



McCleary Legislation Analysis

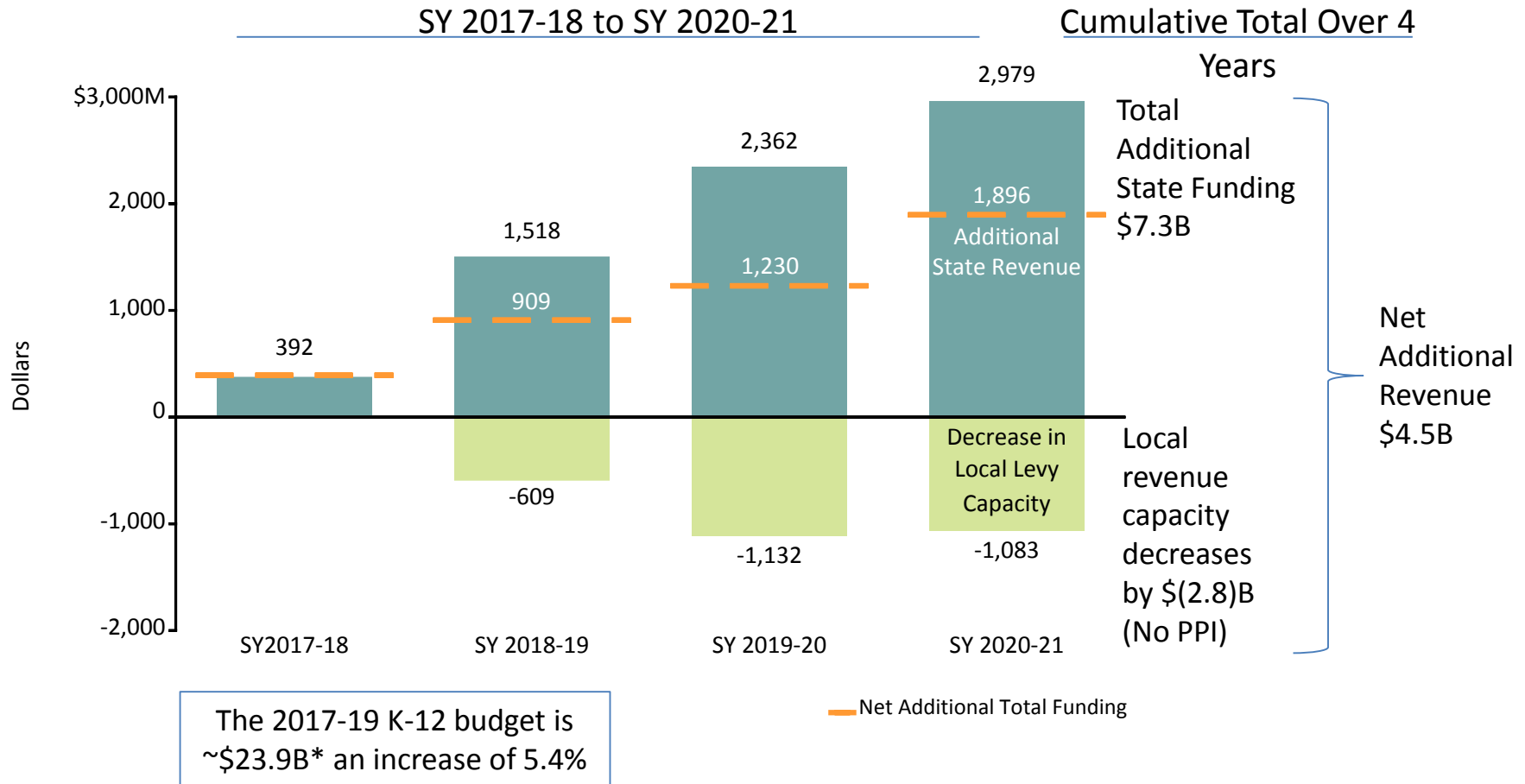
City Council Update

Presented: February 14, 2018

Net Increase in Total State Funding

HB2242 represents a net increase in state funds for K-12 education of \$4.5B, after accounting for the reduction in local levy capacity

