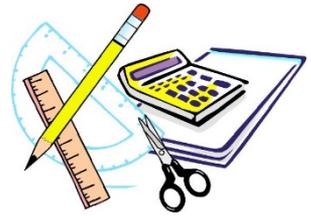


A Citizen's Guide to  
Washington State

# K-12 Finance



# 2018

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## **Introduction**

*The 2018 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 (OSPI). It is available at: <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. Detailed K-12 fiscal data, on both statewide and district-specific levels, are also reported on the Washington State fiscal transparency website at: <http://fiscal.wa.gov/k12.aspx>.

*The 2018 Citizen's Guide to K-12 Finance* was prepared by non-partisan Senate Committee Services staff supporting the Senate Ways and Means Committee and the Senate Early Learning & K-12 Committee) with the assistance of staff of the Legislative Evaluation and Accountability Program (LEAP) Committee.

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## **How does recent legislation affect K-12 instruction and funding of basic education?**

In the 2009-11 biennium, two pieces of legislation were enacted to redefine the program of basic education and restructure K-12 funding allocation formulas.

The first bill, ESHB 2261 (Chapter 548, Laws of 2009), expanded the definition of basic education —to include increased instructional hours, an opportunity to complete 24 credits for high school graduation, full-day kindergarten, a program for highly capable students, and student transportation to and from school. The bill also created the framework for a new distribution formula for the basic education instructional funding allocation based on prototypical schools and a new funding formula for student transportation. The changes took effect September 1, 2011 under an implementation timeline set by the Legislature. The Legislature also reaffirmed that the program of basic education includes special education programs for students with disabilities; the Transitional Bilingual Instructional Program (TBIP); the Learning Assistance Program (LAP), which provides remedial education; and the education of students in residential programs, juvenile detention, and adult correctional facilities. In ESHB 2261, the Legislature also declared its intent to enhance the salary allocation model.

The second bill, SHB 2776 (Chapter 236, Laws of 2010), enacted in statute the funding formula values for the new prototypical schools model at levels that represented what the state was spending on basic education at the time. It set targets and established a timeline for phasing in enhancements to the funding and instructional program of basic education, including pupil transportation, all-day kindergarten, K-3 class size reduction to 17 students per teacher, and increased funding for materials, supplies and operating costs (MSOC). These enhancements are fully implemented with the 2017-18 school year.

The stated intent of the new funding model was to provide the legislature's definition of basic education once fully implemented. The bills also require school district reporting of actual staffing and expenditures, compared to the funding provided in the prototypical model. The comparisons are available on a public website of the Office of the Superintendent of Public Instruction:

<http://k12.wa.us/safs/INS/2776/Portal.asp>.

The enactment of EHB 2242 (Chapter 13, Laws of 2017, 3rd special session) and its implementing appropriations in the 2017-19 operating budget substantially increased state allocations for school staff salaries and changed the way these salaries are established and adjusted in the future. Under these reforms, future state salary allocations will be updated, if necessary, to ensure that state basic education allocations continue to provide market-rate salaries and that regionalization adjustments reflect

actual economic differences between school districts. In addition, EHB 2242 provides new state common school tax revenues, increases state programming and funding for a number of K-12 basic education programs, reforms how local levy revenues are calculated and their uses, and enacts other reforms to further increase the transparency, accountability, and efficiency of school funding. A more detailed description of these changes is provided in later parts of this document. Additional information regarding this legislation is also provided on OSPI's public website: <http://www.k12.wa.us/safs/INS/2242/2242.asp>.

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

In the 2016-17 school year, the most current year for which data is available, over 1,040,800 students were enrolled at 2,393 public schools across the state.

In addition, it is estimated that about 81,574 students attended private schools and 18,218 students received home-based instruction during the 2016-17 school year.

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

The public school system in Washington involves various entities at both the state and local levels, including the Legislature, the Governor, the State Board of Education, OSPI, the federal Department of Education, the State Auditor's Office, the Professional Educator Standards Board, Educational Service Districts, the Washington State Charter School Commission, 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.

Washington is largely considered a "local control" state. Each school district is governed by a locally-elected school board whose members serve staggered four-year terms. Local school district boards have broad discretionary power to determine and adopt policies not in conflict with other law that provide for the development and implementation of instructional programs, activities, services, or practices that the school district board of directors determine will promote education or effective management and operation of the school district.

Currently, there are a total of 295 school districts. Each school board hires a Superintendent who oversees the day-to-day operation of the school district.

## **What does the Washington State Constitution provide regarding K-12 public schools?**

*"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 1**

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 constitutional provision been interpreted in the state courts?**

There have been a handful of Washington State Supreme Court cases that have addressed basic education under Article IX of the Washington Constitution. The Court has interpreted Article IX, section 1 of the state constitution to mean that the state must define a "program of basic education", within the guidelines of the Court, distinguished from all other educational programs or services, and amply fund it from regular and dependable sources that cannot be dependent on local tax levies.

The Court has 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 property 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.

The Court does not require the state to provide a total education or the offerings of all knowledge, programs, subjects or services; however, the duty goes beyond mere reading, writing, and arithmetic. The Court has 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." Additionally, the Court found that the education required by the constitution does not reflect a right to a guaranteed educational outcome.

The Court has acknowledged that the Legislature has an obligation to review the definition of a basic education program as the needs of students and the demands of society evolve. However, any reduction from the basic education program must be accompanied by an educational policy rationale and not for reasons unrelated to educational policy.

## What is the *McCleary* decision?

The most recent court decision to address Article IX, section 1 of the state constitution is *McCleary v State*, 173 Wn.2d 477, 269 P.3rd 227, which was decided in January 2012. In *McCleary*, the Washington State Supreme Court found that the State had failed to meet its paramount constitutional duty to amply fund a program of basic education because the level of state resources fell short of the actual cost of the basic education program.

The Court acknowledged that the Legislature had enacted promising reforms in [ESHB 2261 \(Chapter 548, Laws of 2009\)](#), which if fully funded would remedy deficiencies in the K-12 funding system. The Court retained jurisdiction to help facilitate the Legislature's compliance with its constitutional duty.

In the 2012 legislative session, the Legislature created the [Joint Select Committee on Article IX Litigation](#) (Committee) to facilitate communication with the Washington Supreme Court on school funding. In July 2012, the Court ordered the Committee to annually report on legislative progress to amply fund a program of basic education. The reports can be found at: [www.leg.wa.gov/jointcommittees/AIXLJSC/Pages/default.aspx](http://www.leg.wa.gov/jointcommittees/AIXLJSC/Pages/default.aspx).

In January 2014, the Court declared the State was not on target to meet its 2018 constitutional funding obligations. The Court directed the State to submit, no later than April 30, 2014, a complete plan for fully implementing its program of basic education for each school year up to the 2017-18 school year. In April 2014, the Committee submitted its third [report](#) to the Court, which concluded that there was no agreement reached on the full implementation plan. The Court subsequently found the State in contempt for failing to comply with the Court's order to submit a plan but did not impose sanctions. The Court ordered that the State must purge its contempt by adjournment of the 2015 session or the Court would reconvene and impose sanctions or other remedial measures.

After a third special session, the Legislature adopted a 2015-17 biennial budget and the State submitted its annual post-budget report to the Court on July 27, 2015. The Court found that the 2015-17 operating budget made significant progress in some key areas. For example, the Court noted that the budget provided full funding for transportation and would fully implement all-day kindergarten by the 2016-17 school year, which was one year ahead of schedule.

However, the Court also noted that with a looming deadline for 2018 compliance, there was still no plan to fund K-3 class sizes of 17 students, and most importantly, the State had failed to offer any plan to fund increased state allocations for teacher salaries, a major component of the State's deficiency. On August 13, 2015, the Court found the State to be in continued contempt of court and imposed a \$100,000 per day penalty until the State adopted a complete plan for complying with Article IX, section 1 by the 2018-19 school year.

During the 2016 legislative session, the Legislature enacted Engrossed Second Substitute Senate Bill (E2SSB) 6195 (chapter 3 , Laws of 2016), which created an Education Funding Task Force (EFTF) to gather data concerning compensation that school districts pay above the state basic salary allocations. More specifically, the legislation required the hiring of an independent consultant to assist the EFTF by collecting K-12 public school staff total compensation data; identifying market rate salaries that are comparable for certificated, administrative, and classified staff; and providing analysis regarding whether a local labor market adjustment formula should be implemented and if so, which market adjustment factors and methods should be used.

During the 2016 legislative interim, the EFTF met 11 times to analyze data and deliberate on policy options for resolving the remaining element for fully funding its enacted policy reforms. In establishing the EFTF, the Legislature declared that it would enact legislation by the end of the 2017 legislative session to eliminate school district dependency on local levies to support the state's program of basic education. The Court, in its October 6, 2016 order, recognized "that the Legislature had committed itself in E2SSB 6195 to satisfying the State's paramount duty by the end of the 2017 legislative session." The Court further recognized that "the Legislature cannot realistically determine the appropriations necessary for full funding of basic education, including salaries, without the updated data that the current task force is charged with gathering and presenting." As part of its order, the Court clarified that full state funding of basic education must be implemented by September 1, 2018; however, the Legislature must enact a fully complying program by the end of the 2017 session.

The Court issued its most recent order on November 15, 2017 and concluded that the State has met its constitutional duty to fully fund basic education with regard to MSOC; pupil transportation; and categorical programs of basic education, including special education, the highly capable student program, TBIP, and LAP.

The Court also found the new salary allocation model established by EHB 2242 is sufficient to recruit and retain competent teachers, administrators, and staff. However, the Court held that the State remains out of compliance because changes to basic education salaries created under EHB 2242 are not fully implemented by the September 1, 2018 deadline. As a result, the Court retained jurisdiction and continues to sanction a \$100,000 a day penalty until the State is in full compliance.

## How has the State implemented the Program of Basic Education?

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 the seven programs (general apportionment; the Special Education Program for students with disabilities; some pupil transportation; the LAP for remediation assistance; the TBIP; the Highly Capable Program; and the educational programs in juvenile detention centers and state institutions) fall within the Legislature's definition of basic education.

