

# WHAT IS McCLEARY??

## McCleary vs. State of Washington

The McCleary family and Venema family sued the State in 2007 for failing to provide for an appropriate education for their children as provided in the State constitution.

The state was already on notice that it was failing to meet the requirements of the constitution regarding education by judgements known as Doran I and Doran II in the 1970's.

# McCleary vs State

*“The State has **failed** to meet its duty under article IX, section 1 by consistently providing school districts with a level of resources that falls short of the actual costs of the basic education program.”*

*– WA Supreme Court decision regarding the McCleary lawsuit*

## **ARTICLE IX      Washington State Constitution**

**SECTION 1 PREAMBLE.** It is the **paramount** duty of the state to make **ample** provision for the **education** of **all** children residing within its borders, without distinction or preference on account of race, color, caste, or sex.

*In 2010, Judge John Erlick declared that state funding is not ample, is not stable, and is not dependable. The state legislature is directed to determine the cost of amply providing for basic education and a basic program of education for all children resident in the State of Washington.*

*In 2012, the Washington Supreme Court ruled the State was not adequately funding education.*

*In 2017, the Washington Supreme Court ruled the State had a plan to adequately fund education but did not meet the September 2018 deadline.*

*The 2018 legislative session is tasked with coming up with about \$1 billion to move their full funding of education up from September 2019 to the mandated date of September 2018.*

# School Funding – Ongoing litigation

*In 1978, Seattle School District won a Supreme Court ruling that:*

- “Paramount” = public education is more important than anything else
- “Ample” = more than enough and more than just scraping by
- “All” = means all students, not just wealthy school districts or easy to teach
- “Basic Education” = the court let the legislators decide (**so basic education has become whatever the legislature wants it to mean**).
- The Supreme Court ruled the legislature didn’t have to write the schools a blank check but it did have to fund “basic education”. Whatever that was.
- So the legislature provided less and less and local levies picked up the tab. WSD’s levy authorization is currently at about 14.5% (max is 28%).

# History of Local Levy to Total Budget

The reduction of local levy will limit the ability of the district to fund discretionary programs (non-basic ed); such as, AVID, Early Learning, After School Programs, AP, Enrichment, Wenatchee Learns, Extra-curricular, etc.

	<u>% of</u> <u>Budget</u>	<u>Authorized</u> <u>M&amp;O Levy</u>	<u>Legislatively</u> <u>Restricted</u>
• 2011-12	14.2%	\$10,492,000	
• 2012-13	14.9	10,842,346	
• 2013-14	14.0	11,165,215	
• 2014-15	13.9	11,497,707	
• 2015-16	12.8	11,860,828	
• 2016-17	12.9	12,163,000	
• 2017-18	12.7	12,527,890	
• 2018-19	9.0	<del>12,903,727</del>	9,694,084
• 2019-20	5.8	<del>13,290,839</del>	6,441,906
• 2020-21	5.7	<del>13,689,564</del>	6,635,164

# What Is EHB 2242

*“Legislation enacted in 2017 to meet the state’s constitutional obligation to fully fund K-12 Basic Education” – WSSDA*

- Changes how school districts can spend local levy / limits local levies to \$1.50 per \$1,000 assessed value starting January 2019
- Increases the State School Property Tax about \$.81 to \$2.70 beginning January 2018
- Changes how Levy Equalization (LEA) is calculated (basically \$1,500 \* prior enrollment less levy)
- Requires school districts to get pre-approval for use of local levy (doesn’t apply to levies already approved – WSD approved through 2021)
- Created new reporting requirements and accounting for “enrichment” levies.
- **From WASA Legislative Platform:** the state increase is not enough to fund actual salary or staffing costs. 2242 institutes a new one-size-fits-all statewide average salary allocation while eliminating an essential equity funding mechanism: the staff mix factor. Districts with more experienced staff will be forced to raise additional (albeit limited) revenue to retain those staff or discriminate against more experienced staff or make program cuts.

