

Windows Into The Budget

Senator Andy Hill

The Paramount Duty Series - Part III

McCleary, Fulfilling Our Paramount Duty, and the Myth that New Taxes Are Needed

Welcome to the final installment of The Paramount Duty Series, an examination of what led to the McCleary decision, its key holdings, a look at the dramatic K-12 funding increases in recent budgets, and what still remains to be done.

Click here to read [Part I](#) or [Part II](#) in case you missed them.

Today's Installment:

Part III: What's left? Bringing fairness to K-12 funding via levy reform, debunking the myth that new taxes are needed, and the vital importance of education policy reforms.

I: What's left? Bringing fairness to K-12 funding via levy reform

The quality of a child's education should not depend on their ZIP Code.

That is a fundamental principle that unites all of us in the Legislature, and while we cannot ultimately control the quality of a child's education, we in the Legislature must ensure the funding system in place is equitable, regardless of where a child lives in our state.

Sadly, that is not the case at present – and it must be remedied.

Inequity in K-12 Funding		
2013 Local Levies		
	\$\$\$ Raised Per Pupil	Tax Rate Per \$1,000 AV
Seattle	\$3,500	\$1.30
Mercer Island	\$3,059	\$1.43
San Juan Island	\$2,622	\$0.73
Toppenish	\$290	\$1.93
Yakima	\$835	\$2.91
Aberdeen	\$1,573	\$4.16
Federal Way	\$2,077	\$4.43
Spokane	\$2,136	\$4.20

The court's opinion in McCleary directly identified this constitutional infirmity:

“Districts with high property values are able to raise more levy dollars than districts with low property values, thus affecting the equity of a statewide system. Conversely, property poor districts, even if they maximize their local levy capacity, will often fall short of funding a constitutionally adequate education.

All local funding, whether levy or otherwise, suffers from this same infirmity.”²¹

Thus, while the Legislature has made great strides in assuming at the state level the true costs of core services and enhancing key components, the fundamental inequity remains. When one part of the state can raise \$290 per pupil at a tax burden exceeding that of a district raising \$3,500 per pupil, or a voter in Aberdeen has a tax rate triple of that in Mercer Island to raise only half as much per student, there is a problem.

The salary issue

Reforming levies also goes hand-in-hand with addressing the final part of the court's 2012 decision, namely that too large a portion of salaries were funded via local levies:

"Testimony revealed that the State allocation for salaries and benefits fell far short of the actual cost of recruiting and retaining competent teachers, administrators, and staff. On average, the state allocation for instructional staff was approximately \$8,000 less than what districts actually paid. The shortfall for administrators was even more drastic, representing on average approximately \$40,000 less than actual expenditures, which left local districts to subsidize classified staff and administrative salaries by roughly \$366 million per year."

-- *McCleary vs. State*, No. 84362-7 (2012), pp. 64-65.

What is the extent of the local funding of K-12 salaries?

Districts report their expenditures annually to the Office of the Superintendent of Public Instruction. For the 2014-15 school year, districts reported:

K-12 Average Salaries for Basic Education Employees by Job Type <i>SY 14-15</i>					
	Total Salary	State Salary	Local Share	Basic Ed Employees (FTEs)	\$\$\$ Gap
Administrative (<i>Superintendents, Principals</i>)	\$110,375	\$59,955	45.7%	3,905	\$196,890,100
Classified (<i>Janitors, Bus Drivers, etc.</i>)	\$44,912	\$32,334	28.0%	20,493	\$257,760,954
Certificated (<i>Teachers, Librarians, Nurses, etc.</i>)	\$62,968	\$52,950	15.9%	51,001	\$510,928,018

Source: OSPI S-275 (School District Personnel Summary Profiles, table 34, 36, and 38) ²²

So, on average, the state funds:

- **54% of a Principal or Superintendent's salary**
- **72% of a Janitor, Bus Driver or Paraeducator's salary, and**
- **84% of a Teacher's salary**

All told, just shy of \$1 billion annually in local levies is spent on basic education employee salaries, per district reports.

