

Economic Sense - Eleventh Edition

The Greatest K-12 Funding Infusion in State History

Welcome to the latest installment of “Economic Sense,” a data-driven policy summary that examines issues facing our state.

- **Senator John Braun**

In January 2012, the Washington State Supreme Court ruled the state’s K-12 funding system unconstitutional, concluding there was an unconstitutional reliance on local levies to finance basic education, most notably in the areas of materials & supplies, pupil transportation, and salaries.¹ The court found the Legislature had enacted a “promising reform” of basic education (HB 2261 & HB 2776) that would remedy the infirmity but expressed skepticism the Legislature would follow through on funding the legislation.² As will be seen, the Legislature not only fully funded the “promising reform” of basic education but went far beyond.

Because this has been a multi-year effort, the overall taxpayer investment can get lost. Budgets are usually discussed only on a biennia-to-biennia basis – and past infusions can often be forgotten. The purpose of this piece is to document the investments made by the Legislature since 2012 - including those enacted this past session - so the entirety of the post-McCleary actions can be reviewed in one place.

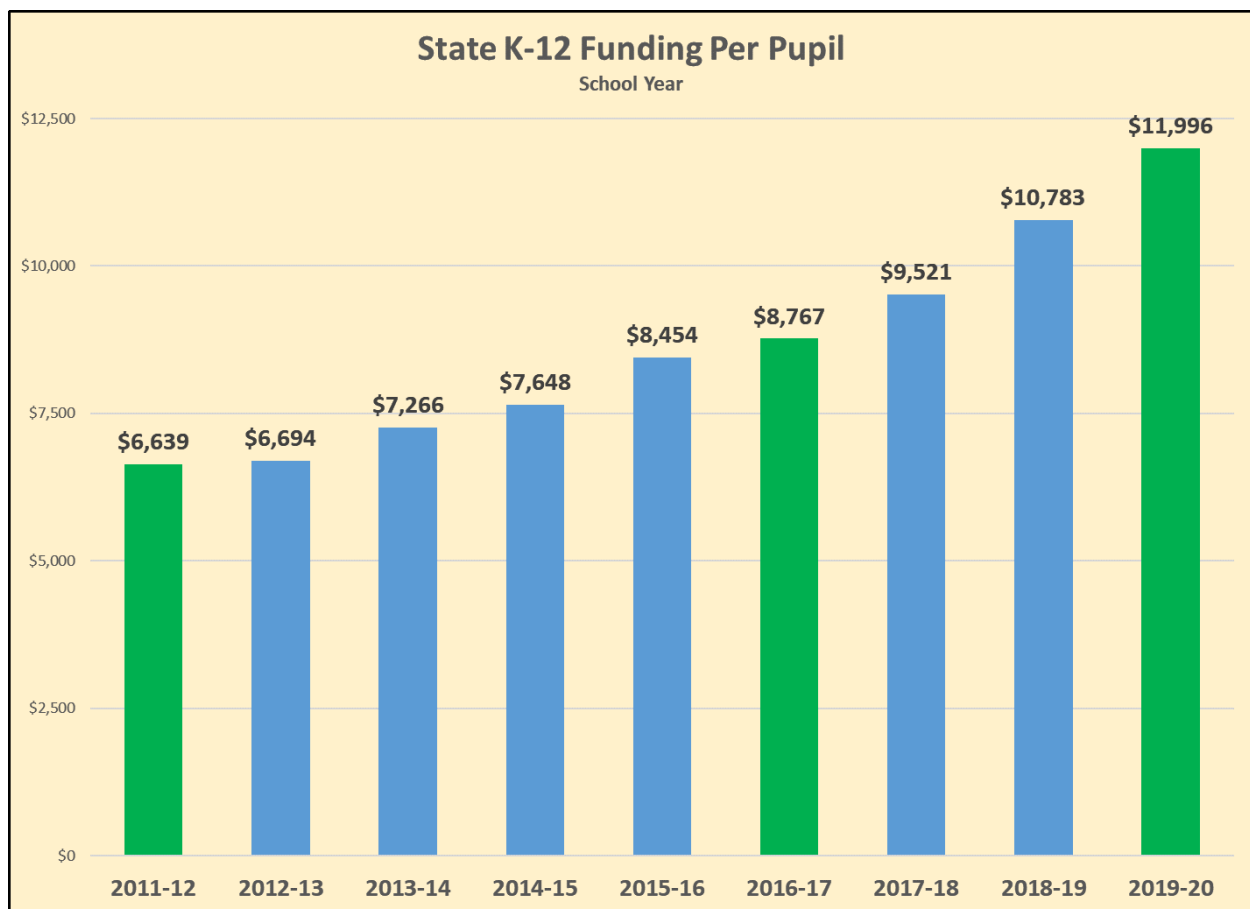
K-12 Investments & Reforms Since 2012 McCleary Decision

- Nearly Doubled State Funding Per Pupil, Growing to \$12,000 in School Year 2019-20.
- High Poverty Students: Tripled Funding Support Program.
- Books & Supplies - \$1.5 B Infusion to Fully Fund Districts' Costs. (McCleary required)
- Buses - \$250 M to Cure Substandard Funding of School Transportation Costs. (McCleary required)
- Over \$100,000 Increase Per Classroom in State Funding When Fully Implemented.
- Unprecedented Teacher Increase: Over 6,000 New Teachers in Classrooms.
- Increased All Day Kindergarten from 21% to 100% of state. (McCleary required)
- Special Education: Raised State Funding Per Pupil to Over \$18,000 in School Year 2019-20, Expanded Number of Children Served, and Streamlined Safety Net Process.
- Lowered Class Sizes in Vocational Education.
- Cured Undue Reliance on Local Levies. (McCleary required)
- Levy Reform: Restored Equity in Rates & Funding.
- Gifted Education: Tripled Funding, Doubled Students Served.
- Teacher Salaries: \$73,500 State Funded Avg. Salary in School Year 19-20, an Increase of over \$20,000 Since McCleary. Large Increase for Administrative & Classified Staff. (Went beyond McCleary requirement)
- Lowered K-3 Class Sizes from 25 to 17. (McCleary required)
- Instituted Geographic Pay: Additional State Funding for High Cost of Living Areas
- K-12 = 50% of State Budget for First Time in 35 years.
- Dramatically Lowered Family Health Care Premiums for K-12 Staff.
- Charter Schools: Expanded Choices for Systemically Underserved Students.
- Early Learning: Tripled Funding for Low Income 3 & 4 Year Olds, Improving K-12 Readiness.
- Accountability: Enacted Protections to Prevent Unconstitutionality in Future.
- Improve Public Transparency: Per Pupil Translation of K-12 Finance.
- Expected to Rank 5th highest in the Country in Per Pupil State Funding by 2019-20 School Year.

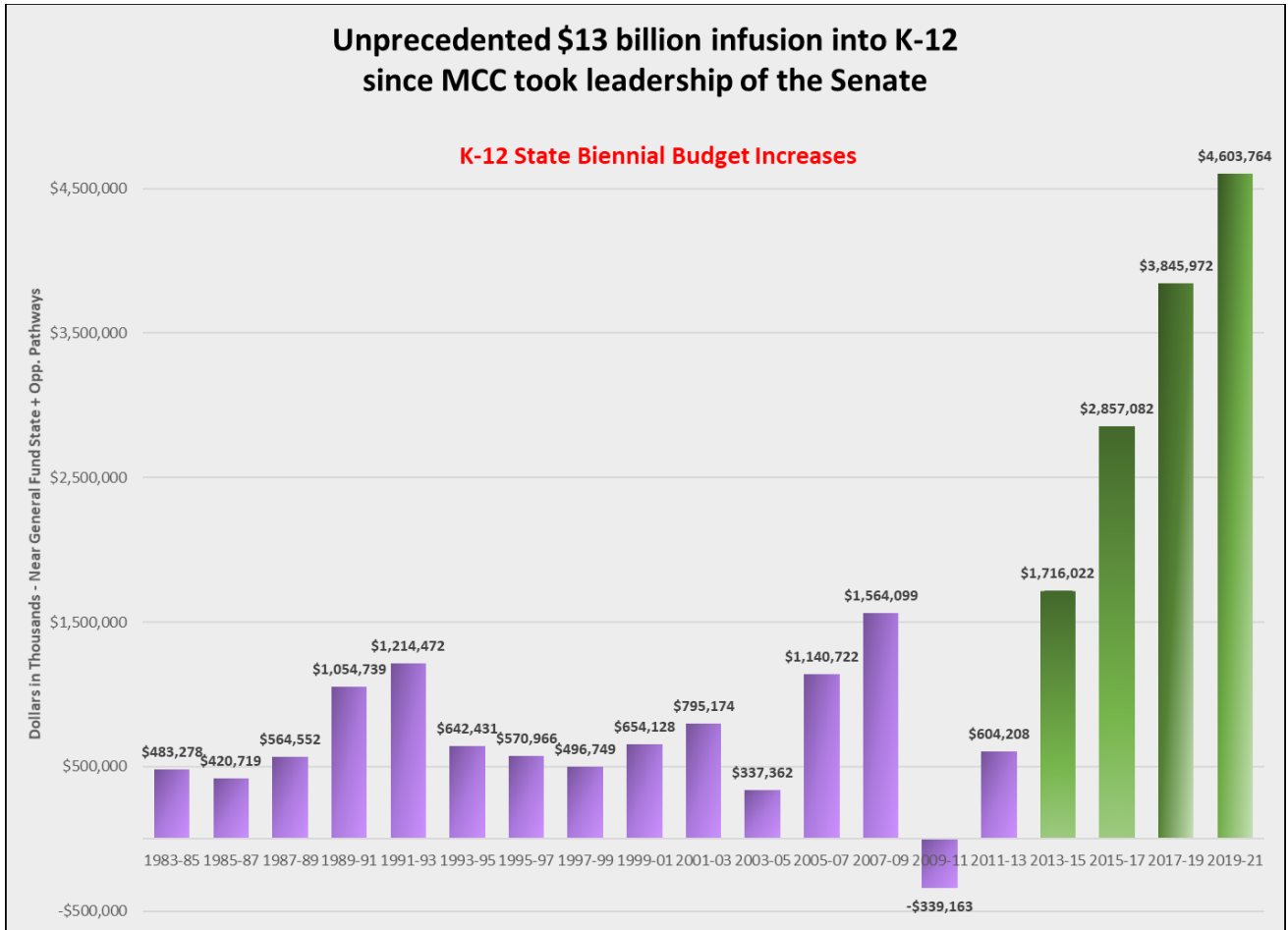
Make no mistake, this infusion of funds and investments – well beyond what McCleary required – has been unique in Washington’s history.

