

Follow the Money Project Update: HB 2242 – Not Adequate or Equitable Yet

McCleary Legislation Policy Brief

January, 2018

Executive Summary

The legislature made significant new investments in K-12 education through the passage of HB 2242 in June 2017. It is estimated that the new investment will be \$7.3B in total state funds over the next four school years, beginning SY 2017-18. Including the legislated reduction in local levy capacity of \$(2.8)B, the net additional revenue for the state, over the next four years, will be approximately \$4.5B. This legislation represents a step forward in education funding. And yet, the job is not complete. When funding changes are combined, and the net additional funding allocated to districts is evaluated, including funding for students in poverty and qualifying for Special Education, it becomes clear that the K-12 funding system is not *adequate or equitable for all* – yet.

Several important issues remain unresolved and will require more analysis and appropriate legislative refinement:

- Will this sizeable new state investment and associated reforms truly end district reliance on unstable and notoriously inequitable local levies?
- Are students in poverty and students with disabilities sufficiently served by the new policy structures and funding levels?
- Do the changes in educator compensation enable all districts, especially those with high levels of poverty, to hire and retain competent staff and cover the salary costs of basic education activities?

The reality that there are unresolved issues with the legislation is not a reason to scrap HB 2242. Any endeavor to change such a complex funding system and eliminate inequities will not be without its challenges. Changes based on analysis of the actual impacts of the legislation will be needed. In addition, it is crucial that the legislature retain and enforce the critical safeguards put in place to increase accountability for how local levy funds are spent and eliminate district reliance on local levies for basic education costs.

On November 15, 2017 the Supreme Court ruled that HB 2242 would sufficiently respond to the McCleary decision, but only if all elements of HB 2242 are *fully* implemented and the timeline is accelerated to fully fund compensation by the *McCleary* deadline of September 1, 2018. There is consensus among stakeholders that more work needs to be done to fully respond to *McCleary* and realize the goals of the Basic Education Act. This additional work is needed in order to realize the full promise of HB 2242, and the legislature must reinforce their commitment to HB 2242, allowing the impact of additional transparency and accountability to take effect. They must also commit to further analyzing the impacts of funding enhancements – making refinements and additional investments where policies fall short of *adequately* and *equitably* funding *all* students. The job is not done until *all* students in Washington State are among the nation’s best prepared for the knowledge intensive economy which awaits them.

About this Policy Brief

This policy brief reviews the major funding changes in HB 2242 but is not a comprehensive review of all changes made in the legislation. It analyzes what is known currently about the following funding changes:

- New K-12 salary allocations
- Changes to district local levy capacity and levy use
- The new High Poverty LAP allocation
- The increase in % of Special Education enrollment funded by the state

In addition, it examines how these funding changes end or perpetuate inequitable funding practices and finds that there is more work to be done to *adequately* and *equitably* fund K-12 education. This brief also calls on the legislature to retain the new provisions in HB 2242 that commit the state to increasing transparency of and accountability for local levy dollars.

Description of HB 2242 Legislation¹

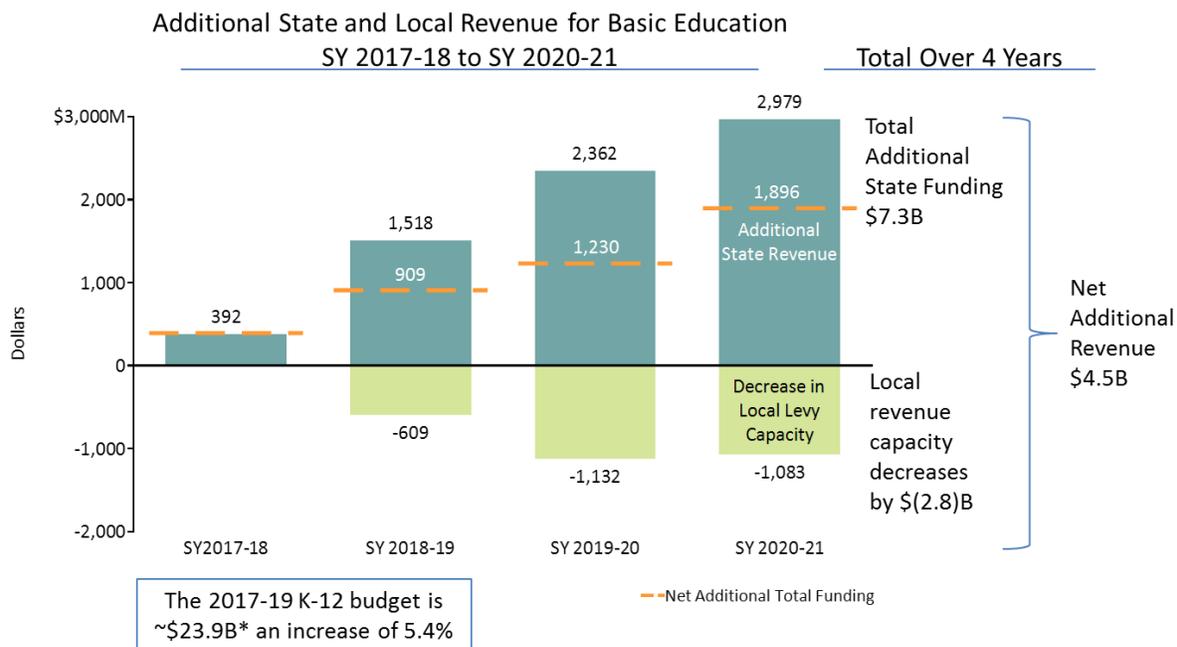
The 2017 legislative session adopted House Bill 2242 on June 30, 2017 passing a budget and legislation intended to meet the state's remaining duties to fully fund K-12 education. This legislation, sometimes known as the "*McCleary* fix," was designed to complete the state's funding efforts to meet Supreme Court directives and address remaining inadequacies and inequitable funding practices. Legislators designed HB 2242 to address specific challenges to the K-12 funding system. These challenges included providing state funding for competitive salaries and benefits sufficient to hire and retain competent staff, determine sources of revenue suited to sustain the state's statutory program of basic education, and eliminate school district reliance on local levies for implementation of the state's program of basic education.² To address these issues and meet Supreme Court directives, HB 2242 layers in additional state funding over the next four years.

