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## **Introduction**

A *2011 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:

<http://www.k12.wa.us/safs/PUB/ORG/Org.asp>. The information presented in this document is based on statewide data. For information on a specific school district, inquire with that school district.

A *2011 Citizen's Guide to K-12 Finance* was prepared by staff of the Senate Ways and Means Committee and the Senate Early Learning & K-12 Committee (within Senate Committee Services) with the assistance of staff of the Legislative Evaluation and Accountability Program (LEAP) Committee.

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## **How do recent basic-education bills affect K-12 funding?**

In the 2009-11 biennium, two major pieces of legislation were enacted to redefine basic education and restructure K-12 funding formulas. The first was ESHB 2261 (Chapter 548, Laws of 2009) which added programs to the definition of basic education — including the program for highly capable students and all-day kindergarten. It increased the number of instructional hours, increased the minimum number of credits for high school graduation, and changed the system for funding student transportation. The bill also created the framework for a new K-12 funding allocation formula based on prototypical schools. Changes are to take effect September 1, 2011, although most are to be phased in by 2018 on a schedule set by the Legislature. The second bill, SHB 2776 (Chapter 236, Laws of 2010) enacted in statute the funding formulas for the new prototypical schools format at levels that represent School Year 2009-10 state spending on basic education. It set targets for class-size reduction in the lower grades and established a timeline for phasing in certain enhancements to the program of basic education and their funding levels.

The new funding model is intended to provide greater understanding about how state funds for K-12 are allocated to school districts, and to improve accountability. The bills require school-district reporting of actual staffing and expenditures, compared to the funding provided in the prototypical model. The comparisons are to be available on a public website of the Office of the Superintendent of Public Instruction.

As these bills take effect, the descriptions of K-12 finance will change. The *2011 Citizen's Guide to K-12 Finance* retains the descriptions of the system that is in effect until September 1 but also includes descriptions of the upcoming changes, along with the schedule of when the changes are due to take place.

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

In the 2009-10 school year, approximately one million students were enrolled at 2,350 public schools across the state. In addition, as of October 2007, it is estimated that about 84,000 students attended private schools and 17,580 students were homeschooled.

## **How are public schools in Washington organized?**

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 295 school districts.

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, the Professional Educator Standards Board, Educational Service Districts, and local school districts. Each of these entities plays a role in establishing educational policies, implementing these policies, or providing administrative and financial oversight of the public school system.

## **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 in 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 that 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, in terms of “quantitative input,” the trial court found that under the BEA the Legislature must provide salaries necessary to ensure local school districts the ability to hire and retain competent staff.

In January 2007, a coalition of parents, school districts, and organizations filed a school-funding adequacy lawsuit, *McCleary v. State*, which was heard in King County Superior Court in late 2009. The Attorney General's office has appealed the case to the Washington Supreme Court on several points. The Supreme Court is expected to hear the case in the spring or fall of 2011.

## **How has the Legislature implemented 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, at least some portion of 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.

**General Apportionment** - Foundational state funding to school districts is provided through the General Apportionment formula. Every enrolled K-12 student generates state funding under the formula. The amount received by each school district varies based on certain characteristics — such as teacher experience and education level, and historical salary levels. On average, the statewide allocation through the General Apportionment formula is projected at approximately \$5,211 per student in the 2010-11 school year.

### ***New formula:***

Under the new funding structure, effective September 1, 2011, the general apportionment formula will follow the prototypical school model. Prototypes illustrate a level of resources to operate a school of a particular size with particular types and grade levels of students. Allocations to school districts will be based on actual full-time equivalent (FTE) student enrollment in each grade in the district, adjusted for small schools and reflecting other factors in the state's biennial budget. The new funding structure, as adopted in SHB 2776 and to take effect in September of 2011, breaks the funding structure into three major functional areas of a school district — schools, district-wide support, and administration funding.

The prototypical model applies staff ratios and an assumed class size for each school type: elementary, middle, and high school. Each prototype has a theoretical number of students and designated levels of staffing. The funding to each district, then, will be scaled according to actual enrollment in each of the grade ranges. For example, an elementary school is assumed to have 400 students in the prototypical model. If a district has 800 elementary-grade students, it will receive funding for double the numbers of staff positions shown in the table below. The class sizes represent the levels of funding associated with assumed ratios of students to teachers, given certain assumptions about the length of a teacher's day and the amount of time reserved for planning. And, as is the case under the current system, funding is for allocation purposes only (except for the categorical, or dedicated, programs) and it is up to the school district to budget the funds at the local level.

Class Sizes	
Grade	Class Size
Grades K-3	25.23
Grade 4	27.00
Grades 5-6	27.00
Grades 7-8	28.53
Grades 9-12	28.74
Career & Tech. Ed (CTE) 7-8	26.57
CTE 9-12	26.57
Skills Centers	22.76
Lab Science	As above
Advanced Placement	As above
International Baccalaureate	As above
<i>Length of teacher day is assumed to be 5.6 hours in elementary school and 6.0 hours in middle and high school. Planning time is assumed to be 45 minutes per day in elementary school and 60 minutes in high school.</i>	

Staffing	Elementary School	Middle School	High School
<b><i>Prototypical school size:</i></b>			
Number of students	400	432	600
<b><i>Staff per-school:</i></b>			
Principals/administrators	1.253	1.353	1.880
Librarian/media specialist	0.663	0.519	0.523
School nurses	0.076	0.060	0.096
Social workers	0.042	0.006	0.015
Psychologists	0.017	0.002	0.007
Guidance counselors	0.493	1.116	1.909
Instructional aides	0.936	0.700	0.652
Office support & non-instructional aides	2.012	2.325	3.269
Custodians	1.657	1.942	2.965
Classified staff for student & staff safety	0.079	0.092	0.141
Parent involvement coordinators	0.000	0.000	0.000

District-wide support will be funded, under the prototypical model, in addition to staffing levels presumed to be needed for individual school buildings, since these services need to be provided across the district. Funding will be based on overall student enrollment levels.

District-wide Support	
Number of students	1,000
<b>Classified Staff</b>	<b>Per 1,000 Students</b>
Technology	0.628
Facilities, Maintenance, Grounds	1.813
Warehouse, Laborers, Mechanics	0.332

Under the new formula, administration costs directly associated with prototypical schools are included in those staffing levels — for example, the number of principals and level of office support needed for each elementary school, middle school, and high school. Central administration, however, will be funded as an additional 5.3 percent of other staffing units generated by the formula. These general staffing units on which the 5.3 percent is calculated include K-12 teachers, school-level staffing, and district-wide support; it does not include additional staffing for skills centers, future enhancements for poverty, specialized classes, or categorical programs such as highly capable, special education, or the learning assistance program.

For Career and Technical Education (CTE) and skills center programs, in addition to the class sizes designated in the table on page 6, SHB 2776 states that staffing allocations for administrative and other school-level certificated staff will be specified in the omnibus appropriations act (budget bills).

Finally, the new prototypical funding formula for General Apportionment includes an allocation for Maintenance, Supplies, and Operating Costs (MSOC), currently known as non-employee related costs. Initially established based on district information from the 2007-08 school year, the formula will provide the following funding, which will be adjusted annually for inflation, once the 2015-16 school year levels are reached.

Maintenance, Supplies, and Operating Costs (MSOC)		
MSOC Component	Per Student Allocation	Per-Student SY 2015-16
Technology	\$54.43	\$113.80
Utilities and insurance	147.90	309.21
Curriculum and textbooks	58.44	122.17
Other supplies and library materials	124.07	259.39
Instructional professional development for certified and classified staff	9.04	18.89
Facilities' maintenance	73.27	153.18
Security and central office	50.76	106.12
<b>Total</b>	<b>\$517.91</b>	<b>\$1,082.76</b>

**Special Education** - The current state funding formula for Special Education, which was implemented in 1995, is based on the additional “excess costs” of educating students receiving special education services. The amount is provided for three categories of students.

For birth through five-year olds, the special education allocation is 115 percent of the district’s average per-student General Apportionment allocation. For five to 21-year olds, the state Special Education allocation is 93 percent of the district’s average per-student General Apportionment allocation. For birth through two-year olds, districts must provide — or contract for — early-intervention services for eligible children with disabilities, and school districts are required to ensure an appropriate educational opportunity for children ages three through 21 with disabilities.

In addition to the per-student Special Education allocation, the special education funding structure includes a safety net for districts that can show extraordinary special education program costs beyond state and federal resources. For the 2010-11 school year, the statewide average allocation per birth-to-five-year old special education student is projected at \$5,758 and the statewide average allocation per five to 21-year old special education student is projected at \$4,661 per year. For five to 21-year olds, this amount is in addition to the General Apportionment allocations described above.

***New formula:***

The formula for special education funding will not change under the new structure but will continue to be an additional allocation of 115 percent and 93 percent of the basic education and MSOC allocations for children from birth-to-five-years old and for students five-to-21-years old, respectively.

**Pupil Transportation** - The Student Transportation funding formula provides allocations to districts based on the number of students transported and the distances between route stops and schools in radius miles, or as the crow flies. Districts receive a state allocation for trips in school buses to and from home and school beyond one mile, passes or tokens used on local transit systems, shuttles between learning centers for instruction mandated by statute, and in-lieu payments made to parents or guardians. Additionally, the formula includes an allocation for K-5 students living within one mile of their schools. The state does not provide funding for field trips, extracurricular trips, extended school day take-home trips, or after-school activity take-home trips. The formula also includes an allocation for reimbursing districts for purchasing school buses. The current allocation is approximately \$49 per weighted student mile in the 2010-11 school year.

***New formula:***

The new formula, effective September 1, 2011, requires the funding for pupil transportation to be calculated using a regression analysis of major cost

factors that are expected to increase (or decrease) the prior year's costs, including basic and special student ridership, district land area (geography), roadway miles, the average distance to school, and other statistically-significant coefficients.