The Legislature has also implemented the reform package under SHB 2261 (Chapter 548, Laws of 2009) and SHB 2776 (Chapter 236, Laws of 2010), by putting into place the new funding formulas and fully implementing the enhancements for K-3 class size reductions, pupil transportation, all-day kindergarten, and increased MSOC funding.

The Legislature is currently implementing the funding enhancements and reforms under EHB 2242 (Chapter 13, Laws of 2017, 3rd special session). For the 2017-18 school year, the changes include increased funding for LAP, Special Education Program, Highly Capable Program, TBIP, and reduced class sizes for career and technical education and skill centers.

The 2018-19 school year will include additional funding enhancements for K-12 state salary and health benefit allocations and state funding for professional learning days. The salary and benefit funding enhancements will be fully implemented with the 2019-20 school year. State funding for three professional learning days will be fully implemented with the 2020-21 school year.

**General Apportionment** - The General Apportionment formula provides foundational state funding to school districts and funds basic education as well as a number of non-basic education adjustments. The amount received by each school district varies based on certain characteristics with enrollment being the largest factor. As discussed in more detail below, generally, enrollment drives the number of certificated, administrative, and classified staff, and the associated salaries and benefits, allocated to the district as well as the allocation of funds for other non-employee related costs.

On average, the statewide allocation through the General Apportionment formula is estimated to be \$7,038 per student in the 2017-18 school year.

### ***General Apportionment formula:***

The General Apportionment formula follows 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 are 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. Under SHB 2776 (Chapter 236, Laws of 2010), the Legislature designed a funding formula that allocates funding in three primary groups:

- schools,
- district-wide support, and
- central administration.

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 is 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 number of staff positions shown in Table 2, 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. 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. Beginning with the 2011-12 school year, OSPI began reporting how school districts are deploying those same state resources through their allocation of staff and other resources to school buildings, so that citizens are able to compare the state assumptions to district allocation decisions for each local school building. The information, by school building, is available on an internet portal hosted by OSPI at:

<http://k12.wa.us/safs/INS/2776/Portal.asp>.

One of four<sup>1</sup> funding enhancements included in SHB 2776 (Chapter 236, Laws of 2010) requires average class size for grades K-3 to be reduced beginning in the 2011-13 biennium and beginning with schools with the highest percentage of low-income students, until the class size in the formula beginning in the 2017-18 school year is 17.0 students per classroom teacher. Beginning with the 2018-19 school year, funding for reduced class sizes in

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<sup>1</sup> Other required enhancements include: Funding for full-day kindergarten; substantially increased funding for materials, supplies, and operating costs (MSOC); and substantially enhanced funding for pupil transportation. All enhancements have been fully implemented with the 2017-18 school year, including the K-3 class size reduction.

K-3 is contingent upon, and proportional to, the school's demonstrated actual class size for K-3.

The 2017-19 state operating budget includes funding to implement the final K-3 class size reduction to 17.0 students per classroom teacher at a biennial cost of \$493 million.

EHB 2242 (Chapter 13, Laws of 2017, 3rd sp. Session) also included funding to reduce class sizes for grades 7-12 career and technical education classes from 26.57 to 23 students per class and skills centers from 22.76 to 20 students per class at a total biennial cost of \$80 million.

<b>Grade</b>	<b>Class Size</b>
Grades K-3	17
Grades 4-6	27
Grades 7-8	28.53
Grades 9-12	28.74
Career & Tech. Ed (CTE) 7-8	23
CTE 9-12	23
Skills Centers	20
Lab Science	19.98
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.	

The 2017-19 state operating budget maintains existing prototypical school building staffing unit assumptions for administrative and classified staff as provided in the following table:

	<b>Elementary School</b>	<b>Middle School</b>	<b>High School</b>
<b><i>Prototypical school size:</i></b>			
Number of students	400	432	600
<b><i>Staff per-school:</i></b>			
Principals/administrators	1.2530	1.3530	1.8800
Librarian/media specialist	0.6630	0.5190	0.5230
School nurses	0.0760	0.0600	0.0960
Social workers	0.0420	0.0060	0.0150
Psychologists	0.0170	0.0020	0.0070
Guidance counselors	0.4930	1.2160	2.5390
Instructional aides	0.9360	0.7000	0.6520

<b>Table 2: Staffing continued.</b>	<b>Elementary School</b>	<b>Middle School</b>	<b>High School</b>
Office support & non-instructional aides	2.0120	2.3250	3.2690
Custodians	1.6570	1.9420	2.9650
Classified staff for student & staff safety	0.0790	0.0920	0.1410
Parent involvement coordinators	0.0825	0.0000	0.0000

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

<b>Table 3: District-wide Support</b>	
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 prototypical 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, is 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 vocational programs, specialized classes, or categorical programs such as programs for highly capable students, special education, or the learning assistance program.

Finally, the prototypical funding formula for General Apportionment includes an allocation for MSOC, formerly known as non-employee related costs. Initially established based on district information from the 2007-08 school year, the formula provides the following per pupil funding amounts, which are adjusted annually for inflation.

The 2017-19 budget provides \$1244.16 per student for MSOC in school year 2017-18 and \$1264.07 for school year 2018-19 at a total biennial cost of approximately \$2.6 billion. The 2017-19 budget also provides enhancements for students in grades 9-12 and students enrolled in career and technical education and skill center programs at a total biennial cost of approximately \$329 million.

**Table 4: SY 2017-18 and 2018-19 Budgeted Materials, Supplies, and Operating Costs (MSOC)**

MSOC Component	Per-Student Allocation SY 2017-18	Per-Student Allocation SY 2018-19
Technology	\$130.76	\$132.85
Utilities and insurance	355.3	360.98
Curriculum and textbooks	140.39	142.64
Other supplies and library materials	298.05	302.82
Instructional professional development for certified and classified staff	21.71	22.06
Facilities' maintenance	176.01	178.83
Security and central office	121.94	123.89
<b>Total</b>	<b>\$1,244.16</b>	<b>\$1,264.07</b>
Students in grades 9-12	\$1,415.07	\$1,437.71
Students in CTE & skill center programs	1472.01	1495.56

**Special Education** - The state funding formula for special education, which was implemented in 1995 and did not change under the new prototypical funding formula, is based on the additional "excess costs" of educating students receiving special education services. The "excess cost" amount is provided for two categories of students.

For birth through four-year olds who are eligible for and enrolled in special education, 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.

In addition to the per-student special education allocations described above, the special education funding structure includes safety net funding for districts that can show extraordinary special education program costs beyond state and federal resources. The 2017-19 budget appropriates \$62.2 million for this purpose.

The total 2017-19 biennial budget for special education is approximately \$2.2 billion. The estimated average additional special education per pupil amount is \$6,758 for Fiscal Year (FY) 2018 and \$7,666 for FY2019.

**Pupil Transportation** - A revised transportation formula was effective September 1, 2011, and fully implemented in the 2014-15 school year.

The new formula phased in funding for the transportation of students "to and from school" as part basic education. The new formula requires the funding to be calculated using a regression analysis of major cost factors that are expected to increase (or decrease) the prior year's pupil-transportation costs, including the count of basic and special education-student ridership, district land area (geography), roadway miles, the average distance to

school, and other statistically-significant coefficients. State funding in the 2017-19 budget for pupil transportation is approximately \$1 billion.

As part of this funding, the state provides funding for school bus replacement costs using a depreciation schedule. Annual payments are made to districts from the year a bus is purchased until it reaches the end of its scheduled lifecycle.

State allocations are deposited into the district's Transportation Vehicle Fund to be used only for the purchase of new buses or for major repairs.

**Learning Assistance Program (LAP)** - LAP provides remediation assistance to students scoring below grade level in reading, math, and language arts. However, districts receive LAP allocations based on the number of students in poverty, as measured by eligibility for free or reduced-price lunch.

As with other categorical programs, the new funding formula provides 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.) State law provides 2.3975 hours of LAP instruction per-week, assuming class sizes of 15 students per certificated instructional staff. The formula translates to additional funding of approximately \$478 million for the 2017-19 biennium.

EHB 2242 creates a new program within LAP. This new, additional program establishes a high-poverty, school-based LAP allocation for schools with at least 50 percent of the students who are eligible for free- or reduced-priced meals. The new, additional minimum allocation in statute must provide on a statewide average 1.1 hours per week in extra instruction with a class size of 15. School districts must distribute this allocation to the school buildings that generate the allocation. The funding must supplement and not supplant the district's expenditures for LAP for these schools. To fund the new LAP program for qualifying high-poverty school buildings, the 2017-19 biennial budget appropriates additional funding totaling approximately \$205 million.

**Transitional Bilingual Instructional Education (TBIP)** - TBIP was created by the Legislature in 1979. State TBIP funding supports students whose primary language is other than English and whose English skills impair learning to achieve proficiency in English. TBIP funds may also be used to provide training to staff in the TBIP.

As with other categorical programs, the funding formula provides a designated number of hours of instruction. For students in grades K through

6 and assuming class sizes of 15 students per certificated instructional staff, the formula provides 4.7780 hours of bilingual instruction per week. The formula translates to additional funding of approximately \$279 million in the 2017-19 biennial budget.

EHB 2242 also provides funding for two additional hours of instruction per week for students in grades 7 through 12, increasing the minimum allocation to a total of 6.7780 hours, with a class size of 15 students. Funding to support the additional two hours of instruction totals \$27 million in the 2017-19 biennial budget.

Funding for transitional support for up to two years after a student has exited the TBIP is also provided to assist students who have met the proficiency standards.

Under current law, 3.0 hours of additional instruction are provided for students who exited the program in the immediate prior two years.

**Institutional Education Programs** - The state funds a 220-day educational program for children in certain institutions. School districts, educational service districts, or others receive institutional education moneys if they provide the educational programs. While the amounts vary based on the type and size of program, the current institutional education allocation is approximately \$27 million for the 2017-19 biennium.

**Highly Capable Program** - The Highly Capable, or gifted students, program is funded under basic education statutes for up to 5.0 percent of a school district's basic education student enrollment and, as is the case with other categorical programs, the allocation cannot be used for other programs (Prior to the enactment of EHB 2242, the funded enrollment percentage was 2.314 percent.).

As with other categorical programs, the funding formula for the Highly Capable Program provides a designated number of hours of instruction per week, in this case 2.1590, assuming class sizes of 15 students per certificated instructional staff. The formula translates to additional funding of approximately \$21.5 million for the 2017-19 biennium.

