

## Initiative 1351 Class Size Reduction: A \$4.7 Billion Unfunded Mandate with Dubious Educational Merit

### Briefly

Initiative 1351 would reduce class sizes for kindergarten through 12th grade, requiring the hiring of more teachers and other staff.

- It would increase state K–12 spending by \$4.7 billion through 2019—over and above what must already be spent to comply with the state Supreme Court’s McCleary decision. Local spending would also increase.
- The initiative contains no dedicated funding source, so the Legislature would have to cut other programs or raise taxes.
- It goes far beyond what is required under the McCleary decision (which calls for lower class sizes only in grades K–3).
- The evidence on the benefits of class size reduction is mixed, but doing so for grades 4–12 appears to be a poor investment.

An initiative to lower class sizes for grades K–12, which would require hiring more teachers and other staff, will be on the ballot in November. Initiative 1351 would reduce class sizes in all grades, going far beyond what’s required by the current law embodied in the state Supreme Court’s McCleary decision. It would increase state spending by \$4.7 billion through 2019 (over and above what is already required under McCleary)

educational benefits.

### I-1351

Initiative 1351 would reduce the general education average class size for grades K–12 in the prototypical school. (See Table 1.) It would also reduce the average class sizes on which the minimum allocation is based for career and technical education (from 26.57 to 19.00) and skill center programs (from 22.76 to 16.00). Currently, the high poverty average class size is set not in statute but is specified in the omnibus appropriations act. I-1351 would set it in statute.

I-1351 would increase the minimum allocations for various non-teacher employees, including principals, librarians and custodians, among others. District-wide support services staffing allocations would also be increased. (See Table 2.)

The initiative specifies that at least 50 percent of its allocation increases must be funded for the 2015–17 biennium, and priority for additional funding must go to “the highest poverty schools and school districts.” All allocations must be funded by the end of the 2017–19 bien-

Table 1: Average Class Size

Grades	2013-15 Operating Budget		I-1351	
	General	High Poverty Schools	General	High Poverty Schools
K-1	25.23	20.30	17.00	15.00
2-3	25.23	24.10	17.00	15.00
4	27.00	27.00	25.00	22.00
5-6	27.00	27.00	25.00	23.00
7-8	28.53	28.53	25.00	23.00
9-12	28.74	28.74	25.00	23.00

Note: The 2013-15 budget provided for K-1 class sizes in high poverty schools of 20.85 for SY 2013-14 and 20.30 for SY 2014-15

and mandate increased local spending. Yet, I-1351 contains no dedicated funding source—the Legislature would have to raise taxes or cut other state programs to pay for it. It’s an unfunded mandate with sweeping fiscal consequences and dubious

Table 2: Non-teacher Staffing for Prototypical School

	Elementary School		Middle School		High School	
	Current	I-1351	Current	I-1351	Current	I-1351
	Law		Law		Law	
Principals, assistant principals, and other administrators	1.253	1.300	1.353	1.400	1.880	1.900
Teacher librarians	0.663	1.000	0.519	1.000	0.523	1.000
School nurses	0.076	0.585	0.060	0.888	0.096	0.824
Social workers	0.042	0.311	0.006	0.088	0.015	0.127
Psychologists	0.017	0.104	0.002	0.024	0.007	0.049
Guidance counselors	0.493	0.500	1.116	2.000	1.909	3.500
Teaching assistance	0.936	2.000	0.700	1.000	0.652	1.000
Office support and other noninstructional aides	2.012	3.000	2.325	3.500	3.269	3.500
Custodians	1.657	1.700	1.942	2.000	2.965	3.000
Classified staff providing student and staff safety	0.079	0.000	0.092	0.700	0.141	1.300
Parent involvement coordinators	0.000	1.000	0.000	1.000	0.000	1.000

nium. The new allocations would take effect September 1, 2018.

According to the initiative,

These annual improvements are to be considered basic education funding that may be used to assist the Washington supreme court to determine the adequacy of progress in addressing the state's paramount duty in accordance with the McCleary decision.

