

# **Overview of K-12 Budget Issues**

## ***2005 Session***

Prepared by Senate Ways and Means Committee Staff

January 2005

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# Outline

## ➤ **Where Have We Been?**

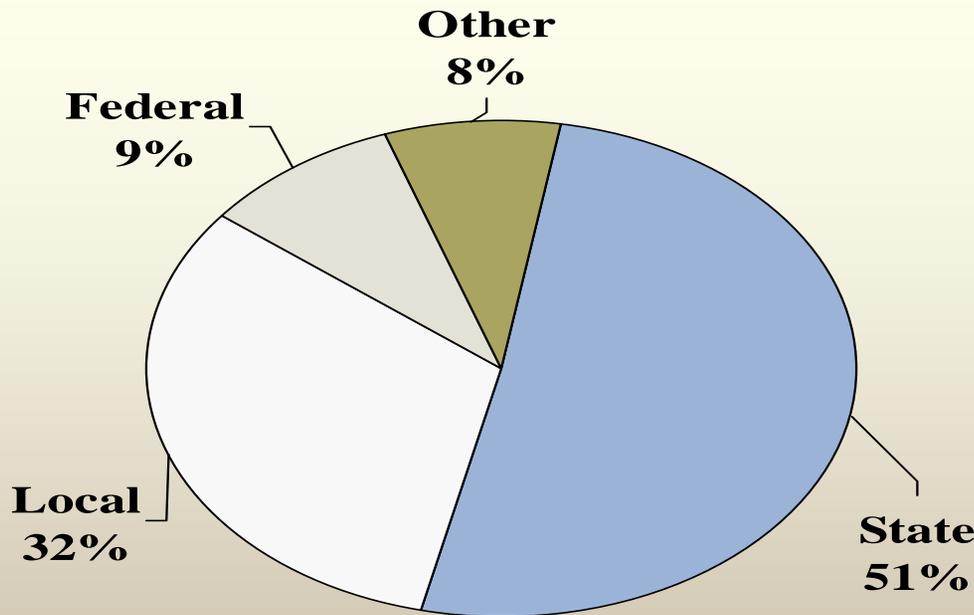
- Sources of Funding for the K-12 System
- Legal Background to K-12 Finance
- Overview of “Basic” Education Funding

## ➤ **Where Are We Going?**

- The Current Enrollment Forecast
- Projected Funding Growth
- Governor Locke’s Proposed Budgets
- Other K-12 Policy Issues

# **Where Have We Been?**

# In the 1974-75 school year school districts relied on M&O levies for about one-third of their funds



State	\$522,426
Local Taxes	327,670
Federal	92,609
Other	<u>82,866</u>
<b>Total</b>	<b>\$1,025,572</b>

# The failure of Seattle School District's excess levy resulted in the Doran decision

## ➤ **Prior to 1977:**

- No limit on amounts school districts could raise from local levies.
- Seattle School District levy failed in 1975, prompting a lawsuit against the state

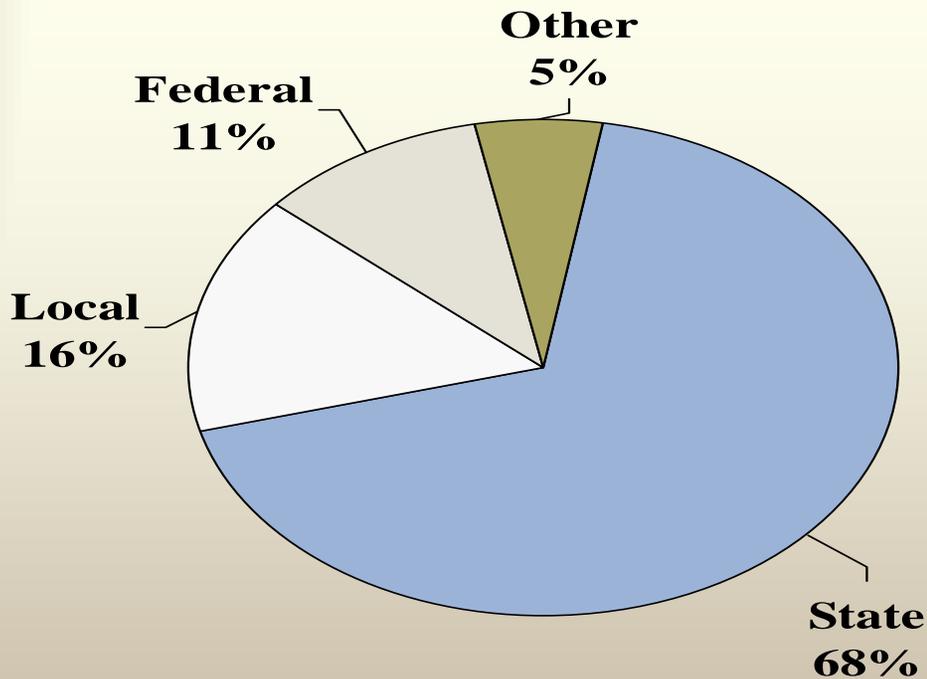
## ➤ **1977 Doran Decision:**

- State must define and pay for basic education through a regular and dependable tax source instead of a heavy reliance on local excess levies

# The 1977 legislature responded to the K-12 funding lawsuit by passing three key pieces of legislation

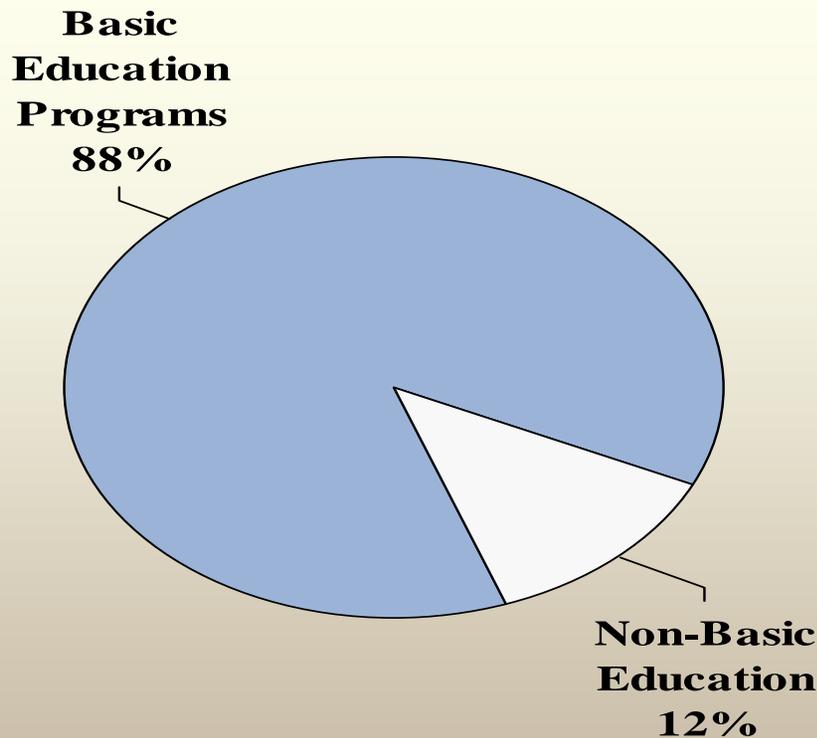
- The *Basic Education Act*, which defined basic education in terms of a state funding obligation and district obligations to provide curriculum offerings and program hours.
- The *Appropriations Act*, which explicitly defined the state's basic education obligation in terms of staffing ratios and cost factors.
- The *Levy Lid Act*, which limited the amount of revenue that a school district can raise through M&O levies.