**Full-Day Kindergarten** - The definition of basic education also provides full-day instruction for kindergarten students (180 full days and 1,000 hours of instruction) similar to grades 1 through 12. State funded full-day kindergarten was fully implemented in school year 2016-17.

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 2017-19 biennium (FY2018 and FY2019) for the seven programs currently defined as "basic education" as well as the funding for other K-12 programs and activities funded by the state.

<b>2017-19 Operating Budget BASIC EDUCATION PROGRAMS</b>		
<b>(Dollars in Millions)</b>		
General Apportionment (RCW 28A.150.260)	\$14,942	68.0%
Special Education (RCW 28A.150.370)	\$2,000	9.1%
Compensation Adjustments*	\$1,577	7.2%
Transportation (RCW 28A.160.150)	\$1,001	4.6%
Learning Assistance Program (RCW 28A.165)	\$682	3.1%
Bilingual (RCW 28A.180)	\$306	1.4%
Highly Capable Program (RCW 28A.185)	\$46	0.2%
Institutions (RCW 28A.190)	\$27	0.1%
<b>Sub-Total: Basic Education Programs</b>	<b>\$20,579</b>	<b>93.7%</b>
<b>2017-19 Operating Budget NON-BASIC EDUCATION PROGRAMS</b>		
<b>(Dollars in Millions)</b>		
Local Effort Assistance (Levy Equalization)	\$905	4.1%
Education Reform	\$292	1.3%
OSPI & Statewide Programs	\$98	0.4%
Educational Service Districts	\$17	0.1%
Food Service	\$14	0.1%
Charter Schools	\$63	0.3%
Charter School Commission.	\$0	0.0%
<b>Sub-Total: Non-Basic Education Programs</b>	<b>\$1,389</b>	<b>6.3%</b>
<b>TOTAL - STATE FUNDS**</b>	<b>\$21,969</b>	<b>100%</b>
*Includes approximately \$26 million for professional learning days, which is not part of basic education.		
**State Funds include the General Fund-state, Opportunity Pathways Account, and the Education Legacy Trust Account, together known as Near General Fund-State.		

## Are there restrictions on local school levies?

**Local School District Maintenance and Operation Levies before EHB 2242** - School districts are authorized to raise funds locally for their districts through excess levies, which are voter-approved and limited in duration.

In 2016, 285 of the state's 295 school districts passed local levies for maintenance and operation (M&O). In addition to M&O levies, school districts are also authorized to collect voter-approved transportation vehicle levies, which are used to pay for school buses or other school transportation equipment. Local school district M&O revenues are deposited in the school district's general fund. In the 2016-17 school year, M&O levies made up an estimated 18 percent of total school district operating revenues on average on a statewide basis.

Since 1977, the Legislature has limited the amount school districts may collect through M&O levies. Prior to enactment of EHB 2242 in 2017, a school district's maximum levy authority was a percentage of the state and federal funding received by the school district in the prior year.

The state and federal funding received by a school district in the prior year is typically referred to as the *district's levy base* and the percentage amount is typically referred to as the school *district's levy lid*. A school district's levy base also includes certain non-basic education revenues formerly allocated by the state, sometimes referred to as "ghost money".

For calendar year 2017, most school districts have a levy lid of 28 percent. Therefore, these school districts may collect up to \$0.28 in local M&O levies for each \$1 of state and federal revenues the district receives. Some districts were "grandfathered" at a higher levy lid and may collect more.

Prior to enactment of legislation during the 2017 legislative session, the school district levy lid for calendar year 2018 was affected by the "*levy cliff*". Under legislation enacted in 2010, the levy lid for most districts was scheduled to decrease from 28 percent in calendar year 2017 to 24 percent in calendar year 2018. (Districts grandfathered at a higher lid would have experienced a lid decrease of 4 percentage points.) In addition, the levy cliff would also have eliminated the "ghost money" from the levy base.

To address planning and stability for districts as the state moved toward increased state allocations for K-12, the Legislature enacted ESB 5023 to address the levy cliff during the 2017 regular session. This legislation eliminated the scheduled lid decrease for calendar year 2018 as well as revisions to the levy base related to "ghost money." In other words, M&O levies for collection during calendar year 2018 are governed by the same lid and base policies as those for collection in 2017.

**School District M&O Levies after EHB 2242** - Beginning with school district levies for collection in calendar year 2019 and thereafter, EHB 2242 changes the way in which school districts may levy revenues for local enrichment. School district M&O levies are renamed "*enrichment levies*". Similarly, transportation vehicle levies are renamed "*transportation vehicle enrichment levies*".

Beginning with enrichment levies levied for collection in calendar year 2019, school district levies are limited by a new levy lid. A district's maximum enrichment levy is the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1,000 of assessed value.

Beginning in calendar year 2020, the \$2,500 per pupil cap is increased by inflation. (See Appendix B for a list of districts with tax rates estimated to be below \$1.50 in calendar years 2019 and 2020.)

Beginning with levies collected in calendar year 2020, school district enrichment levies are subject to a new requirement for pre-ballot approval by OSPI. Before a school district may submit an enrichment levy to the voters, it must have received OSPI's approval of an expenditure plan for the enrichment levy. OSPI may approve the plan if it is determined that the district will spend enrichment levy revenues and other local revenues only for permitted enrichment activities.

EHB 2242 establishes requirements for the review and approval process, including timelines for OSPI to make its decision on approval; the opportunity for districts to resubmit requests for approval to OSPI; and criteria for OSPI approval of changes to a previously approved enrichment expenditure plan. The same requirements also apply to transportation vehicle enrichment levies.

## **What is Local Effort Assistance and Levy Equalization?**

**Local Effort Assistance (LEA) before EHB 2242** - The LEA program, also referred to as state levy equalization, was created in 1987 to mitigate the effect that above average property tax rates have on the ability of school districts to raise local M&O revenues to supplement the state's basic program of education.

LEA is a program that provides state funding to equalize the property tax rates that taxpayers would otherwise pay for M&O levies and to provide tax relief to tax payers in high tax rate school districts.

LEA funding is specifically designated as not part of the school district's basic education allocation. In calendar year 2016, 217 of 295 school districts were eligible for LEA, of which 212 received LEA distributions totaling approximately \$384 million.

Before EHB 2242, the state LEA program provided funding to equalize up to 14 percent of a school district's levy base. A district was eligible to receive LEA if the district's levy rate needed to raise the 14 percent levy

amount for the district exceeded the statewide average 14 percent levy rate. State funding provided under the LEA program was proportional to the degree to which the district's 14 percent levy rate exceeds the statewide average 14 percent levy rate.

Under the "levy cliff," LEA assistance was scheduled to decrease to a 12 percent equalization rate effective calendar year 2018; under ESB 5023, that reduction was postponed by one year.

**Local Effort Assistance after EHB 2242** - Beginning with LEA distributions in calendar year 2019, LEA will be calculated under a new formula that provides assistance for any school district that does not generate an enrichment levy of at least \$1,500 per student when levying at a rate of \$1.50 per \$1,000 of assessed value.

An eligible school district's maximum LEA is equal to the school district's resident enrollment multiplied by the difference of \$1,500 and the school district's enrichment levy amount calculated on a per pupil basis at a rate of \$1.50 per \$1,000 of assessed value. School district's that are eligible for LEA but not levying the maximum allowable levy receive LEA in proportion to their actual levy collection. Beginning in calendar year 2020, the \$1,500 per-pupil cap is increased by inflation.

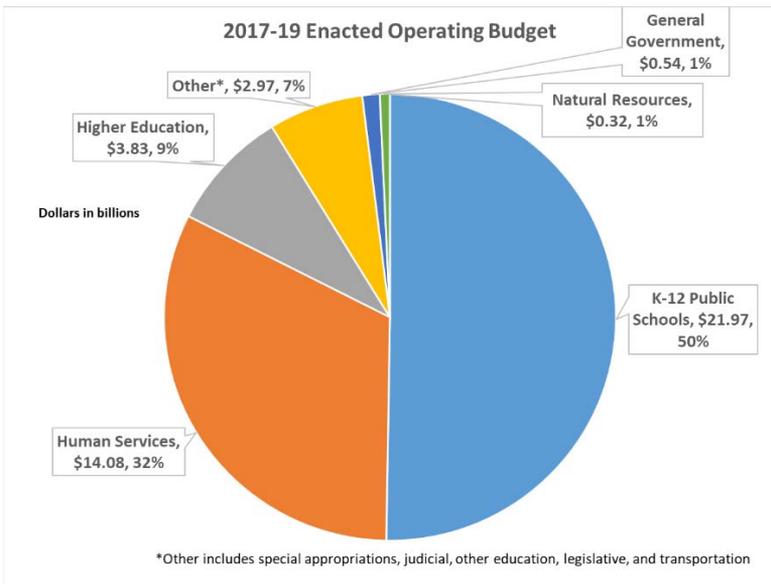
## How much of the state near-general fund is spent on K-12 public schools?

The state general fund is the largest single fund within the state budget. It is the principal fund supporting the operation of state government.

Given 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.

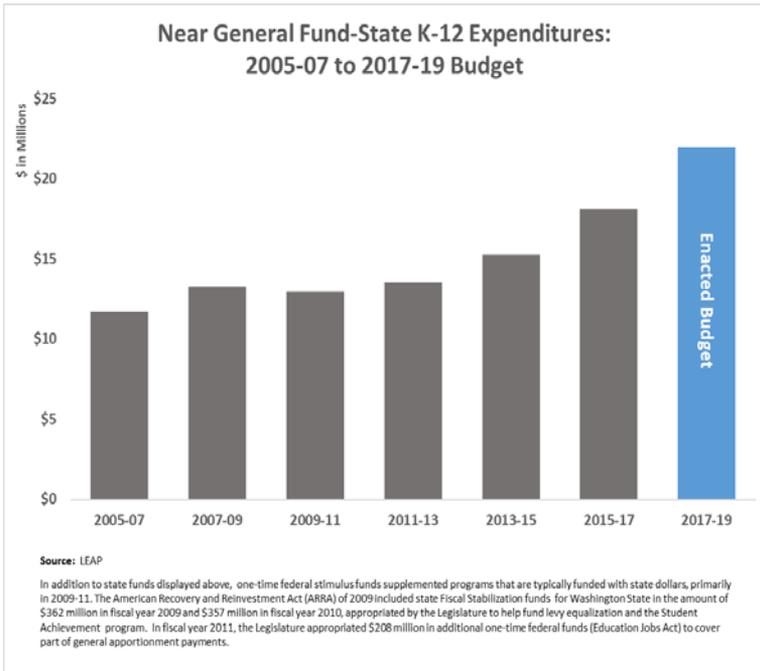
In the 2017-19 biennium (FY2018 and FY2019), the Legislature appropriated just under \$22 billion, or about 50 percent, of the state near-general fund for the support and operation of K-12 public schools.

