

McCleary solution

Background on K-12 education funding

- School district budgets are comprised of four revenue sources: state revenue (68%); local revenue (largely comprised of “maintenance and operations levies”) (23%); federal revenue (8%); and other sources (1%).
- Most state funding is provided through general apportionment, which follows the prototypical school model. This model applies staff ratios and an assumed class size for each school type. Funding provided through general apportionment is “for allocation purposes only” and school districts decide how to spend their funds (with some exceptions).
- In addition to general apportionment, the Legislature funds a variety of categorical programs in which appropriations must be used for that dedicated program.
- Local Effort Assistance (LEA), also known as “levy equalization,” was established to provide tax relief to taxpayers in high tax rate school districts. School districts are eligible to receive LEA if they have a higher than average levy rate and have certified a local excess levy. LEA payments are estimated to be about \$390M in the 2016-17 school year.

McCleary

- McCleary refers, collectively, to a court case, series of court orders and various reports filed by the state (primarily the Legislature) in response to a lawsuit alleging the state has not met its “paramount duty” to fund education as required by the state constitution. The state Supreme Court has retained jurisdiction over the case, finding the state did not adequately fund education and ordering the state to do so by 2018.
- In its orders, the court has gradually moved its original focus on funding education program reforms to a new focus on adequacy of teacher compensation. The court voiced concerns on sufficiency of state allocations for teacher compensation. Per the court, inadequate state salary allocations have led to impermissible school district reliance on local levies to fund teacher compensation. It held the state must fully fund basic education staff compensation sufficient to recruit and retain by the 2018-19 school year.

Overview of McCleary solution | **House Bill 2242** | **Passed 67-26-5**

- Maintains the prototypical school model, but expresses the funding as a per-pupil model.
- Increases allocations for state-funded compensation for basic education staff – Certificated Instructional Staff (CIS), Certificated Administrative Staff (CAS) and Classified Staff (CLS).
- CIS salary grid eliminated and salary allocations for all three staff types based on an average market rate salary that is localized to account for regional differences in cost of living.
- Increases funding for categorical programs, including special education, Learning Assistance Program (LAP), Transitional Bilingual Instruction Program (TBIP), and Highly Capable Program and vocational education (i.e. career and technical education and skills centers).
- Local levy policy revised and school districts may levy an enrichment levy capped at the lesser of \$2,500 per pupil or \$1.50 per \$1,000 assessed value.
- LEA provided to property poor districts that cannot reach \$1,500 per pupil at a levy of \$1.50 per \$1,000 assessed value.
- State property tax increased to a flat rate of \$2.70 per \$1,000 assessed value and, beginning in 2022, the tax rate will be subject to the 1% growth limit.
- Implements a number of programmatic and accounting reforms.
- All school employees participate in a statewide school employee health benefit program.

New funding model

- Maintains prototypical school model, including that funding is for allocation purposes only, to demonstrate the connection between the state’s program of basic education and the funding it provides to implement that program. However, the state will also express the prototype as a per-pupil model to increase transparency. OSPI is also required to create a user-friendly report of per-pupil spending for grade level by district. School districts must link to this information on their websites.
- Makes the following K-12 program enhancements and reforms:
 - CTE and skills center class sizes reduced to 23 and 20, respectively.
 - All CTE allocations are categorical and administrative costs capped.
 - OSPI must create a grant program for CTE equipment.
 - Creates competitive grant program for CTE equipment.
 - OSPI required to develop course equivalencies for CTE programs.
 - Increases allocations for the Highly Capable Program to 5% of enrollment to allow for increased instructional hours.
 - Increases allocations for LAP in order to increase instructional hours for students scoring below grade level in reading, math and language arts.
 - Limitation on allocations for special education students increased to 13.5% of enrollment.
 - OSPI directed to review and revise special education safety net application process to streamline and increase accessibility of these funds for school districts.
 - Increases allocations for TBIP.
 - Increases allocations to the low performing schools program (Required Action Districts).
 - Funding for paraeducator professional learning pursuant to [House Bill 1115](#).
 - Funding for guidance counselors and parent involvement counselors is part of basic education.
 - Continues policy of providing funds for reduced K-3 class sizes in proportion to the district’s actual K-3 class size.

Compensation

- Eliminates salary grid and staff mix factor for CIS and drives out compensation funding for all three staff types based on an average market rate multiplied by state-funded FTEs.
- Certain high-cost school districts localized by 6%, 12%, 18% or 24%.
- School districts must comply with a minimum salary of \$40K, a 10% bump for CIS with at least five years of experience, a maximum salary of \$90K, and a district-wide average salary. Those salary requirements are localized by the same factors above.
- Although districts will bargain for actual salary amounts, districts may not exceed their compensation allocation for all basic education compensation.

Fiscal information

	2017-19	2019-21 (full implementation)	Four-year Total
Total Plan Cost*	\$1.8B	\$5.5B	\$7.3B
Levy Swap Revenue**	\$1.6B	\$2.5B	\$4.1B
Difference	(\$200M)	(\$3B)	(\$3.2B)

* "Total plan cost" includes increases for staff compensation and health care, increases for categorical program enhancements, reductions for LEA savings, and funding for charter schools.

** Sum of estimated new state property tax (i.e. \$0.80 per \$1,000 assessed value) applied as a flat rate).