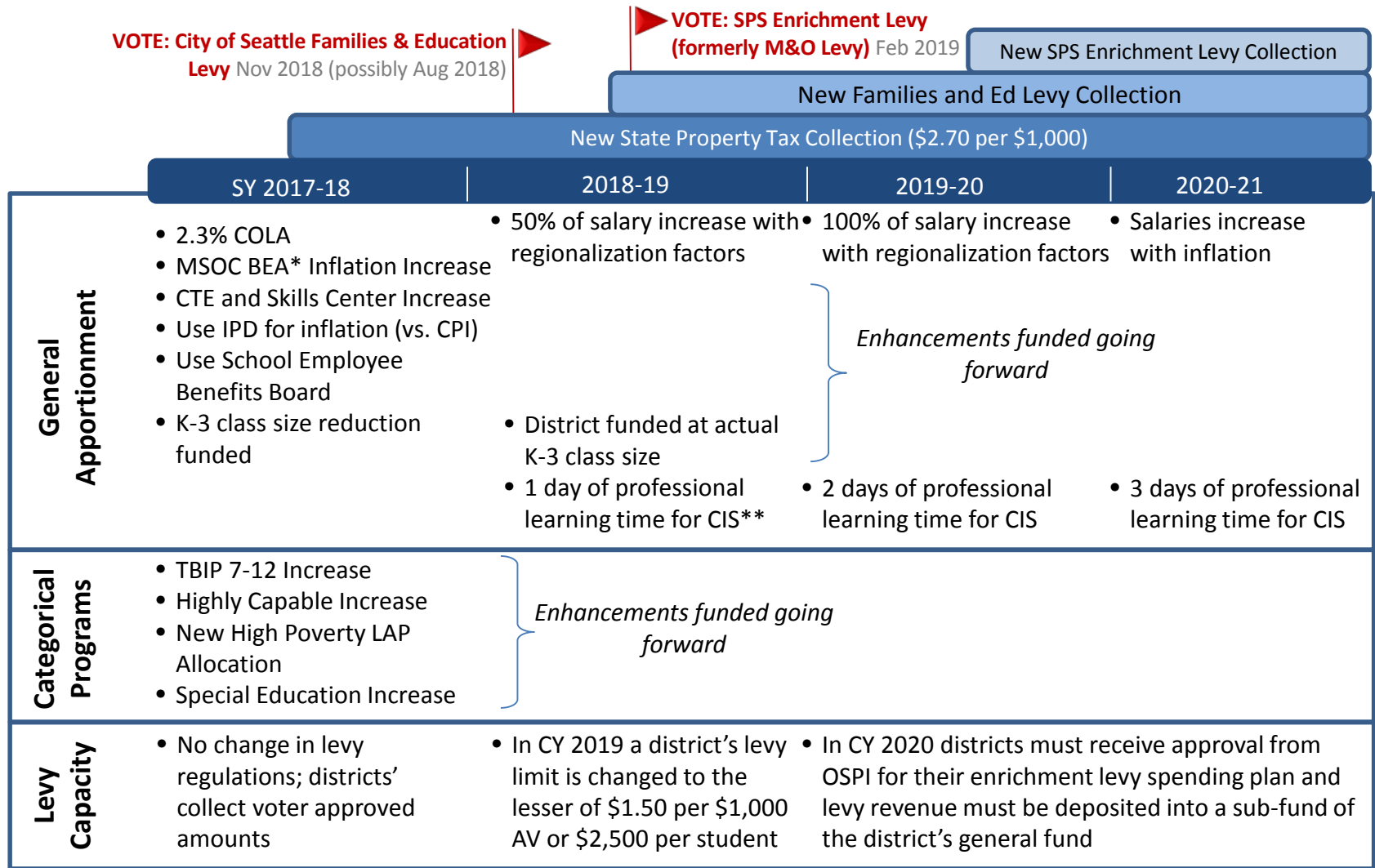
Additional State and Local Revenue for Basic Education



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. PPI – Per Pupil Inflatior. * [WASA](#)







HB2242 Implementation Timeline

Legislative changes will be phased in and state property taxes will increase before Seattle voters decide on two new local levies



HB 2242 Implications for SPS

Legislation will result in increases and decreases to different revenue line items for Seattle Public Schools