**Learning Assistance Program** - The Learning Assistance Program (LAP) provides remediation assistance to students scoring below grade level in reading, math and language arts. Based on changes in 2004 and 2005, districts receive LAP allocations based on students in poverty as measured by eligibility for free or reduced-price lunch rather than a combination of poverty and test scores. In addition, districts with high concentrations of students eligible for free or reduced-price lunch and high concentrations of bilingual students receive additional allocations. In the 2010-11 school year, the current LAP allocation is approximately \$282 per eligible student.

***New formula:***

As with other categorical programs, the new funding formula will provide a designated number of hours of instruction per week. (A "categorical" program is one in which funds may be used for only the dedicated program and may not be re-allocated for use elsewhere in the school district.) The new law will provide 1.5156 hours of LAP instruction per-week, assuming class sizes of 15 students per certificated instructional staff. The allocation for high rates of free or reduced-price lunch and high concentrations of bilingual students is not continued.

**Transitional Bilingual Education** - The statewide Transitional Bilingual Instruction Program (TBIP) was created by the Legislature in 1979. State TBIP funding supports school staff and training intended to teach English to students in the public K–12 school system. The current allocation is approximately \$899 per TBIP student in the 2010-11 school year.

***New formula:***

As with other categorical programs, the new funding formula will provide a designated number of hours of instruction. Assuming class sizes of 15 students per certificated instructional staff, the formula will provide 4.7780 hours of bilingual instruction per week.

**Institutional Education Programs** - The state funds a 220-day educational program for children in certain institutions. Institutional education moneys are allocated to the school districts, educational service districts, or others that provide the educational programs. While the amounts vary based on the type and size of program, the current institutional education allocation is projected to be approximately \$12,206 per student in the 2010-11 school year. The formula for Institutional Education will not change under the new funding structure.

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 2009-11 biennium (fiscal years 2010 and 2011) 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.

<b>2009-11 (December 2010 Early Action) BASIC EDUCATION PROGRAMS</b>		
<b>(Dollars in Millions)</b>		
General Apportionment (RCW 28A.150.260)	\$9,803.4	74.4%
Special Education (RCW 28A.150.370)	1,283.7	9.7%
Transportation (RCW 28A.160.150)	612.1	4.6%
Learning Assistance Program (RCW 28A.165)	262.2	2.0%
Bilingual (RCW 28A.180)	154.1	1.2%
Institutions (RCW 28A.190)	37.1	0.3%
<b>Sub-Total: Basic Education Programs</b>	<b>\$12,152.6</b>	<b>92.2%</b>
<b>2009-11 (December 2010 Early Action) NON-BASIC EDUCATION PROGRAMS</b>		
<b>(Dollars in Millions)</b>		
Student Achievement Program (I-728)	\$25.7	0.2%
Initiative 732 COLA & Other Compensation Increases	0.0	0.0%
Local Effort Assistance (Levy Equalization)	380.1	2.9%
Full-Day Kindergarten	89.0	0.7%
Other Education Reform (in addition to Full-Day Kindergarten)	197.7	1.5%
K-4 Enhanced Staffing Ratio	218.1	1.7%
State Office and Education Agencies	24.1	0.2%
Statewide Programs and Allocations	41.0	0.3%
Highly Capable Program	18.4	0.1%
Educational Service Districts	16.7	0.1%
Summer Vocational and Other Skills Centers	16.7	0.1%
Food Service	6.3	0.0%
Pupil Transportation Coordinators	1.8	0.0%
Other <sup>1</sup>	(6.2)	0.0%
<b>Sub-Total: Non-Basic Education Programs</b>	<b>\$1,029.4</b>	<b>7.8%</b>
<b>TOTAL - STATE FUNDS<sup>2</sup></b>	<b>\$13,181.9</b>	<b>100.0%</b>

<sup>1</sup> "Other" category is the net of health benefit increases and the elimination of two learning improvement professional development days in the 2009-11 biennium.

<sup>2</sup> "State Funds" include the General Fund-state and the Education Legacy Trust Account, together known as Near General Fund-state

Two programs that are currently not part of the definition of basic education are scheduled to be included as of September 1, 2011 —the Highly Capable Program and Full-Day Kindergarten.

**Highly Capable Program** - Currently, the Highly Capable, or gifted, program is funded for up to 2.314 percent of enrollment and, as is the case with other categorical programs, the allocation cannot be used for other programs. This translates to approximately \$400 per student in the 2010-11 school year.

***New formula:***

As with other categorical programs, the new funding formula for the Highly Capable Program will provide a designated number of hours of instruction per week, in this case 2.1590, assuming class sizes of 15 students per certificated instructional staff.

**Full-Day Kindergarten** - Currently, the definition of basic education provides half-day instruction for kindergarten students (180 half days, or equivalent, and 450 hours of instruction — compared to 180 full days and 1,000 hours of instruction for grades 1 through 12). However, the Legislature funds full-day kindergarten for approximately 20 percent of kindergarten enrollment, targeted to those schools with the highest percentage of poverty as measured by the rate of eligibility for free or reduced-price lunch.

***New formula:***

Under the basic education bills enacted in the 2009-11 session, full-day kindergarten is scheduled to be included in the definition of basic education as of September 1, 2011 and funding for 180 full days is to continue to be phased in, beginning with schools with the highest percentage of low-income students, until full statewide implementation of full-day kindergarten is achieved in the 2017-18 school year.

With full implementation, kindergarten funding will follow the prototypical models outlined above under the descriptions for General Apportionment.

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

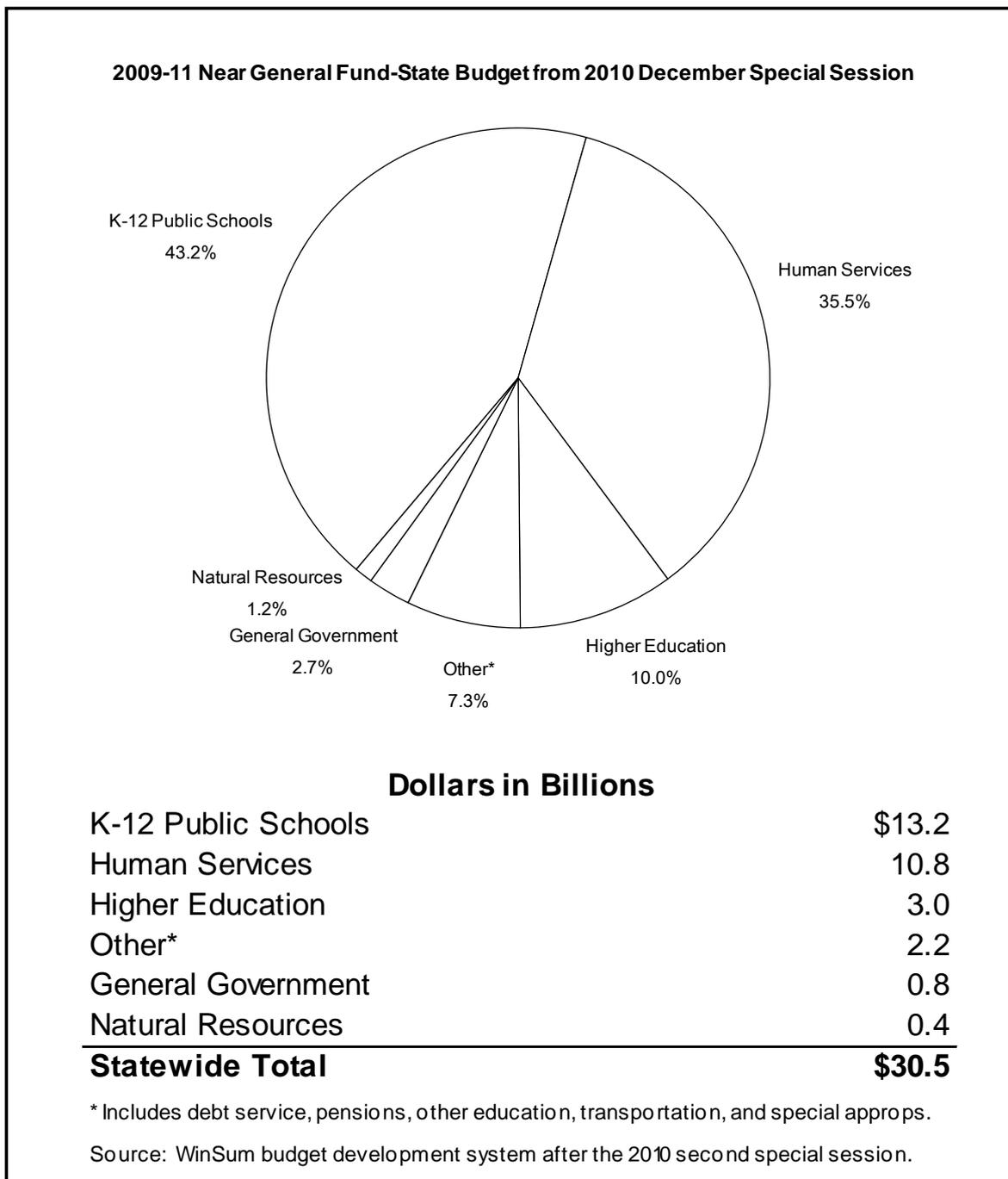
In a major 1978 decision (*Seattle School District No. 1 v. State*, 585 P.2d 71, 978) interpreting constitutional provisions related to education, among other things, the Washington State Supreme Court found that school districts may use local tax levies to fund enrichment programs and programs outside 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 295 school districts have a levy lid of 28 percent, which was increased in the 2010 Legislative session from 24 percent. This means that revenue raised from local tax levies cannot exceed 28 percent of the district’s state and federal revenues (with other technical adjustments to that base). The other 90 school districts have a levy lid ranging from 28.01 percent to 37.90 percent. These 90 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.)

