

EDUCATION FUNDING IN 2012

Rep. Ross Hunter

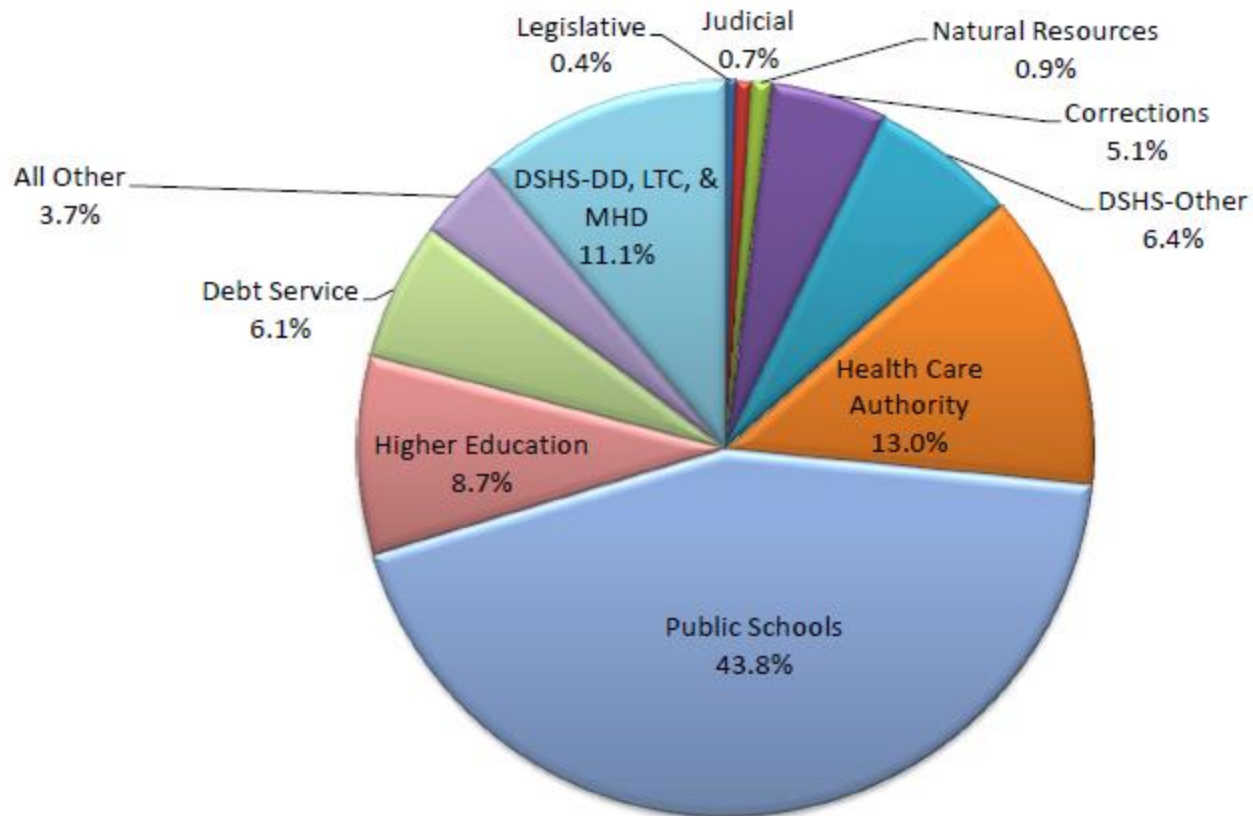
Chair, Ways and Means Committee

November 2, 2012

Where are we now?

	11-13	13-15	15-17
Beginning Balance	\$ (60)	\$ 45	\$ (1,077)
Resources			
Forecast	\$ 30,886	\$ 33,043	\$ 36,032
Transfer to BSA	\$ (266)	\$ (286)	\$ (311)
Transfers, WCR	\$ 617	-	
Total	\$31,237	\$32,757	\$ 35,761
Spending			
Appropriations	\$ 31,249	\$ 33,848	\$ 36,032
Less Reversions	\$ (120)	-	
Total	\$31,129	\$33,848	\$ 36,032
NGFS+ Op PW	\$ 48	\$ (1,043)	\$ (1,314)
BSA	\$ 266	\$ 551	\$ 862
Total Reserves	\$ 314	\$ (492)	\$ (452)