1. Nearly Doubled State Funding Per Pupil to \$12,000 Per Student in SY 2019-20

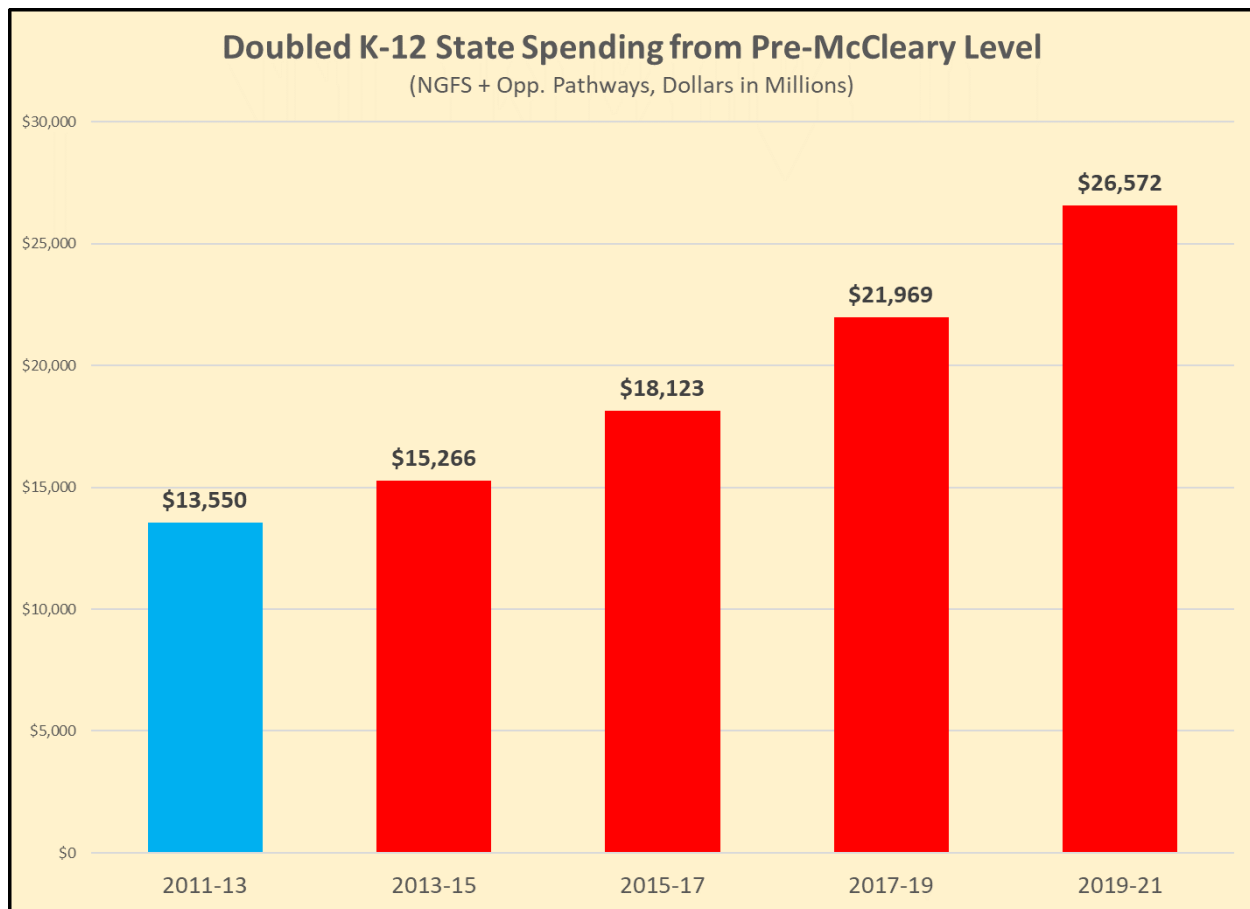
The first green bar represents the school year in which McCleary was decided (2011-12); the second represents the most recent completed school year (2016-17); and the final represents state funding when all the new investments required by this session’s HB 2242 are fully implemented (2019-20).³



To give some context to how the increase compares to prior historical spending increases on K-12, see the second chart.⁴ The green bars represent the biennial budget increases in K-12 since 2012, including this biennia’s \$3.8 billion increase and the required (and budgeted for) \$4.6 billion increase next biennium:



And finally, the biennial state spending on K-12 since McCleary⁵:

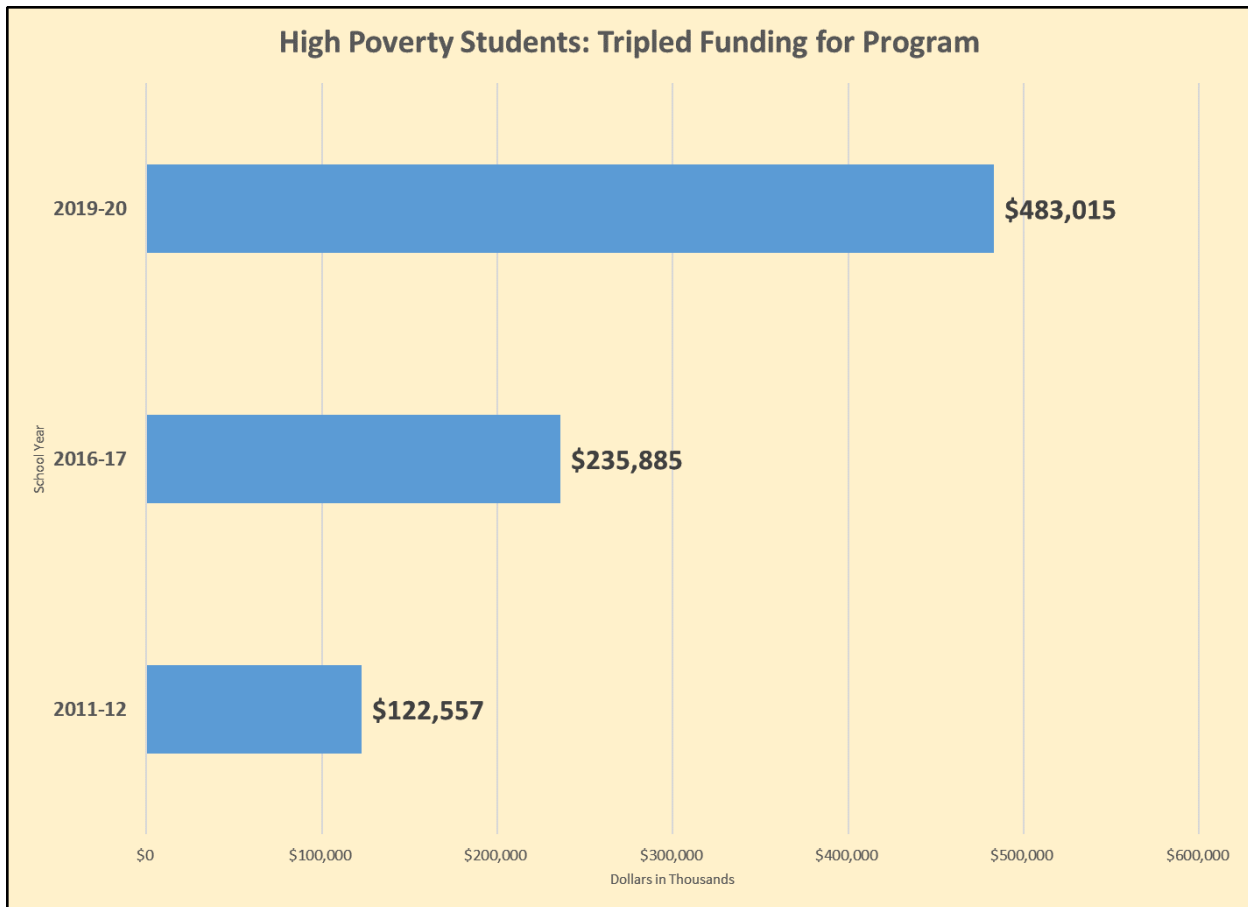


2. More than Tripled Funding Program Supporting High Poverty Students

High poverty students are some of the most at-risk and least likely to graduate.⁶

To improve educational outcomes, the state more than tripled funding – in raw dollars and on a per pupil basis – for the Learning Assistance Program targeted at these students (going from \$122 M year in 2011-12 to \$363 M in current year and growing to \$483 M in 2019-20).⁷

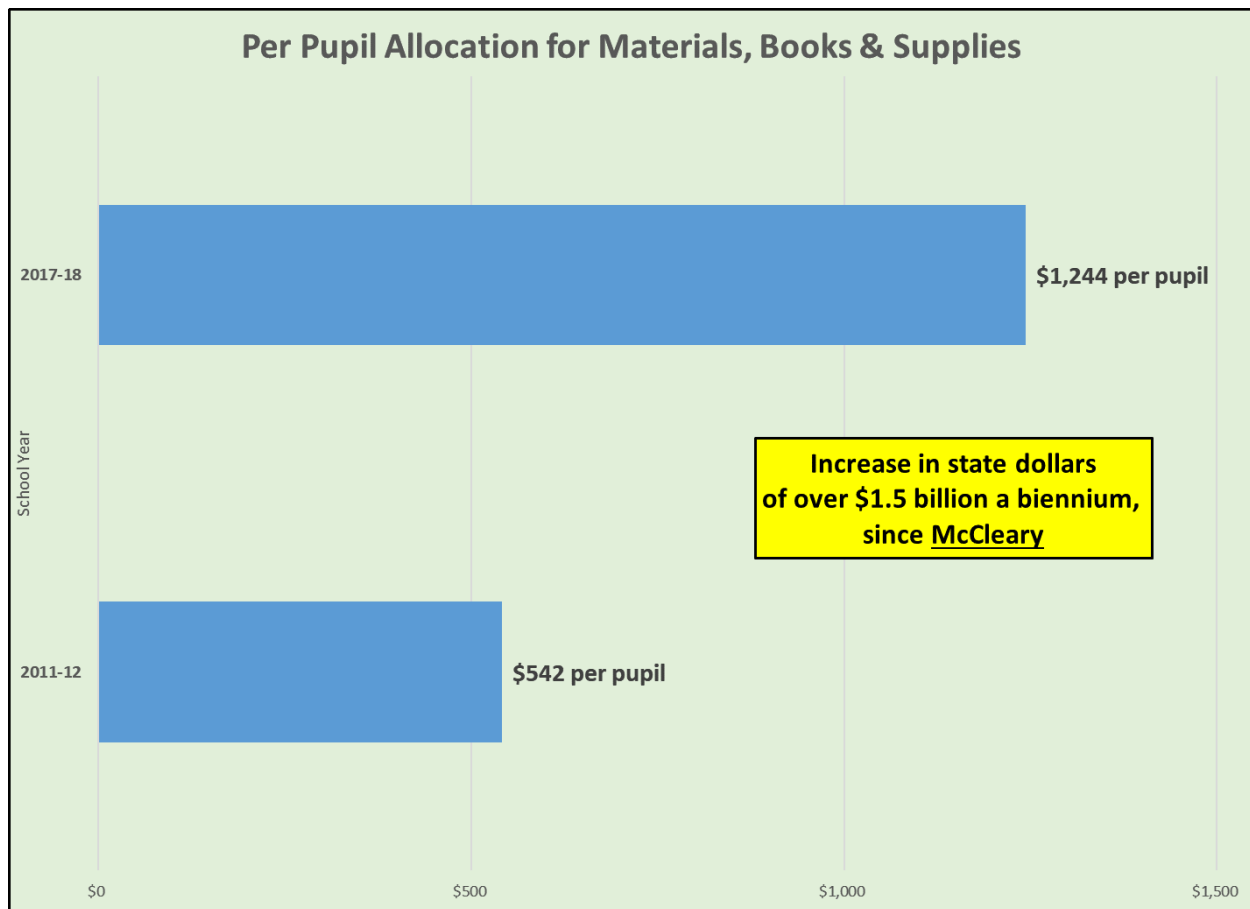
The funding increase for high poverty students is above and beyond the mandates of HB 2261 & 2776, the Supreme Court endorsed funding models.



3. Books & Supplies - \$1.5 B Infusion to Fully Fund Districts' Costs

A core component of McCleary was the court finding the state's allocation for districts' materials, supplies, and operating costs ("MSOC") was inadequate and had to be greatly supplemented by local levies.⁸ The court recognized and commended the state's plan to fully fund those components in HB 2776 (2011), but expressed skepticism as to whether the Legislature would in fact follow through.⁹

In the 2015-17 budget, the Legislature - in accordance with the timeline of HB 2776 - remedied the deficiency and fully funded MSOC based on a study of districts' actual expenses.¹⁰



4. Pupil Transportation – Fully Funded in 2013-15 at additional cost of \$250 M biennia

The second core deficiency the McCleary court found was in pupil transportation, again finding the state’s allocation was insufficient and districts had to rely substantially on local levies to get children to and from school.¹¹

As with MSOC, the court again commended the plan in HB 2776 to fully fund districts’ transportation costs, but expressed skepticism about the Legislature’s ability to follow through on that commitment.

In 2013-15, in accordance with the timeline of HB 2776, the Legislature fully funded districts’ transportation based on a regression model using districts’ historical transportation expenditures. This was a \$250 million a biennia increase in state funding, remedying the constitutional infirmity identified by the court.¹²

5. More than \$100,000 Increase per Classroom in State Funding at Full Implementation

The state's post-2012 investments total \$13 billion in new state funds once fully phased-in. This is an enormous amount and can be difficult to understand the local impact.

