

CTE and Skill Center Funding – N1

Agency: 350 Office of Superintendent of Public Instruction
Budget Period: 2015

Recommendation Summary Text (Short Description):

OSPI was charged with reviewing CTE and Skill Center program funding formulas, expenditure accounting systems, and data reporting. The recommendations in this proposal would address issues in the current CTE program funding formula and would also phase in the QEC provisionally discussed class sizes for CTE and Skill Center programs as part of the McCleary decision. Total cost of this proposal is \$64.8 million for the 15-16 school year, and \$105 million for the 16-17 school year. The total for the 2015-17 biennium is \$169.8 million.

Fiscal Detail

Operating Expenditures		FY 2016	FY 2017	Total
General Fund	001-01	\$64,840,000	\$104,970,000	\$169,810,000
Total Cost		\$64,840,000	\$104,970,000	\$169,810,000

Staffing	FY 2016	FY 2017	Annual Avg.
Total FTEs Requested	0.0	0.0	0.0

Package Description (Includes the following sections)

Background

This decision package implements proposals outlined in the CTE and Skill Center Program Funding, Accounting and Data Reporting report provided to the legislature in June 2014 (<http://www.k12.wa.us/LegisGov/Reports.aspx>). This report was a direct charge to OSPI by the legislature through language in the 2013-15 biennial budget.

Current Situation

In school year 2013-14 state funding averaged \$6,043 per CTE FTE compared to \$5,297 per basic education FTE, an enhancement of \$746 or 14%, which is not currently sufficient to cover even the allowed indirect rate charged to CTE programs of 15%.

The CTE enhancement over basic education has declined over time, in fact the 1995 *Secondary Vocational Education in the State of Washington* report cited an enhancement of 28%.

Presently, 89% of the current CTE enhancement is for MSOC (Materials, Supplies, and Operating Costs), and 11% for enhanced staffing allocations. This is particularly concerning because while the basic education MSOC value has increased by 43% since the 2011-12 school year, the CTE MSOC rate has increased by only 4.88%. The total value of the CTE enhancement statewide is estimated to be \$45.7 million for school year 2013-14.

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Proposed Solution

Funding formula changes are proposed in the following areas: 1) Other CIS staffing ratio; 2) Principal allocation and CTE Director allocation; 3) Revise CTE and Skill Center MSOC allocations to reflect what districts are actually spending, using a 3 year average; 4) Implement QEC provisionally discussed class sizes; and 5) Funding for the startup of new CTE or Skill Center programs.

Other CIS Staffing Ratio

CTE and Skill Center programs currently receive a lower allocation for Other CIS staff per student FTE than basic education. Each student should be considered a basic education student first and foremost. This is not currently how the funding formula works for CTE and Skill Center programs. The following chart shows a comparison across programs for the 2013-14 school year.

Other CIS Staffing Position	Prototypical HS Allocation Per 600 Student FTE	Allocation per 600 Student FTE	
		CTE Programs	Skill Center Programs
Librarian	0.523	0.199	0.233
Counselor	2.009	0.968	1.131
Nurse	0.096	0.037	0.043
Social Worker	0.015	0.006	0.007
Psychologist	0.007	0.003	0.003
Total	2.65	1.213	1.416

Based on feedback received from the CTE workgroup that studied the funding formulas and assisted OSPI is the June 2014 report, CTE programs do not require enhancements to these staffing positions, the BEA allocation would be sufficient. To rectify this situation, these staff units should be moved out of the CTE programs and be allocated in the prototypical middle or high school as part of basic education.

Total cost of shifting the Other CIS staff allocation back to basic education is \$11.5 million per school year.

Principal/CTE Director Allocation

The current funding formula backs out the principal allocation from basic education, and moves it to the CTE program for each CTE student FTE. This creates an issue due to the fact that Activity 23 – Principals is not an allowable charge to the CTE program in the accounting structure, so CTE is being funded for an allocation in which they can't charge to their program.

It is recommended that CTE students generate a principal allocation at the prototypical middle or high school as part of BEA, and not within the CTE program.

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Total savings to the state realized through shifting the principal allocation back to basic education is \$0.4 million.

An allocation should be provided for a CTE director (separate from a principal) at a rate of 1:432 middle school **CTE FTE**, and 1:600 high school **CTE FTE**. All expenses associated with the CTE director allocation should be charged to Activity 21 – Supervision in the accounting structure and would be allowed to be accounted for as CTE expenses.

Total cost of funding the CTE director for both middle and high school programs is \$8.2 million.