Does all of this funding need to be assumed by the state?

No. The McCleary decision expressly held that "[s]ome of the difference between actual salaries and state allocations represented permissible incentive pay that went toward non-basic education related tasks."²³

This is particularly true in teacher compensation, where unions negotiate additional "time, responsibilities, and incentives" for staff, including teacher training days, in-service days, and mentoring bonuses.

The constitutional imperative is simply that adequate funds are provided to "recruit and retain" K-12 staff with state appropriations.

What have been the recommendations in this area?

In December 2012, the Joint Task Force on Education Funding, which the Supreme Court has repeatedly cited in recent edicts, recommended that the state increase its allocations for administrative and classified salaries by **\$682 million in the 2017-19 biennia**.²⁴ Three prior proposals made during the committee's deliberations ranged from \$496 million to \$750 million a biennia to address this issue.

The JTFFEF did not recommend increased state funding for certificated or teachers' salaries.²⁵

Big picture: state needs to absorb some of local levy expenditures

- Administrator Salaries - The state's allocation of under \$60,000 a year for administrators is insufficient to "recruit & retain" a principal or superintendent, as evidenced by the fact that all districts pay substantially in excess of this amount. Local taxpayers pay almost \$200 million a year to remedy this state infirmity.
- Classified (non-teacher) Salaries - Less egregious, but still constitutionally inadequate, is the state allocation of just over \$32,000 a year for the integral basic education support staff comprised of paraeducators, janitors, and bus drivers. Locals pay on average almost 30% higher than what the state provides, costing local taxpayers over \$250 million a year.

- Certificated/Teacher Salaries -- This is the gray area where the interplay of local bargaining, additional "time, responsibilities, and incentives," and possibly inadequate state reimbursements have resulted in a total salary average of \$63,000 a year, or 16% higher than the state's \$53,000 allocation. What portion of that is permissible local district compensation for duties beyond providing a basic education and what portion, if any, is constitutionally necessary to "recruit and retain" teachers?

The Joint Task Force on Education Finance determined the state didn't have to pick up any of the local compensation in this area. However, local levies have historically supplemented state salaries by about 10% in teacher compensation, suggesting that the 16% figure contains at least a part of what should be the state's responsibility.

Careful consideration of this issue is critical, however, because if the right standard isn't adopted it can quickly lead to an untenable outcome of chasing one's tail (state appropriates a salary increase, unions collectively bargain for that amount plus a higher amount funded by local levies, then OSPI reports an average salary in excess of what state provides, leading to a legal claim the state salary is inadequate).²⁶

This potentially becomes a "gotcha" where local bargaining decisions simply ratchet up the state's constitutional responsibility. There must be balance and careful consideration; one option is to recognize that the cost-of-living is higher in metropolitan Puget Sound and provide a state funded geographic pay bump for teachers in those areas.

