

Overview of K-12 Finance

Prepared by Legislative Fiscal Staff

October 22, 2007



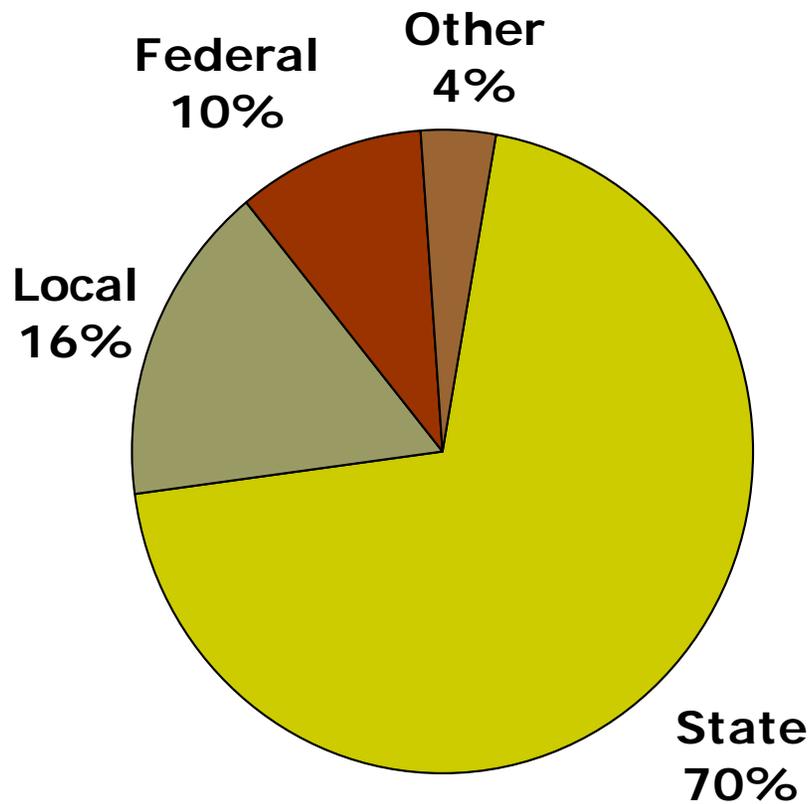
Overview

- ◆ A Quick Data Flyover of the Current K-12 System
 - The Basic Numbers
 - Historical Trends

- ◆ Ways of Looking at the Current K-12 System
 - “Ampleness”
 - Equity
 - Accountability
 - Transparency

- ◆ Potential Key Policy Issues

School districts currently receive about 70 percent of their general fund revenues from the state



2005-06 Total Spending	
<u>Dollars in Millions</u>	
State	\$5,661
Local Taxes	1,319
Federal	792
Other	<u>310</u>
Total	\$8,082

The Basic Numbers

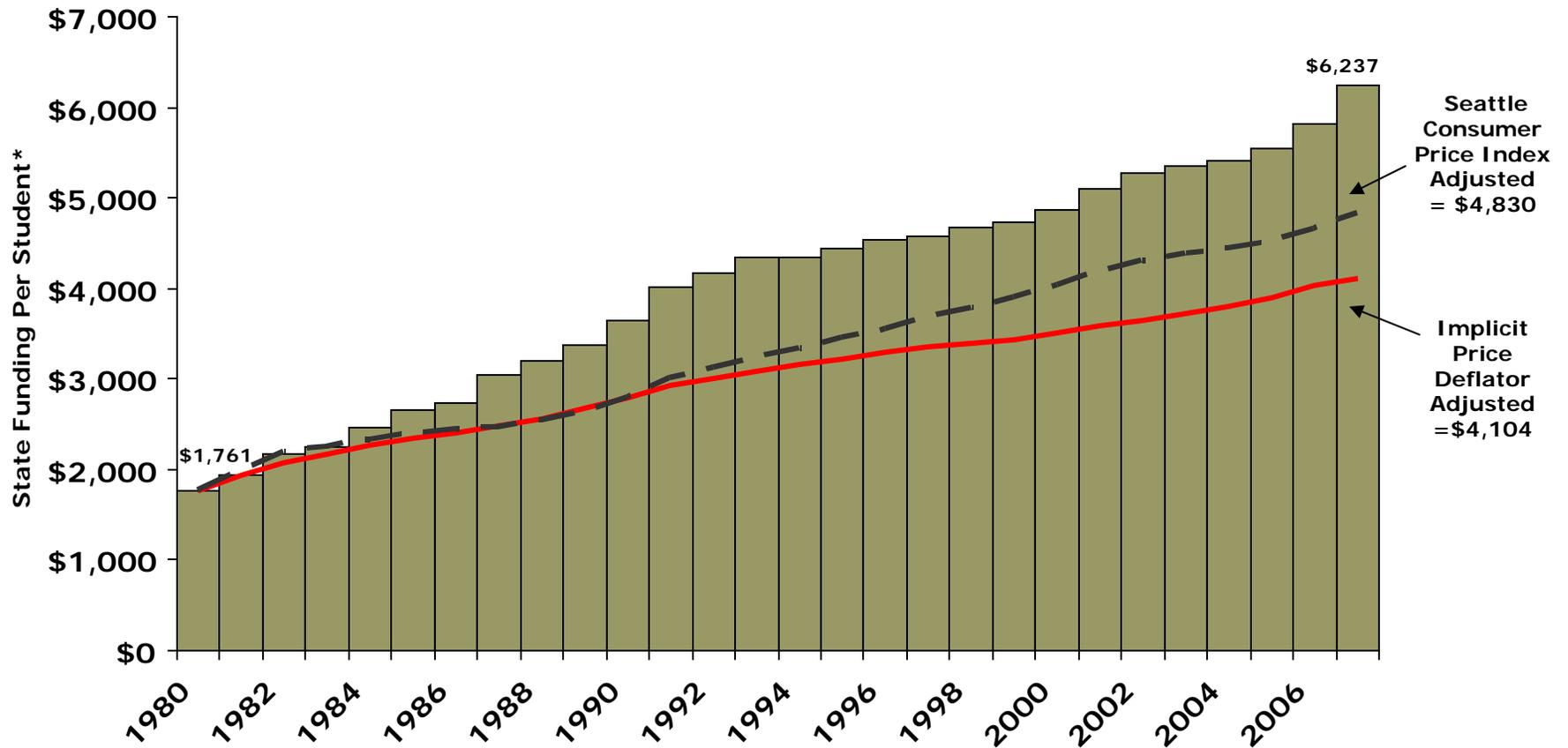
General Information

- ◆ 295 school districts
- ◆ Approximately 2,200 schools
- ◆ 1 million public school students
- ◆ 72,000 students attend private schools and 19,000 students are home-schooled
- ◆ 101,000 full-time-equivalent K-12 staff, with 54,000 teachers

