. The Court's order of December 20, 2012, concluded that the Committee's first report failed to demonstrate adequate progress as to how the state will achieve full compliance with the Article IX duty.

Since this order, the Task Force on Education Funding (Task Force) has submitted its report, and, more significantly, the Legislature has enacted the 2013-15 operating budget, which makes substantial investments in K-12 education spending. This report summarizes the work of the Task Force, describes the 2013-15 operating budget, and provides specific information on the K-12 funding enhancements appropriated in the operating budget.

The 2013-15 operating budget contains over \$1 billion in policy enhancements to K-12 spending, \$982.0 million of which consists of enhancements to the program of basic education. These investments represent an increase of 11.4 percent over the 2011-13 budget maintenance level and an increase in state-funded per-pupil expenditures of 13.6 percent.

On the four elements of Substitute House Bill 2776 specifically mentioned in the Court's order of December 20, 2012, the Legislature has made tangible and substantial progress:

- Full-day kindergarten: \$89.8 million, increasing the percentage of funded enrollment from 22 percent to 43.75 percent.
- Pupil transportation: \$131.7 million, fully funding the expected cost model.
- Materials, supplies, and operating costs (MSOC): \$374 million, to fund 44 percent of the adjusted 2016 goal.
- Early elementary class size reduction: \$103.6 million, to reduce K-1 funded class size to 20.3 students.

In addition, the Legislature has continued to review and revise basic education formulas, investing \$143.1 million in enhancements to the Learning Assistance Program, \$24.1 million in formula enhancements for counselors and parent involvement coordinators, and \$97 million in an increase to student instructional hours.

## **2012 Report of Joint Select Committee on Article IX Litigation**

The Joint Select Committee on Article IX Litigation was established in the 2012 legislative session by House Concurrent Resolution 4410. In HCR 4410, the Legislature acknowledged the unique circumstances that led to the Court's 2012 *McCleary* opinion, and it declared its intent to establish a structure and process for the interbranch dialogue requested by the Court in its ruling.

The purposes of the Committee are threefold:

- to provide a point of contact for the Legislature to communicate with the Court, as indicated by the request for a dialogue in this Court's decision to retain jurisdiction;
- to assist and advise the lawyers who represent the State and the Legislature before the judicial branch in the ongoing *McCleary* proceedings; and
- to inform legislators and the legislative institutions of this Court's communications with the legislative branch.

The Committee consists of the following legislators:

Senator David Frockt, co-chair

Representative Gary Alexander, co-chair

Senator Joe Fain

Senator Steve Litzow

Senator Christine Rolfes

Representative Susan Fagan

Representative Jamie Pedersen

Representative Pat Sullivan

In its order of July 18, 2012, the Court agreed to exercise its continuing jurisdiction in the form of a report from the Committee within 60 days after the operating budget is signed into law. The Committee filed its first report with the Court on September 17, 2012. The full text of the report is available at: <http://www.leg.wa.gov/jointcommittees/AIXLJSC/Pages/default.aspx> . As the Committee explained in its report, the Legislature did not make changes to basic education funding during the 2012 legislative session, so it provided a baseline description of the K-12 budget and information on recent legislative activities in order to provide context for future reports.

In its order dated December 20, 2012, the Court concluded that the Committee's September report fell short of the Court's expectations on the ground that it failed to demonstrate how full compliance with Article IX, section 1 would be achieved. The Court stated that 2018 remained a firm deadline for constitutional compliance, and that the Committee's 2013 report must explain the state's plan in sufficient detail to allow progress to be measured according to periodic

benchmarks. The Court explained that the phase-in plan should address all aspects of K-12 education identified in Engrossed Substitute House Bill 2261, including pupil transportation, MSOCs, full-day kindergarten, and class size reduction.

DRAFT--FOR DISCUSSION ONLY

## **Joint Task Force on Education Funding**

The Joint Task Force on Education Funding (Task Force) was established in House Bill 2824, which was enacted in the 2012 legislative session. The legislation directed the Task Force to make recommendations on how the Legislature may meet the requirements established in Chapter 548, Laws of 2009 (ESHB 2261) and chapter 236, Laws of 2010 (SHB 2776). Specifically, HB 2824 directed the Task Force to develop a proposal for a reliable and dependable funding mechanism to support basic education programs, including, at a minimum, support for full implementation of the reforms required by ESHB 2261 and SHB 2776. HB 2824 authorized the Task Force to recommend multiple funding options but directed the recommendation of a preferred alternative. The bill also directed the Task Force to consider recommendations from the Quality Education Council (QEC) regarding the Transitional Bilingual Instructional Program (TBIP) to the Legislature, dated January 6, 2012. It asked the Task Force to recommend whether the Legislature should implement a scaled funding formula based on the level of students' English proficiency and a supplemental allocation for students exiting the TBIP.

The Task Force consisted of the following members:

Jeff Vincent, Chair

Dr. Susan Enfield, Vice-Chair

Senator Lisa Brown

Senator Joe Fain

Senator David Frockt

Senator Steve Litzow

Representative Gary Alexander

Representative Susan Fagan

Representative Marcie Maxwell

Representative Pat Sullivan

Mary Lindquist

The Task Force met seven times over the fall of 2012. It received detailed briefings on K-12 programs and finance, state revenues, the state operating budget, and other topics. The Task Force discussed phase-in of the four specified elements of SHB 2776, and whether the phase-in should be linear or should prioritize particular components. The Task Force also considered how and when to phase in implementation of the two statutory changes to basic education that do not yet have a fixed statutory deadline. These changes are the increase in instructional hours for students in grades 7 through 12 and the opportunity to earn 24 credits for high school graduation. As directed, the Task Force considered the QEC's recommendations for the TBIP. The Task Force also considered whether its recommendation should include additional changes to the statutory program of basic education. Finally, the Task Force considered options for funding the

new costs of the program—new revenues, reductions in other areas of the budget, or some combination of the two. The Task Force also received public comment at each meeting.

