

A Citizen's Guide to Washington State

K-12 Finance



2005

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Introduction

A *2005 Citizen's Guide to K-12 Finance* is offered to provide a clear and simple overview of K-12 financial issues. It provides general information on K-12 finance by answering frequently asked questions. For more in-depth information of K-12 finance, see *Organization and Financing of Washington Public Schools* published by the Office of Superintendent of Public Instruction. It is available at the following: www.k12.wa.us/safs/PUB/ORG/04/orgfin04.pdf. The information presented in this document is based on statewide data. For information on a specific school district, inquire with the specific school district.

A *2005 Citizen's Guide to K-12 Finance* was prepared by staff of the Senate Ways and Means Committee and the Senate Education Committee (within Senate Committee Services) with the assistance of staff of the Legislative Evaluation and Accountability Program (LEAP) Committee. Questions regarding the guide or requests for additional copies should be addressed to:

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How many students attend K-12 schools in the state?

In the 2003-04 school year, approximately one million students attended one of the 2,200 public schools across the state. In addition, approximately 73,000 students attend private schools and 19,000 students are home-schooled.

How are public schools in Washington organized?

The public school system in the state of Washington involves various entities at both the state and local levels, including the Legislature, the Governor, the State Board of Education, the Office of the Superintendent of Public Instruction, the federal Department of Education, the State Auditor's office, Educational Service Districts, and local school districts. Each of these entities play a role in establishing educational policies, implementing these policies, or providing administrative and financial oversight of the public school system.

Washington is largely considered a "local control" state. This means that local school districts are generally responsible for delivering the actual instructional programs for the state's elementary and secondary school-age population. Each district is governed by a locally-elected school board whose members serve staggered four-year terms. Each school board hires a Superintendent who oversees the day-to-day operation of the school district. Currently, there are a total of 296 school districts.

What does the Washington state Constitution say about K-12 public school funding?

"It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste or sex."

Washington Constitution, article IX, section I

This constitutional provision is unique to Washington. While other states have constitutional provisions related to education, no other state makes K-12 education the "paramount duty" of the state.

How has this been interpreted by the state courts?

In a significant decision in 1978 (*Seattle School District No. 1 v. State*, 585 P.2d 71, 978), the Washington Supreme Court interpreted article IX, section 1 to mean that the state Legislature must define a "basic program of education," distinguished from all other educational programs or services, and sufficiently and amply fund it from a regular and dependable source which cannot be dependent on local tax levies.

The Court found that this paramount duty is superior in rank and above all others. Neither fiscal crisis nor financial burden changes the Legislature's constitutional duty. The state has no duty to fund programs outside the definition of "basic education." School districts may use local levies to fund enrichment programs and programs outside the legislative definition of basic education. However, the use of local levies cannot reduce the state's obligation to fund basic education.

The Court did not require the state to provide a total education or the offerings of all knowledge, programs, subjects or services; however, the Court did find that the duty goes beyond mere reading, writing, and arithmetic. The Court noted that a basic education also "embraces broad educational opportunities needed in the contemporary setting to equip children for their role as citizens and as potential competitors in today's market as well as in the marketplace of ideas."

When the state courts addressed these issues, there was no state definition of "basic education," so the courts considered three definitions, and the cost of each, to determine whether the state provided sufficient funds to implement a basic education program. The courts noted that in terms of "quantitative inputs," staffing ratios (the ratio of staff to students) and staff salaries are the most significant factors in determining the cost of education.

In 1983, a trial court found that the system of education defined by the Legislature to comply with the constitution included the Basic Education Act of 1977 (BEA); the special education program for students with disabilities; the Learning Assistance Program; the Transitional Bilingual Education program; and portions of the student transportation program. Additionally, the trial court found that under the BEA the Legislature must provide salaries necessary to assure local school districts the ability to hire and retain competent staff.

How has the Legislature implemented the court rulings?

In order to carry out its constitutional responsibility, the Legislature passed the Basic Education Act of 1977 (BEA), which defined a "basic education" by establishing goals, minimum program hours, teacher contact hours, and a mix of course offerings for a school district to provide. Currently, six programs (general apportionment; the special education program for students with disabilities; some pupil transportation; the Learning Assistance Program for remediation assistance; the Transitional Bilingual Education program; and educational programs in juvenile detention centers and state institutions) fall within the Legislature's definition of basic education. While the funding formulas for these programs include a variety of components, they generally are based on the number of students, staff ratios, staff salaries and benefits, and

amounts for other costs related to delivering education services. The Legislature also funds a variety of programs and activities outside of its definition of basic education.

The chart below reflects the funding for the 2003-05 biennium (fiscal years 2004 and 2005) for the six programs currently defined as "basic education" as well as the funding for other K-12 programs and activities funded by the state.

2003-05 BASIC EDUCATION PROGRAMS		
(Dollars in Thousands)		
GENERAL APPORTIONMENT (RCW 28A.150.260)	\$7,697,253	72.8%
SPECIAL EDUCATION (RCW 28A.150.370)	861,862	8.2%
TRANSPORTATION (RCW 28A.160.150)	433,811	4.1%
LEARNING ASSIST. PROGRAM (RCW 28A.165)	127,295	1.2%
BILINGUAL (RCW 28A.180)	104,728	1.0%
INSTITUTIONS (RCW 28A.190)	<u>36,382</u>	<u>0.3%</u>
SUBTOTAL: BASIC EDUCATION PROGRAMS	\$9,261,331	87.6%
2003-05 NON-BASIC EDUCATION PROGRAMS		
(Dollars in Thousands)		
STUDENT ACHIEVEMENT FUND (I-728)	409,642	3.9%
LEVY EQUALIZATION (LEA)	328,627	3.1%
K-4 ENHANCED STAFFING RATIO	191,595	1.8%
HEALTH CARE BENEFIT INCREASES	126,071	1.2%
EDUCATION REFORM	76,126	0.7%
TWO LEARNING IMPROVEMENT DAYS	54,182	0.5%
BEGINNING TEACHER SALARY INCREASE	29,283	0.3%
STATE OFFICE	21,713	0.2%
STATEWIDE PROGRAMS/ALLOCATIONS	20,309	0.2%
BETTER SCHOOLS CLASS SIZE (1ST YR ONLY)	17,081	0.2%
HIGHLY CAPABLE	13,252	0.1%
EDUCATIONAL SERVICE DISTRICTS	7,076	0.1%
FOOD SERVICES	6,200	0.1%
CLASSIFIED STAFF SALARY INCREASE	5,452	0.1%
SUMMER SKILLS & EXTENDED DAY SKILLS CENTERS	5,045	0.0%
PUPIL TRANSPORTATION COORDINATORS	<u>1,542</u>	<u>0.0%</u>
Subtotal: Non-Basic Education Programs	\$1,313,196	12.4%
TOTAL - STATE FUNDS	\$10,574,527	100.0%

What is the levy lid act and why was it passed?

In a major 1978 decision (*Seattle School District No. 1 v. State*, 585 P.2d 71, 978) interpreting constitutional provisions related to education, among other things, the Washington State Supreme Court found that school districts may use local tax levies to fund enrichment programs and programs outside the legislative definition of “basic education.” However, the use of local levies cannot reduce the state’s obligation to fund basic education.