The Office of the Superintendent of Public Instruction (OSPI), reports additional funding of \$392M in SY 2017-18 (the current school year), \$1.52B in SY 2018-19, \$2.36B in SY 2019-20, and \$2.98B in SY 2020-21. This additional funding is realized by districts through a new salary allocation system, increased Transitional Bilingual Instruction Program (TBIP) funding, a new High Poverty Learning Assistance Program (LAP) allocation, an increase in the percent of Special Education students funded through state revenue, and other changes. In addition, the structure of local levies including capacity, their use, and accounting rules has been altered. Beginning in calendar year 2019, a district's local levy authority will be reduced to the lesser of \$2,500 per student or \$1.50 per \$1,000 of assessed home value.

¹ *McCleary v. State* was originally filed in 2007, alleging that the state was not meeting its constitutional duty to make "ample provision for schools" as required under Article IX, section 1 of the state Constitution.¹ The King County Superior Court ruled in 2010 that school "funding is not ample, it is not stable, and it is not dependable."¹ In 2012, on appeal, the state Supreme Court upheld the lower court. Rather than wait "idly by,"¹ the Supreme Court resolved to retain jurisdiction in the case to provide oversight and ensure progress. To achieve "full funding" the legislature used the plans of existing legislation (HB 2261 & HB 2776) as blueprints for a phased in approach to funding.

² Stated in ESSB 6195: Legislative action shall be taken by the end of the 2017 session to eliminate school district dependency on local levies for implementation of the state's program of basic education.

Accompanying this calculation change, the use of local levy dollars is restricted to enrichment activities (still pending definition from OSPI), districts must establish separate accounting for local levy funds, and OSPI must approve a district’s levy spending plan prior to presenting it to voters. When the reduction in local levy capacity is considered, the total net additional funding for districts is estimated at \$392M in SY 2017-18, \$909M in SY 2018-19, \$1.23B in SY 2019-20 and \$1.896B in SY 2020-21.³ (See the appendix for a detailed description of funding changes by school year).



Impact on Individual Districts

The funding changes addressed in this policy brief include the new salary allocation method, changes to district local levy capacity and levy spending rules, a new High Poverty LAP allocation, and an increase in % of Special Education enrollment funded by the state. HB 2242 layers in funding for these and other enhancements over the next four years – full funding in SY 2019-20 and then increasing by IPD⁴ inflation in SY 2020-21 and thereafter. To understand the impact of funding changes in HB 2242 it is critical to analyze each change individually and then analyze their impact when combined. This process is critical and brings to light consequences of the legislation that may not reflect the intent of the legislature when measured against their goals (providing state funding for competitive salaries and benefits sufficient to hire and retain competent staff, determine sources of revenue suited to sustain the state’s statutory

³ Sources: Additional State Revenue - OSPI 2017 Legislative Session Wrap Up (slide # 3). OSPI presented additional state funding by state fiscal year, which 3SI converted to school year (FY 2018 = SY 17-18, etc.), Decrease in Local Levy Capacity – OSPI multi-year tool. Local revenue capacity decrease is the difference between the enacted budget and OSPI’s maintenance budget without the levy cliff, calculation assume no enrollment growth. *[WASA](#)