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



<b>2003-04 Budgeted Revenues</b>	
<b><u>Dollars in Thousands</u></b>	
State	\$5,181,924
Local Taxes	1,193,921
Federal	832,747
Other	<u>353,679</u>
<b>Total</b>	<b>\$7,562,271</b>

# About 88 percent of the funding provided by the state is considered basic education

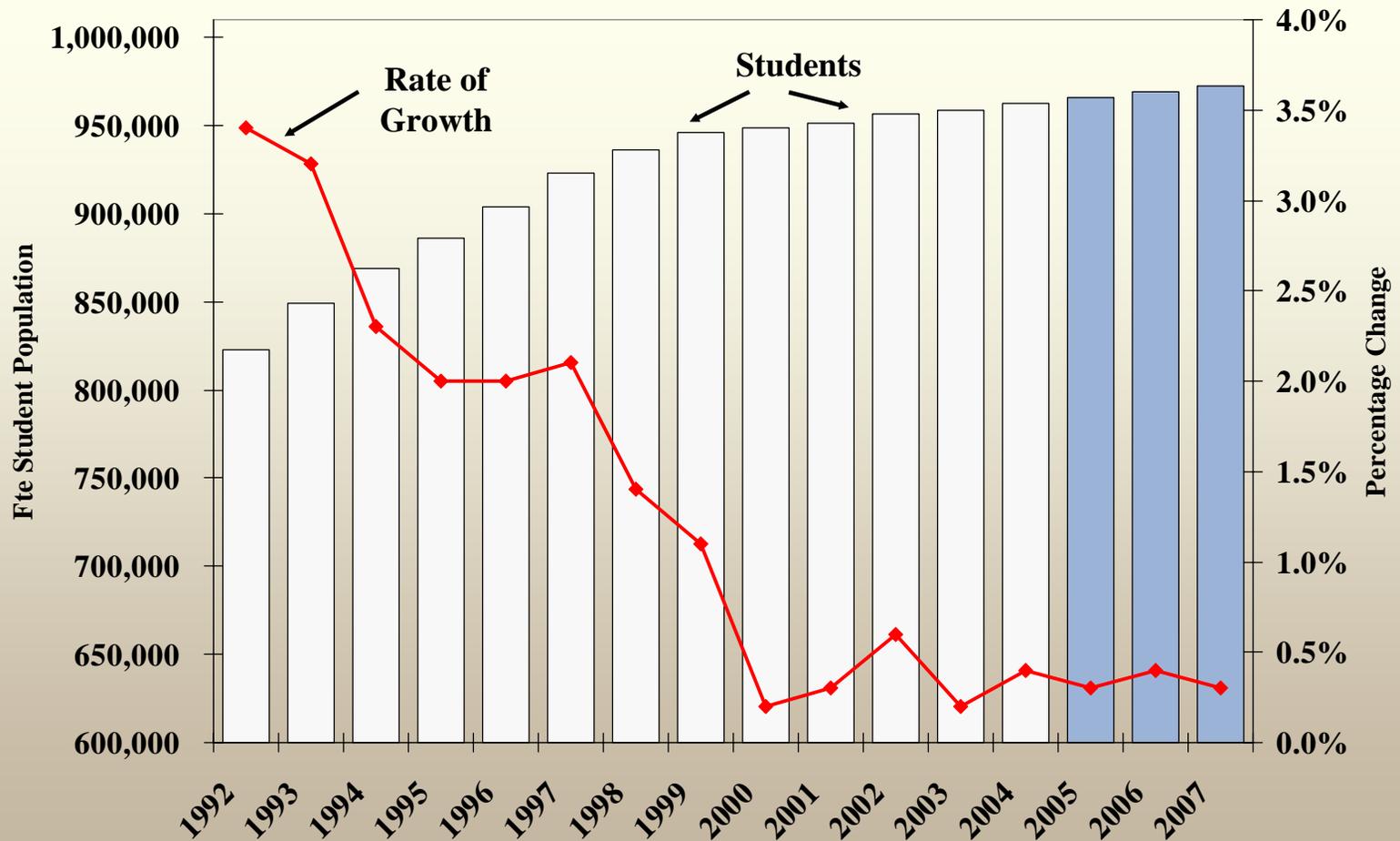


Basic Education Programs 2003-05 Funding Levels		
Dollars in Millions		
♦ General Apportionment	\$7,697	73%
♦ Special Education	862	8%
♦ Transportation	434	4%
♦ Learning Assistance Program	127	1%
♦ Transitional Bilingual Program	105	1%
♦ Institutions	<u>36</u>	<u>0%</u>
<b>Subtotal: Basic Education</b>	<b>\$9,261</b>	<b>88%</b>
<b>Non-Basic Education Programs*</b>	<b>\$1,313</b>	<b>12%</b>
<b>Total - State Funds</b>	<b>\$10,575</b>	<b>100%</b>