Again, the initiative provides no new funding, necessitating additional legislative action to cut funding in other areas of the budget—higher education and social services are the most likely targets—or to increase taxes.

**Fiscal Impact**

The Office of Financial Management (OFM) has prepared a fiscal impact statement for the initiative. It would increase state spending by \$4.7 billion through 2019. In the 2015–17 biennium, state spending (including changes to state funding formulas and the accompanying higher levy equalization payments) would increase by \$2.0 billion. This amount includes funding for class size reduction in grades K–3 because the state Legislature is not required to

fully implement class size reductions for grades K–3 under the Supreme Court’s McCleary decision until school year (SY) 2017–18 (in the 2017–19 biennium).

In 2017–19, state spending would increase by \$2.7 billion. This amount does not include funding for K–3 class size reduction, as the state is already required to make those reductions. Consequently, as OFM notes, the state will need \$1.3 billion to fund K–3 reductions in 2017–19—in addition to the \$2.7 billion. Further, as OFM notes, “I-1351 new staffing formulas are not fully implemented until midway through the 2017–19 biennium” (OFM 2014). (OFM projects that when fully implemented in the 2019–21 biennium, I-1351’s impact on state spending will be \$3.8 billion.)

For SY 2018–19 (the first year the initiative would be fully implemented), I-1351 would require 7,453 new teachers. (That is effectively for reductions in grades 4–12; an additional 7,396 teachers are already required under McCleary to reduce classes in grades K–3.) The initiative would also require 17,081 new school-based staff and 1,027 new district staff.

In other words, I-1351 requires the hiring of an additional 25,561 public school employees, only 29 percent of whom are

Table 3: State Spending Under I-1351 (Billions of Dollars)

2015-17	2017-19	Total
\$2.0	\$2.7	\$4.7

Note: Biennial numbers do not include local spending, which could increase by almost \$1 billion.

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The \$4.7 billion in state spending (fiscal year basis) is received by school districts as revenue. On a school year basis, school districts would receive \$5.1 billion through SY 2018–19. Because of the increase in state funding, under current law, local levy authority would also increase. As OFM notes, “It is unknown how many districts will exercise this authority” (OFM 2014), but districts “could generate up to an additional \$1.9 billion in local revenue from higher property taxes over the next five years” (OFM 2014).

Although school district revenues from the state would total \$5.1 billion under the initiative, OFM estimates that school district spending would total \$6.0 billion through SY 2018–19. The difference is due to the fact that the costs of hiring teachers are not fully covered by the state allocation, and OFM assumes that “districts will maintain statewide average salary rates as provided in school year 2013–14” (OFM 2014).

That does not take into account the McCleary decision, in which the state Supreme Court found that the insufficiency of the state salary amount was part of its failure to make ample provision for basic education. As this must be addressed by the Legislature, I-1351’s impact on state spending will likely be higher and the local impact lower.

### Capital Costs

Reducing K–12 class sizes to the extent envisioned in I-1351 would be very costly, and the OFM fiscal impact statement does not even include any capital costs that might need to be incurred to build new classrooms to accommodate the newly smaller classes.

A January 9, 2014 order from the Supreme Court notes that although the 2013–15 budget did appropriate \$103.6 million for K–3 class size reduction, “the State must account for the actual cost to schools of providing these components of basic education” (McCleary 2014). The

order references an argument made by the plaintiffs that “Smaller class sizes also require more classrooms” (McCleary 2014). A 2013 OSPI report had surveyed schools to see if they had the capacity to implement the K–3 class size reductions. Of the schools that responded to the survey (702 schools out of 1,304—representing 45 percent of statewide K–3 enrollment), 65 percent reported they would need more space (1,560 more classrooms statewide). Based on OSPI’s estimated classroom costs, that number of classrooms would require an investment of \$599 million (OSPI 2013).