The following chart shows how the state near-general fund budget is currently allocated:

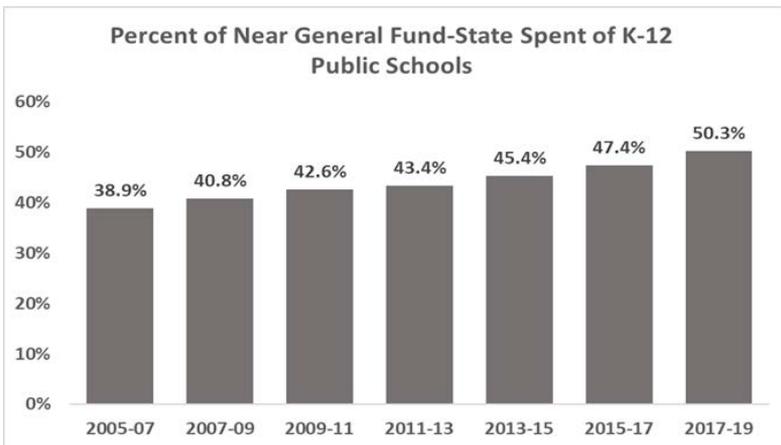


## How has the amount of the near-general fund support of K-12 public schools changed since 2005?

As depicted on the following chart, the amount of state near-general funds spent for K-12 public schools has increased from \$11.7 billion to \$22 billion per biennium since the 2005-07 biennium.



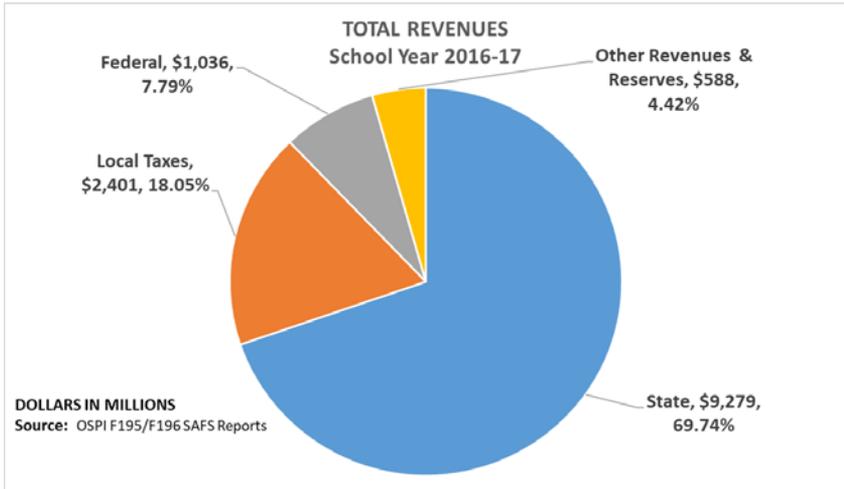
The below chart shows state near-general fund expenditures for K-12 public schools as a percent of the statewide total have varied over the biennia, with a low of approximately 39 percent in 2005-07 to a high of approximately 50 percent today. Increases in the share for K-12 funding can be attributable to increased K-12 funding, decreased funding for other programs, or both.



The major factor contributing to the decline in the 2009-11 biennium is the impacts from the economic recession.

## 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 2016-17 school year are provided below.



**State** — Approximately 70 percent of budgeted school district revenues in the last completed school year were from state sources. This amount consists of funding for the seven categorical programs currently defined as "basic education" (general apportionment; the special education program for students with disabilities; some pupil transportation; LAP; TBIP; the Highly Capable 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, \$2.4 billion, or 18 percent of the total school district revenues is derived from local taxes. This is primarily local property taxes, which are currently referred to as maintenance and operations levies, or beginning in calendar year 2019, will be renamed "enrichment levies" per EHB 2242.

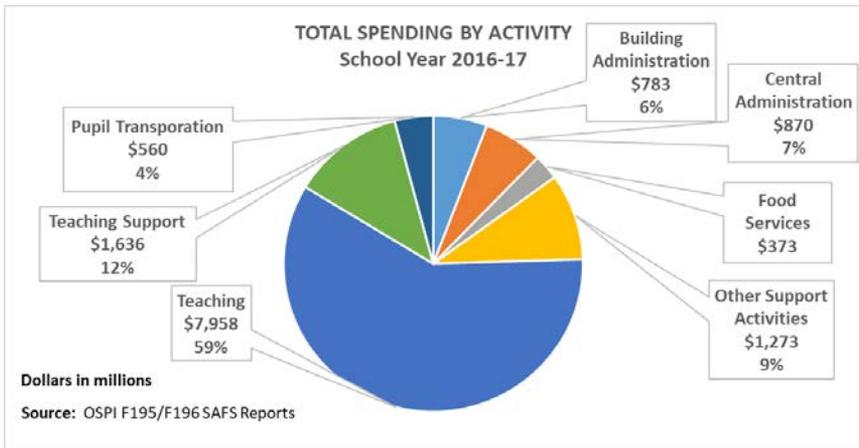
**Federal** — School districts received a little over \$1 billion from federal sources for the 2016-17 school year. This represented about 8 percent of their total spending. This includes funding for the implementation of the federal Individuals with Disabilities Education Act (IDEA); instructional assistance 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 & Reserves** — This category, totaling \$588 million or about 4 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.

## What are school district expenditures by activity?

One 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 OSPI, including the "activities" on which they spend money. The amounts spent on each activity for the 2016-17 school year are depicted below.



**Teaching** — For the 2016-17 school year, school districts spent approximately \$8 billion (59 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 \$1.6 billion on teaching support activities in the 2016-17 school year. This represents approximately 12 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 2016-17 school year, school districts spent approximately \$1.3 billion, or 9 percent of their total spending, on this activity.

**Central Administration** — Approximately \$870 million or 7 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.

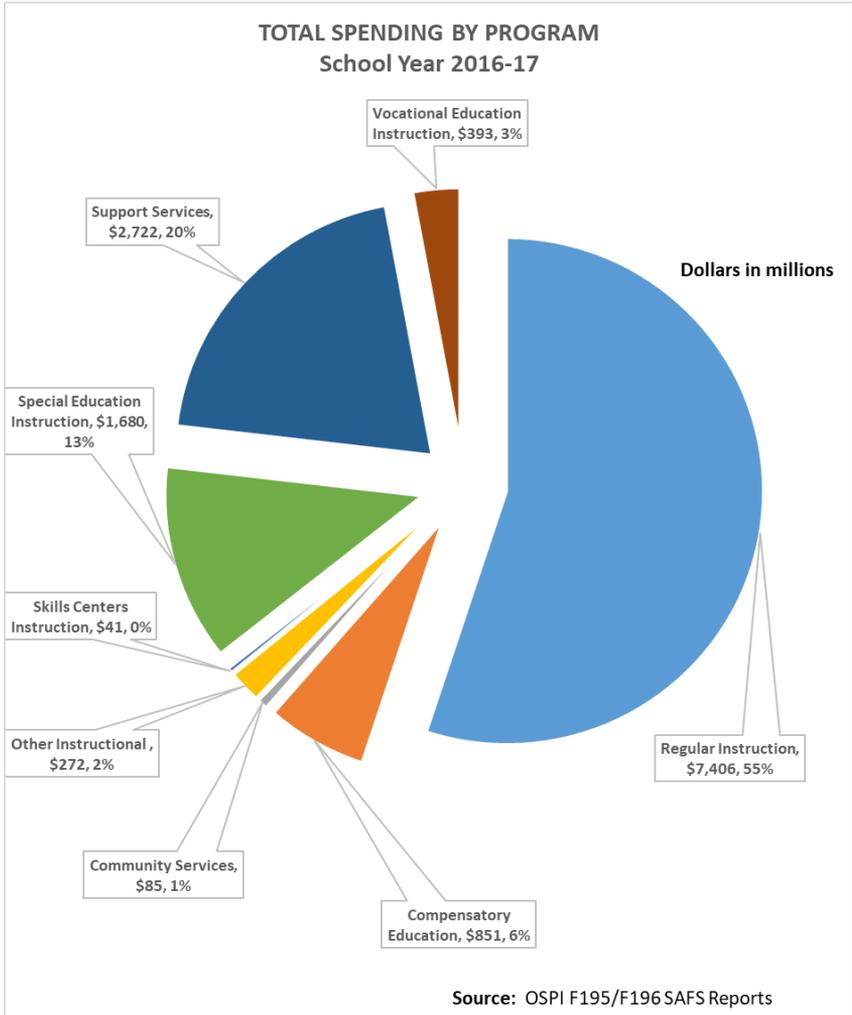
**Building Administration** — In the 2016-17 school year, school districts spent \$783 million, 6 percent of total school district spending, on unit administration. This includes expenditures for principals and other building-level administrative functions.

**Pupil Transportation** — School districts spent \$560 million or 4 percent on pupil transportation in the 2016-17 school year. This includes bus and other vehicle operating costs, related maintenance, and program supervision.

**Food Services** — Approximately \$373 million, or 3 percent of total spending, is for food-operation functions, including program supervision and federal-nutrition programs, in the 2016-17 school year.

## What are school district expenditures by student and program?

As an alternative way to examine how school districts spend money, the chart below shows total spending from federal, state, and local sources by program:



**Regular Instruction** - In school year 2016-17, districts spent approximately \$7.4 billion on regular instruction. This program area includes basic education expenditures for kindergarten through twelfth grade public education. This program area also includes expenditures for alternative learning and dropout reengagement.

**Special Education Instruction** - This program includes expenditures for excess cost expenditures for providing special education and related services to special education-eligible students. In school year 2016-17, districts spent approximately \$1.7 billion on special education instruction programs.

