

# Where are we and where can we go?

*The world has changed and will continue to change*

*Our place in the world has changed because our country has changed*

*The changes are uncomfortable to think about unless we also think about what we can do about the changes*

*All is not lost: we have opportunity*

# Presentation Overview

- A World view
- US Data and implications
- Overview of WA State Revenue, current, future
- Overview of K 12 funding , cuts to K 12, pressure districts face
- ESDs and opportunity
  - » Discussion throughout.

# A World view

# World Economic Growth Rate

- **Developing countries are ready to take risks, and consumers there are demanding more goods and services than ever before.**
- **Developed countries have already reached a saturation point, and thus expand less than emerging economies, where possibilities and opportunities are ripe.**
- **Source: AP research, September 2010**

# World Economic Growth Rate

- Emerging economies such as India and China have growth rates of around 8% to 11%,
- Long term United States economy grew about 2% per annum.

- Source: AP research, September 2010

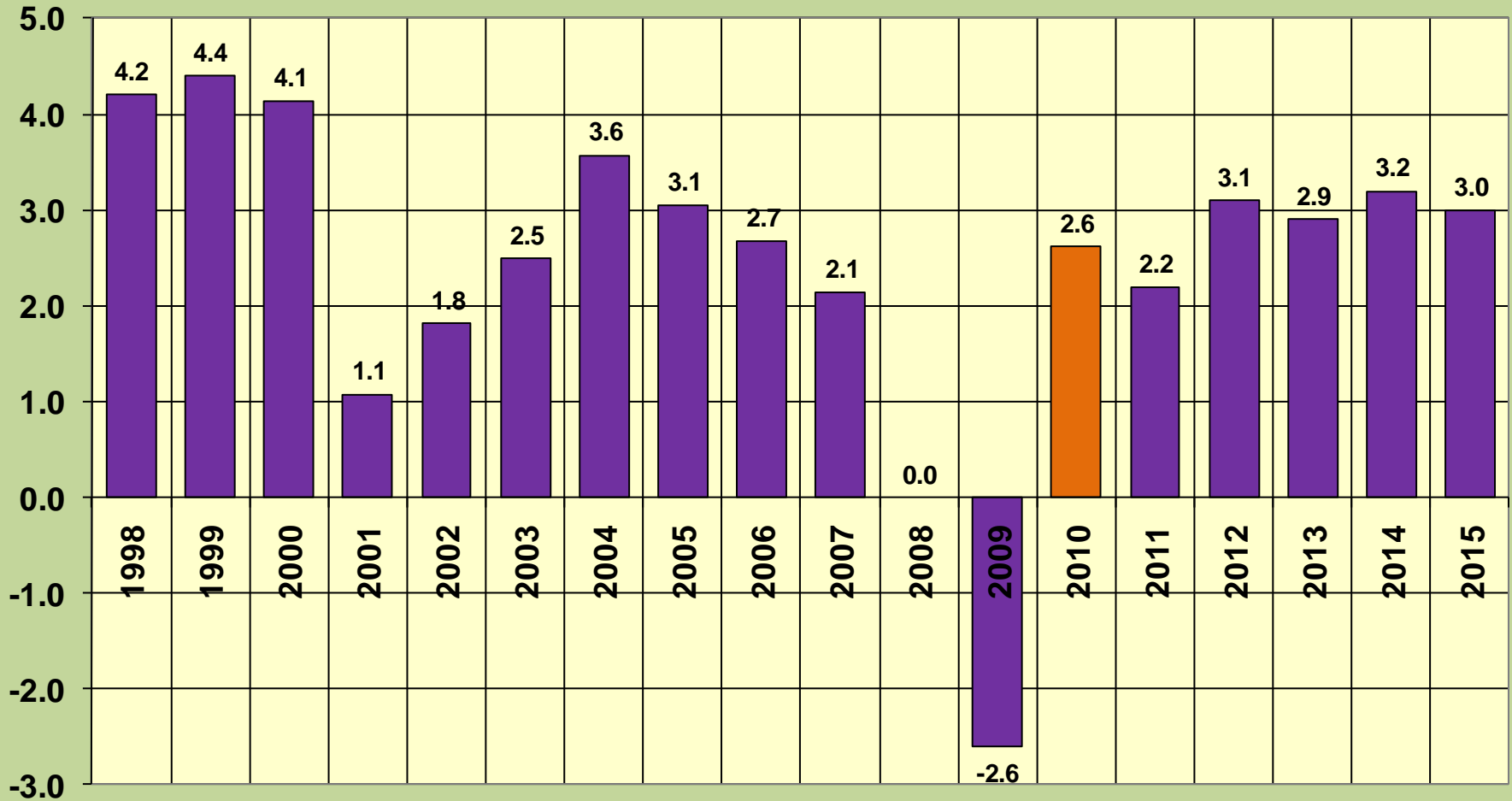
# World Economic Strength

## Components Top Ten GDPs



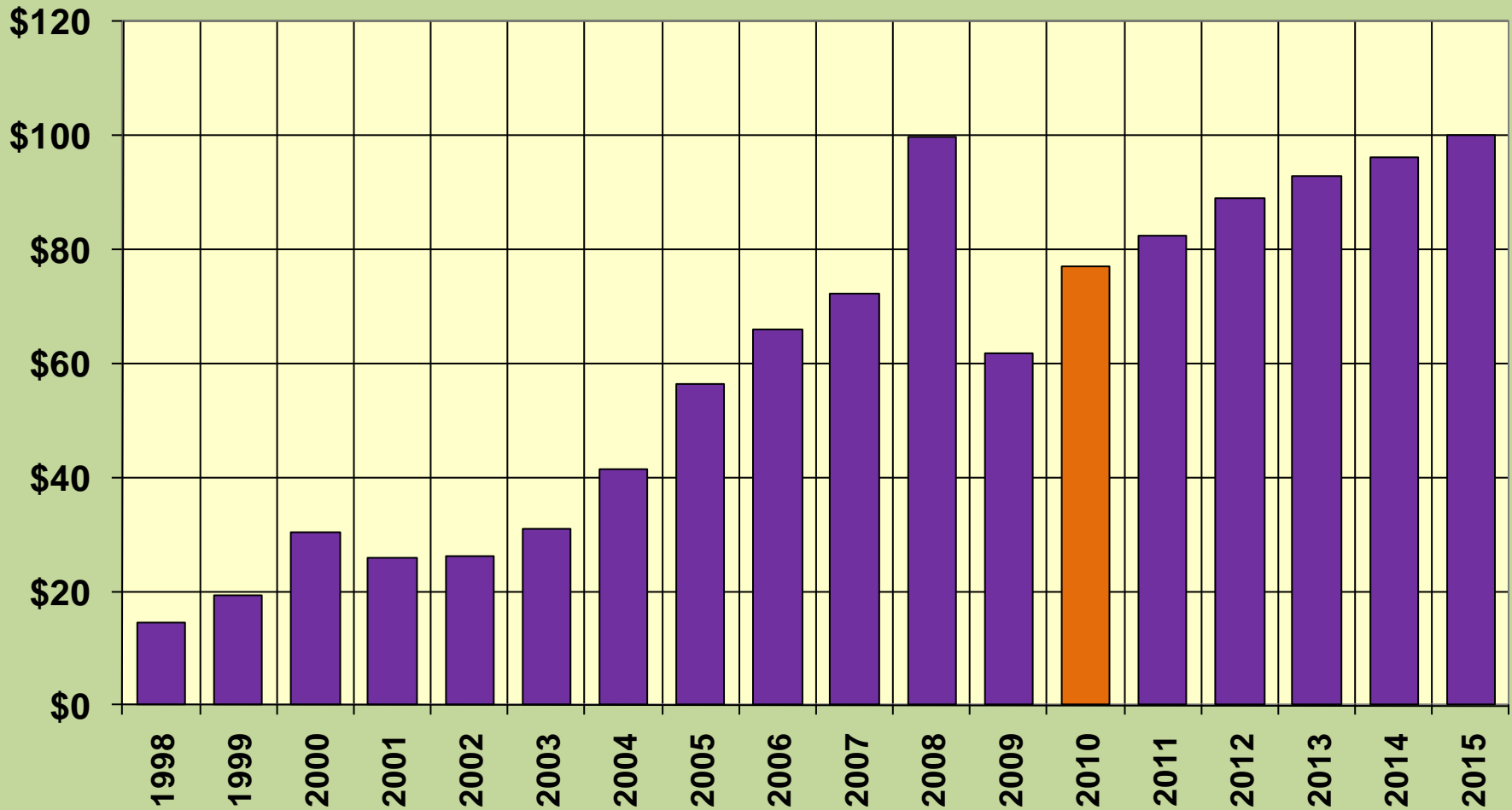
# US Data and implications

# Inflation Adjusted GDP % change



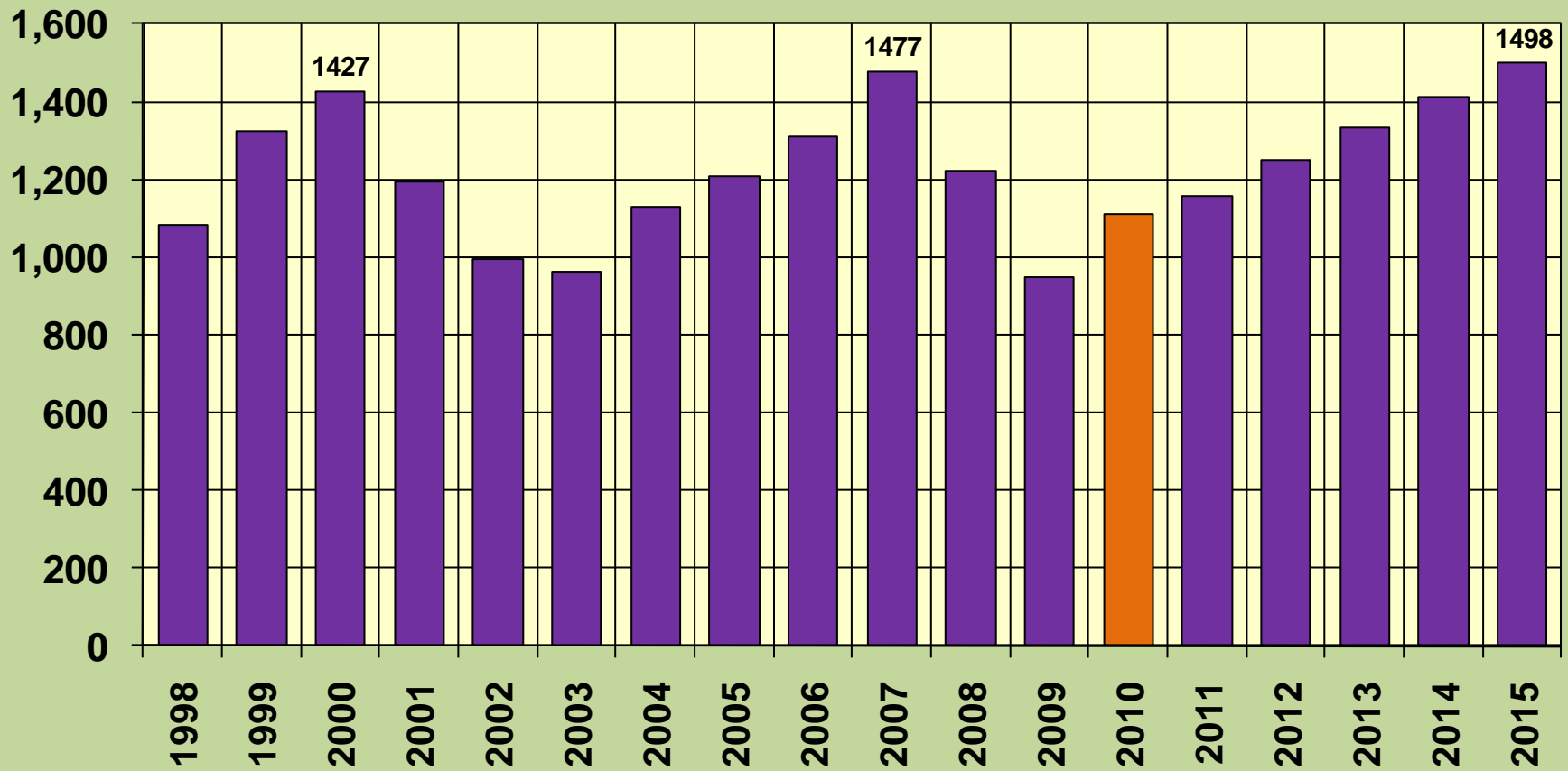
# Oil Prices

## West Texas Intermediate Price



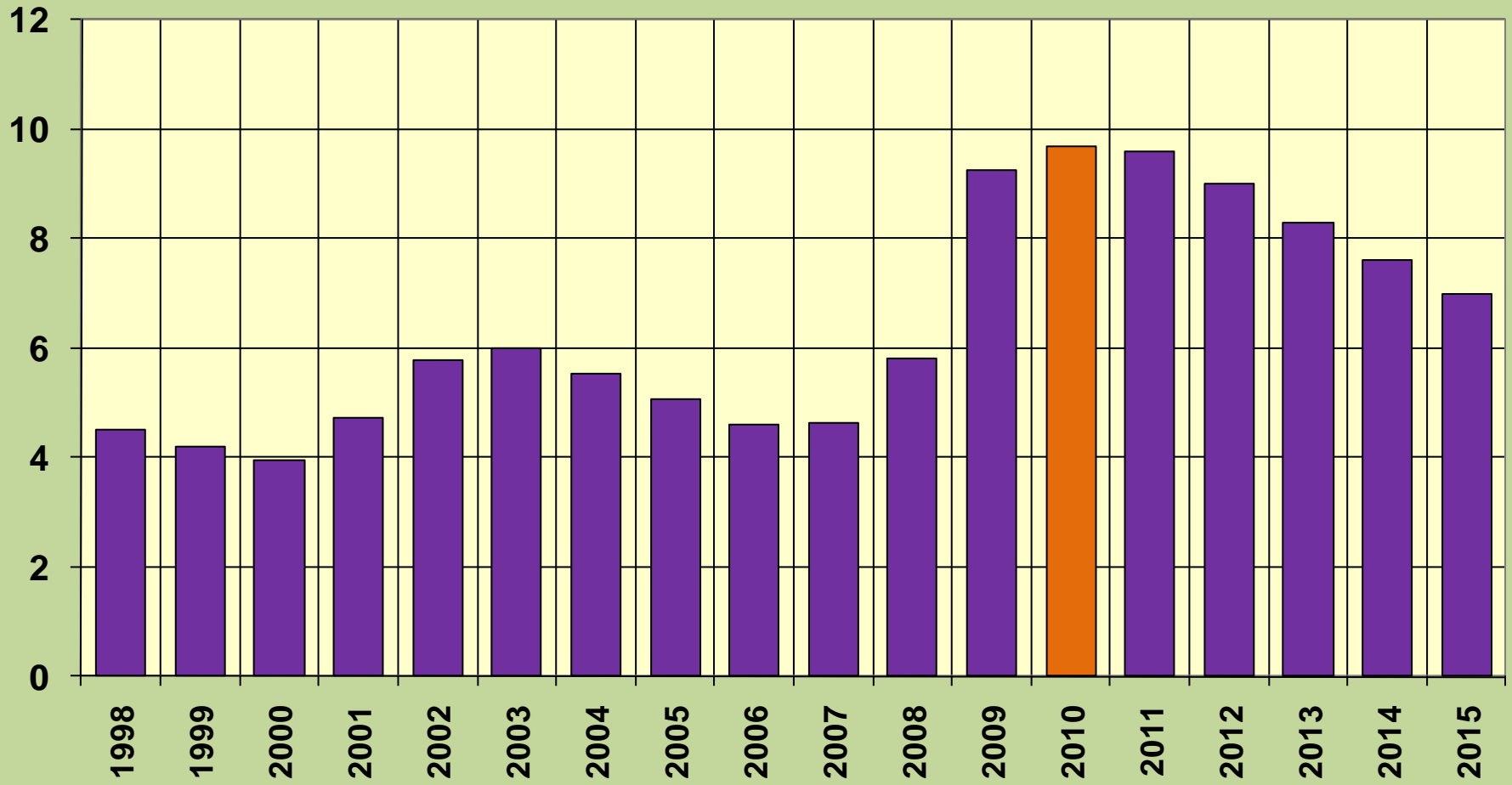
# S&P 500

Stock Index Annual Average



# Unemployment Rate

percent



# US Changing Economy

- The US economy continues to shift from one driven by manufacturing to one fueled by service industries.
- Pay for future service-sector jobs will tend to vary from very high to very low.
- At the same time, the number of middle-income service-sector jobs will shrink, according to government projections. Any job that can be automated or outsourced overseas is likely to continue to decline.
- The service sector's growth also could magnify the nation's income inequality, with more people either affluent or financially squeezed.

# Job changes

- On top of real estate-related job losses, manufacturing is likely to keep shedding jobs, sending lower-skilled work overseas. Millions who worked in those fields will need to find jobs in higher-skilled or lower-paying occupations.
- "The big fear is the country is simply not preparing workers for the kind of skills that the country is going to need," Gautam Godhwani, CEO, Simply Hired.com

# Future jobs: More skills or less pay

- Job openings to fall mainly into two categories of roughly equal numbers:
  - Professional fields with higher pay: lawyers, scientists and software engineers.
  - Lower-skill and lower-paying jobs: home health-care aides and store clerks.
- Economists foresee fewer moderately paid factory supervisors, postal workers and office administrators.