So, to put it in context:

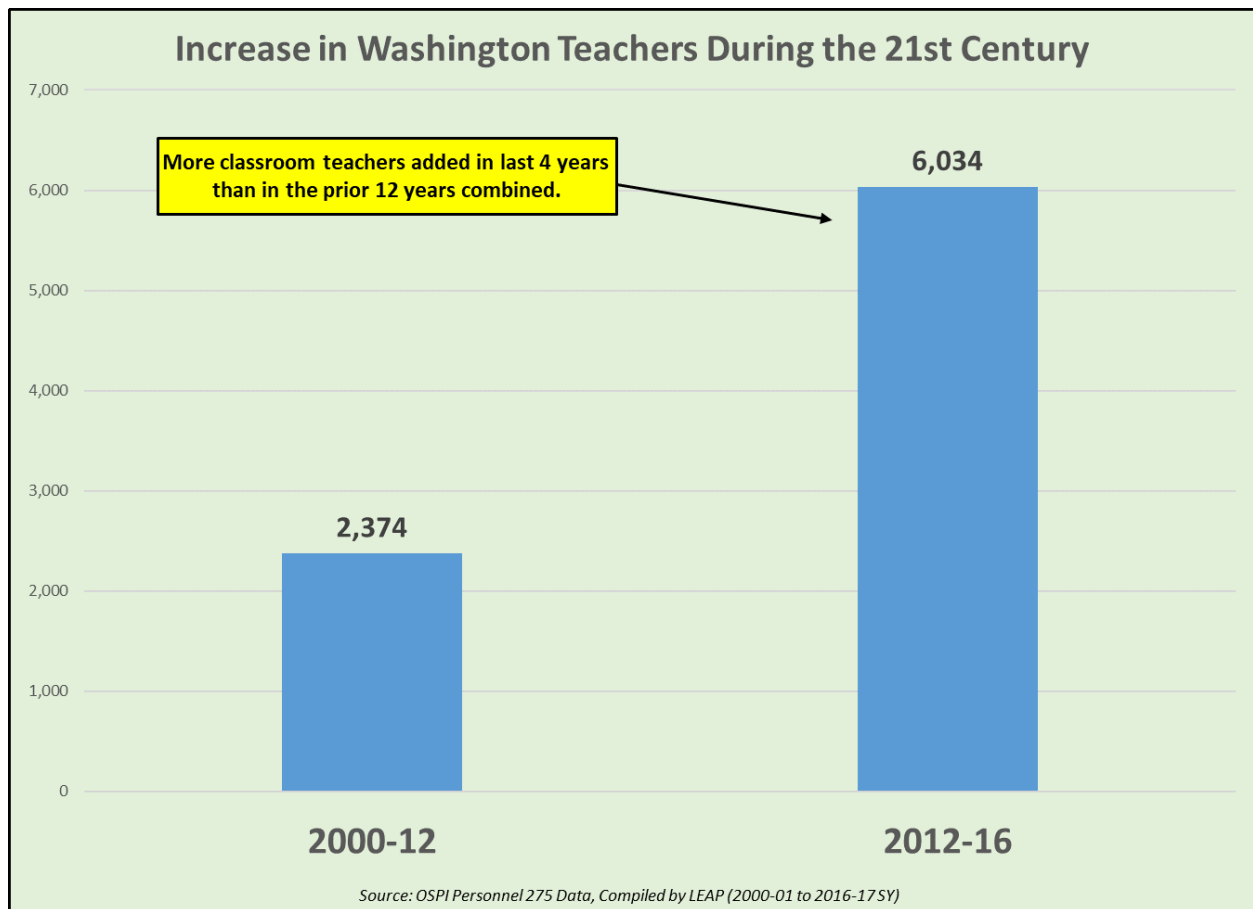
- For every 20 students, the state funded:
 - \$132,780 at the time of the McCleary Decision (2011-12)
 - \$175,340 in the last school year (2016-17)
 - \$239,920 at full phase-in of HB 2242 (2019-20)¹³

School districts will have almost a quarter of a million dollars per classroom of 20 students in the 2019-20 school year, not counting any local levy or federal funding at all.

This is an astonishing over \$100,000 per classroom increase from the time of the McCleary decision.

6. Unprecedented Teacher Increase: Thousands More Teachers in Classroom


An unprecedented increase in teachers has occurred in the last four years, exceeding growth during the entire preceding years of the 21st century.



Take a look at that chart for a minute because what it conveys is remarkable:

- Following the McCleary decision, the number of teachers teaching our children has grown more rapidly than in all the preceding years of the 21st century combined.¹⁴
- Average yearly growth in total teachers: 1,508 new teachers per year since 2012 vs. 198 new teachers per year from 2000 to 2012.
- Put another way: if teacher growth has continued at the 2000-12 yearly rate, it would have taken until 2042 until this many teachers were teaching in Washington classrooms.

Not surprisingly, the student to teacher ratio has gotten smaller in every year since 2012 with the official number falling to 17.9 in the last school year (1.079 million students for 60,425 teachers in 2016-17).¹⁵



That's Not All: Over 2,400 more teachers budgeted for the current 2017-18 school year.

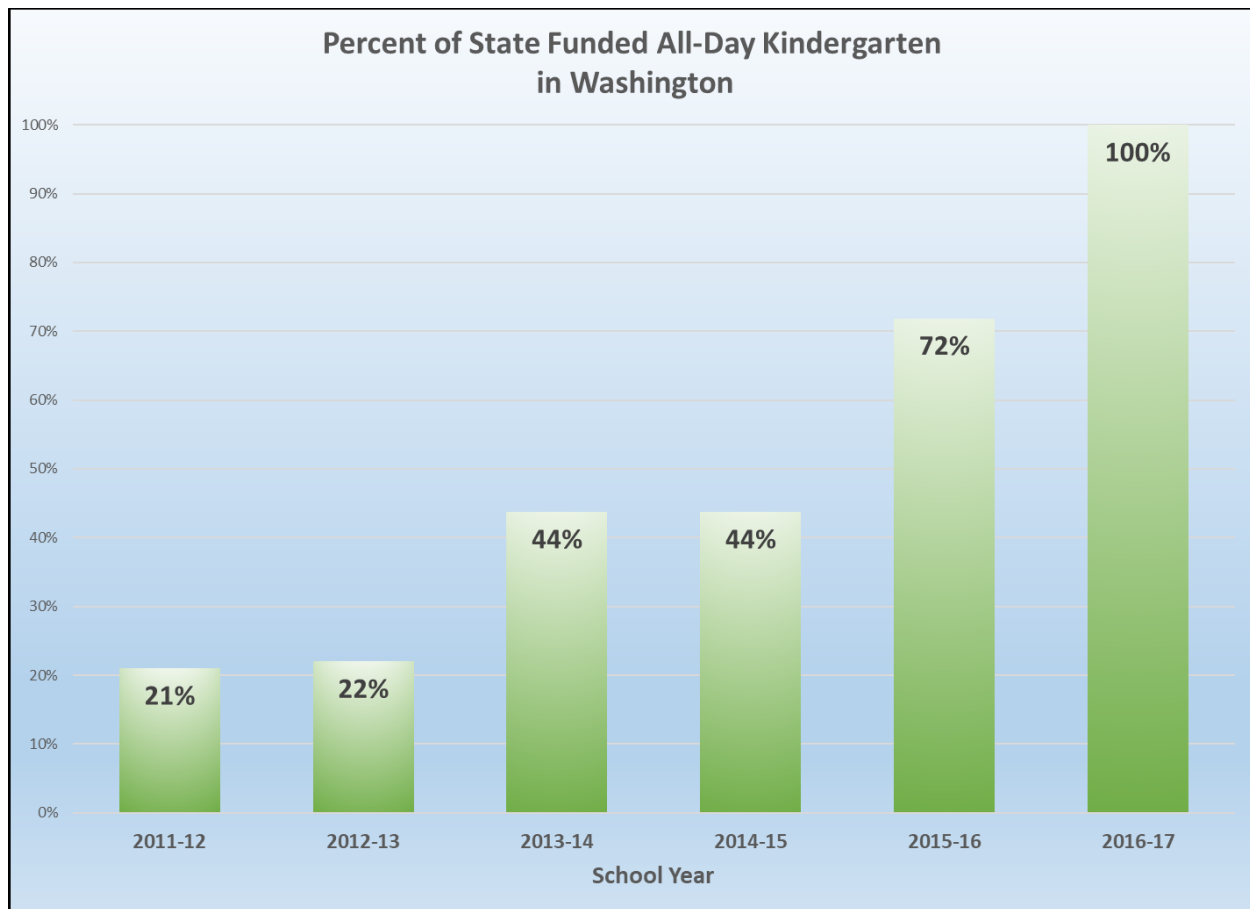
The 6,034 increase in the last four years is likely to become a nearly 8,500 increase over five years once the upcoming 2017-18 school year is completed.

The state budgeted for a projected net increase of an additional 2,414 teachers in the 2017-18 school year.¹⁶ Districts have flexibility to spend state money as they deem fit, so it is possible they will spend the new state money in ways other than hiring 2,400 additional teachers, but – regardless of the exact tally – the 2017-18 school year will again see a substantial increase in the number of teachers teaching our students.

7. Increased Voluntary All-Day Kindergarten Availability from 21% to 100% of State

In 2012, the state essentially funded only half-day kindergarten throughout the state. This meant many districts didn't offer full-day kindergarten or, those that did, charged families for the cost, resulting in disparate impacts of who could or would attend.

In the 2016-17 school year, every child entering Kindergarten had the ability to attend full-day Kindergarten, if they chose. This was the first time in our state's history that all-day Kindergarten was available throughout the state.¹⁷



This dramatic change resulted from a change in the definition of basic education enacted in 2010 (HB 2776) that required full day kindergarten be offered throughout the state by the 2017-18 school year.

This was part of the “promising reform of basic education” the McCleary court cited and endorsed.

As can be seen, the Legislature not only implemented the requirement – at a cost of over \$500 million a biennia – but in fact enacted all-day kindergarten ahead of schedule, fully implementing it one year early.

Put another way, the policy of full day kindergarten is biennially well over a half-a-billion dollar investment in our youngest public school students, spent to ensure opportunity is available for all and their schooling gets off on the right foot.

8. Special Education: \$18,000 Per Pupil in State Funding When Fully Implemented, Expanding Number of Children Served, Streamlining the Safety Net Process

The 2017 legislature made a significant new investment in special education funding, which will result in an average allocation of over \$18,000 per pupil in the 2019-20 school year.¹⁸

Special education funding is not well-understood in this state. There are three components:

1. Every special education student is considered a “basic education” student first, meaning the state provides a basic education allocation for them.
2. The state then provides an additional 93% of that amount for special education students, up to 12.7% of a district’s population.
3. For extraordinary high-cost cases, the state provides a “special education safety net” that districts can apply for to receive additional funding.

