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House
K-12 Finance Workgroup

Committee Members

Bill Fromhold - *Chair* (D)
Ross Hunter - *Vice Chair* (D)
Glenn Anderson - *Ranking Minority Member* (R)
Gary Alexander - *Asst. Ranking Minority Member* (R)
Bruce Chandler (R)
Frank Chopp (D)
Don Cox (R)
Kathy Haigh (D)
Kelli Linville (D)
Joyce McDonald (R)
Jim McIntire (D)
Lois McMahan (R)
Sharon Tomiko Santos (D)
Helen Sommers (D)
Gigi Talcott (R)
Rodney Tom (R)

Agendas

K-12 Finance Workgroup

Tuesday, April 13, 2004

1. Legislative Hearings & Ballot Measures: Ethics Considerations
   Timothy Sekerak, House Counsel
2. The State Constitution and School Funding in Washington: Cases and Lessons
   Kristen Fraser, Counsel, Office of Program Research
3. The Creation of the Basic Education Act of 1977
   Denny Heck, Former State Representative
4. Washington's Education Policies - Major Revisions from 1977 to 2004
   Suzi Morrissey, Research Analyst
5. Introduction to Washington's K-12 Finance System
   Calvin W. Brodie, Office of the Superintendent of Public Instruction
   Jennifer Priddy, Office of the Superintendent of Public Instruction
   Denise Graham, Office of Program Research

Wednesday, May 12, 2004

1. Special Education State and Federal Funding
   Calvin W. Brodie, Office of Superintendent of Public Instruction
2. Bilingual Program Funding Formula
   Jennifer Priddy, Office of Superintendent of Public Instruction
3. Education Reform Funding
   Jennifer Priddy, Office of Superintendent of Public Instruction
4. Selected Findings of the 1999 JLARC Study on K-12 Finance and Student Performance
   Pete Bylsma, Office of Superintendent of Public Instruction
5. Teacher Compensation: Overview of Current Salary Structure and Alternative Compensation Structures
   Julie Salvi, Office of Financial Management
   Jennifer Wallace, Professional Educator Standards Board

Monday, June 7, 2004

1. The Student Transportation Funding Formula
   Kristen Fraser, Counsel, Appropriations Committee
   Allan J. Jones, Office of the Superintendent of Public Instruction
2. The State K-12 Finance Structure from the District Perspective
   Denise Graham, Staff, Appropriations Committee, Introductions
   Brian Benzel, Spokane
   George Crawford, Napavine
   Tom Murphy, Federal Way
   Jim Koval, North Thurston

3. Linking Education Finance Structures to Student Achievement - Perspectives from National Education Finance Experts

   Jacob Adams, Director of the School Finance Redesign Project at the University of Washington

   Janet Hansen, Vice President and Director of Education Studies at the Committee for Economic Development in Washington, DC

   Allan Odden, Professor of Educational Leadership and Policy Analysis at the University of Wisconsin-Madison.

Monday, July 12, 2004

1. Discussion on K-12 finance structure.

Presentations can be found at the following website:
http://www.leg.wa.gov/house/opr/K12Finance/reports.htm.

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Memorandum

June 7, 2004

To: Representative Bill Fromhold, Chair, and Members
House of Representatives K-12 Finance Work Group

From: Brian L. Benzel, Ph.D.
Superintendent

Re: Our approach to using resources to accomplish our mission

Attached is an outline of the comments I am presenting surrounding the following questions that you've posed to me: .

1. What are the strengths and weaknesses of our K-12 funding, structure from a district perspective? What works well and what would you change?

2. How has your district directed and used available resources to increase student achievement? What strategies have worked well? What have been the obstacles to using resources to - increase student achievement?

These questions are sufficient for a lifetime of doctoral dissertations, but I'm trying to address them in the 20 minutes you've allocated to me. Consequently, you're getting the big picture view; if desired, we can add the details at any level of refinement you desire.

We are making monumental efforts to improve student achievement in the face of structural constraints that often seem to be designed to block our efforts. Aligning the incentives of state policy with the expected results is

important. While structural issues may account for somewhere in the neighborhood of 25% of our issues, insufficient resources to accomplish our task are a major limitation.

As leaders, our shared obligations are to create the conditions wherein success can be achieved for our students. I approach this presentation in the positive belief that we are all trying to provide each student in the system with the reading, writing, and mathematical skills to advance his/her learning in the next stage of their development. My comments and views are offered in that context.

Thank you for providing my colleagues and me with this opportunity to share and learn with you.

cc: Spokane School Board Members

Using Resources to Improve Student Achievement

Brian L. Benzel, Ph.D.
Superintendent

June 7, 2004
House of Representatives K-12 Finance Work Group
Representative Bill Fromhold, Chair

Our Context

A. Strategic Plan adopted by the Board provides sponsorship and focus for the work of the schools.
   1. Plan built upon School Improvement Plans
   2. Developed with active involvement of staff and community partners
   3. Central focus of the plan is to align our internal and external efforts on developing the skills for each student to succeed at the next grade level and graduate from high school prepared for post-secondary pursuits in a democratic society.