II: *Debunking the new taxes myth*

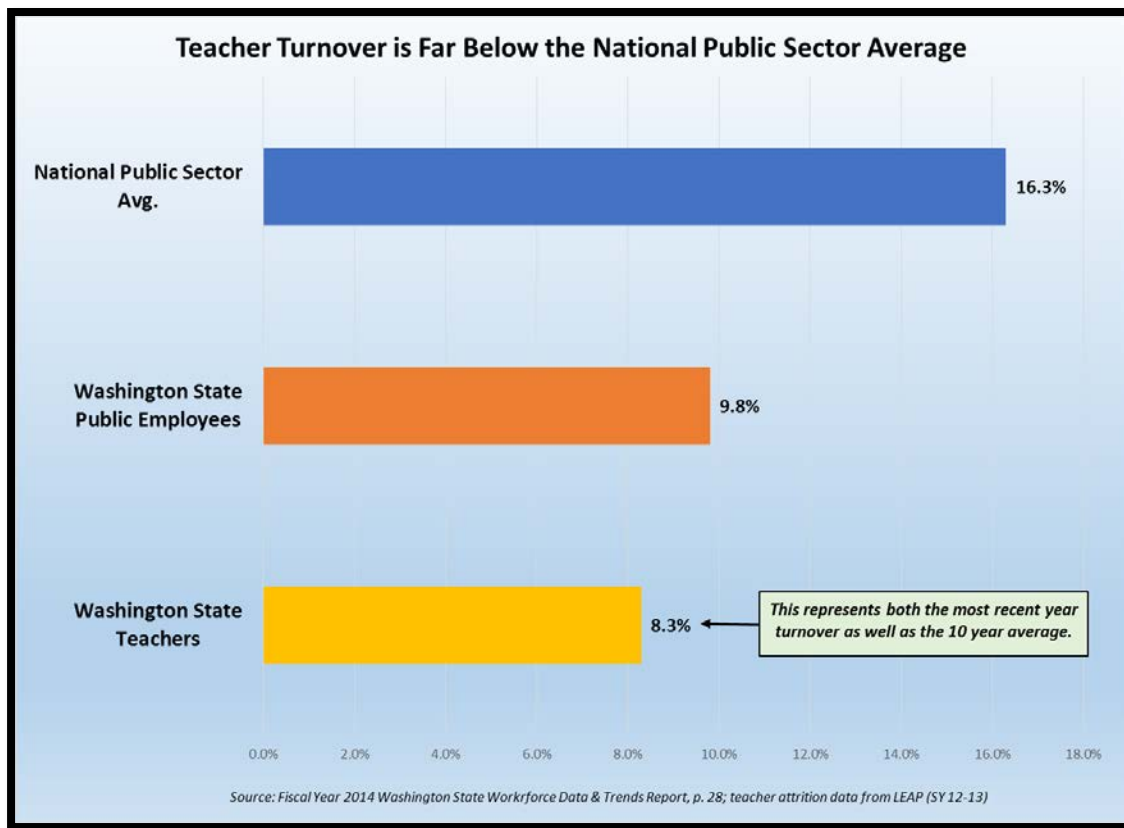
Are new taxes on Washington citizens needed to fulfill this obligation?

No. Salaries are adequate to recruit and retain; they just need to come from the state, not local levies.

There is a "myth" that new taxes are needed to resolve the issue. Some have opined that billions in new taxes are needed and it is time for an income tax in the state.²⁷ This represents either an unfortunate misunderstanding of the issue or a disregard of the truth meant to mislead and take political advantage of the situation.

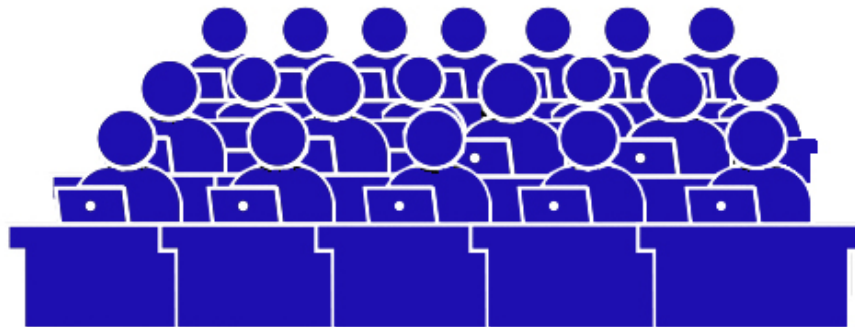
The bottom line is there is adequate and ample money already going into the K-12 system for salaries, as demonstrated by supply and retention data. Each year there are more people entering the profession statewide than available openings.²⁸

And none are leaving the K-12 field in any large degree. The K-12 teacher attrition rate is 8%, counting people retiring or being terminated due to inadequate performance. That figure is lower than the turnover rate for state employees and half the rate of public employee turnover nationally.