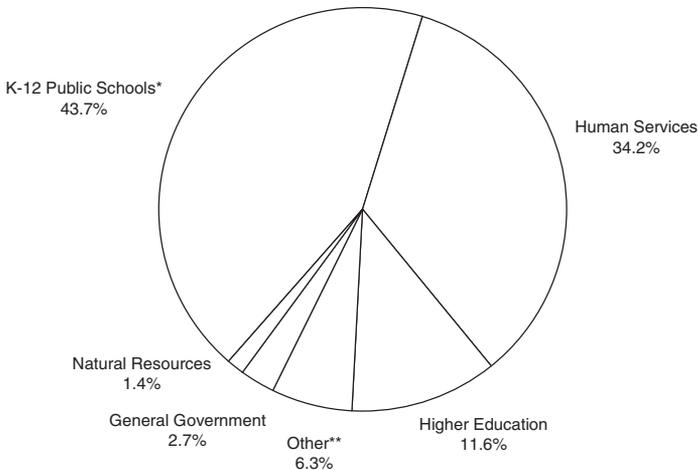
At the same time that the Legislature defined and took on responsibility for fully funding a basic education program, they passed the Levy Lid Act. The act limits the amount of revenue that a school district can raise through maintenance and operation (M & O) levies. While local levy revenues made up 32 percent of total school district revenues prior to the levy failures of 1975 that precipitated the 1977 school funding lawsuit, they fell to less than 10 percent of total school district revenues after the enactment of the Levy Lid Act.

Since that time, the Legislature has made various changes to the Levy Lid Act ultimately increasing school districts’ ability to raise levy revenues. Currently, 205 of the 296 school districts have a levy lid of 24 percent. This means that revenue raised from local tax levies cannot exceed 24 percent of the district’s state and federal revenues. The other 91 school districts have a levy lid ranging from 24.01 percent to 33.90 percent. These 91 districts have higher levy lid authority because at the time the Levy Lid Act was passed, these districts raised a higher amount of their revenues through M & O levies. (A list of these districts and their current levy lid rates is included in appendix A.)

How much of the state general fund is spent on K-12 public schools?

The state general fund is the largest single fund within the state budget. It is the principal fund supporting the operation of state government. In the 2003-05 biennium (fiscal years 2004 and 2005), the Legislature appropriated \$10.2 billion, or 43.7 percent, of the state general fund for the support and operation of K-12 public schools. The following chart shows how the state general fund budget is currently allocated:

2003-05 General Fund-State Budget



Dollars in Billions

K-12 Public Schools*	\$10.2
Human Services	8.0
Higher Education	2.7
Other**	1.5
General Government	0.6
Natural Resources	0.3
Statewide Total	\$23.2

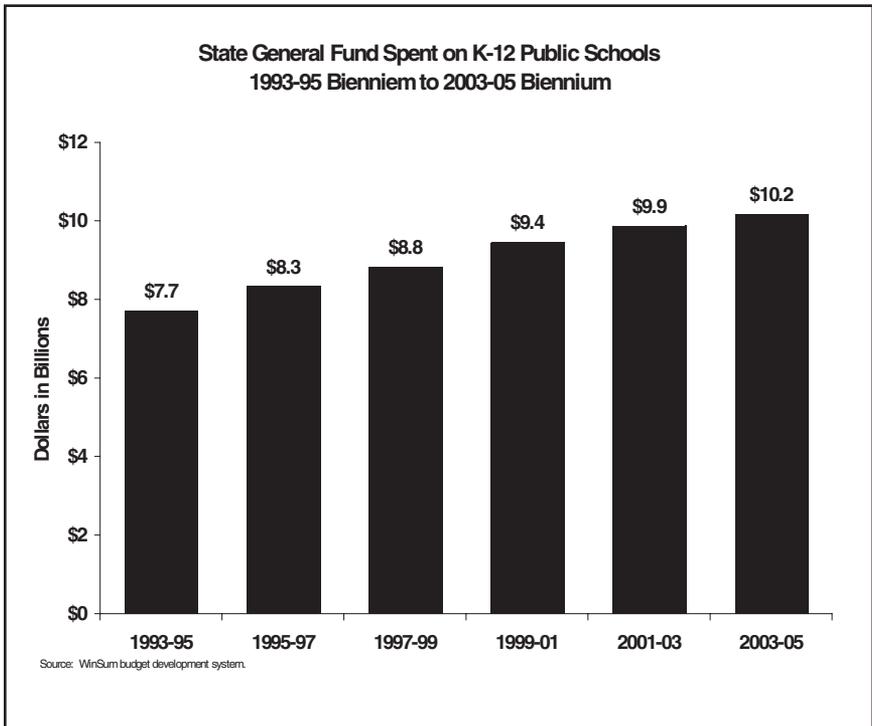
* This chart does not include \$410 million transferred to the Student Achievement Account as a result of I-728.

** Includes debt service, pensions, other education, transportation, and special appropriations.

Source: WinSum budget development system.

How has the amount of the general fund support of K-12 public schools changed over the last decade?

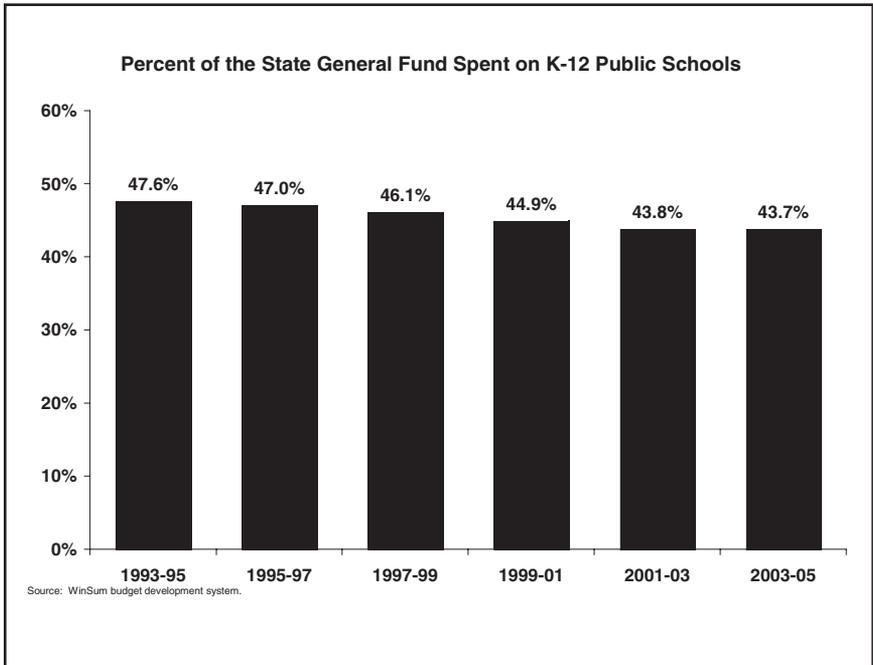
As depicted on the following chart, the amount of state general funds spent for K-12 public schools has increased from \$7.7 billion to \$10.2 billion per biennium over the last decade. This represents approximately a 32 percent increase in state general fund support.



The amounts shown above are the General Fund-State support for K-12 public schools. In addition to these amounts, Initiative 728 (I-728), approved by state voters in November 2000, transfers a portion of the state property tax from the state general fund to the Student Achievement Fund (SAF). In the 2003-05 biennium, \$410 million is appropriated from SAF for K-12 public schools. See *“What is Initiative 728”* on page 25 for more details.

