



December 15, 2016

Honorable Co-Chairs and Members of the Educational Funding Task Force:

Thank you for the opportunity to address the task force. This written testimony is being submitted on behalf of a coalition of associations we call the Local Funding Workgroup. We came together two and a half years ago to seek common ground on the complicated issues related to the use of local levies in light of the *McCleary* decision.

The workgroup is made up of representatives of the Washington Association of School Business Officials (WASBO), Washington Association of School Administrators (WASA), Washington State School Directors Association (WSSDA), Association of Washington School Principals (AWSP), Washington School Personnel Association (WSPA), and Alliance of Education Associations (AEA).

On behalf of this workgroup, we would like to comment on the K-12 Public School Staff Compensation Analysis submitted to this task force by the 3Si consultants on November 15. We appreciate all the work in both data gathering and analysis that went into that report. Given the complexity and importance of these issues, however, we are concerned that the presentation provided an incomplete picture of the degree to which school districts are supplementing basic education staff and salary allocations with local levy funding.

Based on the information on Slide 7 of the 3Si presentation, one might assume that very few certified instructional staff (CIS) FTE have been added to the state allocation. While technically accurate, the data on that slide netted categorical program numbers along with the regular instructional program numbers. Because state allocated resources for categorical programs can only be used for allowable activities of the categorical program for which they are intended, school districts are not able to make up for staffing shortages in regular instructional programs with funding provided by the state for categorical programs. The presentation of the data on Slide 7 masks the variance in the regular instructional program. The attached OSPI chart shows that if the basic education allocation is considered separately, school districts have hired over 2,700 more certified instructional FTE than allocated by the formula.

It is also important to reiterate the 3Si staff comment made during the presentation that the \$1.455 billion figure shown at the top of Slide 7 is an incomplete compensation estimate. For a more complete picture, mandatory employer payroll taxes and state retirement contributions must be included. OSPI estimates the cost of mandatory benefits, not including medical insurance, would

average 22%. If those costs are added, the total amount would be \$1.775 billion per year, or \$3.55 billion per biennium. Also, as noted by 3Si in the footnote on Slide 7, the additional salary funded by school districts does not include Special Education and Pupil Transportation. Many districts are forced to use significant local levy funds to cover the funding gap in those programs.

It is also important to recognize that the manner and degree to which local districts have supplemented these state allocations has been driven by local levy capacity, community values and needs, and the priorities local employee groups have pressed at the bargaining table. As a result, some school districts have added more staffing, while others used local resources to supplement the salary allocation. Most school districts fall somewhere between, with local investments in both areas.

Given that fact, statewide averages or totals cannot reflect the story of supplemental local levies in each district. That's important to keep in mind as the Legislature works to untangle this complicated blending of local and state funding currently used to cover basic education costs. It's also important to note that any success achieved in that regard will quickly unravel if there aren't restrictions placed on collective bargaining for basic education activities.

One final comment relates to the levy cliff. As you know, the levy lid is set to be reduced by 4 percentage points beginning in 2018. At that time, the maximum LEA will also be reduced by 2 percentage points. Those changes along with the elimination of "ghost funds" in the levy lid calculation represent a loss of \$500 million statewide. The "ghost funds" gave school districts credit for the revenue I-728 and I-732 would have added to a district's levy base if they had not been suspended.

Given the complexity of the local funding issues the Legislature must address in the 2017 Session, we urge the task force to recommend early action on a one-year extension of the levy authority at its current level. If that does not occur, most school districts will waste precious human resources to develop two different budgets. Rather than waiting until April to make that decision, early action on an extension will help avoid the budgeting and personnel chaos that will surely occur. A one year extension will allow districts to develop a more thoughtful plan based on the *McCleary* funding decisions the Legislature must make by the end of the session.

Thank you for the opportunity to share our perspective. We stand ready to assist you as you seek to provide our schools with the ample funding required by our state constitution.

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# Project Context

In the 2014-15 school year, districts paid ~1.455B in additional salary and base salary for additional FTEs\*

	State Allocated FTEs	Actual FTEs	State Salary Allocation	Total Salary**
Certificated Instructional Staff (CIS)	53,463	53,677	\$2,830,563,963	\$3,578,879,997
Certificated Administrative Staff (CAS)	4,023	3,991	\$241,203,874	\$459,168,538
Classified Staff (CLS)	17,225	22,309	\$557,052,617	\$1,045,944,765
<b>Total</b>	<b>74,711</b>	<b>79,978</b>	<b>\$3,628,820,454</b>	<b>\$5,083,993,300</b>

- *Total variance in SY 2014-15 of ~\$1.455B between state salary allocation and total salary paid, additional dollars pay for additional FTEs and additional salary*
- *This report will describe the duties and categories of additional pay within this variance*

\*FTE counts and salary totals include all statutory programs of basic education except Special Education and Pupil Transportation. \*\*State, local and federal resources are included in total salary paid. Source: OSPI 2014-15 SY final apportionment report and population for sample data set for E2SSB 6195 (taken from S275 2014-15 SY final data set).

# School Year 2014-15 Allocated vs. Employed K-12 Staffing

	<u>Non-Categorical Basic Education*</u>			<u>Basic Education Programs**</u>		
	CIS (Instructional)	CAS (Administrative)	CLS (Classified)	CIS (Instructional)	CAS (Administrative)	CLS (Classified)
Full-Time Equivalent (FTE) Employed by Districts	51,505	3,910	21,155	61,562	4,236	28,836
State Allocated FTEs	<u>48,756</u>	<u>4,017</u>	<u>17,206</u>	<u>53,339</u>	<u>4,017</u>	<u>17,206</u>
FTEs Employed Above State Allocation	2,749	(106)	3,950	8,223	219	11,631

\*Non-Categorical Basic Education Programs Include: Basic Education, Alternative Learning, Career & Technical Education, Skill Center, and Districtwide Support (1, 2, 31, 34, 45, & 97)

\*\*Basic Education Programs Include: Programs cited in footnote 1 and Categorical programs, Special Education, Institutional Programs (3, 21, 26, 39, 55, 56, 57, 59, 65, 74, & 75)

Source: School Year 2014-15. District data from S275 Personnel Summary Reports. State Allocated data from School Year 2014-15 Final Apportionment data (Report 1191).

