

School District Cost and Size Study

Report 10-6

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REPORT SUMMARY

As part of the 2009-11 Operating Budget, the Legislature directed JLARC to provide information about the relationship between school district costs and their enrollment size (ESHB 1244). JLARC conducted the study using school district revenue, expenditure and enrollment data reported to the Office of Superintendent of Public Instruction (OSPI) and provided by the Legislative Evaluation and Accountability Program (LEAP). The study examines total and per pupil revenue and expenditures in Washington's 295 school districts during the 2007-08 school year. As directed by the Legislature, the study also provides information about changes in finances at districts supervised by OSPI and information about the nonfinancial benefits and impacts associated with school and school district size.

State Appropriations Provide the Largest Share of School District Funds

Washington school districts received and spent approximately \$9.2 billion in 2007-08. Most (71 percent) school district revenue is provided by the state, with smaller proportions provided by local (20 percent) and federal (9 percent) sources. The majority of state funding is provided through general apportionments, which account for 50 percent of school district funds statewide. The state provides general apportionments to each district by formula based on each district's full time equivalent (FTE) enrollment and the education and experience of its certificated staff. Apportionment revenue is provided based upon provision of a minimum number of instructional hours to students and is subject to overall staffing compliance requirements. Once these standards are met, the district retains local control in determining the use of these funds.

Three Key Results from the Analysis of School District Expenditures and Size

- **The highest expenditures per FTE pupil are found in small school districts.** All of the 85 districts with high (defined for this study as exceeding the statewide average by more than 25 percent) expenditures per pupil enrolled fewer than 1,000 students. The average expenditure per pupil in 2007-08 for these districts was \$14,694, or 57 percent more than the statewide average of \$9,380 in that year. The district with the highest per pupil expenditure was more than five times the 2007-08 statewide average. However, not all small school districts had high expenditures per pupil. Sixty-six small districts reported per pupil expenditures that were within 25 percent of the statewide average.

- **But districts with the highest expenditures per pupil represent a small portion of all school district expenditures.** The 85 districts identified above represent 2.5 percent of total 2007-08 school district expenditures in Washington. If these districts' expenditures per pupil were no more than 25 percent above the statewide average, the difference would equal approximately \$47 million, or 0.5 percent of total school district expenditures.
- **High per pupil expenditures in small districts are due largely to the state general apportionment funding formula.** The general apportionment funding formula includes enhancements for small districts and districts with small high schools. The majority of these enhancements provides a minimum level of teaching staff in small schools and resulted in per pupil apportionments that exceeded 25 percent of the statewide average to 76 districts. However, if these districts' apportionments did not exceed the statewide average by more than 25 percent, the difference would equal \$26 million or 0.6 percent of the 2007-08 general apportionment distributions.

State Supervision Provides Opportunity for Financially Troubled School Districts to Re-Align Revenue and Expenditures

Washington law directs OSPI to supervise school districts and requires districts to comply with binding conditions when they are unable to balance their budgets. Ten school districts placed under state supervision since 2000 increased revenue during the supervision period. Six districts also increased expenditures during that time. Four reduced expenditures. One additional supervised district, the Vader School District, ceased operations. Its students transferred to the neighboring districts, including the Castle Rock School District, which also received Vader's assets and liabilities. Castle Rock School District expenditures per pupil have increased in the two years since the merger. Officials involved in the Vader dissolution cite numerous challenges that they believe hindered the process.

Research Does Not Identify Optimal School and School District Size

Although research on school and school district size is extensive, the literature does not offer definitive conclusions about the benefits of school and school district size. Numerous studies, articles and abstracts show that large and small districts offer advantages and disadvantages. In the words of one summary study: "Multiple factors interact to form a student's educational experience and no single enrollment number has been found that can maximize all of them. No individual study presents conclusive evidence of the 'best' size for a school or the district in which it is located."¹

¹ *School and School District Consolidation: Major Concepts*, Catherine Reilly, University of Maine (2004), p 5.