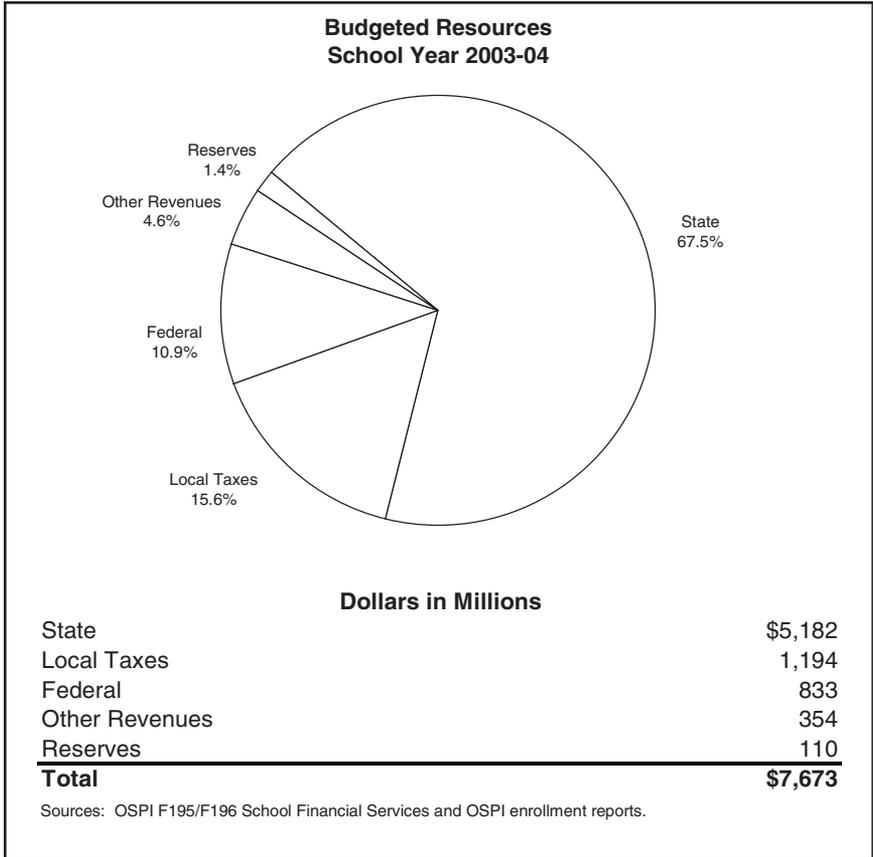
The chart on the next page shows that state general fund expenditures for K-12 public schools as a percent of the statewide total has

decreased from 47.6 percent in the 1993-95 biennium (fiscal years 1994 and 1995) to 43.7 percent in the 2003-05 biennium (fiscal years 2004 and 2005). Factors contributing to the decline include a slowing of the growth in overall K-12 enrollment, compared to the growth rate in the early 1990s, and fairly rapid growth in other areas of the state budget, particularly health care, human services, and corrections.



What are other sources of funding used by schools districts?

In addition to state funding, school districts receive funding from the federal government, local taxes, and other miscellaneous sources. The sources of funding budgeted by school districts for operating costs for the 2003-04 school year are described below.



State—More than 67 percent of budgeted school district revenues are from state sources. This amount consists of funding for the six categorical programs currently defined as “basic education” (general apportionment; the special education program for students with disabilities; some pupil transportation; the Learning Assistance Program for remediation assistance; the Transitional Bilingual Education program; and educational programs in juvenile detention centers and state institutions) as well as a variety of other grants, allocations, and items funded from state sources, including the Student Achievement Fund.

Local Taxes—Approximately \$1.2 billion, or about 16 percent of the total amount budgeted, is from local taxes. This is primarily local property taxes, which are often referred to as maintenance and operations levies.

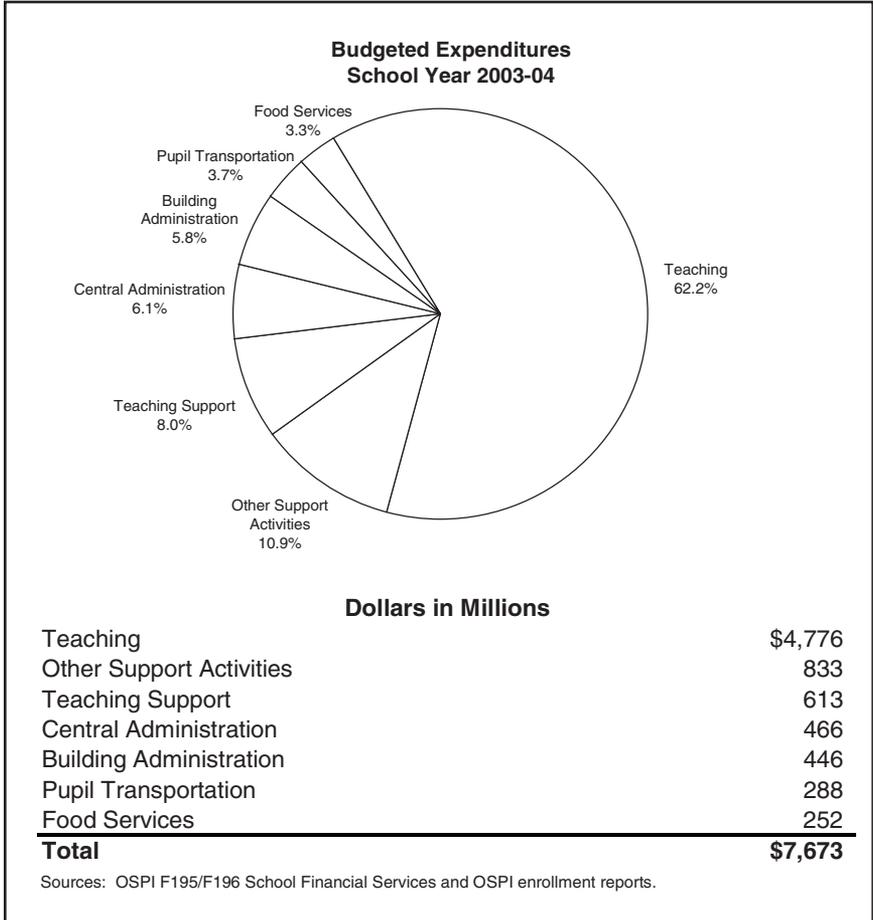
Federal—School districts budgeted more than \$833 million from federal sources for the 2003-04 school year. This represents nearly 11 percent of their total spending. This includes funding for the implementation of the federal Individuals With Disabilities Education Act; instructional assistance and other strategies aimed at improving student achievement in high-poverty schools; a variety of professional development activities; the school lunch and other nutrition programs; financial assistance to compensate school districts as the result of federal land ownership; and a variety of smaller allocations and grants.

Other Revenue—This category, totaling \$354 million or 5 percent of total funding, includes a variety of miscellaneous sources such as charges and fees for non-basic education programs, school lunch charges, revenue from other school districts, rental income, and donations.

Reserves—For the 2003-04 school year, school districts budgeted \$110 million more in expenditures than they budgeted in revenues. This indicates that, currently, districts anticipate that they will use reserves and fund balances to cover this difference.

How are these funds spent by school districts?

Another way to examine school spending is to identify how school districts anticipate spending the money received from state, federal, local, and other sources. School districts report detailed data to the Office of Superintendent of Public Instruction, including the “activities” on which they spend money. The amounts budgeted on each activity for the 2003-04 school year are depicted below.



Teaching— For the 2003-04 school year, school districts budgeted approximately \$4.8 billion (62 percent of the total amount budgeted) for teaching activities. This includes payments for salaries and benefits for classroom teachers, direct classroom instruction, extracurricular activities, and payments to other districts for educational services.

Teaching Support—School districts estimate that they will spend \$613 million on teaching support activities in the 2003-04 school year. This represents approximately 8 percent of total school district spending. This includes guidance counseling, library services, audio-visual functions, psychological services, health-related activities, and other services that support the delivery of teaching services.