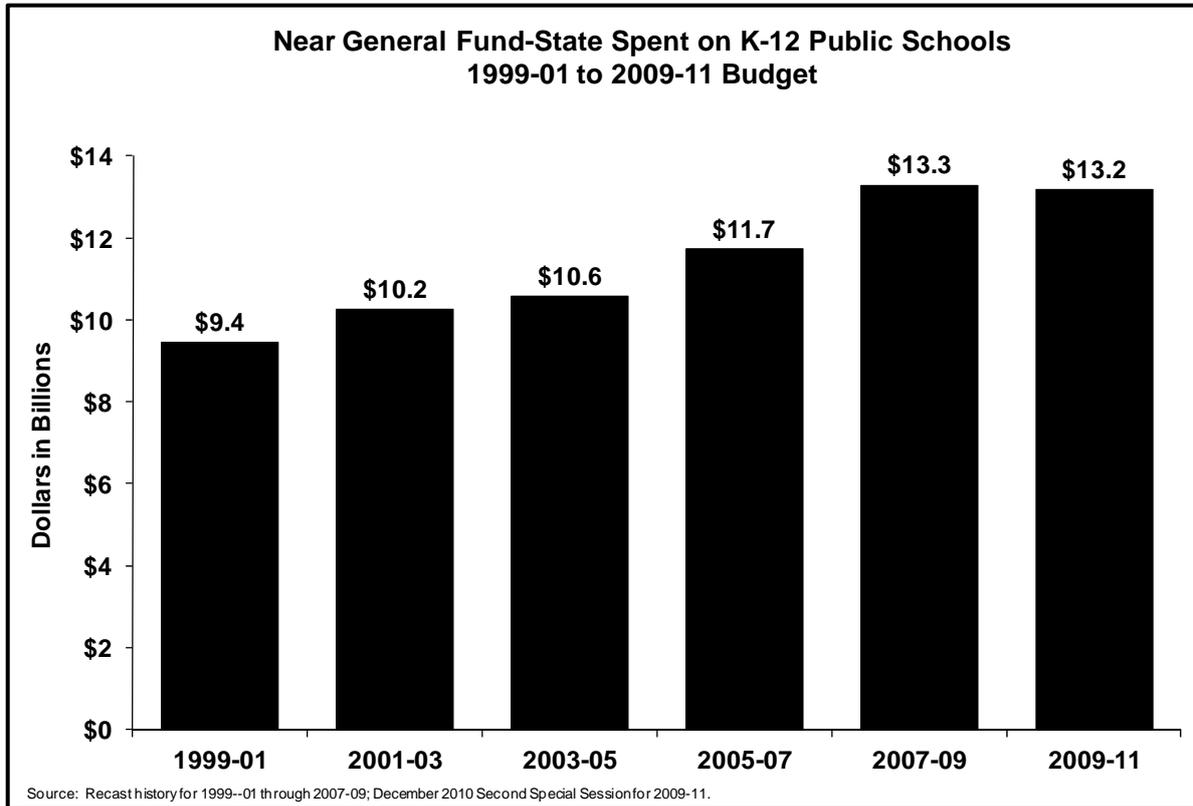
## How much of the state near-general fund is spent on K-12 public schools?

The state general fund is the largest single fund within the state budget. It is the principal fund supporting the operation of state government. Because the purposes are similar and fund transfers between the two are common, the education legacy trust account is often discussed in combination with the state general fund; together, they are referred to as the state near-general fund. In the 2009-11 biennium (fiscal years 2010 and 2011), the Legislature appropriated \$13.2 billion, or 43.2 percent, of the state near-general fund for the support and operation of K-12 public schools. The following chart shows how the state near-general fund budget is currently allocated:



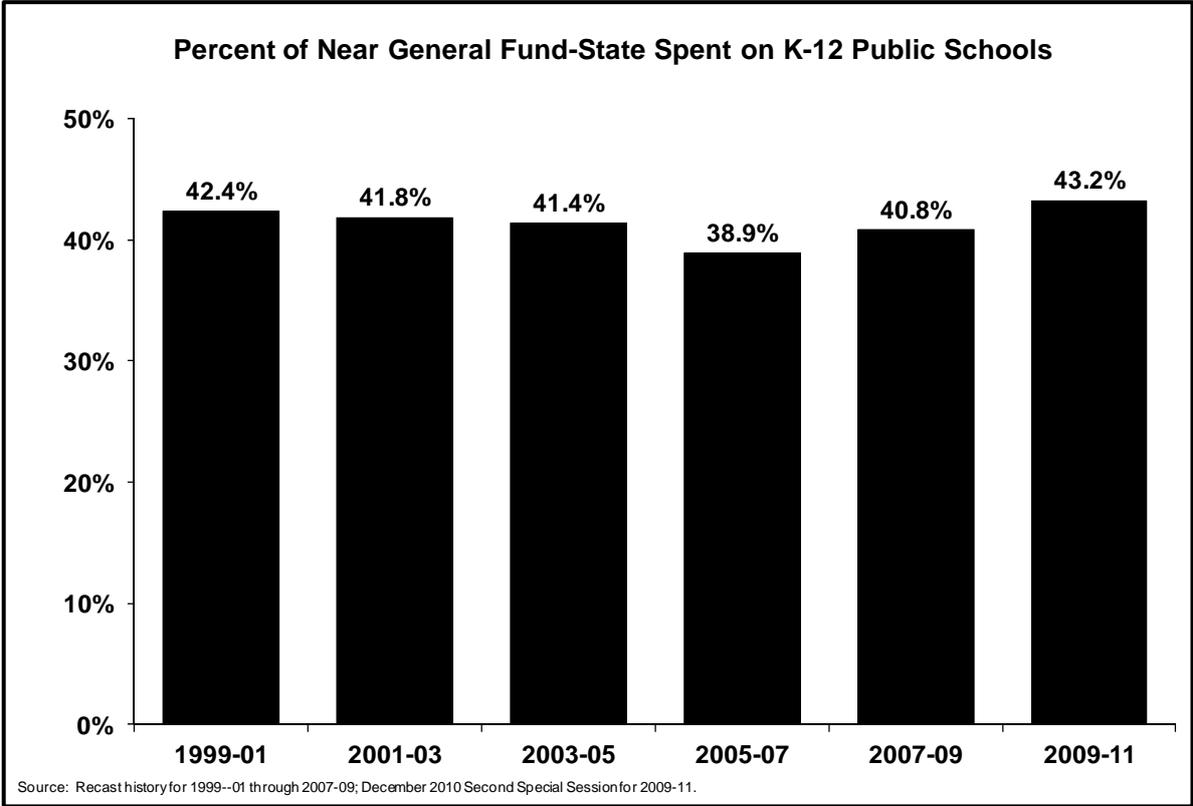
## How has the amount of the near-general fund support of K-12 public schools changed since 1993?

As depicted on the following chart, the amount of state near-general funds spent for K-12 public schools has increased from \$9.4 billion to \$13.2 billion per biennium since 1999. This represents approximately a 40 percent increase in state support.



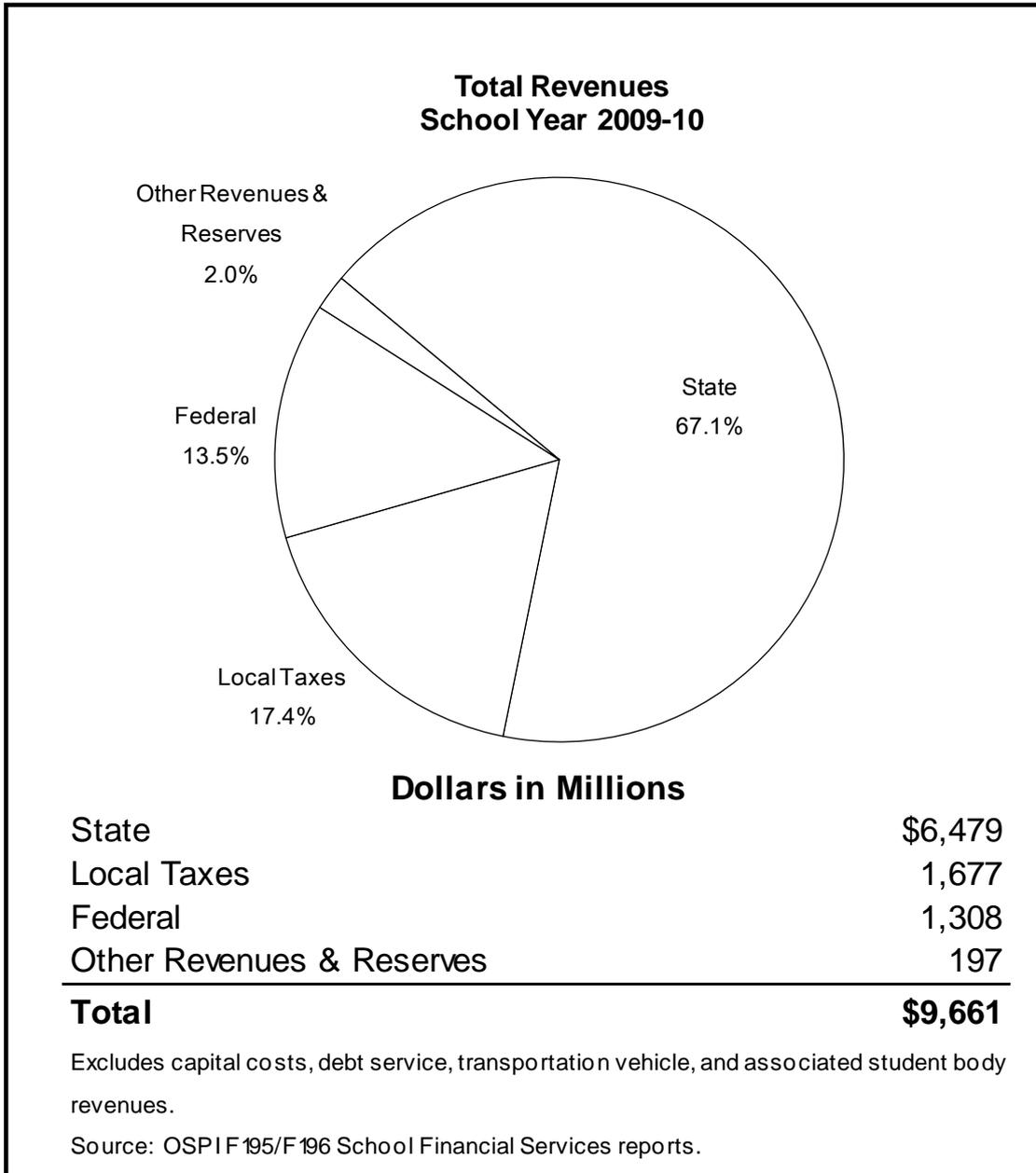
The chart on the next page shows that state near-general fund expenditures for K-12 public schools as a percent of the statewide total has varied over the biennia, with a low of approximately 39 percent in 2005-07 to a high of approximately 43 percent today. Increases in the share for K-12 funding can be related to increased K-12 funding, decreased funding for other programs, or both.

