

### Key Excerpt

*In the 2018-19 school year the state will eliminate \$3.3 million in state salary funding; yet Olympia School District will still have to pay this amount or more to its more experienced teachers. \$3.3 million is 2.5 percent of the Olympia School District's budget and is a sizable impact. To place this amount in perspective, the Olympia School District spends about \$3 million from the current levy to provide about 10 extra nurses to address health needs in our schools and about 17 extra high school teachers to offer more math, English, arts, and science options. (The Olympia School District enhances nurses and secondary teachers with levy funds as both allocations are inadequately funded by the state.) The new state funding formula, specifically the elimination of staff mix funding, has two equally unacceptable outcomes detrimental to the educational mission of school districts statewide. It either forces school districts with an experienced teaching force to subsidize basic education with Enhancement Levy funds and cut back on critical staffing traditionally funded with the levy in order to do so, OR it forces school districts to discriminate against experienced and well-educated teachers who apply for open positions in order to hire less experienced/educated teachers and live within reduced state salary funding amounts. Given that the new law prohibits districts from using the Enhancement Levy to subsidize basic education, the state has embedded a financial incentive for discrimination against excellent teachers who happen to be experienced.*

### 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 (House Bill 2242) and in the state's two-year enacted operating budget. Most provisions begin implementation in the 2018-19 school year. The new system contains far-reaching changes to funding for the Olympia School District. Funding information shared by the state indicates that the Olympia School District will benefit from a \$9.2 million increase<sup>1</sup> in net new funding (new state funding minus the reduction in levy funding the district currently receives) by the 2019-20 school year. However, the \$9.2 million subtotal is overstated. The state incorrectly identifies that in 2019-20 the Olympia School District levy will be about \$4.7 million lower than it is now. By starting the analysis with a lower levy amount to represent "current law" funding, the net new funding amount is inflated. (In fact, Olympia School District voters approved an increase in the levy for future years.) By substituting the current levy amount in this analysis (not the increase that voters have approved), the true change in future funding is \$4.5 million net new resources, not \$9.2 million. The net new funding of \$4.5 million must pay for several new state-mandated expectations: 1) reduce class size in Career and Technical Education courses for \$1.3 million; and 2) enhance services to English Learners, gifted students and struggling students for \$600,000. This leaves \$2.5 million in FLEXIBLE NEW money. Of this amount the district will need to spend about \$5.6 million to meet the state's mandate to decrease class size at grades K-3 from 23 students to 17 students per teacher, leaving a deficit of \$3.1 million. In addition, the state mandates a 9.5 percent increase in beginning teacher salaries. No district has the flexibility to compress the salary schedule and pay beginning teachers nearly 10 percent more while holding the rest of the salary schedule static. Therefore, the Olympia School District will likely invest millions into a new teacher salary schedule, not just one or a few cells of the schedule. If the Olympia School District only increases teacher salaries by 5 percent on average, the cost is about \$3 million. **In short, the new legislation carries multiple demands on the Olympia School District for expenditures far in excess of the new money; conservatively the district will experience a \$6.1 million deficit in net funding compared to new expenditure demands. It is in the context of a \$6.1 million deficit that this issue paper is developed as the new finance system harms the Olympia School District an additional \$3.3 million for a total \$9.4 million deficit in net funding compared to new expenditure demands.**

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<sup>1</sup> This figure and all others are in 2017 dollars, unless otherwise specified.

**Elimination of Staff Mix**

The additional \$3.3 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. Beginning in the 2018-19 school year, the Staff Mix funding factor is eliminated by the state.

As background, the historical law and state budget included a salary structure that increases a teacher’s salary by 88 percent over the course of a teacher’s career.<sup>2</sup> This was the minimum salary progression allowed (state law permitted districts and employee groups to provide additional salary progression through collective bargaining). The new law, HB 2242, continues the same construct; a beginning teacher must be paid \$40,000, the most experienced teacher cannot be paid more than \$90,000 (with the actual to be collectively bargained), and after 5 years of experience, teachers must be paid at least 10 percent more than a beginning teacher. With this structure, the state has increased the burden of school districts for salary progression over the course of a teacher’s career; districts cannot pay less than 88 percent progression (or by law the district would need to hold each current teacher harmless against a salary reduction) but actual progression will likely be 125 percent. With the new system, the state will allocate funding for all teachers based on an average amount, \$64,000. Districts are required to come up with the “extra” money to fund the difference between the average cost of a teacher and a teacher’s actual placement on the higher end of the salary schedule due to having more experience or education.

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 30 early career teachers and 70 late career teachers, will not receive enough state funds to cover the experience premium of its late career staffs’ 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	30 Early Career Teachers; 70 Late Career Teachers	District does not receive enough state funds to cover the experience premium of its late career staffs’ salaries; must subsidize basic education with Enhancement Levy

<sup>2</sup> A teacher with the most educational attainment (a Ph.D.) and at least 16 years of experience is paid 188 percent of a teacher with a Bachelor’s Degree and 0 years of experience.