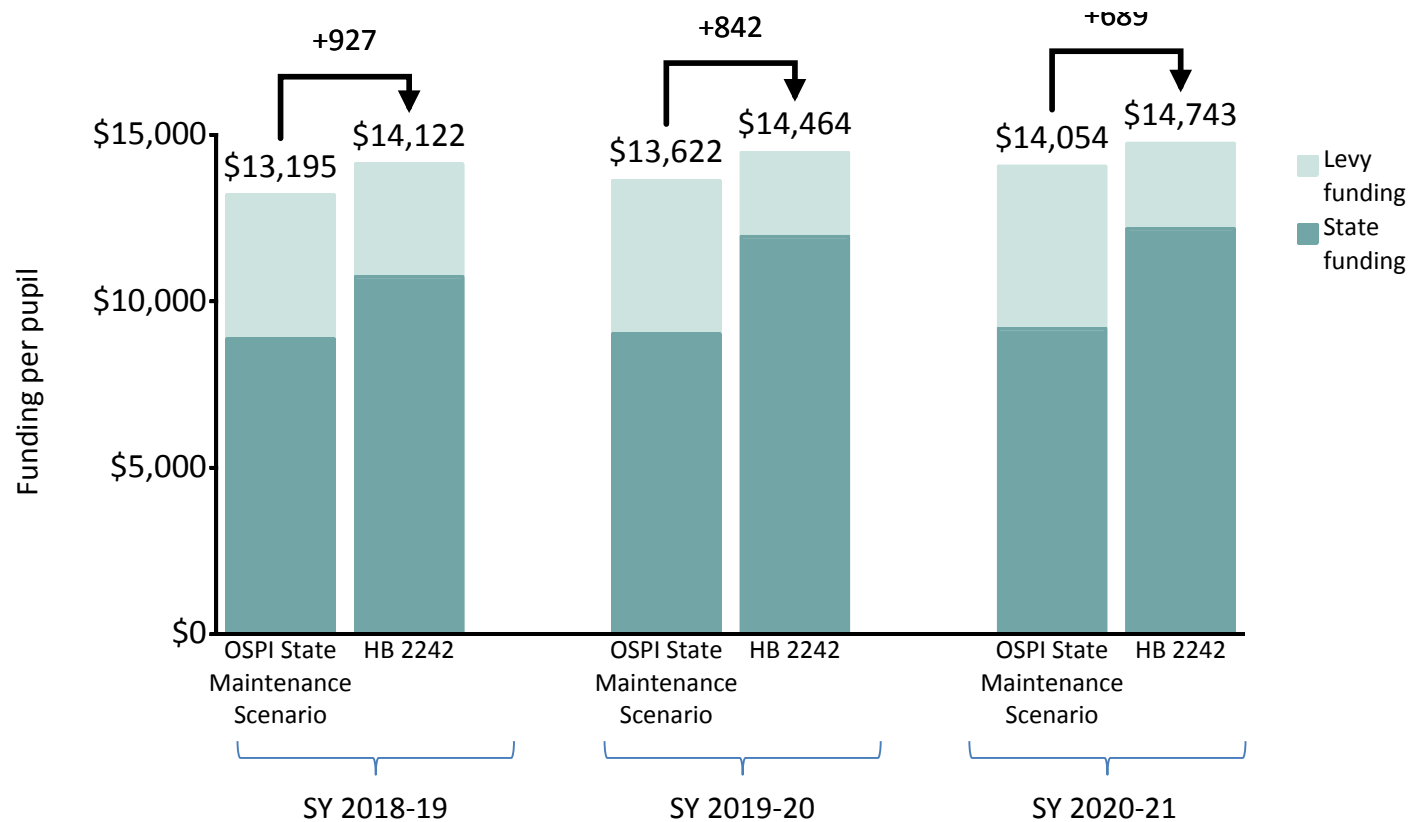
| Funding Change | SPS Impact |
|--|---|
| K-12 Salary Allocation and Regionalization Factor |  SPS' high regionalization factor, +18%, determined by real estate values, compared to their previous lower than average staff mix factor results in higher salary allocations |
| Professional Learning Time |  Previously SPS paid for professional development with local levy revenue |
| Change in Inflation Factor |  The switch to IPD creates smaller annual inflation growth than previous legislation - CPI |
| Categorical and Other Programs: 1. <i>Transitional Bilingual Increase</i> 2. <i>Learning Assistance Program</i> 3. <i>Highly Capable</i> 4. <i>Special Education</i> |  SPS receives additional per student funding for TBIP, LAP, and HiCAP; additional funding is above the state average as a result of the +18% regionalization factor |
| |  SPS will see per student increases as a result of increased salary allocations; SPS' current SpEd population is 12.59% |
| <i>Local Levy Revenue</i> |  SPS' per student local levy capacity is decreased, this is exacerbated by SPS' grandfathered levy lid of 36.97% compared to the state lid. |

Note: This is not a comprehensive list of all changes in HB 2242; in addition, HB 2242 provides funding to guarantee that districts receive no less funding than they would have received under the current law as of January 1, 2017.