Other Support Activities—After teaching and teaching support, the largest activity for school district spending is utilities, grounds care, plant operation and maintenance, insurance, information systems, and other support functions. In the 2003-04 school year, school districts estimate that they will spend approximately \$833 million or 11 percent of their total spending on this activity.

Central Administration—Approximately \$466 million or 6 percent of total school district spending is anticipated to be for central administration. This includes school board functions, the superintendents' offices, business functions, human resources, centralized programs, and other district-level administrative functions.

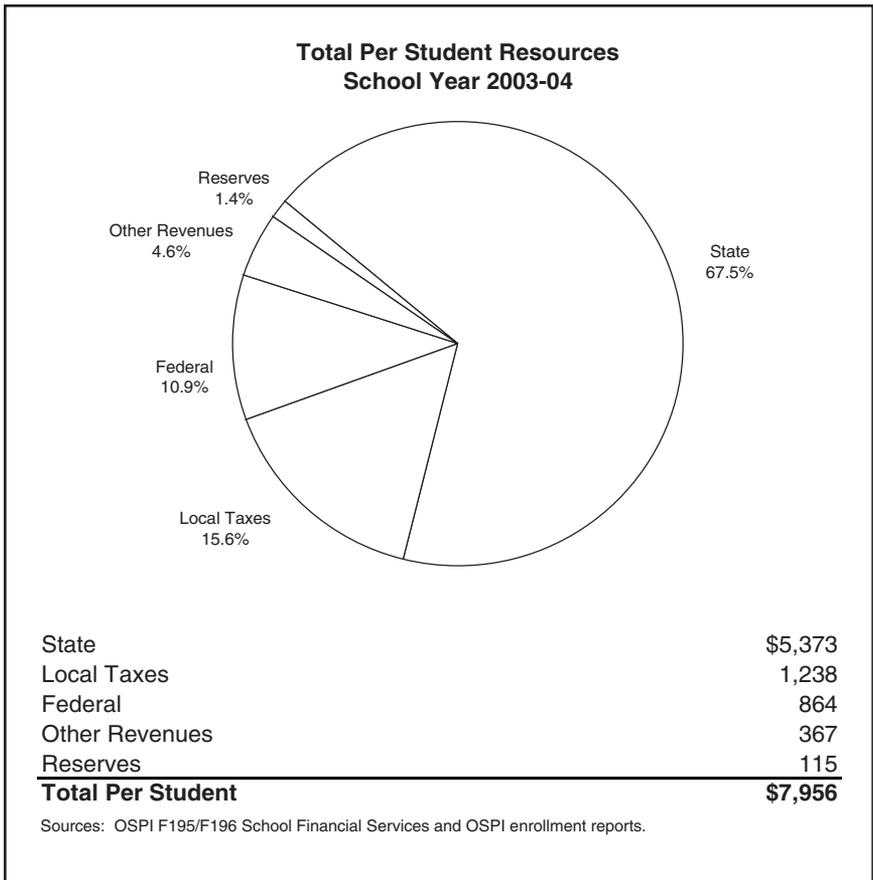
Building Administration—In the 2003-04 school year, school districts estimated that they will spend \$446 million, or 6 percent, on unit administration. This includes expenditures for principals and other building-level administrative functions.

Pupil Transportation—School districts anticipate spending \$288 million or nearly 4 percent on pupil transportation in the 2003-04 school year. This includes bus and other vehicle operating costs, related maintenance, and program supervision.

Food Services—Approximately \$252 million, or 3 percent of the total, is budgeted for food operation functions, including program supervision and federal nutrition programs, in the 2003-04 school year.

How much is spent per student?

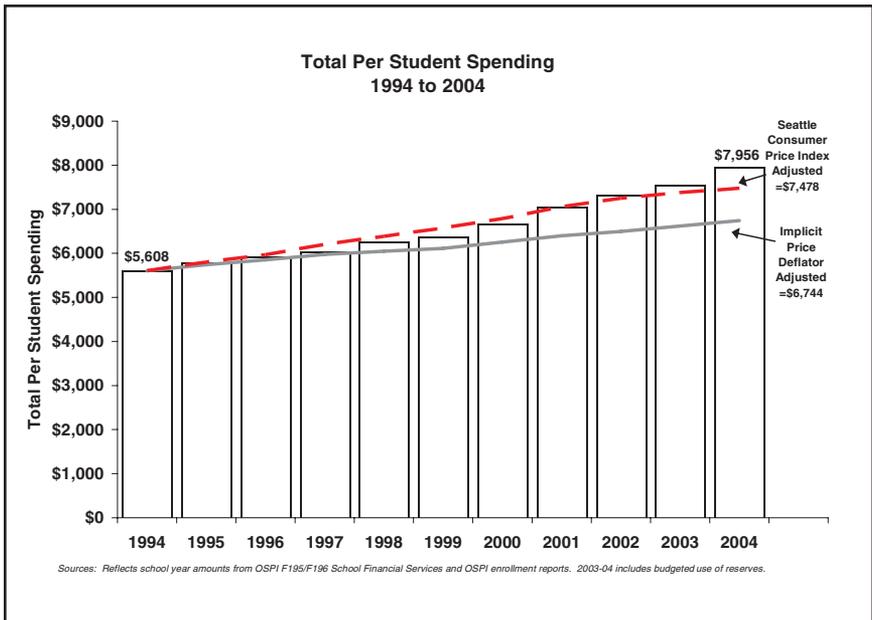
In the 2003-04 school year, on a statewide basis, school districts budgeted \$7,956 in resources per student. The following chart depicts a breakdown of the sources of funding for per student spending:



Of the \$7,956 budgeted by school districts in per student resources, \$5,373 or 67.5 percent of the funding is from state sources, \$864 or 10.9 percent is from federal sources, \$1,238 or 15.6 percent is from local taxes, \$367 or 4.6 percent is expected to come from other revenue sources, and the remaining \$115 would be from reserves. (For more detail on these sources, please see *“What are other sources of funding used by schools districts?”* on page 9.)

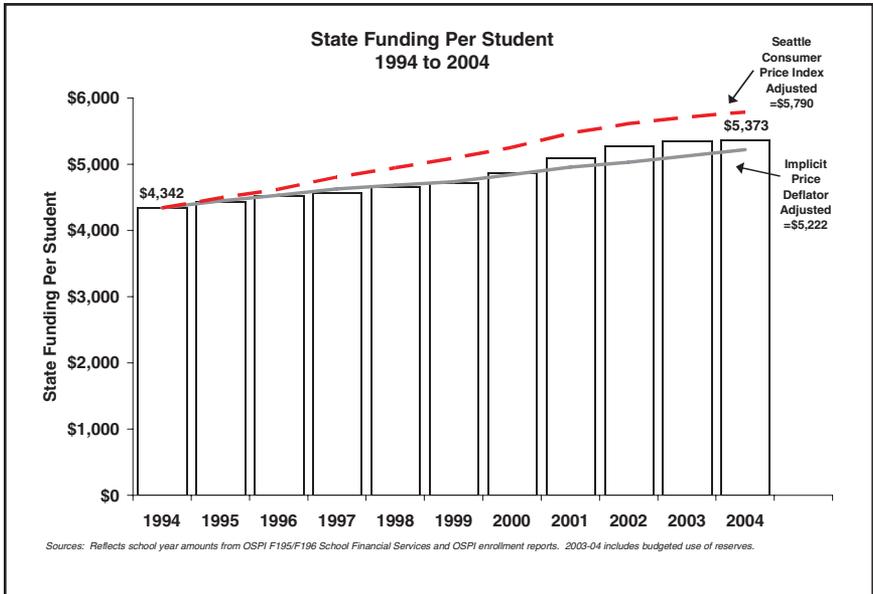
How has total per student spending changed over the last decade?