# Job changes

- "There will be jobs. The big question is what they are going to pay, and what kind of lives they will allow people to lead. This will be a big issue for how broad a middle class we are going to have."  
Lawrence Katz, Harvard economist
- Demand for medical jobs will increase. And innovations in high technology and alternative energy are likely to spur growth in occupations that don't yet exist.

# Socio Economic Diversity of American College students

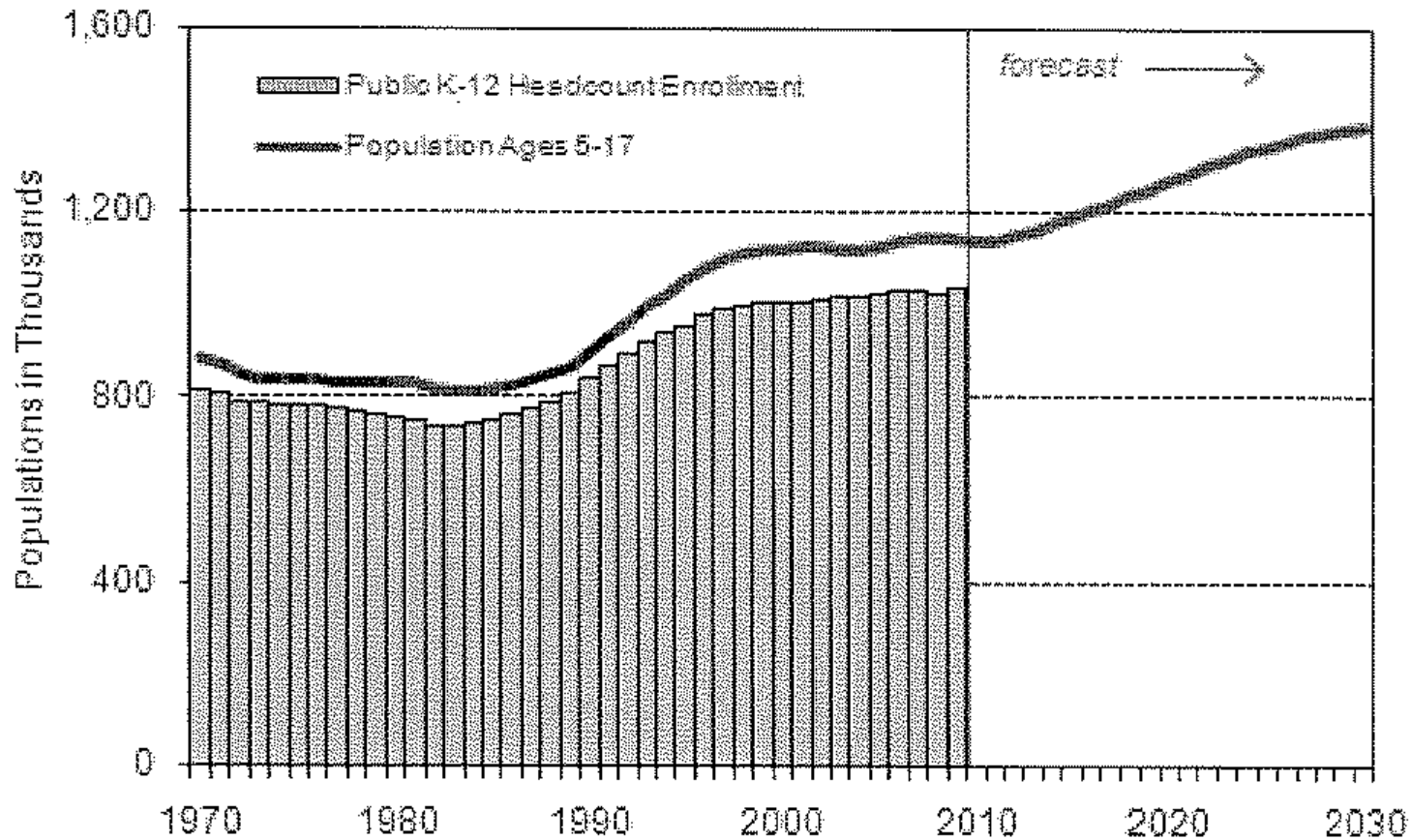
- Access to selective colleges is highly skewed by race and ethnicity
- Asians attain a greater share of seats in four-year colleges than their share of 18-year-olds
- African Americans and Hispanics are grossly unrepresented compared to their population share.
- Source: The Century Foundation