# More About EHB 2242

Ended state-wide salary schedule (will now be based on “average” salary):

- Ends use of “staff mix factor” to calculate local salary funding
  - Limits pay rates to per diem rate and requires reporting of supplemental contracts to SPI
  - Allows use of “enrichment” levy for non-basic ed activities (next slide)
  - Changed funding structure and amounts for school employee wages
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- Implements a Regionalization Factor of 6% for Wenatchee, Moses Lake, Stehekin. This is supposedly based on housing costs. 6% Factor actually decreases over time. Turns out this factor is apparently intended to offset extra salary districts pay to staff (generally in the form of extra days).
  - Difficult to understand how Chelan, Manson, Methow Valley and Cascade were not considered for regionalization factor. Or frankly how every district that pays extra days is not included.
  - Requires schools do 4 year budgeting. Good luck since the legislature meets every year and routinely makes changes to funding model and/or factors (prototypical school funding model).
  - Requires schools to join SEBB (state health insurance) in 2020.
  - Adds 1 professional development day each of next 3 years (total of 3)

Activities permitted to be paid from “enrichment” levy if they provide supplementation beyond the state program of basic education. The effect is to eliminate supplemental contracts that provide additional pay without the corresponding additional work associated with that pay.

From OSPI Update November 2017

- The legislature specifically details examples of allowable uses of local levy money:
  - 1. Hours beyond the minimum instructional offerings.
  - 2. Additional staff for class-size reduction beyond the class-size allocated in the prototypical model
  - 3. Additional program offerings
  - 4. Professional learning for staff
  - 5. Extracurricular activities, extended school days, or any extended school year.
  - 6. Additional course offerings beyond the minimum instructional program.
  - 7. Early learning activities
  - 8. Any additional salary costs attributable to the activities listed above.
  - 9. “Additional activities or enhancements that the office of the superintendent of public instruction determines to be a documented and demonstrated enrichment of the State’s statutory program of basic education.....”

# How does 2242 impact Levy and Levy Equalization

## Levy / Levy Equalization Base Information

FY2016-17 Enrollment	7,740	
CY2017 Assessed Value	4,169,518,465	<i>Current \$/1,000</i>
CY2017 Current Levy	<b>12,163,000</b>	<i>2.94</i>
CY2017 LEA	<b>4,946,107</b>	

## Max Levy Calculation (lesser of \$1.50/\$1,000 AV or \$2,500 per FTE)

\$1.50/1,000 (effective January 1, 2019)	6,254,278	
\$2,500 per FTE	19,349,775	
<b>Max "Enrichment" Levy</b>	<b>6,254,278</b>	<i>Max Levy \$/1,000</i> <i>1.50</i>

## LEA Calculation

\$1,500 per FTE	11,609,865
If Max Levy < \$1,500/FTE, Then Max Levy	<u>6,254,278</u>
<b>Total LEA</b>	<b>5,355,587</b>

<b>Total Levy and LEA Authorized</b>	<b>\$11,609,865</b>
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Increase/(Decrease) from Current Levy+LEA	<b>(\$5,499,242)</b>	<i>Percent Change from Current</i> <i>-32.14%</i>
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# Impact of limits on local levy and levy equalization to Wenatchee School District for fiscal year