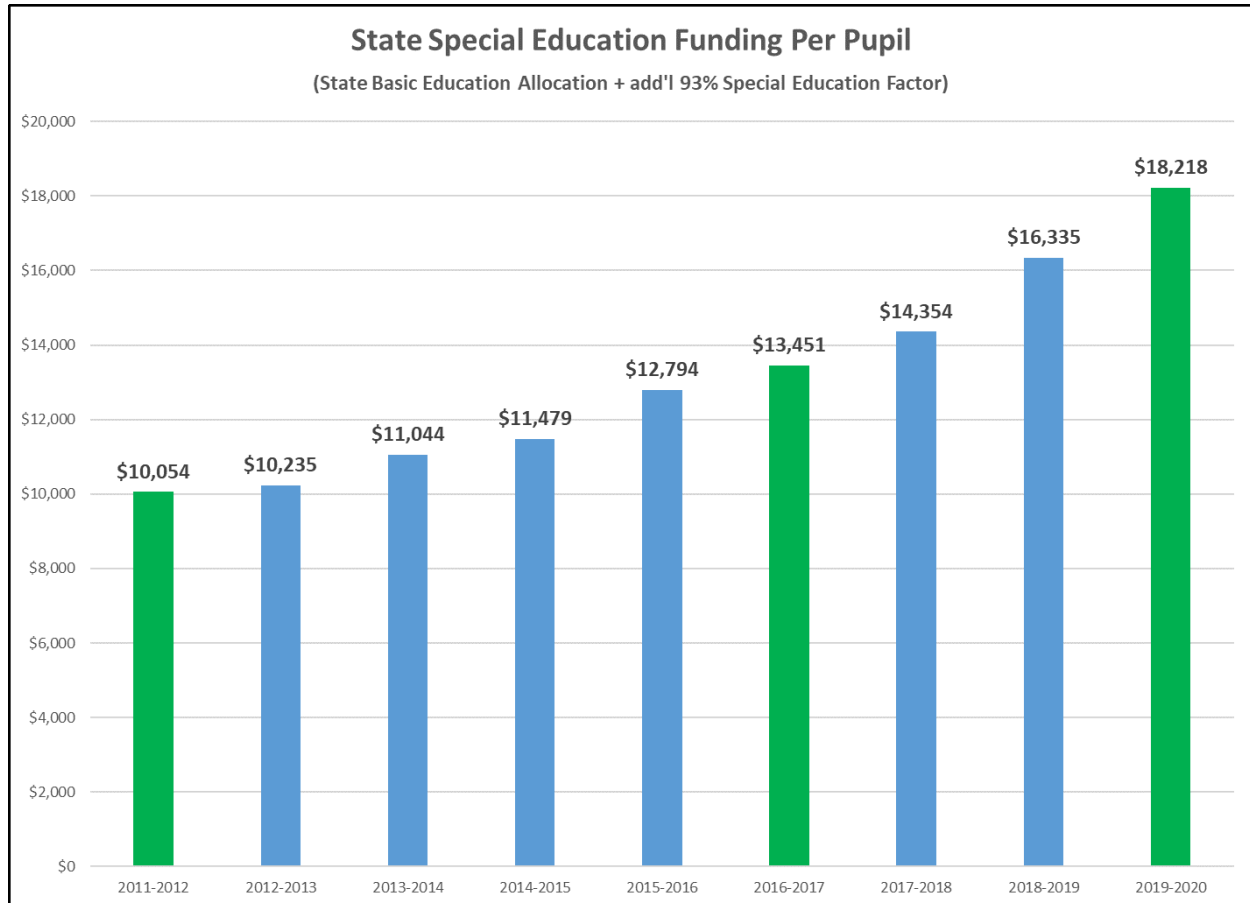
In December 2010, the state Supreme Court found that the state’s special education formula and funding comported with the state constitution, rejecting a claim by several districts to the contrary.¹⁹

While being previously recognized as constitutionally appropriate, the 2017 Legislature still chose to make a significant investment in special education students, primarily through:

- First, the “basic education allocation” is set to rise dramatically in the next few years, as a result of the increases in state funded compensation. This increase benefits special education students both through the basic education allocation as well as a higher amount through the 93% factor.
- Second, the Legislature increased the amount of students it funds in each district, going from 12.7% to 13.5% of a district’s population being eligible for special education funding.
- Additionally, the Legislature recognized that the Safety Net process can be cumbersome and difficult to navigate, especially for smaller districts. HB 2242 charged OSPI with making recommendations for streamlining the process and on whether additional funding is needed to fulfill the intent of the safety net by Nov. 2018.²⁰

The result?

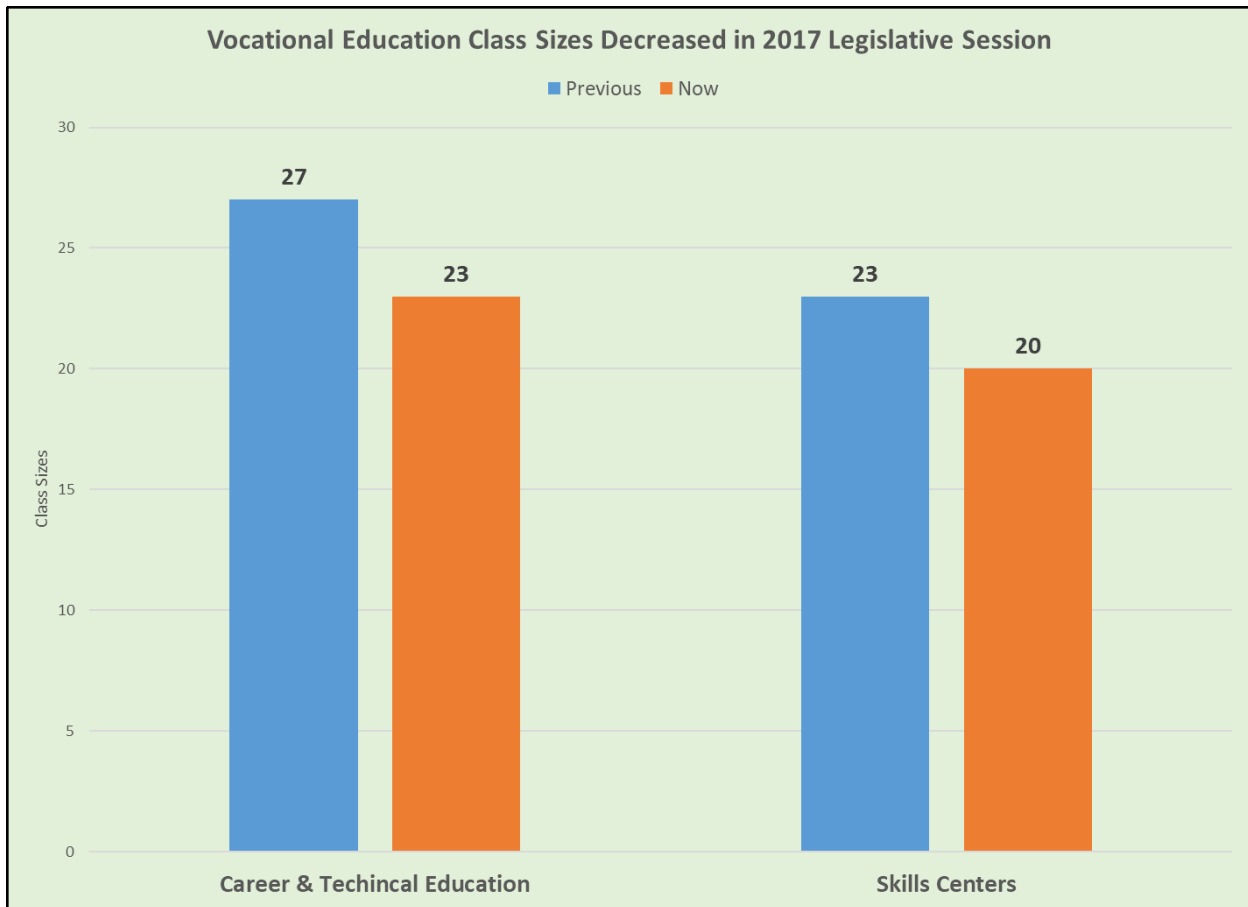
School districts will have over \$4,750 more for each special education student in SY 19-20 than in the most recent school year, a 35% increase.



9. Vocational Education: Lowered Class Sizes, Increased & Protected Funding

Vocational education, now referred to as “Career & Technical Education”, offers great opportunities for students to get well-paying and high-demand jobs. But for too long, the K-12 system has made this education a lower priority than the college skills track, even taking state allocations for vocational education and using it for other purposes.

In the 2017 legislative session, as part of HB 2242, the Legislature reversed this trend by significantly lowering class sizes, putting more money into materials and supplies for vocational education, and enacting safeguards to ensure CTE funding is used for vocational education students.²¹



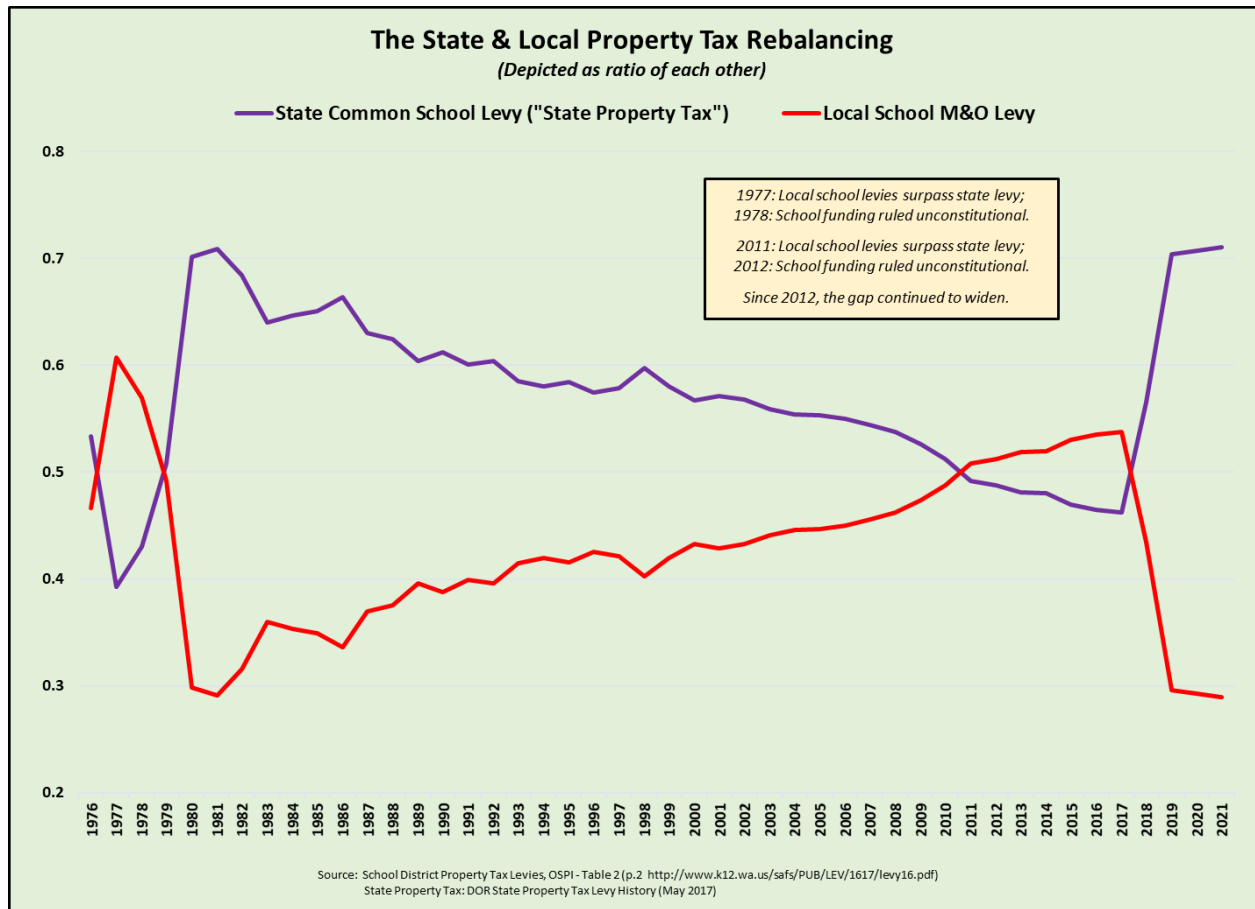
10. The Rebalancing: Eliminating Undue Reliance on Local Levies

Sometimes, a picture is worth a thousand words. Below is a 45 year graph showing the ratio between the amount collected by the state common school levy and local school maintenance & operation levies.²²

In 1977, local school levies surpassed the state common school levy. In 1978, school funding ruled unconstitutional.

In 2011, local school levies surpassed the state common school levy. In 2012, school funding ruled unconstitutional.

In both the late 1970s and now in 2017, the Legislature cured the infirmity by rebalancing the state common school and local school levies.



11. Levy Reform: Restored Equity in Funding & Tax Rates

By 2012, our school funding system was no longer equitable. In addition to local districts relying on local levies to finance a portion of basic education, the system led to clear “haves” and “have nots” in terms of school funding and tax rate burden:²³

	Old System: Haves and Have Nots	
	2017 Local M&O Rate	2017 Amount Raised Per Student
Seattle	\$1.10	\$3,752
Bellevue	\$1.15	\$3,069
Pasco	\$4.27	\$1,316

Hoquiam	\$5.15	\$1,768
Federal Way	\$3.94	\$2,370
Toppenish	\$2.09	\$286

This is simply not a uniform, rational or reasonable funding system:

- Federal Way (or many other South King County SD) levies tax rates at over three times their country brethren in Seattle or east of Lake Washington. And they still generate less money.
- The inequity is even worse in struggling rural areas such as Hoquiam or high Latino population areas such as Pasco, where they have tax rates four times higher.
- And in Toppenish, a school district with 84% of students in poverty and 14% passing state tests, they levy higher tax rates than Seattle or Bellevue yet generate less than 1/10th of the money per student of those districts.