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 school 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 2009-10 school year are described below.



**State** — Approximately 67 percent of budgeted school district revenues in the last school year were 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 the state general fund and the education legacy trust account.

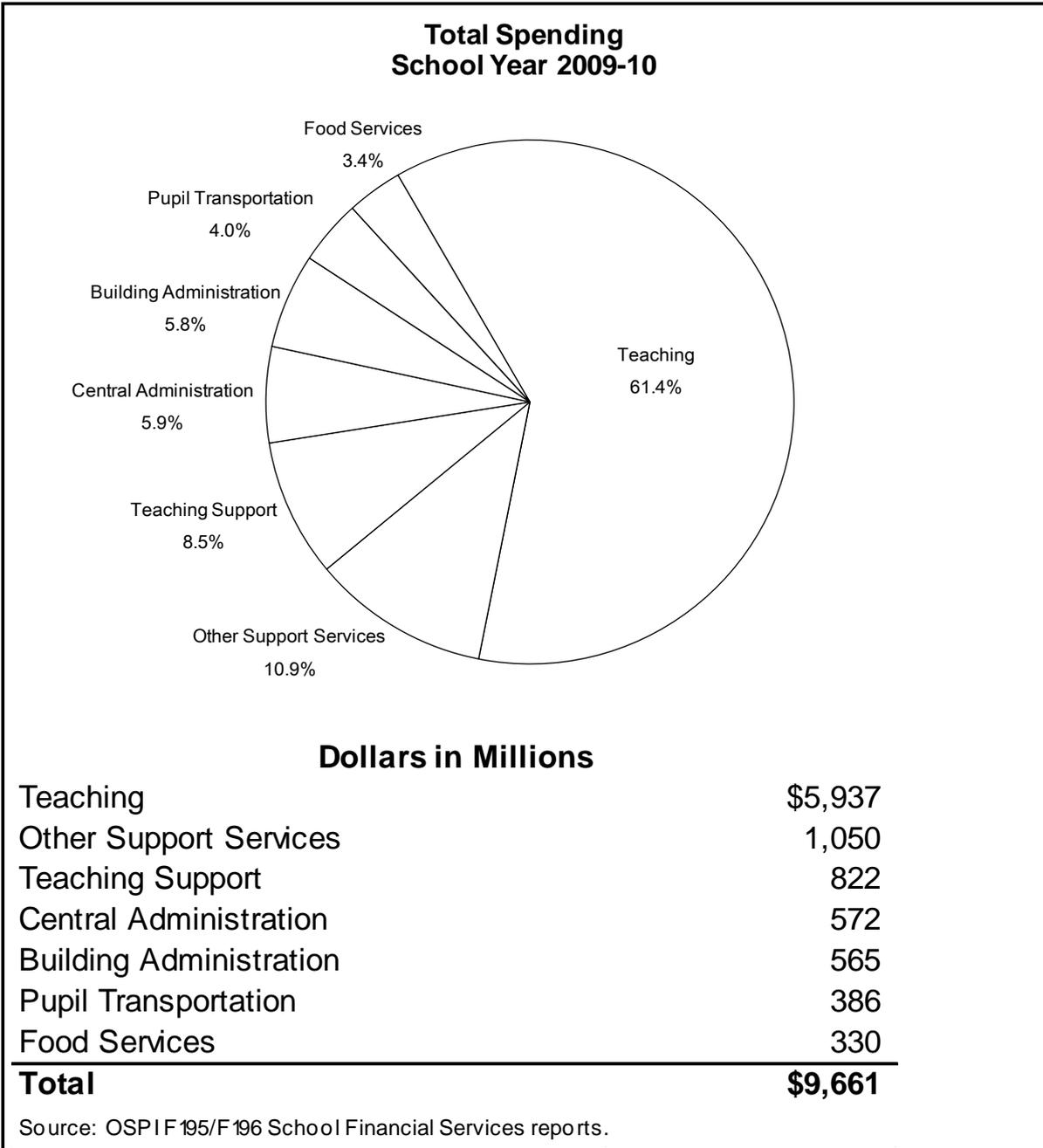
**Local Taxes** — Approximately \$1.6 billion, or 17 percent of the total amount spent, is from local taxes. This is primarily local property taxes, which are often referred to as maintenance and operations levies.

**Federal** — School districts spent about \$1.3 billion from federal sources for the 2009-10 school year. This represented about 14 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. This amount was higher in the 2009-10 school year than usual because of \$439 million in one-time federal stimulus funding available under the American Recovery and Reinvestment Act of 2009.

**Other Revenue & Reserves**— This category, totaling \$197 million or about two 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, donations, and the use of reserves or fund balance.

## How are these funds spent by school districts?

Another way to examine school spending is to identify how school districts spend 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 spent on each activity for the 2009-10 school year are depicted below.



**Teaching** — For the 2009-10 school year, school districts spent approximately \$5.9 billion (61 percent of the total) 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 spent \$822 million on teaching support activities in the 2009-10 school year. This represents approximately 9 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, the largest activity for school district spending is utilities, grounds care, plant operation and maintenance, insurance, information systems, and other support functions. In the 2009-10 school year, school districts spent approximately \$1 billion, or 11 percent of their total spending, on this activity.

**Central Administration** — Approximately \$572 million or six percent of total school district spending is for central administration. This includes school board functions, the superintendents' offices, business functions, human resources, centralized programs, and other district-level administrative functions.

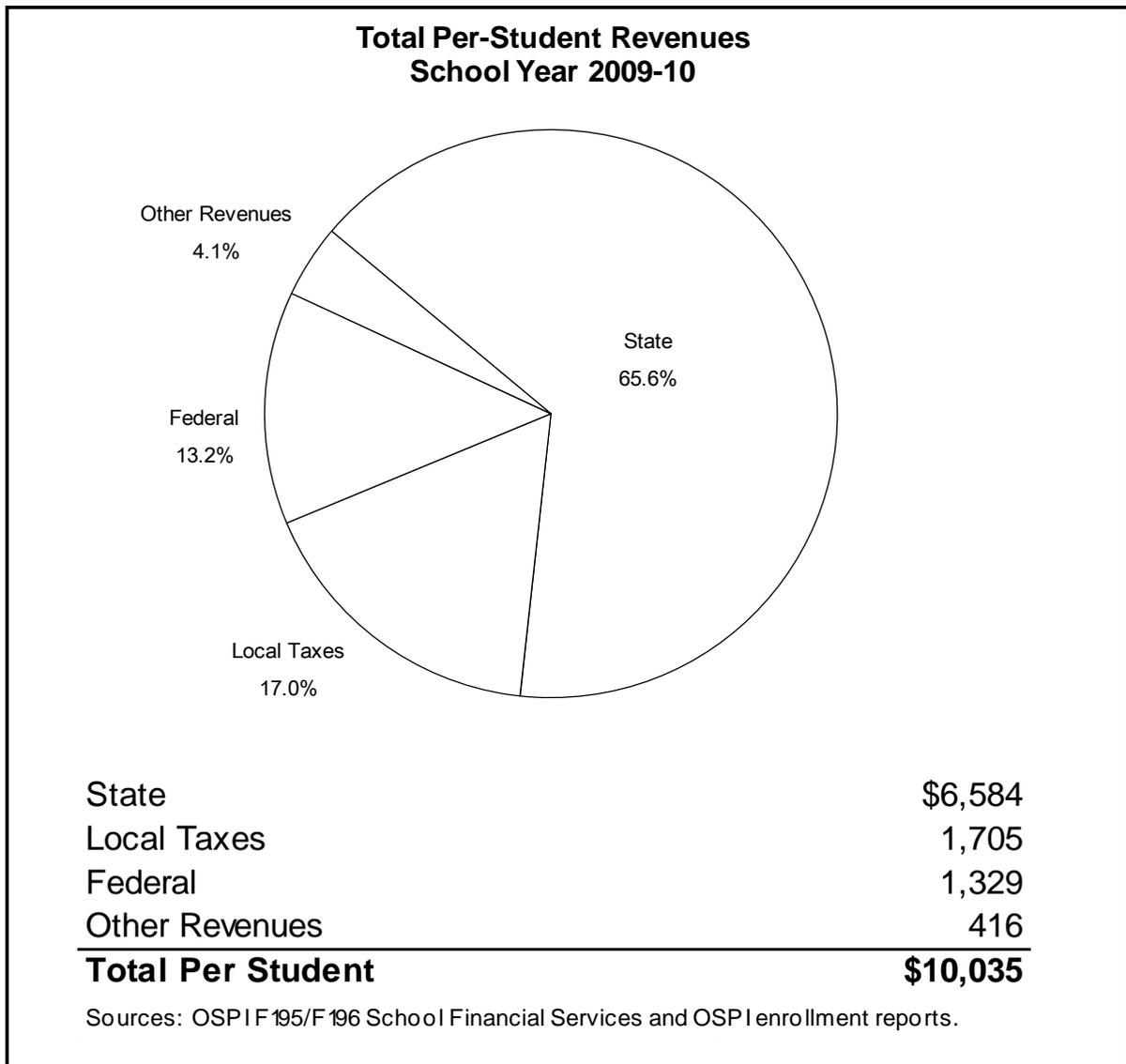
**Building Administration** — In the 2009-10 school year, school districts spent \$565 million, or six percent, on unit administration. This includes expenditures for principals and other building-level administrative functions.

