



# Summaries of Recent Selected Studies on K-12 Finance

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K-12 Finance  
Work Group

## Summaries of Recent Studies Conducted or Sponsored by the Legislature



## Recent Studies on K-12 Finance

### List of Included Studies

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- ❖ 1995 - Final Report of the Washington State Legislature from the Joint Legislative Fiscal Study Committee on K-12 Finance pgs. 3-9
- ❖ 1995 - K-12 Inservice Education Study by the Legislative Budget Committee (now JLARC) pgs. 10-11
- ❖ 1997 - K-12 Supplemental Contracts by the JLARC pg. 12
- ❖ 2002 – Final Report to the Legislature of the Joint Task Force on Local Effort Assistance pgs. 13-14
- ❖ 1995 and 2001 Special Education Funding Studies by JLARC pgs. 15-20



# Final Report to the Washington State Legislature by the Joint Legislative Fiscal Study Committee on K-12 Finance (JLFSC on K-12 Finance)

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- ❖ Provided to Legislature in December 1995 by the 12 member legislative study committee.
- ❖ Summarized the education finance system.
- ❖ Evaluated how the finance system measured up to the principles of a good system and how the system compared to finance systems in other states that were revising their education finance systems, assisted by an independent consultant from Colorado retained by the committee.
- ❖ Identified issues with the finance system.



# 1995 Report by JLFSC on K-12 Finance Description of Optimal State School Finance System - Seven Concepts

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- ❖ Must be sensitive to school district wealth, student and district needs, and tax effort.
- ❖ Must allow variations in spending among districts to the extent the variations reflect district and student needs and, to a small extent, differences in tax effort.
- ❖ Must allow some local revenue flexibility under a system that ideally permits all districts the opportunity to raise the same revenue with the same tax effort. A variation of 10-25 percent in revenue generation is optimal.



## 1995 Report by JLFSC on K-12 Finance Description of Optimal State School Finance System Seven Concepts - continued

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- ❖ Must allow districts some flexibility in spending revenues.
- ❖ Must include state funding that covers all necessary education costs.
- ❖ Must treat all taxpayer groups fairly, with businesses and homeowners sharing property tax responsibilities.
- ❖ Must include a procedure to measure and report on school finance equity.



# 1995 Report by JLFSC on K-12 Finance How Washington's School Finance System Compares to an Optimal System

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- ❖ Washington's system is sensitive to district wealth and does not allow wide disparities in local funding. An issue remains with local funds for which levy equalization is not provided.
- ❖ Washington's system comes close to an optimal system when variations in spending are evaluated.
- ❖ Washington's system permits local revenue flexibility, for the most part within the 10-25 percent optimal range.
- ❖ Washington does not provide an optimal level of spending flexibility due principally to salary and teacher-pupil ratio controls.



# 1995 Report by JLFSC on K-12 Finance How Washington's School Finance System Compares to an Optimal System

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- ❖ Washington's state allocation system does a good job of covering basic education costs. The state covers more capital costs than most states.
- ❖ The property tax system treats businesses and homeowners fairly.
- ❖ The state does not have a regular system for the review of school finance but staff reports are better than in most states.
- ❖ In conclusion, the state has a system of school funding that compares favorably with most states.



# 1995 Report by JLFSC on K-12 Finance Washington's School Finance System Areas of Potential Study

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- ❖ Initiate a comprehensive study of basic education to determine whether the current formulas are still valid, review included programs, and decide whether the definition is fully funded.
- ❖ Review new policies including a regional cost of living factor for salaries, one or more regional operations factors, non-employee related cost allocations, administrator salaries, salary increments for classified staff, urban factors, performance or skill based salaries for instructional staff and incentives for successful programs.
- ❖ Increase local flexibility and control by reducing state restrictions on local boards and increasing accountability for student achievement.



# 1995 Report by JLFSC on K-12 Finance Washington's School Finance System Areas of Potential Study

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- ❖ Redesign school district reports to be simpler, clearer, and written in language accessible by the community.
- ❖ Review issues that include:
  - ▶ Levies – are they critical in funding basic ed?
  - ▶ Is the growing revenue gap among districts creating the threat of another lawsuit?
  - ▶ Are state spending restrictions making levies more necessary?
  - ▶ Is it unfair for spending to depend on the value of the local property tax base?
- ❖ Should I-601 be revised to reflect the growth of K-12 enrollment instead of state population growth?



## 1995 K-12 Inservice Education Study by the Legislative Budget Committee

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- ❖ Reported to Legislature on January 19, 1995.
- ❖ Responded to legislative questions on teacher compensation and salary increases for additional education.
- ❖ Found that the state salary allocation system has become a compensation distribution system at the local level in most districts.