Reforming this inequity – while not technically required by the McCleary decision – was a moral imperative. Tax rates and funding needed to be made fairer. Equity needed to be brought back into the system, something that had been absent and exacerbated for the past 25 years.²⁴

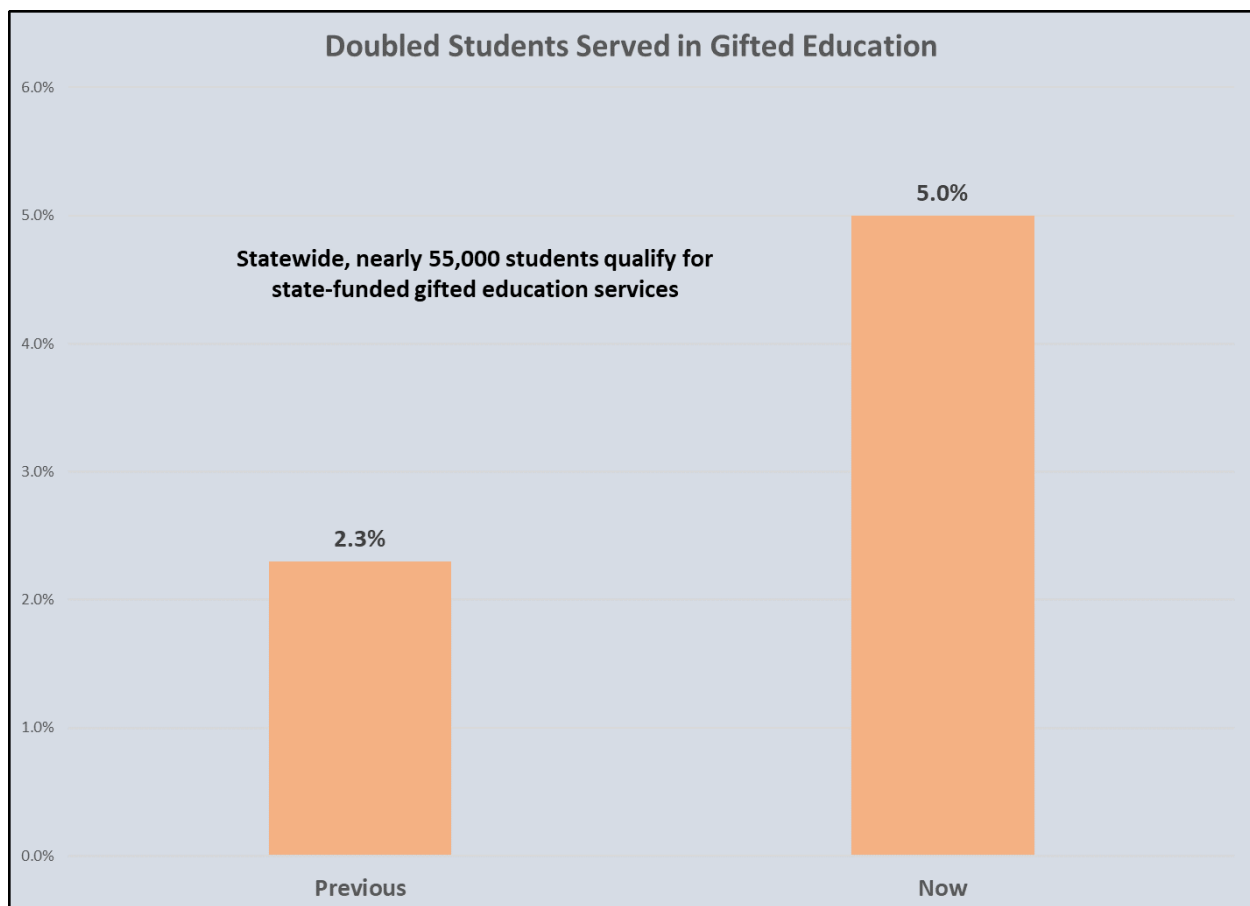
Levy Reform Solution: Bringing Equity Back

- **\$1.50 local levy limit**
 - Protects taxpayers, students and prevents future lawsuits: lifting lid -- as occurred several times in the last 25 years, thus creating inequity -- becomes a tax increase vote rather than school funding vote.
- **Equity per pupil - no longer tenfold spread**
 - If levy \$1.50 rate, state guarantees \$1,500 per pupil (vs. Toppenish's \$286 at \$2.09 rate)
 - Maximum local amount levied: \$2,500 per pupil
- **Equity in Rate**
 - Seattle \$0.64 vs. maximum in other districts of \$1.50

12. Gifted Education: Tripled Funding, Doubled Students Served

In the current school year, the Legislature is providing triple the funding level it provided in 2012 for the highly capable program that helps meet the educational needs of gifted students.²⁵ The primary driver of this increase is that the 2017 Legislature increased its basic education definition of gifted education to fund 5% of a district's students, rather than the 2.3% that had been the long-standing formula.

The Legislature also required districts prioritize equitable identification of low-income students for gifted education, as research has shown that all too often these students are enrolled in gifted education at much lower rates than more affluent children.²⁶



13. Teacher Salaries: Average State Funded Salary Over \$73,500 in SY 19-20, an Increase of Over \$20,000 Since McCleary

The McCleary decision found that too large a portion of K-12 salaries were funded via local levies:

"Substantial evidence at trial also showed that the state consistently underfunded staff salary and benefits . . . Testimony revealed that the State allocation for salaries and benefits fell far short of the actual cost of recruiting and retaining competent teachers, administrators, and staff. OSPI data confirmed this testimony, showing that on average, the state allocation for instructional staff was approximately \$8,000 less than what districts actually paid. The shortfall for administrators was even more drastic, representing on average approximately \$40,000 less than actual expenditures[.]"

– McCleary vs. State (2012), 173 Wn.2d 477, 535-36.

So, according to the record before the court in its 2012 decision, the state was underfunding teacher salaries by roughly \$8,000 and administrators by roughly \$40,000.

Make no mistake, the constitutional issue was the source of funding (local vs. state), not the amount actually paid to staff. The Education Funding Task Force hired a consultant in 2016 to look at K-12 pay and the consultant found: (1) teachers earn 102-104% of the national teaching average and 109% of comparable occupations; (2) principals earn 113% of the national average for principals and are roughly in the middle of comparable occupations; and (3) central district administrators are at the top range of comparable occupations.²⁷

Since the 2012 decision, every budget the Legislature has funded raises to all K-12 staff and, in some years, went above and beyond that amount.²⁸ Still, entering the 2017 session, the Legislature had made only modest inroads toward resolving the infirmity the court identified.

The resolution of this “gap” between what the state allocated and what districts paid remained the lone outstanding issue identified in the court’s original 2012 decision that the Legislature had not yet resolved.

It is important to note here that the McCleary court explicitly stated not all of the gap needed to be filled by the state, as some portion of extra salary would be permissible for non-basic education related tasks.²⁹

Yet with HB 2242 the Legislature went full bore at the issue, choosing to enact state funding amounts far in excess of the gap identified by the court. In SY 19-20 when the salary allocations are fully phased-in:³⁰

	Average State Salary Allocation (SY 19-20)	Change Since 2012 McCleary Decision	
		Dollar Increase	Percentage Increase
Teachers	\$73,502	\$20,876	40%
Administrators	\$107,354	\$49,201	85%
Classified	\$51,935	\$20,241	64%

Combined with the state’s new allocation phasing in three professional development days – which is not in the numbers above, it is likely that two years from now the state will be funding an average salary of nearly \$75,000 for teachers in our state.

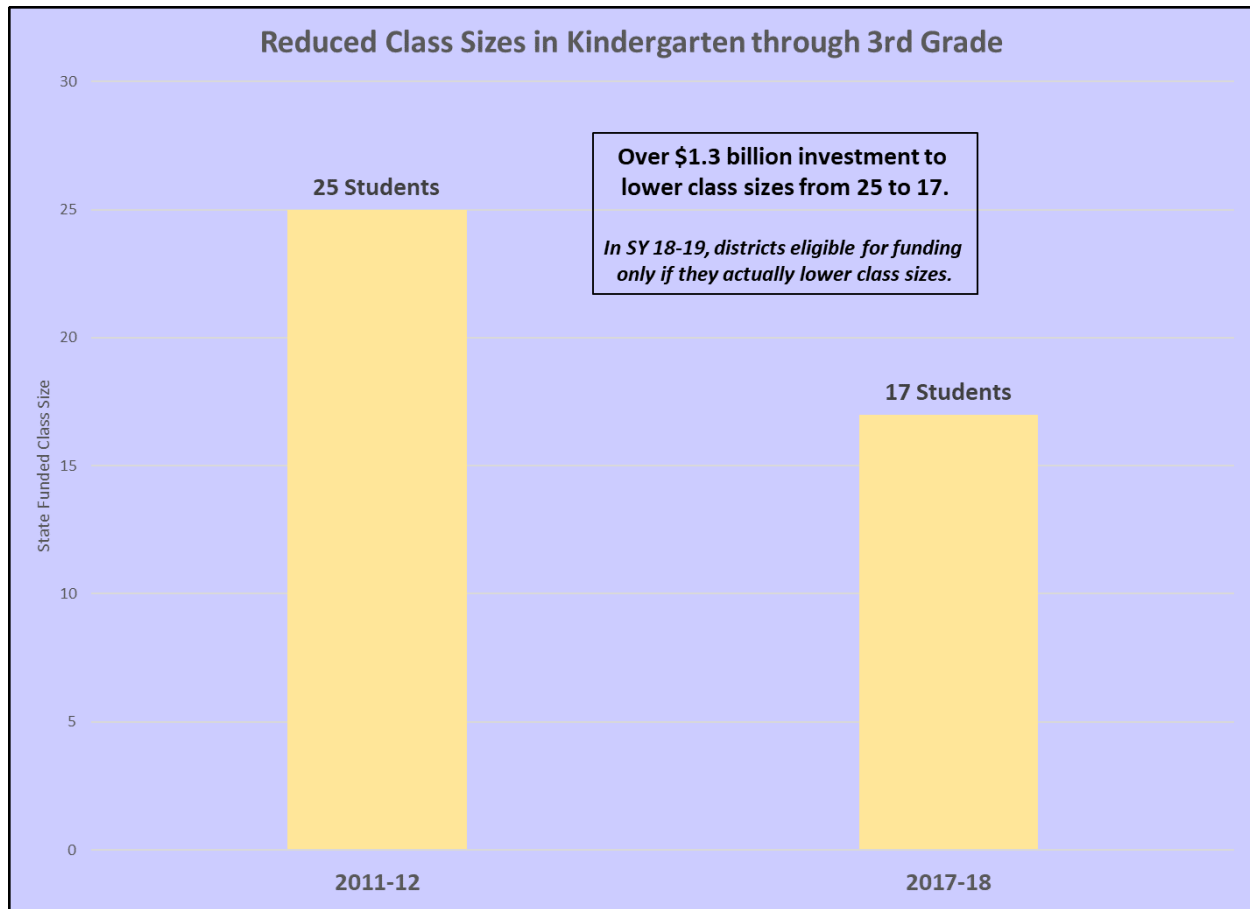
That’s completely state funding, not counting any possible local levy supplementation of that figure.

14. Reduced K-3 Class Size from 25 to 17 Across the State

In 2012, the Supreme Court expressed skepticism that the Legislature would follow through on the HB 2776 basic education reform to lower K-3 class size from 25 to 17 by the 2017-18 school year.