**Pupil Transportation** — School districts spent \$386 million or four percent on pupil transportation in the 2009-10 school year. This includes bus and other vehicle operating costs, related maintenance, and program supervision.

**Food Services** — Approximately \$330 million, or three percent of the total, is spent for food-operation functions, including program supervision and federal-nutrition programs, in the 2009-10 school year.

## How much is spent per student?

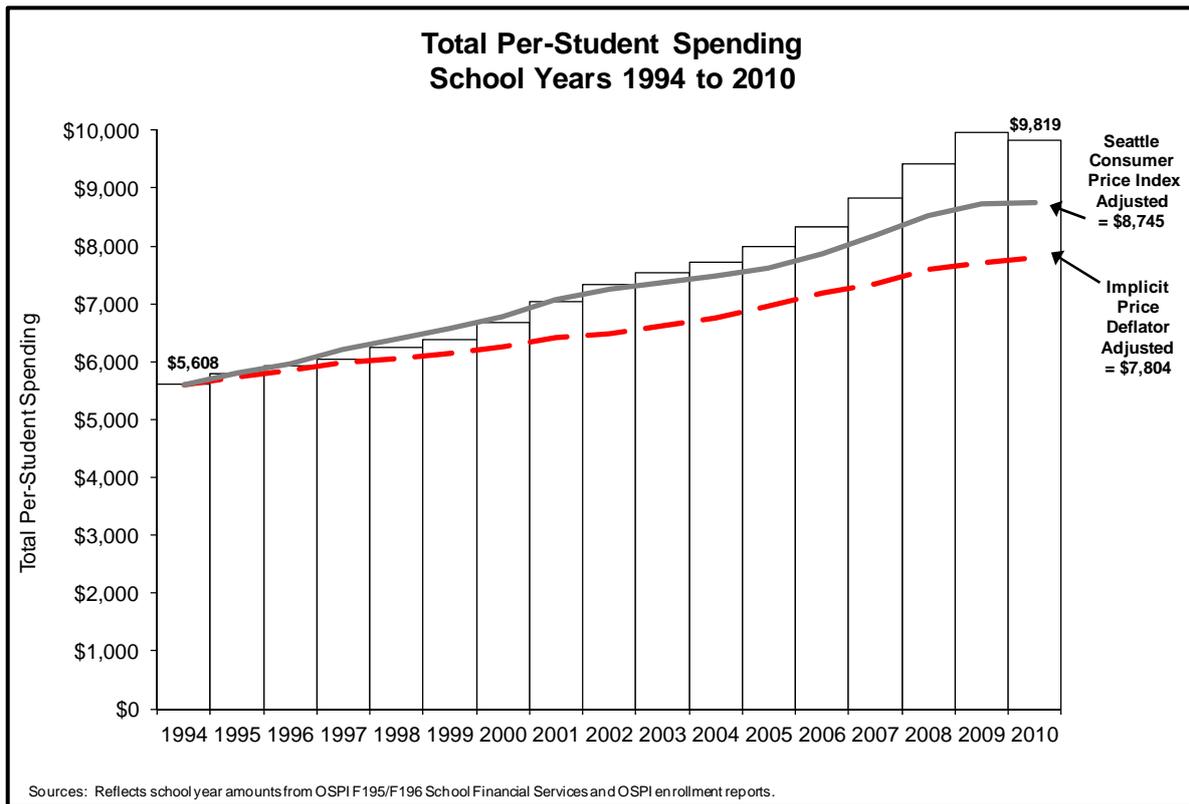
In the 2009-10 school year, on a statewide basis, school districts spent \$10,035 per student. The following chart depicts a breakdown of the sources of funding for per student spending:



Of the \$10,035 spent by school districts in per-student resources, \$6,584 or 65.6 percent of the funding is from state sources, \$1,705 or 17.0 percent is from local taxes, \$1,329 or 13.2 percent is from federal sources, and \$416 or 4.1 percent came from other revenue. (For more detail on these sources, please see “*What are other sources of funding used by schools districts?*” on page 16.)

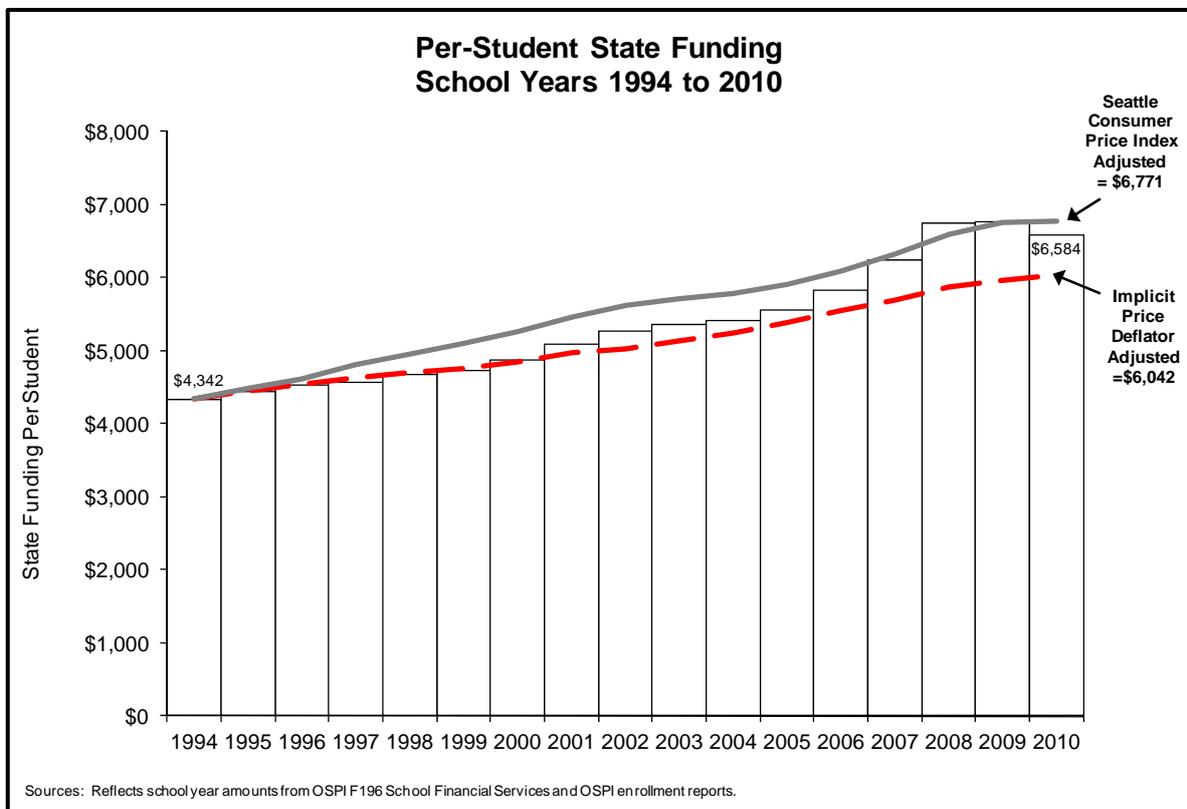
## How has *total* per-student spending changed since 1994?

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 \$9,819 in 2010. This represents an increase of approximately 75 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 per-student funding* changed since 1994?

As can be seen from the following chart, state funding per student has increased from \$4,342 in 1994 to \$6,584 in 2010. This represents approximately a 52 percent increase over this period. The growth rate of state funding per student spending exceeds the Implicit Price Deflator (IPD) but not the Seattle Consumer Price Index (CPI).



## How is the salary level for teachers 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 one- to three-percent increase) are provided for each additional year of experience up to 16 years. Additional funds (a three- to 20-percent increase) are also provided for additional credits of approved education acquired up to a Ph.D. (See appendix B for the state allocation schedule for certificated instructional staff for the 2009-10 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. Some of the state's 295 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. In the 2007-09 budget, the Legislature took steps that reduced the number of grandfathered salary districts. (See appendix C for a list of these districts and their allocation rate for school year 2009-10.) 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.