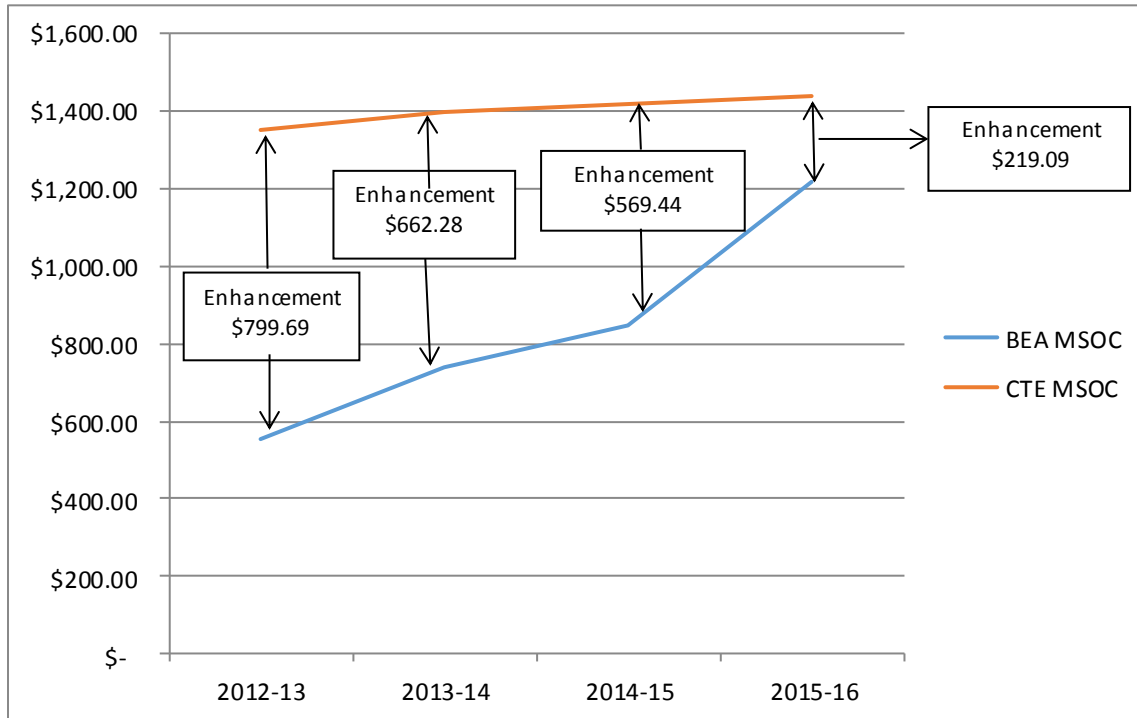
CTE Director Allocated at 1 per 600 High School FTE or 432 Middle School FTE

	High School	Middle School
April 2014 Apportionment CTE Enrollment	54,716.48	6,644.14
CTE Director Allocation	91.19	11.07
CIS Statewide Salary Allocation	\$ 59,953.41	\$ 59,953.41
Total Salary	\$ 5,467,399.27	\$ 663,898.08
Health Benefits	\$ 840,445.13	\$ 102,053.99
Fringe Benefits	\$ 1,021,310.18	\$ 124,016.16
Total CTE Director Allocation	\$ 7,329,154.58	\$ 889,968.23
Total Cost of CTE Program Directors	\$8,219,122.82	

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Revise MSOC Allocations

Recent state budgets have reduced the CTE and Skill Center MSOC enhancements. The impact on the CTE MSOC enhancement is shown in the chart below.



A portion of the current CTE MSOC allocation is provided with the intent to cover costs associated with utilities, facilities maintenance, and district wide support. The workgroup found that there were not measurable increased costs in these categories for CTE programs, as such, CTE students should generate these allocations at the same rate as basic education students in the basic education program.

The remaining categories of the MSOC allocation are intended to cover costs associated with technology, curriculum, library and other supplies, and professional development. The allocation for these should remain in the CTE program, and the enhancement above BEA should be based on how much more CTE programs actually spend in these areas as compared to basic education. Expenses in these areas should be direct charged to the CTE programs. The following chart shows the proposed per student MSOC allocations for the CTE programs, which is based on the policy that all students should generate the BEA MSOC amounts and then an appropriate enhancement to certain MSOC categories should be funded for CTE programs.

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MSOC Category – 2013-14	General Ed. Allocation	CTE Multiplier	CTE Allocation
Technology	\$77.46	3.19	\$247.10
Curriculum	\$83.17	2.86	\$237.87
Library and Other Supplies	\$176.56	1.54	\$271.90
Professional Development	\$12.86	1.05	\$13.50
Total	\$350.05	2.20	\$770.37

Current law requires that MSOC be fully funded in the 2015-16 school year and adjusted for inflation thereafter.

The per student rates based on this proposal for CTE MSOC in future years, starting with 2015-16 are shown in the chart below.