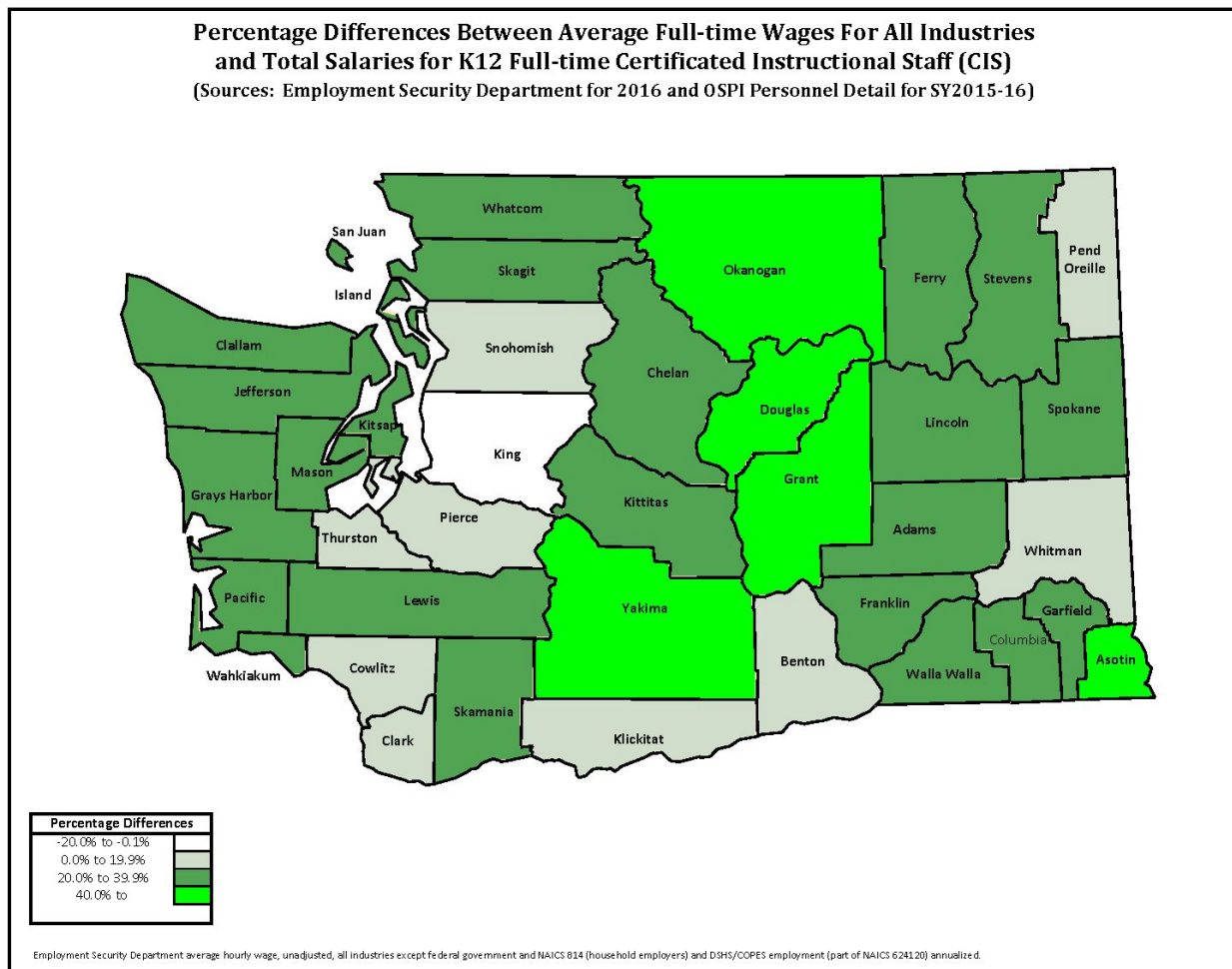
In the 2017 session, after having previously funded K-3 class sizes of 17 in high poverty districts, the Legislature fully funded K-3 class sizes of 17 in every school in the state for the current 2017-18 school year.³¹

To ensure this money is not siphoned off for other purposes, the Legislature provided that beginning in the 2018-19 school year, districts only receive the funding to the extent that they actually lower class sizes in these grades.³²



15. Accounting for “High Cost of Living” In Certain Areas of State

Teachers serve an incredibly important role in our communities. And, in most communities in the state, they are able to reside in the community where they teach and, in fact, earn more than the average wage in the community. Indeed, the average teacher makes more than the average worker in every county in the state, except for King County:



Because of higher wages in King County, the demand and price for housing is much higher than in the rest of the state. Yet the state's funding model did not account for these differences, treating all teachers alike. This led to local districts having to supplement out of local levies in order to recruit and retain teachers.

The 2017 Legislature set out to remedy this infirmity. They enacted a data-driven "regionalization factor" formula based on the cost of housing:

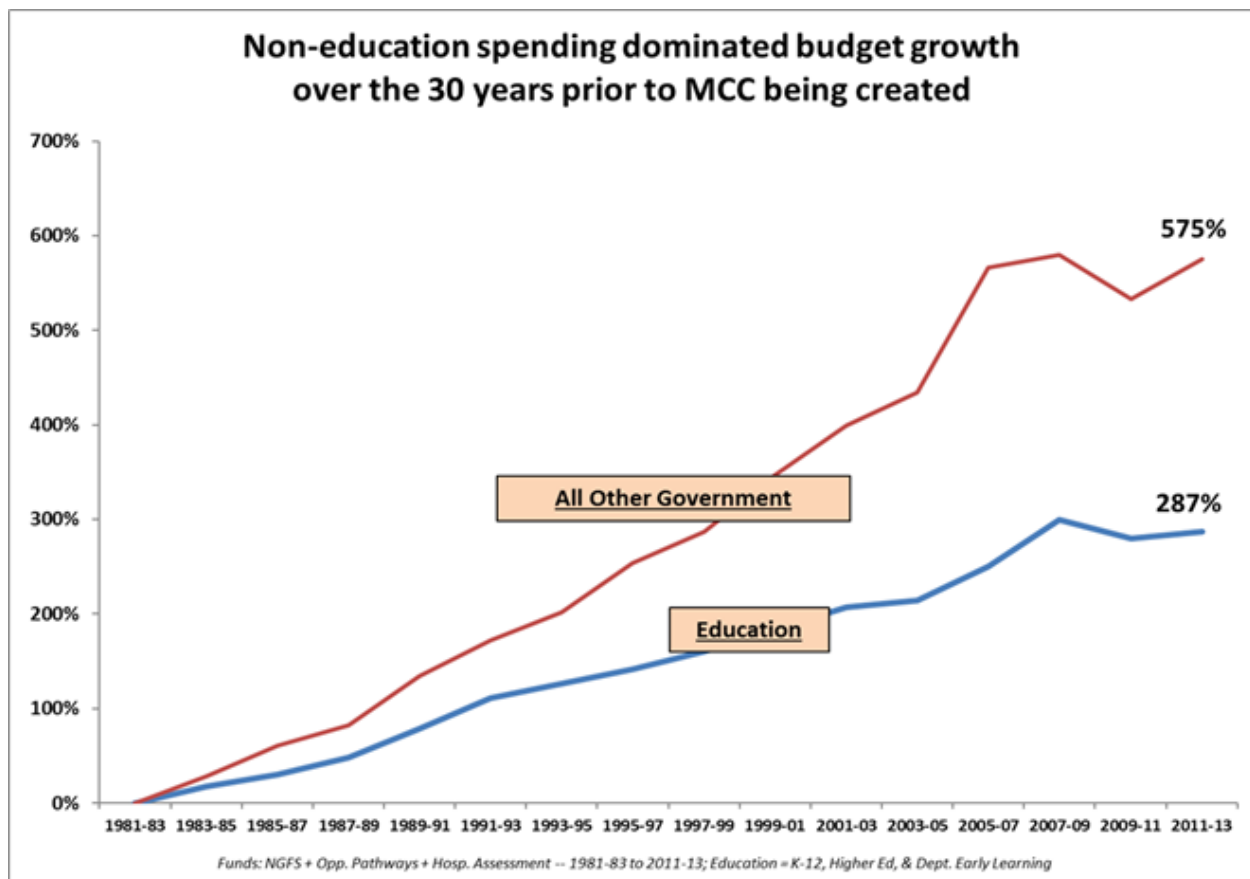
- Districts with home values above the statewide median (technically it's 95% of statewide median, roughly \$230,000) qualify for a regionalization enhancement. There are three tiers:
 - The highest 1/3rd get an 18% enhancement;
 - Middle 1/3rd get 12%; and
 - Lowest 1/3rd get 6%.

- A district's home value is not based solely on the district itself, but rather that district plus any school district located within 15 miles of the border of that district ("proximate districts"). The theory being that a teacher could reasonably drive 15 miles into a school district. Thus, to arrive at the assigned home value for a district, you look at the district's home value plus the home values of all districts within 15 miles of that district.³³

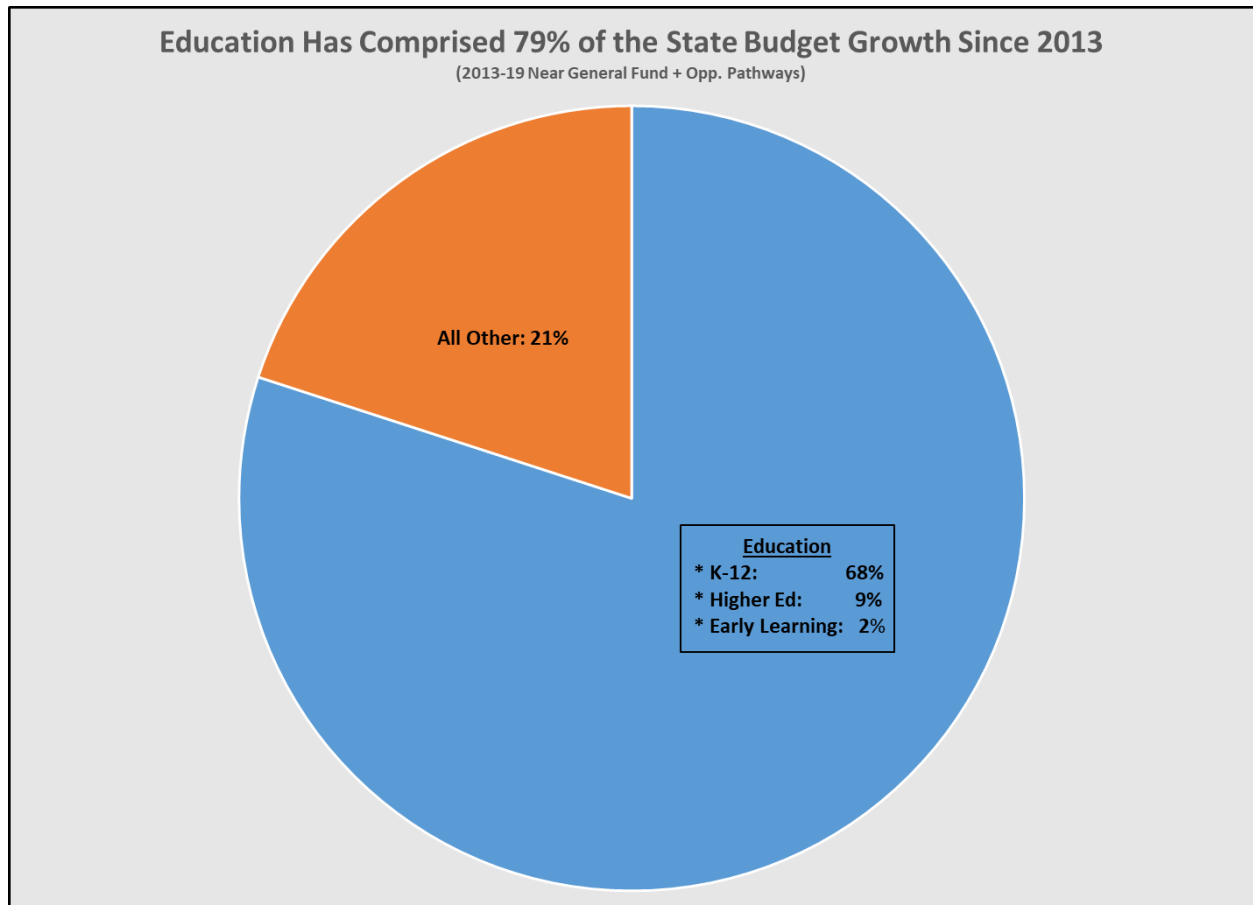
The regionalization pay takes effect in the upcoming 2018-19 school year. The formula, as expected, yields higher state pay in primarily the Puget Sound area, along with most of Clark County in SW Washington.³⁴

16. Re-prioritize Education: 50% of State Budget is K-12 for First Time in 35 Years

Prior to the McCleary decision, the "paramount duty" had become a declining state budget priority:



Since the 2013 session, education (K-12, Higher Ed, Early Learning) has made up nearly 80% of the growth in the state budget: a 4:1 growth ratio for education, reversing the trend of the prior 30 years.³⁵



The result?