The Task Force submitted its report on December 31, 2012. The report consisted of majority and minority proposals.

The majority proposal called for [linear] funding of the four SHB 2776 elements over three biennia: pupil transportation, MSOC, all-day kindergarten, and K-3 class size reduction. In addition, the majority proposal called for investments in career and college readiness, salary allocations for teachers and administrators, and funding for accountability, evaluation and Common Core standards. The majority proposal identified potential tax and other funding sources.

## Joint Task Force on Education Funding – Majority Proposal

Adopted Joint Task Force on Education Proposed Spending Plan (Dollars in Millions)				Adopted Joint Task Force on Education Proposed Funding Options (Dollars in Millions)	
	2013-15	2015-17	2017-19	Funding Option Source	Biennial Impact (est)
Transportation	\$141.6	\$225.1	\$232.8	Use Rainy Day Fund	\$250-\$300
MSOC	\$597.1	\$1,410.9	\$1,554.7	Retain existing taxes set to expire	\$650-\$800
K-3 Class Size	\$219.2	\$662.8	\$1,150.6	Additional budget efficiencies and savings	\$300
Full-Day Kindergarten	\$89.3	\$227.4	\$348.7	Eliminate tax exemptions	\$250
Career & College Ready	\$140.4	\$327.6	\$473.4	Transfer all or part of K-12 transportation to transportation budget w/new revenue	\$143-\$930
CAS/CIS Salary	\$169.8	\$450.2	\$681.5	Excise tax on capital gains	\$650-\$1,400
Accountability, Eval., Common Core	\$66.5	\$44.5	\$42.0	Property Tax Options:	
				• Revise state school levy growth factor	\$43-\$600
				• Increase state school levy	\$200-\$2,350
				• Use state school levy to replace local levies	\$1,735-\$2680
<b>Total</b>	<b>\$1,423.9</b>	<b>\$3,348.5</b>	<b>\$4,483.7</b>		

The minority proposal called for targeted implementation of the SHB 2776 elements, with full-day kindergarten implemented first, followed by K-3 class size reduction, MSOC, additional instructional hours, and pupil transportation.

## Joint Task Force on Education Funding – Minority Proposal

Alternative Proposal Submitted to the Joint Task Force on Education Funding (Dollars in Millions)			Alternative Funding Proposal Submitted to the Joint Task Force on Education Funding	
Enhancements to Basic Education	Biennial Funding	Cumulative Total		
• Full-Day Kindergarten (100%)	\$349		• K-12 education programs appropriated first in a separate budget from current NGF-S revenues	
• K-3 Class Size (50%)	<u>\$575</u>			
<b>2013-15 Biennium</b>	\$924	<b>\$924</b>	• Separate appropriations budget to fund all other programs from remaining available NGF-S revenues	
• K-3 Class Size (50%)	\$576			
• MSOC (50%)	<u>\$777</u>			
<b>2015-17 Biennium</b>	\$1,353	<b>\$2,277</b>		
• 80 additional hours of instruction for grades 7-12 and increase opportunity for graduation credits to 24	\$211			
• MSOC (50%)	\$778			
• Pupil Transportation (100%)	<u>\$232</u>			
<b>2017-19 Biennium</b>	\$1,221	<b>\$3,498</b>		

The full text of the Task Force report and both proposals is available at: <http://www.leg.wa.gov/jointcommittees/EFTF/Pages/default.aspx> .

## **2013 Report to Legislature from the Quality Education Council**

The Quality Education Council (QEC) was established by Engrossed Substitute House Bill 2261 in 2009. The purpose of the QEC is “to recommend and inform the ongoing implementation by the Legislature of an evolving program of basic education and the financing necessary to support such program.” The QEC updates statewide strategic recommendations each year, with the intent of informing the Legislature's and Governor's educational policy and funding decisions, identifying measurable goals and priorities for the state's education system, and enabling the state to continue to implement an evolving program of basic education.

In making its recommendations to the 2013 Legislature, the QEC identified three implementation criteria. The QEC stated that these criteria would ensure a research-based approach to its recommendations. The recommendation criteria are:

- the Court's decision in *McCleary*;
- research demonstrating student achievement; and
- the *Nine Characteristics of High-Performing Schools*

Based on these criteria, the QEC made three specific implementation recommendations for the consideration of the 2013 Legislature:

- The statutory requirements of Substitute House Bill 2776.
- Professional learning.
- Increased instructional hours and the opportunity for an enhanced high school diploma.

### **Statutory Requirements of Substitute House bill 2776**

The QEC recommended that the 2013 Legislature continue to support new funding for the requirements of SHB 2776. The QEC recommended funding for the four specific elements of SHB 2776:

- Continued phase-in of full-day kindergarten based on poverty factors.
- Continued phase-in of funding for additional teachers to reduce class size in grades K through 3 based on poverty factors.
- Continued phase-in of the new expected cost formula for pupil transportation.
- Begin the phase-in of the funding enhancements for maintenance, supplies, and operating costs (MSOCs).

### **Professional Learning**

To implement statewide reforms and improve educational outcomes, the QEC recommended that the 2013 legislature:

- direct the Office of the Superintendent of Public Instruction (OSPI) to create a common definition for professional learning;
- invest in up to 10 days of content-specific professional development outside of the 180-day school calendar, so that by the 2017-18 school year educator development does not take away from instructional hours;
- allocate mentors and instructional coaches in the prototypical school funding formula; and
- provide continuing support for professional learning through the regional network of OSPI and the nine educational service districts.

### **Increased Instructional Hours and the Opportunity for an Enhanced High School Diploma**

The QEC recommended that the Legislature implement the portions of ESHB 2261 that provide for increased instructional hours in grades 7 through 12 and the opportunity for high school students to complete 24 credits. These recommendations called for changes to the prototypical school funding formula to accomplish the following:

- additional teaching units to fund the increase in instructional hours for grades 7 through 12;
- additional staffing units for Family Involvement Coordinators at the elementary school level and Guidance Counselors at the middle and high school levels; and
- enhancements to the Learning Assistance Program (LAP) for all students, and the Transition Bilingual Instructional Program (TBIP) for grades 7 through 12, including transitional support for students who have recently exited the TBIP.