**Support Services** - Support service programs consist of activities to accomplish objectives that support the educational programs of the district. Examples include food services and transporting pupils to and from school. In school year 2016-17, districts spent approximately \$2.7 billion on support service programs.

**Compensatory Education Instruction** - In school year 2016-17, districts spent approximately \$851 million on compensatory education instruction. These programs include federal remediation, the state learning assistance program, and state institutions for juveniles.

**Community Services** - This area includes expenditures for programs primarily for the benefit of the whole community or some segment of the community. Examples include the operation of public radio or television broadcasting stations, childcare programs, and recreational programs such as ski school or swimming. In school year 2016-17, districts spent approximately \$85 million on community service programs.

**Other Instructional Programs** - This program area includes traffic safety, summer school, highly capable, targeted assistance for at-risk students, and youth training programs. In school year 2016-17, districts spent approximately \$272 million on other instructional programs.

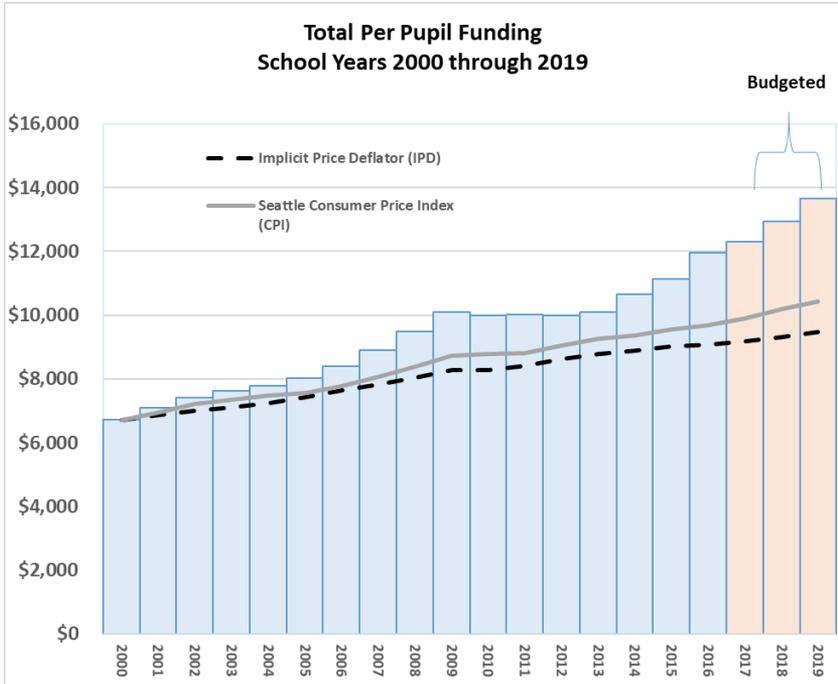
**Skills Centers Instruction** - This program represents expenditures for operating a skill center program approved by OSPI. In school year 2016-17, districts spent approximately \$41 million on skill centers instruction.

**Vocational Education Instruction** - This program includes expenditures for 9-12 grade work skills programs approved for funding by OSPI and middle school career and technical education. In school year 2016-17, districts spent approximately \$393 million on vocational education programs, which includes the basic education allocation and the additional enhanced funding allocations for MSOC and class-size reductions.

## How has *total* per-student spending changed since 2000?

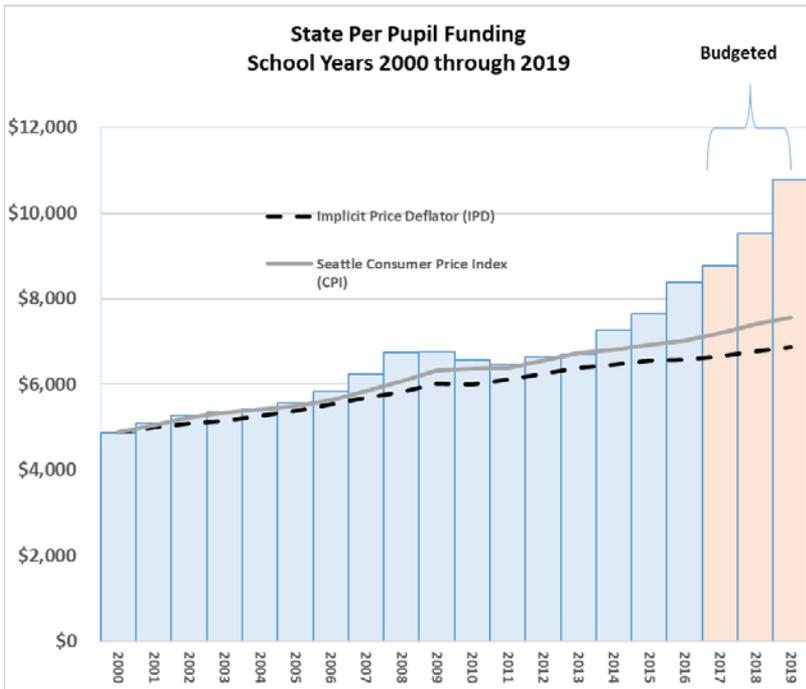
As can be seen from the following chart, total per-student spending (from state, federal, local, and other sources) has increased from \$6,709 in SY 2000-01 to an estimated \$12,946 in SY 2018-19.

This represents an increase of approximately 93 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 2000?

As can be seen from the following chart, state funding per student has increased from \$6,709 in SY 1999-00 to \$13,669 in SY 2018-19 slightly more than doubling over the period. The growth rate of state funding per student spending exceeds both the Implicit Price Deflator (IPD) and the Seattle Consumer Price Index (CPI).



## How is the salary level for teachers determined?

**State Salary Allocations Before EHB 2242** – 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 twenty-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 CIS for the 2017-18 school year.)

The state does not require school districts to pay CIS 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 CIS. (See Appendix D for a list of school districts receiving higher base salary allocations).

The primary reason for this higher allocation is that these districts were paying their CIS 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 2017-18.)

Additionally, the Legislature limits a school district's authority to establish salaries for CIS 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 CIS a very large salary and the rest at the minimum.

The state funding provided to school districts for CIS 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- nor future-funding obligation for the state.

**State Salary Allocations Under EHB 2242 and the 2017-19 Operating Budget** - EHB 2242 increases and revises the state's salary allocation methodology. Under EHB 2242, state funding allocations to school districts continue to be based on staffing ratios in the prototypical school funding model and categorical programs. In addition, state allocations generally continue to be provided for allocation purposes rather than to require specified staffing levels. However, EHB 2242 makes numerous changes to state salary allocations and the process by which allocations are increased in the future.

Beginning with the 2018-19 school year, state CIS salary allocations will no longer use the state salary grid to allocate salaries for school districts, thus eliminating use of a district's "staff mix" of CIS education and years of experience. Instead, the state will allocate salary funding to school districts based on minimum statewide average salaries for each of the three school staffing categories. When fully implemented in school year 2019-20, the statewide average CIS salary allocation will be \$66,930.

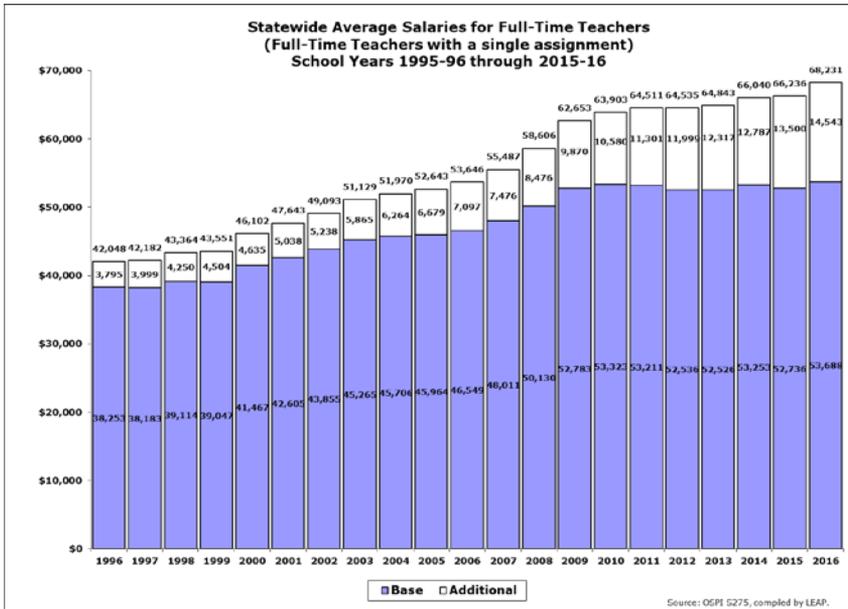
Beginning with the 2018-19 school year, EHB 2242 also requires the state to adjust its salary allocations to reflect regional differences in the cost of hiring staff. The *regionalization factor* for each school district is based, in part, on differences in the median residential value of each school district as well as all neighboring districts within a 15-mile radius. Districts whose median residential values exceed the statewide average receive upward adjustments of six, 12, or 18 percent. After assigning initial regionalization factor values based on median residential values, new district allocations under the regionalization methodology were compared to estimated school district total state and local average CIS salaries for the 2016-17 school year (the most current year for which data was available). In instances where the district's new allocation was less than their estimated total salary, the district's regionalization factor was increased by one additional tier (6 percentage points). These further regionalization adjustments are identified in the budget bill and must be reduced on a specified schedule through the 2022-23 school year. The reductions in the regionalization are also identified in the budget bill.

Under EHB 2242, state salary allocations must also include an inflationary adjustment based on the IPD, rather than a cost of living adjustment (COLA) based on the Seattle CPI.

The "innovation" category for supplemental contracts was eliminated. School districts must annually report to OSPI on supplemental contracts entered into for TRI. OSPI must annually report summarized district information to the Legislature. Beginning September 1, 2019, supplemental contracts for CIS must only be for enrichment activities and subject to the new definition of enrichment. The rate the district pays under a supplemental contract may not exceed the hourly rate of the CIS for services under the basic education salary. OSPI may develop recommendations for expanding the non-exhaustive list of specifically permitted activities for supplemental contracts, which the Legislature must review and consider in the 2018 legislative session.