SPS Impact: Net Additional Per Pupil Funding

In SY 2019-20, when new salaries are fully funded, SPS will receive an additional net \$842 per student in funding

Seattle Public Schools Average Funding per Student vs. OSPI Scenario

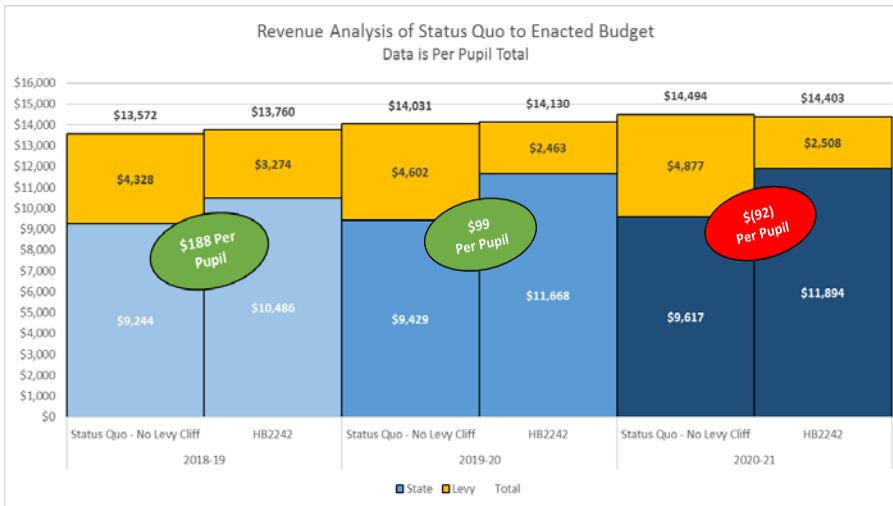


Note calculation is total state apportionment funding for SPS divided by SPS student enrollment. Sources: Additional state dollars - OSPI multi-year tool, enrollment held constant at January, 2016 apportionment enrollment total. Decrease in Levy capacity - Seattle Public Schools Revenue Analysis of Status Quo compared to Enacted Budget, enrollment held constant at 17-18 apportionment level. All per pupil SPS local levy amounts assume a SPS reported enrollment of 54,604 (Provided by Seattle Public Schools on November 8, 2017)

HB 2242 Impact Scenarios

SPS is concerned that the legislation does not sustain trends in increased funding; OSPI analysis reveals higher levels of funding

SPS Status Quo v. HB2242



SPS Note: While this is a step forward for school years 2018-19 and 2019-20, by school year 2020-21 the new system will be providing less revenue than the status quo. This information outlines the revenue side only. To get a more complete picture we also must look at our projected expenditures, which shows that costs for our current educational program continue to exceed our revenues.

OSPI Maintenance v. HB2242

- OSPI analysis shows an increase in funding for SPS in SY 2020-21 of \$689
 - SPS' Status Quo Scenario is higher than the OSPI's maintenance scenario
 - SPS analysis started later (2017-18 projected budget while OSPI starts with 2016-17 prior to the enactment HB 2242) and SPS adds 2% annually while OSPI only includes salary COLAs
 - SPS' HB 2242 scenario is lower than OSPI's HB2242 scenario
 - SPS uses a higher enrollment of 54,604 students while OSPI's flat enrollment scenario uses 53,337 students

Will this additional funding be used to promote equity and close the opportunity gap?

