

DOCUMENT RESUME

ED 457 565

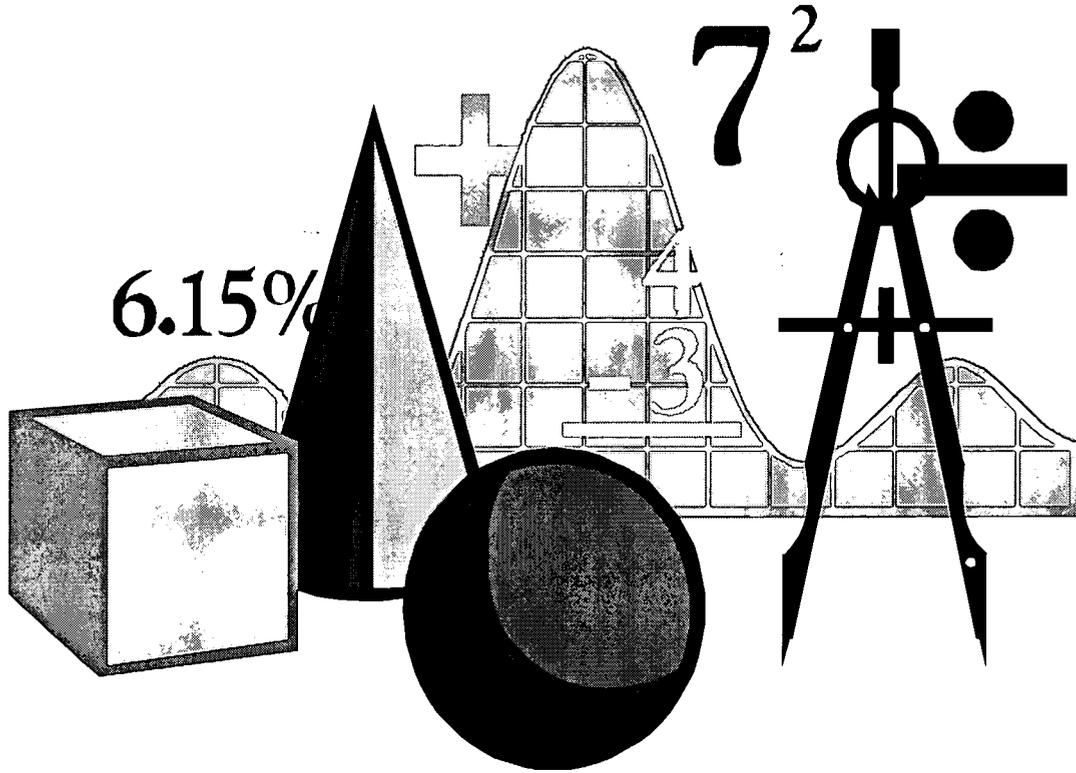
EA 031 314

TITLE Washington School Finance Primer.
 INSTITUTION Washington Office of the State Superintendent of Public Instruction, Olympia.
 PUB DATE 1999-09-00
 NOTE 8p.; Prepared by School Apportionment and Financial Services within the Washington State Superintendent of Public Instruction Office.
 AVAILABLE FROM Washington Office of the State Superintendent of Public Instruction, Old Capitol Building, P.O. Box 47200, Olympia, WA 98604. Tel: 360-753-6708. For full text: <http://www.k12.wa.us/safs/PUB/PRI/primer99.pdf>.
 PUB TYPE Reports - Descriptive (141)
 EDRS PRICE MF01/PC01 Plus Postage.
 DESCRIPTORS *Educational Finance; Elementary Secondary Education; Higher Education; *School Funds; *State Aid
 IDENTIFIERS *Washington

ABSTRACT

The proportion of state funding for public schools in Washington is among the highest in the nation: about 75 percent of school-district General Fund revenue comes from the state. Almost 60 percent of all state General Fund expenditures are for education (about 46 percent for grades K-12 and 12 percent for higher education). The state special-education allocation per student is based on 93.09 percent of the district's basic-education allocation per student, and special-education safety net funding is provided for districts that can demonstrate unusual needs. Bilingual funding is provided at a rate of \$664.91 per annual average bilingual student in the 1998-99 school year. Many of the smaller state and federal programs are funded through competitive grants. The state distributes money monthly based on apportionment formulas and reimbursement claimed through the grants management process. School districts can raise money using four types of local property-tax levies: General Fund, Capital Project, Debt Service, and Transportation Vehicle levies. School districts account for all revenues and expenditures using standard account codes defined in the "Accounting Manual for Public School Districts in the State of Washington." The Washington State Auditor examines school-district accounting practices and compliance with state and federal requirements for receiving funding.
 (RT)

Washington School Finance Primer



Office of Superintendent of Public Instruction

School Apportionment and Financial Services

September 1999

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND
DISSEMINATE THIS MATERIAL HAS
BEEN GRANTED BY

B. J. Patterson

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)

1

FA 031314

Introduction

The *Washington School Finance Primer* provides a brief overview of how public schools in Washington State are financed. A more detailed document, *Organization and Financing of Washington Public Schools*, is also available. Paper copies of these documents may be requested from School Apportionment and Financial Services (SAFS) at (360) 753-6708. Both documents are available electronically from the Office of Superintendent of Public Instruction (OSPI) "School Finance" Web page at: <http://www.K12.wa.us/sf/>.

