

Key Excerpt

In the 2018-19 school year, by eliminating the staff mix formula component, the state will eliminate \$3.3 million in state salary funding; yet Olympia School District will still have to pay this amount to its more experienced teachers. The new state funding formula, specifically the elimination of staff mix funding, compels school districts to enact measures that are detrimental to student learning. The new formula is structurally designed to force school districts with an experienced teaching force to a) increase class sizes above the state prototypical school design; b) reduce the number of supporting staff such as teacher librarians, nurses, para-educators, custodians, principals and/or counselors below the prototypical school design; c) under-inflate teacher salaries compared to neighboring school districts and cost-of-living inflation; d) spend enhancement levy on basic education responsibilities; and/or e) discriminate against experienced and well-educated teachers who apply for open positions in order to hire less experienced/educated cheaper teachers. Some combination of such measures are the only way that a district can operate within state funding amounts and remaining enhancement levy funds.

Overview of New Finance System Impact on Olympia School District

In 2017 the State of Washington has enacted a new finance system for school district funding, contained in a combination of new legislation (Engrossed House Bill 2242) and in the state's two-year enacted operating budget. Most provisions begin implementation in the 2018-19 school year but continue to be refined in the 2019-20 school year. The new system contains far-reaching changes to funding for the Olympia School District. Funding information shared by the state indicates that in the 2019-20 school year, Olympia School District will benefit from a \$7.1 million increase¹ in net new funding (new state funding minus the reduction in levy funding the district currently receives). However, the \$7.1 million is overstated and inaccurate. The state incorrectly identifies a 2019-20 school year levy and levy equalization total that is about \$6 million lower than the true amount that would be collected. By starting the analysis with a levy amount that is artificially low, it makes the "new revenue" look artificially high. By substituting the old law levy amount in this analysis, the true change in 2019-20 SY funding is \$1.1 million net new resources, not \$7.1 million.

The new revenue of \$1.1 million must be contrasted with the cost of new expenditure mandates. First, Olympia School District will need to spend about \$1.5 million more to meet the state's mandate to decrease class size at grades K-3 from 19 students to 17 students per teacher. Second, the additional revenue of \$1.1 million includes the state revenue for a cost-of-living adjustment (COLA), so the cost of the COLA must be added to the analysis, a \$2.5 million expenditure at the lowest inflation level (Implicit Price Deflator). Third, the state mandates a 9.5 percent increase in beginning teacher salaries (to \$40,000), and permits a top salary on the teacher salary schedule of \$90,000. Once the state has set the ceiling at \$90,000 the Olympia School District will be under pressure to invest millions in a newly permitted salary schedule in order to keep up with neighboring school districts and achieve the state-allowable top salary of \$90,000. Assuming Olympia School District increases salaries by only half of the cost of the new schedule, the district will need to invest \$2.3 million. **In short, the new legislation carries multiple demands for expenditures far in excess of the additional \$1.1 million in new money. Conservatively the district will experience a minimum \$5.2 million deficit in net funding compared to new expenditure demands. It is in the context of a \$5.2 million deficit that this issue paper is developed as the new finance system harms the Olympia School District an additional \$4 million² for a total \$9.2 million deficit in net funding compared to new expenditure demands.**

¹This figure and all others are based on 2017 enrollment with 2019-20 SY policy and funding levels, unless otherwise specified.

²\$3.3 million in the 2018-19 school year and \$4 million in the 2019-20 school year, including the value of mandatory pensions and minimum COLAs.

Elimination of Staff Mix

The additional \$4 million harm to the Olympia School District is based on one aspect of the new funding formula that is buried deep in the detail of the old and new finance system: **Staff Mix**. Staff mix has been a component of the teacher salary system and funding formula for about 40 years. In staff mix, the state allocates more resources to a district with a teaching force of senior-more-expensive staff than to a district with a teaching force of early-career-less-expensive staff. In this way, the state has sufficiently funded the ability of a district to keep up with the increasing costs of a stable teaching force as they gain experience and/or attain additional education/degrees and progress on a salary schedule across their career and simultaneously meet state expectations for class size. Beginning in the 2018-19 school year, the staff mix funding factor is eliminated by the state.