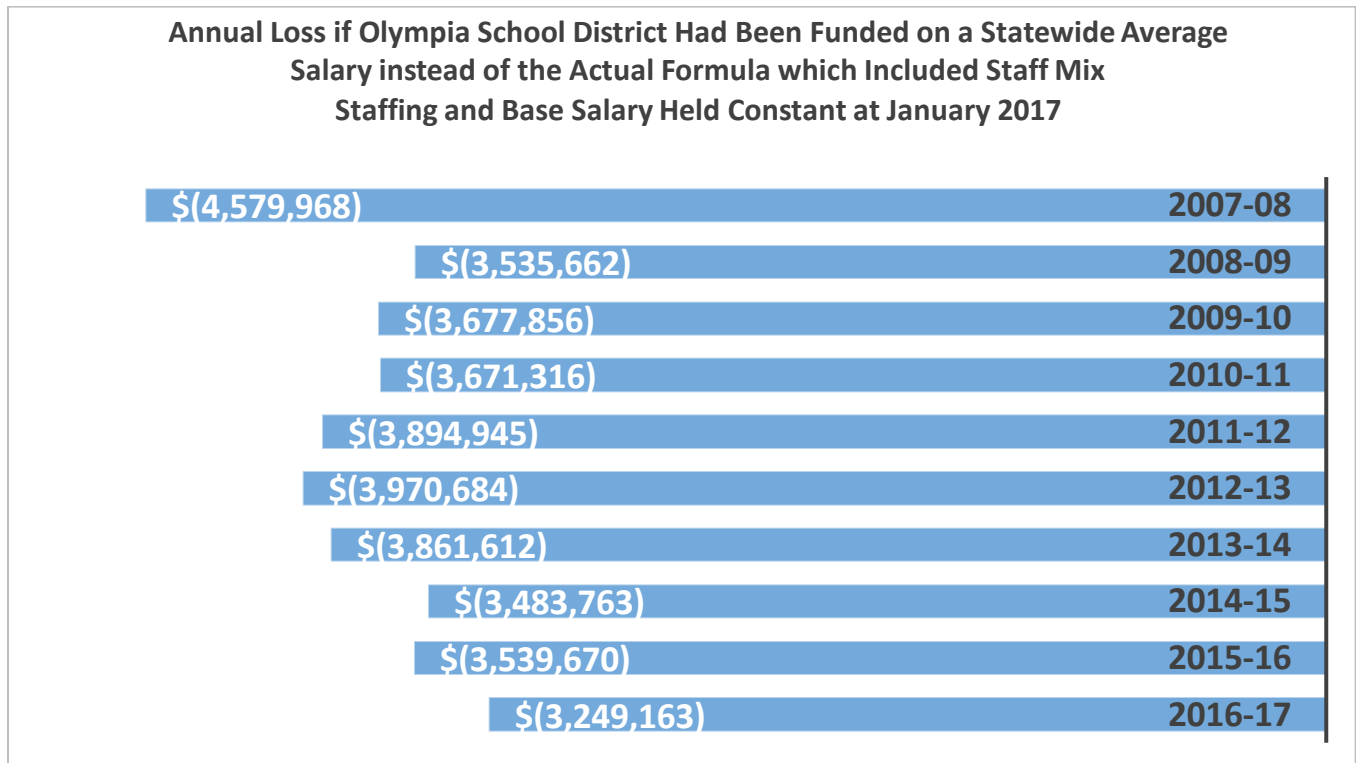
Olympia School District falls into the District C category.

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 12 percent more experienced than the state’s definition of an average education and years of experience. 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. \$3.3 million is a sizable financial impact for the Olympia School District, similar to the amount devoted from the current levy to provide about 10 extra nurses and about 17 extra high school teachers to offer an enriched curriculum of math, English, arts, or science options. (The Olympia School District enhances nurses and secondary teachers with levy funds as both allocations are inadequately funded by the state.)

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 \$37 million from levy funds to cover the salary premium of this experience. The chart below 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. In the 2007-08 school year, the district’s funding loss would have been \$4,579,968; in 2008-09 the district’s funding loss would have been \$3,535,662; in the 2009-10 the district’s funding loss would have been \$3,677,856; in the 2010-11 the district’s funding loss would have been \$3,671,316; in the 2011-12 the district’s loss would have been \$3,894,945; in the 2012-13 the district’s funding loss would have been \$3,970,684; in the 2013-14 the district’s funding loss would have been \$3,861,612; in the 2014-15 the district’s funding loss would have been \$3,483,763; in the 2015-16 the district’s funding loss would have been \$3,539,670; in the 2016-17 the district’s funding loss would have been \$3,249,163).

CHART 1



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. In a daily scenario across our state, under the old formula, a principal who is hiring a math or English teacher can hire the best of the six candidates who apply, regardless of where that teacher falls 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 has to worry that the district cannot support the salary of the most experienced of the six candidates and never feels pressure to hire the least-experienced or least-educated and therefore cheapest of the six candidates. The principal is never under pressure to hire the candidate that falls into the average of the salary schedule, as close as possible to what the state will now fund for a teacher. Further, the principal does not have to worry that other aspects of his/her school system will be eliminated in order to pay for the experience-premium of a newly hired experienced teacher.

### Conclusion

The new and old state law requires districts to implement a salary schedule that pays more salary over the course of their career; at a minimum Olympia School District's current 677 teachers must have this salary structure for the remainder of their career. The new state funding formula, specifically the elimination of staff mix funding, has two equally unacceptable outcomes detrimental to the educational mission of school districts statewide. It either forces school districts with an experienced teaching force to subsidize basic education with Enhancement Levy funds and cut back on critical staffing traditionally funded with the levy in order to do so, OR it forces school districts to discriminate against experienced and well-educated teachers who apply for open positions in order to hire less experienced/educated teachers and live within reduced state salary funding amounts.

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."<sup>3</sup> 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 done so once more and embedded a financial incentive for discrimination against excellent teachers who happen to be experienced.

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<sup>3</sup> McCleary Decision, page 77.