

# WASHINGTON

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## I. GENERAL BACKGROUND

### State

Article 9, Section 1 of the Washington State Constitution of 1889 declares that it is the “paramount duty” of the state to make “ample provision” for the education of all children residing in the state. In response to a court ruling in 1977 (*Seattle School District v. State*, No. 5390, Thurston County Superior Court, January 14, 1977mem.), which was subsequently upheld by the Washington State Supreme Court, (*Seattle School District No. 1 v. State*, 585 P.2d 71, 978), the state assumed responsibility for funding “basic education” for a “uniform system of K–12 public schools.” According to the court, the legislature is responsible for defining and funding a basic education. The court also declared that financial support for basic education must be provided through state, not local, sources. Thus, for the past two decades, Washington's funding of K–12 schools has been achieved through a full state funding model (WASH. REV. CODE §§ 28A.150, 28A.510). This change represented a major shift in funding sources for Washington's schools. For example, the state share of maintenance and operations revenues for public schools increased from 47% in 1973–1974 to 74% in 1980–1981. The state share of maintenance and operations revenue has remained within the narrow range of 77% to 80% since the 1981–1982 school year.

The legislature codified its interpretation of its school funding responsibilities in the Basic Education Act of 1977. This act defined full funding of basic education primarily through the use of staff-to-student ratios which allocate resources to school districts. In addition to the Basic Education Act, the legislature also passed the Levy Lid Act in 1977. The Levy Lid Act imposed limitations on local revenue raised by a district's special property tax levies and restricted a district's capacity to use special levy funds for employee compensation. A subsequent court decision in 1983 required the state to fully fund special programs for handicapped, bilingual, and remedial students, as well as certain specified transportation costs. The state then assumed responsibility for funding these additional components of basic education. In 1987, the legislature added an additional component of state funding called local effort assistance, or levy equalization aid. Local effort assistance provides a guaranteed yield for local levies to those districts that levy above-average local tax rates to compensate for low property tax wealth. Funds

are distributed according to a formula which is driven by the extent to which a district's local tax effort exceeds the state average tax effort. Equalization aid payments to school districts began in January 1989.

### **Local**

The state has 296 fiscally independent school districts serving 999,616 public school students. Twenty-four percent of Washington's students are racial or ethnic minorities, consisting of 2.8% American Indian, 7.1% Asian, 5.0% African-American, and 9.1% Hispanic. Slightly less than one third (31%) of the student population qualifies for the federal Free and Reduced Price Lunch program. The state legislature has given school districts authority to levy local property taxes to fund programs, activities, and support services that the state is not required to fund under its constitutional obligation as defined in *Seattle v. State*. The special levy property tax is the only local tax used to fund schools.

### **Funding Summary 1998–1999\***

Total State School Aid (All Programs)		\$ 4,890.0 million
Grants in aid	4,890 million	
Teacher Retirement Contributions	0 million	
FICA	0 million	
Total Local School Revenue		\$ 1,070.2 million
Property Tax	868.5 million	
Other local source tax revenue	.3 million	
Local source non-tax revenue	201.4 million	
Total Combined State and Local School Revenue		\$ 5,960.2 million
State Financed Property Tax Credits		
Attributable to School Taxes**		\$ 80.9 million

\*Amounts provided are estimates for the 1998–1999 year

\*\*Included in Total State Aid.

## II. LOCAL SCHOOL REVENUE

### Property Tax

For 1998–1999, local special levy property taxes accounted for a total of \$868.53 million for general operating funds. This is the major source of local revenue for schools, accounting for 81.2% of total local school revenue. This dollar amount does not include debt service, transportation, or capital projects.

The state legislature has given school districts authority to levy local property taxes (known as special levies) to fund programs, activities, and support services that the state is not required to fund under its constitutional obligation (*Seattle v. State*). The special levy property tax is the only local tax source used to fund schools. Four fund types of levies exist: (1) maintenance and operations levies are multi-year levies (one to four years) used for the day-to-day operations of the school district; (2) debt service levies are multi-year levies used to pay principal and interest on general obligation bonds sold to finance school construction and remodeling; (3) capital projects levies are one to six year levies used to pay for school construction or remodeling; and (4) transportation vehicle levies are one or two year levies used to pay for school buses or other school transportation needs. In 1998, voter-approved maintenance and operations levies existed in 262 of 296 districts. Eight districts attempted to pass a maintenance and operations levy and failed, while 26 districts did not participate

For general fund levies, the state limits the district's maximum levy authority percentage. For 1998 the percentage was decreased by 2% from the prior year. For most districts, this resulted in the maximum levy authority percentage decreasing from 24% of total state and federal funds to 22%. As a result of this decrease in levy authority, the total amount generated from local special property tax levies for maintenance and operations is lower than in prior years. A change in state law has resulted in a restoration of the 24% amount as the maximum levy authority for 1999 and thereafter.