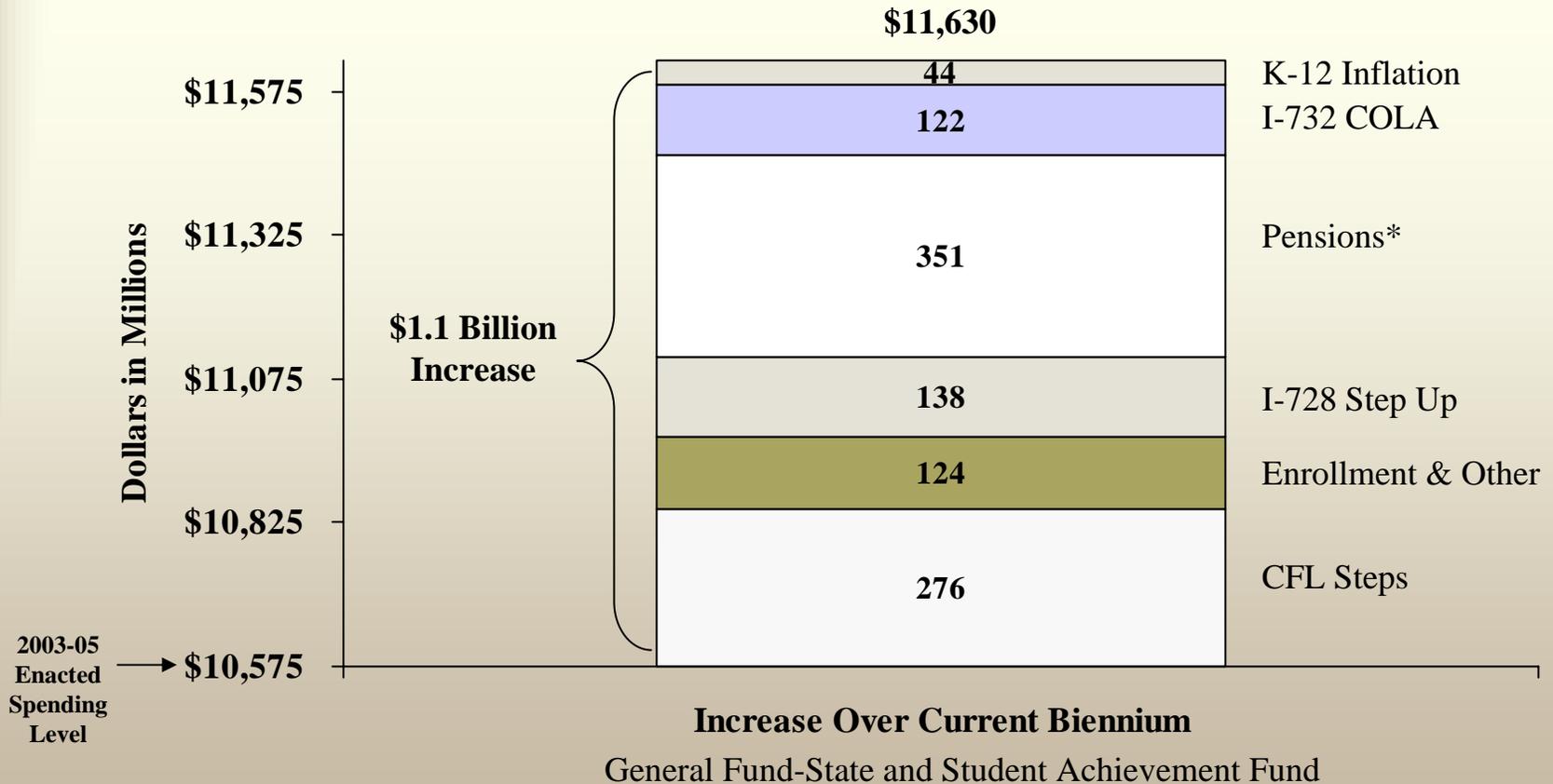
\* This includes \$410 million from the Student Achievement Fund for I-728 distributions.

# **Where Are We Going?**

**It should be noted that while enrollment is up slightly from previous projections, the growth rate is still much slower than the previous decade**

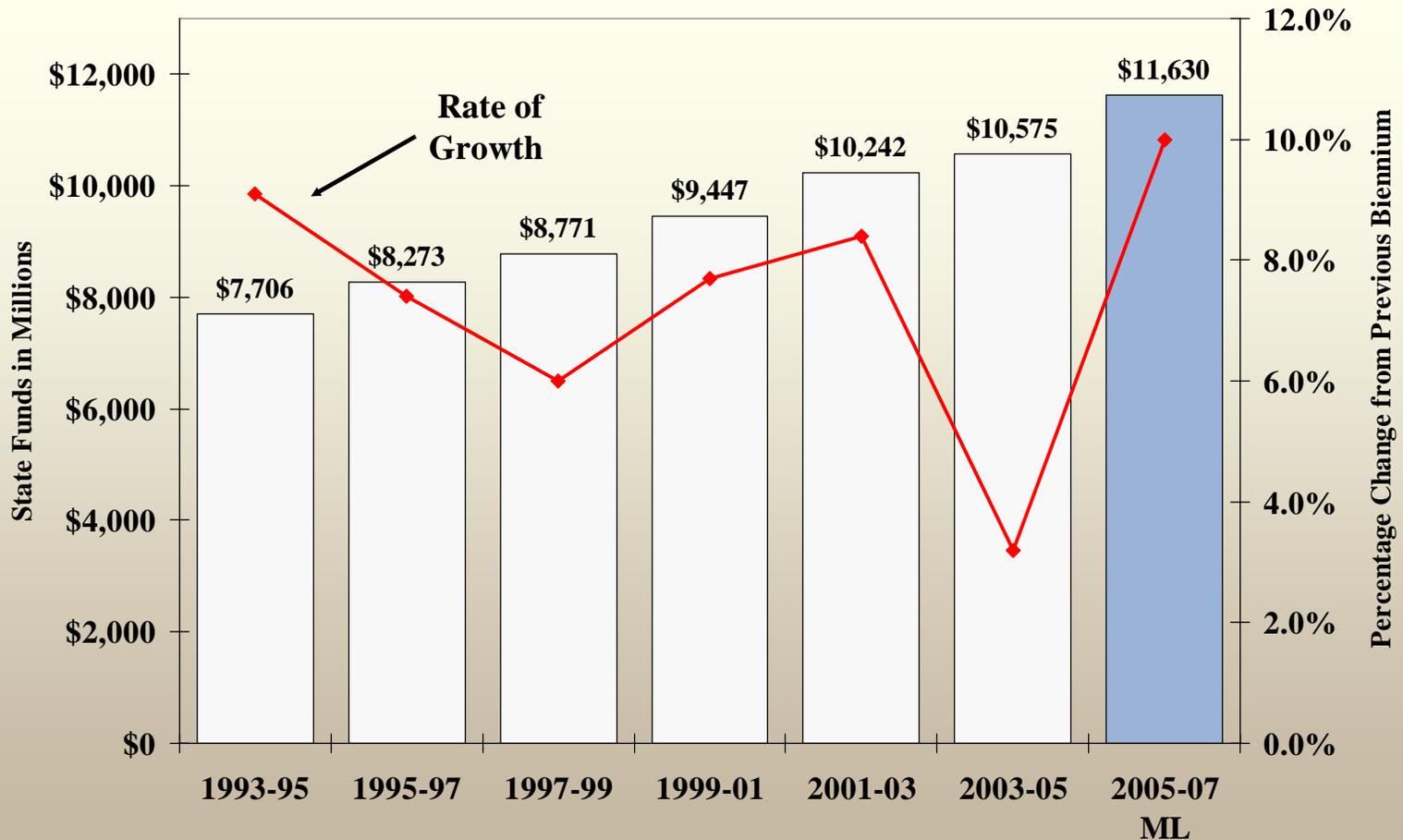


# State funding for the K-12 system is projected to increase by \$1.1 billion next biennium because of salary and pension rate increases, the I-728 step up, inflation, and other increases