MSOC Category	2015-16	2016-17	2017-18	2018-19	2019-20
Technology	\$409.71	\$415.45	\$421.68	\$428.00	\$434.41
Utilities and Insurance	\$348.98	\$353.87	\$359.17	\$364.56	\$370.03
Curriculum	\$394.38	\$399.90	\$405.90	\$411.99	\$418.17
Library and Other Supplies	\$450.84	\$457.15	\$464.01	\$470.97	\$478.03
Professional Development	\$22.39	\$22.70	\$23.05	\$23.39	\$23.74
Facilities Maintenance	\$172.88	\$175.30	\$177.93	\$180.60	\$183.31
District Wide Support	\$119.77	\$121.45	\$123.27	\$125.12	\$127.00
Total	\$1,918.97	\$1,945.83	\$1,975.02	\$2,004.64	\$2,034.71

The chart reflects the combined BEA and CTE enhanced MSOC rates. With the proposed reduction in the indirect rate discussed later in this decision package, only the portions of MSOC related to Technology, Curriculum, Library and Other Supplies, and Professional Development would actually be funded in the CTE program.

Skill Centers

OSPI proposes that Skill Center MSOC values be enhanced above BEA rates based on actual district expenditures. Because Skill Centers are their own cost center, OSPI

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proposes a slightly different policy that proposed for CTE programs. Rather than adjusting each MSOC value up or down, OSPI believes the total BEA funded MSOC amount should be adjusted by a factor based on total Skill Center MSOC amounts, based on a three year average expenditure amount for MSOC by Skill Centers.

	<u>BEA MSOC</u>	<u>Proposed Skill Center MSOC</u>
Fully funded in 2015-16	\$1,222.05	\$3,042.90
Three Year Average Multiplier	2.49	

The proposal for funding CTE and Skill Center MOSC outlined in this decision package, the additional cost by school year is as follows:

School Year (additional cost in millions)	2015-16	2016-17	2017-18	2018-19	2019-20
CTE	\$29.5	\$30.0	\$30.4	\$30.9	\$31.3
Skill Centers	\$8.5	\$8.6	\$8.8	\$8.9	\$9.0
Combined MSOC Costs	\$38.0	\$38.6	\$39.2	\$39.8	\$40.3

Implement QEC Recommended Class Sizes

The Quality Education Council provisionally discussed class sizes of 19.0 for middle and high school CTE programs, and 16.0 for Skill Center programs. These class sizes were recommendations from the Funding Formula Technical Working Group report, issued in 2009. The cost of moving to these class sizes over three years (based on July 2014 apportionment enrollment) is shown in the chart below.

School Year (additional cost in millions)	2015-16		2016-17		2017-18	
	Class Size	Cost	Class Size	Cost	Class Size	Cost
CTE	24.05	\$21.5	21.52	\$48.2	19.00	\$81.7
Skill Centers	20.51	\$2.0	18.25	\$4.6	16.00	\$7.8
Combined Cost	N/A	\$23.5	N/A	\$52.8	N/A	\$89.5

Funding for the start-up of new programs

One funding gap identified by the workgroup is the lack of funding to start new CTE and Skill Center programs. OSPI is requesting \$250,000 per year to fund equipment and

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curriculum startup costs for new programs. OSPI has identified district needs ranging from starting a new medical assistant program or marine program to needing a 3-D printer. These grants would differ from those currently funded by 2SSB6377 – High Demand Grants. For the high-demand grants, grantees must use grant funding for one of three high-demand areas: 1) construction; 2) health care; 3) information technology. The start-up grants proposed as part of this decision package would not be limited to only those three areas.

If the funding formulas are revised as noted above, the working group recommended a reduction in the allowed indirect rate from the 15% currently allowed to the federal restricted rate (on average 3%).

Contact person

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Narrative Justification and Impact Statement (Includes the following section)

What specific performance outcomes does the agency expect?

The proposed changes to the funding formula would provide better alignment with actual expenditures and would significantly increase transparency of expenditures.

Performance Measure Detail

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes. Full funding for education, including CTE and Skill Centers is the Superintendent's number one priority.

Reason for change:

Does this decision package provide essential support to one of the Governor's priorities?

Yes. Through providing additional CTE program funding, this decision package helps districts offer more STEM programs throughout the state.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, describe.

Yes, Goal 1: World-class education. This provides increase funding to education programs and Goal 1.2.f – Increased STEM learning opportunities.

What are the other important connections or impacts related to this proposal?

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This proposal represents a collaborative work product of a School District Accounting Advisory Committee sub-group made of representatives from both school district business officials, and CTE program directors.

Impact on Other State Programs

What alternatives were explored by the agency, and why was this alternative chosen?

The work group that come up with the recommendations in this decision package also looked at the option of funding CTE programs through an excess cost accounting model. The workgroup did not recommend this model because there is a general lack of transparency in an excess cost model of funding that would make it extremely difficult to determine the true revenues and costs of the CTE programs.