K-12 now comprises over 50% of the state operating budget for the first time since 1981-83.

	2017-19 (in billions)	Share of budget (NGFS+Opp. Pathways)
K-12	\$21.969	50.3%
All Other	\$21.739	49.7%

17. District Sampling: 2012 vs. 2017 vs. 2020

While this piece has largely focused on statewide impacts, it is worth looking at a sampling of districts – small & large, rural & urban, affluent & high poverty – for funding and taxpayer impacts.

Again, let's look at three data points:

- 2011-12 School Year: The Year McCleary Decision Issued
- 2016-17 School Year: The Most Recent Completed School Year
- 2019-20 School Year: When Legislature's Funding Enhancements Fully Phased-In

	<u>Per Pupil Funding</u>			<u>Levy Rates</u>		
	<i>State and Local</i>			<i>State and Local M&O</i>		
	2011-12	2016-17	2019-20	2012	2017	2020
Urban Western WA						
Federal Way	\$8,479	\$11,073	\$13,282	\$6.36	\$5.83	\$4.20
Franklin Pierce	\$8,619	\$11,158	\$12,938	\$6.82	\$7.07	\$4.20
Tacoma	\$9,549	\$11,636	\$13,137	\$6.71	\$5.85	\$4.20
Eastern WA						
Pasco	\$8,384	\$10,401	\$12,586	\$6.57	\$6.16	\$4.20
Yakima	\$8,332	\$10,214	\$12,618	\$5.29	\$4.91	\$4.20
Brewster	\$8,635	\$10,722	\$12,902	\$5.07	\$4.54	\$4.20
Liberty	\$11,651	\$12,448	\$13,952	\$4.90	\$4.58	\$4.20
Affluent Western WA						
Seattle	\$9,682	\$12,060	\$14,420	\$3.53	\$2.99	\$3.34
Lake Washington	\$8,000	\$9,695	\$13,559	\$3.78	\$3.21	\$3.76

** Assumes state levy is imposed at uniform rate throughout the state. If assessors value property at less than 100% true value, state levy rate gets adjusted to ensure uniformity throughout state. For ease of understanding, this analysis assumes property is valued at 100% true value.*

** 2020 levy rates assume districts levy the maximum authority. Rates & funding would be lower if less than maximum authority is used.*

** The tax rates in 2019, with the exception of Seattle & Lake Washington, will be identical to 2020.*

Every district sees a sizable increase in per pupil funding, both from 2011-12 and from last school year.³⁶

And the combined state & local levy rates in 2020 are lower than the current rate for all but Seattle & Lake Washington, which see modest increases.³⁷ It's worth noting that in the \$4.20 districts the tax rate will be the same in 2019 as it is in 2020.


The effort to prioritize education (putting 79% of spending growth from 2013-19 toward education) helped result in this dramatic increase in per pupil funding, decreased reliance on local levies, and in most instances a lower overall property tax rate than homeowners currently pay.

Note: The above analysis does not include federal funds. Statewide, that funding would add about \$1 billion per year to school districts, or just shy of \$1,000 per pupil. The amount each district receives in federal funding varies widely, but is largely tied to the school's poverty rate.

18. Hidden Boon for K-12 Staff & School Districts: Lowering Family Health Care Costs for K-12 Staff and Taking That Obligation Off School Districts' Plates

A long-standing inequity in K-12 has been the staggering amounts that many K-12 staff pay for family health care coverage, particularly in relation to what their state employee counterparts pay.

A Joint Legislative Audit Review Committee report found that K-12 staff on average in 2013-14 paid 38% of the premium costs for family coverage vs. the 15% paid by state employees.³⁸ Several districts had plan averages in excess of \$1,000 a month. This particularly hurt lower paid staff such as janitors, bus drivers, and lunch room staff, as well as teachers in their early years.



School Districts had been charged, based on 2012 legislation pushed by Senate Republicans, with getting their family:single premium ratio to a target of 3:1, mirroring state employees.³⁹ But the JLARC study found that the ratio was still over 8:1.

In 2017, the Legislature – in a bipartisan manner – made a major reform that will lower costs significantly for K-12 family coverage, as well as take a significant cost off school districts' plates.


Beginning in 2020, a new health insurance pool for all K-12 staff will be set up and funded at the state level, akin to how it provides coverage for state employees and their families.⁴⁰ The benefits will be significant:

1. Family Health Premiums Cut in Half - The School Plan will have family:single coverage ratios of 3:1, which means that family coverage costs are expected to be reduced by more than half from what employees currently pay. (Single coverage costs will go up, but they will still pay only 15% of the costs of coverage – exactly what state employees pay.)
2. School Districts Save Time & Money – School districts will no longer have to negotiate health benefits at the local level. This will save them time, money, and often contentious negotiations.
3. Economies of Scale in Purchasing – Rather than 295 school districts negotiating and purchasing plans for their employees on an individual district basis, the state will be able to cover all those lives – and negotiate better prices – in one grouping.

19. Charter Schools: Offering More Choices to Systemically Underserved Students

In November 2012, voters approved Initiative 1240 which authorized a select number of public charter schools in the state. Charter schools are independently managed public schools, free, and open to all students. They have more flexibility in terms of curriculum, budgets, and staffing than traditional public schools. Enrollment is voluntary and charters are designed to meet the needs of students that all too often fall through the cracks or are at risk of dropping out. Public charter schools provide another option to help these struggling students succeed.

In September 2015, at essentially the beginning of a new school year, the state Supreme Court in a split decision ruled I-1240 unconstitutional in its entirety, ignoring even the severability clause in the measure.⁴¹ The court held that charter schools are not “common schools” and thus could not receive funding from the state property tax which is dedicated to common schools.



In 2016, the Legislature, in a measure authored by Senate Republicans but which also garnered the support of three Senate Democrats, House Republicans, and a handful of House Democrats, cured that infirmity by funding charter schools out of the Washington Opportunity Pathways Account, which is not funded by the state property tax.⁴² The legislation became law when, in a very rare move, Governor Inslee chose to simply not sign the bill. By law, absent a veto, a measure becomes law.

Last year, there were eight charter schools in the state who had managed their way through the gauntlet of obstacles placed before them.

The results?

On the statewide assessment test, charter school students showed significant gains:⁴³

- Rainier Prep (King County/Highline) – Outperforming District & State Peers
 - 94% students of color
 - 5th graders passed math test at double local school district and statewide rate for their peers
- Excel (Kent) – Outperforming District & State Peers
 - African Americans make up 3 times the charter school population as compared to the Kent school district
 - 8th grade African American students outperformed their district peers on the state test by 19% in both English & Math
- Green Dot Destiny Middle School (Tacoma) – Making Significant Inroads
 - 81% of students qualify for free & reduced lunch vs. 58% in Tacoma district
 - Disturbingly, 74% of students entered Destiny at below grade level reading and 29% of 6th graders were reading at below 2nd grade levels.
 - Destiny students grew approximately two grade levels in reading in 2016-17
 - This reduced the percentage of students more than two grade levels behind in reading from 42% to 28%

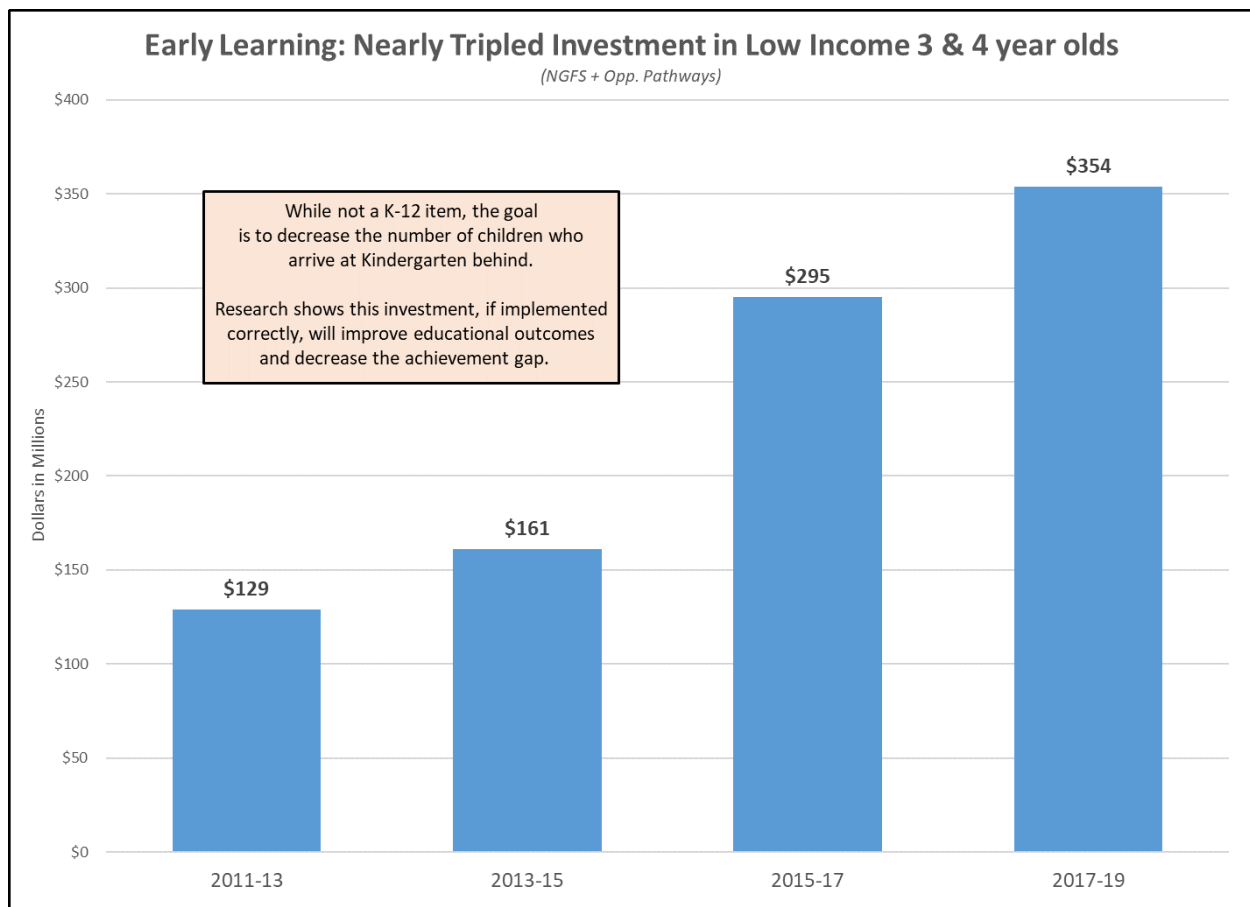
Charter schools have seen a rocky road, fighting through opposition by the Washington Education Association, an adverse ruling right at the beginning of a school year by the Supreme Court, and the uncertainty of knowing what would happen in the 2016 legislative session with a Governor who opposed their existence.

Through it all, they have persevered and they are serving predominantly low income students of color who are all too often denied the educational opportunities that more affluent students are afforded.

This opportunity is to be commended – and represents a significant policy inroad and step forward toward ensuring a quality education for all students in the state.

20. Early Learning: Nearly Tripled Investment in Low Income 3 & 4 Year Olds ⁴⁴

Early Learning, while not a K-12 budget item, has significant ramifications for the educational outcomes of our youngest learners. Since 2012, the state has made a sizable investment in providing increased services for low income 3 & 4 year olds:



21. Accountability: Enacted Protections to Prevent Future Unconstitutionality

Besides curing the existing constitutional infirmity, the Legislature must “learn lessons” to prevent any infirmities from arising in the future. To that end, HB 2242 enacted the following future protections for students and taxpayers to ensure that the state is amply & uniformly funding basic education:

Levies – Certification as Non-Basic Ed & Approval by OSPI

Prior to submitting levies to voters, local school districts will be required to submit their spending plan to the Office of Superintendent of Public Instruction.⁴⁵ OSPI will then have to certify that the spending plan items will not be spent on basic education.