Student Characteristics

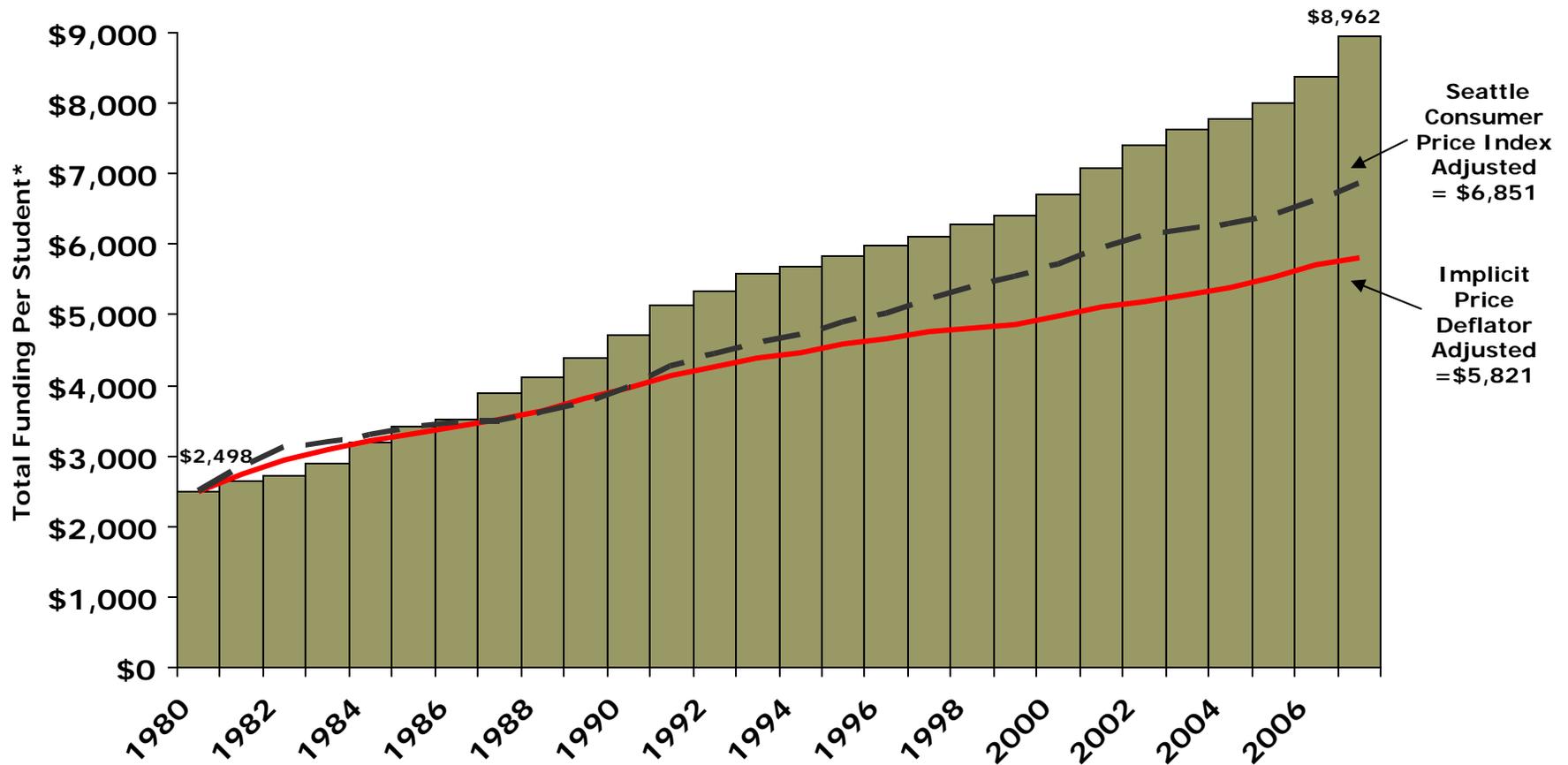
- ◆ 385,000 students eligible for free or reduced price lunch
- ◆ 121,000 special education students
- ◆ 14% are Hispanic, 8% are Asian, 6% are African-American, and 3% are Native-American
- ◆ 77,000 students in the bilingual program

Since 1980, growth in state funding per student exceeds two commonly used measures of inflation