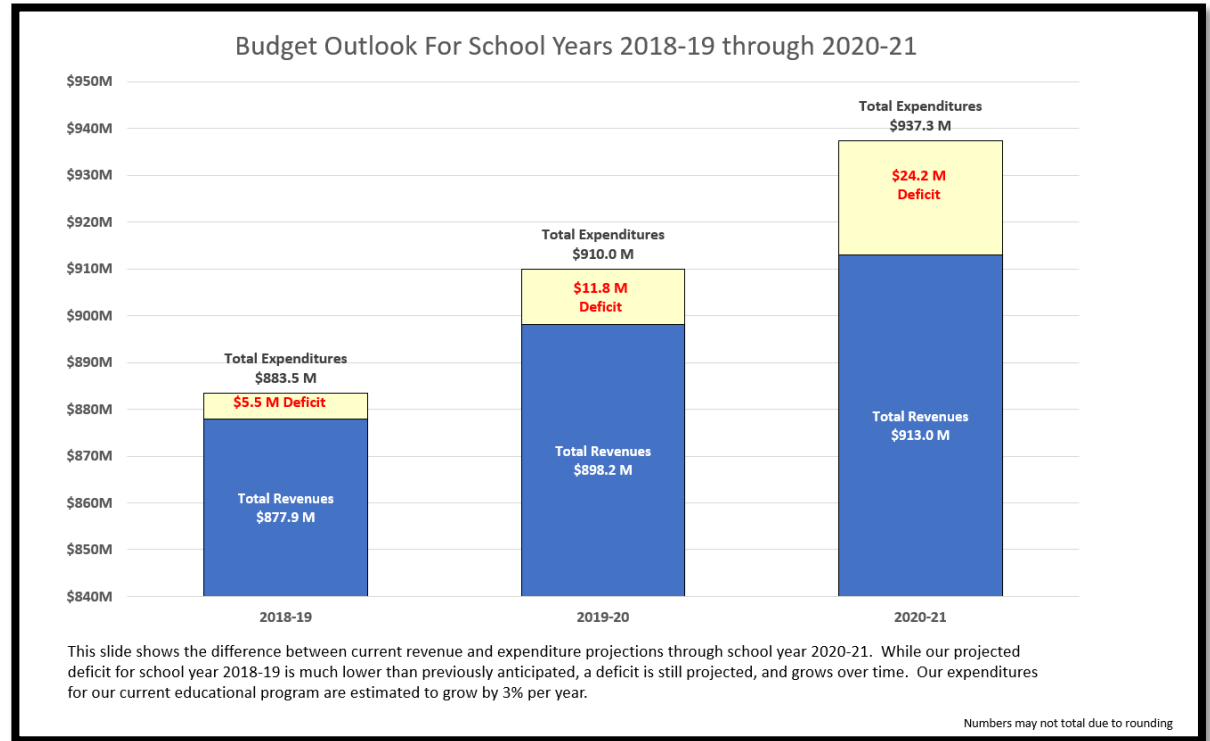
Source: Seattle Public Schools Revenue Analysis of Status Quo compared to Enacted Budget; OSPI multiyear tool; Note both SPS and OSPI scenarios use Local M&O/Enrichment levies based on SPS current authority

Total Projected Expenditures

With current staffing and contracts, SPS is expecting a budget shortfall beginning in SY 2018-19

- The State Supreme Court has requested that the legislature fully fund salaries by September 2018 which, along with SPS' full levy authority, will dramatically increase 2018-19 school year revenue

SPS Analysis



| | <u>SY 2018-19</u> | <u>SY 2019-20</u> | <u>SY 2020-21</u> |
|---|-------------------|-------------------|-------------------|
| Current projected per pupil local levy | \$3,274 | \$2,463 | \$2,508 |
| Per pupil revenue needed to cover projected deficit | \$3,347 | \$2,679 | \$2,952 |

Source: Seattle Public Schools Analysis, per pupil local levy numbers based on an SPS reported enrollment of 54,604 on November 8, 2017

K-12 Funding Adequacy and Equity

It is unknown how funding increases, levy changes, and new transparency rules will improve equity among and within districts?

Legislature's Goals for HB 2242*

1. Providing state funding for competitive salaries and benefits sufficient to hire and retain competent staff
2. Determine sources of revenue suited to sustain the state's statutory program of basic education
3. Eliminate school district reliance on local levies for implementation of the state's program of basic education.




Key Questions to Analyze HB 2242

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

Adequacy and Equity Conclusions

Individual policy changes are designed to meet legislative goals some of which include equity, however, the net impact may not be ample or equitable at the district or program level yet

1. Eliminating staff mix factor and implementing regionalization factors was an important recognition by the legislature of its intent to equitably fund students across the state, however, the new allocations yield dramatically different results for districts that appear almost random because they are not correlated with any specific factor or set of factors related to adequacy or equity
2. HB 2242 made investments for struggling learners, low-income students, and special education students, however, it is unlikely that this relatively small additional funding will achieve funding equity and close the opportunity gap
3. Historically, district practice has been to supplement the state salary allocation and program costs with local levy dollars; as long as the State's prototypical funding model funds below district salary and program costs there will continue to be a need for districts to use local levies to fund basic needs



The priority must continue to be transparency and accountability in service of equity, adequacy, and above all student achievement