Proposal for a new K-12 Finance Structure

A Transparent Allocation Structure, Aligned Financial Reporting, and Accountability Linked to Student Achievement with Cost Data

Context of Proposal

▶ Proposed finance structure designed as <u>cost neutral</u> starting point:

  ▶ "Cost neutral" relates to the translation of funding formulas; no expectation that accounting changes are "free";

  ▶ Does not preclude discussion of adequate funding by the task force;

  ▶ Will facilitate adequacy discussion with common-sense comparisons of current funding to potential enhancements and current spending.

▶ Is a starting-point for discussion;

  ▶ Requires many policy questions be answered by school district officials and technical experts.

▶ Allocations intended to remain allocations;

  ▶ Policymakers may still debate where to set mandates (as they do now);

  ▶ Accountability element of proposal focuses discussion on student achievement (quality, timeliness, cost) rather than accountability by spending category.

Problems with Current Allocation Structure

Block allocations do not:

1. identify what the state buys or doesn't buy.

   ▸ Is instructional technology funded in the NERC?

2. provide policy makers a structure to target new funds to specific elements.

   ▸ Instead they must create new categorical programs (instructional coaches or technology funding) to target funding.

3. Blocked NERC can only be inflated using a general inflation measure.

   ▸ Lowest measure is used instead of inflating utilities element based on a specific utilities measure or curriculum element by tracking cost increases of a curriculum market basket.

Problems with Current Financial Reporting Structure

4. **Financial reporting needs fine-tuning to align w/ common-sense allocations.**

   ▸ NERC categories or activities need review, fine-tuning. (Currently no activity for instructional technology expenditures or legal services)

   ▸ Review duty categories on S-275. (No clean reporting category for instructional coaches)

5. **Accounting structure does not identify if local funds are expended for state responsibilities.**

   ▸ Transportation underfunding $ amount not available to policymakers until all districts use common method to segregate non-basic transportation from basic.

   ▸ *Changes to accounting structure are significant and will take time and resources to implement.*

Problems with Lack of Information

6. **State policymakers have no information on class size or true teacher workload.**

   ‣ Class size is significant concern of parents.

   ‣ State last collected information in 1988, one-time.

   ‣ Policymakers have little feedback on how ratios drive class size.

7. **No system information on how much supplemental pay is associated with various elements of supplemental pay.**

   ‣ $500 million last year.

   ‣ How much is associated with overload pay, regional pay, longevity incentive, mentoring, or department leadership?

Elements of Proposed Finance Structure

1. Re-state certificated instructional, classified, administrative, and NERC allocations into common-sense categories with separate allocations.

2. A. Fine-tune reporting categories (F196/S-275); B. Re-structure accounting to provide revenue-to-program detail.

3. Collect class size and supplemental salary information (incl TRI and Extra Duty schedules).

4. Create accountability measures with student achievement as the driver, incorporating quality, timeliness, and cost (measure results, not expenditure patterns).

Key Assumptions

▸ Allocation structure (funding levels) for categorical programs and CTE will be discussed later in process; this discussion is focused on core general apportionment structure.

▸ Current small school factors must be revisited once conversations regarding the general apportionment factors are nearly completed.

  ▸ Example: a student-based NERC will have a negative impact on small schools; an adjustment must be developed.

▸ Accounting code and collection changes cannot be implemented for the 08-09 school year; accounting committees must define changes for 09-10.

▸ New data collection (class size and supplemental salaries) could be piloted with a sample of districts only in 08-09.

▸ Migration of accounting system to revenue-to-program is long term costly transfer; policymakers must evaluate need, precision, and cost.

Re-State Current Funding for Instructional Staff into Common Sense Categories

Students per Certificated Instructional Staff

Current funding expressed as a block

Certificated Instruction Staff
K-4: 1:18.8
5-12: 1:21.7

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		Example, only core teachers	Example, all categories	
Core Teachers	Grades K-4	1:18.8	1:23	*Decreasing one allocation requires increasing another to stay cost neutral.*
	Grades 5-8	1:21.7	1:31	
	Grades 9-12	1:21.7	1:43	
Specialist Teachers	Grades K-4		1:157	
	Grades 5-8		1:109	
	Grades 9-12		1:54	
Instructional Coaches			1:1,818	
Librarians			1:762	
Counselors			1:540	
Pupil Support *(Social Workers/Nurses)*			1:2,035	

Source: Derived from actual district expenditures for ESAs (~8% statewide, all funds) and district expenditures for core/specialist teachers from successful school district analysis.