Wenatchee School District No. 246 M&O Levy						Assessed Value				
School Year	Sept - Aug	Levy Amount	Collection %	Amount to be Collected	LEA	Total Levy & LEA				
							4,169,518,465			
2016-17	Fall 2016	11,809,000	48.0%	5,668,320	1,304,276					
	Spring 2017	12,163,000	52.0%	<u>6,324,760</u>	<u>3,561,497</u>					
	TOTAL			<u>11,993,080</u>	<u>4,865,773</u>	16,858,853				
2017-18	Fall 2017	12,163,000	48.0%	5,838,240	1,384,910					
	Spring 2018	12,527,890	52.0%	<u>6,514,503</u>	<u>3,783,614</u>					
	TOTAL			<u>12,352,743</u>	<u>5,168,524</u>	17,521,267				
2018-19	Fall 2018	12,527,890	48.0%	6,013,387	1,471,405		6,013,387	1,471,405		
	Spring 2019	12,903,727	52.0%	<u>6,709,938</u>	<u>3,941,265</u>		6,254,278	<u>3,252,224</u>	<u>3,787,682</u>	
	TOTAL			<u>12,723,325</u>	<u>5,412,670</u>	18,135,995	<u>9,265,612</u>	<u>5,259,087</u>	14,524,699	<b>-3,611,297</b>
2019-20	Fall 2019	12,903,727	48.0%	6,193,789	1,567,905		6,254,278	3,002,053	1,567,905	
	Spring 2020	13,290,839	52.0%	<u>6,911,236</u>	<u>4,099,216</u>		6,254,278	<u>3,252,225</u>	<u>3,787,682</u>	
	TOTAL			<u>13,105,025</u>	<u>5,667,121</u>	18,772,146	<u>6,254,278</u>	<u>5,355,587</u>	11,609,865	<b>-7,162,281</b>
2020-21	Fall 2020	13,290,839	48.0%	6,379,603	1,685,500		6,254,278	3,002,053	1,567,905	
	Spring 2021	13,689,564	52.0%	<u>7,118,573</u>	<u>4,250,000</u>		6,254,278	<u>3,252,225</u>	<u>3,787,682</u>	
	TOTAL			<u>13,498,176</u>	<u>5,935,500</u>	19,433,676	<u>6,254,278</u>	<u>5,355,587</u>	11,609,865	<b>-7,823,811</b>

# Taxpayers

## Impact of increased state levy and reduced local levy / Also Bond Debt Service

*Wenatchee School District*

<u>Community Information</u>	<u>CY2017 Assessed</u>	<u>CY2018 Estimated</u>	<u>CY2019 Estimated*</u>
Assessed Value	4,169,518,465	4,294,604,019	4,423,442,140
Local M&O Levy	12,163,000	12,527,890	6,635,163
Local M&O \$/1,000 Rate	2.94	2.92	1.50
WA State Schools Tax \$/1,000 Rate (Non-Equalized)	1.89	2.70	2.70
Median Home Price**	281,600	281,600	281,600
<b>Annual Taxes Paid on Median Home: State + M&amp;O levy</b>			
Local M&O Levy	828	821	422
WA State Schools Tax	532	760	760
<b>Total State School /M&amp;O Taxes Paid</b>	<b>1,360</b>	<b>1,582</b>	<b>1,183</b>
<b>Total WA State and M&amp;O Tax \$1/1,000</b>	<b>4.83</b>	<b>5.62</b>	<b>4.20</b>
Current Bond Debt Service	5,400,000	5,400,000	5,800,000
<b>Bond Debt Service Rate / \$1,000</b>	<b>1.30</b>	<b>1.26</b>	<b>1.31</b>
<b>Annual Taxes paid on Median Home: Bond Debt Service</b>	<b>365</b>	<b>354</b>	<b>369</b>
<b>Grand Total Annual Debt Service</b>	<b>1,725</b>	<b>1,936</b>	<b>1,552</b>