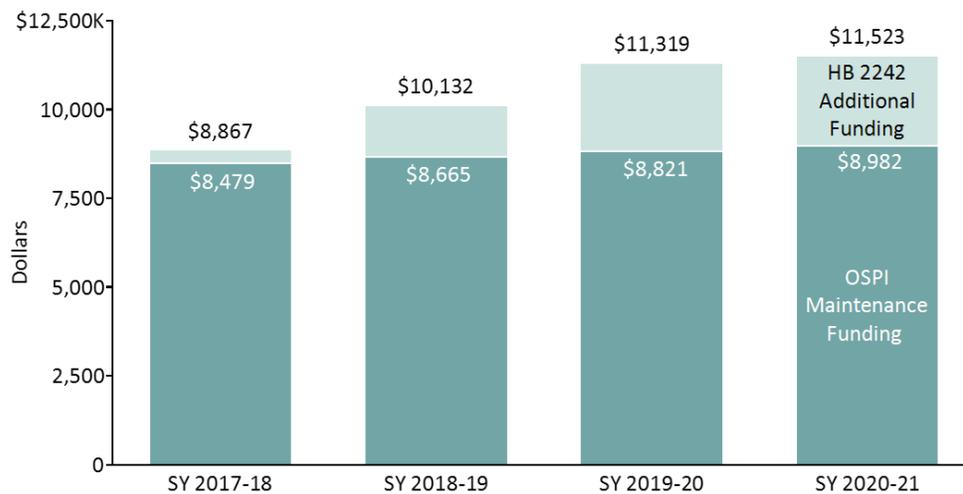
⁴ Implicit Price deflator

program of basic education, and eliminate school district reliance on local levies for implementation of the state’s program of basic education).

K-12 Salary Allocations

On average, by SY 2019-20⁵ (when the new salary allocations are fully funded) districts will receive an additional \$2,498 per student in state basic education funding (excluding local levy dollars) compared to maintenance level funding.⁶ In the current school year, SY 2017-18, the statewide average per student funding is \$8,867 (excluding local levy dollars). Per student state funding increases by 28% from SY 2017-18 to SY 2019-20. Increases in additional per student funding, however, vary dramatically from district to district, ranging from ~14% to ~43%, and \$1,250 to \$3,770 respectively.⁷

Average Total State Funding per Student
School Year 2017-18 thru 20-21



8

Per student increases in funding are largely a result of changes in the K-12 salary allocation method, the legislature’s policy solution to providing state funding for “competitive salaries and benefits that are sufficient to hire and retain competent certificated instructional staff, administrators, and classified staff.” This is accomplished by adjusting the prototypical school model calculations, eliminating staff mix factor for certificated instructional staff and introducing a state average allocation per staff type⁹ adjusted for each district by a regionalization factor. Regionalization factors are based on median home values in the district, in increments of 6%. These salary changes, although based on market factors,

⁵ Note: Totals do not include local effort assistance.

⁶ Maintenance funding is the estimated amount of funding a district would receive if HB 2242 had not passed. It includes increases for COLA, IPD, and K-3 class size to 17; 1351 is not included.

⁷ Note: These estimates exclude districts with enrollment less than 300 students. Totals are rounded and are for the 2019-20 school year. Source: OSPI Multi-year tool. Enrollment held constant at the 2016-17 January Apportionment levels.

⁸ Table source: OSPI Multi-Year Tool. Enrollment held constant at 2016-17 January Apportionment levels.

⁹ Staff types include: Certificated Instructional Staff (CIS), Certificated Administrative Staff (CAS), and Classified Staff (CLS)

when reviewed at the district level, yield dramatically different results across districts, an implication that may not have been contemplated at the time these policies were created. **As a result, the new salary allocations appear almost random when comparisons are made across districts because they are not correlated with any specific factor or set of factors related to adequacy or equity.**

During the 2017 legislative session, there was momentum to eliminate the staff mix factor, which was long believed to be a key source of inequitable funding across and within districts. Staff mix factor accounts for a district’s average certificated instructional staff experience and level of education. The higher the staff mix factor the higher the state allocation. Resource allocations based on current staff tenure and experience may have made it harder for a district to leverage resources toward attracting and retaining staff. This meant that staff mix factor as a determinant of funding allocations could create unequal resource allocation to the detriment of districts with a higher level of student poverty, which may have struggled to attract and retain talent. Eliminating staff mix was an important recognition by the legislature of its intent to equitably fund students across the state. More in-depth analysis is needed to know whether this new allocation system will accomplish the legislature’s intent, but it seems unlikely.

While the new salary allocation method increases state salaries for all staff types across all districts in SY 2019-20, when compared to SY 2017-18, the % increase in state salary varies by district. The examples below demonstrate the variability in salary increases between districts. Note that those districts with a relatively high staff mix factor will generally have more experienced and/or more educated staff and therefore higher salary obligations previously negotiated under a different funding system.