Use Conversion as Starting Point for Improvement Over Time

Students per Certificated Instructional Staff

		Current Funding Level			P/O Adequacy Prototype Example
Core Teachers	Grades K-4	1:23	**Core Teachers**	Grades K-5	1:18
	Grades 5-8	1:31		Grades 6-8	1:25
	Grades 9-12	1:43		Grades 9-12	1:25
Specialist Teachers	Grades K-4	1:157	**Specialist Teachers**	Grades K-5	1:90
	Grades 5-8	1:109		Grades 6-8	1:125
	Grades 9-12	1:54		Grades 9-12	1:75
Instructional Coaches		1:1,818	Instructional Coaches		1:200
Librarians		1:762	Librarians		1:380
Counselors		1:540	Counselors (6-12 only)		1:250
Pupil Support *(Social Workers/Nurses)*		1:2,035	Pupil Support* *(Social Workers/Nurses)*		1:267

Picus recommendation is partially poverty based.

Benefits, Concerns, Policy Questions related to CIS Conversion

▸ **Benefits**

- ▸ Easy to see how many staff the state funds;
- ▸ Policymakers can enhance specific categories over time.
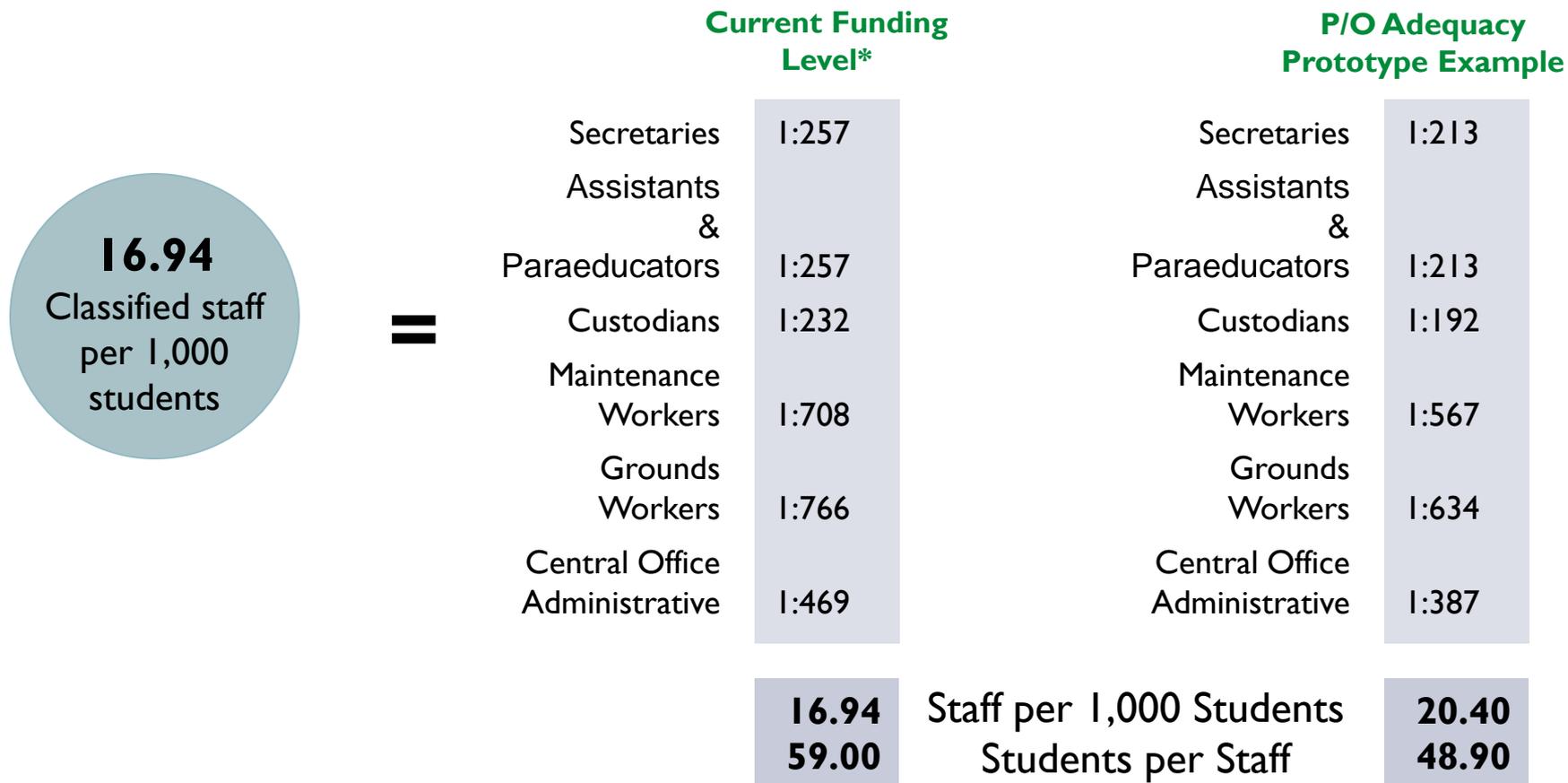
▸ **Concerns**