All taxable property must be valued at 100% of its market value. Tax rates are expressed in terms of dollars per thousand valuation. In 1998, the state average assessed valuation per FTE student was \$376,367 and the state's average levy rate was \$2.40 per thousand valuation. This resulted in an average general fund levy revenue per FTE student of \$902 for 1998.

All timber growing on privately owned land is exempt from property taxes. In lieu of the property tax, private timber is subject to an excise tax at the time it is

harvested; tax revenues on private timber are distributed to the local taxing districts containing harvestable timber. In 1998, this tax generated \$5.36 million for maintenance and operations of eligible school districts, which was applied towards the districts' local special levy amounts, thereby lowering the special levy property tax rates in these districts.

### **Local Source Non-Tax Revenue**

The primary sources of local non-tax revenue (approximately \$201.4 million in 1998–1999) for school districts are investment earnings and food service fees. By investing the proceeds of school funding allocation payments in U.S. government securities for the period of time before payments must be made to contractors, suppliers, and district employees, school districts will generate an estimated \$23.6 million in interest during 1998–1999. Student fees for school lunches, breakfasts, and milk are estimated to produce \$88.95 million in 1998–1999.

**Income Tax:** None.

**Sales Tax:** None.

## **III. TAX AND SPENDING LIMITS**

### **State Limits on Expenditures**

Initiative 601, the state's limit on the growth in general fund spending, was adopted by the voters in 1993 and went into effect in 1995. This initiative imposes a limit on the state's general fund expenditures, restricts the legislature's ability to raise taxes and fees, provides for a required reserve fund, and restricts the ability of the legislature to transfer program costs to local governments. This limit is equal to a three-year moving average of the rates of population growth and inflation. The estimated limit for the 1999–2001 biennium is \$20.6 billion. The spending limit can be increased at a rate over the previous year that is not greater than the sum of population growth and inflation. If state revenues exceed that limit, the excess is deposited into an Emergency Reserve Fund. If and when that fund reaches 5% of projected biennial general fund revenues, the excess revenues are to be deposited into a separately maintained Education Construction Fund. In order to exceed the spending limit, a two-thirds vote of both houses and the majority vote of the people at a general state election are required. Initiative 601 also requires that any mandates on local governments for “new programs or increased levels of service under existing programs,” be accompanied by a specific appropriation to cover the costs of the mandate.

### **Limitations on Regular Property Tax Levies**

The Washington Constitution (Article VII, Section 2) limits the regular property taxes paid by any taxpayer to 1% of the market value (school district special levies are exempt). Since 1975, the state legislature has further controlled regular property taxes by setting the authorized limit (0.915%) below the constitutional limit. In addition, the state law curbs the growth of any taxing district's regular property tax revenue to no more than 6% above the highest level reached in the last three years, exclusive of new construction.

### **Limitations on Special Levy Property Taxes**

The state legislature limits voter-approved school district maintenance and operations (M&O) special levies to a fixed percentage of state and federal revenues received in the prior school year. The original "levy lid," passed in 1977, sought to limit a school district's M&O special levy authority to 10% of each school district's state basic education allocation received in the prior school year. Since 1978, the legislature has repeatedly amended the Levy Lid Act of 1977 through the following strategies: (1) expanding the definition of state funding applicable to the limit, (2) making special allowances for districts experiencing declining enrollment, (3) extending the "leveling down" period for districts to meet the levy lid requirements, and (4) "temporarily" freezing levy lid amounts. During the period from 1980–1998, the Levy Lid Law has been amended 12 times. In 1987, the levy limit was changed from 10% to 20%. Under current law, districts can raise local levy amounts up to 24% of their state and federal allocation.

### **Provisions for Voter Approval**

Local school boards may ask voters to impose a special levy property tax to generate a specific dollar amount. (See Special Levy Property Tax above for an explanation of the four types of special levies.) Levy approval requires two elements: (1) voter turnout equal to at least 40% of the previous general election total in the district (validation), and (2) a favorable margin of at least 60% of the votes cast on the special levy proposal (passage). The state's voters passed a constitutional amendment granting an exception to the validation rule in 1973 for maintenance and operations (M&O) and vehicle transportation levies only. If the voter turnout in these two types of levy elections does not equal 40% of the previous general election total, the measure can be validated if the number of "yes" votes cast on the proposition is equal to at least 24% (i.e., 60% multiplied

by 40%) of the total votes cast in the previous general election. This exception to the validation requirement was added to discourage “no” voters from attempting to defeat an M&O or transportation vehicle levy by failing to vote. If the voters do not pass the first special levy request, a school district may submit it to the voters a second and final time during the same levy election year (calendar year for bond levies, 365-day year for other levies).