\*CY2019 Estimated M&O Levy is based on new Maximum Allowable per SHB2242

\*\*Data Taken From University of Washington Runstad Center Housing Report

**Note: All Amounts are Estimates Based on Current Data – Actual Values will Change to Reflect Future Conditions**

# OSPI Multi-Year Tool Summary

## *Wenatchee School District*

	<b>FY2016-17</b>	<b>FY2017-18</b>	<b>FY2018-19</b>	<b>FY2019-20</b>	<b>FY2020-21</b>	
<b>State Funding</b>	<b>Appt Stmt/Actual</b>	<b>F-203</b>	<b>OSPI Tool</b>	<b>OSPI Tool</b>	<b>OSPI Tool</b>	
Apportionment (w/out CTE & SC)	46,919,040	49,839,813	55,515,752	61,753,520	62,410,144	
Career & Technical/Skills Center (CTE & SC)	4,508,976	4,996,426	5,473,173	6,080,427	6,141,493	
Bilingual (TBIP)	2,015,309	2,285,316	2,528,590	2,827,921	2,851,432	
Highly Capable (HiCap)	79,612	178,899	196,032	219,238	221,061	
Learning Assistance Program (LAP)	2,453,418	3,006,271	2,796,450	3,142,858	3,168,835	
LAP Concentration	N/A	N/A	977,656	1,078,022	1,087,137	
Special Education	5,802,395	6,087,680	6,509,623	7,241,801	7,313,952	
Transportation	2,003,063	2,166,000	2,084,098	2,400,735	2,430,739	
Professional Learning Time	0	0	222,339	496,098	751,133	
Local Effort Assistance (LEA)	4,865,473	5,116,146	5,259,581	5,282,733	5,330,122	
<b>Total State Funding</b>	<b>68,647,286</b>	<b>73,676,550</b>	<b>81,563,295</b>	<b>90,523,354</b>	<b>91,706,048</b>	
	<i>YOY Change</i>	<i>5,029,264</i>	<i>7,886,745</i>	<i>8,960,058</i>	<i>1,182,694</i>	
			<b>3 Year Total Change</b>	<b>18,029,497</b>		
<b>Total Categorical State Funding</b>	<b>16,862,773</b>	<b>18,720,591</b>	<b>20,565,623</b>	<b>22,991,002</b>	<b>23,214,649</b>	<b>% New Funds</b>
	<i>YOY Change</i>	<i>1,857,818</i>	<i>1,845,032</i>	<i>2,425,380</i>	<i>223,646</i>	
			<b>3 Year Total Change</b>	<b>4,494,057</b>	<b>24.93%</b>	
<b>Total Non-Categorical State Funding</b>	<b>51,784,513</b>	<b>54,955,959</b>	<b>60,997,672</b>	<b>67,532,351</b>	<b>68,491,399</b>	<b>% New Funds</b>
	<i>YOY Change</i>	<i>3,171,446</i>	<i>6,041,713</i>	<i>6,534,679</i>	<i>959,048</i>	
			<b>3 Year Total Change</b>	<b>13,535,440</b>	<b>75.07%</b>	

**Note: Data taken from OSPI Multi-Year Tool, calculations were added for reference and informational purposes**

**Wenatchee School District**

General Fund Summary

Beginning Fund Balance	12,134,512			11,526,124		9,746,205		8,194,119		9,762,575	
				(adjusted)							
	FY2015-16	FY2016-17		FY2017-18		FY2018-19		FY2019-20		FY2020-21	
Revenues*	Actual	Actual		Budgeted		Estimated		Estimated		Estimated	
Local - Levy	11,662,602	11,960,894	2.56%	12,356,742	3.31%	9,140,139	-26.03%	6,254,278	-31.57%	6,254,278	0.00%
Local - Other	2,120,967	2,168,110	2.22%	2,455,012	13.23%	2,463,182	0.33%	2,463,182	0.00%	2,463,182	0.00%
State - LEA	4,527,927	4,865,473	7.45%	4,864,115	-0.03%	5,307,059	9.11%	5,506,051	3.75%	5,643,702	2.50%
State - Other	63,660,955	64,976,074	2.07%	68,581,397	5.55%	75,919,606	10.70%	84,270,763	11.00%	86,166,855	2.25%
Federal	8,690,685	8,221,606	-5.40%	8,880,265	8.01%	8,880,265	0.00%	8,880,265	0.00%	8,880,265	0.00%
Other	150,157	131,833	-12.20%	103,500	-21.49%	103,500	0.00%	103,500	0.00%	103,500	0.00%
<b>Total Revenues</b>	<b>90,813,294</b>	<b>92,323,990</b>	1.66%	<b>97,241,031</b>	5.33%	<b>101,813,752</b>	4.70%	<b>107,478,039</b>	5.56%	<b>109,511,782</b>	1.89%
<b>Expenditures**</b>											
Certificated Salary	38,559,123	40,417,356	4.82%	42,750,000	5.77%	44,032,500	3.00%	45,353,475	3.00%	46,487,312	2.50%
Classified Wages	14,866,588	15,778,636	6.13%	16,500,000	4.57%	17,160,000	4.00%	17,674,800	3.00%	18,116,670	2.50%
Benefits and Tax	20,481,993	21,320,306	4.09%	22,751,010	6.71%	24,204,800	6.39%	24,930,944	3.00%	25,554,217	2.50%
Instructional Support	6,329,564	6,062,763	-4.22%	7,319,238	20.72%	7,538,815	3.00%	7,764,980	3.00%	7,997,929	3.00%
Purchased Services	7,869,762	8,291,336	5.36%	8,936,473	7.78%	9,204,567	3.00%	9,480,704	3.00%	9,765,125	3.00%
Travel	461,972	452,933	-1.96%	545,349	20.40%	561,709	3.00%	578,561	3.00%	595,918	3.00%
Capital Outlay/Other	307,737	159,048	-48.32%	118,880	-25.26%	122,446	3.00%	126,120	3.00%	129,903	3.00%
Transfers	1,039,458	0		0		0		0		0	
<b>Total Expend</b>	<b>89,916,197</b>	<b>92,482,378</b>	2.85%	<b>98,920,950</b>	6.96%	<b>102,824,838</b>	3.95%	<b>105,909,583</b>	3.00%	<b>108,647,074</b>	2.58%
Net Gain/(Loss)	897,097	-158,388		-1,679,919		-1,011,086		1,568,456		864,708	
Transfers out		-450,000		-100,000		-541,000					
Ending Fund Balance	12,134,512	11,526,124	-5.01%	9,746,205	-15.44%	8,194,119	-15.93%	9,762,575	19.14%	10,627,283	8.86%
	13.50%	12.46%		9.85%		7.97%		9.22%		9.78%	