Districts are more or less harmed by this construct based on the average experience or seniority level of their entire teaching force. Layout Table 1: The following table identifies a simplistic summary of where districts fall given this formula change.

(The following layout table identifies 3 scenarios: District A, B and C, each with 100 total teachers. District A has 100 early career teachers, will receive extra state funding for salaries, and has no need to subsidize basic education with enhancement levy funds. District B has 100 average-career teachers or 50 early career and 50 late career teachers, is perfectly funded with state funds for salaries, and has no need to subsidize basic education with enhancement levy funds. District C has 35 early career teachers and 65 late career teachers, will not receive enough state funds to cover the experience premium of its late career employee salaries, and therefore must subsidize basic education with enhancement levy funds).

Layout Table 1

Districts	Total Teachers	Description of Teachers	Impact on District Levy
District A	100	100 Early Career Teachers	District receives extra state funding to cover basic education salaries; no need to subsidize basic education with the enhancement levy
District B	100	100 Teachers with Average Experience/Education or 50 Early Career and 50 Late Career	District is perfectly funded with state funds for basic education salaries; no need to subsidize basic education with the enhancement levy
District C	100	35 Early Career Teachers; 65 Late Career Teachers	District does not receive enough state funds to cover the experience premium of its late career employee salaries; must subsidize basic education with enhancement levy

Olympia School District falls into the District C category

In 2017-18, the state will provide about \$3.3 million in staff mix funding to recognize that the Olympia School District teaching force as a whole is 10-12 percent more experienced than the state’s definition of an average education and years of experience (this figure includes the salary costs and mandatory pension costs). Beginning in 2018-19 the state will eliminate this funding but Olympia School District will still have to pay this amount or more to its more experienced teachers.

Olympia School District is hard-hit by this formula change because 30% of our teachers are in the MOST expensive cell of the salary schedule, **and this is 22% more than the state on average**. Conversely, Olympia has 22% fewer staff than the state as a whole in the salary schedule cells that are on the “cheap” end of the salary schedule—cells of the schedule that are paid less than the state funding amount.

Chart 1, below, displays the percentage of Olympia teachers that are placed in each cell of the schedule. Subtotals shaded green indicate the percentage of staff in cells that are paid less than the state funding amount; subtotals shaded orange indicate the percentage of staff in cells that are paid more than the state funding amount.