#### **IV. EARMARKED STATE REVENUE**

The Common School Construction Fund consists of proceeds from the sale of renewable resources from the 1.3 million acres set aside to fund education at the time of Washington’s admission to the union in 1889. A state property tax for schools (based on \$3.60 per \$1,000 assessed valuation adjusted by the county indicated ratio) is deposited into the state’s general fund for the support of schools. Property tax revenues are not specifically earmarked for K–12 public education; however, approximately 46% of state general fund spending is for K–12 education.

The state of Washington also operates a lottery. Proceeds from the lottery are deposited into the state's general operating fund, and consequently are not specifically earmarked for K–12 public education.

#### **V. BASIC SUPPORT PROGRAM**

##### **Basic Education Allocation Formula**

**Estimated funding in 1998–1999:** \$3,571.4 million.

**Percentage of Total State Aid:** 73.0%.

**Nature of Program:** Full state funding for basic education. (WASH. REV. CODE §§ 28A .150, 28A.510.)

**Allocation Units:** Staff—Certificated instructional, certificated administrative, and classified.

**Local Fiscal Capacity:** Certain local and federal revenue is equalized and used to fund basic education. Such revenue amounts to less than 1% of total funds provided.

**How Formula Operates:** The basic education allocation formula uses each school district's full time equivalent (FTE) basic education student enrollment data to calculate: (1) basic education certificated instructional staff formula units, (2) basic education certificated administrative staff formula units, and (3) basic education classified staff formula units. These staff formula units are then multiplied by the district's state-recognized basic education salary and benefits level to generate the district's allotment for basic education staff formula unit salaries. Allocations for non-employee related costs (e.g., books, supplies, heat) and substitute teachers are also made to each district.

Certificated Instructional Staff Formula Units. The number of basic education certificated instructional staff formula units generated per 1,000 FTE students varies by program (regular education, vocational education, and skills centers) and, within the regular education program, by grade level (K–3 and 4–12). In the regular education program, school districts were funded at 46 staff units per 1,000 FTE students (1 staff unit per 21.74 students) enrolled in grades 4–12. Allocations for staff units in grades K–3 depended upon the actual basic education instructional staff-to-student ratio maintained by the district in these four grades, with a maximum set at 54.3 staff units per 1000 students (1 staff unit per 18.42 students). In the secondary vocational program, school districts are funded for 1 staff per 19.5 students; those districts operating skills center programs (i.e., schools offering advanced vocational programs for students from a number of school districts) are funded for 55.2 staff units per 1,000 FTE students enrolled in these schools.

Certificated Administrative Staff Formula Units. The number of basic education certificated administrative staff units generated per 1,000 FTE students varies by program only. In the regular education program, school districts are funded for 4.0 staff units per 1,000 FTE students. In the secondary vocational program and in the skills center program, school districts are funded for 4.8 staff units per 1,000 FTE students.

Classified Staff Formula Units. School districts are funded for 16.67 basic education classified staff units per 1,000 students enrolled in regular education, secondary vocational, and skills center programs.

To determine each school district's allotment for formula unit salaries, its total number of staff units is multiplied by the district's state-determined salary and fringe benefits level for each category of staff: certificated instructional staff, certificated administrative staff, and classified staff.

Since 1981–1982, the state has limited the authority of local school boards to determine teacher compensation by prohibiting school districts from providing teachers with an average salary that exceeds the average allocated salary provided in the state funding formula. The legislature allowed districts to exceed these salary limitations only by separate contracts specifying payment for additional time worked, additional responsibilities, or as incentives.

In 262 of the 296 school districts, the state determines the certificated instructional staff unit salary level by using a statewide salary allocation schedule to generate an amount for each of the district's units, based on each district's actual basic certificated instructional staff unit's education and experience. The staff unit salary levels in the other 34 districts have been grandfathered with average salary levels that are between 0.07% and 6.3% higher than the amount that would be generated by the statewide salary allocation schedule.

In addition to the 1998–1999 salary allocations, the state provided: (1) \$4,029 per certificated and classified staff unit for insurance benefits, (2) \$8,053 per basic education certificated staff unit for non-employee related costs (e.g., books, supplies, heat); (3) \$19,775 per secondary vocational staff formula unit for non-employee related costs, (4) \$15,344 per skills center certificated staff formula unit for non-employee related costs; and (4) \$365.28 per certificated instructional staff formula unit for substitute teachers.