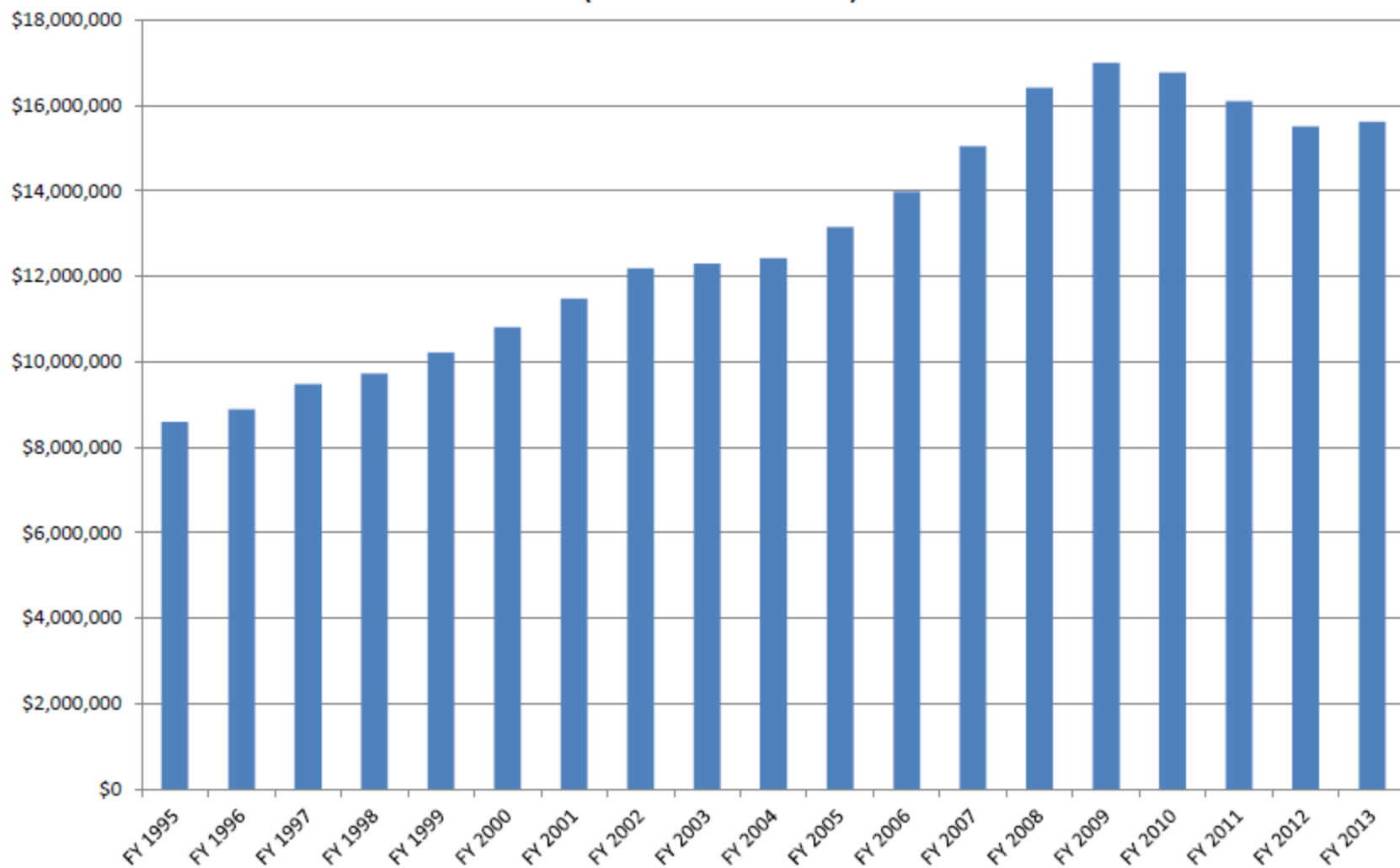
Where is the Money Spent?