Keep in mind: By the end of the present budget cycle, due to significant state funding increases, the appropriation for K-12 per pupil (state, local, and federal) will be almost \$13,000.²⁹ **Put another way, more than a quarter of a million dollars per year in funding for every 20 students in the state.**

**More than \$250,000
per year in total funding
for these 20 students**



The question then is not adequacy of salaries, but source of the salaries. **In short, K-12 staff are being paid on average appropriate salaries, but they are coming inequitably from local levies - rather than the state - as a result of the Legislature over the prior 30 years shifting more and more of the financing of the state's paramount duty onto local levies.** This inequity is what needs to be resolved.

The solution?

Levy reform, which will restore equity and result in a tax reduction for the vast majority of the state

Return to the principle that we are one state and that the obligation of financing and providing revenues for our children's education needs to be equitably borne across the state, not subject to the whims of one's ZIP code.

Put simply, state basic education should be financed across the state with a uniform, adequate, and equitable state property tax levy, while a corresponding decrease in local levies should be achieved.

This will reverse the very disparate impact, both for schools and taxpayers that has resulted from the last 30 years of growing reliance on local levies.

- For the vast majority of the state (appx. 75% of districts), the result will be a property tax reduction.

The benefits of this solution are significant including more **ample** state funding (rather than local); more **dependable** funding for school districts (state funding will be constitutionally-protected, not funded on a temporary basis like local levies); and the aforementioned benefit of being more **equitable**.

II: The vital importance of education policy reforms

"Fundamental reforms are needed for Washington to meet its constitutional obligation to its students. Pouring more money into an outmoded system will not succeed."

-- *McCleary vs. State*, No. 84362-7 (2012), p. 69

The definition of basic education is not etched in constitutional stone, but is to be reviewed as the needs of students and demands of society evolve.³⁰

While the focus in the last several years has understandably been on increasing the state's appropriations for K-12, an equally vital role and opportunity presents itself to reform other aspects of Washington's K-12 system.

Improving educational attainment must always be the goal. There are several areas ripe for close study, examination, and reform, including:

- *State Salary Grid – Rewarding the Right Things?*
 - Research tells us that a quality teacher is the most important factor in student learning. Yet research also shows that the state salary grid – which increases pay based solely on a teacher's years of service and college credits beyond a Bachelor's degree – has a nearly non-existent relationship to teacher quality.³¹ That salary grid is used by every school district in determining teacher compensation. Is it time to reform the salary grid to ensure quality instruction is rewarded, rather than merely seniority?

- *Attendance Matters – The Best Cost-Benefit to Improved Outcomes?*
 - Research shows “attendance matters” and children who miss school have lower test scores and graduation rates.³² Does the state’s funding formula align incentives for school districts to ensure high attendance?

- *Bilingual Student Instruction – Further Improvements Imperative?*
 - Bilingual education students have amongst the lowest graduation rates in the state and are the fastest growing segment of the student population.³³ While some recent reforms have been enacted and are yielding positive outcomes, can more be done? One area to look at is more than half of instruction provided to bilingual students comes from non-teachers.

- *Ensuring an Excellent Teacher in Every Classroom?*
 - Are we sufficiently identifying, and rewarding, excellence in the classroom? Likewise, when educators are not excellent, or even adequate, are the tools available at the local level to remedy the situation?

- *Local Decision-Making, State Accountability – Are There Areas of State Overreach?*
 - Fundamentally, a child’s education should be the product of local parents, educators, and administrators making decisions on how to best deliver education in that community.
 - Likewise, the state’s role should be primarily to hold districts accountable to results, not intervene excessively in attempting to dictate how those results should be achieved.
 - Are there areas where the state should provide more flexibility to local schools and, conversely, are there areas where the state needs to strengthen accountability for outcomes?