# Regionalization – An HB 2242 Give & Take

	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>22-23</u>
• Wenatchee	1.06	1.06	1.05	1.04	1.03
• Eastmont	1.00	1.00	1.00	1.00	1.00

Beginning with the 19-20 school year:

1. Salaries for full-time cert instructional staff (CIS) must not be less than \$40,000, to be adjusted for regional differences in the cost of hiring staff and to be adjusted annually by inflation as provided in RCW 28A.400.205.
2. Salaries for full-time CIS with at least five years of experience must exceed by at least 10% the value in 1. above.
3. A district may not pay full-time CIS a salary that exceeds \$90,000 adjusted for regional differences and inflation.

Under the hold-harmless requirement, Wenatchee would not receive less state salary funding from one year to the next as a result of the regional adjustment.

How then does that work if the regionalization percentage goes down each year ??

Beginning with the 2023-24 school year, and every 6 years thereafter, the legislature must review and rebase salary allocations to ensure that salary allocations reflect market rates and that regionalization reflects actual economic differences among districts.

My take is that regionalization is not going to reflect actual economic differences among districts NOW.

**Wenatchee School District**

General Fund Summary

Beginning Fund Balance	12,134,512	11,526,124	9,746,205	8,194,119	5,492,710	
		(adjusted)				
	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Revenues*	Actual	Actual	Budgeted	Estimated	Estimated	Estimated
Local - Levy	11,662,602	11,960,894	12,356,742	9,140,139	6,254,278	6,254,278
Local - Other	2,120,967	2,168,110	2,455,012	2,463,182	2,463,182	2,463,182
State - LEA	4,527,927	4,865,473	4,864,115	5,307,059	5,506,051	5,643,702
State - Other	63,660,955	64,976,074	68,581,397	75,919,606	84,270,763	86,166,855
Federal	8,690,685	8,221,606	8,880,265	8,880,265	8,880,265	8,880,265
Other	150,157	131,833	103,500	103,500	103,500	103,500
<b>Total Revenues</b>	<b>90,813,294</b>	<b>92,323,990</b>	<b>97,241,031</b>	<b>101,813,752</b>	<b>107,478,039</b>	<b>109,511,782</b>
<b>Expenditures**</b>						
Certificated Salary	38,559,123	40,417,356	42,750,000	44,032,500	47,555,100	48,743,978
Classified Wages	14,866,588	15,778,636	16,500,000	17,160,000	18,532,800	18,996,120
Benefits and Tax	20,481,993	21,320,306	22,751,010	24,204,800	26,141,184	26,794,713
Instructional Support	6,329,564	6,062,763	7,319,238	7,538,815	7,764,980	7,997,929
Purchased Services	7,869,762	8,291,336	8,936,473	9,204,567	9,480,704	9,765,125
Travel	461,972	452,933	545,349	561,709	578,561	595,918
Capital Outlay/Other	307,737	159,048	118,880	122,446	126,120	129,903
Transfers	1,039,458	0	0	0	0	0
<b>Total Expend</b>	<b>89,916,197</b>	<b>92,482,378</b>	<b>98,920,950</b>	<b>102,824,838</b>	<b>110,179,448</b>	<b>113,023,686</b>
Net Gain/(Loss)	897,097	-158,388	-1,679,919	-1,011,086	-2,701,409	-3,511,903
Transfers out		-450,000	-100,000	-541,000		
Ending Fund Balance	12,134,512	11,526,124	9,746,205	8,194,119	5,492,710	1,980,807
	13.50%	12.46%	9.85%	7.97%	4.99%	1.75%