Our state: challenging perspectives

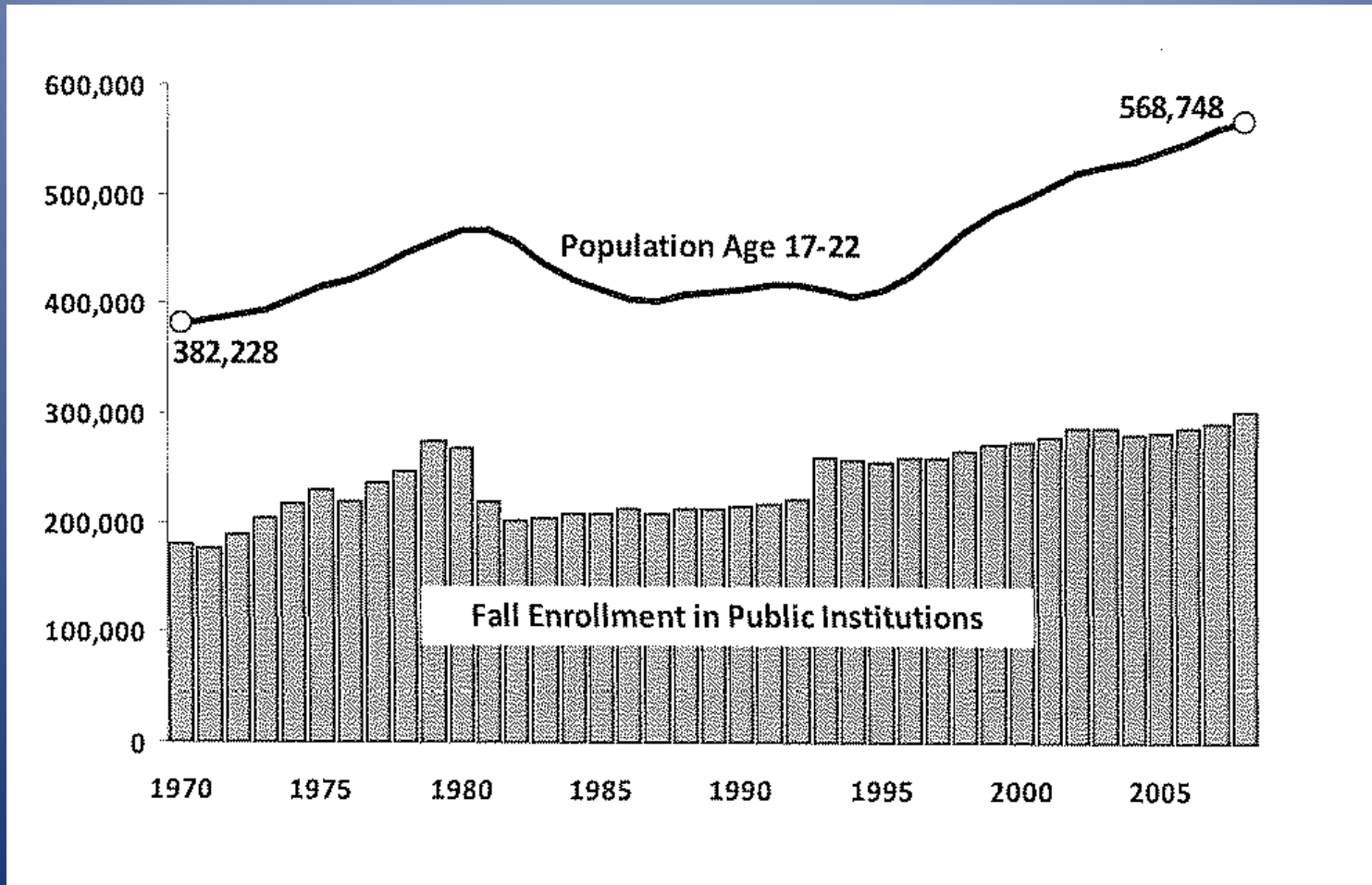
## Washington State: Percent change (2000 to 2010) relative to overall population



# Changes to Washington State K 12 Population



# Washington State Higher Education Enrollment





# The current state of the economy...not doing much



Arun Raha  
Economic & Revenue  
Outlook  
21 September 2010

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

# Washington State Economic and Revenue Forecast Council 9/21/10

- The forecast for the 2009-11 Biennium is \$770 million lower, due to a weaker economic outlook
- The forecast for the 2011-13 Biennium is \$669 million lower for the same reason
- The economic recovery is going to be a slow painful slog, and it is difficult to see what is likely to cause growth to accelerate
- Both the downside risk to the forecast, as well as the level of uncertainty in the baseline is significantly higher than in June
- Next revenue forecast November 18, 2010