**State Share:** State resources for basic education account for approximately 83.2% of total basic education expenditures.

**Local Share:** Local resources contributed approximately 14% of resources for basic education expenditures. Certain school districts receive federal and state forest funds. These funds are treated as local deductible revenue, and the state reduces the basic allotment for those districts equal to the amount of forest funds each district receives.

**Weighting Procedures:** There is some weighting by grade level (described above) for allocations for certificated instructional staff units.

**Adjustments for Special Factors:** Additional staff formula units are provided to school districts that: (1) operate schools that have FTE enrollments under 100 or operate “remote and necessary” K-8 schools with under 100 FTE enrollment; (2) operate “remote and necessary” schools having grades 9–12 FTE enrollment under 25; (3) operate no high schools and have total FTE district enrollments between 50 and 180; or (4) operate not more than two high schools with total



grades 9–12 FTE enrollments under 300 in each high school (alternative schools are excluded). Additional allocations are also provided to any school district with at least 250 students that experiences an enrollment increase of more than 5% in any calendar month during the period September through May.

**Aid Distribution Schedule:** The state disperses aid payments to school districts on the following schedule:

<u>Month</u>	<u>% of Total Aid Dispersed</u>
September	9.0
October	9.0
November	5.5
December	9.0
January	9.0
February	9.0
March	9.0
April	9.0
May	5.5
June	6.0
July	10.0
August	10.0

**Districts Off Formula:** None.

## VI. TRANSPORTATION

**Estimated funding in 1998–1999:** \$182.8 million.

**Percentage of Total State Aid:** 3.7%.

**Description:** Each school district electing to provide student transportation to and from school receives an allocation that is intended to fully fund transportation on school buses or contracted transit for all eligible students who actually ride the bus. The basic allocation formula is based on (1) the number of students transported; (2) the distance from the bus stop to the school (measured along a straight line between the two points); (3) a minimum funding level for school districts that cannot achieve cost-effective bus operation due to reasons beyond their control; (4) adjustments for bus routes that serve the handicapped; (5) adjustments for small fleets (10 buses or less); and (6) adjustments for special types of transportation vehicles. Excluded from allocation formula calculations are field trips, extended day, or activity runs and extracurricular transportation.

The state also supports the purchase of new school buses and the rebuilding of existing buses. Beginning in September 1982, each bus has been placed on a depreciation schedule that generates an annual state payment to the district equal to a fraction of the bus's value. The schedule is designed to provide the district with sufficient funds to replace these buses when they reach the end of their useful lifetimes.

**State Share:** 100% of the formula-generated allocation. The state is required to fully fund transportation costs that are beyond the control of the district.

**Local Share:** Local districts receive (if positive) or pay (if negative) the difference between the amount allocated by the state formula or bus depreciation schedule and the actual expenditures incurred in providing student transportation or buying new school buses. In 1997–1998, local resources contributed 30.3% of total transportation expenditures.

**Extent of Participation:** 293 of 296 districts.

## VII. SPECIAL EDUCATION

**Estimated funding in 1998–1999:** \$464.3 million.

**Percentage of Total State Aid:** 9.5%.

**Description:** In 1995, the legislature revised the state special education funding formula for children with disabilities as a result of a 1994 study conducted by the Institute for Public Policy and the Legislative Budget Committee and aided by the Office of the Superintendent of Public Instruction and a statewide task force examining special education funding alternatives. In prior years, the funding allocations were based on differential rates determined by the handicapping conditions of enrolled students, and special education students were “backed out” of basic allocation allotments. Beginning in 1995–1996, special education funding is over and above the full basic education allocation. The special education formula consists of an allocation for students with disabilities aged 3–21 plus an allocation for students with disabilities aged birth through 2 years. The allocation for students with disabilities aged 3–21 sets an overall spending cap equal to 12.7% of the total student population. The formula for 1998–1999 is as follows: (a) the annual average headcount of birth through age 2 special education enrollment, times the district's 1998–1999 basic education allocation, times 1.15, plus (b) the annual average FTE basic education enrollment, times the district's

enrollment percent, times the district's 1998–1999 basic education allocation rate per student, times 0.9309.