## What is the average salary level for teachers?

In the 2015-16 school year, the statewide average annual base salary for full-time teachers was \$53,688. In addition, the average additional salary was \$14,543 resulting in a total average annual salary of \$68,231.



## 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.

Under changes made in EHB 2242, beginning in school year 2018-19, the state will substantially increase state allocations for administrators and classified staff and the base allocations to each district will be uniform. Similar to CIS, some districts will receive an additional amount of funding for administrators and classified staff for regionalization. In 2019-20, when the state salary increases are fully implemented under EHB 2242, each district will receive \$98,257 per full-time equivalent administrators and \$42,486 per full-time equivalent classified staff. School districts may use local enrichment levies for additional activities or enhancements that OSPI determines to be a documented and demonstrated enrichment of the state's statutory program of basic education. The portion of administrator salaries attributable to enrichment must not exceed the proportion of the district's local revenues to its other revenues.

## **How does Washington fund school employee health benefits?**

### **Procurement of School District Employee Benefits Before EHB 2242**

Currently, the state allocates money to each school district for employee and retiree benefits such as health care for state-funded staff units. Although the state allocates the funding, each district purchases health benefits separately and bargains locally with its employees regarding the specific benefits package.

Employee and employer contributions vary by district and by bargaining units within districts. There is also variation by district in the share of the costs paid by employees who insure only themselves versus those who also insure their family members. Retirees are eligible for coverage from the state through the Public Employees' Benefits Board (PEBB).

Health benefits for state agency and higher education employees, state and K–12 retirees, and some local government and school district employees are provided through the Public Employees Benefits (PEB) program, which is administered by the Washington State Health Care Authority (HCA). PEBB adopts benefit plans that are available to employees.

Legislation enacted in 2012 required school district employee health benefits to promote several goals, including minimum employee premium contributions, requiring higher premiums for richer benefit plans, offering high deductible health plans and health savings accounts, and moving toward employee premiums for full family coverage that are not more than three times more than the premiums for employee-only coverage. In 2015, the HCA submitted a report on implementation of a consolidated health benefits system for K–12 employees. According to the report, a consolidated school district health care system would result in more than 30,000 employees and dependents gaining coverage. In 2016, the Joint Legislative Audit and Review Committee reviewed the cost of health

benefits provided by districts and the HCA consolidation analysis, and it concluded that little progress had been made towards equity and affordability of full-family coverage was achieved following the 2012 legislation, and that consolidation and other options may improve equity and affordability.

### **Procurement of School District Employee Benefits Under EHB 2242**

Under EHB 2242, beginning with calendar year 2020, school employee health care procurement will be consolidated under a newly created nine-member School Employees' Benefits Board (SEBB) within HCA. SEBB will develop and procure employee benefit plans and authorize premiums contributions. Similar to PEBB for state employees, SEBB will determine employee and dependent eligibility and enrollment policies, subject to certain conditions outlined in the law.

In addition to consolidating health care procurement, medical, dental, vision, and other basic and optional insurance benefits provided for school employees was removed from the scope of local bargaining. Under ESB 2242, employee bargaining over the dollar amount expended for school employee health care benefits must be conducted between the Governor and one coalition of all the bargaining representatives impacted by benefit purchasing with SEBB.

### **How EHB 2242 Will Affect State Allocations for School District Employee Benefits**

State funding for health benefit allocations is increased over three years, with school year 2019-20 allocations equal to the allocations provided for state employee health benefits in that year, currently estimated at \$957 per month. This phased-in increase corresponds to the transition to a SEBB health benefit system. As compared to the 2015-17 estimated expenditures, the 2017-19 operating budget increases funding for K-12 Public Education health benefits by \$110.4 million. Planned expenditures for the 2019-21 biennium are increased by \$351.7 million as compared to 2015-17.

## **How does Washington compare to other states?**

National information is often used to compare different aspects of K-12 finance. The following three pages contain 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, public-school funding systems, and education provisions in each state's constitution.

Furthermore, due to the substantial funding impacts of EHB 2242, these metrics will be changing substantially for the state of Washington over the next several years.

### **Per-Student Spending**

As depicted on the chart on page 33, Washington's total per-student spending of \$10,073 ranks 33rd compared to the other states in the 2015-16 school year. The national average was \$11,787. Compared to other states in the western region, Washington's per student spending was \$1,435 below Oregon (\$11,508), \$1,257 below California (\$11,330) and \$3,535 above Idaho (\$6,538).

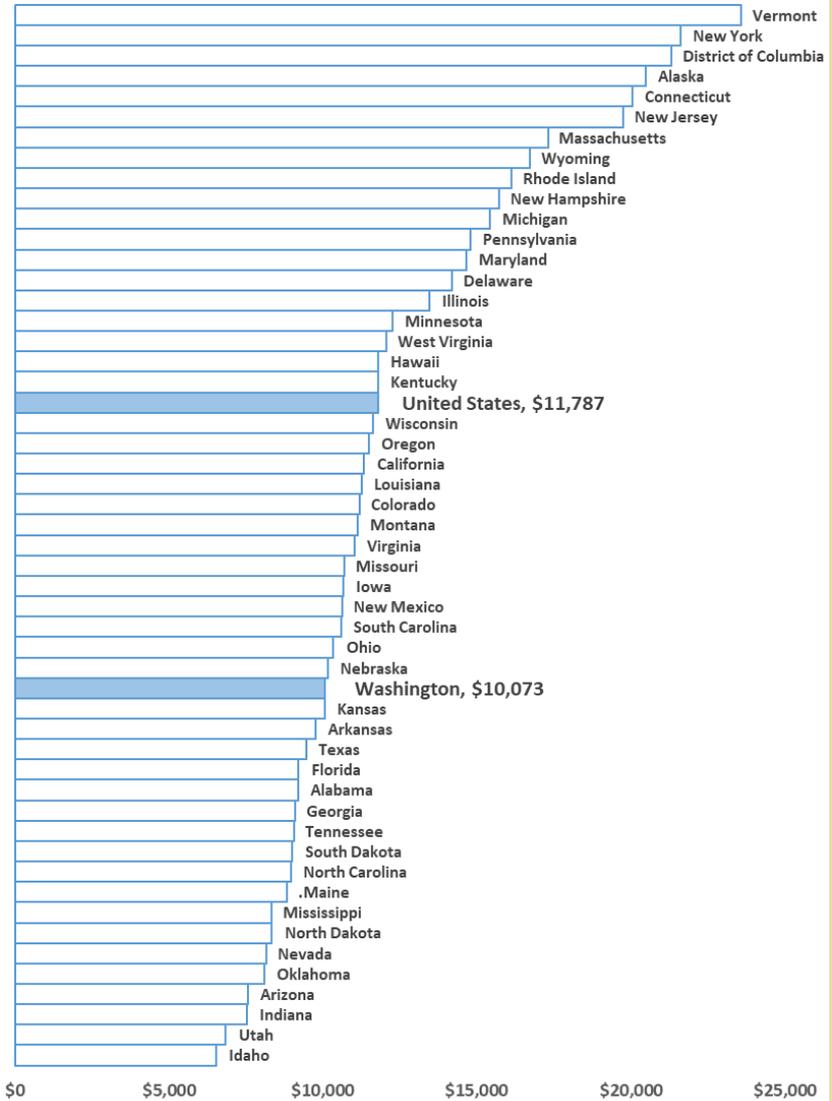
### **Students Enrolled Per Teacher**

The chart on page 34 compares students enrolled per teacher in the 2015-16 school year. Washington's 18.7 enrolled students per teacher makes it the seventh highest in the nation. The national average was 15.9. Compared to other states in the western region, Washington's number of enrolled students per teacher was below California (22.5), Oregon (20.0), and Idaho (19.2). 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**

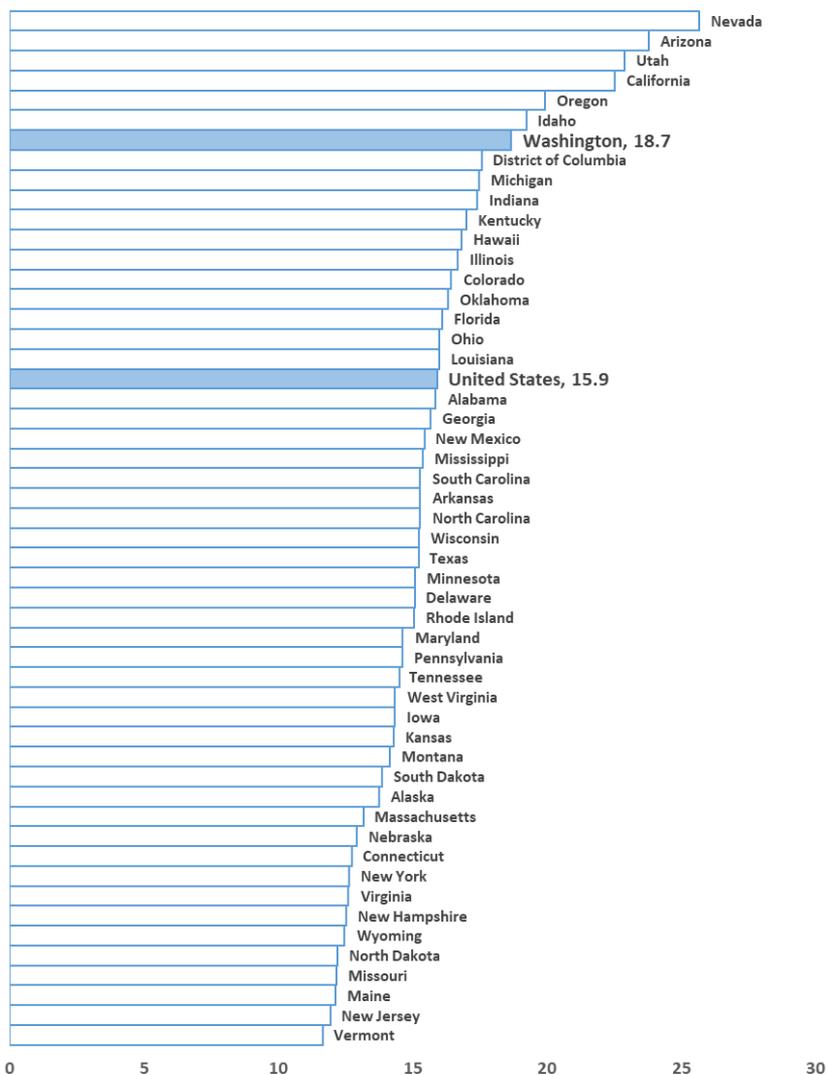
The chart on page 35 provides a comparison of average salary levels for teachers. In the 2015-16 school year, Washington's reported teacher average salary of \$53,738 made it the 25th highest in the nation. The national average was \$58,353. Compared to other states in the western region, Washington's average teacher salary was \$23,441 below California (\$77,179), \$6,621 below Oregon (\$60,359), and \$7,616 above Idaho (\$46,122). 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 Expenditures Per Student School Year 2015-16