Full text of the QEC recommendations, including supporting documents, is available at [www.k12.wa.us/qec](http://www.k12.wa.us/qec).



# **2013 Legislative Session: Overview of the Enacted Operating Budget**

## **Challenges of Writing the 2013-15 Operating Budget**

The Legislature entered the 2013 session with a slowly improving economy, rising caseload and per capita costs, as well as a number of significant fiscal/policy issues to consider. The cost of continuing current programs and complying with current laws in the 2013-15 fiscal biennium was projected to exceed forecasted revenue (after adjusting for the transfer to the Budget Stabilization Account) by approximately \$800 million. This is sometimes referred to as the maintenance level shortfall. Factors that contributed to a maintenance level shortfall notwithstanding revenue growth compared to the 2011-13 biennium include increased caseloads and per capita costs and reinstating costs related to savings in 2011-13 that were one-time.

In addition to balancing the maintenance level shortfall, the Legislature also grappled with a number of interrelated fiscal and policy issues. These included:

- How best to make progress toward complying with the McCleary decision.
- Whether and how to opt-in to Medicaid expansion under the federal Affordable Care Act.
- What revenue changes and fund transfers should the Legislature consider and adopt for the 2013-15 biennium.

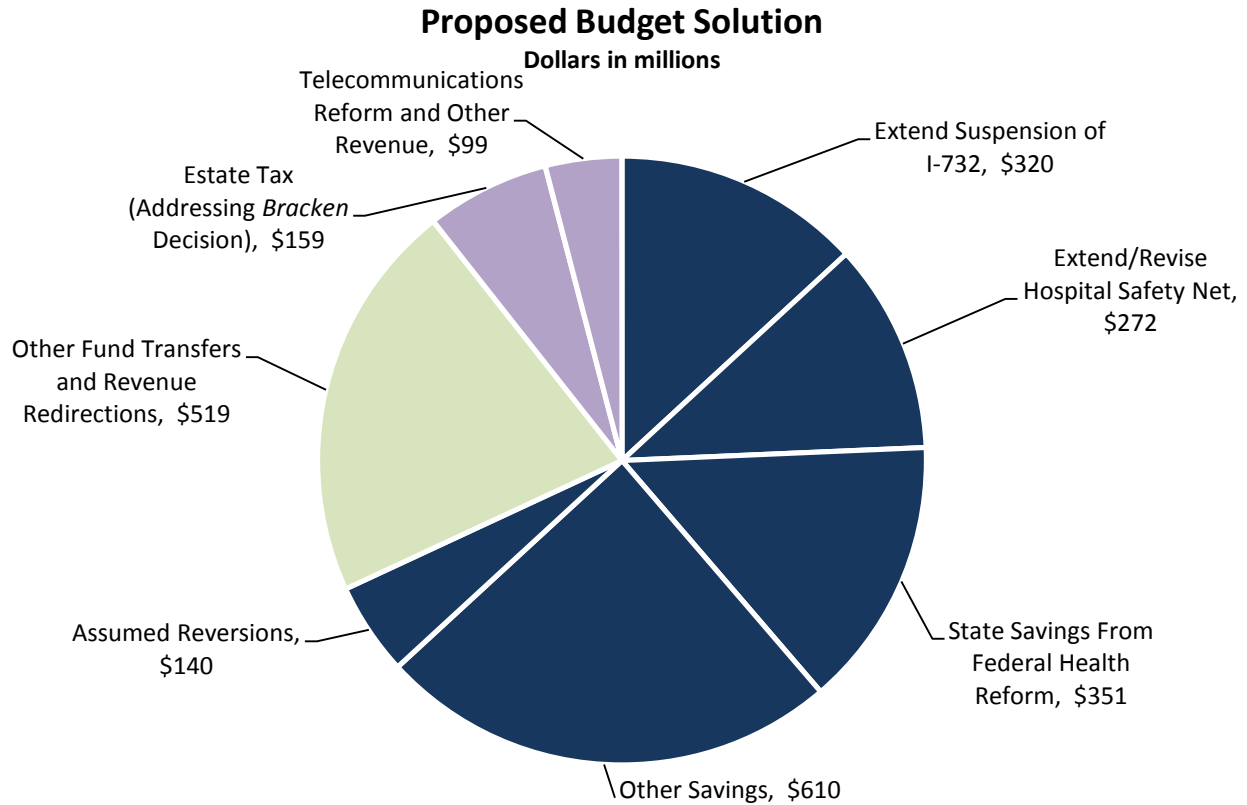
There were very different perspectives in the Legislature on these questions and other significant issues as evidenced by deliberations going well into a second special session. The Legislature adjourned on June 29, 2013, one day before the end of the biennium.

## **Solving the Budget Problem**

The enacted operating budget for 2013-15 includes \$1.7 billion in additional policy enhancements (\$1.03 billion of that in K-12 education). Taken together with leaving an ending fund balance and the maintenance level shortfall, the combined budget problem statement is approximately \$2.47 billion.

The enacted budget addresses the budget problem statement through:

- fund transfers and revenue redirections of \$519 million;
- reduced spending of about \$1.55 billion;
- assumed reversion of \$140 million; and
- increased revenue of \$259 million (primarily *Bracken* and telecommunications).



The enacted budget leaves \$625 million (after Governor's vetoes) in projected total reserves (\$48 million in Near General Fund-State (NGF-S) ending fund balances and the remainder in the Budget Stabilization Account).

This budget, under the provisions of the statutory four-year outlook, Chapter 8, Laws of 2012, 1<sup>st</sup> sp. s., (SSB 6636), is projected to end the 2015-17 biennium with \$1.3 billion in total reserves (\$386 million in NGF-S and the remainder in the Budget Stabilization Account).