B. Examples of Key Measures of Success
   1. Sustain student, staff and community relationships as evidenced by climate surveys, community surveys and levy election results
   2. 90% of our students at standard in literacy and mathematics by 2007
   3. High school graduation rates
   4. Balanced budget and positive annual audits

C. Student Achievement Strategies
   1. Alignment of the written, taught and tested curriculum
   2. Professional development and instructional coaching
   3. Use of a variety of classroom based and systems tests to measure student progress
   4. Build the skills of building principals to be instructional leaders
   5. Create inclusive decision-making processes to assure systems alignment and collaborative problem solving
   6. Develop meaningful partnerships with the community and engage them in securing and enhancing local, state and federal funding to accomplish the District's mission

Il. Budget Development Strategies to Support Strategic Plan

A. Budget Development Calendar starts in February

1. Calculate the cost of current year programs in the future year.
2. Determine estimate of likely revenue available
3. Identify budget gap or opportunity for program investments if gap is positive

B. Key district budget decisions must be made in March and April; precede legislative action on the state's budget

1. Certificated staffing decisions must be made in March and April to accommodate student scheduling and planning for the next year
2. Negotiated agreement with teachers and others must be followed
3. Predicting legislative actions is imprecise at best

C. Mandatory program offerings must be met

I. Special Education

a. Flat per student allocation for all students regardless of severity of need is not working---over $5.0 million unfunded mandate in 2004 FY
b. Enrollment growth in this area combined with overall enrollment decline and the 13% funding lid---326.37 FTE unfunded, $2.35 million
c. Creates a structural requirement to use levy money to meet legal mandates
d. Maintenance of Effort requirements prohibit making decisions that improve economies or reduce costs even if services are sustained or improved
e. The Safety Net process is inadequate to address the quality management requirements to deliver special education services

i. Not allowed to budget Safety Net money
ii. IEPs that allow flexible staffing models to avoid wasted time are not funded in the Safety Net process; reduced our application by over $200,000

2. Title I/Learning Assistance Program
    a. Dedicated funding allocated only to eligible schools .
    b. Coordinate funding based on poverty levels; LAP penalty for high performance; lose funding when test student performance increases
    c. Alignment of incentives is state structural problem
    d. Comparability requirements of Title I makes it too expensive to extend this strategies that work to improve student performance to non-Title I schools (must extend base funds to all schools)

D. Providing the for the support of teaching and learning
1. After staffing is defined, budget hearings are conducted with each budget manager.
2. Mandatory costs of conducting business
    a. Costs we cannot readily control: Legal costs, utilities, elections, audits, insurance, security
    b. Health, safety and security issues
    c. Classified staffing levels: custodians, technology, clerical support
    d. Transportation
    e. Administrative costs are essential, but generally not acknowledged
    f. Supplies, equipment and capital outlay items
    g. Enterprise funds---nutrition services, child care, other services
3. Programs with high community interests and demand are levy supported
    a. Extra-curricular activities for students (student engagement and relationships)
    b. Maintenance of facilities
    c. Extra staffing to meet unfunded mandates for security, health services, and technology
    d. Levy resources are quasi-discretionary and are being squeezed when fund are reduced for mandatory programs and service levels are not adjusted

E. Summary of Issues to Address
1. Structural tension in district budget building: Improve learning versus care for physical plant and massive investment in schools?

a. The state allocation models struggle between a distribution strategy and a directing expenditures strategy
b. We cannot obtain the high levels of performance we get with some schools without funding that extends our capacity to all schools

2. Special education, structures not reflective of the demands of the law, the requirements of the students and the needs to create proper management practices
3. Inadequate integration of categorical programs and various legal requirements of an employer make sustaining a focus on teaching and learning difficult
4. Levy lid not responsive to the policy decisions of the legislature
   a. Legislative decisions require allocation decisions for levy dollars and weaken the buying power of the levy; community interests not able to be met; modes support for levy
   b. Salary increase capacity not keeping pace with policy decisions
   c. Levy equalization is essential given the variance in levy lid authority among districts

Attachments

a. Schedule for budget development and community engagement

b. Summary of budget reductions by fiscal year

Building the Budget for Spokane Public Schools: 2004-2005

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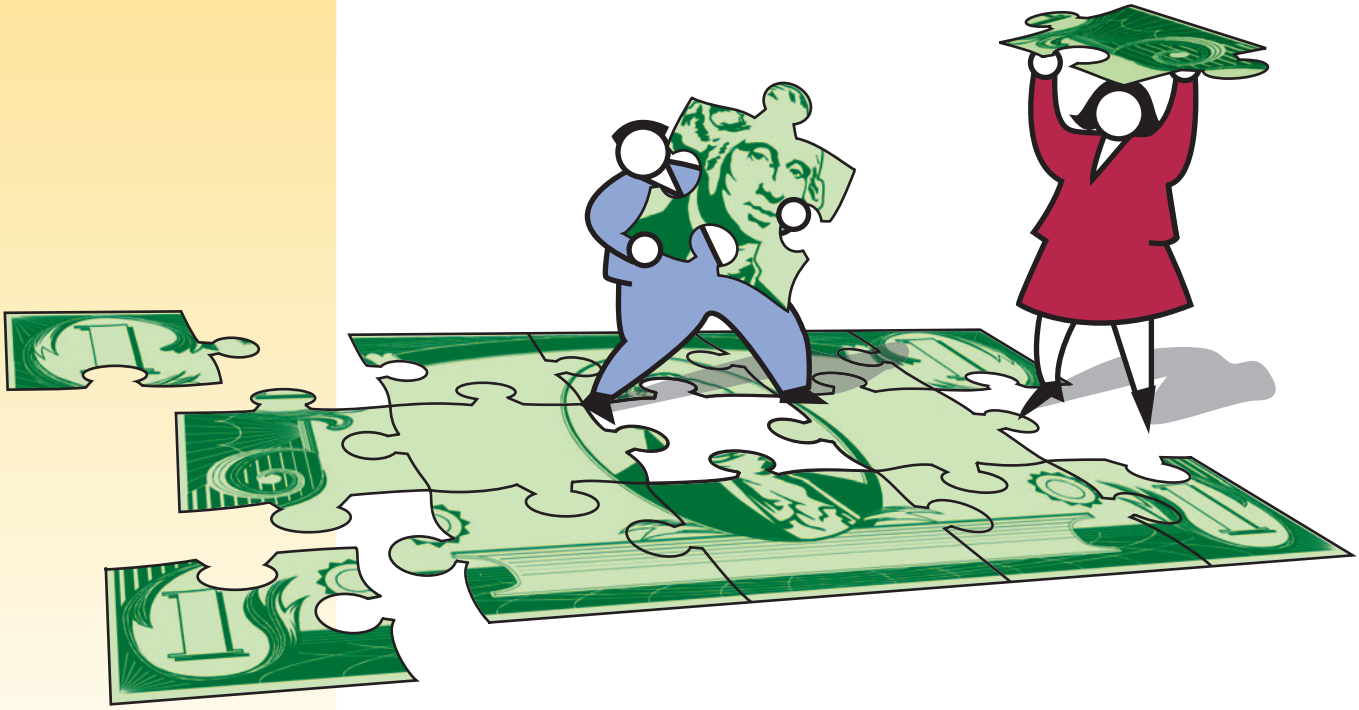