Source: NEA Research

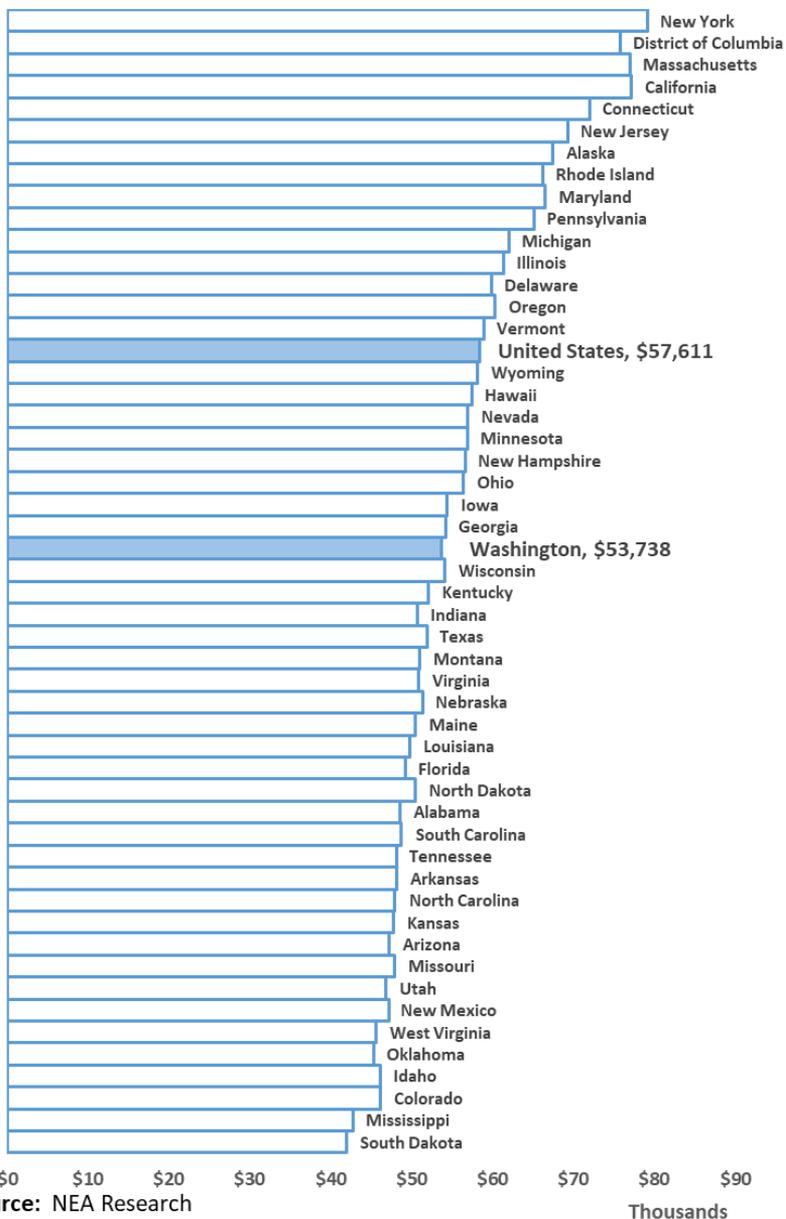
## Students Enrolled Per Teacher in K-12 Public Schools Fall 2015



Source: NEA Research

# of Students per Teacher

## Average Annual Salaries of Public School Teachers School Year 2015-16



## **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 enacted into law, they may have contributed to 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 (the K-12 2000 Student Achievement Act), almost 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).

It should be noted that while I-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 state participation 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.

For FY2002 through FY2004, 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 was used to fund a portion of the state matching funds for K-12 public school and higher education construction.

From FY2005 through July 1, 2009, all lottery revenues were deposited into the Education Construction Account to help build, renovate, and remodel schools throughout the state.

In 2009, the Legislature redirected lottery dollars to the state general fund to support a range of state programs, including education, for FY2010. K-12 school construction costs were covered with additional state general obligation bonds. Also in 2009, the Legislature approved the sale of the multi-state game Powerball. While the education construction fund previously has been the lottery's largest beneficiary, the lottery has been

directed by the Legislature to make contributions to stadium funding and problem gambling prevention and treatment. The Legislature repealed I-728 during the 2012 Legislative session as part of HB 2824 (Chapter 10, Laws of 2012).

In 2010, under E2SSB 6409, the Legislature created the Washington Opportunity Pathways Account (WOPA). Beginning in FY2011, all net revenues from in-state lottery games not otherwise dedicated to debt service on the Safeco Stadium and Qwest (Century Link) 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, were deposited into the WOPA rather than into the state general fund and used for specified early-learning, higher-education, and economic-development programs.

In 2016, the Legislature passed E2SSB 6194 which funds charter schools through the WOPA. Prior to September 2015, charter schools had received funding from the state general fund but a Washington Supreme Court ruling found that charter schools are not common schools and are not eligible to receive funding from common school property taxes, which are deposited in the state general fund.

## 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 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 8 percent of total school district general fund revenues. 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. NCLB required *all* students to meet state proficiency on the statewide reading and mathematics assessments by 2014. Schools and school districts that received federal Title I funding and failed to meet this proficiency target were subject to sanctions, including that parents must be notified by letter that the school is "failing" to meet their adequate yearly progress goals, and 20 percent of each school's Title I funds must be set aside to provide transportation to students who transfer from failing school into a passing school *and* to provide supplemental education services to students such as tutoring programs.

The federal Every Student Succeeds Act (ESSA) is the most recent reauthorization of the ESEA and replaced NCLB in 2005. The stated focus of ESSA is an emphasis on equity, continuous improvement for all schools, provision of effective educators, and greater flexibility for the use of federal resources. ESSA requires states to submit a state plan to implement the ESSA provisions. The Superintendent of Public Instruction (SPI) submitted Washington State's plan on September 18, 2017. The submitted plan can be accessed at [Washington's Consolidated ESSA Plan](#). The federal Department of Education will review Washington's plan within 120 days and let SPI know whether there needs to be any changes. The plan goes into effect starting in the 2017-18 school year.

## **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;
- Enrichment Levy Funds to be used for enrichment outside of the state's definition of basic education; and
- Transportation Vehicle Funds, which are used for purchasing school buses.

## **How is school construction funded in the state?**

The Washington Constitution treats capital construction differently from operating costs of basic education, and it is not part of the State's obligation under Article IX. (See, Washington Supreme Court Order in McCleary issued on November 15, 2017.) Since statehood, the State Constitution has assumed that school district voters will incur debt to construct school facilities.

Additionally, 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: (1) state and local school districts share the responsibility for the provision of school facilities; and (2) 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.

As of this writing, the adoption of a capital budget for the 2017-19 biennium is still pending.

## **What is Initiative 1351?**

I-1351, approved by state voters in November 2014, changed the staffing values in the public school basic education funding allocation statute, which specifies minimum allocations for K-12 class sizes and school staff.

I-1351 values lower class size, which increases the number of teachers for which state funds are allocated and, in general, increases the other school staff. The Legislature delayed implementation to begin in the 2019-21 biennium, with complete implementation required in the 2021-23 biennium.

EHB 2242 repealed the provisions of the I-1351. The enriched staffing values established under I-1351 are re-established in a separate chapter. OSPI must convene a workgroup of stakeholders to recommend a possible phase-in plan of the staffing enrichments that prioritizes the research or evidence-based strategies for reducing the opportunity gap, assisting struggling students, enhancing the educational outcomes for all students, or strengthening support for all school and school district staff. If any of the enriched staffing values are specifically funded by the Legislature with reference to the chapter in which they are found, then those enriched staffing values become basic education.

## Appendix A

### Maximum Levy Authority: Districts Grandfathered Above 28% Sorted by County (calendar year 2016)

Rank highest = 1	School District	County	Max Levy Percent	Voter Approved Levy
40	Ritzville	Adams	32.12%	\$983,000
58	Lind	Adams	29.20%	\$717,176
81	Cashmere	Chelan	28.79%	\$2,525,000
12	Green Mountain	Clark	37.58%	\$400,000
11	Starbuck	Columbia	37.61%	\$0
27	Toutle Lake	Cowlitz	35.19%	\$1,110,000
86	Kalama	Cowlitz	28.24%	\$2,105,947
5	Palisades	Douglas	37.73%	\$98,396
15	Orondo	Douglas	37.51%	\$882,650
24	Waterville	Douglas	36.00%	\$800,000
41	Mansfield	Douglas	32.00%	\$125,000
90	Bridgeport	Douglas	28.01%	\$210,000
1	Kahlotus	Franklin	37.90%	\$75,000
25	North Franklin	Franklin	35.70%	\$2,050,000
8	Wahluke	Grant	37.69%	\$1,445,694
50	Coulee-Hartline	Grant	30.79%	\$524,492
52	Quincy	Grant	30.67%	\$7,742,599
19	Cosmopolis	Grays Harbor	37.40%	\$820,000
43	Brinnon	Jefferson	31.50%	\$305,516
9	Mercer Island	King	37.67%	\$15,100,000
13	Tukwila	King	37.54%	\$11,149,349
22	Seattle	King	36.97%	\$199,600,000
28	Bellevue	King	34.66%	\$62,500,000
42	Shoreline	King	31.93%	\$24,500,000
56	Skykomish	King	29.43%	\$302,191
60	Issaquah	King	28.97%	\$48,000,000
63	Highline	King	28.95%	\$55,454,000
64	Renton	King	28.93%	\$43,500,000
67	Federal Way	King	28.90%	\$53,000,000
68	Auburn	King	28.90%	\$39,600,000
69	Northshore	King	28.90%	\$49,500,000
70	Tahoma	King	28.89%	\$16,990,466
71	Lake Washington	King	28.89%	\$64,900,000
72	Kent	King	28.89%	\$79,000,000
74	Enumclaw	King	28.88%	\$10,343,904
75	Vashon Island	King	28.88%	\$3,962,831
79	Snoqualmie Valley	King	28.83%	\$16,500,000
84	Riverview	King	28.72%	\$8,400,000
59	Bainbridge	Kitsap	28.98%	\$9,600,000
17	Damman	Kittitas	37.44%	\$250,000
6	Centerville	Klickitat	37.71%	\$385,830