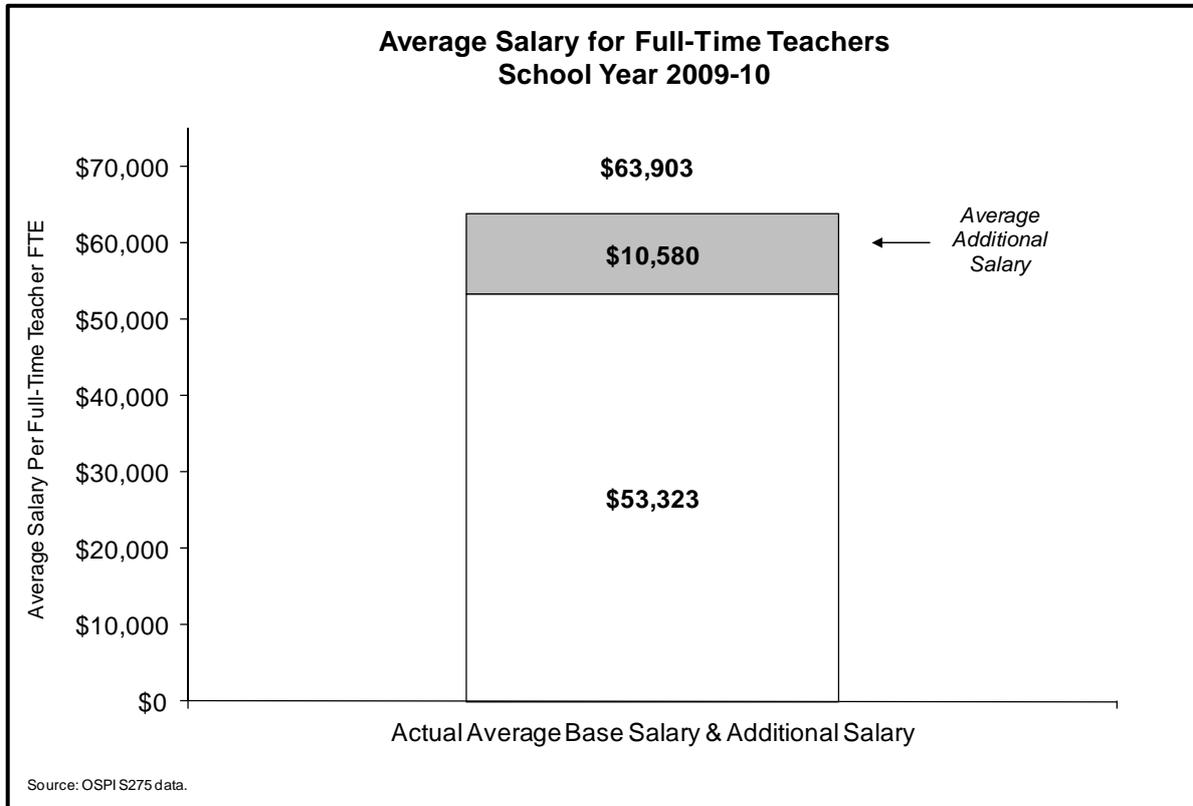
- **Minimum salary** – The actual minimum salaries in the district cannot be less than the minimum on the state-salary allocation schedule for a certificated instructional staff member who has a BA or MA with no years of experience. The rationale for this limitation is to ensure a minimum salary for 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 for teachers?

In the 2009-10 school year, the statewide average annual base salary for full time teachers was \$53,323. In addition, the average additional salary was \$10,580. This means that the total average annual was \$63,903.



## 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 any cost-of-living increases. This means that there are variations in the salary levels used for allocating administrator and classified staff position from district to district. In the 2007-09 budget, the Legislature provided additional funding to reduce the variation and increase the salary amounts for districts that have historically received lower funding. However, variations in the salary amounts continue to exist.

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?

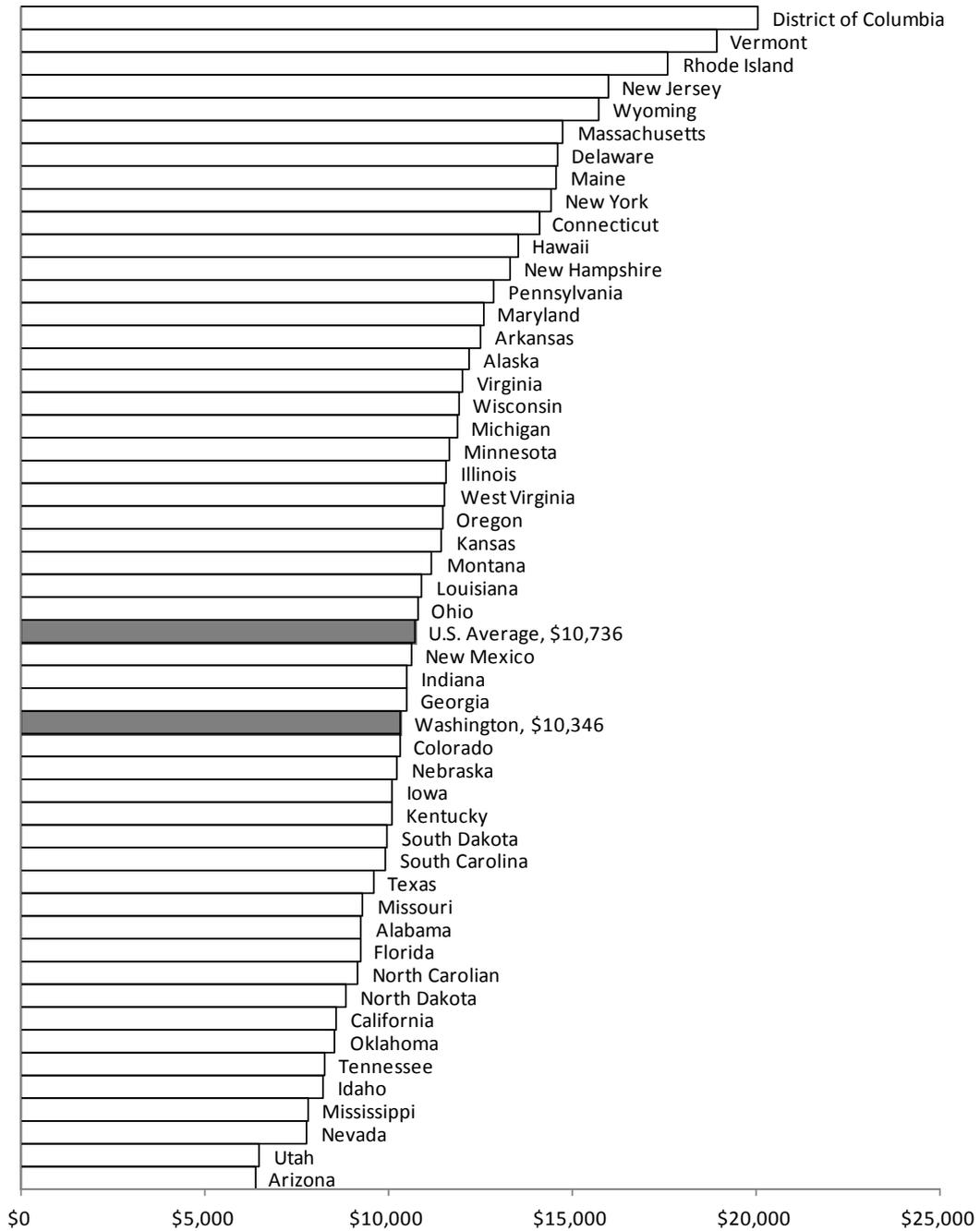
National information is often used to compare different aspects of K-12 finance. On the following three pages are charts comparing per-student spending, students enrolled per teacher, and teacher average salary levels in Washington and other states. It should be noted that comparisons with other states, 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 26, Washington's per student spending of \$10,346 ranks 31st compared to the other states in the 2008-09 school year. The national average was \$10,736. Compared to other states in the western region, Washington's per student spending was \$1,155 below Oregon (\$11,501), \$1,741 above California (\$8,605) and \$2,116 above Idaho (\$8,230).

**Students Enrolled Per Teacher** — The chart on page 27 compares students enrolled per teacher in the 2008-09 school year. Washington's 19.0 enrolled students per teacher makes it the fourth highest in the nation. The national average was 15.2. Compared to other states in the western region, Washington's number of enrolled students per teacher was below California (20.9) but above Oregon (18.9) and Idaho (18.2). 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.

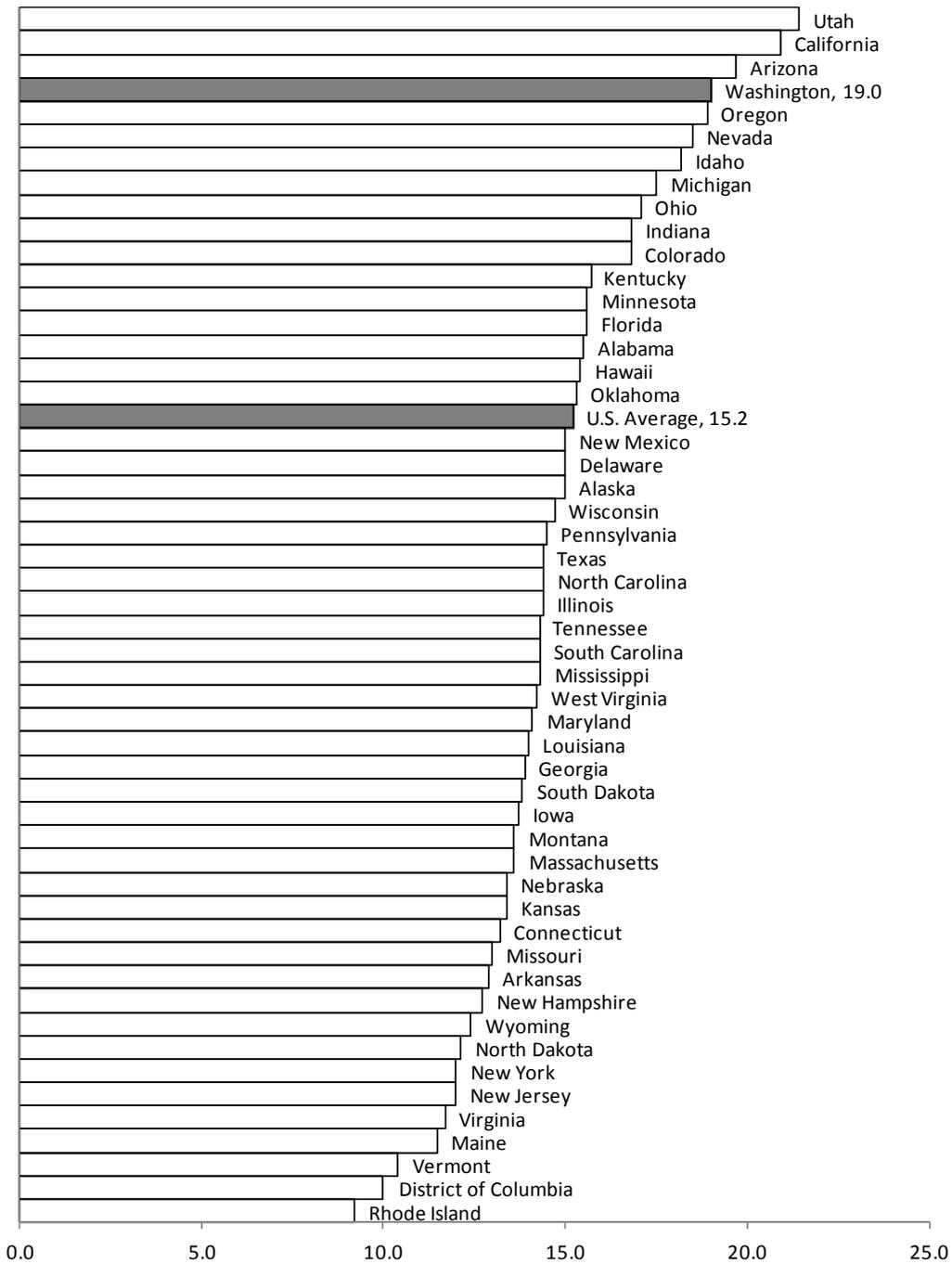
**Teacher Average Salary Levels** — The chart on page 28 provides a comparison of average salary levels for teachers. In the 2008-09 school year, Washington's reported teacher average salary of \$52,567 made it the 19<sup>th</sup> highest in the nation. The national average was \$54,319. Compared to other states in the western region, Washington's average teacher salary was \$15,526 below California (\$68,093), \$1,518 below Oregon (\$54,085), and \$7,389 above Idaho (\$45,178). The average salary levels depicted on this chart do not include supplemental pay. Since data related to supplemental pay in other states is not available, it is unknown how this might affect the rankings.