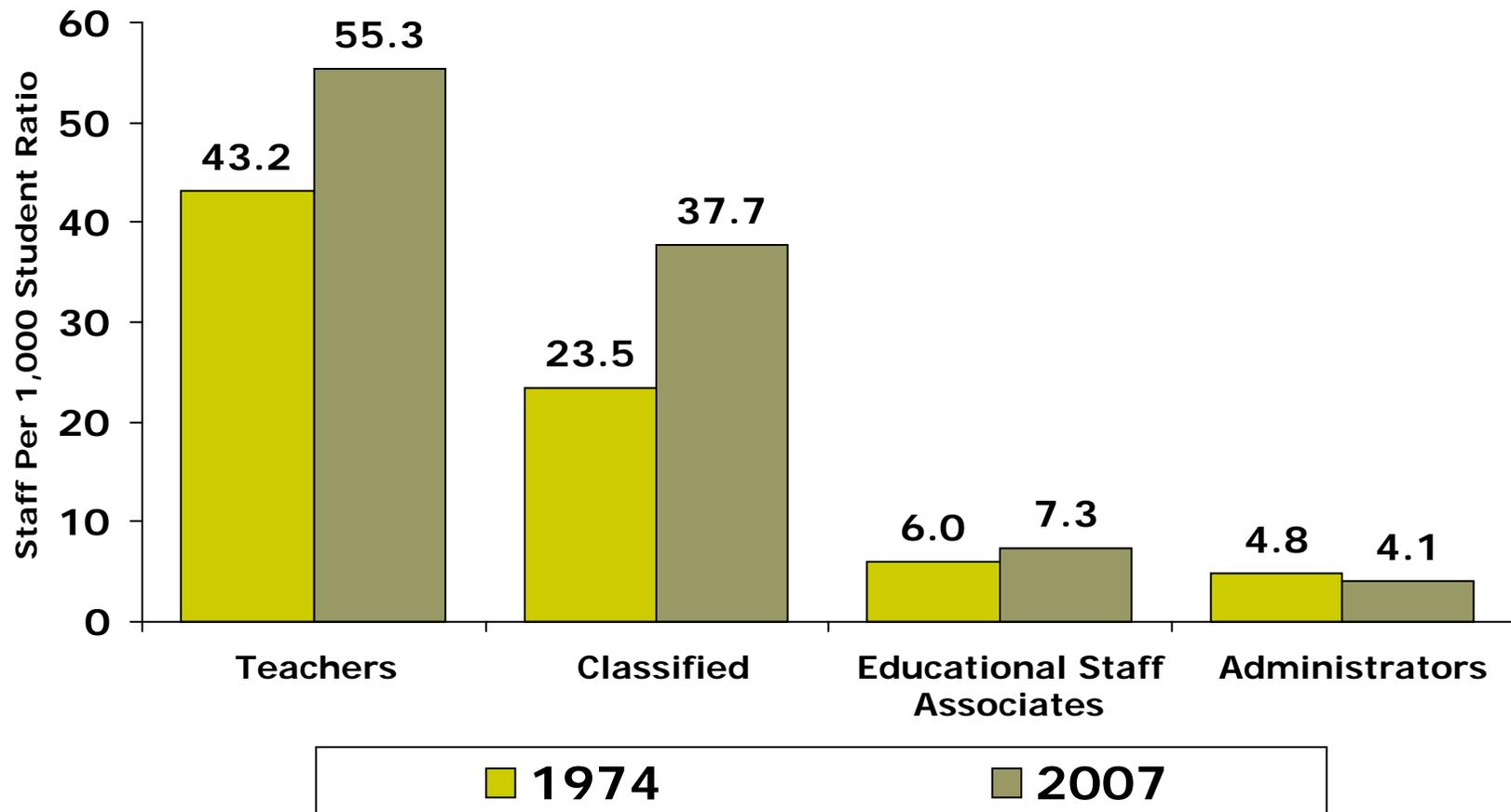
* Reflects state revenues per student in each school year.

During this time, federal and local revenues have also increased causing growth in total funding per student to exceed both measures as well



* Reflects state, federal and local revenues per student in each school year.

Over the last thirty years, there have been fairly substantial increases in actual staffing ratios for all types of K-12 staff, except administrators



Ampleness



Is public school funding in Washington State “ample”? How do we know? What are the criteria?

Constitution

- ◆ *“It is the paramount duty of the state to make **ample** provision for the education of all children residing within its borders.” (Article 9, Section 1)*
- ◆ *“The legislature shall provide for a **general** and **uniform** system of public schools.” (Article 9, Section 2)*

The Courts

- ◆ *There must be “**sufficient** funds derived through **dependable** and **regular** tax sources to permit school districts to carry out a basic program of education” (Doran I)*
- ◆ *Local tax levies should be used for “**enrichment purposes only**.” (Doran I)*
- ◆ *In Doran II, the Court began to **define basic education by program**; including special education, pupil transportation (for some), as well as bilingual, vocational, and remedial programs.*

The Statutes

- ◆ ***Basic Education Act of 1977** established ‘minimums’ of a basic program of education: minimum number of school days, instructional hours, instructional content, and staffing ratios.*
- ◆ ***Levy Lid Act and Appropriations Act**, also of 1977, put controls on local spending through salary compliance laws and caps on levy revenue.*
- ◆ ***Substitute Senate Bill 5953** of 1992 established the Commission on Student Learning to guide the development of Essential Academic Learning Requirements (EALRs) and the WASL.*
- ◆ ***The Education Reform Act** of 1993 establishes broad goals which convey educational priorities in subject matter and skill acquisition (“read with comprehension, write with skill... think analytically, etc).*



Early efforts to define “Ample”

1. Attorney General Gorton’s analysis of the *Kinnear* (1974) decision:

“Perhaps the only practical reference point we can suggest at this time is a quantitative one related to the level of funding necessary to maintain the kinds of educational programs now offered by those school districts which have, over the years, generally succeeded in obtaining voter approval of their annual special levies for maintenance and operations. What we would suggest, simply, is that if a system of funding were to be established which would make that level of funding available to all districts without resort to special levies, the court would most likely find the system to be acceptable.” (AGLO 1975, No. 39)

2. *The Wally Miller Report (1975)*

*“The (staffing) ratios for districts which passed or did not request a levy in 1975 are 48.31 certificated staff and 16.48 classified staff per 1,000 students. As can be noted, the staffing ratios of 50 certificated and 16.67 classified staff per 1,000 students included in the new distribution formula provide a slight improvement over the **average actual staffing ratios in districts which passed or did not request a levy in 1975.**” (Miller Report, p132)*

3. *“Collective Wisdom” approach in Seattle School Dist v. State (1978):*

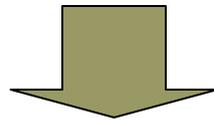
*“In the absence of scientific proof to conclusively demonstrate a relationship between educational “quantitative inputs” and “qualitative outputs,” this approach seeks to provide standards for needed educational resources by focusing on... **the statewide aggregate average per pupil deployment of certificated and classified staff and nonsalary related costs for the maintenance and operation of a school program for the normal range student.** Under the ‘collective wisdom approach’ approach, deployment of staff is established at a level of 20:1 (pupils per certificated employee)”. (p535)*