As can be seen from the following chart, total (from state, federal, local, and other sources) per student spending has increased from \$5,608 in 1994 to \$7,956 in 2004. This represents an increase of approximately 42 percent over this period. The growth rate of total per student spending exceeds both the Seattle Consumer Price Index (CPI) and Implicit Price Deflator (IPD), which are two commonly used measures of inflation.



How has state funding per student changed over the last decade?

As can be seen from the following chart, state funding per student has increased from \$4,342 in 1994 to \$5,373 in 2004. This represents approximately a 24 percent increase over this period. The growth rate of state funding per student spending slightly exceeds the Implicit Price Deflator (IPD) but lags behind the Seattle Consumer Price Index (CPI).



How is the salary level of certificated instructional staff determined?

State funding—The Legislature allocates money to each district for state-funded employee salaries and associated fringe benefits. In the case of certificated instructional staff (CIS)—teachers, counselors, librarians, and other instructional staff requiring certification—the state funding is provided based on a state salary allocation schedule. An individual’s education level and teaching experience determines the allocation for base salary. Additional funds (a 1 to 3 percent increase) are provided for each additional year of experience up to 16 years. Additional funds (a 3 to 20 percent increase) are also provided for each additional 15 credits of approved education acquired up to a Ph.D. (See appendix B for the state allocation schedule for certificated instructional staff for the 2003-04 school year.)

The state does not require school districts to pay certificated instructional staff in accordance with the state salary allocation schedule. However, most school districts have adopted a salary schedule the same as, or similar to, the state allocation schedule. Thirty-four of the state's 296 school districts receive higher salary allocations for certificated instructional staff. The primary reason for this higher allocation is that these districts were paying their certificated instructional staff higher salaries when the Legislature took on responsibility for fully funding basic education programs in the late 1970s. (See appendix C for a list of these districts and their allocation rate for school year 2003-04.)

Additionally, the Legislature limits a school district's authority to establish salaries for certificated instructional staff by setting a minimum and an average salary level.

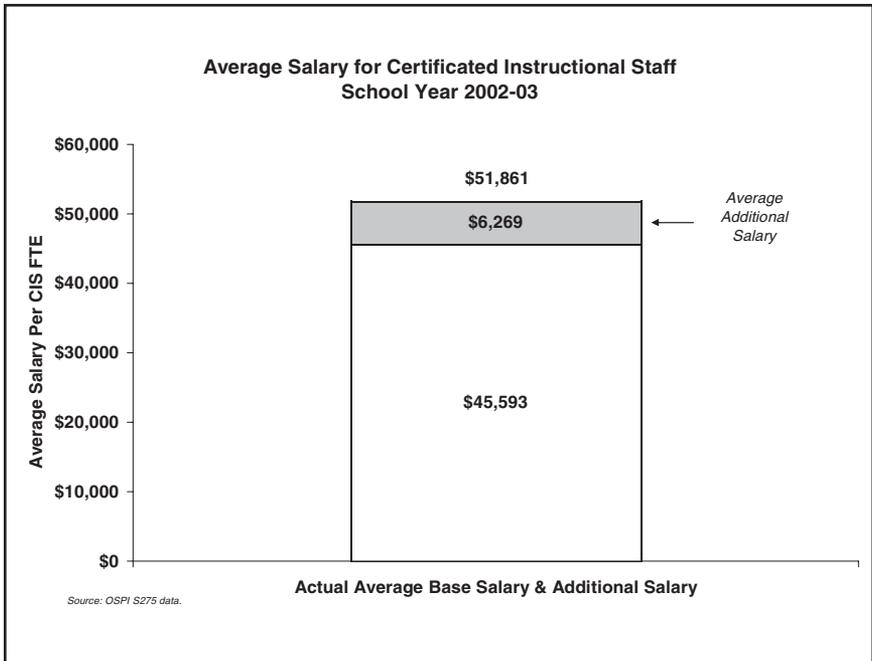
- **Minimum salary** – The actual minimum salaries in the district cannot be less than the minimum on the state salary allocation schedule for a certificated instructional staff member who has a BA or MA with no years of experience. The rationale for this limitation is to ensure a minimum salary for beginning certificated instructional staff.
- **Average salary** – The actual average salary in the district cannot exceed the average salary calculated based on the state allocation schedule. A rationale for this limitation is to prevent districts from paying a few certificated instructional staff a very large salary and the rest at the minimum.

The state funding provided to school districts for certificated instructional staff salaries is subject to collective bargaining within the state limitations.

Supplemental Pay – School districts may provide supplemental pay for additional time, responsibilities, and incentives (also known as “TRI”) beyond that provided by the state. The vast majority of supplemental contracts are paid from local revenue. State law provides that supplemental pay contracts must not create any present or future funding obligation for the state.

What is the average salary level of certificated instructional staff?

In the 2002-03 school year, the average annual base salary for certificated instructional staff (teachers, counselors, librarians, and other staff requiring certification) was \$45,593. In addition, the average additional salary was \$6,269. This means that the total average annual salary per certificated instructional staff was \$51,861.



How is the salary level of administrators and classified staff determined?

The Legislature allocates money to each district for employee salaries and associated fringe benefits. In the case of administrators and classified staff (such as bus drivers, food service workers, custodial staff, classroom aides), there is not a state salary allocation schedule. However, each district receives an allocation for these staff based on historical salary allocations adjusted for cost of living increases.

The actual salary levels for administrators and classified staff are determined through the local collective bargaining process. There are no state limitations with respect to salary levels of administrators or classified staff.

How does Washington compare to other states?

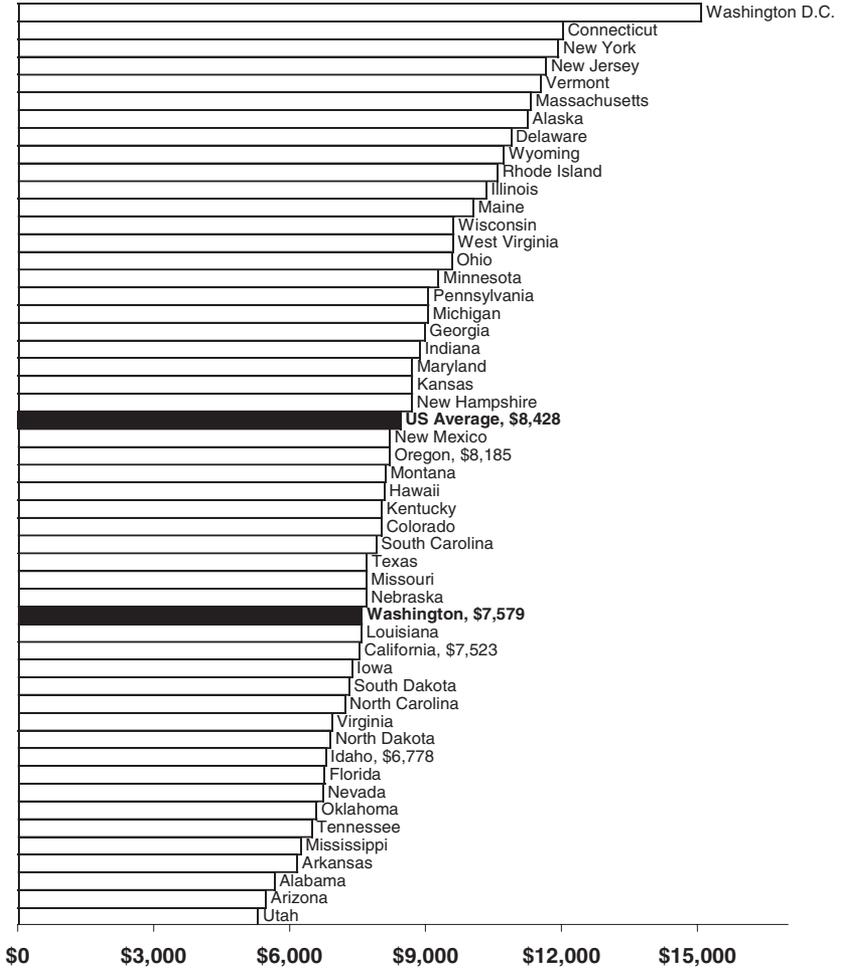
National information is often utilized to compare different aspects of K-12 finance. On the following three pages are charts comparing per student spending, students enrolled per teacher, and average teacher salary levels in Washington and other states. It should be noted that comparisons with other states, while interesting, often do not lend themselves to any definitive conclusions regarding each state's K-12 finance system, due to differences in reporting practices, demographics, and public school funding systems.