*\*The Governor's maintenance level budget uses lower pension rates than those recommended by the State Actuary. This lowers his maintenance level by approximately \$129 million from the amounts depicted here.*

# Based on these factors, the rate of K-12 spending growth is returning to the levels of the early 1990s



# Based on the 2005-07 maintenance level, 87 percent of the state funding for K-12 is for basic education

<b>2005-07 BASIC EDUCATION PROGRAMS (ML)</b>		
<b>(Dollars in Millions)</b>		
GENERAL APPORTIONMENT (RCW 28A.150.260)	<b>\$8,355.1</b>	<b>71.8%</b>
SPECIAL EDUCATION (RCW 28A.150.370)	<b>921.4</b>	<b>7.9%</b>
TRANSPORTATION (RCW 28A.160.150)	<b>507.0</b>	<b>4.4%</b>
LEARNING ASSIST. PROGRAM (RCW 28A.165)	<b>134.7</b>	<b>1.2%</b>
BILINGUAL (RCW 28A.180)	<b>124.8</b>	<b>1.1%</b>
INSTITUTIONS (RCW 28A.190)	<b>39.4</b>	<b>0.3%</b>
<b>SUBTOTAL: BASIC EDUCATION PROGRAMS</b>	<b>\$10,082.5</b>	<b>86.7%</b>
<b>2005-07 NON-BASIC EDUCATION PROGRAMS (ML)</b>		
<b>(Dollars in Millions)</b>		
STUDENT ACHIEVEMENT FUND (I-728)	\$629.2	5.4%
LEVY EQUALIZATION (LEA)	372.3	3.2%
K-4 ENHANCED STAFFING RATIO	207.9	1.8%
INITIATIVE 732 COLA (1.1%, 1.4%)	122.3	1.1%
EDUCATION REFORM	76.9	0.7%
TWO LEARNING IMPROVEMENT DAYS	58.8	0.5%
STATE OFFICE & ED AGENCIES	25.8	0.2%
STATEWIDE PROGRAMS/ALLOCATIONS	19.6	0.2%
HIGHLY CAPABLE	14.1	0.1%
EDUCATIONAL SERVICE DISTRICTS	7.6	0.1%
FOOD SERVICES	6.2	0.1%
SUMMER SKILLS & EXTENDED DAY SKILLS CENTERS	5.0	0.0%
PUPIL TRANSPORTATION COORDINATORS	1.6	0.0%
<b>Subtotal: Non-Basic Education Programs</b>	<b>\$1,547</b>	<b>13.3%</b>
<b>TOTAL - STATE FUNDS</b>	<b>\$11,630</b>	<b>100.0%</b>

# Summary of Governor Locke's 2005-07 K-12 Budget Proposals

State Funds in Millions

	<u>Book 1</u>	<u>Book 2</u>
<b>Maintenance Level*</b>	<b>\$11,501</b>	<b>\$11,501</b>
<b>Policy Changes</b>		
Health Benefit Changes	\$168	\$168
Expanded Learning Assistance Program	41	41
Regional Assistance	0	6
Other Policy Increases	3	18
Pension Funding Method Change	-202	-202
I-728 Step Up	-138	0
Levy Equalization	-34	0
Other Policy Decreases	<u>-0.6</u>	<u>-0.6</u>
<b>Subtotal: Policy Changes</b>	<b>-\$163</b>	<b>\$30</b>
 <b>Total K-12</b>	 <b>11,338</b>	 <b>11,531</b>

\* The Governor's maintenance level budget uses lower pension rates than those recommended by the State Actuary. The State Actuary's rates would add an additional \$129 million to pension costs.

# The Book 1 policy budget reduces K-12 spending by a net of \$163 million

## ➤ **\$375 million in funding decreases\***

- \$202 million savings from pension funding changes
- \$138 million savings by not providing the I-728 step up from \$254 per student to \$300 and \$375 per student in the next two school years.
- \$34 million savings from reducing levy equalization payments by about 11.4 percent.
- \$439,000 savings from eliminating the A+ Commission and making other K-12 governance changes.

## ➤ **\$212 million in funding increases\***

- \$168 million for K-12 health benefit rate increases
- \$41.5 million for the Learning Assistance Program
- \$3 million for other increases

*\* Compared to maintenance level*

# **In Book 2, K-12 spending is \$193 million higher than in Book 1**

- Like Book 1, Book 2 reduces pension funding rates (\$202 million) and makes governance changes resulting in \$439,000 in savings.
- Unlike Book 1, Book 2 funds the step up in I-728 allocations (\$138 million) and fully funds levy equalization (\$34 million).
- In addition to the increases in Book 1, Book 2 also contains several policy level increases including:
  - \$6 million for a new regional professional development program in math and reading
  - \$5 million for the replacement of the current K-12 payment system and the development of new core student record system
  - \$4 million for the development of alternative assessments for the WASL, for late-August or fall re-takes, and additional teacher scoring of the WASL
  - \$2 million to offset student fees for college-in-high school classes
  - \$2 million for modified Focused Assistance to 40 additional schools