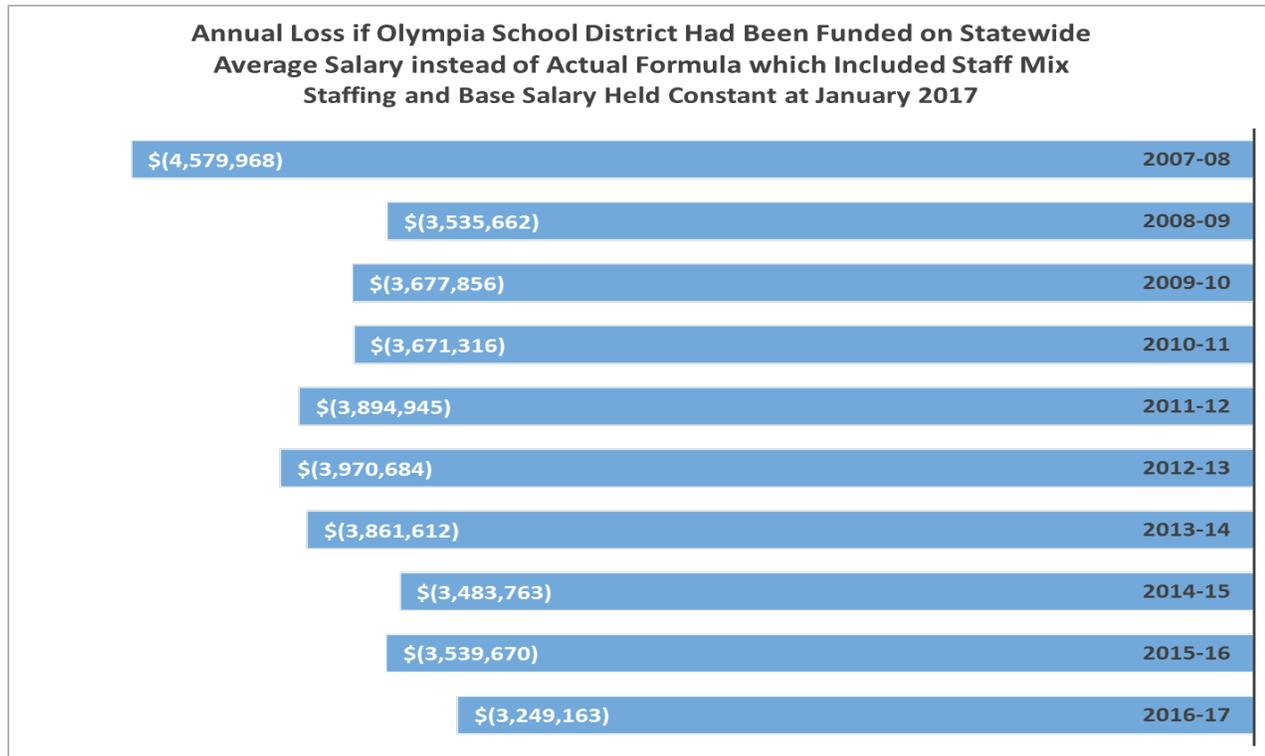
Chart 1

Years of Service	Percent of Olympia SD Staff in Each Salary Cell								MA+90 OR	Total
	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	Ph.D.	
0	1.37%	0.00%	0.00%	0.31%	0.16%	0.00%	1.02%	0.55%	0.16%	
1	1.56%	0.31%	0.16%	0.16%	0.16%	0.00%	0.47%	0.78%	0.16%	
2	0.85%	0.00%	0.31%	0.09%	0.00%	0.00%	0.16%	1.25%	0.62%	
3	1.00%	0.00%	0.00%	0.59%	0.28%	0.00%	0.91%	0.56%	0.34%	
4	0.31%	0.46%	0.00%	0.00%	0.16%	0.00%	1.22%	0.62%	0.19%	
5	0.81%	0.31%	0.16%	0.00%	0.00%	0.00%	0.47%	1.25%	0.62%	
6	0.41%	0.00%	0.28%	0.62%	0.16%	0.00%	0.53%	1.11%	0.31%	
7	0.47%	0.00%	0.00%	0.16%	0.44%	0.00%	0.43%	0.62%	0.59%	
8	0.72%	0.31%	0.00%	0.41%	0.00%	0.00%	0.55%	0.66%	0.47%	
9		0.81%	0.00%	0.71%	0.75%	0.00%	0.16%	0.87%	1.33%	
10			0.12%	0.16%	0.47%	0.00%	0.47%	0.62%	0.30%	
11				0.47%	0.00%	0.00%	0.94%	1.34%	1.03%	
12				2.09%	0.16%	0.00%	0.00%	0.86%	1.40%	
13					0.47%	0.00%	0.31%	0.91%	1.25%	
14					0.48%	0.00%	0.31%	0.65%	1.87%	
15					0.72%	0.00%	0.47%	0.92%	2.19%	
16 or more					4.75%	0.32%	2.58%	6.87%	29.75%	
Subtotal	7.50%	2.21%	1.03%	5.77%	2.56%	0.00%	6.38%	7.40%	2.40%	35.26%
Subtotal					6.57%	0.32%	4.62%	13.05%	40.18%	64.74%

This underfunding of basic education salaries will not likely be a one-year event for the Olympia School District. In the last 10 years, Olympia School District’s teaching force has exceeded the average experience/education levels each year and has consistently been 10 to 12 percent more experienced than average. If the state had not funded staff mix in any of these past 10 years, the district would have expended \$46 million from levy funds to cover the salary premium of experience and education levels attained. Chart 2 on page 4 displays the annual loss to Olympia School District had staff mix not been funded by the state (all dollars are in 2017 values).