Budget 2004 - 2005

Budget Preparation Schedule

February 25	School Board Budget Update (2003-2004) and 2004-05 Budget Development Plan
March 16	Administrator Preview of Preliminary 2004-2005 Budget Issues
March 17	Education Association Building Representatives Preview of Preliminary 2004-2005 Budget Issues
March 24	School Board Review of 2004-2005 Budget Issues and Public Hearing on Preliminary Plan for Student Achievement Fund
April 12	Preview of Preliminary 2004-2005 Budget Issues for Citizens Advisory Committee (CAC) Input
April 12 & 14	Departmental Budget Review Hearings
April 28	School Board Work Session on Development of Preliminary 2004-2005 Budget Solutions
May 5	Staff Budget Forum - 4:00 pm - Chase Middle School Community Budget Forum - 7:00 pm - Chase Middle School
May 6	Staff Budget Forum - 4:00 pm - Glover Middle School Community Budget Forum - 7:00 pm - Glover Middle School
May 12	School Board Work Session on 2004-2005 Budget for Development of Preliminary Budget
May 17	Review of Preliminary 2004-2005 Budget Solutions with CAC
May 26	Preliminary 2004-2005 Budget Presented to School Board
July 9	Proposed Budget Available to the Public
July 28	School Board Adoption of 2004-2005 Budget

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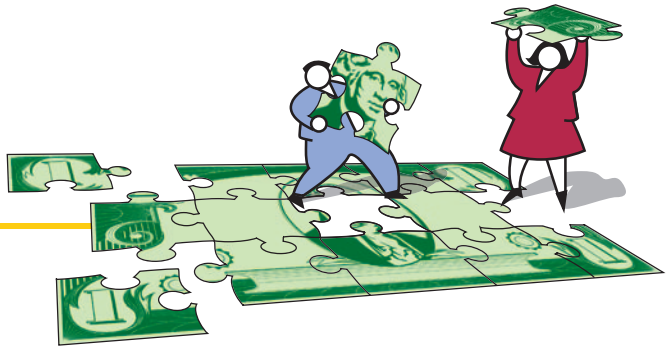

Budget 2004 - 2005

Prior Budget Cuts -
The Story Continues

	Millions
2002-2003	$- 6.0
2003-2004	- 9.1
2004-2005 (estimated)	- 5.7
Three Year Total Cuts	**$-20.8**

Cuts from 2002-03 and 2003-04	Millions
Central Administration/Support Positions Reduced	$ 2.0
Custodial Positions Reduced	0.8
Transfer of Staff to Capital Projects Fund	0.6
Teaching Staff Reduced to Match Student Enrollment	4.0
Library Media Assistants – Eliminated	0.9
Extra-curricular Expenditures Reduced	0.8
One-time Only Compensation Eliminated	2.7
Medicaid Match Expenditures Reduced	0.5
Other Programs Eliminated (e.g. Traffic Safety, etc.)	2.8
TOTAL PRIOR YEARS CUTS	**$ 15.1**

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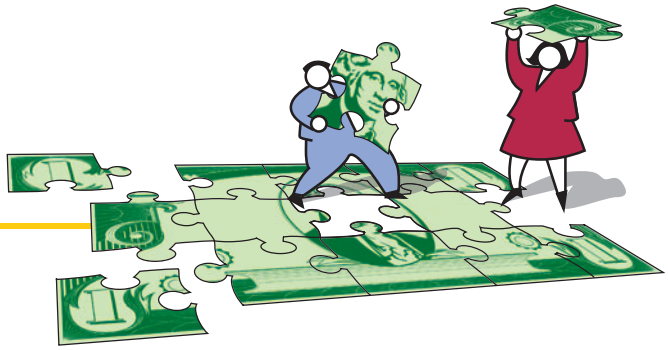