Approximately 81 percent of the current state funding for K-12 is in “basic education” programs

2007-09 BASIC EDUCATION PROGRAMS		
(Dollars in Millions)		
GENERAL APPORTIONMENT (RCW 28A.150.260)	\$8,968.6	66.3%
SPECIAL EDUCATION (RCW 28A.150.370)	\$1,112.9	8.2%
TRANSPORTATION (RCW 28A.160.150)	\$550.7	4.1%
LEARNING ASSIST. PROGRAM (RCW 28A.165)	\$189.9	1.4%
BILINGUAL (RCW 28A.180)	\$134.5	1.0%
INSTITUTIONS (RCW 28A.190)	\$36.8	0.3%
SUBTOTAL: BASIC EDUCATION PROGRAMS	\$10,993.5	81.3%
2007-09 NON-BASIC EDUCATION PROGRAMS		
(Dollars in Millions)		
STUDENT ACHIEVEMENT FUND (I-728)	\$869.8	6.4%
INITIATIVE 732 COLA (3.7%, 2.8%) & OTHER COMP	380.0	2.8%
LEVY EQUALIZATION (LEA)	414.7	3.1%
EDUCATION REFORM	265.2	2.0%
K-4 ENHANCED STAFFING RATIO	233.3	1.7%
HEALTH CARE BENEFIT INCREASES	66.4	0.5%
TWO LEARNING IMPROVEMENT DAYS	66.0	0.5%
SALARY EQUITY INCREASES (2007-09)	64.2	0.5%
PROMOTING ACADEMIC SUCCESS	49.0	0.4%
STATEWIDE PROGRAMS/ALLOCATIONS	41.7	0.3%
STATE OFFICE & ED AGENCIES	33.5	0.2%
HIGHLY CAPABLE	17.2	0.1%
EDUCATIONAL SERVICE DISTRICTS	16.0	0.1%
FOOD SERVICES	6.3	0.0%
SUMMER & OTHER SKILLS CENTERS	5.7	0.0%
PUPIL TRANSPORTATION COORDINATORS	1.7	0.0%
Subtotal: Non-Basic Education Programs	\$2,530.6	18.7%
TOTAL - STATE FUNDS	\$13,524.1	100.0%

The findings from the Miller Report and those early efforts are partly still reflected in the current general apportionment formula

District Enrollment

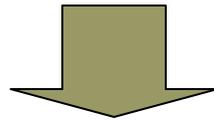


Formula Staff Units

(Teachers & Other Certificated Instructional Staff,
Administrators & Classified Staff)



Salaries & Benefits

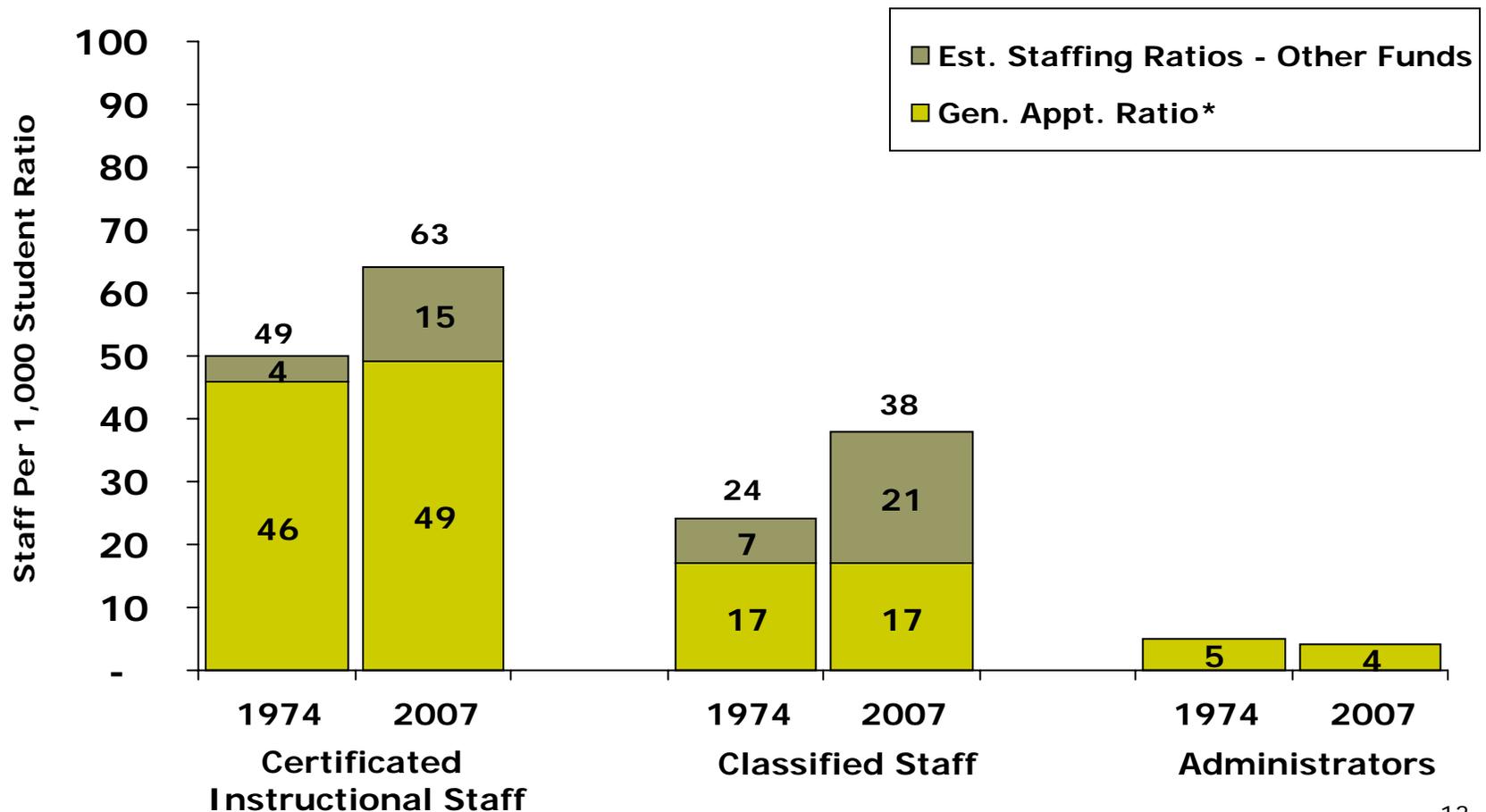


Nonemployee Related Costs (NERC)

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State General Apportionment Allocation

Over the last thirty years, general apportionment staff ratios haven't changed much, while actual staffing ratios have increased substantially



* The "general apportionment" ratio is an estimated amount the 1973-74 school year.