The new formula is designed for allocation purposes only and does not proscribe a pattern of special education service delivery other than that which is determined by individual education programs. In 1995, the legislature also required that a special education “safety net” system be developed and implemented to provide a process whereby districts which have demonstrated needs for funding special education programs beyond that which is provided through the basic allocation could request additional funds. Conditions under which a district may apply for safety net funds are: (1) the need to maintain funding at 1994–1995 levels, either on an aggregate or a per pupil basis (whichever is less), (2) the number of special education students exceeds the state-funded percentage, (3) unusual concentrations of disabilities and needs in the district, and (4) the presence of one or more high-cost individual student(s).

**State Share:** 100% of the formula-generated allocation. The state is required to fully fund a special education program for handicapped children.

**Local Share:** Local districts fund the difference between the formula-generated allocation, the safety net allocations, if any, and actual expenditures for state-funded special education programs.

**Extent of Participation:** Most districts participate either individually or as part of a cooperative.

## VIII. COMPENSATORY EDUCATION

**Estimated funding in 1998–1999:** \$62.8 million.

**Percentage of Total State Aid:** 1.3%.

**Description:** The Learning Assistance Program (LAP) provides funding for a state compensatory education program targeted at low performing students in grades K–9. The LAP funding factors for the 4th and 8th grade are low-quartile percentages and the district's poverty percentage. For the K–6 component of the program, the most recent five year weighted average percentage of the district's students scoring in the bottom quartile of the state's 4th grade basic skills test is multiplied by the district's projected FTE enrollment in grades K–6 to determine the maximum number of LAP students in a district. The same process is used for the grade 7–9 component of the program, except that the district's average

performance on the state's 8th grade basic skills test is multiplied by the district's projected FTE enrollment in grades 7–9. In 1998–1999, the allocation formula provided \$390.32 per LAP student for those districts who were at or below the state's average poverty percentage of 31% of students receiving free or reduced-price lunch. For districts whose poverty percentage is above the state average, additional dollars are allocated per FTE student on a pro-rated basis in proportion to the percentage which is in excess of the state average percentage.

**State Share:** 100% of the formula-generated allocation. The state is required to fully fund a remedial assistance program.

**Local Share:** Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for state-funded compensatory education programs.

**Extent of Participation:** 284 of 296 districts.

## IX. GIFTED AND TALENTED EDUCATION

**Estimated funding in 1998–1999:** \$6.3 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** Funding for highly capable student programs is provided for up to 2% of a district's current FTE enrollment. In 1998–1999, the allocation formula provided school districts with highly capable student programs \$319.51 per funded student (WASH. REV. CODE §§ 28A .150 and 28A.185).

**State Share:** The state is not required to provide financial assistance for gifted programs.

**Local Share:** Local districts fund the difference between the formula-generated allocation and actual expenditures for gifted and talented programs. Many districts use state block grant money to help fund this program.

**Extent of Participation:** 257 of 296 districts.

## **X. BILINGUAL EDUCATION**

**Estimated funding in 1998–1999:** \$33.3 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** The Transitional Bilingual Program provides funding to school districts to implement programs of bilingual education for students who qualify. The funding is intended for those with greatest need; therefore, not all students who have a primary language other than English are eligible. Eligible pupils are those with a primary language other than English whose English language skills are sufficiently deficient or absent and consequently impair learning. Pupils are assessed by districts and must be reassessed annually to remain in the program. Eligibility ends when a student scores above the 35th percentile in reading and language arts. In 1998–1999, the allocation formula provides school districts with \$664.91 per eligible student for transitional bilingual education.

**State Share:** 100% of the formula-generated allocation. The state is required to fully fund a bilingual education program.

**Local Share:** Local districts fund the difference between the formula-generated allocation and actual expenditures for transitional bilingual programs.

**Extent of Participation:** 180 of 296 districts.

## **XI. EARLY CHILDHOOD EDUCATION**

No specific state allocation formula exists for funding early childhood education. Districts may choose to fund early childhood education programs from local education enhancement dollars (see next section on Other Categorical Programs) or other local funds. State aid for the education of handicapped preschool children (aged birth through 5) is provided through the state's special education funding formula (see previous section on Special Education).

## **XII. OTHER CATEGORICAL PROGRAMS**

### **Local Effort Assistance**

**Estimated funding in 1998–1999:** \$86.3 million.

**Percentage of Total State Aid:** 1.8%.

**Description:** In 1987, the legislature added an additional component of state funding called local effort assistance, or levy equalization aid. Local effort assistance (LEA) provides a guaranteed yield for local levies to those districts which levy above-average local tax rates to compensate for low property tax wealth. Funds are distributed according to a formula which is driven by the extent to which a district's local tax effort exceeds the state average tax effort for a levy equal to 10% of the levy base. To be eligible for local effort assistance, the district must first certify a special property tax levy. The tax rate a school district would be required to levy to collect an amount equal to 10% of its levy base must be greater than the tax rate that would be needed to raise 10% of statewide levy base if the statewide average assessed valuation was used as the tax base (with all property valuations adjusted to 100% of market value). The state provides the district with the difference between the amount raised by the lower statewide rate and percent rate used by the district. Districts with approved local school district special levy amounts that are less than the district's share of the 10% levy amount receive a pro-rata portion of the maximum local effort assistance amount. LEA payments to school districts began in January 1989. LEA allocations are paid into the district's general fund and may be used for any general fund program or purpose.