Recommended Budget Balancing Solutions

	Dollars
Reduce Certificated Staff Further	$ 3,700,000
Additional Central Office Reductions	250,000
Reduce General Fund Travel Further	65,000
Defer Maintenance of Buildings - Painting	220,000
Special Ed Reductions-Reduce/Reassign Social Workers	300,000
Eliminate Proposed Increase in School Supplies	300,000
Reduce Cleaning - Elementary School Night Custodians	180,000
Negotiate Change in Automatic Extracurricular Pay Increases	60,000
Eliminate High School LOC Instructional Assistants	200,000
Use Some of 2005-06 Host Schools Savings	425,000
Examine Re-Deploying $200,000 from Middle School HUBS to Focus on Middle School Student Learning Needs	---
TOTAL BUDGET BALANCING SOLUTIONS	**$ 5,700,000**

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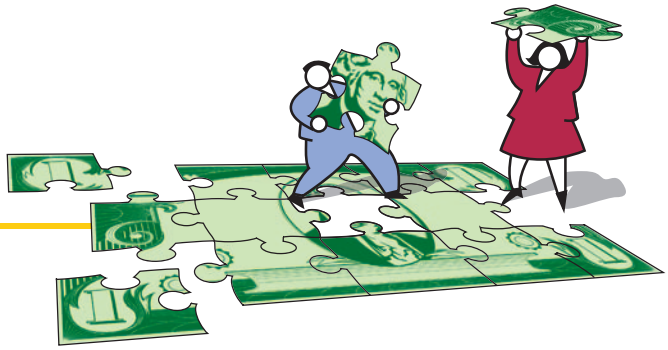

House K-12 Finance Workgroup
June 7, 2004 10:00AM
John L. O'Brien Building-House Hearing Room A

George Crawford, Superintendent
Napavine School District #14
P. O. Box 840
Napavine, Washington 98565
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JUNE 7, 2004

Good morning. I am George Crawford, superintendent of Napavine School District, a position I have held for 15 years. For those of you that don't know, Napavine is half-way between Seattle and Portland on the Interstate 5 corridor, or about 35 miles south of Olympia. We have approximately 650 students, pre-school through 12th grade.

Being invited to address this group in the company of these three other districts is indeed a "heady" experience for a small school superintendent. My peers from these larger districts assure me they get up in the morning and put their pants on the same way I do, one leg at a time. Yet, I am still in awe of the "large school mystique".

I sincerely hope my comments can help this committee to better understand, from a small school perspective, how our K-12 funding structure works with respect to increasing student achievement.

Washington state has approximately 300 school districts. Of those, roughly 200 would be considered small. Please keep in mind that the choices and decisions made in individual districts are going to be based upon those circumstances and views specific to that community and school. The unique factors that make up public schools vary widely throughout the state.

"Achieving Small School Success in Washington State" is a publication available through Northwest Regional Educational Laboratory. This publication identifies some of the advantages small schools have:

* Small numbers facilitate more communications and personal relationships among staff members, board members, parents and the community
* The school is at the heart of the community.
* School boards are closer to their schools.
* Administrators and staff are closer to school reform issues because there are fewer layers of bureaucracy impeding change. Teachers are accustomed to site-based management, staff collaboration, and the need for flexibility.

* Teachers know their students well. Students may have the same instructor multiple years, and may have siblings who were taught by the same teacher. Relationships with parents have been established over time.
* Students benefit from more personalized instruction. The low adult to student ratio provides for a sense of security.
* Students may experiment with a variety of extracurricular activities and discover unknown talents. Because the student body is small, more youngsters can assume leadership roles and participate in sports, band, drama, chorus and other activities.
* Studies have shown that low-income and at-risk students often perform better in small schools. All students demonstrate lower dropout rates and better attendance.

In putting together this presentation, my biggest hurdle has been to overcome the need to keep my focus on funding structure versus the view that the strength of any effort to improve student achievement has come about because of the people in our district and the efforts made collectively. It is not structure of funding, it is people who make the difference in Napavine.

Small schools often lack the expertise necessary to truly do the best job. My district has overcome much of this through co-operatives:

a. Lewis County Special Education Co-operative-sharing the hard to find specialists with other small districts.
b. Lewis County Small School's Vocational Co-operative-Voc. Ed.
c. Chehalis-Centralia Special Education Co-operative-placement for more severe need students.
d. Lewis County Substitute Teacher Service.

A major source of support for all small districts in my area is Educational Service District 113. ESD 113 is truly service oriented. In recent years they have been the primary support source for our activities to increase student achievement Unfortunately, due to budget restraints, what they have been able to provide free in the past will necessitate a fee. I want to emphasize, even though our district has suffered a double levy failure this spring, those services are so vitally important we are budgeting money to insure the help and support will continue.

Other ESD 113 support services include technology, fiscal, state and federal grant application procedures, personnel, and media center.

So, what about the K-12 funding structure? The basic staff funding formula gives us so much for apportionment. Those calculations for administrative support, substitute teachers, non-employee related costs and classified maintenance salaries are among those not sufficient for real costs. Funding only half-time kindergarten classes is an additional problem. The small high school factor does benefit my district, along with the K-4 enhancement ratio.