Key Points of Consideration re: Ampleness

- ◆ Early attempts to define *ample* focused on empirical examples of district staffing (“collective wisdom” approach, etc). How can/should *ample* be quantified?
- ◆ The genesis of the current general apportionment formula dates back to the Wally Miller Report in 1975.
- ◆ While there have been changes over time, such as adding basic and non-basic education programs, have student needs and system expectations evolved in ways that the funding formulas have not?
- ◆ What does it mean to make *ample* provision for a program of *basic* education (*ample* and *basic* could potentially be seen to have opposite connotations)?

Equity



What are examples of ways the current K-12 finance system promotes “equity”?

- The six programs and associated funding formulas that constitute the state’s “**Basic Education**” obligation which are not designed to provide equal funding, but are designed to provide equal educational opportunity.
- The *Levy Lid Act*, which limits the amount of revenue that a school district can raise through Maintenance & Operations levies.
- The **Statewide Salary Schedule and Salary Controls** for certificated instructional staff which have the effect of causing greater uniformity in the salary levels of teachers and other staff requiring certification.
- The “**Staff Mix factor**” which provides salary allocations for certificated instructional staff based on the actual education and experience of each districts’ workforce.



What are examples of ways the current K-12 finance system might cause “inequity”?

- The six programs and associated funding formulas that constitute the state’s “**Basic Education**” obligation which are not designed to provide equal funding, but are designed to provide equal educational opportunity.
- The 90 “**Grandfathered**” **levy districts** that can collect more local levy revenue than other school districts based on the amount of local funding in the 1970s.
- The “**Grandfathered**” **salary districts** that receive higher allocations for the three types of K-12 staff based on their salary levels in the 1970s and 1980s.
- The “**Staff Mix factor**” which provides salary allocations for certificated instructional staff based on the actual education and experience of each districts’ workforce.

The “basic education” programs are designed to provide funding for “challenge” to allow equal educational opportunity

	ALLOCATION CRITERIA	FUNDING DRIVER	\$ PER STUDENT
Apportionment	K-12 FTEs & Staffing Ratios	976,078 FTEs	\$4,899
Special Education	Age 0-5	10,363 pupils	Avg. \$5,388
	Age 5-21	110,573 pupils	Avg. \$4,362
Bilingual	Students with limited english proficiency	80,039 Students	\$858/student
Learning Assistance Program (LAP)	Each student in poverty generates one unit. Districts with higher than average poverty receive additional allocations.	426,682 funding units	\$228 per LAP unit
Transportation (Operating)	Mainly students living beyond one mile from school	5.0 Million Miles	\$46.14 per mile
Institutions	Students in DSHS, Corrections, & County custody	1,742 Students	Avg. \$10,829 per student



The Basics of the Levy Lid Act

A district may raise an amount equal to the levy base multiplied by the levy lid percent.

- Levy Base – includes most state and federal district revenues, adjusted by inflation factors

- Levy Lid Percent
 - 24% for most districts
 - 90 districts are grandfathered above 24%
 - Range -- 24.01% to 33.9%



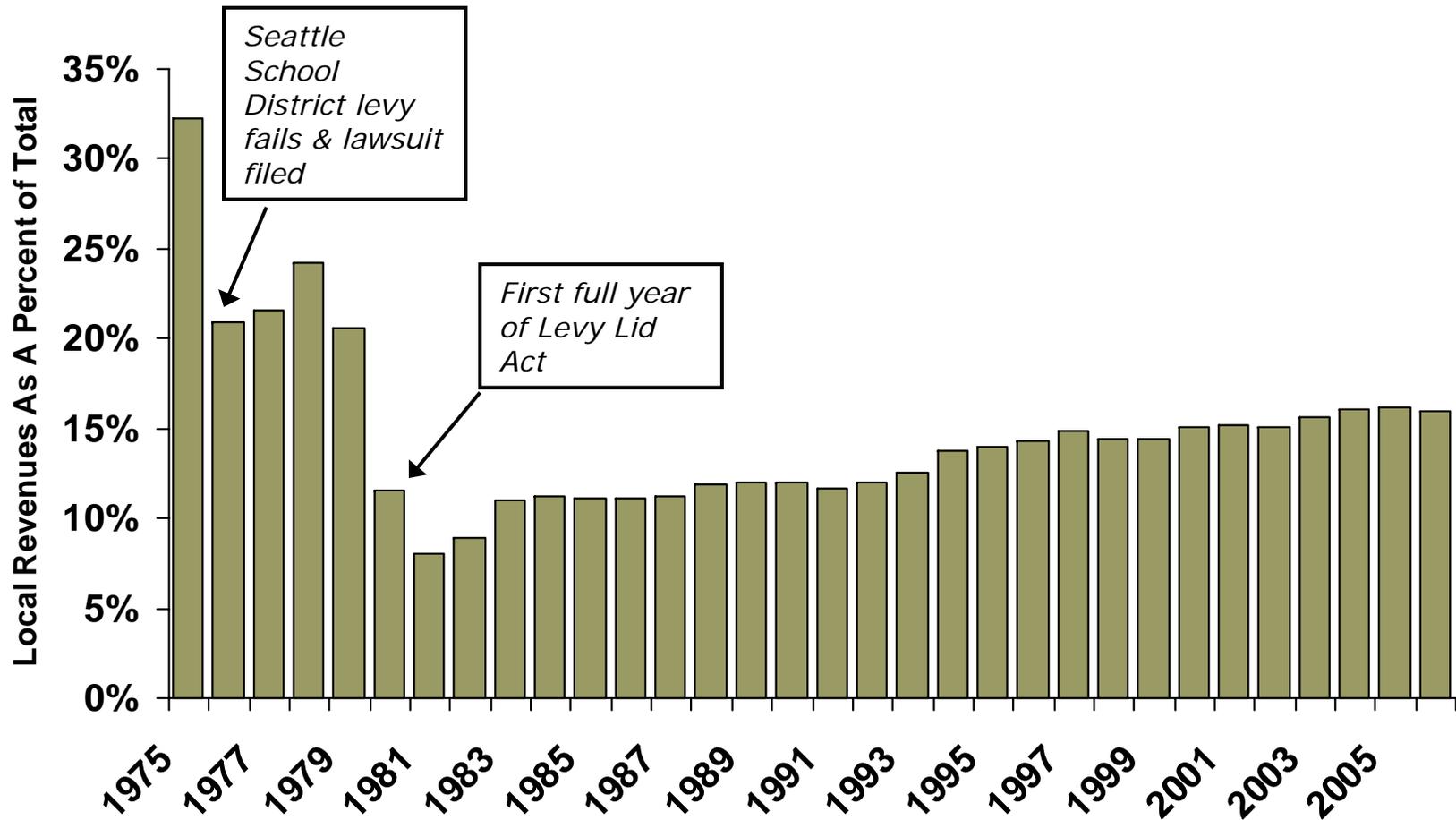
Local Maintenance and Operations (M & O) Levies