- ▸ Community scrutiny when district staffs at lower levels in a school or grade-level;
- ▸ Nuance of state salary allocations--funded ratio does not always equal cost of salary/benefits.

▸ **Policy Questions**

- ▸ Base teacher allocations on grade bands only or include content area element?
- ▸ If content element included: Core plus Specialized or create more discrete categories?
- ▸ What grade bands should be used (K-3 vs. K-4)?
- ▸ Should ESA allocations differ by grade band (e.g., counselors)?
- ▸ Should any element be linked to other factors (e.g., poverty)?
- ▸ Should any element be building-based rather than student-based?

Re-State Current Funding for Classified Staff into Common Sense Categories; Improve Over Time

Students per Classified Staff

16.94 Classified staff per 1,000 students

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	Current Funding Level*		P/O Adequacy Prototype Example
Secretaries	1:257	Secretaries	1:213
Assistants & Paraeducators	1:257	Assistants & Paraeducators	1:213
Custodians	1:232	Custodians	1:192
Maintenance Workers	1:708	Maintenance Workers	1:567
Grounds Workers	1:766	Grounds Workers	1:634
Central Office Administrative	1:469	Central Office Administrative	1:387

Current Funding		P/O Adequacy
16.94	Staff per 1,000 Students	**20.40**
59.00	Students per Staff	**48.90**

General Apportionment only, does not include staff hired w/ categorical funding.

Benefit to Re-stating the Classified Ratios?

Classified ratios in common-sense categories are less meaningful than for CIS, but salary transparency is enhanced.

	Students per Classified Staff	2006-07 State Avg Allocation		2006-07 State Avg Paid (S-275)
16.94 Classified staff per 1,000 students =			**Salary Allocations vs. Actual**	
Secretaries	1:257	X $28,114 but		$35,273
Assistants & Paraeducators	1:257			$28,779
Custodians	1:232			$31,586
Maintenance Workers	1:708			$43,686
Grounds Workers	1:766			$36,904
Central Office Administrative	1:469			$49,371

Difference between state funding of basic education units and district cost for units can be precisely calculated and communicated locally

Benefits, Concerns, Policy Questions related to Classified Conversion

- Benefits
  - Salary transparency (prior slide);
  - Policymakers can enhance specific categories over time.
- Concerns
  - Community scrutiny when district staffs at lower levels in a school;
  - Bargaining by competing units against state allocation as minimum;
  - Liability decisions.