Per Student Spending—As depicted on the chart on page 19, Washington per student spending of \$7,579 ranks 34th compared to the other states in the 2002-03 school year. The national average was \$8,428. Compared to other states in the western region, Washington's per student spending was \$606 below Oregon (\$8,185), \$56 above California (\$7,523) and \$801 above Idaho (\$6,778).

Students Enrolled Per Teacher—The chart on page 20 compares students enrolled per teacher in the 2002-03 school year. Washington's 19.1 enrolled students per teacher makes it the 5th highest in the nation. The national average was 15.7. Compared to other states in the western region, Washington's number of enrolled students per teacher was below California (20.2) and Oregon (20.4) but above Idaho (17.9). For a variety of reasons, this measure of students to teachers does not translate into the "average class size" in any given school, district, or state.

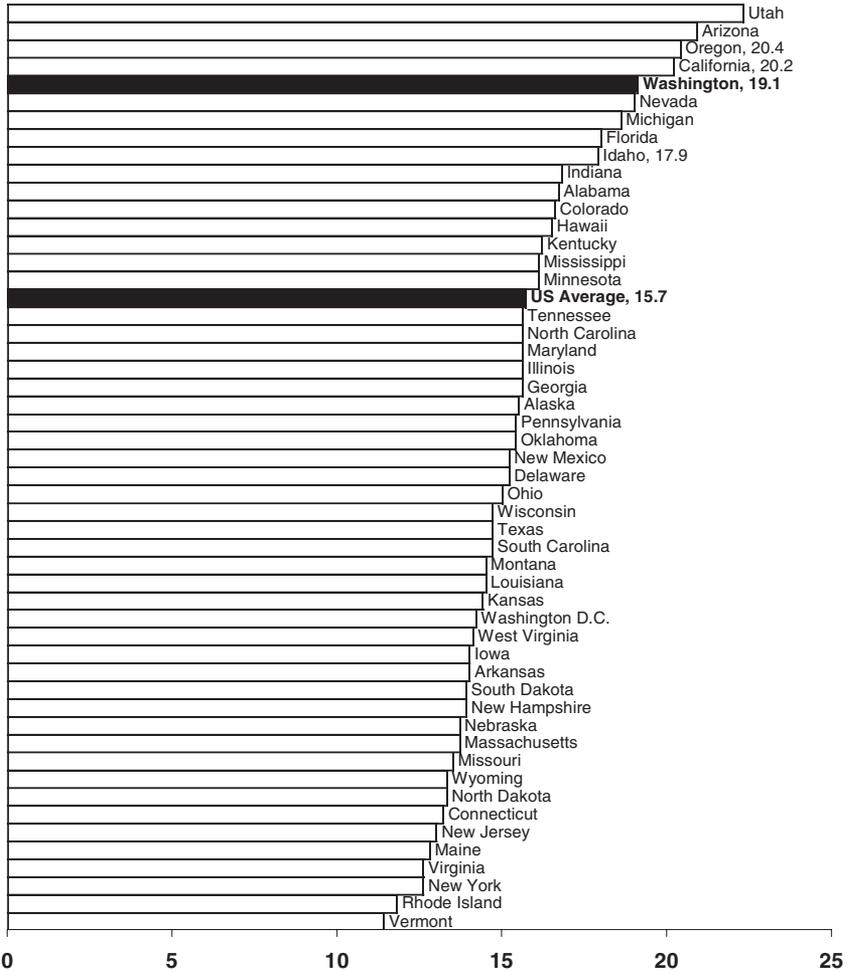
Teacher Average Salary Levels—The chart on page 21 provides a comparison of average salary levels for teachers. In the 2002-03 school year, Washington's reported average teacher salary of \$44,958 made it the 18th highest in the nation. The national average was \$45,891. Compared to other states in the western region, Washington's teacher average salary was \$11,325 below California (\$56,283), \$2,642 below Oregon (\$47,600), and \$4,810 above Idaho (\$40,148).

Public School Current Expenditures Per Student School Year 2002-03



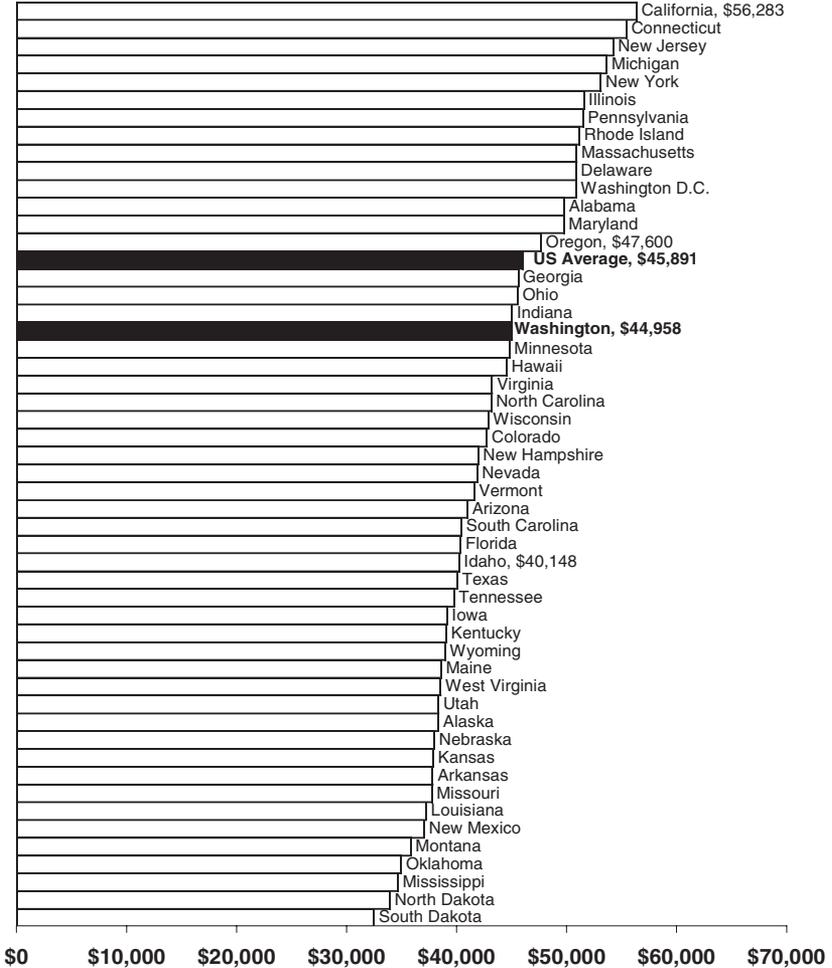
Source: Rankings & Estimates, National Education Association, May 2004

Students Enrolled Per Teacher in K-12 Public Schools, Fall 2002



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

Average Salary of Public School Teachers School Year 2002-03



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

How does the state lottery support public schools?