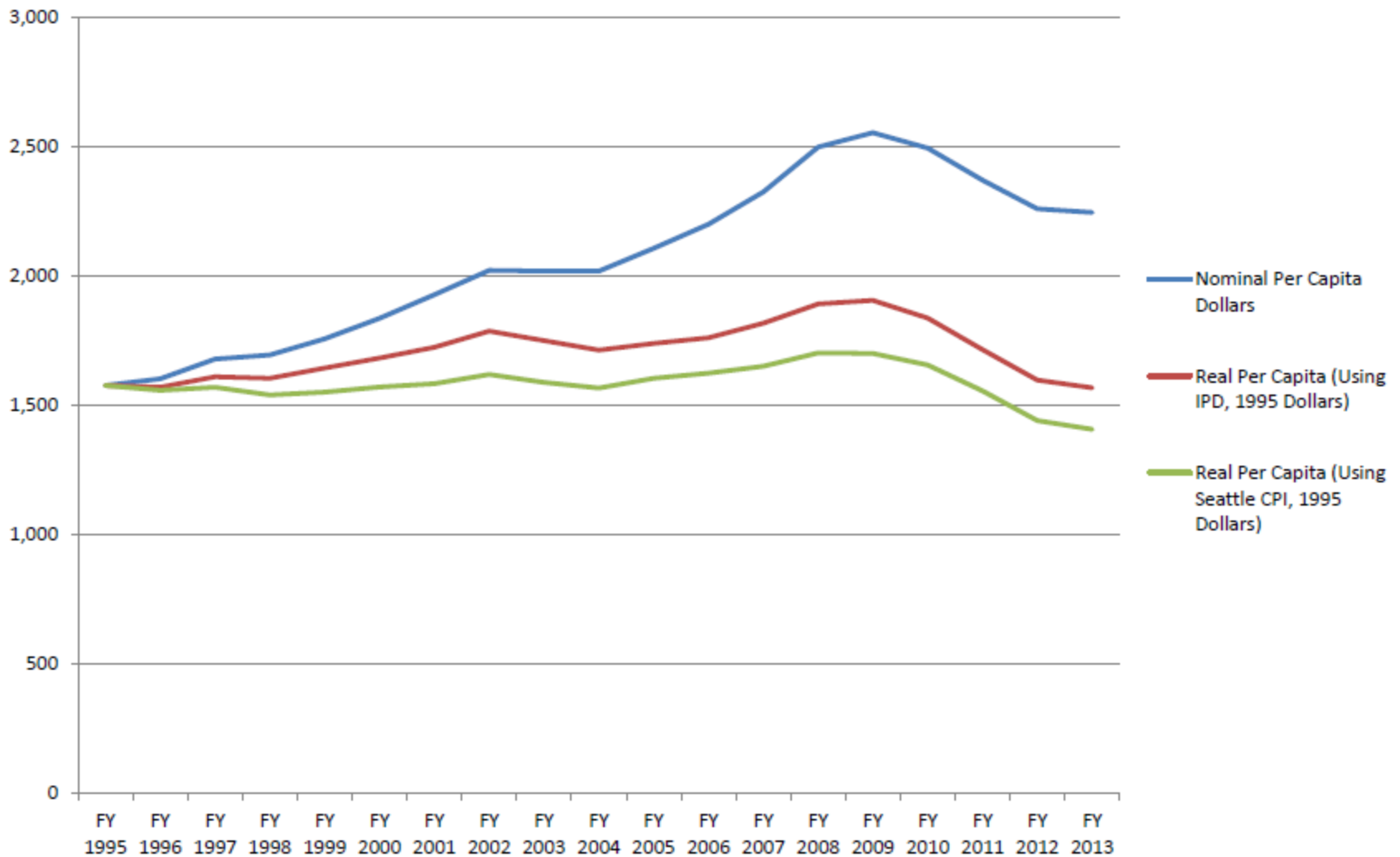
2011-13 Operating Budget As Passed Legislature
Near General Fund-State + Opp. Pathways

NGFS & Related Fund Spending: FY 1995 To FY 2013

(Dollars in thousands)



Per Capita NGFS & Related Fund Spending: FY 1995 To FY 2013 (Dollars in thousands)



McCleary Decision

- Current Legal Requirements
 - State funding of “basic ed” currently expenses paid for with local levies
 - New educational programs (all-day Kindergarten, lower K-3 class size)
 - 1080 hour required learning time in middle and high schools instead of 1000, 24 credits
 - Shift compensation paid with local levies to the state – requires regional comp model
- The first two (widely discussed) items cost \$1 billion in 2013-15 and grow to \$3.3 billion in 2017-19.