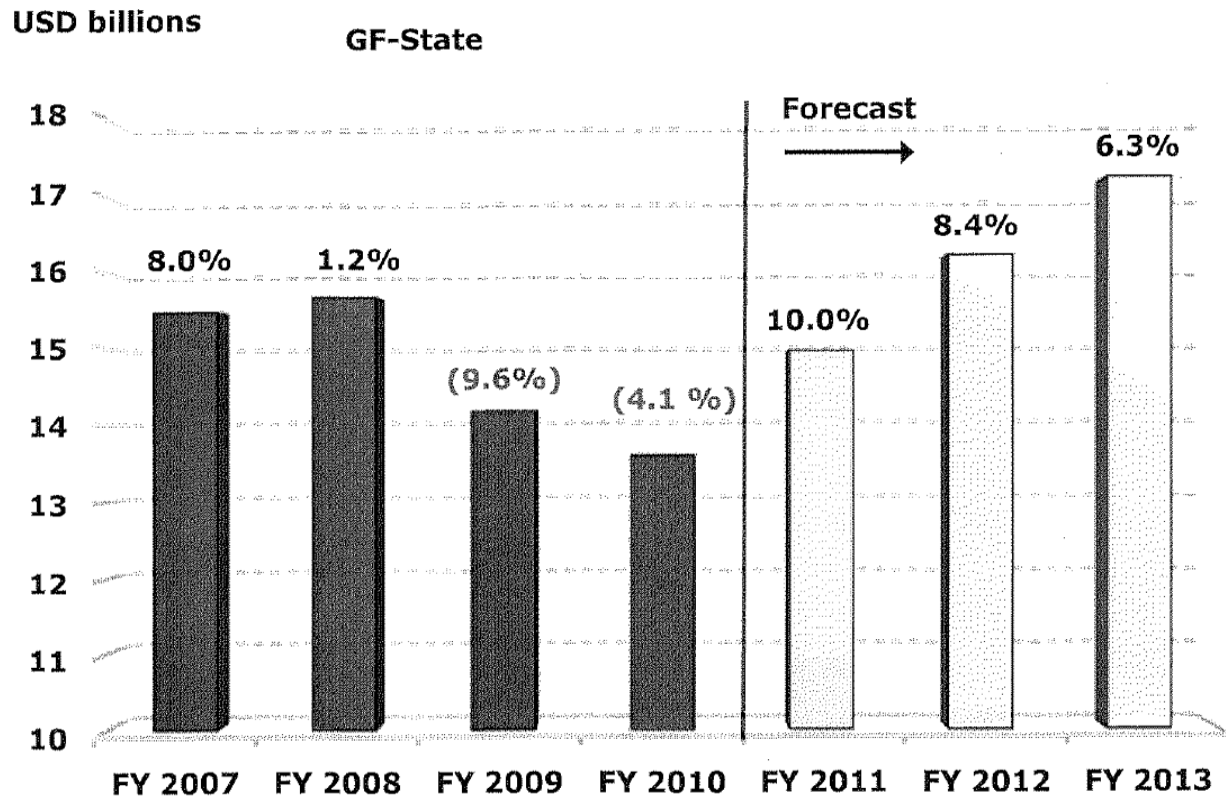


# General Fund\* forecast by fiscal year

\* General Fund & Related Funds for FY 07, 08, and 09

General Fund – new definition, for FY 10-13

Arun Raha  
Economic & Revenue Outlook  
21 September 2010



Source: ERFC forecast, September 2010; includes impact of legislative changes

Overview of changes to K 12 funding,  
cuts to K 12 and pressures districts  
face

# Change on the way

- A new K 12 funding structure commences September 2011.
  - New system for allocation of resources moves away state defined requirements to local decisions about where to spend