% Increase in Salary Allocation (SY 17-18 to 19-20)					
District	Staff Mix (SY 17-18)¹⁰	Regionalization Factor (SY 18-19)	CIS Salary Allocation	CAS Salary Allocation	CLS Salary
Cusick School District	1.62	1.00	12%	26%	39%
Highline School District	1.43	1.18	50%	73%	64%
Richland School District	1.52	1.06	26%	65%	47%

Source: OSPI Multi-Year Tool, <http://www.k12.wa.us/safs/INS/2242/2242.asp> values are estimates

Historically, district practice has been to supplement the state salary allocation with local and federal funding to cover additional staff salary costs. It will be imperative to continue to analyze and track these changes for all districts to understand the degree to which the new state salary allocations will cover districts’ actual basic education salaries. It is unclear if a 12% increase in the CIS allocation in Cusick School District will account for the same proportion of total final salary as a 26% increase in Richland School District, elevating the pressure for districts to fund basic education salaries with local levy and other funds.

In addition, in the seven Road Map Region Project districts (Auburn School District, Federal Way Public Schools, Highline Public Schools, Kent School District, Renton School District, Seattle Public Schools (South Seattle schools only), Tukwila School District) all but one district, Federal Way, have a

¹⁰ Note: Statewide average staff mix factor in SY 17-18 is ~1.54

regionalization factor of 1.18. How can Federal Way, with a regionalization factor of 1.12, compete with neighboring districts to attract and retain talent? Will Federal Way feel a greater pressure to use local levy funds to compete with neighboring districts for staff? This challenge between neighboring districts occurs elsewhere across the state, including the Tri Cities where Kennewick and Pasco both have a regionalization factor of 1.00 while Richland has a regionalization factor of 1.06. Limited public analysis of HB 2242 prior to its passing provides little insight into the legislature’s true intent of this new policy beyond the recognition of the need to increase state salary allocations for all staff with market driven factors accounting for the variation in allocation. Further analysis must examine whether one inequitable system has been replaced with another.

LOCAL LEVIES

Increases in per student state funding, however, must be considered together with changes in local levy funding. Districts that pass a levy for collection in calendar year 2019 will see a decrease in per student levy capacity as a result of changing the local levy calculation from a percentage of qualifying revenue to the lesser of \$2,500 per student or \$1.50 per \$1,000 of assessed home value. In addition, district M&O levies will be renamed enrichment levies. For levies collected in CY 2020 (and thereafter) a district must receive approval from OSPI for their levy spending plan and enrichment levy revenue must be deposited into a separate sub-fund of the district’s general fund.

Local levy funding changes cannot be assessed in isolation. Like additional state funding per student, the decreases in per student levy funding will vary by district. These changes must be combined with additional state revenue to better understand the holistic impact of the legislation on districts across the state.

District	Staff Mix (SY 17-18)	Regionalization Factor (Beginning SY 17-18)	Total State Funding per Student (Enacted) SY 19-20	Increase over Maintenance State SY 19-20	Total (Enacted) Levy SY 19-20	Decrease from Maintenance Levy SY 19-20	Net Additional Funding SY 19-20
Auburn	1.57	1.18	12,016	3,104	1,117	(1,594)	1,510
Dieringer	1.68	1.12	11,087	2,016	2,162	(2,774)	(758)
Spokane	1.56	1.06	11,123	2,245	948	(1,353)	892
Wenatchee	1.56	1.06	10,982	2,188	833	(781)	1,407

Source: OSPI Multi-Year Tool, <http://www.k12.wa.us/safs/INS/2242/2242.asp> Note values do not include LEA dollars and numbers are approximations, enrollment held constant from 16-17 January Apportionment enrollment, values are estimates

As illustrated in the table above, the average total state funding per student when combined with the reduction in local levy capacity presents varying impacts for districts in SY 2019-20. The table illustrates the impact of regionalization on increased state funding (\$2,016 to \$3,104 per pupil). In addition, in this example Dieringer School District, the district with the smallest additional state funding also sees the largest decrease in per student local levy capacity, resulting in a negative gain or a loss in funding in SY 2019-20 relative to a maintenance funding scenario. With both funding changes linked to the value of a district’s real estate, low regionalization will be associated with a lower levy capacity and vice versa. Therefore, districts’ relative funding will be impacted by the legislation creating the appearance of winners and losers. **While the intent of each individual policy change is grounded in meeting legislative**

goals and court requirements, when implemented together in the system that is K-12 funding, the net impact needs further review and may not be ample or equitable at the district or program level.

Questions remain about whether basic education is fully funded by the state if school districts continue to rely on local levies for operations. Additionally, it is unclear how the new law, when fully implemented, effects high poverty districts.

If a district is projected to receive less under the new allocation in SY 2019-20 it is doubtful that the intent to eliminate the reliance on local levies to cover basic education costs through HB 2242 will be realized. As well, as long as the State defines full funding as what it allocates in the current prototypical funding model, there will likely always be a need for districts to use local levies to fund basic needs. For example, in Highline School District the prototypical model allocates 3 nursing FTEs to cover 19,000 students. This is not the only position in the prototypical school model that is under allocated by the state. Without updating staffing levels, a reliance on local levies will continue.