- *Parents Want Options – Districts Should Provide Them*
 - Parental involvement is critical to student success. Yet too many parents and their children are frustrated by the lack of schooling options our system provides. While affluent parents can move to a better school district, those without means are forced to accept the school the district assigns them, whether or not it is a good fit for their child. While some districts offer more options (many of which have lengthy waitlists), our state education dollars should encourage every district to develop more high-quality K-12 school options to meet the needs of students. The best way to involve parents in our schools is to allow them to make an intentional and deliberate choice about their child’s education. Options could include more apprenticeships, more STEM-based learning centers and additional themed-schools.

These are just a sampling of the sort of discussions that all legislators, thought leaders, and policy-makers, regardless of party affiliation, need to engage in to provide the best possible education for our children.

Ensuring every student is ready for college, career and life must always be the goal.

The Window's Reflection

If you've made it this far, Congratulations – a "Windows Into the Budget" diploma awaits you, contingent upon correctly answering these questions:

- What two factors over the last 30 years led to the McCleary decision?
- How much money has the Legislature infused into K-12 in the last two budgets?
- What is the fundamental inequity that remains in K-12 financing and must be addressed?
 - Does resolution of this inequity require a new tax on Washington citizens?
 - Are educational policy reforms a key part of improving educational outcomes?

Footnotes:

21. McCleary v. State, 173 Wn.2d 477 (2012) <http://www.courts.wa.gov/opinions/index.cfm?fa=opinions.showOpinion&filename=843627MAJ>, p. 56.
22. OSPI 275 report: <http://www.k12.wa.us/safs/PUB/PER/1415/ps.asp>. State salary funded levels for SY 14-15 from Office of Financial Management (9/1/2015).
23. McCleary vs. State, id., p. 65.
24. Joint Task Force on Education Funding Final Report (Dec. 2012), p. 3 of Adopted Spending Plan. [http://leg.wa.gov/JointCommittees/Archive/EFTF/Documents/JTFEF%20Final%20Report%20-%20combined%20\(2\).pdf](http://leg.wa.gov/JointCommittees/Archive/EFTF/Documents/JTFEF%20Final%20Report%20-%20combined%20(2).pdf)
25. Id.
26. See, for instance, Everett's recent contract negotiations which, in addition to the 5% salary increase provided in the state budget, negotiated another 4.75% salary increase. A perfectly legitimate local decision, but one that raises the specter down the line of that differential being claimed to show the state is not adequately funding salaries.
27. Rep. Jim Moeller ("How are we going to address that unless we want to go to an income tax or a capital gains tax?") <http://www.columbian.com/news/2015/aug/13/local-educators-see-court-sanctions-call-to-action/>
28. "Programs produce about 2,500 teachers per year. On average, Washington's public schools hire about 1,800 beginning teachers per year." Professional Educator Standards Board Annual Report. Outlook\3AWPJRLA\Production - PESB Annual Report (00000002).htm
29. \$9,024 per pupil state funding in SY 16-17. Add in most recent SY 14-15 district budgeted amounts for local levies (\$2,132 per pupil), federal funds (\$972 per pupil), and other revenues (\$524 per pupil) for a total of \$12,652 in projected expenditure for SY 16-17. In reality, the figures will likely be higher as the other three non-state categories will not remain stagnant.
30. McCleary vs. State, p. 3
31. Washington State Institute for Public Policy (May 2012) - "Teacher Compensation and Training Policies: Impacts on Student Outcomes" http://www.wsipp.wa.gov/ReportFile/1104/Wsipp_Teacher-Compensation-and-Training-Policies-Impacts-on-Student-Outcomes_Full-Report.pdf
32. http://www.attendanceworks.org/wordpress/wp-content/uploads/2014/09/Absenses-Add-Up_September-3rd-2014.pdf
33. Per OSPI, 53.7% of limited English students graduated. Bilingual enrollment is growing at a 7% rate in recent years, compared to less than 1% growth in the overall K-12 population.