1) How Do Public Schools Spend Their Money?

School districts record expenditures in five funds. About 80 percent of all expenditures are for the day-to-day maintenance and operation of the school district and are recorded in the General Fund. Total 1997–98 school year expenditures by fund are summarized below. (*Dollars are in millions.*)

Fund	Amount	Percent	Purpose
General Fund	\$ 5,856	79.8	Maintenance and operations
Capital Project	\$ 908	12.4	Facilities construction/remod.
Debt Service	\$ 484	6.6	Repayment of bond debt
Assoc. Student Body	\$ 91	1.2	Student body activities
Trust Funds	\$ 1	0.0	Various dedicated purposes
Total	\$ 7,341	100.0	

The largest program in the General Fund is basic education. Major programs in the General Fund for the 1997–98 school year are summarized below. (*Dollars are in millions.*)

Program	Amount	Percent
Basic Education	\$ 3,803	64.9
Special Education	\$ 657	11.2
Vocational Education/Skills Centers	\$ 295	5.0
Compensatory Education	\$ 393	6.7
Other Instructional Programs	\$ 191	3.4
Pupil Transportation	\$ 256	4.4
Food Services	\$ 214	3.7
Community Services	\$ 28	0.5
Other	\$ 11	0.2
Total	\$ 5,856	100.0

OSPI publishes an annual School District and Educational Service District Financial Reporting Summary containing detailed expenditure data by district. The publication is

Washington School Finance Primer

available electronically from the "Publications and Studies" link on the School Apportionment and Financial Services Web page at:
<http://ospisrv.ospi.wednet.edu/finance/appsfs.htm>.

2) What are the Main Sources of Revenues for Public Schools?

About 75% of school district General Fund revenue comes from the state. Sources of revenue for the 1997–98 school year are shown below. (*Dollars are in millions.*)

Revenue Source	Amount	Percent
State	\$ 4,377	74.5
Local Property Taxes	\$ 837	14.3
Federal	\$ 400	6.8
Other Local	\$ 259	4.4
Total	\$ 5,873	100.0

The proportion of state funding for public schools in Washington is among the highest in the nation. This is due to unusual language in the Washington State Constitution saying that "It is the *paramount duty* of the state to make ample provision for the education of all children. . ." A landmark court decision in 1977 required the Washington State Legislature to define and fully fund a basic education program for all public school students. As a result of the court ruling, Washington significantly increased state support and limited local property tax support for schools.

3) What Else is Funded in the State General Fund?

Almost 60% of all state General Fund expenditures are for education. Kindergarten through Grade 12 (K–12) receives approximately 46% and higher education 12%. For the 1999–2001 Biennium, expenditures by major functional area are shown below. (*Dollars are in millions.*)

Functional Area	Amount	Percent
Public Schools (K–12)	\$ 9,464	46.0
Higher Education	\$ 2,538	12.3
Other Education	\$ 53	0.3
Subtotal Education	\$12,055	58.6
Human Services	\$ 6,253	30.4
General Government, Legislative, Judicial	\$ 583	2.8
Natural Resources	\$ 282	1.4
Transportation	\$ 53	0.3
Special Appropriations	\$ 1,346	6.5
Total	\$20,573	100.0

4) What are the Sources of State General Fund Revenue?

Retail sales tax and business and occupation tax combined make up about 70 percent of all state General Fund revenue. Sources of state General Fund revenue for the 1999–2001 Biennium are shown below. (*Dollars are in millions.*)

Revenue Source	Amount	Percent
Retail Sales Tax	\$10,405	51.3
Business and Occupation Tax	\$ 3,673	18.1
Property Tax	\$ 2,638	13.0
Real Estate Excise Tax	\$ 714	3.5
Use Tax	\$ 708	3.5
Public Utility Tax	\$ 445	2.2
All Other	\$ 1,689	8.3
Total	\$20,273	100.0

5) How is Money Allocated to Schools?

Most of the large state entitlement programs (basic education, special education, learning assistance, and bilingual) are paid through apportionment formulas. Enrollment is the main driver of the funding formulas. Funding increases or decreases with the actual enrollment reported during the school year.

The basic education formula is extremely complex. Formula factors include:

- ◆ Varying staff/student ratios for different grade levels
- ◆ Separate staff unit allocations for administrative, instructional, and classified staff
- ◆ Weightings for the education and experience of staff (mix factors)
- ◆ Allocations for benefits, and nonemployee related costs (NERC)
- ◆ Enhanced funding for small schools
- ◆ Enhanced funding for vocational programs
- ◆ Separate rates for Running Start students

The average basic education allocation per full time student in 1998–99 was \$3,779.