## **Summary of Main Functional Areas of the 2013-15 Enacted Operating Budget**

### **Education**

K-12 Education (discussed in more detail *infra* page 14)

The budget makes \$1.03 billion in policy enhancements to K-12 appropriations. The larger enhancements include:

- \$374 million for increased materials, supplies, and operating costs (MSOC);
- \$143 million for Learning Assistance Program (LAP) expansion;
- \$132 million for pupil transportation;
- \$104 million to reduce early elementary class size;
- \$97 million in additional instructional hours;
- \$90 million to expand all-day kindergarten;
- \$24 million for guidance counseling and parent coordinators;
- \$19 million for bilingual education;
- \$15 million for teacher and principal evaluations and training; and
- \$10 million for struggling schools.

The larger K-12 policy savings include (see compensation for I-732):

- \$25 million in savings from assessment changes;
- \$24 million in savings from eliminating the SHB 2776 hold-harmless payment; and
- \$11 million in savings from Alternative Learning Experience (ALE) program audit recoveries.

### Higher Education

The larger policy enhancements include:

- \$119 million in additional funding for the four-year institutions and community and technical colleges;
- \$17 million net for financial aid;
- \$17 million for targeted state support; and
- \$11 million for the Student Achievement Initiative.

The net financial aid amount is a \$36 million increase for College Bound Scholarships and reductions of \$19 million from re-suspension of smaller scholarship programs (WA Scholars, WAVE, Health Professions Scholarship, and Future Teachers Scholarships). Current recipients are not impacted.

This budget assumes no tuition increases for the 2013-15 biennium. Four-year institutions and the community and technical colleges are authorized to exercise tuition setting authority beginning in the second year of the biennium. Institutions that choose to increase tuition are required to provide additional funding for student financial aid and cover any impact to the State Need Grant.

### Early Learning and Child Care

The larger policy enhancements include:

- \$25 million for Early Childhood Education Assistance Program (ECEAP) enhancements; and
- \$16 million for child care vendor rate increases.

## **Health and Human Services**

### Medicaid Expansion Under the Affordable Care Act

The budget assumes NGF-S policy savings of approximately \$351 million from opting into the Medicaid expansion. It is estimated that the state will receive additional federal funding of \$1.3 billion and cover an additional 250,000 clients.

### Health Care and Human Services

The larger policy enhancements include:

- \$146 million for home care worker compensation (Individual Provider and Agency Provider) related to the arbitration award;
- \$25 million for telecommunications programs that replaces funding previously provided from dedicated sources (Washington Telephone Assistance Program, and Telecommunications Relay Service);
- \$23 million for adult dental services;
- \$18 million for involuntary treatment in mental health; and
- \$11 million for placements for clients with developmental disabilities.

The larger policy savings, in addition to Medicaid expansion discussed above, include:

- \$272 million in savings from reauthorizing the Hospital Safety Net Assessments;
- \$156 million in Temporary Assistance for Needy Families (TANF)/Working Connections Child Care forecasted caseload savings;
- \$31 million in savings from delaying the nursing home rate rebase;
- \$20 million in savings from Aged, Blind or Disabled Cash Assistance Program/Housing and Essential Needs changes; and
- \$14 million in savings from suspending the Paid Family Leave Program.

## **General Government, Natural Resources, and Other**

The larger policy enhancements include:

- \$36 million for debt service on anticipated new capital projects.

The larger policy savings include:

- \$39 million in savings from shifting program funding to State/Local Toxics accounts (from NGF-S);
- \$30 million in savings from Lean management;

- \$12 million in savings from shifting program funding to the Judicial Stabilization Account;
- \$11 million in savings from shifting selected public safety program funding to the E911 Account;
- \$10 million in savings from shifting selected audit activities funding to the Performance Audit Account; and
- \$10 million in savings from suspending the transfer to the Local Public Safety Account.

## Compensation Items

- Collective bargaining agreements negotiated with former Governor Gregoire are approved, includes funding of \$39 million for step M.
- I-732 (Cost Of Living Adjustments) is suspended during the 2013-15 biennium for a savings of \$320 million (impacts K-12 and community and technical colleges).
- State employee health benefit funding is reduced based on lower utilization and other lower than anticipated costs, saving about \$17 million.
- A Public Employees Benefits Board coverage waiver surcharge is added saving about \$15 million.
- Implementation of the Affordable Care Act and efficiencies are expected to save an additional \$10 million in publicly funded health care benefits.
- Temporary salary/compensation reductions are restored at maintenance level for state employees and K-12 state-funded employees.

## Revenue

Tax legislation assumed in the 2013-15 enacted operating budget includes:

- Restoration of funding lost due to the *Bracken* court decision, which reduced forecasted estate tax revenue to the Education Legacy Trust Account by \$163 million. House Bill 2075 (estate taxes) was enacted into law and is estimated to restore \$159 million of that amount.
- House Bill 1971 (communications services) is estimated to increase GF-S revenue by \$110 million in 2013-15. (The net impact is less as there is \$25 million in spending to support programs previously funded by dedicated taxes.)
- Engrossed Substitute Senate Bill 5882 provides additional tax exemptions that will reduce revenues by an estimated \$12 million in 2013-15 biennium.

# **The 2013 Legislative Session: K-12 Appropriations**

## **Increased Funding for the Program of Basic Education**

The 2013-15 operating budget provides appropriations for \$1.03 billion in policy enhancements. This funding level represents an increase of 11.4 percent over the cost of carrying forward funding policies in the 2011-13 operating budget. As compared with the 12-13 school year, the increased funding results in policy-level increases to per-pupil funding of 8.2 percent for the 13-14 school year and 13.6 percent for the 14-15 school year.