- The State Constitution gives school districts authority to levy property taxes with a 60 percent “Yes” vote in a district-wide election.
- When the state took on the responsibility for fully funding basic education in the 1970s, the Legislature passed the Levy Lid Act. With the exception of 90 grandfathered districts, school districts are limited to M & O levies of 24 percent of state and federal revenues with an inflation adjustment.
- Revenues are for enhancements to the state basic education program. – e.g., extracurricular activities, enhanced class offerings, additional salaries for additional duties for teachers.
- Since the Levy Lid Act was passed, the Legislature has taken steps to increase the ability of districts to raise local levy revenues.
- The Legislature established a state levy equalization program to compensate property poor districts and local taxpayers for a portion of the local levy.

CY 2007 Information

*275 districts have levies totaling \$1.4 billion
217 districts qualify for levy equalization totaling \$195.1 million*

As a result of policy changes and other factors, M&O levy revenues have been growing as a portion of total district revenues since the early 1980s





For the three types of staff allocated by the state, each district receives different amounts based on historical salary levels

- **Certificated Instructional Staff** – In the 2008-09 school year, 12 school districts will receive higher allocations for certificated instructional staff than the other school districts. These allocations range from 5.0% to .7% higher than the other 282 non-grandfathered school districts. Prior to this biennium, there were 34 grandfathered districts.
- **Classified Staff** – In the 2008-09 school year, 71 school districts will receive higher allocations for classified staff than the other school districts. The highest allocation is to Seattle at \$36,213. The lowest allocation is \$31,376. This represents a 15 percent difference between highest and lowest. Prior to this biennium, the difference was 51 percent.
- **Administrators** – In the 2008-09 school year, 207 school districts will receive higher allocations for administrators than the other school districts. The highest allocation is to four school districts at \$83,070. The lowest allocation is \$57,097. This represents a 46 percent difference between highest and lowest. Prior to this biennium, the difference was 67 percent.



School districts' authority to set staff salary levels varies depending on type of staff

- Salaries for most K-12 employees are subject to collective bargaining at the local level.
- Certificated administrative and classified staff salaries are subject to local control and collective bargaining.
- Salaries for certificated instructional staff are subject to specific provisions and limitation, including:
 - Actual minimum salaries paid cannot be less than the minimum for BA+0 experience or MA+0 experience on the salary allocation schedule
 - A district's actual average salary cannot exceed the average salary used for the state basic education salary allocation (salary allocation model)
 - CIS salaries can exceed the average salary limitation only by separate contract for additional time, responsibilities or incentives (TRI).

The current state salary allocation schedule for certificated instructional staff is based on the education and experience

K-12 Salary Allocation Schedule For Certificated Instructional Staff 2007-08 School Year

Years of Service	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90 or PHD
0	32,453	33,533	34,446	35,362	38,301	40,193	39,146	42,084	43,979
1	33,090	33,984	34,910	35,866	38,835	40,717	39,581	42,550	44,431
2	33,509	34,412	35,347	36,377	39,337	41,239	40,019	42,979	44,881
3	33,941	34,852	35,797	36,860	39,815	41,762	40,434	43,387	45,336
4	34,364	35,315	36,266	37,365	40,338	42,300	40,870	43,842	45,805
5	34,801	35,757	36,717	37,878	40,839	42,840	41,312	44,274	46,276
6	35,250	36,185	37,178	38,397	41,344	43,356	41,766	44,713	46,724
7	36,040	36,989	37,995	39,279	42,270	44,338	42,615	45,605	47,673
8	37,196	38,196	39,226	40,617	43,648	45,792	43,952	46,983	49,126
9		39,447	40,528	41,969	45,071	47,287	45,302	48,406	50,622
10			41,845	43,390	46,533	48,824	46,725	49,869	52,158
11				44,853	48,065	50,401	48,188	51,400	53,735
12				46,269	49,637	52,043	49,708	52,972	55,378
13					51,248	53,725	51,282	54,582	57,060
14					52,866	55,471	52,902	56,307	58,806
15					54,242	56,914	54,277	57,771	60,335
16 or more					55,326	58,052	55,362	58,926	61,541