School districts' reliance on local levies for basic education funding has historically been the largest source of financial inequity in Washington's school districts. These inequities have been driven largely by disparities in local property wealth, and a legacy of grandfathered levy caps which favored certain districts. If some school districts cannot financially sustain critical basic education services on state funding alone then HB 2242 cannot be judged to be *adequate or equitable*.

High Poverty LAP Allocation

HB 2242 introduced a new High Poverty Learning Assistance Program (LAP) allocation, implemented beginning in SY 2017-18. Schools with 50% or greater FRPL¹¹ receive funding through an additional 1.1 hours of instruction per week. Unique to this new allocation is that all students in a school with 50% or greater FRPL generate this funding and the funding must flow to that specific school. Research has long suggested that students in poverty require additional resources to achieve the same academic standards as their wealthier peers. The addition of the High Poverty LAP allocation represents the legislature's acknowledgement of this need, but the question of whether the additional allocation is sufficient needs a closer look.

Research suggests that it costs a school district considerably more to educate a student in poverty to the same standards as a higher income student.¹² In addition, "Researchers have also documented the strong negative effects of living in a poor neighborhood and attending a high-poverty school."¹³ It is noted that "Students in high-poverty schools have lower levels of academic proficiency and are less likely to graduate from high school, to attend college and to get jobs."¹⁴ While there is no universally established level of funding per student needed to close the achievement gap, research on the topic suggests that the amount of money per student matters, and that a school with a higher concentration of poverty requires even greater resources.

¹¹ Free and Reduced-Price Lunch

¹² <https://edtrust.org/resource/funding-gaps-2015/>

¹³ The National Center on Education Statistics (1996) defines a high-poverty school as one in which at least 40 percent of the student body is enrolled for subsidized meals.

¹⁴ http://poverty.ucdavis.edu/sites/main/files/file-attachments/policy_brief_weston_pupil_funding.pdf

In SY 2019-20 the statewide average basic education allocation (BEA)¹⁵ rate is \$8,394 and LAP allocations, depending on regionalization factor, range from ~\$580 to ~\$680. The new allocation for High Poverty LAP will range from ~\$170 to ~\$210. When combined, additional funding through LAP makes up only 9% to 11% of the average BEA rate, which is likely not enough to combat the effects of concentrated poverty. The new High Poverty LAP allocation signifies important recognition by the legislature to provide additional resources for low income students, it is, however, based on a concentration of poverty measured against a threshold of 50% to determine whether or not students are included or excluded from receiving funding. Defining funding against a threshold means that some students in poverty will generate additional resources while others in poverty will not, (i.e. students above the threshold will generate funding and those below will not).

Because categorical programs allocate funding based on a certain number of CIS staff, increases in salary through regionalization factors will increase per student funding across categorical programs. If the new salary allocation system is proven to maintain inequitable funding practices, this means the inequities are passed on to categorical programs and thus populations of vulnerable students. **Instead of assuming uniformity in need, like the prototypical school model does for basic education students, the unique needs of vulnerable students should drive funding policies.**

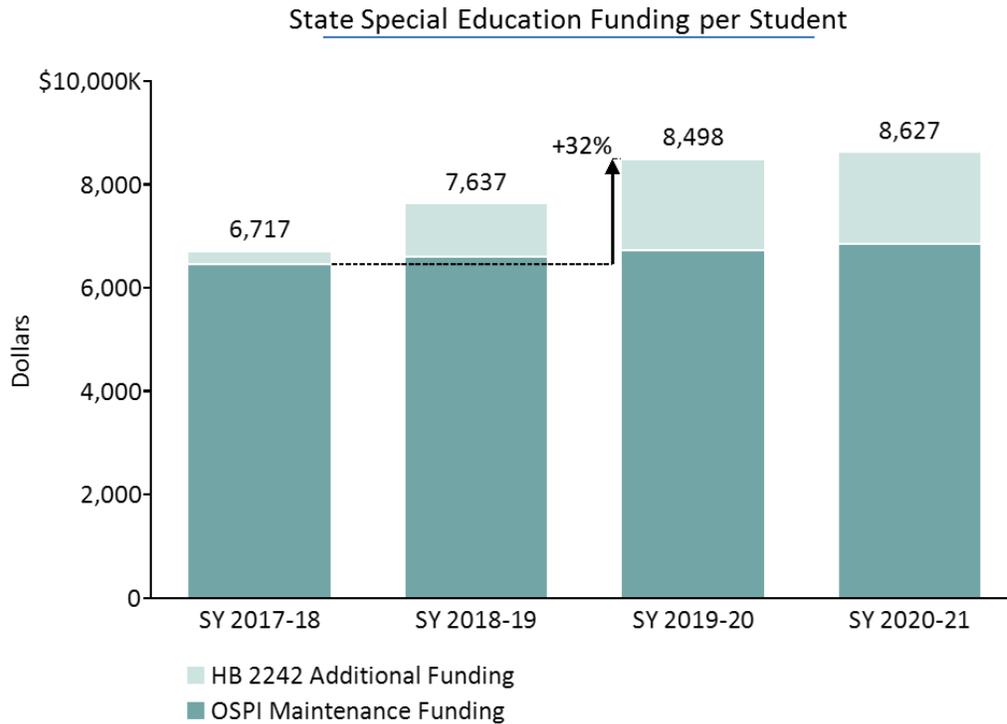
HB 2242 made significant investments for struggling learners and low-income students, it is an open question, however, as to whether this constitutes ample provision for our most vulnerable students. Continued analysis and monitoring of impacts and outcomes is required. While the legislature and the court did not clarify specific goals related to funding levels, it is unlikely that this relatively small additional funding will achieve funding equity.