- Policy Questions
  - What categories should be included (e.g., data management, security, instructional aides, and technology)?
  - What should ratios be based on (proportional distribution of current or as near as possible to Picus/Odden)?
  - How to differentiate between levels of responsibility (line vs. supervision)?
  - What categories are building-driven (sq. ft.) rather than student-driven?
  - How to treat overlap between classified and administrative allocation?

Re-State Current Funding for Administrative Staff into Common Sense Categories; Improve Over Time

Students per administrative staff

	Current Funding Level		P/O Adequacy Prototype Example
Superintendent	1:3,238	Superintendent	1: 3227
Principals/Assist. P	1:478	Principals/Assist. P.	1: 390
Curriculum/Instruction	1:4,138	Curriculum/Instruction	1: 3249
Business	1:4,138	Business	1: 3249
Human Resources	1:4,138	Human Resources	1: 3249
Student Safety	1:4,138	Student Safety	1: 3249
Pupil Services	1:4,138	Pupil Services	1: 3249
Technology	1:4,138	Technology	1: 3249
Maintenance Op.	1:4,329	Maintenance Op.	1: 3249

4 staff per 1,000 students **=**

Current Funding		P/O Adequacy
4.0	Staff per 1,000 Students	**5.0**
250.0	Students per Staff	**200.0**

Benefits, Concerns, Policy Questions related to Administrative Conversion

▶ Benefits

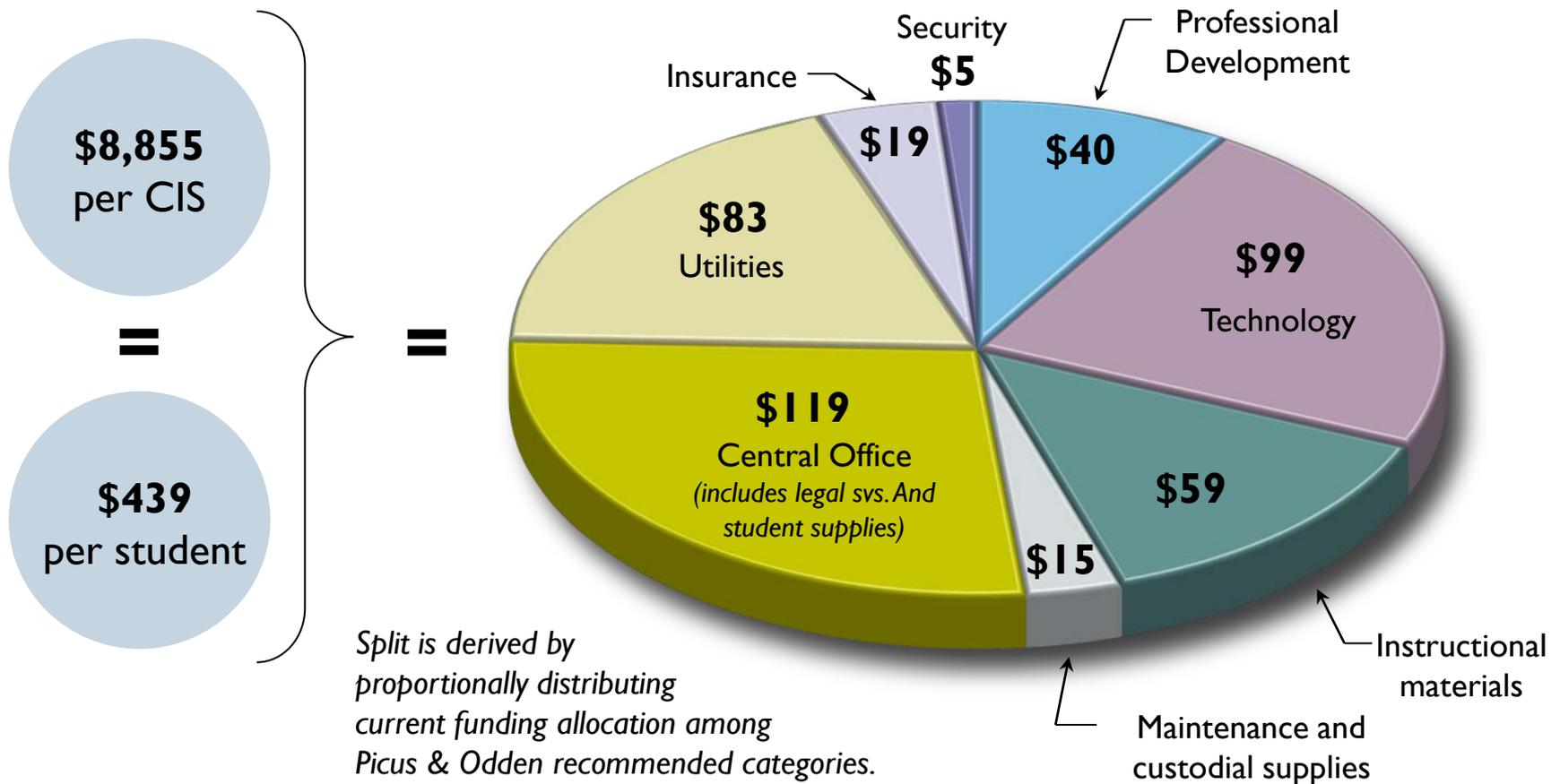- ▶ Salary transparency (similar to Classified);