## K-12 Inservice Education Study Legislative Budget Committee - continued

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- ❖ Found that, as a budget tool, the current salary allocation model has few controls and is difficult to predict.
- ❖ Found that the response of teachers to legislation on teacher training increased state costs by \$18 million annually but may not have met legislative goals for the legislation.
- ❖ Found that research on whether additional training improves teacher performance is inconclusive.



## 1997 K-12 Supplemental Contracts by Joint Legislative Audit & Review Committee

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- ❖ Reported to Legislature January 10, 1997.
- ❖ Between 1988-89 and 1995-96, supplemental contracts to certificated staff increased from \$79 million to \$198 million per year.
- ❖ During those years, as a percentage of total compensation, supplemental contracts increased from 5 to 9 percent of total average compensation.
- ❖ The largest percentage of supplemental contract payments, 42 percent, were spent for unspecified TRI contracts.
- ❖ Contract documentation practices vary widely among districts.



## 2002 Final Report to the Legislature of the Joint Task Force on Local Effort Assistance

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- ❖ Reported on December 1, 2002.
- ❖ Reviewed the system of local special levies for school maintenance and operation and the state levy equalization program, including:
  - ▶ The common factors between M&O levies and levy equalization,
  - ▶ The statutory purpose of levy equalization,
  - ▶ The mechanics of the equalization system,
  - ▶ Assessed value aspects in equalization, and
  - ▶ Levy base aspects of equalization.
- ❖ Concluded that the levy equalization formula meets statutory intent and fits the original purpose of the law.



## 2002 Final Report to the Legislature of the Joint Task Force on Local Effort Assistance Recommendations

- ❖ OSPI should revise its rules to limit the amount of fiscal agent revenues included in the levy base and to include in the base only those federal grant funds actually received, adjusted by inflation.
- ❖ Any changes to the equalization formula should be made in the context of an overall review of K-12 finance and not as a stand alone policy.
- ❖ A formal study of K-12 finance should be undertaken by the Legislature.
- ❖ Any reductions to levy equalization should be on a pro-rata basis.



## 1995 JLARC Special Education Funding Study

### ❖ Pre-1995 State Special Education Funding Formula

- ▶ Fourteen disability categories for funding purposes.
- ▶ Different amount of money for each of the 14 categories based on assumptions about the time spent in special education for each category.
- ▶ Districts could spend the money in the way that made the most sense for the unique service needs of individual children.



# 1995 JLARC Special Education Funding Study

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The 14 disability categories for funding purposes were based on federal reporting categories.

› Learning Disabilities	41.0%
› Communication Disorders	17.3%
› Preschool Developmentally Delayed	12.7%
› Health Impairments	9.9%
› Mild Mental Retardation	6.1%
› Behavior Disabilities	5.3%
› Multiple Disabilities	2.9%
› Hearing Impairments	1.8%
› Moderate Mental Retardation	1.2%
› Orthopedic Impairments	1.1%
› Deaf	0.3%
› Visual Impairments	0.2%
› Severe Mental Retardation	0.2%
› Deaf/Blind	<u>0.02%</u>
<b>Total</b>	<b>100.0%</b>



## 1995 JLARC Special Education Funding Study - Key Findings

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- ❖ Special education enrollment had increased twice as fast as regular education enrollment over the past 10 years
  - ▶ Average annual enrollment growth over prior 10 years
    - Total K-12 2%
    - Special Education 5%
- ❖ The funding formula gave school districts incentives to choose higher cost special education funding categories.



## 1995 JLARC Special Education Funding Study - Findings Regarding Other States

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- ❖ “Most state currently have fiscal pressures in many aspects of K-12 education. They struggle to balance the rights of students with disabilities, limited public resources, and growing demands for competing social services.”



## 1995 JLARC Special Education Funding Study - Findings Regarding Other States

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- ❖ Four funding approaches used by other states
  - ▶ Student or placement weighting: State provides differing amounts based on student's disability or placement for receiving education
  - ▶ Cost based: State reimburses school districts for all or part of the costs
  - ▶ Flat grant: State provides fixed funds for each eligible student with disabilities or for a flat percent of total district enrollment
  - ▶ Resource based: state provides funds for staff units or a percent of special education personnel salaries
- ❖ Tennessee study on effects of funding formula changes
  - ▶ looked at effects off changing from a flat rate for each child to a weighted formula based on different placement costs
  - ▶ Found a shift in placements occurred from the lower funded categories to the higher funded service options



## 2001 JLARC K-12 Special Education Study

- ❖ One of the goals of the 2001 study was to assess whether benchmark costs for special education services could be determined.
  - ▶ Benchmark costs would help the Safety Net Committee in its determinations of safety net awards.
    - Differences in program costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards. (State budget proviso language.)
- ❖ Key finding: Could not explain why some students are receiving more service than others or why some services are more costly than others.
  - ▶ Not feasible to distinguish whether a district's higher costs are the result of district choices (such as the staff to student ratios and the split between certificated and classified staff) or due to factors beyond a district's control (such as the age and the disabilities of the students).