What are the consequences of not funding this package?

Not funding this decision package means the state will continue to underfund CTE and Skill Center programs. The misalignment between actual district expenditures and the funding formula will continue to exist. Starting up new programs will continue to be inhibited. And the class size for CTE and Skill Centers, which the legislature believes to be “enhanced” will be marginally more than class sizes funded for basic education. Additionally, if MSOC is not addressed, the CTE and Skill Center MSOC enhancement will practically disappear due to BEA MSOC increases without coinciding increases for CTE and Skill Centers.

What is the relationship, if any, to the state’s capital budget?

Funding lower class sizes will create the need for additional class rooms. If startup funding stimulates new programs, this will also create the need for additional instructional space.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

State statutes would need to be changed in order to implement the new CTE funding structure as proposed. These changes would need to take place in the biennial budget. OSPI’s rules would then also need to be revised.

Expenditure and revenue calculations and assumptions:

Unless otherwise stated in charts or tables, expenditure calculations were performed based on enrollment and staff mix factors used in January 2014 apportionment payments.

Revenue Calculations and Assumptions:

None.

Expenditure Calculations and Assumptions

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The chart below represents the estimated cost of implementing these changes as presented for the 2015-16 school year. The below chart does not include the \$250,000 per school year in grants to help cover startup costs.

<u>Proposal Element</u>	<u>Cost Impact school year 2015-16 (In Millions)</u>
<u>Other CIS Staff moved to general education</u>	<u>\$11.5</u>
<u>Principals moved to general education</u>	<u>-\$0.4</u>
<u>CTE Director</u>	<u>\$8.2</u>
<u>MSOC revisions</u>	<u>\$38.0</u>
<u>Class Size allocation for CTE of 19.0</u>	<u>\$21.5</u>
<u>Class Size allocation for Skill Centers of 16.0</u>	<u>\$2.0</u>
<u>Total of Recommendations</u>	<u>\$80.8</u>

Totals by state fiscal year are shown in the chart below:

Proposal Element	School Year					
	15-16	16-17	17-18	18-19	19-20	20-21
Other CIS Staff Moved to General Education	\$11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50
Principals Moved to General Education	\$ (0.40)	\$ (0.40)	\$ (0.40)	\$ (0.40)	\$ (0.40)	\$ (0.40)
CTE Director	\$ 8.20	\$ 8.20	\$ 8.20	\$ 8.20	\$ 8.20	\$ 8.20
MSOC Revisions	\$38.00	\$ 38.60	\$ 39.30	\$ 39.80	\$ 40.30	\$ 40.81
Class Size for CTE of 19.0	\$21.50	\$ 48.20	\$ 81.70	\$ 81.70	\$ 81.70	\$ 81.70
Class Size for Skill Centers of 16.0	\$ 2.00	\$ 4.60	\$ 7.80	\$ 7.80	\$ 7.80	\$ 7.80
Sub-Total of Above	\$80.80	\$ 110.70	\$ 148.10	\$ 148.60	\$ 149.10	\$ 149.61
Start up Grants	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
School Year Cost	\$81.05	\$ 110.95	\$ 148.35	\$ 148.85	\$ 149.35	\$ 149.86
	Fiscal Year					
	16	17	18	19	20	21
State Fiscal Year Cost	\$64.84	\$ 104.97	\$ 140.87	\$ 148.75	\$ 149.25	\$ 149.76
	15-17		17-19		19-21	
Biennial Cost	\$ 169.81		\$ 289.62		\$ 299.01	

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Object Detail

		FY 2016	FY 2017	Total
A	Salary and Wages	\$0	\$0	\$0
B	Employee Benefits	\$0	\$0	\$0
C	Contracts	\$0	\$0	\$0
E	Goods/Services	\$0	\$0	\$0
G	Travel	\$0	\$0	\$0
J	Equipment	\$0	\$0	\$0
N	Grants	\$64,840,000	\$104,970,000	\$169,810,000
	Interagency Reimbursement	\$0	\$0	\$0
	Other			
Total Objects		\$64,840,000	\$104,970,000	\$169,810,000

Expenditures & FTEs by Program

Activity Inventory Item	Prog	Staffing			Operating Expenditures		
		FY 2016	FY 2017	Avg	FY 2016	FY 2017	Total
A038-Basic Education	021				\$64,840,000	\$104,970,000	\$169,810,000
Total Activities					\$64,840,000	\$104,970,000	\$169,810,000

Six-Year Expenditure Estimates

Fund	15-17 Total	17-19 Total	19-21 Total
General Fund	\$169,810,000	\$289,620,000	\$299,000,000
Expenditure Total	\$169,810,000	\$289,620,000	\$299,000,000
FTEs	0	0	0

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs associated with this decision package are ongoing, as they impact funding drivers in the state funding formula.