State Auditor – Audit Trail of Local Levies


The spending plan and certification noted above are important tools, but in the end they are toothless if districts deviate from the plan once they receive the money approved by voters. Thus, HB 2242 requires periodic audits of school districts’ use of local levies to ensure compliance with the plan.⁴⁶ Districts to the extent they wish to deviate from the plan can seek OSPI approval, but again that approval is documented.

And, to ensure these audits are able to be done, districts are for the first time required to segregate their local levy dollars into a separate subfund so that a clear accounting and audit trail is possible.

Levy Cap – Tax Rate vs. Funding %

Another failing that led to unconstitutional local levy creep was the tying of local levies to a percentage of state funding, rather than a tax rate cap. The former made it so that every time the Legislature voted to allow more and more local levies it was an “education” vote rather than a more difficult “tax vote”. The former allows legislators to shirk their constitutional duty to fund schools at the state level, while masking it in the form of a pro-education vote.

The 2017 Legislature’s changing local levy authority to a maximum of a \$1.50 tax rate (or \$2,500 per pupil, if that is achieved with a lower rate) will help to prevent future levy creep and ensure that the onus for funding K-12 education rightly falls upon the state.⁴⁷



Also, the commitment to enhance and provide greater levy equalization – guaranteeing \$1,500 per student in total funds if a \$1.50 levy is imposed – goes a long way toward ending the 25 year plus inequity where one school district can raise 10 times as much as another district per pupil at a lower rate than the other district.

Four Year Balanced Budget

Often, districts can get into financial trouble – or over commit themselves in collective bargaining negotiations – by failing to look out beyond the next year of school.

HB 2242 requires districts to develop a four year budget plan that includes an estimate of funding necessary to maintain the continuing costs of program and service levels and any supplemental contract obligations.⁴⁸

This tool, in addition to being designed to require districts to have forethought, is aimed at requiring local negotiators to be prudent in their commitments in terms of salaries and financial obligations to which they commit the district.

OSPI is to use districts' four year budget plans when assessing the financial health of a district and whether the state needs to intervene.

Six Year Review & Rebasing

Periodic review is essential to ensure that state funding is ample.

To that end, HB 2242 sets up a review every six years of state basic education compensation allocations to ensure that allocations continue to provide market rate salaries and that regionalization pay reflect actual economic differences between school districts.⁴⁹

Limited & Discrete Uses of Local Levies (Replacing “TRI” Loophole)

Finally, it is critically important to spell out what is and is not a permissible non-basic education expenditure.

Sec. 501 of HB 2242 does just that stating:

- Beginning Sept. 1, 2019, local revenues may be used only for documented and demonstrated enrichment of the state's statutory program of basic education.
- Enrichment activities are defined as:
 - Instructional offerings beyond the state basic education requirements;
 - Staffing ratios or classroom sizes that are lower than prototypical school allocation;

- Extracurricular activities;
 - Extended school days or extended school year;
 - Early learning programs; or
 - Program of professional development beyond the state's allocation.
- In recognition that the list may not be perfect, sec. 502 requires OSPI to develop recommendations for expanding the list of specifically permitted activities and that the Legislature must consider the recommendations in the 2018 session.⁵⁰

22. Improve Transparency: Per Pupil Translation of K-12 Finance

K-12 funding, at the state and local level, is incredibly opaque, based on a “prototypical school model” that few outside of the inner workings of school district finance understand.

To better promote transparency and ease of understanding, the Legislature in HB 2242 required OSPI to report state funding amounts of a per pupil basis for:

- Total State Funding (Per Pupil), along with per pupil breakout of:
 - General Apportionment
 - Special Education
 - Learning Assistance Program
 - Bilingual
 - Gifted Education/Highly Capable
 - Career & Technical Education

The amounts must be published for each school district and put in a user friendly format on OSPI's website.⁵¹

School districts must include a link to OSPI's per pupil information on the main page of the school district's website.

In addition, the budget documents published by the Legislature each time a state budget is adopted must report per pupil allocations for each of the categories above.⁵²

23. Expected to Rank 5th Highest in Country in State Funding Per Pupil in 2019-20 School Year

We know Washington, based on HB 2242, will spend just shy of \$12,000 per pupil in state funds for SY 19-20. How does that compare to state funding per pupil in other states?

Each year, the Census Bureau releases a comparison of spending on public education. For the most recent report (FY 15), the top six states for state funding, not including local or federal dollars, were:

- Vermont - \$18,156
- Alaska - \$15,499
- Hawaii - \$13,058
- Wyoming - \$11,899
- New York - \$9,843
- Minnesota - \$9,376

Washington clocked in at 15th highest at \$7,734 for fiscal year 2015.⁵³

By SY 19-20, Washington's state funding per pupil will have risen to \$11,996.

It is very likely that this will rank us 5th in the country in state funds per pupil.

New York would have to increase its funding by over \$2,150 per pupil in order to reach our spending level, a 22% increase. In the preceding five years, they increased their per pupil funding by \$1,182 – so they'd have to nearly double the increase of the last five years in order to match Washington.

Again, while we can't forecast the future with certainty, it is very likely the huge infusion of state funds into K-12 will result in Washington ranking 5th highest in the country in state funding per pupil two years from now.

FOOTNOTES

1. *McCleary vs. State* (2012), 173 Wn.2d 477
(<http://www.courts.wa.gov/opinions/index.cfm?fa=opinions.showOpinion&filename=843627MAJ>)
2. Id. (Slip Opinion p.3: “The legislature recently enacted a promising reform package . . . , which if fully funded, will remedy deficiencies in the K-12 funding system.” P. 73: “Full implementation and funding for ESHB 2261 (and HB 2776) will remedy the deficiencies in the prior funding system.” P. 75: “Timely implementation (of 2776) remains uncertain.” The court then notes, at length, the inaction of the Legislature in 2011 to make progress toward that legislation’s ultimate funding requirements. P. 76: “This court cannot idly stand by as the legislature makes unfulfilled promises for reform.”)
3. OSPI school district budget data compiled by LEAP for SY 15-16 and earlier. K-12 Mega Model for SY 16-17 to 19-20.
4. LEAP (fiscal.wa.gov), plus Senate W&M fiscal estimate of required costs in FY 19-21.
5. Id.
6. Low income students had a 73% 5 year graduation rate in 2015, compared to 81.9% of all students.
<http://www.k12.wa.us/LegisGov/2017documents/2017-05-GraduationAndDropoutStatistics.pdf>
7. LEAP (fiscal.wa.gov), plus Senate W&M fiscal estimate for SY 19-20.
8. *McCleary vs. State*, Slip Opinion p. 62. (“The evidence of NERCs underfunding at trial was compelling. . . . The results revealed the State underfunded NERCs by approximately \$500 million per biennium.”)
9. Id., p. 75.
10. 2015 Legislative Budget Notes, p. 0-274. <http://leap.leg.wa.gov/leap/budget/lbns/2015LBN.pdf>
11. *McCleary vs. State*, Slip Opinion p. 63-64. (“Apart from NERCs, state funding also consistently fell short in the area of student transportation. A 2006 report by the Joint Legislative Audit and Review Committee revealed that the State underfunded to/from student transportation by between \$93 and \$114 million per year.”)
12. 2013 Legislative Budget Notes, p. 0-233. <http://leap.leg.wa.gov/leap/budget/lbns/2013LBN.pdf>. The new state Transportation funding formula for schools can be found: <http://www.k12.wa.us/transportation/STARS/default.aspx>
13. Senate Ways & Means fiscal analysis, based upon OSPI data reported to LEAP and K-12 Mega Model..
14. Teacher FTEs, including teacher librarians: 2000-01: 52,017; 2012-13: 54,391; 2016-17: 60,425.
15. Senate Ways & Means & LEAP data. Interestingly, if you take into account all K-12 FTE staff employed by schools (administrators, classified, paraprofessionals) the staff to student ratio is 9.4 (1.079 million students for 114,696 FTE staff).
16. Office of Financial Management analysis, using K-12 Mega Model
17. 2015 Legislative Budget Notes, p. O-274. <http://leap.leg.wa.gov/leap/budget/lbns/2015LBN.pdf>
18. Senate Ways & Means staff fiscal analysis.

19. *School Districts Alliance for Adequate Funding of Special Education vs. State*, 170 Wn.2d 599 (2010)
<http://caselaw.findlaw.com/wa-supreme-court/1547879.html>
20. Sec. 408 of ESHB 2242 (2017).
21. Sec. 402 & 409 of ESHB 2242 (2017).
22. School District Property Tax Levies, OSPI – Table 2 (p.2 <http://www.k12.wa.us/safs/PUB/LEV/1617/levy16.pdf>); State Property Tax: DOR State Property Tax Levy History (May 2017); 2018-21 data, Senate W&M.
23. DOR – 2017 Local Levy Rates; Senate Ways & Means per pupil estimates, 2016-17 school year
24. Sec. 203 of ESHB 2242 (2017).
25. LEAP (fiscal.wa.gov)
26. Sec. 402 & 412 of ESHB 2242 (2017).
27. Final Report to the Education Funding Task Force K-12 Public School Staff Compensation Analysis (Nov. 2016), pp. 79, 92-94
http://www.wsipp.wa.gov/ReportFile/1646/Wsipp_Final-Report-to-the-Education-Funding-Task-Force-K-12-Public-School-Staff-Compensation-Analysis_Final-Report.pdf
28. 2013-15 (added \$166 M for salary increases); 2015-17 (granted I-732 COLA, plus extra in FY 17).
29. McCleary, p. 65 (“Some of the difference between actual salaries and state allocations represented permissible incentive pay that went toward nonbasic education related tasks.”)
30. Senate W&M fiscal staff analysis. SY 19-20 includes regionalization pay..
31. Sec. 402 of ESHB 2242 (2017).
32. *Id.*
33. Sec. 104 of ESHB 2242 (2017).
34. Senate Ways & Means fiscal analysis. In the long run, the formula above will be the geographic pay component. But, in the short run (through SY 22-23), the state provides an additional geographic pay component of 6% for certain select districts. Think of this as the “grandfathering/hold harmless” 6% factor. It applies primarily in Snohomish County, except it also captures West Valley Yakima and a few other districts. It is designed to ensure that certain current high pay districts aren’t harmed in the transition. These 6% enhancements go through 20-21 but then are slowly phased down or out completely.
35. LEAP (From 2013-19, \$12.46 B budget growth: \$8.4 B K-12, \$1.1 B Higher Ed, \$225 M Early Learning)
36. Senate W&M Fiscal analysis. For comparability purposes, this information only reflects state basic education, levy equalization, and local levy funding. It does not reflect funding from other state, federal and local sources received by a school district. These funds are excluded because OSPI does not have projections for these fund sources. 2011-12 is an approximation of these select funds. Secondly, the information prior to 2016-17 reflect actuals as reported to OSPI in the school district accounting system. 2016-17 forward is based on the recently updated multi-year comparison tool produced by OSPI. While the tool is probably the best available source for making projections for statewide impacts

and for all 295 school districts, each individual school district may have more up-to-date information on the unique circumstances that may be different than the assumptions used by OSPI in their comparison tool.

37. Dept. of Revenue 2012 & 2017 local levy rates, combined with flat state levy rate. 2020 W&M analysis.

38. http://leg.wa.gov/ilarc/AuditAndStudyReports/Documents/K12HealthBenefitsPF_January2016.pdf

39. ESSB 5940 (2012).

40. Part VIII of ESHB 2242 (2017).

41. League of Women Voters of Washington vs. State, 355 P.3d 1131 (2015).

42. E2SSB 6194 (2016).

43. <http://wacharters.org/smarterbalancedresults2017/>

44. LEAP (fiscal.wa.gov)

45. Sec. 204 of ESHB 2242 (2017).

46. Id., Sec. 503.

47. Id., Sec. 203.

48. Id., Sec. 604.

49. Id., Sec. 201.

50. Id., Sec. 502.

51. Id., Sec. 402.

52. Id.

53. Public Education Finances: 2015 (Census Bureau, June 2017), Table 11

<https://www.census.gov/content/dam/Census/library/publications/2017/econ/q15-aspef.pdf>