When the state lottery was established in 1982, the state was in an economic recession. The Legislature deposited the lottery revenues into the state general fund, which supports K-12 public schools, higher education, human services, natural resources, and other state programs. Prior to the actual creation of the lottery, there were various proposals to dedicate the lottery proceeds to the developmentally disabled, public schools, or state institutions. While none of these proposals were actually enacted into law, they are probably the source of the popular misconception that the lottery had been entirely dedicated to K-12 education.

As a result of the passage of Initiative 728 in 2000, all lottery revenues were, in fact, dedicated for educational purposes (with the exception of about ten percent, which was dedicated by previous legislation for debt service on the stadiums in Seattle). For fiscal years 2001-2004, a portion of lottery revenues is distributed to school districts to allow them to make improvements, such as reducing class sizes, extending learning opportunities, and expanding professional development and early childhood education programs. The remainder is deposited into the Education Construction Account which is used to fund a portion of the state matching funds for K-12 public school and higher education construction. Beginning in fiscal year 2005, all lottery revenues are deposited into the Education Construction Account.

It should be noted that while Initiative 728 dedicated lottery revenues to educational purposes, the Legislature passed legislation in 2002 that authorized a new lottery game that is not subject to the distribution for educational purposes. The legislation authorized participating in a multi-state lottery (now named "Mega Millions") with the profits from the game going to the state general fund. The legislation had provisions addressing the concern that some people might play the new multi-state lottery rather than the existing lottery games and, therefore, diminish the base revenues for educational purposes. For this reason, the legislation requires \$102 million annual transfers to make the educational-related accounts "whole" before distributing any excess profits to the general fund. In other words, it was intended that the educational related activities would receive as much money as they would have without the multi-state lottery.

Finally, based on current forecasts, it is estimated that the state lottery will generate approximately \$200 million in revenues next biennium. As depicted on the chart on page 6, state funding for K-12 public schools exceeds \$10 billion per biennium. Therefore, state lottery revenues, even if entirely dedicated to K-12 public schools, would represent only about 2 percent of the amount that the state currently spends on the operating costs of K-12 public schools.

What is the role of the federal government in public elementary and secondary education?

Public K-12 education is primarily a state and local responsibility. However, the federal role in education has been evolving and increasing over time. Although the federal Constitution, which gives U.S. Congress its authority to act, is silent on the subject of education, Article I, Section 8 of the U.S. Constitution provides that Congress has the power to provide funding for the general welfare of the United States. Congress has relied on this provision when enacting federal assistance programs addressing education, including the education of students with disabilities (the Individuals with Disabilities Education Act—IDEA, and the Americans with Disabilities Act—ADA) and the education of students in poverty (Title I programs). State participation in these programs is voluntary; however, if the state accepts the federal funds then the state must comply with all of the federal program requirements. Federal funds comprise approximately eleven percent of the total of Washington K-12 funding. Additionally, the due process and equal protection clauses of the U.S. Constitution provide the basis for the anti-discrimination laws (Title VI, Title VII, and Title IX) enacted by Congress. The federal courts have also had a significant impact on public education, especially in the areas of racial segregation, First Amendment and due process rights of students and employees, school finance, and education programs for students who have limited English proficiency and for students with disabilities.

Most recently, the No Child Left Behind Act of 2001 (NCLB) reauthorized the Elementary and Secondary Education Act of 1965 (ESEA). This education legislation greatly expanded the federal role in public education. Part of the stated intent of the reauthorized ESEA is that all students obtain a high-quality education that will enable them to meet challenging state academic achievement standards. The new law represents the most sweeping changes to the ESEA since it was originally enacted in 1965. Under the NCLB, states are required to increase student testing; collect and disseminate subgroup results; ensure a highly qualified teacher in every classroom; and guarantee that all students, regardless of socioeconomic factors, achieve a “proficient” level of education by school year 2014. As these provisions are implemented, states are continuing to assess the adequacy of federal funding and potential changes to NCLB.

What are other types of dedicated funding utilized by school districts?

Over three-fourths of a typical school district's expenditures are for the day-to-day operation of the school district and are funded in the school district's general fund. For this reason, this document primarily focuses on these expenditures. However, it should be noted that school districts also use other funds including: Capital Project Funds, which are used for some facility construction and remodeling costs; Debt Service Funds, which are used for the repayment of bond debt; Associated Student Body Funds, which are used for student activities; and Transportation Vehicle Funds, which are used for purchasing school buses.

How is school construction funded in the state?

In each biennial capital budget, the state provides financial assistance to school districts for constructing new and remodeling existing school buildings. The state assistance program is based on two principles: (a) state and local school districts share the responsibility for the provision of school facilities; and (b) there is an equalization of burden among school districts to provide school facilities regardless of the wealth of the districts.

To be eligible for state funding, a school district must have a space or remodeling need and must secure voter approval of a bond levy or other funding for the local share of a school project. Once the local share is secured, the state money is allocated to districts based on a formula comprised primarily of a set of space and cost standards/allocations and a matching ratio based on the relative wealth of the district.

The state program does not reimburse all costs related to a project. Costs not eligible for reimbursement include site acquisition costs; administrative buildings; stadiums/grandstands; most bus garages; and local sales taxes. Construction-related costs that are eligible include eligible construction costs per square foot; architectural and engineering fees; construction management; value engineering studies; furniture and equipment; energy conservation reports; and inspection and testing.

In the 2003-05 biennium (fiscal years 2004 and 2005), the Legislature appropriated approximately \$400 million for the state match associated with school construction projects.

What is Initiative 732?

Initiative 732 (I-732), approved by state voters in November 2000, requires an annual cost-of-living salary adjustment (COLA) for K-12 teachers and other public school employees and certain community and technical college staff, beginning in school year 2002. In 2003, the Legislature suspended the COLA requirement for the 2003-05 biennium (school years 2004 and 2005), and no COLA was provided with the exception of a few targeted salary increases for beginning teachers and classified staff. Additionally, the Legislature modified the COLA provisions for K-12 employees so that the state is only required to fund costs associated with providing the COLA to state-funded employees. This means that the costs associated with providing a COLA for local and federally funded staff will have to come from those sources.

What is Initiative 728?

Initiative 728 (I-728), approved by state voters in November 2000, transfers a portion of the state property tax from the state general fund to the Student Achievement Fund (SAF). The SAF is then distributed to school districts to use for class size reduction, extended learning opportunities for students, professional development for educators, early childhood programs, and necessary building improvements to support class size reductions or extended learning opportunities. The initiative provided school districts \$184 per full-time equivalent (FTE) student in the 2001-02 school year, \$208 per FTE student in the 2002-03 school year, \$212 per FTE student in the 2003-04 school year, and \$450 per FTE student in the 2004-05 school year. In subsequent years, the amount would increase by inflation.

In 2003, the Legislature reduced the distribution of the I-728 funds so that school districts will receive \$254 per FTE student in the 2004-05 school year; \$300 per FTE student in the 2005-06 school year; \$375 per FTE student in the 2006-07 school year; and \$450 per FTE student in the 2007-08 school year. In subsequent years, the amount is increased by inflation.

Additionally, I-728 transferred varying percentages of state lottery revenues to the SAF for fiscal years 2001-2004 to partially support the per student distributions previously described and for deposit in the Education Construction Account (ECA). Beginning in fiscal year 2005, all of the lottery revenues will be deposited into the ECA, which is used to fund a portion of the state matching funds for K-12 public school and higher education construction projects.