(The chart is titled: Annual Loss if Olympia School District Had Been Funded on a Statewide Average Salary instead of the Actual Formula which Included Staff Mix, Staffing and Base Salary Held Constant at January 2017 (pension impact included). In the 2007-08 school year, the district’s funding loss would have been \$5,655,803; in 2008-09 the district’s funding loss would have been \$4,366,189; in the 2009-10 the district’s funding loss would have been \$4,541,785; in the 2010-11 the district’s funding loss would have been \$4,533,708; in the 2011-12 the district’s loss would have been \$4,809,868; in the 2012-13 the district’s funding loss would have been \$4,903,398; in the 2013-14 the district’s funding loss would have been \$4,768,705; in the 2014-15 the district’s funding loss would have been \$4,302,099; in the 2015-16 the district’s funding loss would have been \$4,371,139; in the 2016-17 the district’s funding loss would have been \$4,012,392).

Chart 2



Hire the Best Teacher

There is good reason for the state to have funded progression on the salary schedule for the last 40 years. Staff mix funding gives any district the ability to meet the state’s and district’s goals for student achievement by hiring the best teacher who applies for an open teaching job, instead of being forced to hire the cheapest teacher.

For the last 40 years under the old funding formula, in probably a daily scenario across our state, a principal who needed to fill an open teaching position could hire the best of the six candidates who applied, regardless of where that teacher fell on the salary schedule. That teacher, new to the district, would generate more state funding to cover the teacher’s experience premium. The principal never had to worry that the district could not support the salary of the most experienced of the six candidates and never felt pressure to hire the least-experienced or least-educated and therefore cheapest of the six candidates. The principal was never under pressure to hire the candidate that fell into the average of the salary schedule, as close as possible to what the state will now fund for a teacher. Further, the principal never had to worry that other aspects of his/her school system would be eliminated in order to pay for the experience-premium of a newly hired, experienced teacher. *For 40 years, every principal in Washington state has had only the responsibility to hire the best teacher.*

Implement the State Prototypical School Model

In 2010 the state designed a prototypical school staffing model for elementary, middle and high schools. The prototypical model identifies the appropriate class sizes and support staffing that students at that level need. The model(s) formulate the basis of state funding allocations to school districts and the state closely monitors that districts are implementing the model. This model is a promise to students regarding the support they will receive.

Staff mix funding has historically ensured that districts can a) implement class sizes as designed in the prototypical school design; b) implement the number of supporting staff such as teacher librarians, nurses, para-educators, custodians, principals and/or counselors as designed in the prototypical school design; c) properly inflate teacher salaries compared to neighboring school districts and cost-of-living inflation; and has ensured d) districts are not required to spend enhancement levy to implement the prototypical school model.

The model is now structurally impossible for high staff mix districts, such as Olympia, to implement.

For example, the state prototypical school design identifies that high school class size should be 1 teacher for each 28.7 students; a district with an experienced teaching force (high staff mix) cannot afford this ratio, and must instead populate class sizes at 1 teacher for each 31-34 students. Layout Table 2, below, identifies the class size that Olympia School District can afford, at various salary assumptions, once staff mix funding is eliminated. **In short, the Olympia School District is forced to have class sizes that are between 8 and 19 percent higher than a district with an evenly distributed teacher workforce.**

(The following layout table identifies 3 salary scenarios for the Olympia School District, and compares the class size that is affordable within state funding, once staff mix funding is eliminated. In each category of students, the Olympia School District class size is much higher than districts with evenly distributed teacher experience. Overall, Olympia class sizes are 8-19 percent higher than a district with an evenly distributed teacher workforce.)

Layout Table 2

		2018-19 SY Salary Schedule is not yet Negotiated;		
		Key Options:		
		No Salary Increase for OSD Teachers ³	State Permitted Salary at Top Step (\$90,000) ⁴	Half of State Permitted Salary Increases ⁵
	State “Funded” Class Size	Class Size that Olympia School District Can Afford with State Funding Given that Our Teaching Force is Highly Experienced		
Kindergarten – 3 rd Grade	17 students	18.35	20.16	19.25
4 th – 6 th Grade	27 students	29.15	32.00	30.57
7 th – 8 th Grade	28.53 students	30.80	33.83	32.30
9 th – 12 th Grade	28.74 students	31.03	34.07	32.54
On Average OSD Class Sizes are XX% Higher than a District with an Evenly Distributed Workforce		Class sizes are 8 percent higher than the state “funding” level	Class sizes are 19 percent higher than the state “funding” level	Class sizes are 13 percent higher than the state “funding” level