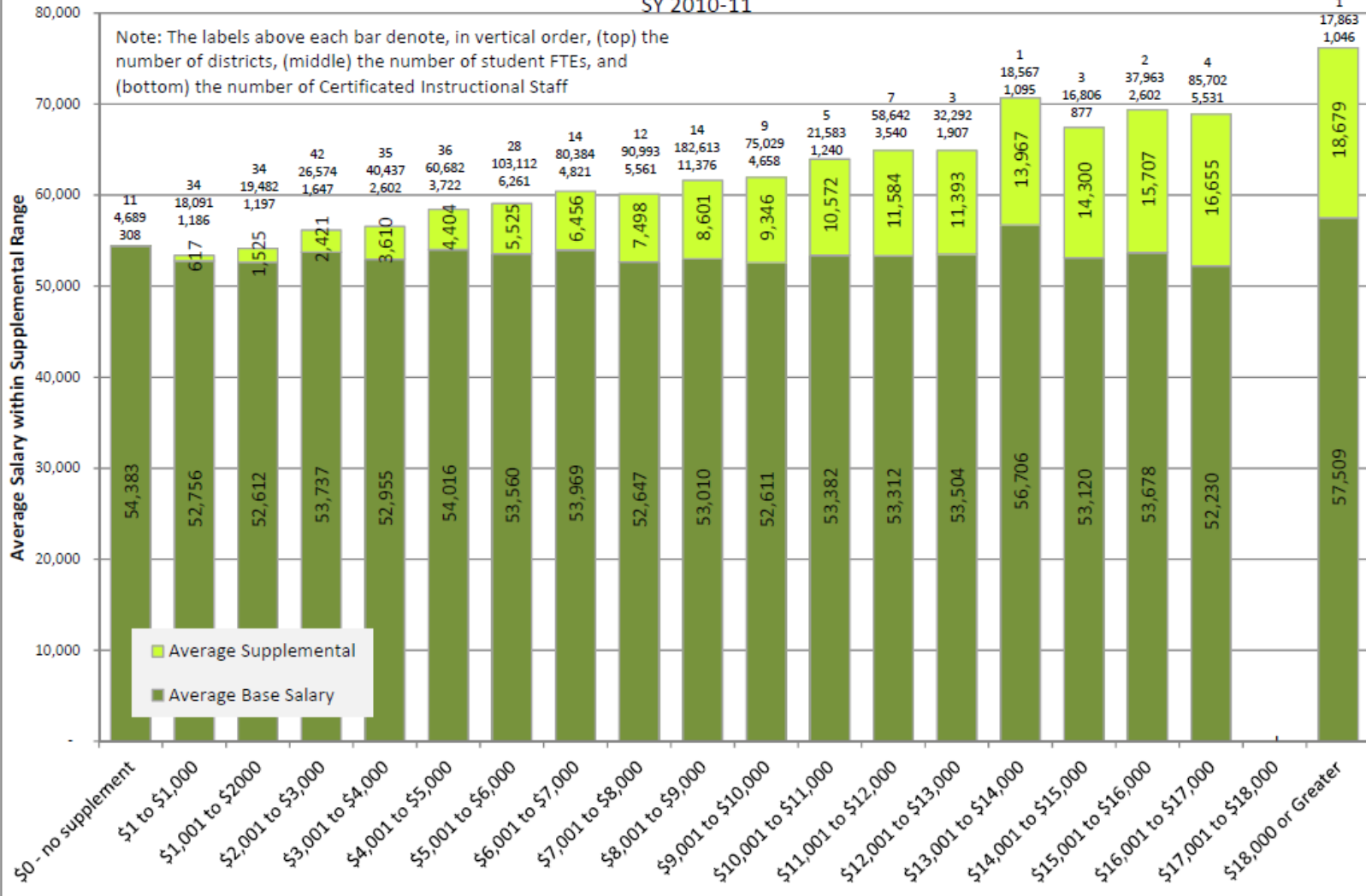
Teacher Compensation

- More complex than administrative or classified
 - Regional differences are greater
 - State salary schedule and bargaining constraints
- Base (state-provided) compensation inadequate in most metropolitan areas
- Total compensation (including local TRI pay) comparable in all areas

Average Salary with Respective Average Supplemental Salary In Increments of \$1,000 Supplemental Pay

SY 2010-11

Note: The labels above each bar denote, in vertical order, (top) the number of districts, (middle) the number of student FTEs, and (bottom) the number of Certificated Instructional Staff



Teacher Compensation (cont.)

- Options
 1. Increase state-provided pay across the board to match most expensive area. (costly)
 2. Create a regional pay difference model and pay teachers more in metropolitan areas. (politically painful, operationally difficult)
 3. Allow local compensation to pay regional differences, eliminate TRI euphemism and call it “regional pay differences” or something rational and limit it in reasonable ways.
- This financial summary below assumes option #3.