Appendix A

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

Rank Highest = 1	County	School District	Max Levy Percent
59	Adams	Lind	25.20%
40	Adams	Ritzville	28.12%
82	Chelan	Cashmere	24.79%
12	Clark	Green Mountain	33.58%
11	Columbia	Starbuck	33.61%
27	Cowlitz	Toutle Lake	31.19%
87	Cowlitz	Kalama	24.24%
15	Douglas	Orondo	33.51%
91	Douglas	Bridgeport	24.01%
5	Douglas	Palisades	33.73%
41	Douglas	Mansfield	28.00%
24	Douglas	Waterville	32.00%
25	Franklin	North Franklin	31.70%
1	Franklin	Kahlotus	33.90%
8	Grant	Wahluke	33.69%
53	Grant	Quincy	26.67%
51	Grant	Coulee/Hartline	26.79%
19	Grays Harbor	Cosmopolis	33.40%
43	Jefferson	Brinnon	27.50%
22	King	Seattle	32.97%
68	King	Federal Way	24.90%
75	King	Enumclaw	24.88%
9	King	Mercer Island	33.67%
64	King	Highline	24.95%
75	King	Vashon Island	24.88%
65	King	Renton	24.93%
57	King	Skykomish	25.43%
28	King	Bellevue	30.66%
13	King	Tukwila	33.54%
85	King	Riverview	24.72%
68	King	Auburn	24.90%
71	King	Tahoma	24.89%
80	King	Snoqualmie Valley	24.83%
61	King	Issaquah	24.97%
42	King	Shoreline	27.93%
71	King	Lake Washington	24.89%
71	King	Kent	24.89%
68	King	Northshore	24.90%
60	Kitsap	Bainbridge	24.98%
17	Kittitas	Damman	33.44%
6	Klickitat	Centerville	33.71%
89	Klickitat	Roosevelt	24.14%
46	Lewis	Vader	27.29%
20	Lewis	Evaline	33.36%
58	Lewis	Boistfort	25.32%
31	Lewis	White Pass	29.43%

**Maximum Levy Authority: Districts Grandfathered Above 24%
Sorted by County (continued)**

Rank Highest = 1	County	School District	Max Levy Percent
3	Lincoln	Sprague	33.77%
55	Lincoln	Reardan	26.02%
30	Lincoln	Creston	30.42%
9	Lincoln	Odessa	33.67%
21	Lincoln	Harrington	33.01%
38	Lincoln	Davenport	28.21%
43	Okanogan	Pateros	27.50%
56	Pend Oreille	Selkirk	25.47%
65	Pierce	Steilacoom Hist.	24.93%
78	Pierce	Puyallup	24.87%
26	Pierce	Tacoma	31.47%
14	Pierce	Carbonado	33.52%
36	Pierce	University Place	28.29%
79	Pierce	Sumner	24.86%
33	Pierce	Dieringer	28.85%
83	Pierce	Orting	24.78%
52	Pierce	Clover Park	26.76%
67	Pierce	Peninsula	24.91%
61	Pierce	Franklin Pierce	24.97%
71	Pierce	Bethel	24.89%
61	Pierce	Eatonville	24.97%
84	Pierce	White River	24.77%
81	Pierce	Fife	24.82%
2	San Juan	Shaw	33.82%
29	Skagit	Anacortes	30.54%
32	Skagit	Conway	29.15%
16	Skamania	Mount Pleasant	33.46%
88	Spokane	Spokane	24.18%
39	Spokane	West Valley (Spo)	28.20%
50	Stevens	Valley	26.91%
49	Stevens	Loon Lake	27.01%
86	Thurston	Olympia	24.34%
7	Walla Walla	Dixie	33.70%
18	Walla Walla	College Place	33.43%
48	Walla Walla	Columbia (Walla)	27.07%
54	Whatcom	Bellingham	26.35%
35	Whatcom	Blaine	28.51%
34	Whitman	Lacrosse Joint	28.75%
75	Whitman	Lamont	24.88%
89	Whitman	Tekoa	24.14%
47	Whitman	Pullman	27.27%
37	Whitman	Palouse	28.27%
4	Whitman	Garfield	33.76%
23	Whitman	Steptoe	32.42%
45	Whitman	Colton	27.35%

Appendix B

K-12 Allocation Schedule for Certificated Instructional Staff For School Year 2003-04										
Years of Service	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90 OR Ph.D.	
0	29,149	29,936	30,752	31,568	34,192	35,881	34,947	37,570	39,262	
1	29,540	30,339	31,165	32,019	34,669	36,350	35,335	37,985	39,665	
2	30,060	30,870	31,709	32,633	35,289	36,995	35,901	38,556	40,262	
3	30,747	31,574	32,429	33,392	36,069	37,833	36,630	39,306	41,071	
4	31,285	32,151	33,017	34,018	36,724	38,510	37,208	39,914	41,701	
5	31,840	32,716	33,594	34,655	37,365	39,196	37,798	40,509	42,340	
6	32,251	33,108	34,016	35,131	37,827	39,667	38,213	40,910	42,750	
7	33,139	34,012	34,937	36,118	38,868	40,769	39,185	41,934	43,836	
8	34,202	35,122	36,069	37,348	40,135	42,106	40,414	43,202	45,172	
9		36,272	37,266	38,591	41,443	43,481	41,656	44,510	46,548	
10			38,477	39,898	42,788	44,894	42,964	45,855	47,960	
11				41,243	44,196	46,344	44,309	47,263	49,410	
12				42,545	45,642	47,854	45,707	48,708	50,921	
13					47,123	49,401	47,154	50,189	52,467	
14					48,611	51,006	48,644	51,775	54,073	
15					49,876	52,333	49,908	53,121	55,479	
<i>16 or more</i>					50,873	53,379	50,906	54,183	56,588	

Appendix C

**Certificated Instructional Staff Base Salaries for School Year 2003-04
Grandfathered Districts Compared to All Other Districts**

		Total Base Salaries	% Over "All Other"		Total Base Salaries	% Over "All Other"	
1	Everett	30,998	6.3%	18	Eatonville	29,379	0.8%
2	Orondo	30,938	6.1%	19	Taholah	29,358	0.7%
3	Northshore	30,760	5.5%	20	Green Mountain	29,350	0.7%
4	Marysville	30,669	5.2%	21	Benge	29,349	0.7%
5	Puyallup	30,128	3.4%	22	Darrington	29,349	0.7%
6	Vader	30,117	3.3%	23	Evaline	29,342	0.7%
7	Shaw Island	30,096	3.2%	24	Loon Lake	29,342	0.7%
8	Southside	29,979	2.8%	25	Thorp	29,319	0.6%
9	Lake Chelan	29,967	2.8%	26	Wenatchee	29,312	0.6%
10	Mukiteo	29,884	2.5%	27	Lake Washington	29,295	0.5%
11	Lopez Island	29,852	2.4%	28	Bellevue	29,228	0.3%
12	Seattle	29,732	2.0%	29	Centerville	29,220	0.2%
13	Oak Harbor	29,724	2.0%	30	Port Townsend	29,219	0.2%
14	Edmonds	29,502	1.2%	31	Sumner	29,204	0.2%
15	McCleary	29,487	1.2%	32	Kelso	29,194	0.2%
16	Eastmont	29,459	1.1%	33	Toppenish	29,173	0.1%
17	Boisfort	29,414	0.9%	34	Cosmopolis	29,172	0.1%
				All Other Districts			
				\$29,149			