**State Share:** 100%.

**Local Share:** None.

**Extent of Participation:** In calendar year 1998, a total of 189 of the state's 296 districts received LEA funds. Twenty-five more districts were eligible to receive the assistance but did not pass a local special levy for maintenance and operations in order to qualify for state matching funds.

### **Local Education Program Enhancement**

**Estimated funding in 1998–1999:** \$55.7 million.

**Percentage of Total State Aid:** 1.1%.

**Description:** Local education program enhancement funding is a state block grant that must be expended to meet identified educational needs of the school district. The allocation consists of two components: student learning improvement and local program enhancement. The student learning allocation must be spent in school buildings for building-based planning, staff development, and other

activities to improve student learning. In 1998–1999, the maximum student learning improvement allocation was \$36.69 per FTE student. The local program enhancement allocation in 1998–1999 was \$28.81 per FTE student for school districts enrolling more than 100 FTE students, with school districts enrolling less than 100 FTE students receiving funding for a minimum of 60 FTE students in grades K-6, 20 FTE students in grades 7 and 8, and 60 FTE students in grades 9–12.

**State Share:** State funding for local education program enhancement is subject to recovery if unexpended during the year in which it is allocated. State funding for local education program enhancement accounted for 72.4% of total local education program enhancement expenditures (\$60.7 million of \$83.8 million).

**Local Share:** Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for local education program enhancement.

**Extent of Participation:** 293 of 296 districts.

### **Institutional Education**

**Estimated funding in 1998–1999:** \$23.4 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** A year-round program is provided by local school districts for children in certain facilities. Institutional education funds are provided to the school districts which operate the programs. The types of institutions which are funded are residential habilitation centers, state group homes, institutions for juvenile delinquents, and county detention centers. The allocation formula converts each facility's student enrollment data into (1) basic education certificated instructional staff formula units, (2) basic education certificated administrative staff formula units, and (3) basic education classified staff formula units in a manner similar to the basic education allocation formula, but with more staff provided per student, and with an adjustment to provide for the longer school year.

**State Share:** 100% of the formula-generated allocation.

**Local Share:** Local districts are not responsible for any expenditures for institutional education programs.

**Extent of Participation:** 26 of 296 districts.

### **Traffic Safety Education**

**Estimated funding in 1998–1999:** \$8.1 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** Traffic Safety Education allocations are provided to schools which offer at least a minimal course in traffic safety education for high school youth. School districts may supplement this allocation with fees paid by participating students or with revenues from other sources. In 1998–1999, the allocation formula provided school districts with \$137.16 per student completing a traffic safety education program. An additional \$66.81 was provided for low-income students completing the program if the district reduced the student's fee.

**State Share:** State funding for traffic safety education programs is subject to recovery if unexpended during the year in which it is allocated.

**Local Share:** Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for traffic safety education. Most of the local funding comes from student fees.

**Extent of Participation:** 245 of 296 districts.

### **School Food Service**

**Estimated funding in 1998–1999:** \$6.2 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** In 1998–1999, the allocation formula provided school districts with \$0.04 per lunch and \$0.15 per free and reduced price breakfast served to students under the National School Lunch Program.

**State Share:** The state is not required to provide financial assistance for school food service programs. The National School Lunch Program, though, requires a matching effort in state funds. The state allocation for 1998–1999 meets the required match.



**Local Share:** Local districts are responsible for the difference between the amount provided by federal allocations, state allocations, and student fees and the actual expenditures for school lunch programs.

**Extent of Participation:** 271 of 296 districts.

### **XIII. TEACHER RETIREMENT AND BENEFITS**

**Funding in 1998–1999:** Included in basic support program.

**Description:** As described in Section V, Basic Support Programs and Section VII, Special Education, the state allocation formulas convert each school district's enrollment data into state-funded staff formula units that are then multiplied by the district's state-recognized salary level to generate the district's allotment for staff formula unit salaries. To provide the employers' share of retirement system contributions for state-funded formula salary allocations, both allocation formulas then multiply the district's formula salary allotments for certificated staff by 13%. School districts are responsible for the employers' share of retirement system contributions for any staff salaries not funded by the state formula or federal grants. Employee contributions vary depending upon retirement plan. In a similar manner, state formulas provide the employers' share of social security tax payments.