I-1351 “does not mandate an increase in state or local capital facilities” (OFM 2014) or fund them. Further, it notes that if school districts “demonstrate capital facility needs that prevent them from reducing actual class sizes to funded levels,” they may use their class size reduction funding for “school based-personnel who provide direct services to students.” Thus, the new funds might not go to class size reduction at all. The capital facilities limitation is a serious constraint that many schools will face. Without the classrooms to house the new teachers, schools may end up hiring even more aides, for example.

### Legislative Action and McCleary

For many years now, the Legislature has worked to define and adequately fund basic education. In 2012, noting lawmakers’ most recent and comprehensive efforts, the state Supreme Court ruled in the McCleary case that “The State has not complied with its article IX, section 1 duty to make ample provision for the education of all children in Washington” (McCleary 2012).

The court’s opinion cited “a promising reform package” that was enacted in 2009: ESHB 2261. The legislation changed the definition and funding of basic education; these changes must be implemented by 2018. It also created the Quality Education Council (QEC), which was to make recommendations for the new definition and its implementation.

The framework outlined in the reform package has become the standard against which the court measures legislative progress.

As the McCleary opinion notes, “The 2010 legislature enacted many of the QEC’s recommendations into law with Substitute House Bill (SHB) 2776.” Under SHB 2776, schools are allocated state funds for basic education via a distribution formula that is

based on minimum staffing and non-staff costs the legislature deems necessary to support instruction and operations in prototypical schools. . . . Prototypical schools illustrate the level of resources needed to operate a school of a particular size with particular types and grade levels of students . . . . It is the intent that the funding allocations to school districts be adjusted from the school prototypes based on the actual number of annual average full-time equivalent students in each grade level at each school in the district. (RCW 28A.150.260)

Further, “Funding is for allocation purposes only . . . and it is up to the school district to budget the funds at the local level” (SW&M 2014).

Class size figures strongly in the calculation. SHB 2776 specified that beginning in the 2011–13 biennium, the average class size for grades K–3 must be reduced

until it reaches 17 students per teacher in SY 2017–18. State operating budgets have reduced class sizes in high poverty schools. (See Table 4.)

**I-728**

I-1351 has been compared to Initiative 728, which was adopted in 2000 and is often referred to as the “class size initiative.” I-728 had much less claim to that title than I-1351 does.

I-728 “provided flat, per-pupil allocations to school districts,” but class size reduction wasn’t the only eligible use for the funding. Indeed, only about half the money was used for that purpose (WRC 2012). As I-728 notes,

Conditions and needs vary across Washington’s two hundred ninety-six school districts. School boards accountable to their local communities should therefore have the flexibility to decide which of the following strategies will be most effective in increasing student performance and in helping students meet the state’s new, higher academic standards.

Those strategies included “major reductions in K–4 class size” and “selected class size reductions in grades 5–12, such as small high school writing classes.” The initiative stated, “The state’s long-term goal should be to reduce class size in grades K–4 to no more than eighteen students per teacher in a class.”

Like I-1351, I-728 also had no dedicated funding source; after being routinely suspended during tight budget years, it was repealed in 2012.

**Benefits of Class Size Reduction**

In making its case for K–12 class size reduction, I-1351 notes that Washington ranks 47th in the nation in the number of students per class. In other words, according to the National Education Association, in 2012, Washington had the nation’s fourth highest

Table 4: Average Class Size

Grades	Current Statutory Average Class Size (SHB 2776)	2011-13 Operating Budget		2013-15 Operating Budget	
		General	High Poverty Schools	General	High Poverty Schools
K-1	25.23	25.23	24.10	25.23	20.30
2-3	25.23	25.23	24.10	25.23	24.10
4	27.00	27.00	27.00	27.00	27.00
5-6	27.00	27.00	27.00	27.00	27.00
7-8	28.53	28.53	28.53	28.53	28.53
9-12	28.74	28.74	28.74	28.74	28.74

Note: The 2013-15 budget provided for K-1 class sizes in high poverty schools of 20.85 for SY 2013-14 and 20.30 for SY 2014-15

pupil-teacher ratio (19.7; the U.S. average was 15.9) in public K–12 schools, lower than only California, Oregon and Utah (NEA 2014). Although the initiative asserts that students in smaller classes experience better learning outcomes, the research is unconvincing, except for the earliest years. In drafting their education reform legislation, lawmakers specifically provided for K–3 class size reduction, based on evidence that in those years, smaller class sizes make a positive difference.