# Funding for Allocation Purposes Only

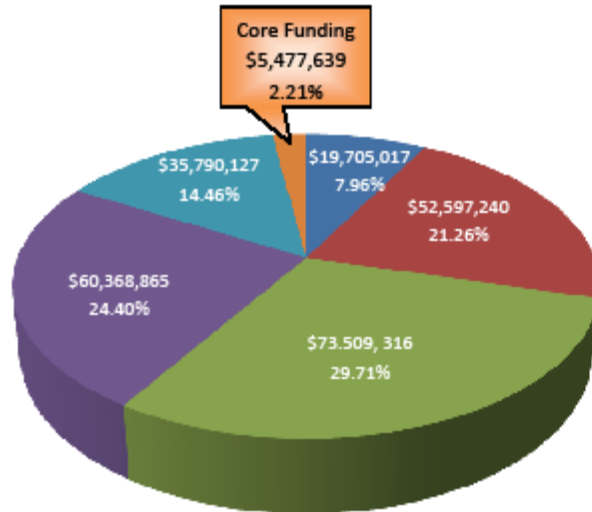
- SHB 2776 states the distribution formula shall be for allocation purposes only. Nothing requires school districts to maintain a particular classroom teacher to student ratio or other staff to student ratio.
- *–Exception: Funds allocated to categorical programs (Learning Assistance, Special Education, etc.), continue to be restricted for use in programs. Districts/Schools determine their own structure for delivery of those services.*

# School Spending Accountability

- Once implemented, the new funding model will require of OSPI/Districts the following comparisons: Actual district staffing practices to the funded staff units by school and district level.
- Actual district expenditures to funded levels
- These comparisons can be used to inform future policy and legislative decisions for funding level changes.
- These comparisons shall be available on a public website.

ESD'S and opportunity

**WASHINGTON EDUCATIONAL SERVICE DISTRICTS  
FY 2009 REPORT TO THE LEGISLATURE - RETURN ON ANNUAL INVESTMENT**



**2009 Revenues \$247,448,204**

**SOURCES OF ADDITIONAL REVENUES GENERATED**

- Federal Sources: \$73,509,316**  
Competitively gained contracts / grants (i.e. Head Start, youth employment, special education, school improvement, etc.)
- Payments for Cooperative Programs: \$60,368,865**  
School districts "pooled" funds for services (i.e. data management, special education, risk, science materials, insurance, etc.)
- Agency Contracts: \$52,597,240**  
OSPI / other state agency contracts for school district services (i.e. nursing corps, transportation, special education, early childhood services, etc.)
- Payments for Other Programs: \$35,790,127**  
Local districts / other governmental contracts / foundation grants for specific education services (i.e. speech, hearing, construction, etc.) / other philanthropic awards
- Local Sources: \$19,705,017**  
Workshop and certification fees, contracts to perform specific work for local entities

**ANNUALLY LEGISLATED APPROPRIATION: \$5,477,639 (Core Funding - 2.21%)**

Purpose: Fund regional support structure of nine Educational Service Districts to perform statutorily / legislatively mandated services and programs; to support 295 school districts' in sharing funding to reduce costs; and to generate additional revenue for districts.

**2009 INVESTMENT RETURN**

2009 state investment (core funding) for ESD structure generated \$247.4 million to provide services to the state's 295 school districts:

- \$45.00 for each state dollar invested as "core funding"
- \$250.29 per student

**NEW \$\$\$ BROUGHT TO WASHINGTON BY ESD EFFORTS: \$40.2 million**

# Where do we go from here?

- For WA State to remain strong, business as usual is no longer. A strong economy relates to quality training and education, thus high value human capital. Quality Education is the essential component of a strong economy.

# Where do we go from here?

- In response to the deepest economic downturn since the 1930s, the Wall Street Journal recently produced a book entitled Essential Guide to Management (2010).
  - Twelve areas of advice
  - Number 1 was to STAY FLEXIBLE (ADAPTATION)
    - Reposition
    - Re-evaluate
    - Adjust

# Where do we go from here?

- Strong economies in the new economic age are built on partnerships.
  - During a recent keynote address, William Ayer, Alaska Air Group Chairman stated “..partnerships are essential,” as he described his company’s reaction to the post-9/11 collapse in air travel.
  - Changes to basic education funding formula provides greater flexibility to school districts as to how they can spend.
  - School Districts do not have enough resources to address training, programs, and expectations alone. ESDs can offer programs and support that districts cannot accomplish on their own.

# Where do we go from here?

- Strong economies in the new economic age are built on partnerships.
  - ESDs can partner with private and public entities to package programs and services that will assist districts with addressing student achievement.
  - ESD programs and services can cushion individual district needs and wants in context of more aligned federal and state outcomes and expectations.

# Where do we go from here?

- Strong economies in the new economic age are built on partnerships
  - Because ESDs are entrepreneurial in nature, ESDs are in the right place at the right time to help lead districts toward better programs, practices and outcomes

# Where do we go from here?

- Fundamentally speaking, “How we are funded today will be different than how we will be funded tomorrow and how we will be funded tomorrow will be different than how we will be funded the day after tomorrow.”
- **Source: Steve and Jerry, October 14, 2010**