**State Share:** State formulas fully fund the employers' contribution to the Teacher Retirement System for all state-funded staff formula units.

**Local Share:** Local districts are responsible for the difference between the actual employers' contribution and the amount generated by the state allocation formulas and federal grants.

**Extent of Participation:** All districts participate.

### **XIV. TECHNOLOGY**

Currently, there is no state K–12 general fund category specifically earmarked for technology. Instead, the Washington State Department of Information Services is responsible for coordinating the development of the state's K-20 Network. This is a high-speed, high-bandwidth network that connects internet, videoconferencing, and satellite-delivered video programs. The effort is a collaboration of public and private K–12 schools, higher education, state government and the private sector which builds on an existing state-run telecommunications infrastructure. Since

1996, the state has appropriated \$62.3 million to construct the network. Phase one was completed in September 1997 at a cost of \$23.2 million. Phase one connected the main campuses of the state's higher education system and the nine regional education service districts. Phase two began in July 1998 and will connect the state's K-12 school districts, with an anticipated completion date in the year 2000. Subsequent phases will add public libraries, state and local governments, and community resources centers to the network.

In addition to the K-20 network, the Superintendent of Public Instruction sponsors a number of competitive grant awards for innovative uses and technology, and also assists districts in developing the local technology plans required for districts in order to qualify for the federally-sponsored e-rates.

**State share:** 100% of allocation for the K-20 network. Beginning in 1999-2001, a general fund category for the costs of the K-12 portion of the K-20 network will be added to the K-12 operating budget for statewide education programs.

**Local share:** Local districts use a combination of local levy dollars, local program enhancement funds, grant monies, and local public-private partnerships for the purchase of technology-related equipment and services.

**Extent of Participation:** All districts participate.

## **XV. CAPITAL OUTLAY AND DEBT SERVICE**

### **State Aided Programs**

**Estimated funding in 1998-1999:** \$200.3 million.

**Percentage of Total State Aid:** 4.1%.

**Description:** Funding for capital projects is generated primarily through bond sales by local school districts, investment earnings on the proceeds from these sales, and through a state matching program for school construction and modernization. Since 1965, state revenues have come from a constitutionally dedicated source, the Common School Construction Fund. These revenues have come from the sale of renewable resources, primarily timber, from state school lands set aside to fund education by the Enabling Act of 1889. The 1965 funding change allows the sale of bond issues when there are insufficient monies in the Common School Construction Fund to meet authorized appropriations. Such bonds are not a general obligation of the state, but are payable solely from interest

earned on the Permanent Common School Fund. Beginning in 1990, a state General Fund appropriation to the School Construction Fund has been added by the state legislature. These appropriations stemmed from revenue generated by the sale of general obligation bonds and common school property transfer transactions.

The amount of state aid that a district is entitled to is determined according to a statutory formula. The formula establishes a relationship between the adjusted assessed valuation per pupil in the individual district and the statewide adjusted assessed valuation per pupil, thus in effect measuring the district's wealth per pupil. The resulting distribution pattern provides state assistance on building projects from a hypothetical maximum of 100% of the cost in the least wealthy districts to a low of 20% in the wealthiest districts. Additional percentage points to a maximum of 20% are provided to districts that have experienced growth during the latest three-year period computed as 1% additional for each 1% of growth. Districts qualify for state aid based on two criteria. The first is need, as expressed by unhoused pupils (usually resulting from enrollment growth). If a district can document a need based on program or facility condition, and the facility is at least 20 years old, it can also qualify for assistance on a modernization project. The second criteria is that districts must have obtained sufficient local funding for the district's cost of the capital project(s), either by bond issue, other capital revenue sources, or a combination of revenue sources. Statutory school construction standards require a minimum bonded indebtedness or a combination of authorized bond issues and building fund levies equal to 2.5% of the assessed valuation in the school district at the time of allocation of the matching funds. The requirement has been waived in the past due to record high property assessment levels.

If state aid is insufficient to meet local school district requests, a priority system is imposed. A priority system has been imposed since 1984. The priority system uses a single scale of values and ranks both growth-related projects and condition-related projects (modernization, replacement of condemned facilities, and new construction in lieu of modernization) within the same system. The total possible points that can be received by a growth-related project are 90, while the maximum a condition-related project can receive is 75 points. Up to five points can be earned by districts that have adopted a modified school calendar or schedule that enables more students to use school buildings each year.