▶ Concerns

- ▶ Scrutiny where district exceeds state allocation.

▶ Policy Questions

- ▶ What administrative categories should be included in the allocations (prior slides are example only)?
- ▶ Should any of the categories differ by grade level or grade band (e.g., principals)?
- ▶ How to distribute current? Current hiring patterns or Picus/Odden proportional?
- ▶ What costs are building/district-driven rather than student-driven?

Re-State Current Funding for NERC into Common Sense Categories

Example of how the 2004-05 could be unblocked:

$8,855 per CIS

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$439 per student

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Security $5

Insurance $19

Professional Development $40

$83 Utilities

$99 Technology

$119 Central Office *(includes legal svs. And student supplies)*

$15

$59

Maintenance and custodial supplies

Instructional materials

Split is derived by proportionally distributing current funding allocation among Picus & Odden recommended categories.

Re-State Current Funding for NERC into Common Sense Categories; Improve Over Time

Category	2004-05 Unblocked Allocation	2004-05 Unblocked w/o Tech	Picus / Odden Prototype(3)
Utilities (1)	$83	$107	$209
Insurance	19	25	47
Professional Development (registration, presenters, travel)	40	52	100
Instructional Materials (textbooks, libraries)	59	76	150
Maintenance /Custodial Supplies	15	19	39
Central Office (includes legal services, student supplies)	119	154	300
Technology (student and district)	99	0	250
Subtotal	$434	$433	$1,095
Security (2)	5	6	13
Total	$439	$439	$1,108

(1)Picus/Odden recommend funding based on actual cost of utilities.
(2)Picus/Odden recommendation includes a staffing component within this dollar amount.
(3)Some recommendations vary by grade level; average is displayed.

Benefits, Concerns, Policy Questions related to NERC Conversion

▶ **Benefits**

  ▶ Easy to see what the state buys or doesn't buy;

  ▶ Demonstrate lack of maintenance resources (e.g., 2% rule);

  ▶ Inflate key categories overtime with specific, more realistic, predictors of actual cost.

▶ **Concerns**

  ▶ Allocation vs. mandate debate.

▶ **Policy Questions**

  ▶ What cost categories should be used to allocate resources (prior slides are example only)?

  ▶ Should current funding be distributed proportionately to Washington Learns categories?

  ▶ What different categories should be used for vocational and Skills Centers NERC allocations?

  ▶ What categories are building-driven rather than student driven?

Next Steps

Funding Structure

- December 13 panel discussion of transparency proposal
- If Task Force decides to continue consideration of proposal:
  - School district leaders begin answering policy questions
  - Define cost to school districts; prepare legislative request
  - School district accounting experts tackle fine-tuning of reporting and migrating structure

Funding Adequacy

- OSPI form workgroups to advise SPI re: adequate funding of NERC (in process), compensation, staffing ratios, struggling students, and technology
- Spring presentation of SPI funding proposals to task force