# Other factors could play a role in your deliberations on K-12 budget issues

## ➤ Education Lawsuits

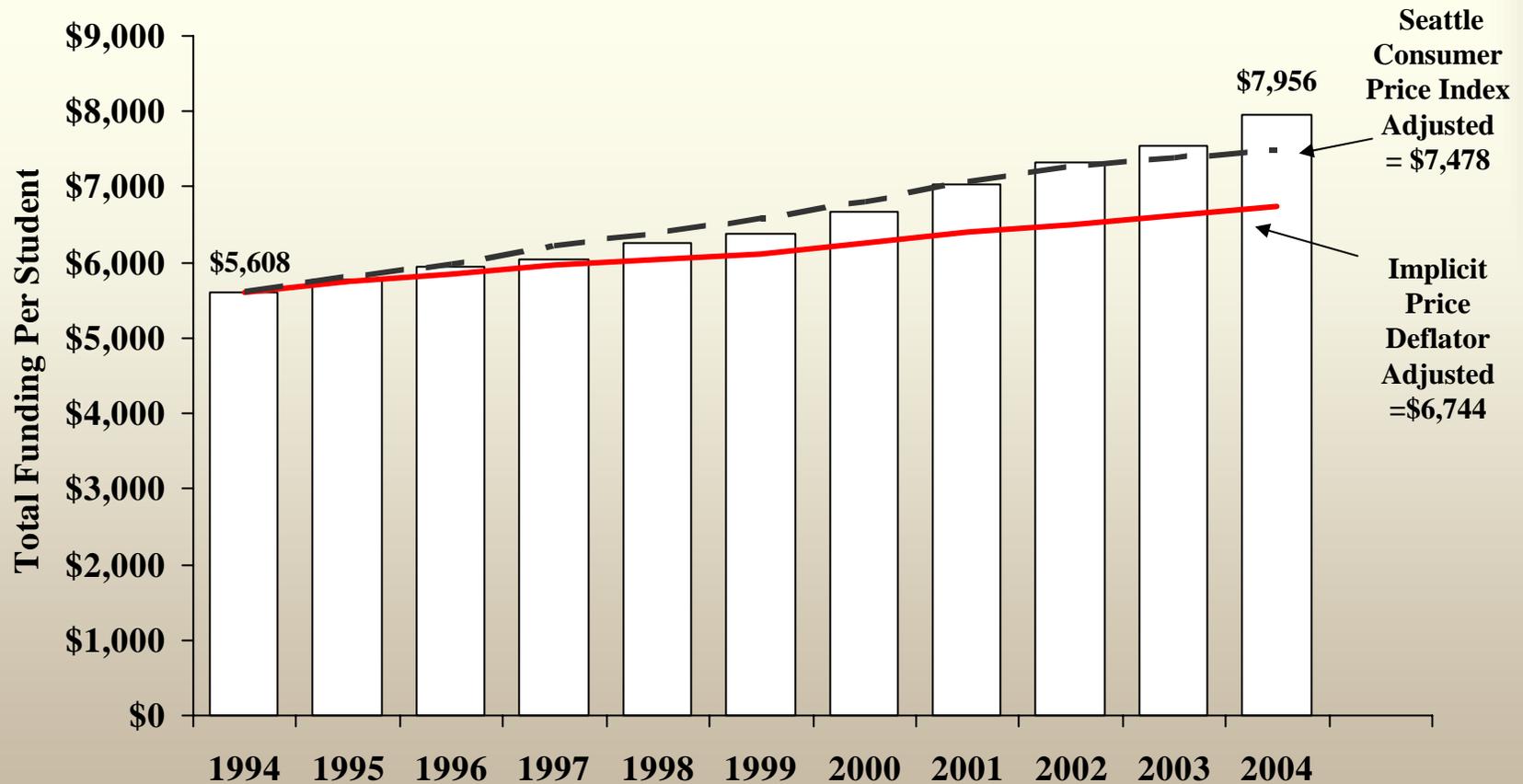
- **Special Education** – *11 school districts (Lake Washington, Issaquah, Mercer Island, Northshore, Federal Way, Spokane, Bellingham, Bethel, Burlington-Edison, Everett, and Riverside) filed a lawsuit claiming underfunding the special education program.*
- **Learning Improvement Day** – *In April 2004, a King County judge ruled that the Legislature had violated I-732 when it removed one of the learning improvement days. This case is on appeal.*
- **Beginning Teacher Salary Increase** – *A case has been filed in Thurston County arguing that the budget language violated local collective bargaining rights.*
- **Overall Funding Lawsuit** – *The WEA is raising funds from its members to pursue a case.*

## ➤ K-12 Finance Studies

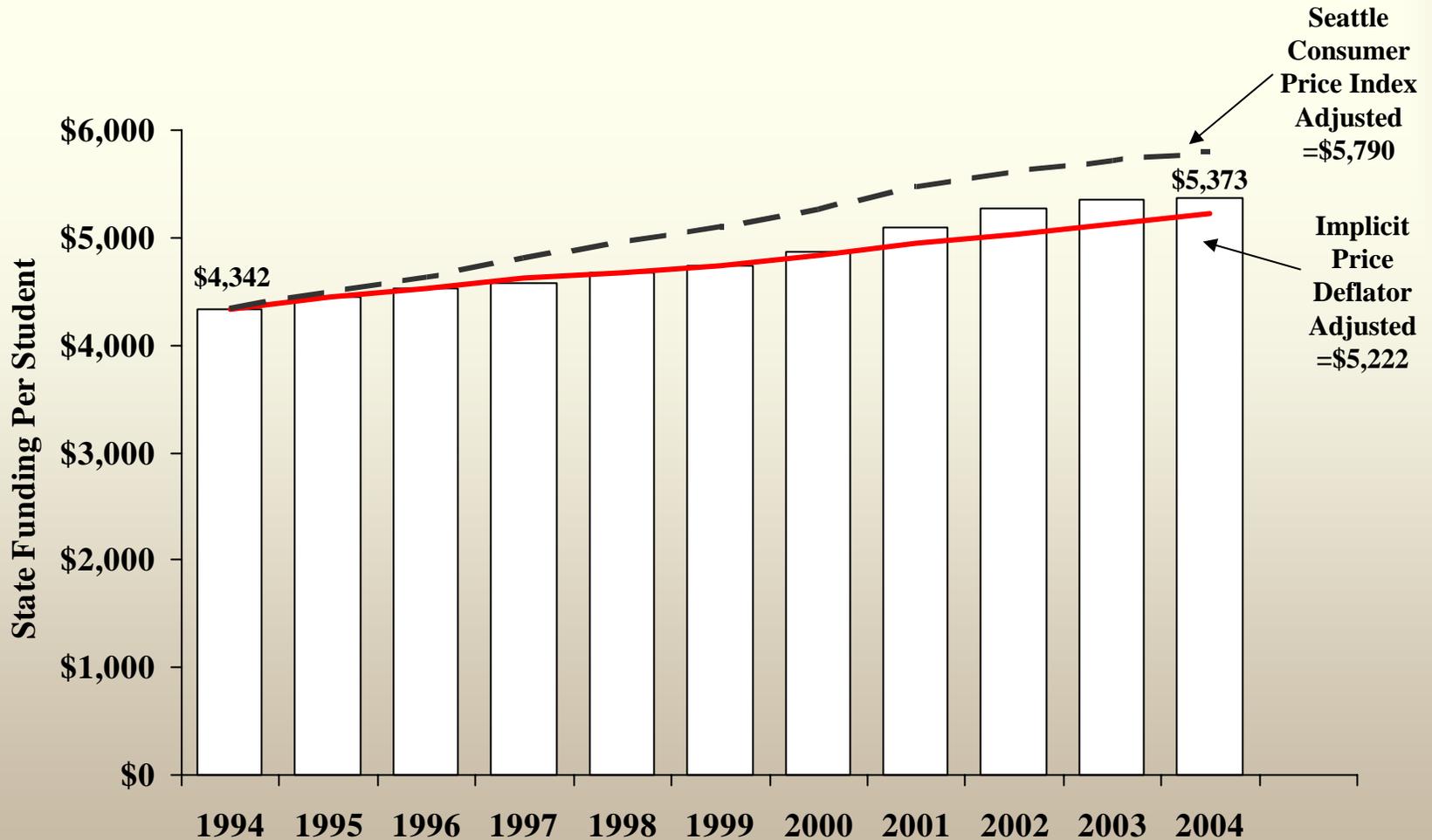
- **House K-12 Finance Workgroup and House Education Finance Structure Subcommittee**
- **UW School Finance Redesign Project**
- **The WASA (School Administrators) Ample Funding Project**
- **PTA, “Washington State School Finances: Does Every Child Count?” (Spring 2004)**
- **Other Groups (e.g. JLARC, Institute for Public Policy) Looking At Specific K-12 Issues**