## Public School Current Expenditure Per Student School Year 2008-09



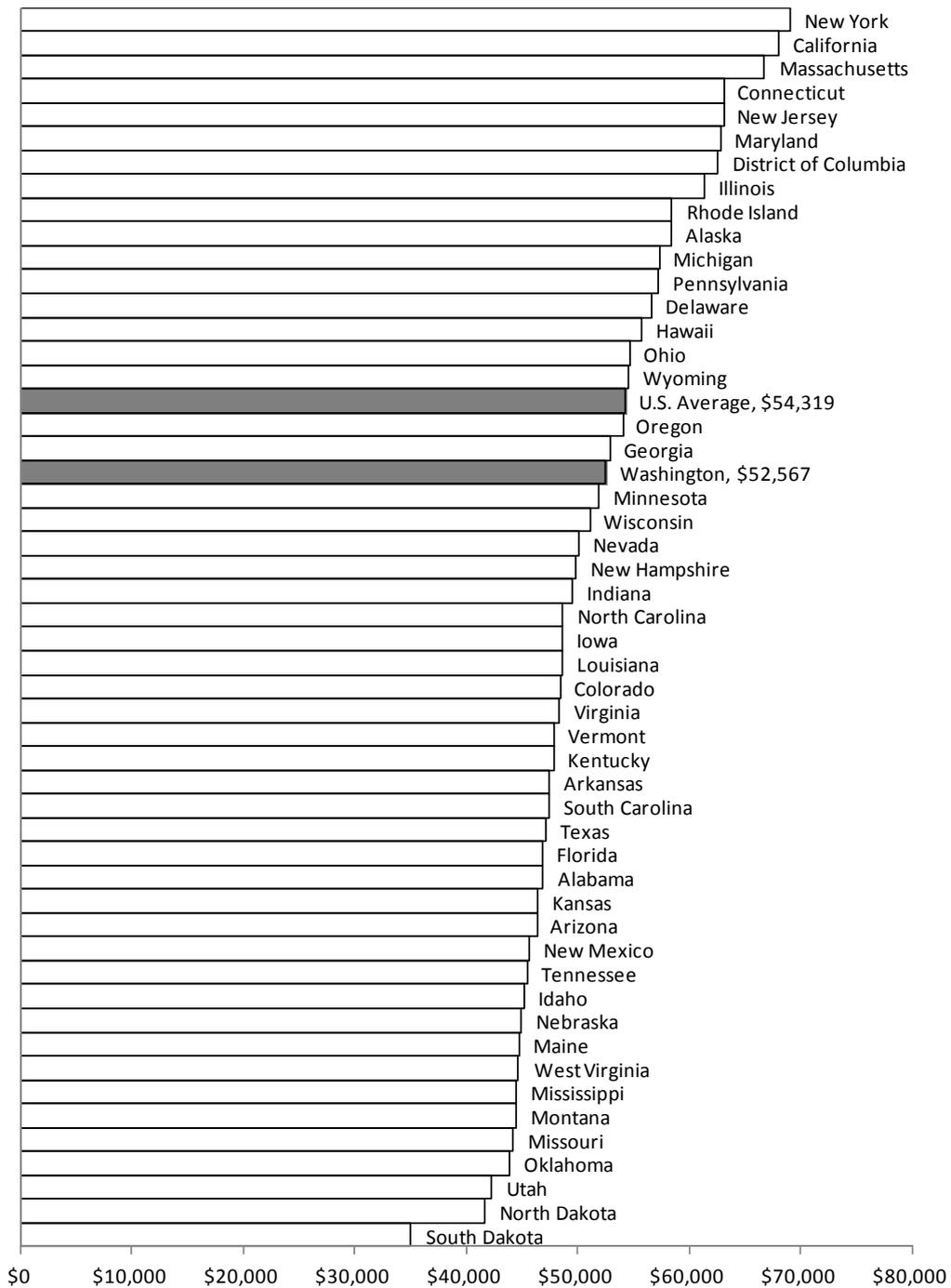
Source: Rankings & Estimates, National Education Association, Dec. 2009

## Students Enrolled Per Teacher in K-12 Public Schools, Fall 2008



Source: Rankings & Estimates, National Education Association, Dec. 2009

## Average Salary of Public School Teachers School Year 2008-09



Source: Rankings & Estimates, National Education Association, Dec. 2009

## **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 10 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 were 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 was 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. From fiscal year 2005 through 2009, all lottery revenues were deposited into the Education Construction Account. In 2009 the Legislature redirected lottery dollars to the state general fund to support a range of state programs, including education, for fiscal year 2010. K-12 school construction costs were covered with additional general obligation bonds for the 2009-11 biennium. Also in 2009, the Legislature approved the sale of the multi-state game Powerball. While the education construction fund has been lottery's largest beneficiary, the lottery has been directed by the Legislature to make contributions to stadium funding and problem gambling prevention and treatment.

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 required \$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.

In 2010, the Legislature created the Washington Opportunity Pathways Account. Beginning in fiscal year 2011, all net revenues from in-state lottery games not otherwise dedicated to debt service on the Safeco Stadium and Qwest Field and Exhibition Center were dedicated to the new account. All net income from the multi-state lottery games, other than those dedicated to the Problem Gambling Account, are now deposited into the Washington Opportunity Pathways Account rather than into the state general fund and are used for specified early-learning, higher-education, and economic-development programs. A provision of the legislation creating the Washington Opportunity Pathways Account requires a transfer of \$102 million per year from the state general fund to the Education Construction Account to maintain the same level of support for education construction.

Finally, based on current forecasts, it is estimated that the state lottery will generate approximately \$250 million in revenues this biennium. As depicted on the chart on page 10, state funding for K-12 public schools is approximately \$13.2 billion this biennium. Therefore, state lottery revenues, even if entirely dedicated to K-12 public schools, would represent less than two 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 nine 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.

The No Child Left Behind Act of 2001 (NCLB) reauthorized the Elementary and Secondary Education Act of 1965 (ESEA). This 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, the Office of Superintendent of Public Instruction and others are continuing to assess the adequacy of federal funding and potential changes to NCLB.

Most recently, part of the American Recovery and Reinvestment Act of 2009 included \$4.35 billion for the Race to the Top Fund. The program's intent was to provide competitive grants to encourage states to advance education reform in the following four areas: adopting standards and assessments, building data systems, recruiting and retaining effective teachers and principals, and turning around low-achieving schools. Grant awards were announced in 2010 for 12 states. Washington state was not a successful contender for the award.

## **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 2009-11 biennium (fiscal years 2010 and 2011), the Legislature appropriated approximately \$521million in new funds for the state match associated with school-construction projects beginning in the biennium.

## **What is Initiative 732?**

Initiative 732 (I-732), approved by state voters in November 2000, required the state to provide 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. Each school district must distribute the cost-of-living COLA in accordance with the district's salary schedules, collective-bargaining agreements, and compensation policies, and certify that the district spent the funds for COLAs.

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 required to fund only costs associated with providing the COLA to state-funded employees. Since all employees receive the COLA, this means that the costs associated with providing a COLA for locally- and federally-funded staff has to come from those sources.

The Legislature suspended the COLA requirement for the 2009-11 (school years 2010 and 2011) biennium, also.