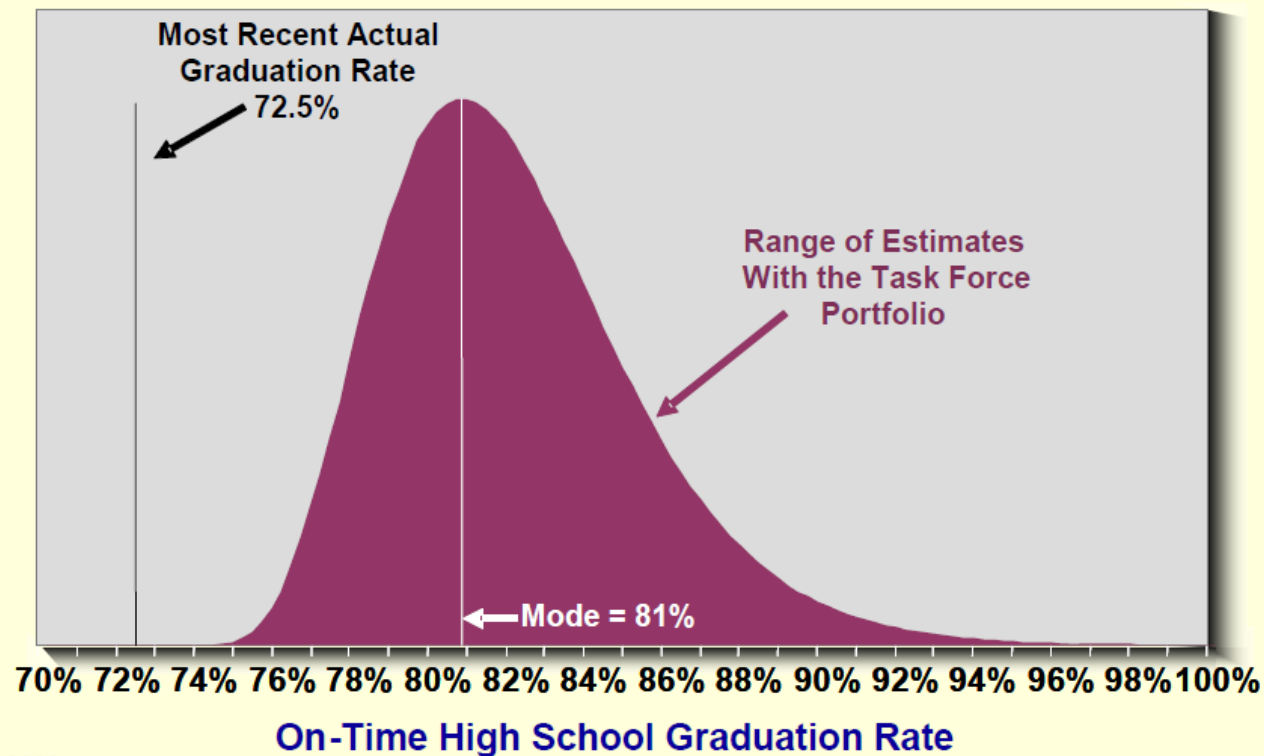
Amounts Required to Fund the McCleary Decision							
Amounts in Millions							
		FY14	FY15	FY16	FY17	FY18	FY19
SHB 2276							
	Transportation	\$ 43	\$ 99	\$ 112	\$ 114	\$ 115	\$ 117
	MSOC	\$ 180	\$ 417	\$ 666	\$ 745	\$ 767	\$ 788
	K-3 Class Size	\$ 66	\$ 164	\$ 274	\$ 408	\$ 556	\$ 598
	Full-Day Kindergarten	\$ 27	\$ 62	\$ 96	\$ 132	\$ 168	\$ 181
SHB 2776 Total		\$ 316	\$ 742	\$ 1,148	\$ 1,399	\$ 1,606	\$ 1,684
	biennial totals		\$ 1,058		\$ 2,547		\$ 3,290
ESHB 2261							
	Addn'l 80 house grades 7-12	\$ -	\$ 21	\$ 52	\$ 79	\$ 105	\$ 106
	24 credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SHB 2776 Total		\$ -	\$ 21	\$ 52	\$ 79	\$ 105	\$ 106
	biennial totals		\$ 21		\$ 131		\$ 211
Compensation							
	Classified	\$ 203	\$ 207	\$ 212	\$ 216	\$ 221	\$ 226
	Administrative	\$ 199	\$ 204	\$ 208	\$ 212	\$ 217	\$ 221
Compensation Total		\$ 402	\$ 411	\$ 420	\$ 428	\$ 438	\$ 447
Grand Total		\$ 718	\$ 1,174	\$ 1,620	\$ 1,906	\$ 2,149	\$ 2,237
	biennial totals		\$ 1,892		\$ 3,526		\$ 4,386
Total Districts currently pay		\$ 625	\$ 927	\$ 1,198	\$ 1,287	\$ 1,320	\$ 1,352
New funding required		\$ 93	\$ 247	\$ 422	\$ 619	\$ 829	\$ 885
	biennial totals		\$ 340		\$ 1,041		\$ 1,714