# Appendix

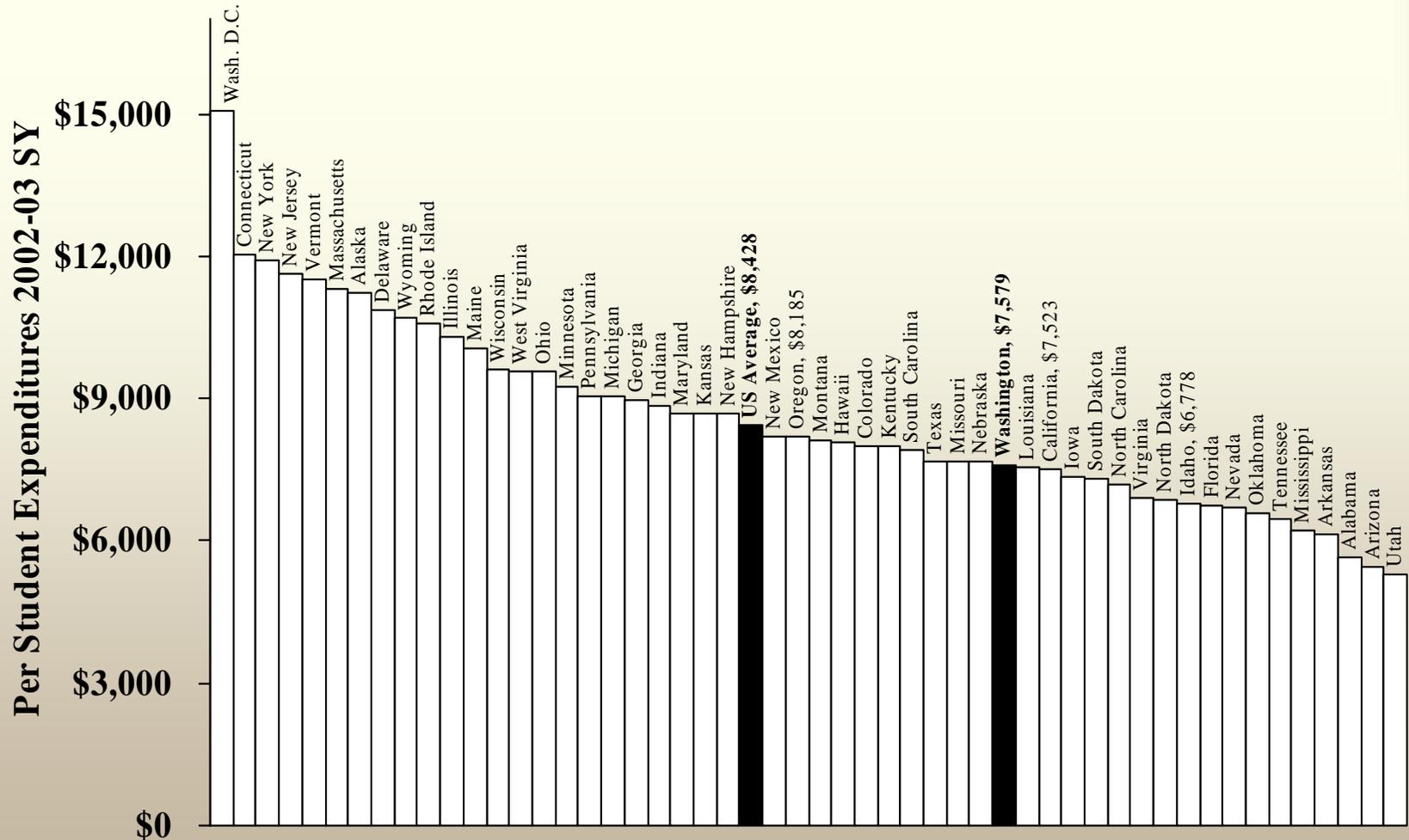
# Growth in total school district revenues per student exceeds two commonly used measures of inflation