## **What is Initiative 728?**

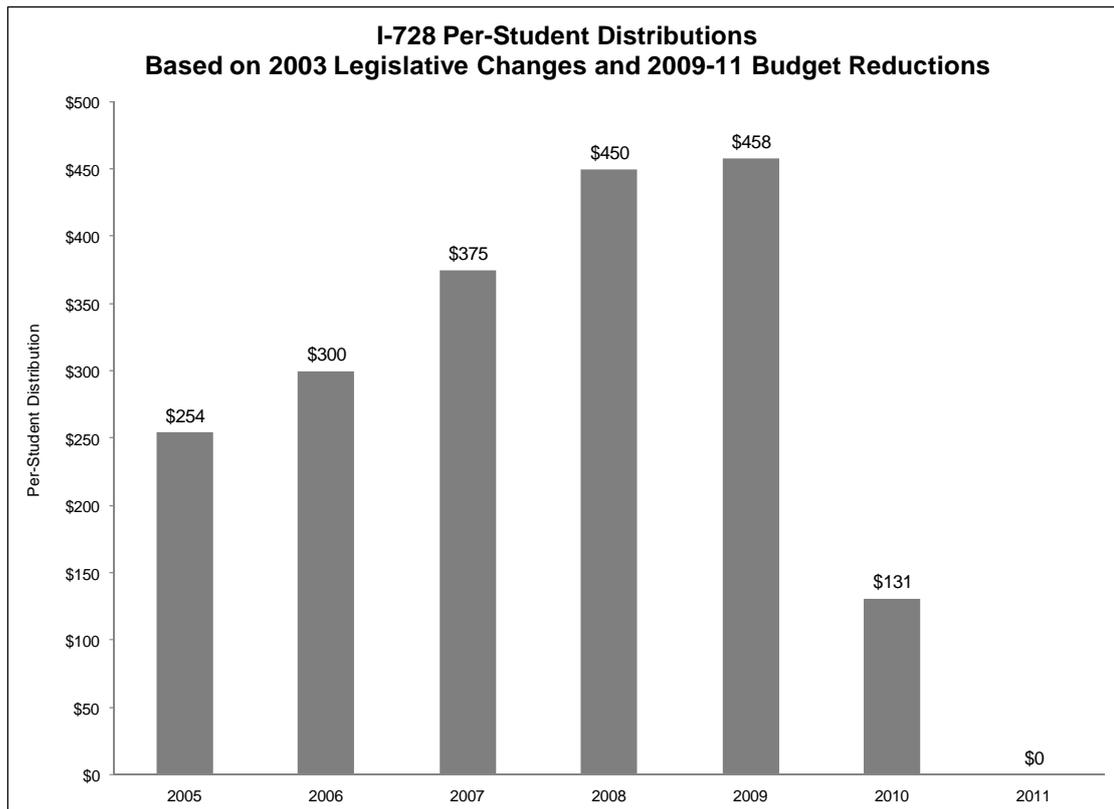
Initiative 728 (I-728), approved by state voters in November 2000, transferred a portion of the state property tax from the state general fund to the Student Achievement Fund (SAF). The SAF then distributed a per-pupil allocation to school districts to use for class-size reduction, extended learning 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.

As depicted on the following chart, in 2003, the Legislature reduced the distribution of the I-728 funds so that school districts received \$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; \$450 per FTE student in the 2007-08 school year; and \$458 per FTE student in the 2008-09 school year, which reflected an inflationary increase from the prior year.

In 2009, the Student Achievement Fund was consolidated into the state general fund, along with five other funds with purposes similar to the general fund. The accounts were subject to the state expenditure limit at the time, so the consolidation did not affect the Initiative-601 approved spending

limit and were previously categorized as "Near General Fund-State" funds. Advocates of the consolidation believed the change would improve budget transparency by simplifying the budget process and reducing the need to do frequent and numerous fund shifts in the state budget.

For the 2009-10 school year, I-728 per-student distributions were reduced to \$131 per FTE student and were eliminated for the 2010-11 school year as part of the \$5 billion in spending reductions enacted by the Legislature to close an \$11.8 billion 2009-11 biennium deficit in the state general fund.



## Appendix A

### Maximum Levy Authority: Districts Grandfathered Above 28% Sorted by County

Rank Highest = 1	County	School District	Max Levy Percent
58	Adams	Lind	29.20%
40	Adams	Ritzville	32.12%
81	Chelan	Cashmere	28.79%
12	Clark	Green Mountain	37.58%
11	Columbia	Starbuck	37.61%
27	Cowlitz	Toutle Lake	35.19%
86	Cowlitz	Kalama	28.24%
15	Douglas	Orondo	37.51%
90	Douglas	Bridgeport	28.01%
5	Douglas	Palisades	37.73%
41	Douglas	Mansfield	32.00%
24	Douglas	Waterville	36.00%
25	Franklin	North Franklin	35.70%
1	Franklin	Kahlotus	37.90%
8	Grant	Wahluke	37.69%
53	Grant	Quincy	30.67%
51	Grant	Coulee/Hartline	30.79%
19	Grays Harbor	Cosmopolis	37.40%
43	Jefferson	Brinnon	31.50%
22	King	Seattle	36.97%
68	King	Federal Way	28.90%
75	King	Enumclaw	28.88%
9	King	Mercer Island	37.67%
64	King	Highline	28.95%
75	King	Vashon Island	28.88%
65	King	Renton	28.93%
57	King	Skykomish	29.43%
28	King	Bellevue	34.66%
13	King	Tukwila	37.54%
85	King	Riverview	28.72%
68	King	Auburn	28.90%
71	King	Tahoma	28.89%
80	King	Snoqualmie Valley	28.83%
61	King	Issaquah	28.97%
42	King	Shoreline	31.93%
71	King	Lake Washington	28.89%
71	King	Kent	28.89%
68	King	Northshore	28.90%
60	Kitsap	Bainbridge	28.98%
17	Kittitas	Damman	37.44%
6	Klickitat	Centerville	37.71%
89	Klickitat	Roosevelt	28.14%
20	Lewis	Evaline	37.36%
58	Lewis	Boistfort	29.32%
31	Lewis	White Pass	33.43%

**Appendix A (continued)**  
**Maximum Levy Authority: Districts Grandfathered Above 28%**  
**Sorted by County**

<b>Rank</b>	<b>County</b>	<b>School District</b>	<b>Max Levy Percent</b>
Highest = 1			
3	Lincoln	Sprague	37.77%
55	Lincoln	Reardan	30.02%
30	Lincoln	Creston	34.42%
9	Lincoln	Odessa	37.67%
21	Lincoln	Harrington	37.01%
38	Lincoln	Davenport	32.21%
43	Okanogan	Pateros	31.50%
56	Pend Oreille	Selkirk	29.47%
65	Pierce	Steilacoom Hist.	28.93%
78	Pierce	Puyallup	28.87%
26	Pierce	Tacoma	35.47%
14	Pierce	Carbonado	37.52%
36	Pierce	University Place	32.29%
79	Pierce	Sumner	28.86%
33	Pierce	Dieringer	32.85%
83	Pierce	Orting	28.78%
52	Pierce	Clover Park	30.76%
67	Pierce	Peninsula	28.91%
61	Pierce	Franklin Pierce	28.97%
71	Pierce	Bethel	28.89%
61	Pierce	Eatonville	28.97%
84	Pierce	White River	28.77%
81	Pierce	Fife	28.82%
2	San Juan	Shaw	37.82%
29	Skagit	Anacortes	34.54%
32	Skagit	Conway	33.15%
16	Skamania	Mount Pleasant	37.46%
88	Spokane	Spokane	28.18%
39	Spokane	West Valley (Spokane)	32.20%
50	Stevens	Valley	30.91%
49	Stevens	Loon Lake	31.01%
86	Thurston	Olympia	28.34%
7	Walla Walla	Dixie	37.70%
18	Walla Walla	College Place	37.43%
48	Walla Walla	Columbia (Walla Walla)	31.07%
54	Whatcom	Bellingham	30.35%
35	Whatcom	Blaine	32.51%
34	Whitman	Lacrosse Joint	32.75%
75	Whitman	Lamont	28.88%
89	Whitman	Tekoa	28.14%
47	Whitman	Pullman	31.27%
37	Whitman	Palouse	32.27%
4	Whitman	Garfield	37.76%
23	Whitman	Steptoe	36.42%
45	Whitman	Colton	31.35%

# Appendix B

<b>K-12 Allocation Schedule for Certificated Instructional Staff For School Year 2009-10</b>										
<b>Years of Service</b>	<b><u>BA</u></b>	<b><u>BA+15</u></b>	<b><u>BA+30</u></b>	<b><u>BA+45</u></b>	<b><u>BA+90</u></b>	<b><u>BA+135</u></b>	<b><u>MA</u></b>	<b><u>MA+45</u></b>	<b><u>MA+90</u></b> <b>OR</b>	<b><u>Ph.D.</u></b>
0	34,237	35,162	36,120	37,080	40,161	42,145	41,047	44,128	46,115	46,115
1	34,698	35,635	36,606	37,608	40,721	42,695	41,503	44,617	46,589	46,589
2	35,137	36,083	37,064	38,144	41,248	43,242	41,963	45,067	47,061	47,061
3	35,589	36,545	37,536	38,650	41,749	43,791	42,398	45,494	47,538	47,538
4	36,033	37,031	38,028	39,180	42,297	44,354	42,855	45,971	48,030	48,030
5	36,492	37,494	38,501	39,718	42,823	44,921	43,319	46,425	48,523	48,523
6	36,963	37,943	38,984	40,262	43,352	45,462	43,794	46,885	48,993	48,993
7	37,790	38,786	39,841	41,187	44,324	46,491	44,685	47,820	49,989	49,989
8	39,002	40,052	41,132	42,590	45,768	48,016	46,086	49,266	51,512	51,512
9		41,363	42,497	44,008	47,260	49,584	47,503	50,757	53,081	53,081
10		43,877		45,498	48,794	51,195	48,995	52,291	54,692	54,692
11				47,032	50,399	52,849	50,528	53,897	56,345	56,345
12				48,517	52,048	54,571	52,122	55,545	58,068	58,068
13					53,737	56,335	53,773	57,234	59,831	59,831
14					55,434	58,165	55,471	59,042	61,663	61,663
15					56,877	59,679	56,913	60,577	63,266	63,266
16 or more					58,014	60,871	58,051	61,788	64,531	64,531

## Appendix C

### Base Salaries for School Year 2009-10 Grandfathered Districts Compared to All Other Districts

	Total Base Salaries	% Over "All Other"
1 Everett	35,936	5.0%
2 Orondo	35,866	4.8%
3 Northshore	35,659	4.2%
4 Marysville	35,555	3.8%
5 Puyallup	34,926	2.0%
6 Shaw Island	34,890	1.9%
7 Southside	34,753	1.5%
8 Lake Chelan	34,740	1.5%
9 Mukilteo	34,645	1.2%
10 Lopez Island	34,608	1.1%
11 Seattle	34,467	0.7%
12 Oak Harbor	34,459	0.6%
All Other Districts:		\$34,237

Note: Salaries are for certificated-instructional staff (CIS).