New Problem Statement

Problem Statement with McCleary			
	11-13	13-15	15-17
Beginning Balance	\$ (60)	\$ 45	\$ (1,077)
Resources			
Forecast	\$ 30,886	\$ 33,043	\$ 36,032
Transfer to BSA	\$ (266)	\$ (286)	\$ (311)
Transfers, WCR	\$ 617	-	
Total	\$ 31,237	\$ 32,757	\$ 35,761
Spending			
Appropriations	\$ 31,249	\$ 33,848	\$ 36,032
Less Reversions	\$ (120)	-	
McCleary		\$ 1,892	\$ 3,526
Total	\$ 31,129	\$ 35,740	\$ 39,558
NGFS+ Op PW			
	\$ 48	\$ (2,983)	\$ (3,797)
BSA	\$ 266	\$ 551	\$ 862
Total Reserves	\$ 314	\$ (2,432)	\$ (2,935)

Don't Be Confused: Funding Matters

Projection of the Long-Term Effect of the Task Force Proposal on High School Graduation Rates in Washington (14 Years After Full Implementation of Task Force Proposal*)

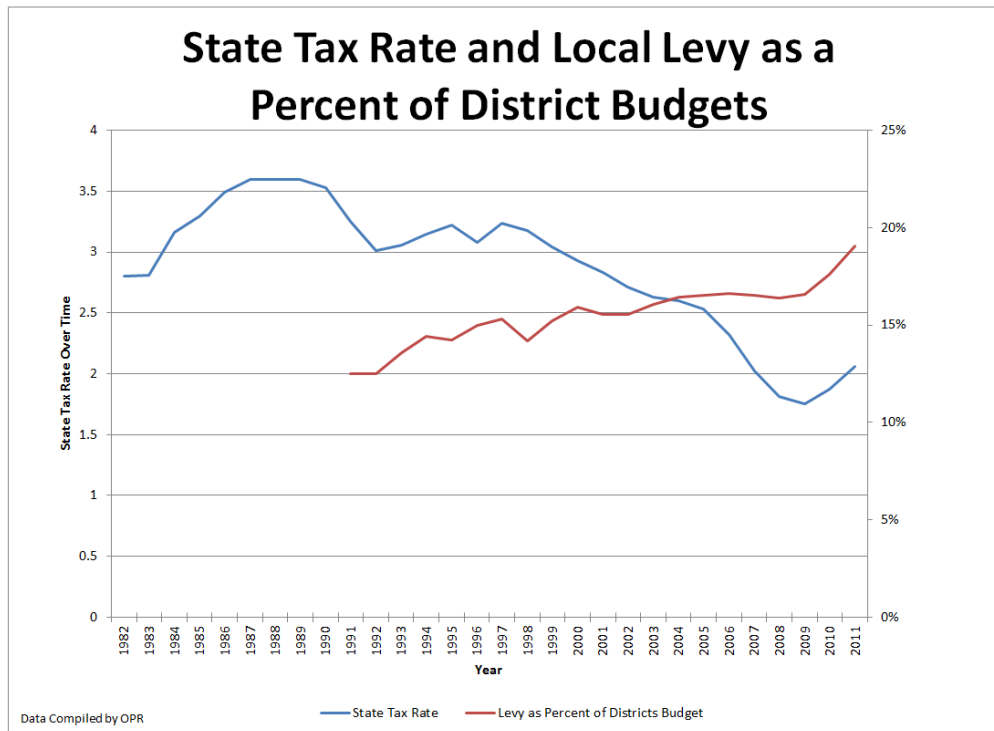


How To Pay for It?