\*Levy Revenues and State - LEA calculated by formula, State - Other taken from OSPI Multi-Year Tool, All other revenues unchanged from 17-1

\*\*17-18 Expenditures taken from district F-195, Estimated forward years Salaries and Benefits adjusted for IPD; Supplies, Services, Travel adjusted

Primary funding issues are salary increases for special programs and unfunded positions



# Certificated Instructional Staff (Cont.)

## Reality:

- In the North Central only 87% of CIS receive funding through prototypical model
- Funding for only 3 PD days, +1/year 2018-19 through 2020-21
- \$40K & \$44K Min/\$90K Max salaries are implemented 2019-20
  - OSPI recommended salary schedule, No LEAP – To be negotiated
- \$64K avg salary allocation – Half increase 2018-19, fully implemented 2019-20
  - Some districts already above this (Wenatchee about \$67k to \$70k)
- Enrichment levy dollars only for enrichment activities, approved by OSPI
  - No clear definition of Enrichment/Basic Education



***Note: Salary amounts are not adjusted for inflation, Regionalization, or 10% ESA/STEM/ETC***

## Hold Harmless Provisions

Unfortunately, there is already confusion about whether the actual language of 2242 will prevail or be changed from just “salary allocations” to “total funding”. For WSD, since our average salaries are already above the intended ½ way average between 17-18 and 19-20, I don’t know what benefit WSD will see from the hold harmless. The state has only allocated \$5 million (\$9 million over 4 years) for this so I don’t see that the state intended this provision to be widely used.

- Funding is provided for a hold harmless payment beginning for the 2018-19 school year. A school district qualifies for a hold harmless payment if the sum of a school district’s state basic education allocations under the funding formulas included in EHB 2242 plus a school district’s local enrichment levy and local effort assistance under EHB 2242 is less than the sum of what the district would have received for that year from the state basic education allocations, local maintenance and operation levy, and local effort assistance under the law as it existed on January 1, 2017. CLEAR???



# Legislative Priorities

- WSSDA

More funds for hold harmless provisions (I have no idea how a district will know this until F-203).

**Levy and Local Effort Assistance (LEA) formulas – changes need to be delayed until full state funding implemented. Right now, local levy and LEA gets reduced effective Jan 1, 2019. State increases funds for 19-20.**

**Salary schedule and staff mix factor – reinstate a statewide salary schedule and staff mix factor**

**Regionalization – this factor intensifies inequities between districts and should be reconsidered – Wenatchee and Eastmont**

Bargaining and negotiations – state assistance needed to enter into sustainable agreements

**Fully fund special education – districts will currently have no choice but to continue funding sped with local levy**

Improve school construction formula- recognize the real cost of building and modernizing schools

Fund legislative mandates – such as K-3 class-size reductions and Vocational class size reductions

Support social-emotional and behavioral needs of students

Advocate for protection of undocumented immigrant children – WSSDA supports DREAM Act

Help schools support homeless students

# Legislative Priorities

- OSPI Postpone effective date of change in local levy structure to January 1, 2020. Current change reduces levy before state increases kick in.

Revise local levy limit so districts can choose \$2,500 per resident student.  
(no help to WSD as long as \$1.50 limit on local levy remains).

Revise local effort assistance formula to equalize funding at \$2,100 per student.

Add language to codify and clarify the hold harmless language for 19-20.

Delay K-3 class size compliance until 2019-20

Modify language about LAP funding to create 3 year rolling average when computing 50% threshold.