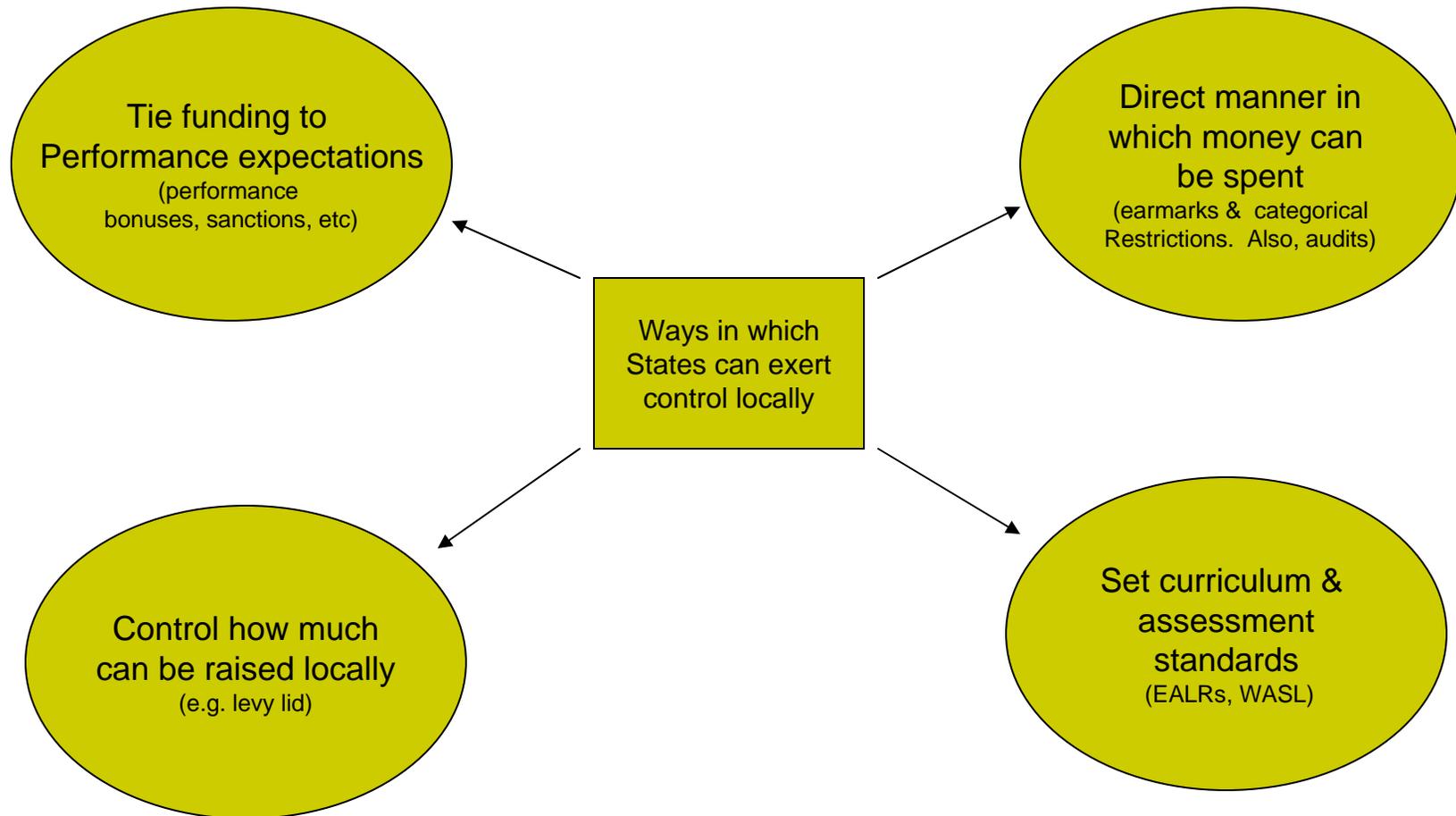
Why do some school districts get more money than others in the formulas?

- *Grandfathered Salary or Levy Status*
- *Differences in # of high cost students (special education, bilingual, free/reduced lunch eligible, etc)*
- *Differences in staff mix (less experienced staff generate fewer state dollars)*
- *Differences in administrator and classified salary rates (LEAP2)*
- *Small school/district enhancement (remote & necessary)*
- *Levy Equalization Assistance (State Assistance for Property Poor Districts)*
- *Local deductible revenues (e.g. timber sales)*

Accountability

Forms of Accountability

Themes of State v. Local Control





Accountability in Washington State

What is the status?

- ◆ Generally regarded as a state with relatively high percent of state funding, with a relatively low level of state control.
 - No state takeover provisions; accountability is voluntary through OSPI focused assistance program.
 - Basic education funding formula “for allocation purposes only”.
 - While there are many exceptions, the majority of the state funding has relatively few requirements and restrictions.
 - The federal No Child Left Behind Act has added new requirements on school districts.



Current examples in Washington

Funding based on test scores or utilizing performance

- Promoting Academic Success (based on WASL failure rates).
- Accountability system is currently voluntary, through Focused Assistance program (Struggling districts apply for assistance).

Direct Manner in Which Money Can Be Spent

- ◆ Earmarks -- specific programs and pilot projects
 - E.g. K-3 demonstration projects, where they are and what they will fund.
- ◆ Funding Restrictions
 - Promoting Academic Success (non supplant clause)
 - K-4 class size enhancements (“use it or lose it” – extra staffing is provided only for reduced class size in grades K-4; funding is lost if it is not used for this purpose)
 - Salary compliance (for Cert Instructional Staff, districts must meet or exceed the minimums for BA+0 and MA+0 on the state guide, but actual average cannot exceed average computed on state guide)



Current examples in Washington

-continued-

- Categorical restrictions (money provided only for bilingual students, special education student, etc through a dedicated account)
- Audits by SAO to ensure compliance items are met. New Performance audits cast a wider net (overall effectiveness rather than narrow verification).

Set curriculum and assessment standards

- WASL has arguably had an influence on how district's allocate their resources. WASL may not create explicit new costs as much as it forces resource allocation decisions within existing resources (allocation of staff resources, instructional time, course offerings, etc).

Control how much can be raised locally

- Levy Lid caps special excess levy funding at 24% of state and local funding, although many districts are grandfathered at higher rates.
- Limits ability of all districts – but particularly high property wealth districts – to supplement state funding.