RCW 28A.150.260 says 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 . . ." School districts retain responsibility for determining staffing levels. However districts must employ at least 46 certificated instructional employees per 1000 students. School districts also set employee salaries and benefits in local negotiations with school employees. However, state law limits *average* certificated instructional staff salaries to the state allocated salary. The state budget also requires districts to demonstrate certain staffing levels in order to receive enhanced funding for K-4 and vocational staff.

Washington School Finance Primer

State funding formulas for the other programs are simpler. The state special education allocation per student is based on 93.09 percent of the district's basic education allocation per student. Special education safety net funding is provided for districts that can demonstrate unusual needs. Bilingual funding is provided at a rate of \$664.91 per annual average bilingual student in the 1998–99 school year. Pupil transportation funding is based on the actual miles students are transported by the district.

The large federal compensatory programs (programs for disadvantaged or special need students) are also funded through formulas.

Many of the smaller state and federal programs are funded through competitive grants. Districts must apply for competitive grants. Applicants are scored, and awards are made selectively. Successful applicants claim reimbursement for expenses incurred in providing the program.

6) When Does the State Distribute Money to Schools?

The state distributes money monthly based on apportionment formulas and reimbursement claimed through the grants management process. The State Treasurer, who is the banker for the state, electronically transmits money to each county treasurer for each of the school districts headquartered in each county. The county treasurers are the bankers for the school districts.

7) How Do School Districts Raise Local Money?

School districts can collect four types of local property tax levies. Each requires approval by a 60 percent "Yes" vote in a district-wide levy election. The four types are:

- ◆ General Fund (also called maintenance and operation, or M&O levies) – These can be approved for one to four years at a single election.
- ◆ Capital Project – These levies must be used for school facilities and other capital purposes. Levies can be for one to six years.
- ◆ Debt Service (also called bond levies) – Voter approval of the levy allows the district to issue bonds (borrow money) and collect property taxes to repay principal and interest over the life of the bond (typically 30 years). Levies must be used to purchase land and build or renovate school buildings.
- ◆ Transportation Vehicle – These levies are used to purchase school buses.

State law limits school district M&O levies. For most districts, the limit is 24 percent of the school district's state and federal funding for the previous school year (called the levy base). About 90 school districts have levy limits between 24 percent and 34 percent because of historical levels of levy passage prior to the establishment of the limit.

8) How Does the State Help Pay for Construction of School Facilities?

The state assists school districts with the costs of construction and modernization of buildings used for instructional purposes. The state does not pay for school district administrative buildings, stadiums, or other non-instructional facilities, nor does the state pay for land purchases.

State assistance varies with the amount of assessed valuation for property tax purposes in each school district. The more wealth (property value) per pupil the district has, the lower the percentage of state assistance. The minimum state matching percentage is 20 percent, and the maximum is 90 percent. The percentage of state assistance is applied to a cost allowance per square foot. These latter two values are set by the State Board of Education pursuant to law.

9) What are the Sources of State Money for School Construction?

Proceeds from the sale of timber on Common School Trust Lands is dedicated for state school construction matching payments. In recent years, these revenues have been insufficient and the legislature has found it necessary to appropriate money from other sources. The additional monies have come the state General Fund or from state-issued general obligation bonds.

10) Who is Responsible for Financial Management of Schools?

The locally-elected school district board of directors is ultimately responsible for the financial management of a school district. School boards hire a Superintendent that oversees the day-to-day management of the school district.

School districts operate within the constraints of:

- ◆ Laws passed by the U.S. Congress
- ◆ U.S. Department of Education regulations implementing federal law
- ◆ Laws and budgets passed by the Washington State Legislature
- ◆ OSPI and State Board of Education regulations implementing state and federal law

The complexity of school finance arises from the number of programs funded and from the many reporting, accounting, and audit requirements of each program. OSPI administers:

- ◆ 14 formula-driven state programs funded through the apportionment process
- ◆ 19 state grant programs
- ◆ 36 federal grant programs
- ◆ Numerous programs funded under contracts between OSPI and school districts

School districts prepare an annual budget for public review and comment by July 10 of each school year. Budgets must be formally adopted by the school board before the beginning of the school year (September 1).

Washington School Finance Primer

School districts account for all revenues and expenditures using standard account codes defined in the *Accounting Manual for Public School Districts in the State of Washington*. All expenditures are identified by program, activity, and object. Districts submit annual financial reports to OSPI.

The Washington State Auditor examines school district accounting practices and compliance with state and federal requirements for receiving funding.

Nine regional educational service districts (ESDs) assist districts in meeting state and federal requirements. ESDs also offer cooperative services and programs. ESDs are particularly helpful to small school districts.



U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)



NOTICE

Reproduction Basis



This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.



This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").

EFF-089 (3/2000)