## Appendix A (cont'd)

Rank	School		Max Levy	Voter Approved
Highest = 1	District	County	Percent	Levy
88	Roosevelt	Klickitat	28.14%	\$60,000
20	Evaline	Lewis	37.36%	\$190,000
31	White Pass	Lewis	33.43%	\$925,000
57	Boistfort	Lewis	29.32%	\$248,000
3	Sprague	Lincoln	37.77%	\$285,000
10	Odessa	Lincoln	37.67%	\$698,000
21	Harrington	Lincoln	37.01%	\$535,000
30	Creston	Lincoln	34.42%	\$422,000
38	Davenport	Lincoln	32.21%	\$1,046,000
54	Reardan	Lincoln	30.02%	\$1,314,280
44	Pateros	Okanogan	31.50%	\$664,000
55	Selkirk	Pend Oreille	29.47%	\$556,000
14	Carbonado	Pierce	37.52%	\$571,000
26	Tacoma	Pierce	35.47%	\$86,000,000
33	Dieringer	Pierce	32.85%	\$5,650,000
36	University Place	Pierce	32.29%	\$13,805,087
51	Clover Park	Pierce	30.76%	\$21,196,000
61	Franklin Pierce	Pierce	28.97%	\$17,449,000
62	Eatonville	Pierce	28.97%	\$4,678,198
65	Steilacoom Hist.	Pierce	28.93%	\$7,125,000
66	Peninsula	Pierce	28.91%	\$23,321,982
73	Bethel	Pierce	28.89%	\$41,900,000
77	Puyallup	Pierce	28.87%	\$51,000,000
78	Sumner	Pierce	28.86%	\$21,000,000
80	Fife	Pierce	28.82%	\$9,300,000
82	Orting	Pierce	28.78%	\$4,225,000
83	White River	Pierce	28.77%	\$9,100,000
2	Shaw	San Juan	37.82%	\$0
29	Anacortes	Skagit	34.54%	\$8,095,000
32	Conway	Skagit	33.15%	\$1,400,000
16	Mount Pleasant	Skamania	37.46%	\$155,000
39	West Valley	Spokane	32.20%	\$8,050,000
87	Spokane	Spokane	28.18%	\$65,500,000
48	Loon Lake	Stevens	31.01%	\$226,000
49	Valley	Stevens	30.91%	\$152,000
85	Olympia	Thurston	28.34%	\$23,460,000
7	Dixie	Walla Walla	37.70%	\$230,730
18	College Place	Walla Walla	37.43%	\$2,980,000
47	Columbia	Walla Walla	31.07%	\$2,109,200
35	Blaine	Whatcom	32.51%	\$6,500,000
53	Bellingham	Whatcom	30.35%	\$31,900,000
4	Garfield	Whitman	37.76%	\$260,000
23	Steptoe	Whitman	36.42%	\$110,000
34	Lacrosse	Whitman	32.75%	\$548,000
37	Palouse	Whitman	32.27%	\$470,000
45	Colton	Whitman	31.35%	\$495,392
46	Pullman	Whitman	31.27%	\$5,300,000
76	Lamont	Whitman	28.88%	\$155,000
89	Tekoa	Whitman	28.14%	\$335,000

## Appendix B

<b>Local Enrichment Property Tax Rates in Calendar Years 2019 and 2020 Estimated to be Below \$1.50 Maximum*</b>			
*The lesser of a \$1.50 or a districts actual 2017 rate was used. Some districts have a current rate already below \$1.50.	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>
	<b>PRE CLIFF</b>		
Anacortes	\$1.44	\$1.31	\$1.28
Bainbridge	\$1.35	\$1.39	\$1.36
Bellevue	\$1.09	\$0.82	\$0.77
Benge	\$2.36	\$1.30	\$1.26
Bickleton	\$0.32	\$0.62	\$0.70
Brinnon	\$1.09	\$0.54	\$0.56
Cascade	\$1.18	\$1.34	\$1.29
Centerville	\$2.29	\$1.42	\$1.50
Chimacum	\$1.79	\$1.44	\$1.36
Cle Elum-Roslyn	\$0.80	\$0.83	\$0.81
Coupeville	\$1.05	\$1.20	\$1.20
Creston	\$2.11	\$0.94	\$0.90
Damman	\$2.14	\$0.72	\$0.72
Dayton	\$1.99	\$1.27	\$1.27
Dixie	\$2.33	\$0.45	\$0.41
Easton	\$0.82	\$0.54	\$0.54
Evaline	\$1.15	\$0.88	\$0.95
Evergreen (Stev)	\$0.53	\$1.35	\$1.31
Grapeview	\$1.04	\$0.73	\$0.71
Great Northern	\$1.84	\$0.99	\$0.93
Hood Canal	\$1.72	\$0.68	\$0.67
Index	\$1.96	\$0.89	\$0.92
Kahlotus	\$0.97	\$1.23	\$1.08
Lacrosse Joint	\$2.62	\$0.74	\$0.72

## Appendix B (cont'd)

<b>Local Enrichment Property Tax Rates in Calendar Years 2019 and 2020 Estimated to be Below \$1.50 Maximum*</b>			
*The lesser of a \$1.50 or a districts actual 2017 rate was used. Some districts have a current rate already below \$1.50.	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>
	<b>PRE CLIFF</b>		
Lake Washington	\$1.23	\$1.24	\$1.18
Lamont	\$3.23	\$1.48	\$1.41
Loon Lake	\$0.66	\$1.39	\$1.38
Lopez	\$0.71	\$0.46	\$0.46
Lyle	\$2.98	\$1.39	\$1.33
Mercer Island	\$1.27	\$0.84	\$0.82
Methow Valley	\$1.24	\$1.13	\$1.17
Mill A	\$0.00	\$0.86	\$0.87
North Beach	\$1.26	\$1.07	\$1.05
Oakesdale	\$3.31	\$0.92	\$0.78
Orcas	\$0.87	\$0.85	\$0.83
Orient	\$0.47	\$1.41	\$1.46
Orondo	\$2.17	\$1.10	\$1.11
Palisades	\$1.67	\$1.05	\$1.03
Paterson	\$0.51	\$0.46	\$0.43
Pioneer	\$1.96	\$1.32	\$1.28
Pomeroy	\$1.68	\$0.92	\$0.86
Port Townsend	\$1.49	\$1.18	\$1.11
Queets-Clearwater	\$1.54	\$1.23	\$1.23
Roosevelt	\$0.35	\$0.41	\$0.42
San Juan	\$0.71	\$0.64	\$0.64
Seattle	\$1.14	\$0.66	\$0.62
Shaw	\$0.00	\$0.12	\$0.12
Skykomish	\$1.85	\$0.80	\$0.86
South Whidbey	\$1.01	\$0.81	\$0.81
Star	\$0.00	\$0.48	\$0.43
Starbuck	\$0.00	\$0.23	\$0.18
Stehekin	\$0.00	\$0.58	\$0.57
Thorp	\$2.44	\$1.32	\$1.31

## Appendix C

<b>K-12 Allocation Schedule for Certificated Instructional Staff</b>										
<b>For School Year 2017-18</b>										
*** Education Experience ***										
<b>Years of Service</b>	<b>MA+90 OR Ph.D.</b>									
	<b>BA</b>	<b>BA+15</b>	<b>BA+30</b>	<b>BA+45</b>	<b>BA+90</b>	<b>BA+135</b>	<b>MA</b>	<b>MA+45</b>		
0	36,521	37,507	38,529	39,554	42,840	44,957	43,785	47,072	49,191	
1	37,013	38,013	39,048	40,117	43,438	45,543	44,272	47,593	49,697	
2	37,481	38,491	39,537	40,688	44,000	46,127	44,762	48,073	50,201	
3	37,964	38,983	40,040	41,229	44,534	46,712	45,227	48,529	50,709	
4	38,437	39,501	40,565	41,794	45,119	47,313	45,714	49,038	51,234	
5	38,926	39,995	41,069	42,367	45,679	47,918	46,209	49,522	51,760	
6	39,428	40,474	41,585	42,948	46,244	48,494	46,716	50,013	52,262	
7	40,312	41,373	42,498	43,935	47,280	49,593	47,666	51,010	53,324	
8	41,604	42,724	43,876	45,431	48,822	51,219	49,161	52,552	54,949	
9		44,122	45,332	46,943	50,413	52,892	50,672	54,143	56,623	
10			46,805	48,533	52,049	54,611	52,263	55,780	58,340	
11				50,169	53,761	56,375	53,899	57,492	60,104	
12				51,753	55,520	58,211	55,600	59,250	61,942	
13					57,322	60,093	57,360	61,052	63,823	
14					59,132	62,046	59,172	62,981	65,776	
15					60,671	63,660	60,710	64,618	67,486	
16 or more					61,884	64,932	61,924	65,910	68,836	

## Appendix D

<b>Base Salaries for School Year 2017-18</b>			
Grandfathered Districts Compared to All Other Districts			
		<b>Total Base Salary</b>	<b>% Over "All Other"</b>
1	Everett	38,334	5.0%
2	Orondo	38,259	4.8%
3	Northshore	38,038	4.2%
4	Marysville	37,929	3.9%
5	Puyallup	37,257	2.0%
6	Shaw Island	37,218	1.9%
7	Southside	37,072	1.5%
8	Lake Chelan	37,058	1.5%
9	Mukilteo	36,958	1.2%
10	Lopez Island	36,918	1.1%
11	Seattle	36,767	0.7%
12	Oak Harbor	36,758	0.6%
All Other Districts		36,521	