The bulk of this funding (\$982.0 million) is appropriated for enhancements to basic education allocation formulas. Funding is provided to address the four key elements of ESHB 2261 and SHB 2776: Full-day kindergarten; early primary class size reduction; pupil transportation; and materials, supplies, and operating costs (MSOC). In addition, the Legislature, in the exercise of its authority to review and revise the program of basic education, funded additional enhancements to basic education formulas and programs: an increase in the Learning Assistance (LAP) allocation; a new program for students exiting from the Transitional Bilingual Instructional Program (TBIP); and new funding formula allocations for parent involvement coordinators and middle school and high school guidance counselors.

<b>Enhancements to State Funded Program of Basic Education</b>				
<b>Basic Education Program</b>	<b>Maint. Level</b>	<b>SY 2013-14 Policy Level</b>	<b>SY 2014-15 Policy Level</b>	<b>2013-15 State Appropriation</b>
State Funded Full Day Kindergarten (% of Enrollment)	22.0%	43.75%	43.75%	\$89.8 M
Early Elementary Class Size (Students/FTE)	24.10	Gr K-1-20.85 Gr 2-3 - 24.1	Gr K-1 - 20.3 Gr 2-3 - 24.1	\$103.6 M
Pupil Transportation* (SY Funding Expected Cost Model & % of Total Est.)	\$2.8 M 2.6%	\$43.9 M 40.0%	\$109.7 M 100%	\$131.7 M
Materials, Supplies & Op. Costs** (\$/FTE Student & % of Target)	\$560.67	\$737.02 37%	\$781.72 44%	\$374.0 M
Learning Assistance Program (Hours of Additional Instruction)	1.5156 hrs	2.3975 hrs	2.3975 hrs	\$143.1 M
Bilingual Instruction – Exited Student (Hours of Additional Instruction)	N/A	3.0 hrs	3.0 hrs	\$18.9 M
Parent Involvement Coordinators (FTE/Prototypical Elementary School)	0.00	0.0825	0.0825	\$11.9 M
Guidance Counselor (FTE/Prototypical Middle & High Schools)	1.116 1.909	1.216 2.009	1.216 2.009	\$12.2 M
Instructional Hours (Hours of Additional Instruction per Week)	0.00 hrs	2.2222 hrs	2.2222 hrs	\$97.0 M

### Increased Funding for Materials, Supplies and Operating Costs

Funding totaling \$374.0 million is provided to continue implementation of the enhancement to the Materials, Supplies and Operating Costs component of the prototypical school funding formula. The allocation per full-time equivalent student is increased from \$562.88 to \$737.02 in school year 2013-14 and \$781.72 in school year 2014-15. The school year 2013-14 and 2014-15 allocations achieve approximately 37 percent and 44 percent of the additional total funding required to achieve full implementation, as required by RCW 28A.150.260(8)(b). This figure assumes an adjustment to the total required per full-time equivalent student level that reflects actual audited expenditures by school districts, as reported by the Office of the Superintendent of Public Instruction.

### Full Implementation of the Expected Cost Pupil Transportation Funding Model

Funding in the amount of \$131.7 million is provided to complete implementation of the expected cost pupil transportation funding model. Allocations are phased in such that funding in school year 2013-14 is sufficient to achieve approximately 39 percent of full implementation and funding in school year 2014-15 is sufficient to achieve full implementation, as required by Chapter 548, Laws of 2009 (ESHB 2261) and Chapter 236, Laws of 2010 (SHB 2776). Upon full implementation in school year 2014-15, districts will receive state allocations as calculated under the Student Transportation Allocating Reporting System (STARS).

### Increased Funding for Early Elementary Class Size Reduction

Funding is provided to continue implementation of reduced early elementary class sizes, as required by Chapter 236, Laws of 2010 (SHB 2776). Kindergarten and first grade class sizes in high-poverty schools are reduced to 20.85 full-time equivalent students in school year 2013-14 and 20.30 full-time equivalent students in school year 2014-15. According to research of the Washington State Institute for Public Policy, class size reduction has the greatest likelihood of a favorable outcome in kindergarten and first grade.<sup>1</sup> Allocations for the reduced class size in school year 2014-15 is provided to the extent, and proportionate to, the eligible school's demonstrated actual average class size. Funding for this enhancement to the program of basic education, totaling \$103.6 million, includes an assumption that all eligible schools will demonstrate the reduced, funded class size of 20.30 full-time equivalent students.

### Funding for Expansion of Full-Day Kindergarten

Funding in the amount of \$89.8 million is provided to expand the percentage of state funded full-day kindergarten classes. In school year 2012-13, allocations for statewide voluntary full-day kindergarten was 22 percent of kindergarten enrollment. In school years 2013-14 and 2014-15, statewide voluntary full-day kindergarten is increased to 43.75 percent of kindergarten enrollment. New recipients of the allocations are determined by school high poverty levels.

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<sup>1</sup> Washington State Institute for Public Policy, *K-12 Class Size Reductions and Student Outcomes: A Review of the Evidence and Benefit-Cost Analysis*, January, 2013.

Chapter 236, Laws of 2010 (SHB 2776) requires full implementation of statewide funding for voluntary full-day kindergarten by 2018.

#### Increase State-Funded Instructional Hours

Beginning with fiscal year 2015, funding totaling \$97.0 million is provided to increase instructional hours from a district-wide average of 1,000 hours in each of grades seven through twelve to 1,080 hours, as provided in Chapter 548, Laws of 2009 (ESHB 2261). The prototypical formula for public schools is revised to provide an additional 2.2222 hours of instruction per week for students in grades 7 through 12, beginning September 1, 2014.

#### Increased Funding for Instructional Hours in Learning Assistance Program

Funding in the amount of \$143.1 million is provided to increase the number of state-funded instructional hours in the Learning Assistance Program from 1.5156 hours per week per full-time equivalent student to 2.3975 hours per week. In addition, Chapter 18, Laws of 2013, 2nd sp.s., Partial Veto (ESSB 5946) broadens the permitted uses of Learning Assistance Program by school districts. Additional policy changes were made to the LAP program and are described in greater detail in the "Additional Policy Changes" section.