Beyond class size increases, without staff mix funding, a district is forced to deploy fewer staff such as teacher librarians, principals, para-educators, nurses, custodians and/or counselors in schools. \$3.3 to \$4 million in staff

³The new state salary system permits teacher salaries up to \$90,000 in the last step of a salary schedule. Currently Olympia School District staff are paid \$43,419 (first step) to \$81,838 (last step). In this option, no salary increases are provided, and top-step staff remain at \$81,838. Even with no salary increases, Olympia must increase class sizes substantially.

⁴In this option, the last step of the salary schedule is set at the state maximum-permitted of \$90,000; all other cells are adjusted proportionally to begin at \$43,419 and end at \$90,000. This amounts to about a 9.5% increase in salaries across the salary schedule. This is the salary design that districts that receive Regional Cost of Living Funding and/or districts with a low staff mix, will be able to afford. Olympia School District cannot afford this without crippling increases in class size.

⁵In this option, the last step of the salary schedule is set at \$85,918, or half of the increase permitted by the state maximum of \$90,000, about a 4.9% increase in salaries across the salary schedule.

mix funding (depending on the year) is a sizable financial impact for the Olympia School District and “buys” 35-42 staff, or 2 supporting staff per school (2 certificated staff or 1 certificated staff and 2 classified staff).

Without staff mix funding, a district is forced to minimize salaries and cost-of-living increases compared to neighboring school districts. But to fully solve the deficit associated with staff mix, Olympia School District would have to decrease salaries—not just slow growth—an untenable and indefensible position.

Without staff mix funding, a district is forced to use enhancement levy funds to subsidize the prototypical model design.

Conclusion

The new funding law is based on the admirable attempt to provide financial equity across our state’s public education system. Importantly, the new law provides more resources for struggling students and addresses the decades-old inequity between property rich and property poor school districts. However, the new law undermines the foundation of funding for districts with high numbers of experienced teachers.

The new state funding formula, specifically the elimination of staff mix funding, has five equally unacceptable outcomes detrimental to the educational mission of school districts statewide. The new formula is structurally designed to force school districts with an experienced teaching force to 1) increase class sizes above the state prototypical school design; 2) reduce the number of supporting staff such as teacher librarians, nurses, para-educators, custodians, principals and/or counselors below the prototypical school design; 3) under-inflate teacher salaries compared to neighboring school districts and cost-of-living inflation; 4) spend enhancement levy on basic education responsibilities; and/or 5) discriminate against experienced and well-educated teachers who apply for open positions in order to hire less experienced/educated cheaper teachers. Or, the new formula forces some combination of all five responses.

- Why do 10,000 Olympia School District students deserve class sizes that are 8-19 percent higher than the state “funded” class size? If kindergarten through third-grade students across our state deserve a class size of 17, why must Olympia students be placed in class sizes of 20 students? Why must Olympia ninth-through twelfth-grade students attend school in class sizes of 34, instead of 29?
- Why do 10,000 Olympia School District students not deserve the same level of support provided by nurses, teacher librarians, counselors, custodians and/or para-educators as districts with an evenly distributed teacher workforce?
- Why do 640 Olympia School District teachers not deserve competitive salaries that adequately keep up with inflation?
- Why would the state directly or indirectly impair a principal’s ability to hire the best teacher, regardless of experience-related salary premium, from a pool of candidates?
- If the basic education prototypical school model is fully funded in low staff mix districts, why should high staff mix districts be forced to subsidize the state’s promised support with enhancement levy funds?

In the McCleary decision, the court identified that "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."⁶ By eliminating the ability of districts to pay late career experienced teachers the actual cost of the salary progression mandated by the state, the state has embedded a financial incentive for discrimination against excellent teachers who happen to be experienced and forced tremendous cuts to the quality of the education provided to students.

⁶McCleary Decision, page 77.