Special Education

While the funding formula for Special Education did not change, the legislature did increase the percent of total enrollment eligible for Special Education funding from 12.7% to 13.5%. Increases in salaries will also flow through to Special Education allocations. These changes mean that districts will see an increase in per student funding for Special Education generated by increased salaries. This results in a 32% funding increase, on average, for students qualifying for Special Education in SY 2019-20. In addition, districts with greater than 12.7% enrollment in Special Education will also see an increase in the number

¹⁵ BEA Rate includes MSOC, Prototypical Salaries and Benefits, Substitutes, CTE and Skills Centers funding

of Special Education students generating funding.



These changes, however, do not yet hit the mark for adequate and equitable funding. Districts with over 13.5% of students qualifying for Special Education will not receive additional funding for those students. 97 districts had more than 13.5% of total enrollment who qualified for Special Education in OSPI's 2016 January Apportionment report. This represents a little over 2,000 students across the state and means that 31% of the state's 307 districts¹⁶ do not receive state funding for their full Special Education enrollment. As a result, there are students across the state that qualify for and receive Special Education services but do not generate funding from the state. In addition, some districts report Special Education costs per student in excess of the state allocation. Because some students remain unfunded and districts bear the burden of additional costs, districts must use other resources, such as local levy dollars, to cover these expenses. This means hard choices for districts when prioritizing resources to meet the needs of their student populations.

The levels of under-funding can be dramatic and have a significant impact on district's budgets. School districts reported spending approximately \$1.4 billion on Special Education services in SY 2014-15.¹⁷ That same year, the state estimates that districts received approximately \$726 million in state funding, and \$256 million in federal funding,¹⁸ leaving a gap, of roughly 30%. This gap could be calculated multiple ways, but the central point holds: some school districts routinely experience deficits in Special Education of this size or greater. The state's Special Education formulas are designed to uniformly cap allocations to districts, both in the per pupil amount that is provided for students, and the number of

¹⁶ The 307 is inclusive of Tribal School Districts and Charter Schools, which are considered their own LEA

¹⁷ http://www.k12.wa.us/safs/PUB/FIN/1415/1415%20Section%203%20PDF/5_1415_GF_Total_Exp_by_Program_by_Enroll.pdf

¹⁸ <http://fiscal.wa.gov/SpendHistFundAgy.aspx>

students for whom that funding may be provided.¹⁹ It also further caps the amount the state may reimburse for particularly high cost students.²⁰ If *McCleary* holds that eligible students have a positive, constitutional right to basic education services, which includes Special Education, it does not seem possible to sustain a formula that caps funding for eligible students. **For Washington State to have a K-12 funding system that adequately and equitably funds all students the cap and level of Special Education funding will require serious attention.**

Looking Ahead

Stakeholders are seeking a greater understanding of the impact of HB 2242 on local districts. This heightened interest in understanding the legislation is meant to continually highlight where additional refinements are needed. There are challenges to the current legislation; initial responses to HB 2242 from districts indicate that some districts are concerned that state funding levels will not adequately cover salaries and other basic education costs.²¹ While HB 2242 is unquestionably a large investment in public schools, the efficacy of all aspects of the HB 2242 policy solution are variable and uncertain for districts and ultimately students. The legislation requires deeper analysis and close monitoring.