#### Enhancement to the Prototypical School Funding Formula for Counseling and Coordinators

Funding is provided to support an enhancement to the prototypical school model, increasing the Parent Involvement Coordinator allocation by 0.1 full-time equivalent staff for each prototypical elementary school, and increasing the Guidance Counselor allocations for the prototypical middle and high schools by 0.1 full-time equivalent staff. In total, \$24.1 million is provided, of which \$11.9 million supports the increase in the Parent Involvement Coordinator formula change and \$12.2 million supports the Guidance Counselor revision to the prototypical formula.

#### New Program of Supplemental Instruction for Students Who Exit the Transitional Bilingual Program

Funding in the amount of \$18.9 million is provided to add state-funded supplemental instruction following a student's exit from the transitional bilingual program. The additional hours of instruction are phased in over a two-year period. In the 2013-14 school year, 3.0 hours per week are provided for each student who has exited the transitional bilingual program in the immediate prior year. The exited student supplemental instruction is fully implemented in the 2014-15 school year with 3.0 additional hours of instruction per week for each student that exited the transitional bilingual program in the immediate prior two years, as provided in Chapter 9, Laws of 2013 (ESHB 2051).



## Revisions to Prototypical School Funded Ratios

These enhancements to basic education funding resulted in new funding ratios for the prototypical school formula.

# Revisions to the Prototypical School Ratios: 2013-15 Biennium

<u>Elementary School</u>		<u>Middle School</u>		<u>High School</u>	
400 FTE students		432 FTE students		600 FTE students	
<i>SY 2013-14 K-1 class size*</i>	<i>25.2/20.85</i>	Class size in grades 7-8	28.5	Class size in grades 9-12*	28.7
<i>SY 2014-15 K-1 class size*</i>	<i>25.2/20.30</i>				
Class size in grades 4-6	27.0				
Librarians	0.66	Librarians	0.52	Librarians	0.52
Guidance Counselors	<b>0.49</b>	<b>Guidance Counselors</b>	<b>1.22</b>	<b>Guidance Counselors</b>	<b>2.01</b>
<b>Parent Involvement Coordinators</b>	<b>0.10</b>				
Health/Social Services (Nurses/Social Workers)	0.14	Health/Social Services (Nurses/Social Workers)	0.07	Health/Social Services (Nurses/Social Workers)	0.12
Administrative Staff (Principals/Vice Principals)	1.25	Administrative Staff (Principals/Vice Principals)	1.35	Administrative Staff (Principals/Vice Principals)	1.88
Non-Instructional Classified Staff (Office Aids, Custodians, Security Guards, etc.)	3.75	Non-Instructional Classified Staff (Office Aids, Custodians, Security Guards, etc.)	4.36	Non-Instructional Classified Staff (Office Aids, Custodians, Security Guards, etc.)	6.37
Instructional Aides (Non-certified Classroom Aides)	0.93	Instructional Aides (Non-certified Classroom Aides)	0.70	Instructional Aides (Non-certified Classroom Aides)	0.65
<p>*Smaller class sizes are funded by the state for the Vocational &amp; Skills Centers and high poverty schools. Grades 2 and 3 each continue to be reduced to 24.1 FTE students in high poverty schools. Staff ratios are expressed as an FTE per prototypical school</p>					

# Revisions to the Prototypical School Ratios: 2013-15 Biennium

<b><u>Additional Time</u></b> <i>(Additional hours of supplemental instruction per week)</i>		<b><u>Materials, Supplies &amp; Operating Costs</u></b>		<b><u>Additional Support</u></b> <i>(BEA Funding Enhancement)</i>	
		<b>Technology</b>	<b>\$77.46</b>	<b>\$82.16</b>	Special Education 93.09%
<b>Learning Assistance (LAP)</b>	<b>2.40 hrs</b>	<b>Utilities &amp; Insurance</b>	<b>\$210.46</b>	<b>\$223.23</b>	<b><u>Central Office &amp; Other Support</u></b>
Transitional Bilingual (TBIP)	4.78 hrs	<b>Curriculum &amp; Textbooks</b>	<b>\$83.17</b>	<b>\$88.21</b>	Central Office (% of school staff units) 5.3%
<b>TBIP Exited Students (NEW)</b>	<b>3.00 hrs</b>	<b>Other Supplies &amp; Library Materials</b>	<b>\$176.56</b>	<b>\$187.27</b>	<b><u>District Wide Support</u></b> <i>(Per 1,000 Students)</i>
<b>Instructional hrs grades 7-12 (NEW)</b>	<b>2.22 hrs</b>	<b>Professional Development</b>	<b>\$12.86</b>	<b>\$13.64</b>	Technology Support Staff 0.63
Highly Capable	2.16 hrs	<b>Facilities Maintenance</b>	<b>\$104.27</b>	<b>\$110.59</b>	Facilities, Maintenance & Grounds 0.34
		<b>Security &amp; Central Office</b>	<b>\$72.24</b>	<b>\$76.62</b>	Warehouse, Laborers, & Mechanics 1.80
		<b>School Year Totals:</b>	<b>\$737.02</b>	<b>\$781.72</b>	

## Other Enhancements to Public School Funding

In addition to enhancements to funding for the program of basic education, the 2013-15 operating budget also funded a number of enhancements or new programs to support school districts in their implementation of the basic education program.

