

School Funding 101: Introduction to how Washington funds education

By LAUREN TAKORES staff writer | Posted: Friday, April 25, 2014 2:00 pm

School funding is complex. How much money school districts receive is determined by student enrollment, along with other formulas that involve state, federal and local funding.

It's been complicated by the McCleary decision, a 2012 state Supreme Court ruling, which found the Legislature was not fulfilling the state constitution's "paramount duty" to "amply fund K-12 education." Reforms in education spending must be met by 2018, the court ruled.

Since then, the Legislature has not made significant progress, the Supreme Court noted just before the most recent Legislative session. Earlier this week, the Office of the Superintendent of Public Instruction (OSPI) proposed a plan to the Supreme Court addressing staff compensation, class size, instructional hours and cost estimates.

While the state Legislature wrangles with the McCleary decision, the Ellensburg School Board is set to review the 2014-15 school budget, which has its own challenges.

Local funding

The bulk of Ellensburg School District's \$27 million budget is funded through state and federal funds and grants and local property taxes. Gifts and fundraisers make up a small percentage of the total.

School districts are allowed to collect local property taxes through voter-approved levies. These levies can be maintenance and operations, debt services fund, transportation vehicle fund and capital project fund. Maintenance and operations levies make up about 20 percent of local school districts' budgets. In Kittitas County, levies make up as much as 25 percent of budgets. Under state law, the district cannot use a local sales tax to fund education.

Ellensburg voters approved a two-year property tax levy extension in February this year. The total levy for tax year 2015 will be \$7,350,342 and \$7,413,172 in 2016. The current approved levy is \$6,432,331. As part of the plan presented to voters, the district said the increased funding would go to full-day kindergarten, the highly capable program and professional development related to Common Core standards. Funds will also go toward community use of school facilities, student transportation, buildings and grounds maintenance, supplies for music programs, equipment for physical education, library services, book replacement and extra-curricular activities.

The general fund is the biggest chunk of the budget. The school district's general fund receives 67 percent of revenue from state apportionment and grants, 22 percent from the local maintenance and operations levy, 8 percent from federal grants and 3 percent from other local sources.

Staffing salaries and benefits represent 81 percent of Ellensburg's expenditures. Of the remaining materials, supplies and operating costs, supplies and materials make up 8 percent, purchased services 10 percent and other costs, 1 percent.

State funding is tied to enrollment, and next year's draft budget is based on a projected basic education enrollment of 2,875 average full-time equivalent students, including 105 kindergartners. Kindergarten enrollment increased in fall 2013 when the district moved to full-day kindergarten. Funds also are allocated for special education students, career and technical education, transitional bilingual program alternative education and Running Start enrollment.

These numbers drive staffing, with separate administration, instructional and classified staff units. The district is proposing new positions next year, including a high school English teacher, math and language arts teachers-on-special-assignment, a Learning Assistance Program specialist, a first-grade teacher, a kindergarten teacher, a technology education coordinator, community outreach coordinator and Learning Assistance Program paraprofessionals. Next year's staffing is proposed at 196 certificated and 112 classified positions.

Based on cash flows as of March 2014, the district's ending fund balance for the year is projected at \$1.9 million. According to district materials, the fund balance has decreased from a high of \$2.7 million because of the purchase of three portable classrooms to reduce elementary and middle school class sizes next year.

The district's "net zero" cash balance is \$700,000, and is the point where the district is broke and won't be able to pay its vendors in a timely manner. Government finance officers recommend one to two months of operating expenditures, approximately \$2.2 million to \$4.4 million for a district Ellensburg's size, according to district budget information. Based on past experience, the district aims to have a 3 percent ending fund balance of at least one month of operating expenses, approximately \$2.2 million.

In addition to the school district's general fund, a capital projects fund for major projects involving school buildings, the Associated Student Body budget for student extracurricular events, the debt service fund for handling bonds debt and interest, and the transportation vehicle fund for purchasing school buses.

State funding

Taxes are the primary sources of state revenue. The money goes into the state's general fund and the Legislature appropriates school funding from this state fund. Public school funding is the largest state expenditure.

Retail sales tax, business and occupation tax and property tax make up the three largest shares of revenue of the state general fund. Property taxes are paid locally to county treasurers, who distribute the funds. State property tax levy proceeds are deposited in the state general fund.

State funding comes in two-year operating budgets. There's funding from formulas based on student enrollment, so entitlements can rise and fall with changes. Grants are typically given as reimbursements. OSPI pays out state funds to school districts.

The basic education formula starts with student enrollment, defined as the average number of full-time equivalent students. This number is applied to the formula and determines local administration and staff units. These units are multiplied by the district's various salary levels, and a number emerges for average basic education allocation per full-time equivalent students. Therefore, allocations vary from district to district.

In addition to basic education, there's special education, which has its own allocation formula based on individual counts rather than full-time equivalent students. Other allocations include student transportation, local effort assistance (state matching funds), learning assistance program, bilingual education, highly capable program, educational service districts and school food services.

Schools also get funding from the federal Title I-Part A, a program which provides flexible funding in high-poverty schools to increase student achievement.