Categorical funding for specific purposes:

* Special Education Unfortunately the one-size-fits-all approach poses a difficult problem for small schools. One high cost student can dramatically impact a small school's budget. One student is presently costing about $30,000 above and beyond any revenue due to an appropriate but expensive placement. As I prepared this report I learned of a new four year old, new to our district, with severe health and learning problems. This will be a required service in excess of $20,000.
* Remediation For my district, the LAP funding has been critical for basic skills development. Due to the constant changes in funding calculations, the year-to-year planning is problematic.
* Transportation The home-to-school calculation is not realistically sufficient. Additional subsidy is necessary. However, the reimbursement for bus purchases through depreciation payments has worked well. It is only when the state changes the plan in midstream that adjustments need to be made.
* Bilingual programs Not a part of district programs.
* Targeted federal funds Napavine benefits from federal funds in food service, vocational education (Carl Perkins), special education, Title II (reduced class size and staff training), and Title I (remediation in grades 1-6).

A variety of grants have supported increased student achievement:

* CRS (Comprehensive School Reform) re-training teachers grades 5-12 to include language arts in all instruction
* 21st Century Grant-support extended learning opportunities for grades K8, alternative school options
* Washington Reading Corp. Brings support for elementary reading - Other grants help purchase a walk-in refrigerator, support technology (wiring, software and hardware), all contribute to a need. Without the extra help the activity would not occur or general fund money would have to have been spent.

Limited local levies. In the past three years, Napavine School District has experienced two double levy failures. The most recent failure was by only 15 votes. Since our district has benefitted significantly from Levy Equalization Assistance, the financial loss is even greater.

The district profiles indicate only about 4% of Napavine's revenue came from local taxes for school year 2002-03. What that meant in practical terms is that we laid off three full-time custodial staff, dramatically reduced district support for extracurricular stipends, made parents fund raise for activities, and implemented a pay-to-play fee for sports.

The biggest impact instructionally was the inability to adopt a language arts curriculum that staff had spent two years working on. We waited until the 2003-04 year. Besides not being able to adopt the new materials, we were only able to purchase minimal supplies and materials in other areas. Facility and grounds maintenance was curtailed, a new bus purchase was put off.

Because a double levy failure impacts two school year budgets, our district had not really totally recovered this current year. Now we are struggling with efforts to put together a budget for 2004-05 that will attempt to reflect our priority for improved student achievement. At present, the school board has approved recommendations for budget reductions of $415,000 for our next school year.

I don't see the practices that Napavine School District has implemented as necessarily unique. The school board took the position several years ago that student learning needed to be the priority. Our district is bordered by six other high school districts. Centralia Community College has an aggressive running start program. With choice, alternative schools, and home schooling, we have competition for the students that come to school at Napavine. Somewhere along the way, we decided we could not compete in many areas, especially where money was the source. Instead, we decided we would try and create the most positive atmosphere, or climate, for our students and employees. We've attempted to use research based strategies when making decisions about how to use the limited resources available to us.

We participated from the beginning with OSPI's school reform activities. While we stumbled at first, through the commitment of ESD 113, we have been able to train staff and move ahead with many beneficial practices that have supported the improvement of student achievement.

Specifically, these are some of the things our district has directed and used available resources to increase student achievement:

* All day kindergarten.
* Summer school opportunities for all students.
* After school programs for extended learning.
* Alternative school for grades 9-12.
* Computer assisted learning.
* Investment in extended contract days for certificated staff for training.
* Accelerated Reading program grades K-12.
* Washington Reading Corp.
* WASL Wall of Fame.
* School wide recognition of successful test scores.
* Grade looping first and second grades (same teacher).
* New and remodeled facilities.
* Small class sizes.
* Individualized instructional plan for those students struggling in basic skills.
* All support and remediation programs tied to school improvement plan (LAP, Title I, special education).
* Site based decisions.
* Building level leadership, the principal.
* Modified school calendar to create training time for staff.
* Applications of technology for improved learning.
* District wide testing and student assessment.

* Student portfolios.
* Math/science instruction grades 7-12.
* Adoption of textbooks and other instructional materials.

ESD 113 staff helped implement the Nine Characteristics of High Performing Schools. The results have been focused instruction on key student learnings, we have operated as school wide teams, the district has attempted to identify and address unique needs of school staff, students who need additional help have been identified and given support, positive attitude does matter. We feel we have moved into more of the second order change tier of school improvement. ("Decade of Reform", Jeffrey T Fouts, Seattle Pacific University)

We divided the district's operations into instructional and non-instructional activities. Any non-instructional activities have been scrutinized and where possible streamlined to operate within their revenue source. Where possible, we've identified activities such as extracurricular that are part of the M and 0 Levy.

Instructional activities are tied to a district Strategic Plan. Each building has a school improvement plan. Within respective buildings, before the go ahead is given for any resources (time or money) the need must be tied to the planning process. As I have referenced before, much of the expertise for the instructional support has come from the ESD 113 staff.

In closing, I fretted all weekend over this report. I am worried you will come away from this review with the impression that all we do is shift the money around and make things work. That is just not the case. All of us have a plan to make our schools a better place for students. Way more than just activities to increase student learning occur in our schools. If we had the luxury to only do that, I can assure you we would show even better performance on test scores.

The last several years in public schools have been like a roller coaster when you look at funding structures and what schools are required to do with those funds. If the funds are in short supply, or non-categorical, we are crowded at the bargaining table. When the money is categorical, while somewhat protected, it may not be in our area that is a need. We really are trying to do what is most beneficial for students and at the same time do it by the rules and laws that are required. It just seems that as each year goes by, it is a little more difficult to make things work. There are a few more required mandates (technology and school reform), a few more fixed costs that go up (utilities, insurance, required fees), and more pressure at the local level from employee groups. Couple all this with a double levy loss.