Amid the uncertainties and challenges to HB 2242, there are significant and important changes that have not yet been implemented and thus cannot yet be judged. These changes include:

- OSPI is specifically tasked with writing rules to implement the new enrichment framework, defining what is and is not an enrichment
- In calendar year 2020, a district must:
 - Receive approval for an enrichment levy expenditure plan from OSPI prior to presenting it to voters²²
 - Deposit levy revenue into a separate sub-fund
- Regular audits by the State Auditor must review the expenditure data from sub-funds to ensure proper utilization of enrichment levies
- Districts must create a 4-year budget and address the projected sources of revenue for compensation increases including the portion of salaries supported by enrichment levies (changes in supplemental contracts must be reported to OSPI annually)

The legislature should continue to work toward a system that will do a better job for Washington State students. The legislature should prioritize analysis of early implementation and confront unintended consequences. **The priority must continue to be transparency and accountability in service of equity, adequacy, and above all student achievement.** The legislature cannot and should not be asked to walk back on their commitment to transparency, adequacy, and equity. While HB 2242 is not the adequate and equitable solution yet, it takes important next steps. It must be thoughtfully augmented, where it falls short, not reversed in the coming legislative sessions, so that historical patterns of inequitable and unregulated levy spending are not reestablished post-*McCleary*.

¹⁹ <http://www.k12.wa.us/SpecialEd/Finance-Grants/Funding.aspx>

²⁰ <http://apps.leg.wa.gov/WAC/default.aspx?cite=392-140-60105>

²¹ <https://www.seattleschools.org/cms/One.aspx?portalId=627&pageId=28588598>

²² <http://lawfilesexternal.wa.gov/biennium/2017-18/Pdf/Bills/Session%20Laws/House/2242.SL.pdf>

APPENDIX

More Detailed McCleary Background:

A brief grounding in the history of the *McCleary* Court decision is helpful to understand HB 2242 and its policy implications.

McCleary v. State was originally filed in 2007, alleging that the state was not meeting its constitutional duty to make ample provision for schools as required under Article IX, section 1 of the state Constitution.²³ The King County Superior Court ruled on behalf of the plaintiffs in 2010, that school “funding is not ample, it is not stable, and it is not dependable.”²⁴

In 2012, on appeal, the state Supreme Court upheld the lower court, ruling that the state has “consistently provided school districts with a level of resources that falls short of the actual costs of the basic education program.”²⁵ Rather than wait “idly by,”²⁶ the Court resolved to retain jurisdiction in the case to provide oversight and ensure progress. In addition, the court recognized that existing legislation (HB 2261 & HB 2776) would go a long way to meeting the state’s funding obligations, if fully implemented by 2018.

From 2012 to the most recent legislative session in 2017, the legislature has continued to phase-in funding enhancements aimed at providing “ample” funding for basic education. The legislature’s plan for meeting the court’s mandate relied on two pieces of legislation HB 2261 (2009) and HB 2776 (2010). HB 2261 established a revised basic education framework, while HB 2776 actually specified required funding enhancements in particular programs. HB 2261 incorporated voluntary full day kindergarten, and the highly capable program as part of a constitutionally-protected program of basic education, as well as increased instructional hour requirements at all grade levels. HB 2776, passed the very next year, inserted specific funding targets in law for four major basic education programs: class size reduction, full day kindergarten, pupil transportation, and materials, supplies, and operating costs (MSOC) (a term for books, supplies, and other non-salary costs), with staggered timelines all culminating before 2018 (see Table 1). Not highlighted in the table but also an imperative part of the legislature’s charge was addressing adequate compensation to attract and retain qualified staff, provide a reliable source of revenue for funding enhancements to be sustained in the future, and address districts’ over reliance on local levies.

Table 1: Four key areas to be “Fully Funded” with associated timeline²⁷

²³ <https://www.courts.wa.gov/content/publicUpload/McCleary/McClearyOrder11152017.pdf>; pg. 1

²⁴ <http://www.courts.wa.gov/opinions/pdf/843627.opn.pdf>; pg. 38

²⁵ <http://www.courts.wa.gov/opinions/pdf/843627.opn.pdf>; pg. 77

²⁶ <http://www.courts.wa.gov/opinions/pdf/843627.opn.pdf>; pg. 76

²⁷ Source: OSPI <http://www.k12.wa.us/default.aspx>

School Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Full-Day Kindergarten	More Funding <i>Can Begin</i>	More Funding <u>Must Begin</u>	Continues to Ramp Up	Continues to Ramp Up	Continues to Ramp Up	Continues to Ramp Up	Must Be FULLY Funded
K-3 Class Size Reduction	More Funding <i>Can Begin</i>	More Funding <u>Must Begin</u>	Continues to Ramp Up	Continues to Ramp Up	Continues to Ramp Up	Continues to Ramp Up	Must Be FULLY Funded
MSOC	More Funding <i>Can Begin</i>	More Funding <u>Must Begin</u>	Continues to Ramp Up	Continues to Ramp Up	Must be Funded at New Level	<u>FUNDED AT NEW LEVEL</u>	<u>FUNDED AT NEW LEVEL</u>
Basic Transportation	More Funding <i>Can Begin</i>	More Funding <u>Must Begin</u>	Continues to Ramp Up	Must Be FULLY Funded	<u>FULLY FUNDED</u>	<u>FULLY FUNDED</u>	<u>FULLY FUNDED</u>

Despite increasing funding through various enhancements, in 2014, the Court ordered the state to produce a “complete plan” for implementation, including “a phase-in schedule for fully funding each of the components of basic education” by 2018.²⁸ When an acceptable plan was not forthcoming, the Court held the state in contempt and ordered the state to pay fines of \$100,000 per day until it complied.