Large-scale class size reduction efforts, however, appear to produce negative cost-benefit results, as a report from the Center for American Progress notes.

There is surprisingly little high-quality research . . . on the effects of class size on student achievement in the United States. The credible evidence that does exist is not consistent, and there are many low-quality studies with results all over the map. The most encouraging results for CSR [class size reduction] come from a single experiment conducted in the 1980s, which found that a large reduction in class size in the early grades increased test scores, particularly among low-income and African American students. But evaluations of large-scale CSR policies in California and Florida have yielded much less positive results, perhaps because of the need to hire so many (inexperienced and potentially less effective) new teachers.

The evidence on class size indicates that smaller classes can, in some circumstances, improve student achievement if implemented in a focused way. But CSR policies generally take exactly the opposite approach by pursuing across-the-board reductions in class size at the state or federal level. **These large-scale, untargeted policies are also extremely expensive and represent wasted opportunities to make smarter educational investments.**

Large-scale CSR policies clearly fail any cost-benefit test because they entail

steep costs and produce benefits that are modest at best. (Chingos 2011)

(Emphasis added.)

Similarly, a 2007 report from the Washington State Institute for Public Policy (WSIPP) looked at the costs and benefits of K–12 class size reduction. A literature review found that there have been class size studies since the 1960s, but, “the answers that have been suggested remain controversial to many of the researchers involved in the debate” (Aos et al. 2007). Still, WSIPP’s review shows that

reducing class sizes in kindergarten through the second grade is consistently associated with positive gains in academic test scores. For third through sixth grade, the results are more mixed with some studies indicating positive results and some indicating lower or negative results. **By middle school and high school, the effects appear to be small, on average, and there have been some studies indicating no gain or even a reduced level of academic performance with reduced class sizes.** (Aos et al. 2007)

(Emphasis added.)

In a January 2013 report, WSIPP asked whether the benefits of K–12 class size reduction outweigh the costs. The study “calculated the per-student cost to Washington taxpayers to reduce class size by one student per class, from current levels” (Aos and Pennucci 2013). Reducing class size by one student in kindergarten is estimated to cost taxpayers about \$198 per student while producing \$2,302 in benefits per student. Reducing class size by one student in grade 12 would cost taxpayers about \$160 per student and produce \$353 in benefits. (The benefits “are the present-valued life-cycle gains in improved labor market performance and overall economic growth, reduced criminality, and lowered health care costs.”) As the report summarizes, “On average, the net benefits of class size reductions are substantially larger in earlier grades than in later

grades" (Aos and Pennucci 2013).

Finally,

The bottom-line finding from our analysis of the evidence and economics of class size reduction is that in the earliest K–12 grades reducing class size has a high probability of producing a favorable outcome—that is, where the long-term benefits of reducing class size consistently exceed the costs. In the upper grades, on the other hand, reducing class size poses a substantial risk of an unfavorable outcome—that is, where costs may often exceed benefits. (Aos and Pennucci 2013)

Overall, the evidence on the benefits of class size reduction is mixed. It does appear, though, that there are some positive impacts from lowering class sizes in grades K–3. Reducing class sizes in grades 4–12 would, on the contrary, be a poor investment—yet I-1351 would do so anyway.

### Comment

I-1351 would cost the state \$4.7 billion through 2019, in addition to \$1.3 billion that must already be spent to reduce K–3 class sizes. Local school districts may have to spend \$960 million more. All of this to mandate a program that has dubious benefits and goes far beyond the class size reductions already required under current law and McCleary.

Passage of the initiative would compound the fiscal challenges already facing the 2015 Legislature. The high spending required to fund class size reductions threatens to further squeeze higher education and social services programs, jeopardize efforts at more cost-effective education reform measures, and require imposition of billions of dollars in new taxes.

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