Thank you for the opportunity to address your committee. Can I answer any questions?

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Federal Way, WA
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Tel 253.945.2000
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Federal Way Public Schools
Every Student, a Reader

June 7, 2004

To: Representative Bill Fromhold, Chair, and Members
House of Representatives K-12 Finance Work Group

From: Thomas R. Murphy
Superintendent

Re: Reflections on Current Structure of K-12 Funding

I appreciate this opportunity to speak with you briefly regarding the several questions before us:

1. What are the strengths and weaknesses of our K-12 funding structure from a district perspective? What works well and what would you change?

2. How has your district directed and used available resources to increase student achievement'? What strategies have worked well? What have been the obstacles to using resources to increase student achievement?

Strengths and Weaknesses, What Works Well:

One of the positive aspects of the current structure is that it is "student-driven," and recognizes a certain funding amount is necessary to accomplish the basic education needs of all students. I don't believe any other approach makes sense nor would be workable. The current model is predictable. at least as predictable as a District's enrollment forecasts and decisions made at the legislative level regarding the per pupil allocation.

However, the current structure was implemented as a result of the Doran decisions more than twenty-five years ago, and was designed to fund the Basic Education definition of the time. The current structure does not recognize changes in what many students. parents, business, and school employees now recognize as "basic education."

Since the Doran decisions, the definition of Basic Education fundamentally changed with the *passage* of HB 1209 in 1993. The funding model developed in 1977 did not anticipate the increased accountability required by the Essential Academic Learning Requirements [EALRs) and the Washington Assessment of Student Learning (WASL) nor has legislation subsequent to HB 1209 substantially revised K-12 funding. In addition the current structure does not recognize the emergence of technology and the requirement that all students now master the basic elements to be successful within the K-12 system and beyond.

The current structure does not recognize the fixed costs of operating a school. For example, the ongoing operating costs for our district to simply open an elementary school are one million dollars. This amount is allocated for such staff as Librarian, Counselor, Principal, secretaries, educational assistants, and custodians. There is also no recognition for security and utilities.

Special Education
The current structure for funding students with special needs does not take into account the severity of the student's disability, and the Safety Net approach is impossible to access if a district, like mine, is meeting the "Maintenance of Effort" standard required.

The shortfall in special education funding in Federal Way School District was $2.8 million dollars in the 2002-03 school year and this number has increased for 2003-04.

The existing safety net system does not address our funding shortfall at all. Beginning in 2002-03 safety net is completely funded with federal dollars, and all state funding was discontinued. What this means on the ground is that those federal dollars are diverted away from local districts. Thus, the current safety net system reduces the amount of federal funding available to Federal Way to meet the costs of providing the necessary special education services.

To make matters worse, Federal Way doesn't qualify for any safety net funds, so we cannot recover any of the federal special education funds that we otherwise would have received but for the existence of the current safety net system.

OSPI provides a worksheet for determining preliminary eligibility for safety net funding (OSPI Safety Net Worksheet A). Federal Way does not qualify for any safety net funding because of the State's maintenance of effort rules. In essence, the District's history of serving high needs students precludes its access to any safety net funding.

We carefully consider the educational programming decisions we make in Federal Way so that we provide appropriate, necessary services without providing "Cadillac" programs. We have successfully proven the appropriateness of our programs in administrative hearings and federal courts.

Any suggestion that school districts do not properly account for general education funding received for special education students is false. The $100 million funding shortfall statewide and the $2.8 million shortfall in Federal Way come directly from the State's mandated, uniform accounting system described to you at the last Workgroup meeting (Forms F-196 and 1077 reporting system). Thus, we are merely stating the amount of the shortfall -- $2.8 million -- based upon the State's own accounting rules.

Additionally, the current structure does not account for the numerous unfunded mandates we work with yearly. Each and every unfunded mandate is cumulative in its effect and erodes the amount of money we have to dedicate directly to student achievement. Many of these mandates may not seem to require a lot of money but, a lot of money or not,

there exists unobservable indirect costs to implement any and all mandates coming from the state or federal government. Federal Way Public Schools has the lowest administrative costs, as a percent of the budget, of any school district serving 3,000 students or more. Every new unfunded mandates makes holding on to this status nearly impossible (Attachment 1).

A very large funding structural problem for my district is the current disparity in state funding *for* teacher salaries, classified salaries, and administrator salaries. Federal Way is either near or at the bottom of King County districts in state funding for these categories. The loss in state funding for Federal Way Public Schools for 2003-04 is $860,000 (Attachment 2).

What would I change:

Redefine "Basic Education" and develop a funding structure that recognizes ALL students must meet state standards in Reading, Math, Writing, and Science, regardless of their special circumstances and needs. The formula must recognize that one size does not fit all.

The structure of the funding formula should recognize the struggle between "efficient" and "effective" with which every district wrestles each year during budget development and make provisions for "fixed costs" of school building operations.

Fund unfunded mandates or eliminate them, or make them optional.

Design a structure for funding students with special needs that recognizes the severity of need, and provides support accordingly.

Address the disparity in funding for staff.

Used Available Resources to Increase Student Achievement:

For the past five years we have been clearly focused on literacy for ALL children and are using individual student data to improve student achievement. These data are used to drive resources, tailor professional development and evaluate program effectiveness.