After the 2015 legislative session, the court observed that the legislature made progress (including funding key class sizes (K-3), full day kindergarten, pupil transportation, and MSOC in HB 2776), but remained inadequate overall.²⁹ At the completion of the 2016 session, the Court ruled the state was still in contempt, continued the \$100,000 remedial fines, and cited staff compensation as a major unresolved issue. In addition, the legislature, chided by the Court, awaited recommendations from an Education Funding Task Force established in ESSB 6195 (2016).³⁰ This bill set the stage for the task force to provide recommendations on the remaining key pieces requiring full funding:

1. Provide state funding for competitive salaries and benefits that are sufficient to hire and retain competent certificated instructional staff, administrators, and classified staff
2. Provide a reliable source of revenue for funding enhancements to be sustained in the future
3. Address districts’ over reliance on local levies

Table 2: Major funding changes enacted in HB 2242 (SY 2017-18 through SY 2020-21)

2017-18 Changes	Description
General Apportionment	
COLA	<ul style="list-style-type: none"> • 2.3% COLA continued from 15-17 biennium in the 2017-18 school year, after that salaries are increased by IPD
MSOC BEA and Lab Sci. Inflation Increase	<ul style="list-style-type: none"> • General education and Lab Science MSOC values are increased by inflation
CTE and Skills Center Increases	<ul style="list-style-type: none"> • CTE class size reduction from 26.57 to 23 • CTE central admin enhancement increased from 1.45% to 12.29% • CTE MSOC increased from \$1,447 to \$1,472

²⁸ <https://www.courts.wa.gov/content/publicUpload/McCleary/McClearyOrder11152017.pdf>, pg. 3

²⁹ <http://www.sbe.wa.gov/documents/BoardMeetings/2015/Sept/McClearyReportCard.pdf>

³⁰ <http://www.courts.wa.gov/content/publicUpload/Supreme%20Court%20News/843627Order100616.pdf>, pg. 10

	<ul style="list-style-type: none"> • Skill Center Class Size reduction from 23.76 to 20 • Skill Center Central Admin enhancement from 17.31% to 17.61% • Skill Center MSOC increase from \$1472 from \$1,286 • Indirect rates reduced from 15% to 5%
Inflation change from CPI to IPD	<ul style="list-style-type: none"> • Inflation index changed from Consumer Price Index (CPI) to Implicit Price Deflator (IPD) (2018 = 1.7% vs. 2.3%)
Transition school employees to SEBB by SY 2019-20	<ul style="list-style-type: none"> • Transition school employees to the School Employee Benefits Board state benefits program
K-3 class size reduction funded	<ul style="list-style-type: none"> • Compliance with funding K-3 class size reductions to 17 without mandating class sizes at 17
Categorical Programs	
TBIP 7-12 Increase	<ul style="list-style-type: none"> • Transitional Bilingual Program (TBIP) increase to eligible students and hours per week
Highly Capable Increase	<ul style="list-style-type: none"> • Increases eligible student percentage to 5%
New High Poverty LAP Allocation	<ul style="list-style-type: none"> • Learning Assistance Program (LAP) increases for high poverty schools (greater than 50% poverty)
Special Education Allocation Increase	<ul style="list-style-type: none"> • Special Education increases maximum funded student percent from 12.7% to 13.5% and increase the average Special Ed. rate from \$6,995 to \$7,988

2018-19 Changes	Description
General Apportionment	
50% of salary increase phased in, with regionalization factors	<ul style="list-style-type: none"> • Salary allocation changes from SAM to state average by staff type with 50% of the increased statewide average salary allocations implemented in SY 18-19 • Regionalization factor applied to the base salaries (6%, 12%, 18%, or 24%)
Districts funded at actual K-3 class size	<ul style="list-style-type: none"> • Compliance with funding K-3 class size reductions to 17 with funding for actual class sizes
Increased professional learning time for CIS	<ul style="list-style-type: none"> • 1 day of professional learning time for CIS

2019-20 Changes	Description
General Apportionment	
100% of salary increase phased in, with regionalization factors	<ul style="list-style-type: none"> • Salary allocation changes from SAM to state average by staff type with remaining 50% of the increased statewide average salary allocations implemented • Regionalization factor applied to the base salaries (6%, 12%, 18%, or 24%)
Increased professional learning time for CIS	<ul style="list-style-type: none"> • 2 days of professional learning time for CIS

2020-21 Changes	Description
General Apportionment	
Increased professional learning time for CIS	<ul style="list-style-type: none"> • 3 days of professional learning time for CIS