# Growth in state funding per student exceeds one measure of inflation, but lags behind another

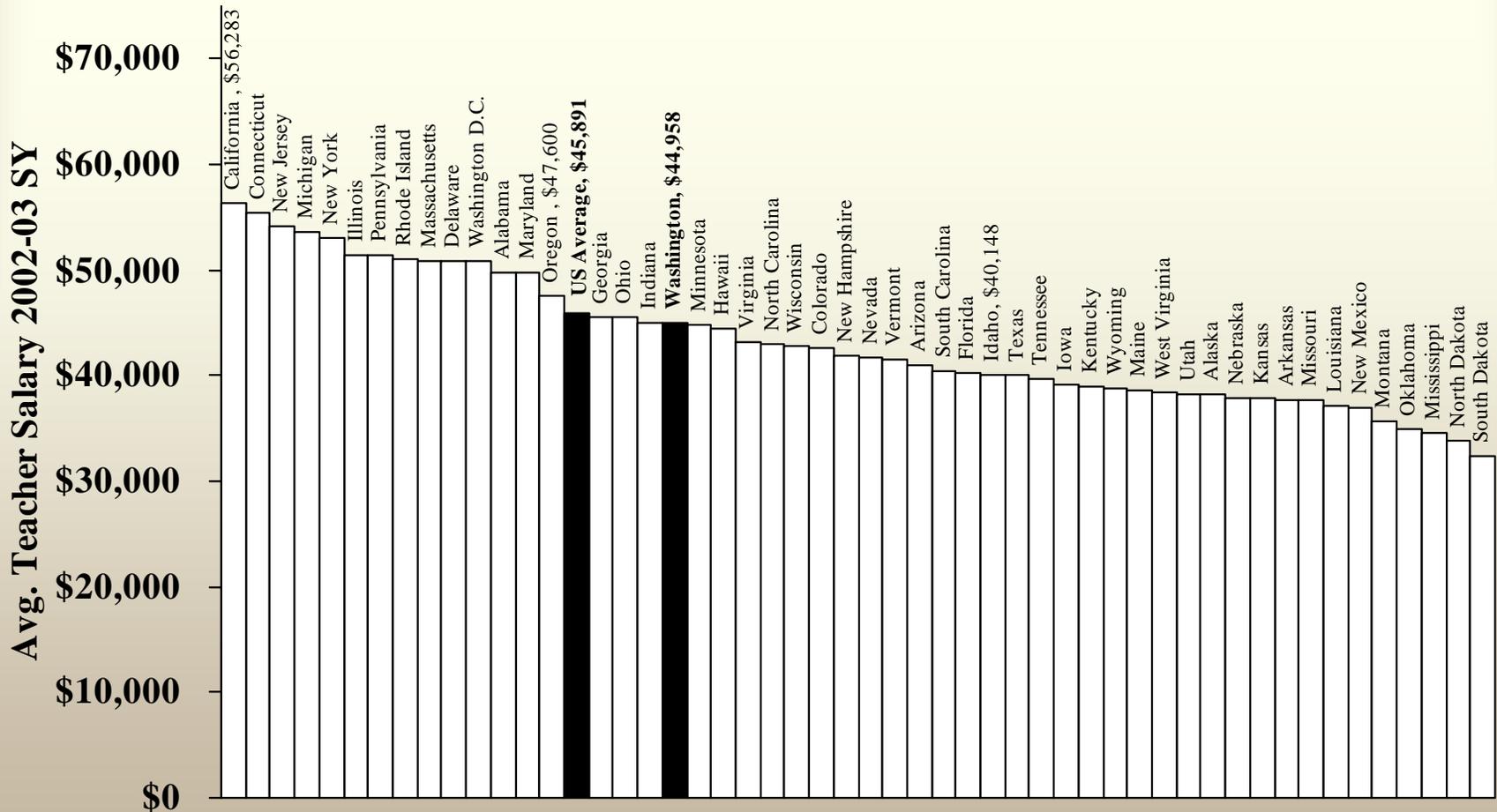


# Washington ranks 34<sup>th</sup> in reported per student funding



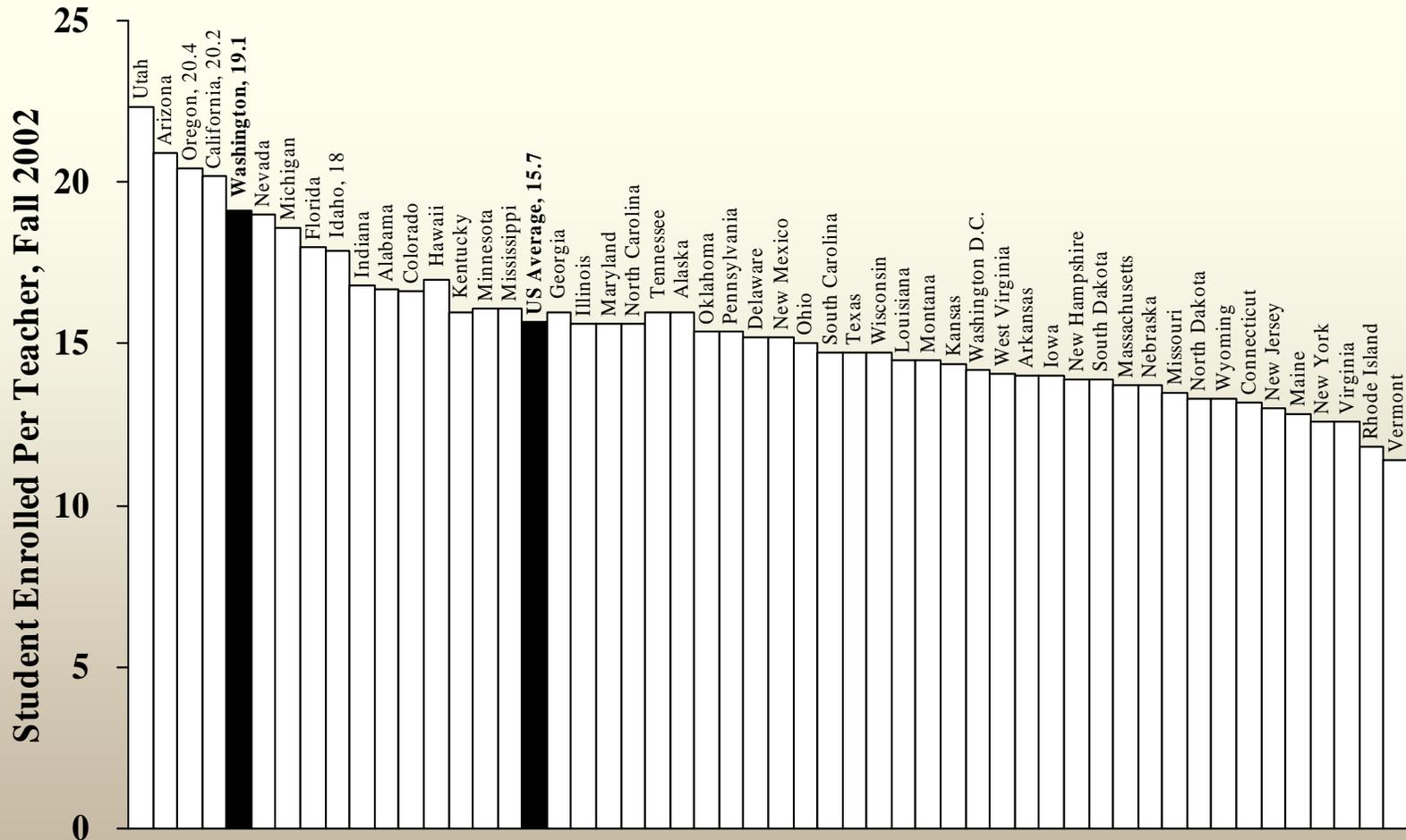
Source: Rankings & Estimates, National Education Association, May 2004