We have filtered all budget requests, staff development programs, and staffing decisions, using the singular focus on literacy. For example, we used the three days provided by the Legislature beyond the one-hundred eighty day contract for teachers, combined with two days supported by our local levy, to provide five days of staff development in reading strategies for every teacher in our district.

We have also aligned our resources with the District's commitment to reduce the achievement gap. For example, we have created teacher specialists for each elementary and middle school to work with teachers on differentiated instructional strategies and with students below standards. All district staff - ranging bus drivers to classroom

teachers to principals - received training to help them understand the needs of students from diverse backgrounds.

We have used I-728 funds strategically to lower class size in K-2, implement all-day Kindergarten at most of our schools, provide extended learning opportunities for struggling students, and focused staff development for teachers designed to improve the use of data in increasing student achievement. We have implemented an Accelerated Learning Program for all students who did not pass the seventh grade WASL in reading and/or math within the context of the school day.

Obstacles to Using Resources:

I-728 resources are now being used to supplant both the reduction in the K-4 staff/student ratio from 55.4 to 53.2 per one thousand K 4 students and the loss of the third learning improvement day. The cost of continuing these previously funded programs is about $750,000. The State's commitment to bringing ALL students to standard must be accompanied by a similar commitment to funding.

Thank you for providing me with this opportunity to share my thoughts with you.

Dr. James E. Koval, *Superintendent*

NORTH THURSTON PUBLIC SCHOOLS

305 College Street N.E. • Lacey, WA 98516
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June 7, 2004

Representative Bill Fromhold, Chair, and Members of the House of Representatives
K-12 Finance Work Committee:

Thank you for the opportunity to speak to you regarding the structure of Washington State's K-12 finance system. I am attaching my comments related to the two questions you have asked my fellow Superintendents and I to respond to. It is my hope that the information shared with you today will encourage you to continue to explore avenues with us to assure each student who exits our school system leaves with the knowledges, skills and abilities to be successful whatever their aspirations for the future might be.

Sincerely,

James E. Koval
Superintendent

c: North Thurston Public Schools Board of Directors

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Funding Structure

Two of the major issues facing our K-12 education system today are its funding structure and the adequacy of funds available. The two go hand in hand, and while I will be focusing my comments on the structure today - I do believe that the current structure is an impediment to our ongoing efforts to increase student achievement for all students.

Specifically, I've been asked to address the current structure - what works well and what should change. I've also been asked to indicate how we have directed and used the resources available to increase student achievement.

So - what works well in the current structure ..... I believe a component that should continue in the current funding model is the student at the center of the structure. The student currently drives the number of staff - and then indirectly drives the number of classified staff, non employee related costs, etc. Our Transportation, ESL, and Gifted formulas all use students as the driver for funding. This is an important key to the success of the funding structure.

Secondly, the allocation of certificated staff within the funding structure is an important element to maintain. This is an important gauge for a district in determining how many teachers are allocated to provide a child's basic education.

The first change I would suggest the State make in funding structures is to use the provision of a student's basic education as the driver of funding. We all have a shared interest . . . the State should provide funding sufficient that all students in the State of Washington can receive a basic education.

A basic education - now, more than ever before - can be defined by looking at the state's Essential Learnings, Grade Level Expectations and other state standards. These allow us to determine the "what" and "when" of the learning process. And while I continue to believe you should leave the "how" of the learning process at the local level - it is imperative that you start the funding structure with the "what and when" of state expectations.

Our current funding structure includes a "K-4" enhanced ratio. One would hope that this enhancement is related to a review of state standards and the determination that more teacher contact time is required to meet these expectations through grade 4 than in grades 5 through 12. Or was this developed as a way to focus more efforts in lower grades so that less effort is needed in upper grades? It is unclear to me - why is it important for the legislature to designate how many 4th grade teachers vs. 5th grade teachers we employ - and how is that related to state expectations? In short, I believe it would be more important for the funding system to take into account what we need to teach and when we need to teach it in determining the amount of resources provided at the local level.

At the High School level, State requirements include the four pathways, certificate of mastery as well as the expectation that our high schools can prepare a student for a public

education in our local universities. If the state's definition of Basic Education includes a graduation project, technology literacy, a four year plan, and the opportunity for students to attend a state university - the state must create a funding structure that provides the resources necessary to ensure students have the chance to have these experiences to grow into our citizens of tomorrow.

Finally, there are a few areas where the structure of the system should work, but the system is so grossly under funded that it raises questions about the structure itself. For instance; the structure of the transportation and special education finance systems are reasonable - but they are grossly under funding the responsibility. Using a weighted average mile for transportation and using the number of students as the base for special education are both appropriate funding drivers. The problem with these two systems is the amount of money provided. The transportation funding system only provides roughly 75% of the cost of transporting students to and from school in our district. The special education funding system only provides 77% of the cost of educating these students (if federal funding is included).

Directing Resources to Increase Student Achievement

Our district has worked diligently at directing available resources towards activities that will directly increase student achievement. The variables that we believe need to be addressed are time, training and tools. In the areas of time and training -- we have worked with our teachers to improve the teaching and learning experience ... more engaged time at a student's instructional level should dramatically increase student achievement regardless of the measurement tool. We have utilized our resources specifically to provide teachers and principals with strategies and techniques to move all students forward.

Specifically, we have provided training and strategies to teachers at all grade levels in the areas of writing and literacy. Beginning this summer, our focus will turn to math. We believe that ongoing, sustained investments in training our teachers will pay huge dividends in the future.

