

**K-12 SCHOOL
SPENDING AND
PERFORMANCE REVIEW**

REPORT 05-19

REPORT DIGEST

NOVEMBER 30, 2005



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

STEPHANIE HOFFMAN
LISA JEREMIAH

LEGISLATIVE AUDITOR

RUTA FANNING

Copies of Final reports and Digests are
available on the JLARC website at:

<http://jlarc.leg.wa.gov>

or contact

Joint Legislative Audit & Review
Committee
506 16th Avenue SE
Olympia, WA 98501-2323
(360) 786-5171
(360) 786-5180 FAX

Study Background

As part of its 2003-05 Work Plan, JLARC initiated this study of spending and performance assessment of individual schools within the state's K-12 public education system. In the state's 2005-07 budget, K-12 public schools receive **\$10.9 billion**, or 42 percent of the State General Fund.

Legislators wanted to know how school districts distribute resources to individual schools and what information on school spending and performance is available. This study describes:

- District budgeting and decision-making practices;
- District and school spending patterns;
- The types of assessments schools use to understand student performance;
- Data that the state collects on districts and schools; and
- Alternative approaches in other states and school districts to reporting and budgeting school spending.

To conduct this review, we surveyed all 296 school districts within the state and interviewed six case study districts. We hired consultants to review budgeting and reporting practices in other states.

District Budgeting and Decision-Making Practices

Based on our review of district budgeting, accounting, and decision-making practices, we have the following findings:

- Districts allocate money to schools in various ways, but most districts consider student enrollment as one factor when allocating resources.
- Districts use different methods of tracking school expenditures within their own accounting systems. This makes it difficult to compare school spending across districts.
- In general, school principals have limited authority to make decisions about their school budgets.
- Districts and schools are using performance data in budgeting and program decision-making.

Data Availability and Reporting Requirements

We reviewed data that is collected by the state on district and school budgeting and spending. We found:

- The state does not collect spending data from individual schools, though schools, along with districts, are accountable for the performance of their students. The state does collect *district-level* spending data.
- The state already requires numerous reports from districts. Policymakers should be cautious about adding reporting requirements without first considering streamlining or discontinuing other requirements.

Alternative Approaches to Reporting and Budgeting School Expenditures

JLARC hired consultants to look at how other states and districts outside of Washington report school-level spending data and make budgeting decisions.

- States and districts around the country are considering other ways of reporting and budgeting school-level spending to address various goals, such as increasing accountability and transparency of decision-making, and linking performance and spending.
- Generally, individual districts initiate budgeting changes, but reporting changes have been made by both districts and states. Some states are requiring districts to report more information on school spending.
- Gaining additional information about school-level spending is possible in Washington, but higher levels of detail or uniformity in reporting will come at greater costs. Currently, changes in budgeting are possible at the district level, but staffing ratio requirements, categorical spending restrictions, and collective bargaining agreements limit the amount of discretion schools have over spending their resources.

Conclusion

Before beginning any effort at changing district reporting requirements or budgeting practices, the Legislature should consider:

- What the state's role should be in school-level finance given that state law dictates that the state allocation formula "...shall be for state allocation and equalization purposes only and shall not be construed as mandating specific operational functions of local school districts...";¹
- How policymakers would use additional financial data to answer questions about school performance; and
- Whether the usefulness of school-level spending data would justify the costs of collecting and analyzing it.

¹ RCW 28A.150.260.

COMMITTEE ADDENDUM ON K-12 SCHOOL SPENDING AND PERFORMANCE REVIEW REPORT:

The Joint Legislative Audit and Review Committee recognizes there are significant costs and implementation challenges to develop a reporting system that would collect uniform and reliable school level spending information from all local school districts. However, the Committee also believes that assessing how instructional resources and policy choices impact student learning outcomes is an important constitutional duty of the state. Therefore, the Committee recommends JLARC add a future study to our work plan, which would, in conjunction with the Governor's Washington Learns initiative, and with representatives from local school districts and boards, identify critical school performance data that would enhance both the Legislature's and districts' ability to make informed resource commitments. The study would also address related changes to information systems and accounting practices.