# Washington ranks 18<sup>th</sup> in reported average teacher salary



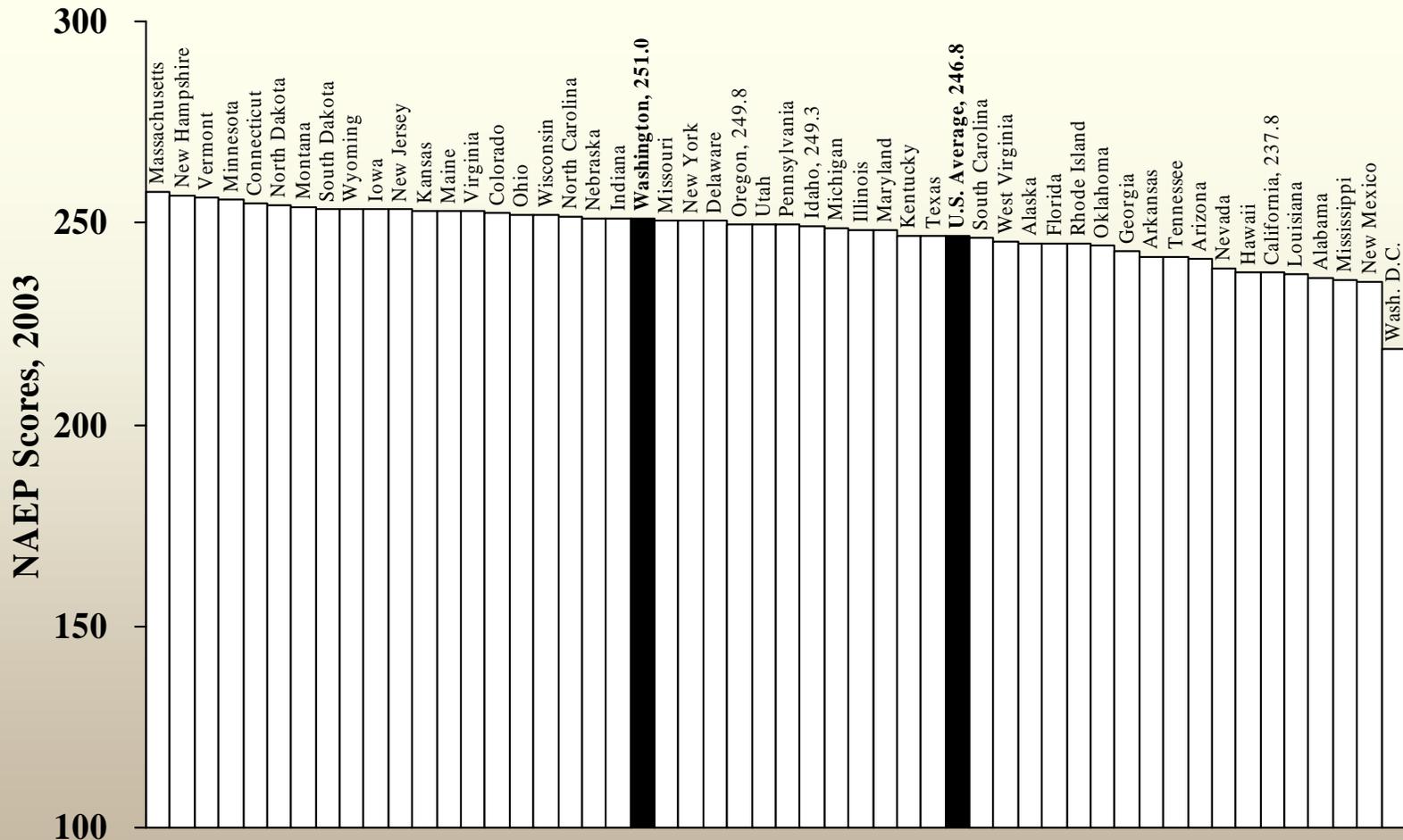
Source: Rankings & Estimates, National Education Association, May 2004

# Washington enrolled students per teacher is the 5<sup>th</sup> highest in the nation



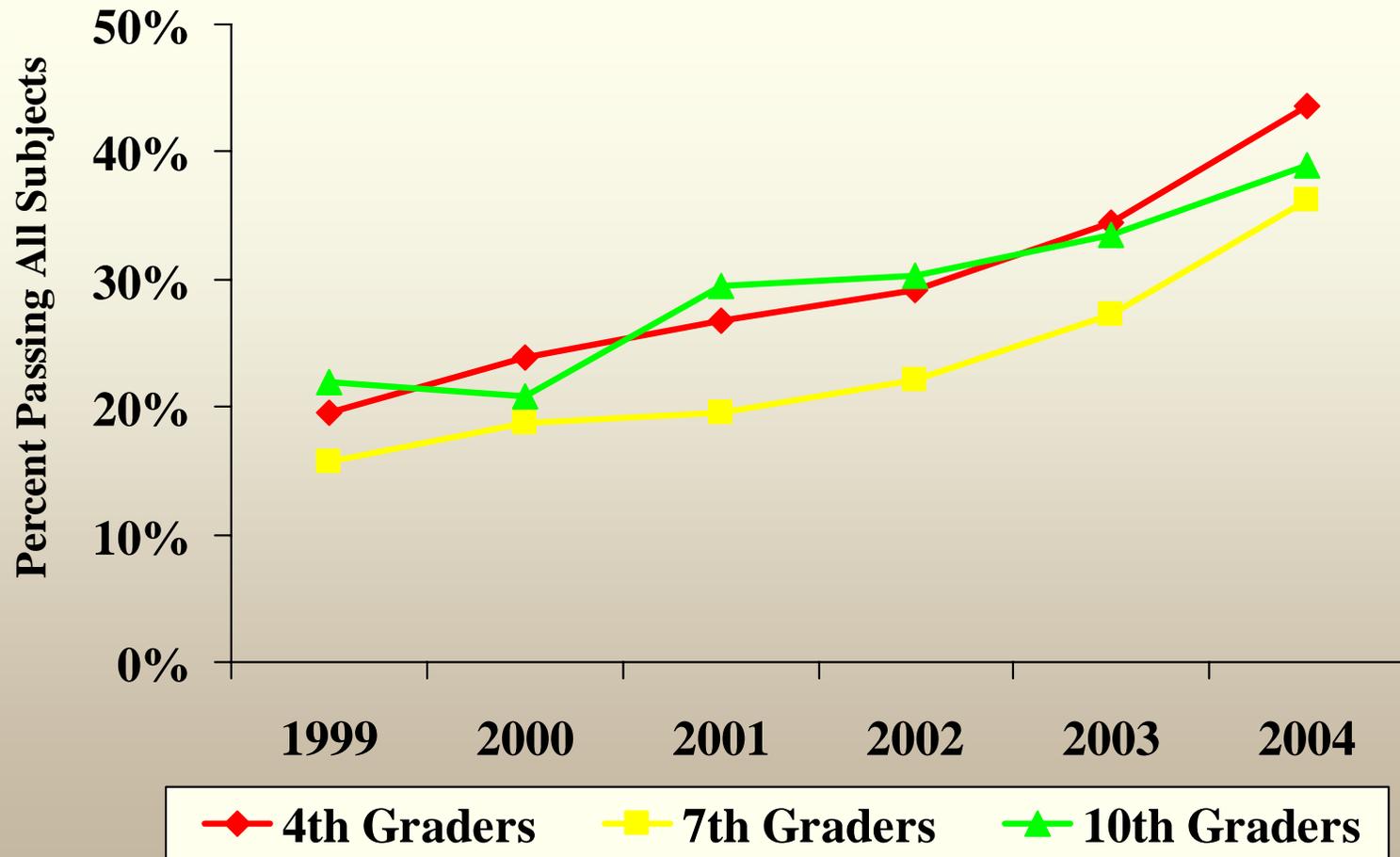
*\* For a variety of reasons, this measure of students to teachers does not directly translate into the "average class size" in any given school, district, or state.*

# Washington is 21<sup>st</sup> in average 4<sup>th</sup> and 8<sup>th</sup> grade NAEP scores



\* This reflects the average of 4<sup>th</sup> and 8<sup>th</sup> grade NAEP scores in reading and math.

# While increasing, the percentage of students passing all subjects on the Washington Assessment of Student Learning is still under 50 percent



# Under current law, the allocation to school districts from the Student Achievement Fund (I-728) increases to \$450 per student by 2008