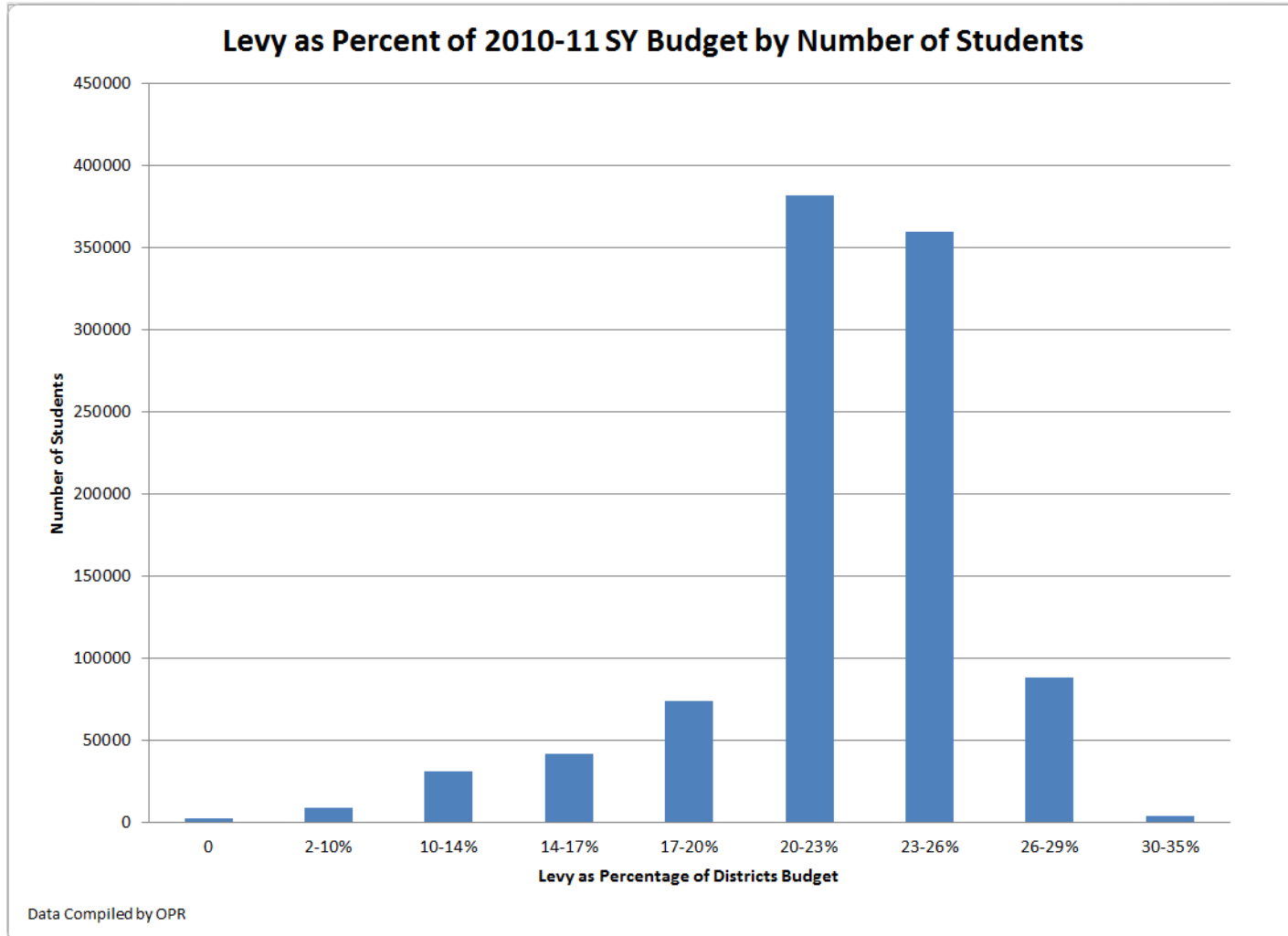
- “Levy Swap” to solve part of the problem – the part districts are already paying for with local money
- Combination of long-term cost reduction strategies and new revenue to pay for the rest

Increasing Levies

Rising local levies are almost back to the late seventies, the levels that prompted the original school funding suits



Increasing Budget Risk



Just Fix It

- New system should be
 - **Fair.**
 - Basic ed funded by state, not locals.
 - Larger % of taxes collected statewide, not locally
 - **Adequate.**
 - Meet basic ed responsibility.
 - If not today, then ensure a growth path that does.
 - **Reliable and Stable**
 - More money “protected” as basic ed.
 - Levies not subject to elections every 4 years

Proposal: Local Levy Swap

1. Revenue-Neutral swap of local levies for common school levy
 - Use basic ed distribution model to drive out new money
2. Allow growth greater than 1% of the common school levy as we recover from the recession
3. Reset levy caps at \$X ($\$X \geq \2500) per student
4. Make levies reliable by making them permanent

Why?