# Other Enhancements to K-12 Public Education

Enhancement	FY 2014	FY 2015	2013-15 State Appropriation
Teacher Principal Evaluation Training	\$10.0 M	\$5.0 M	\$15.0 M
Persistently Lowest-Achieving Schools	\$3.6 M	\$6.7 M	\$10.3 M
Local Effort Assistance (Levy Equalization)	(\$5.3 M)	\$13.5 M	\$8.3 M
Improved Student Outcomes (SB 5946)	\$2.4 M	\$2.0 M	\$4.4 M
Expansion of Washington Achievers Scholars	\$1.2 M	\$1.2 M	\$2.4 M
High School Acceleration Grants	\$1.1 M	\$1.1 M	\$2.2 M
Longitudinal Data System	\$0.6 M	\$0.6 M	\$1.2 M
Kindergarten Readiness WaKIDS	\$0.7 M	---	\$0.7 M
Charter Schools Initiative	\$0.3 M	\$0.3 M	\$0.6 M
Other Grants & Legislation	\$1.6 M	\$1.2 M	\$2.8 M
<b>Total*</b>	<b>\$16.2 M</b>	<b>\$31.6 M</b>	<b>\$47.9 M</b>

## Teacher and Principal Evaluation Program Training

Funding totaling \$15.0 million is provided to continue implementation of the Teacher and Principal Performance-Based Evaluation Program, as provided in Chapter 35, Laws of 2012 (ESSB 5895). Within the amounts provided, \$5 million is one-time. The funding supports two broad training categories: (1) eight hours of training for every teacher in the state to educate them in the new evaluation program; and (2) ongoing small team "train the trainer" series for select staff from each school district.

## Grants to Support Persistently Lowest-Achieving Schools

Funding in the amount of \$10.3 million is provided to implement Chapter 159, Laws of 2013 (E2SSB 5329). Funding provided supports grants to school districts identified by the Office of the Superintendent of Public Instruction as persistently lowest-achieving or as a Required Action District, as well as staffing and administration costs of the program at the Office of the Superintendent of Public Instruction. Greater detail on the program is provided in the "Additional Policy Changes" section.

### Local Effort Assistance

Funding in the amount of \$8.3 million is provided to support the estimated increase in Local Effort Assistance that results from funded enhancements to the program of basic education, including state funding allocations for: materials, supplies and operating costs; early elementary class size reductions; continued implementation of voluntary full-day kindergarten; the Learning Assistance Program; the Transitional Bilingual Program, guidance counselors and parent involvement coordinators; and completed implementation of the expected cost pupil transportation funding formula. Additionally, the Per Pupil Inflation is revised such that it is 4.914 percent in both calendar years 2014 and 2015.

### Various Other Enhancements to Public Schools

In addition to the enhancements discussed above, \$14.5 million is provided for: implementation of legislation adopted during the 2013 legislative session; continued support programs previously supported by federal or private grants; dropout prevention and intervention programs; science, technology, engineering and math (STEM) programs; college readiness programs; studies; and one-time workload increases.

### Reductions and Savings

The 2013-15 enacted operating budget assumed some reductions and savings, the largest of which was a suspension of Cost-of-Living Adjustments (COLA). This suspension is consistent with compensation policy elsewhere in the budget, which does not fund a COLA for state and higher education employees. These employees received restoration of the 3 percent salary cut that was taken in the 2011-13 fiscal biennium. The state restored the 1.9 percent salary reduction in state allocations for teachers and the 3.0 percent reduction in state allocations for administrator salaries.

# Savings & Reductions: K-12 Public Education

Savings & Reductions	FY 2014	FY 2015	2013-15 State Appropriation
Suspend Initiative 732 Cost of Living Adj.	(\$98.6 M)	(\$196.8 M)	(\$295.5M)
Assessment Reforms	(\$0.9 M)	(\$24.1 M)	(\$25.0 M)
Remove Hold Harmless	(\$11.0 M)	(\$13.7 M)	(\$24.7 M)
Alternative Learning Experience (ALE) Audit Recoveries	(\$8.8 M)	(\$2.2 M)	(\$11.1 M)
Suspend Alternative Routes	(\$2.1 M)	(\$2.1 M)	(\$4.2 M)
Suspend National Board Bonus Inflation	---	(\$3.0 M)	(\$3.0 M)
Revise ALE Funding Formula	(\$0.7 M)	(\$0.9 M)	(\$1.6 M)
Consolidate/Eliminate Grants	(\$8.2 M)	(\$8.2 M)	(\$16.5 M)
<b>Total Savings &amp; Reductions*</b>	<b>(\$130.3 M)</b>	<b>(\$251.0 M)</b>	<b>(\$381.6 M)</b>

\*Sum may differ from total due to rounding

## Suspend Cost-of-Living and Inflation Adjustments

Chapter 5, Laws of 2013, 2nd sp.s., (HB 2043) achieved one-time savings totaling \$298.5 million General Fund-State in the 2013-15 biennium by suspending the Cost-of-Living Adjustment (COLA) required by Initiative 732 and the National Board bonus inflation adjustment required by RCW 28A.405.415. Initiative 732, approved by voters in 2000, requires an annual cost-of-living increase for school employees based on the Seattle Consumer Price Index (CPI) for the prior school year. The cost-of-living increases, based on the March 2013 estimate of the Seattle CPI, are 2.5 percent for the 2013-14 school year and 1.8 percent for the 2014-15 school year. The total estimated savings from suspending the COLA is \$295.5 million. The remaining \$3.0 million savings results from suspending inflation adjustments to the National Board certification bonus, which would otherwise be adjusted by the Implicit Price Deflator.

## Assessment Reforms

Chapter 22, Laws of 2013, 2nd sp.s., (EHB 1450) achieved ongoing savings totaling \$25.0 million by revising the statewide student assessments. The Superintendent of Public Instruction is directed to implement student assessments developed with a multistate consortium, beginning

in the 2014-15 school year and consolidating the current reading and writing exams into a single English language arts exam. Additional policy changes were made to the assessment program and are described in greater detail in the "Additional Policy Changes" section.

#### Prototypical School Formula Implementation Hold-Harmless Payment

Ongoing savings totaling \$24.7 million are achieved through the elimination of the prototypical school formula implementation hold-harmless payment. Chapter 236, Laws of 2010 (SHB 2776) established new formulas for allocating funding for a number of basic education programs, including General Apportionment, the Learning Assistance Program, the Highly Capable Program, and the Transitional Bilingual Program. The 2011-13 biennial budget providing funding to hold districts harmless to per-student funding amounts that existed prior to the formula conversion that became effective September 1, 2011. The enhancements to the basic education programs described above eliminate the need for the hold-harmless payment.