**State Share:** The state funding formula for school construction projects is designed to provide a district whose assessed property valuation per pupil is equal to the state average with state support for 50% of eligible construction costs.

**Local Share:** Local districts are responsible for the difference between the amount generated by the state matching formula and the actual expenditures incurred. Estimated revenues for capital outlay in 1998–1999 from local tax and non-tax sources amount to \$226.8 million.

**Extent of Participation:** All districts participate.

## **XVI. STANDARDS/ACCOUNTABILITY MEASURES**

The Education Reform Act of 1993 mandated that the state establish student learning standards, develop statewide performance-based assessments specific to the learning standards, and design an accountability system which would hold the state, local school districts, and individual schools responsible for the improvement of student learning. New learning standards for students have been developed in core subject areas, and the state's performance-based assessments became mandatory for fourth graders in 1997. Assessments in grades 7 and 10 are not yet mandatory. Accountability standards based on results from the new statewide assessments were recommended to the legislature in 1998–1999, and the state has commissioned a task force to finalize accountability standards during the 1999-2000 legislative session. Funding for activities specific to the development of standards and assessments is included as part of the state general fund allocation to districts entitled Education Reform. In 1997, the first results from the new fourth grade assessments indicated that 34% of Washington's fourth graders performed significantly below the reading standards. In partial response to this indicated need to improve performance in reading, the state established the Successful Readers Program in 1998. Both of these state-funded programs are described below.

### **Education reform**

**Estimated funding in 1998–1999:** \$22.2 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** Funding for education reform activities includes expenditures for the development of the state's performance-based assessments in grades 4, 7, and 10.

**State share:** The state funds 100% of the allocation for the development of standards and assessments.

**Local share:** Local school districts use funds from basic education, the Learning Assistance Program, the local program enhancement funds (see previous descriptions of these programs), and other local sources to fund education improvement activities.

**Extent of participation:** All districts participate.

### **Successful Readers**

**Estimated funding in 1998–1999:** \$17.0 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** The Successful Readers Program provides two types of funding: \$9 million for professional development and related instructional materials in beginning reading instructional strategies and \$8 million for grants to elementary schools interested in providing programs that use volunteer tutors and mentors to assist struggling readers in grades K-6. The program requires that strategies used be research based and have proven effectiveness in improving student performance. Districts in which less than half of students meet the reading standards have first priority for funding.

Beginning in 1999-2000, school districts will receive an allocation for three additional days for certificated instructional staff according to the procedures set by the statewide salary allocation schedule. The three extra days are to be used for “activities related to improving student learning consistent with education reform implementation.”

## **XVII. REWARDS/SANCTIONS**

In 1999, legislation was passed to create an Academic Achievement and Accountability Commission. The commission is to: adapt and revise improvement goals, identify the passing standard for new assessments, establish criteria for schools/districts that should be recognized and that are in need of additional assistance, identify schools in which state intervention is needed, and implement other responsibilities related to the establishment of accountability measures. By September 2000, the commission is to recommend state intervention policies, additional assistance measures, and rewards for successful schools and school districts. The legislation also calls for the creation of measures designed to assist teachers and schools in meeting standards, including summer institutes, extra days

for professional development, and support teams to assist struggling schools. A total of \$142 million was provided in the 1999–2001 budget related to these activities.

### **XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS**

In November 1996, voters in Washington considered two ballot initiatives related to the establishment and funding of non-traditional public schools. One initiative called for the establishment of charter schools and the other called for the establishment of a state-supported school voucher program. Both initiatives were defeated. No additional initiatives have been considered since then, nor has any legislation been approved to consider funding for non-traditional public schools.

### **XIX. AID FOR PRIVATE SCHOOLS**

No state aid provided.

### **XX. RECENT/PENDING LITIGATION**

No litigation activity regarding the state's school funding provisions has occurred since 1983. No litigation is pending at this time.

### **XXI. SPECIAL TOPICS**

During the 1997–1999 biennium, the legislature commissioned a study of K–12 education finance to be conducted by the Joint Legislative Audit and Review Committee. The study, to be completed by June 30, 1999, is to broadly examine issues of interdistrict equity, school district expenditure patterns, and the rationale and potential uses of school-level data.

During the 1999 legislative session, significant attention was focused on the issue of teacher salaries. The 1999-01 biennial budget provides for a 6% base salary increase for all cells in the statewide allocation schedule (3% in 1999–2000 and 3% in 2000-2001), with additional increases for beginning teachers, teachers with 1–4 years of experience, and adds an additional experience step at 16 years.