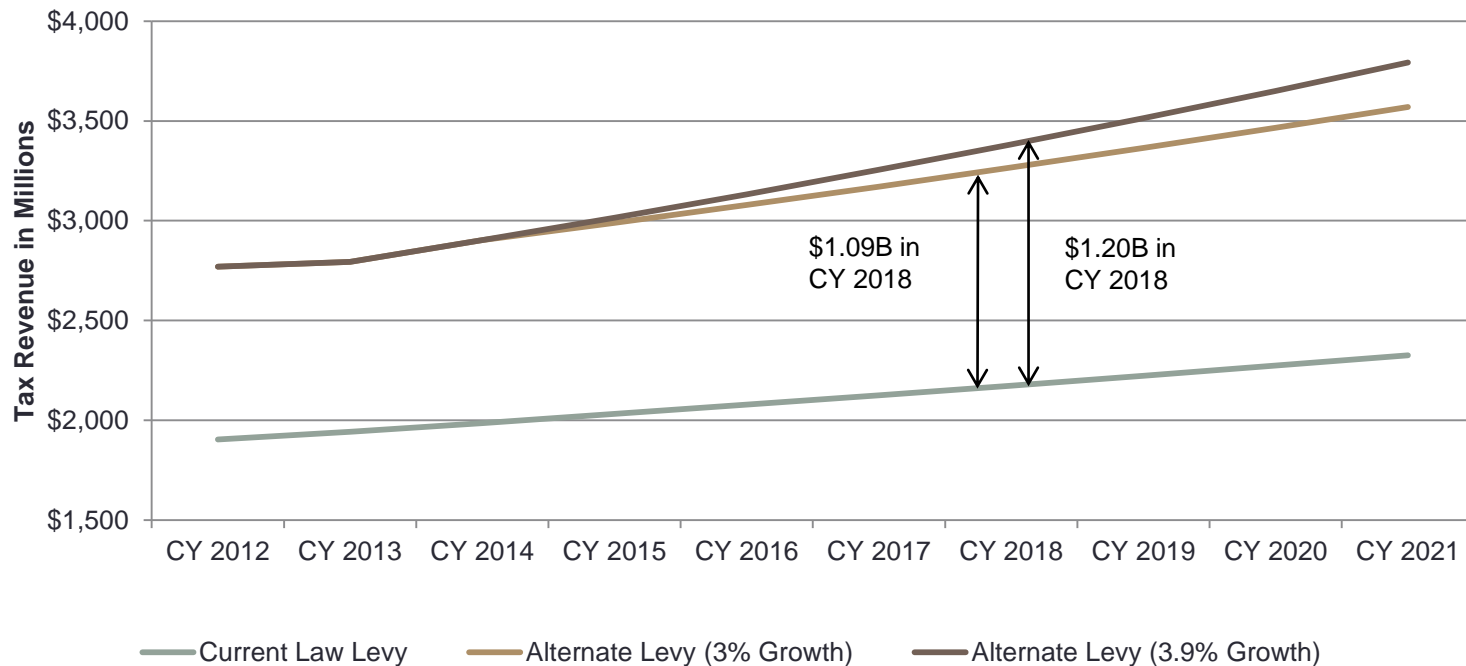
- Common School Levy works better than LEA
- More money is “*basic education*” and hence constitutionally protected
- Growth starts to pay for constitutional requirement of ample funding
- Eliminates all grandfathering, a huge problem in Puget Sound districts

This Proposal Does NOT

- Put NEW money into most school districts.
 - It changes from unreliable local levies to reliable and fairer state collection.
 - Some districts will get a little more money.
- Increase Aggregate State Taxes
 - Afterwards local districts will have additional levy capacity and could ask their voters for increases, but the total share of local levies would still be smaller.

Long-Term Growth

Common School Levy
Current Law v. Fixed Rate Levy (\$3.20)
at 3% and 3.9% Growth



Examples

- See related spreadsheet: <http://www.rosshunter.info/wp-content/uploads/2012/10/Example-Levy-Swap.xlsx>

Issues

- **Levy Equalization.** The overall levy base is reduced in this proposal, which would change LEA. Practically, the LEA formula needs to be re-written so it grows at the same rate that collected levies do, not at twice the rate.
- **Final levy capacity.** Seattle legislators have expressed concern that their district pays \$111 million per year in new taxes and gets no additional school funding – we may need a higher levy cap to resolve this.
- **Revenue and/or cuts for the rest.** This will be complex and interesting.

Questions?

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January to April

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