As for instructional tools, we continue to seek out instructional materials that are aligned with state learning expectations. We have adopted new writing programs, a new literacy program and are working towards adoption of math materials. Better tools in each program will allow our teachers to use their training and the instructional time to better meet the needs of all our students.

We have used all of our 1-728 funds for teachers in the past. Next year, we will use the funding exclusively for teachers in grades 5 through 12 - along with all training associated with those teachers. While these funds are important to us, there is no reason these funds couldn't be incorporated into an already existing structure. Separate pots of money only create paperwork burdens - and do not lead to increased student achievement.

The largest hurdle we face in trying to utilize our funding to increase student achievement are the reductions in funding for "discretionary" grants. Allocations from the state and federal government are becoming more and more directed in terms of what percentage of each grant can be used for specific activities. These set asides sound good, but in reality they take away from a local district's ability to determine the "how" of the teaching and learning process and do not take into account the specific needs of our teachers and our students. Finally, the elimination of the flexible education fund hampers our ability to determine what works best for our district and our kids.

In conclusion, I would leave you with the following thoughts:

(1) School districts and teachers can and will find ways to improve student achievement. Adoption of state funding systems that provide adequate and equitable funding to all school districts in the state is vitally important to our continued efforts.

(2) The state should actively seek ways to lift the bureaucratic paperwork requirements from school districts. We spend far too much time and energy on activities that do not directly impact student achievement - and not by our choice.

(3) There is no question whether the funding structures should be re-examined and overhauled. The structures developed should be directly related to the requirements and expectations placed on local school districts -- and it must be assumed that a district will not need to pass a local levy in order to meet basic education responsibilities.

(4) And while the current structures are problematic, the real problem is that even the current structures have been under funded since they were first developed. School districts are failing financially due in part to the state's inability and/or unwillingness to recognize the true costs of education. The state must recognize its responsibility to provide teachers with an appropriate wage and benefit package for their responsibilities and education level. School districts should not be required to pass local levies to ensure funding for a students basic education. Too much is at stake to let *40%* of our voters decide whether or not a basic education should be withheld.

The 2003-04 State Salary Allocation Schedule

K-12 Salary Allocation Schedule For Certificated Instructional Staff

2003-04 School Year

Years of Service	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90 OR Ph.D.
0	29,149	29,936	30,752	31,568	34,192	35,881	34,947	37,570	39,262
1	29,540	30,339	31,165	32,019	34,669	36,350	35,335	37,985	39,665
2	30,060	30,870	31,709	32,633	35,289	36,995	35,901	38,556	40,262
3	30,747	31,574	32,429	33,392	36,069	37,833	36,630	39,306	41,071
4	31,285	32,151	33,017	34,018	36,724	38,510	37,208	39,914	41,701
5	31,840	32,716	33,594	34,655	37,365	39,196	37,798	40,509	42,340
6	32,251	33,108	34,016	35,131	37,827	39,667	38,213	40,910	42,750
7	33,139	34,012	34,937	36,118	38,868	40,769	39,185	41,934	43,836
8	34,202	35,122	36,069	37,348	40,135	42,106	40,414	43,202	45,172
9		36,272	37,266	38,591	41,443	43,481	41,656	44,510	46,548
10			38,477	39,898	42,788	44,894	42,964	45,855	47,960
11				41,243	44,196	46,344	44,309	47,263	49,410
12				42,545	45,642	47,854	45,707	48,708	50,921
13					47,123	49,401	47,154	50,189	52,467
14					48,611	51,006	48,644	51,775	54,073
15					49,876	52,333	49,908	53,121	55,479
16 or more					50,873	53,379	50,906	54,183	56,588

The 34 Grandfathered Salary Districts

	District	Base Salaries	% Higher Than "All Others"
1.	Everett	30,998	**6.3%**
2.	Orondo	30,938	**6.1%**
3.	Northshore	30,760	**5.5%**
4.	Marysville	30,669	**5.2%**
5.	Puyallup	30,128	**3.4%**
6.	Vader	30,117	**3.3%**
7.	Shaw Island	30,096	**3.2%**
8.	Southside	29,979	**2.8%**
9.	Lake Chelan	29,967	**2.8%**
10.	Mukilteo	29,884	**2.5%**
11.	Lopez Island	29,852	**2.4%**
12.	Seattle	29,732	**2.0%**
13.	Oak Harbor	29,724	**2.0%**
14.	Edmonds	29,502	**1.2%**
15.	McCleary	29,487	**1.2%**
16.	Eastmont	29,459	**1.1%**
17.	Boistfort	29,414	**0.9%**
18.	Eatonville	29,379	**0.8%**
19.	Taholah	29,358	**0.7%**
20.	Green Mountain	29,350	**0.7%**
21.	Benge	29,349	**0.7%**
22.	Darrington	29,349	**0.7%**
23.	Evaline	29,342	**0.7%**
24.	Loon Lake	29,342	**0.7%**
25.	Thorp	29,319	**0.6%**
26.	Wenatchee	29,312	**0.6%**
27.	Lake Washington	29,295	**0.5%**
28.	Bellevue	29,228	**0.3%**
29.	Centerville	29,220	**0.2%**
30.	Port Townsend	29,219	**0.2%**
31.	Sumner	29,204	**0.2%**
32.	Kelso	29,194	**0.2%**
33.	Toppenish	29,173	**0.1%**
34.	Cosmopolis	29,172	**0.1%**

All others: $29,149

The 91 Grandfathered Levy Lid Districts

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