Transparency



What is transparency?

- ◆ System transparency generally fosters an understanding of why money is allocated the way it is.
- ◆ Assumptions about student need that drive the funding are explicit and debated.
- ◆ The underlying assumptions, are often, but not always, based on evidence.
- ◆ Resource levels are conveyed in the context of programs and services provided to students.



Possible benefits of transparency

- ◆ Encourages regular, continued scrutiny of formula assumptions.
- ◆ Fosters greater participation in the policymaking process
- ◆ Fosters accountability
- ◆ Fosters strategic planning/resource deployment

Simple and transparent are not necessarily synonymous

Simple vs. Transparent

Simple Funding Formulas

- Relatively few adjustments for unique characteristics of students or districts.
- Typically requires little or no administrative reporting.
- Tend to favor local control.
- Underlying assumptions not necessarily evident.

Example – I-728 @ \$450/kid.

Transparent Funding Formulas

- Underlying assumptions are generally evident and debatable, however
- Calculations may still be complex (funding based on model schools is transparent but not necessarily simple).
- May or may not include reduced local control.

Example – Promoting Academic Success (PAS); based on hours of remediation to pass WASL.

Where Do You Go From
Here?



Potential Key Policy Questions

- ◆ What is your criteria for “success”?
- ◆ Is any level of failure acceptable?
- ◆ How can “ample” be quantified (e.g. successful schools analysis, identification of staffing and resource needs based on model schools, or something else) and how will you know that it will produce the desired outcomes?
- ◆ What do you see as the appropriate balance of state and local control in the funding structures?
- ◆ Given that teacher quality is one of the strongest school based factors in determining student outcomes, what is your assessment of the current quality and how do you want to improve it?

Appendix

The "Grandfathered" Levy School Districts

Maximum Levy Authority: Districts Grandfathered Above 24%
Sorted by County

Rank Highest = 1 County	School District	Max Levy Percent	Rank Highest = 1 County	School District	Max Levy Percent	Rank Highest = 1 County	School District	Max Levy Percent			
59	Adams	Lind	25.20%	68	King	Auburn	24.90%	83	Pierce	Orting	24.78%
40	Adams	Ritzville	28.12%	71	King	Tahoma	24.89%	52	Pierce	Clover Park	26.76%
82	Chelan	Cashmere	24.79%	80	King	Snoqualmie Valley	24.83%	67	Pierce	Peninsula	24.91%
12	Clark	Green Mountain	33.58%	61	King	Issaquah	24.97%	61	Pierce	Franklin Pierce	24.97%
11	Columbia	Starbuck	33.61%	42	King	Shoreline	27.93%	71	Pierce	Bethel	24.89%
27	Cowlitz	Toutle Lake	31.19%	71	King	Lake Washington	24.89%	61	Pierce	Eatonville	24.97%
87	Cowlitz	Kalama	24.24%	71	King	Kent	24.89%	84	Pierce	White River	24.77%
15	Douglas	Orondo	33.51%	68	King	Northshore	24.90%	81	Pierce	Fife	24.82%
91	Douglas	Bridgeport	24.01%	60	Kitsap	Bainbridge	24.98%	2	San Juan	Shaw	33.82%
5	Douglas	Palisades	33.73%	17	Kittitas	Damman	33.44%	29	Skagit	Anacortes	30.54%
41	Douglas	Mansfield	28.00%	6	Klickitat	Centerville	33.71%	32	Skagit	Conway	29.15%
24	Douglas	Waterville	32.00%	89	Klickitat	Roosevelt	24.14%	16	Skamania	Mount Pleasant	33.46%
25	Franklin	North Franklin	31.70%	20	Lewis	Evaline	33.36%	88	Spokane	Spokane	24.18%
1	Franklin	Kahlotus	33.90%	58	Lewis	Boistfort	25.32%	39	Spokane	West Valley (Spo)	28.20%
8	Grant	Wahluke	33.69%	31	Lewis	White Pass	29.43%	50	Stevens	Valley	26.91%
53	Grant	Quincy	26.67%	3	Lincoln	Sprague	33.77%	49	Stevens	Loon Lake	27.01%
51	Grant	Coulee/Hartline	26.79%	55	Lincoln	Rearadan	26.02%	86	Thurston	Olympia	24.34%
19	Grays Harbor	Cosmopolis	33.40%	30	Lincoln	Creston	30.42%	7	Walla Walla	Dixie	33.70%
43	Jefferson	Brinnon	27.50%	9	Lincoln	Odessa	33.67%	18	Walla Walla	College Place	33.43%
22	King	Seattle	32.97%	21	Lincoln	Harrington	33.01%	48	Walla Walla	Columbia (Walla)	27.07%
68	King	Federal Way	24.90%	38	Lincoln	Davenport	28.21%	54	Whatcom	Bellingham	26.35%
75	King	Enumclaw	24.88%	43	Okanogan	Pateros	27.50%	35	Whatcom	Blaine	28.51%
9	King	Mercer Island	33.67%	56	Pend Oreille	Selkirk	25.47%	34	Whitman	Lacrosse Joint	28.75%
64	King	Highline	24.95%	65	Pierce	Steilacoom Hist.	24.93%	75	Whitman	Lamont	24.88%
75	King	Vashon Island	24.88%	78	Pierce	Puyallup	24.87%	89	Whitman	Tekoa	24.14%
65	King	Renton	24.93%	26	Pierce	Tacoma	31.47%	47	Whitman	Pullman	27.27%
57	King	Skykomish	25.43%	14	Pierce	Carbonado	33.52%	37	Whitman	Palouse	28.27%
28	King	Bellevue	30.66%	36	Pierce	University Place	28.29%	4	Whitman	Garfield	33.76%
13	King	Tukwila	33.54%	79	Pierce	Sumner	24.86%	23	Whitman	Steptoe	32.42%
85	King	Riverview	24.72%	33	Pierce	Dieringer	28.85%	45	Whitman	Colton	27.35%

The "Grandfathered" Levy School Districts