#### Alternative Learning Experience Audit Recoveries

The State Auditor's Office (SAO) completed and released a summary of the 2010-11 school year audits of the Alternative Learning Experience (ALE) program February 12, 2013, identifying up to \$26.9 million of possible overpayments to a total of 67 school districts. A one-time adjustment of \$11.1 million for audit recoveries as assumed based on the scope and size of the audit findings, adjusted for the historical ratio of SAO audit findings to the Office of the Superintendent of Public Instruction audit resolution recoveries for the ALE programs.

#### Other Reductions, Eliminations and Savings

Reductions totaling \$16.5 million are achieved through the elimination, of three grant programs and Regional Education Technical Support Centers. Partially offsetting this reduction, as discussed above, is a revision to the Learning Assistance Program, which broadens the permitted use of the funds by school districts. Additionally, limited administrative staffing at the Office of the Superintendent of Public Instruction is maintained to support programs that school districts elect to continue within their respective appropriations.

Chapter 18, Laws of 2013, 2nd sp.s., Partial Veto, (ESSB 5946) revised the Alternative Learning Experience (ALE), defining it by course rather than program type. Additionally, ALE course funding is revised such that funding is based on the statewide average Basic Education rate for high school students. This revision in funding results in estimated savings totaling \$1.6 million.

Savings totaling \$4.224 million is achieved through the continued suspension of the Alternative Certification Routes program, teacher training programs that serve as different options to traditional teacher preparation programs.

## **Additional Educational Policy changes**

In addition to the increased funding for the program of basic education and other funding enhancements provided by the Legislature in the 2013-15 operating budget, the Legislature enacted policy changes to the basic education program and to other educational policies that support the basic education program.

### ESHB 1450 (2013): Regarding Assessments in Public Schools

This bill transitions from the current state-required student assessments in reading, writing, and mathematics assessments in grades 3-8 and 10, to student assessments developed with a multistate consortium in English Language Arts (ELA) and mathematics beginning in the 2014-15 school year. It requires results from the high school consortium assessments to be used to meet high school graduation requirements beginning with the graduating class of 2019.

### ESHB 2051 (2013) Implementing Basic Education Expenditures

The Legislature's intent to fund a plan to carry out the reforms enacted in 2009 and 2010 legislation (ESHB 2261 and SHB 2776) regarding Basic Education and to make the statutory changes necessary to support this plan is specifically provided. The Transitional Bilingual Instruction Program is redefined to require school districts to make instructional support available for students for up to two years immediately after they exit the program if they need assistance in other academic subjects. Certain revenues are directed from the Real Estate Excise Tax, the Public Utility Tax, and the Solid Waste Collection Tax that are currently deposited in the Public Works Assistance Account to be deposited in the Education Legacy Trust Account through June 30, 2019. A requirement for an annual transfer of \$102 million from the State General Fund to the Education Construction Fund is repealed.

### E2SSB 5329 (2013): Transforming Persistently Failing Schools

The Office of Superintendent of Public Instruction (OSPI) must design a system of support, assistance, and intervention for schools in need of improvement, which includes persistently lowest-achieving schools. A school district with a school identified as a persistently lowest-achieving school is designated as a Required Action District (RAD) and must use an OSPI-approved school improvement model. A RAD that has not demonstrated sufficient improvement after at least three years may be required to develop a new school improvement plan or may be assigned to a new Level II RAD process, which requires a new plan that is binding on the school district. The 2013-15 operating budget provided \$10 million for implementation of the bill.

### ESSB 5491 (2013): Establishing Statewide Indicators of Educational Health

Six statewide indicators of educational system health are established as kindergarten readiness, fourth grade reading achievement, eighth grade mathematics achievement, the high school on-time graduation rate, employment rates, and college remediation rates. The State Board of

Education, with other state educational agencies, must establish a process for identifying system-wide goals for each indicator and subgroup of students. Each indicator goal must be set biennially. The state educational agencies must jointly report on the status of each indicator and recommended performance goals each even-numbered year. If the state is not on target to meet a goal on an indicator, then recommendations for improvements must be made. The performance goals must be compared with national data to determine if Washington student achievement is in the top 10 percent nationally. If not, the biennial report must identify and recommend evidence-based reforms targeted at addressing the indicator.

### ESSB 5946 (2013): Strengthening Student Educational Outcomes

This bill incorporated several policy bills, which were originally introduced separately addressing several policy changes including the following:

#### *Learning Assistance Program (LAP)*

The LAP program was expanded to include parent and family engagement coordinators and Readiness to Learn activities. School districts are required to focus LAP funds first on reading improvement for K-4 students. The state-approved LAP plans are replaced with annual reports on student academic growth and progress. The Office of the Superintendent of Public Instruction must convene a panel of experts to develop state menus of best practices for K-4 reading improvement and use of LAP funds. School districts are required to use the practices from the menus under certain circumstances.

#### *Reading and Early Literacy*

The responsibilities the Office of the Superintendent of Public Instruction (OSPI) and school districts regarding reading skills in grades K-4 are specified. Professional development in reading instruction for K-4 teachers is targeted. Grades K-4 student report cards must include whether the student is reading on grade level. School districts must discuss appropriate grade placement and provide intensive reading improvement strategies for students reading below grade level.

#### *Student Discipline*

Unlimited student suspensions and expulsions were eliminated. Student suspensions or expulsions may not exceed one year unless authorized by the district superintendent based on rules adopted by the OSPI. School districts to create an individually tailored reentry and reengagement plan for long-term suspended or expelled students.

#### *Alternative Learning Experiences*

Alternative Learning Experiences (ALE) are defined by type of course rather than by type of program, including definitions based on the amount of weekly in-person instructional contact. The funding for ALE courses is allocated using the statewide average basic education rate for



high school students. Provisions of the school choice laws regarding transfer of students between resident and nonresident districts to enroll in online courses are adjusted.

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