

K-12 SCHOOL FINANCE

SHARING
STATE AND LOCAL
RESOURCES



House Revenue Committee
February 17, 2011

K-12 Dollars Pay For

- Teaching 562,000 Students
- Operating 197 School Districts
- Operating 20 Education Service Districts



Three Levels of Equity*

- Between all school districts and all ESDs
- Between 197 school districts
- Between 20 ESDs

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SCHOOL AND ESD SHARES Total \$ Available

State School Fund

↓

-

Off-the-top Special Uses

=

State School Fund Balance Available

↓

+

School and ESD Local Revenue

↓

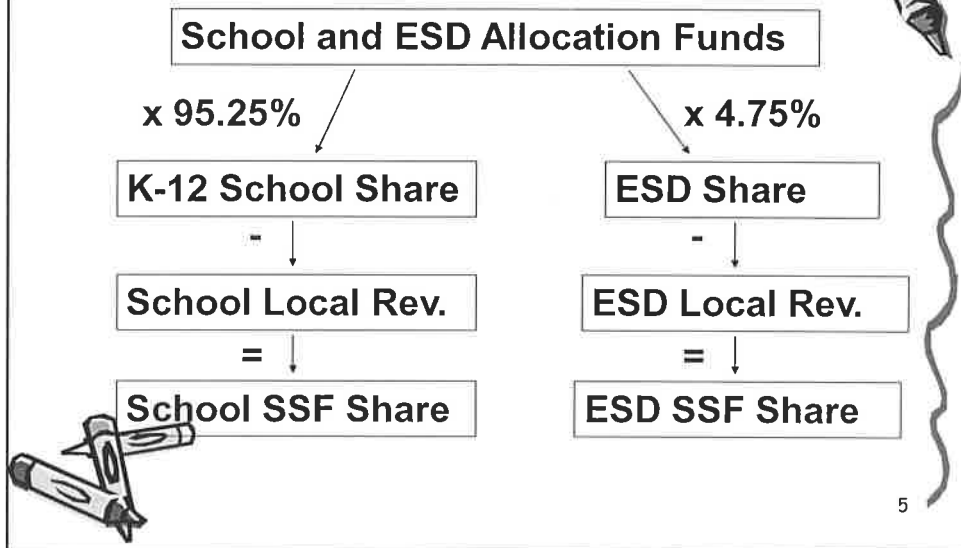
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School and ESD Allocation Funds

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K-12 SCHOOL AND ESD SHARES

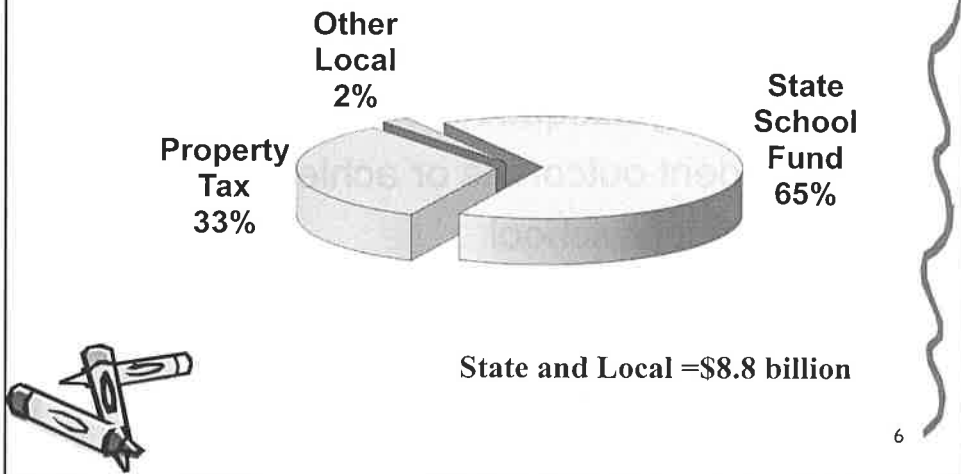
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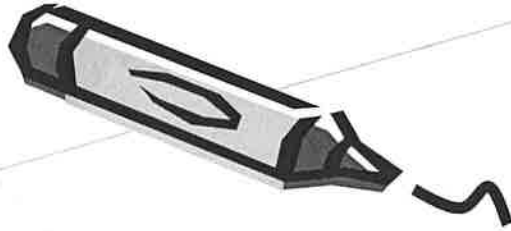
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K-12 & ESD Revenue

2009-11 Biennium (Estimate)



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K-12 SCHOOL EQUALIZATION FORMULA

State School Fund



What Funding Formula is Not About:

- General cost reimbursement
- Revenue entitlement per student
- Funding adequacy or stability
- Student outcomes or achievement
- District or school
 - Quantity of inputs
 - Program quality
 - Accountability



What Funding Formula is About

- Defining school district “equity”
- Measuring the ‘relative need’ of districts for funding, given certain student and district characteristics
- Reflecting the finance issues and court decisions in the 1980s
- Refining “equity” by legislative policy choices over time



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Distribution Principles

- **Share school funding sources statewide**
Method: Allocate all state and local operating revenue
- **Let each district decide how to spend its allocation**
Method: Give state aid in lump sum, not categorical grants
- **Adjust funding only for uncontrollable cost differences**
Method: Justify revenue differences in a rational manner
- **Avoid incentives to increase district allocation**
Method: Minimize classifications and set limits

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Equalization Formula

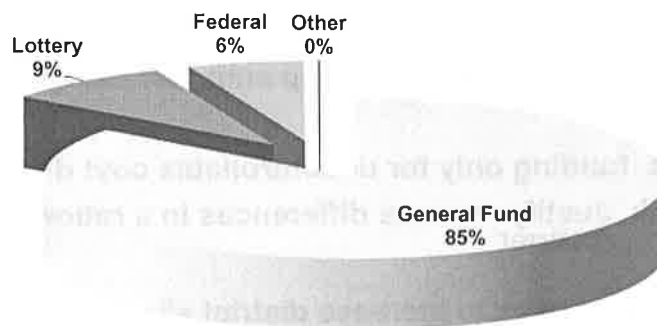
STATE REVENUE + LOCAL REVENUE

Is Distributed as

General Purpose Grant + Transportation Grant + High Cost Disability Grant + Facility Grant

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STATE SCHOOL FUND 2009-11 Biennium (as of Jan 2011)



\$5.704 billion

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State School Fund 2009-11

Appropriation also used for:

- Small High Schools (\$5 million)
- State Special Education – e.g. Long-term Care and Treatment (\$23.3 million)
- Virtual School (\$1.8 million)
- Talented and Gifted (\$0.35 million)
- Speech/Language Pathology (\$0.15 million)
- Assessment (\$0.55 million/FY) – out of ESD share



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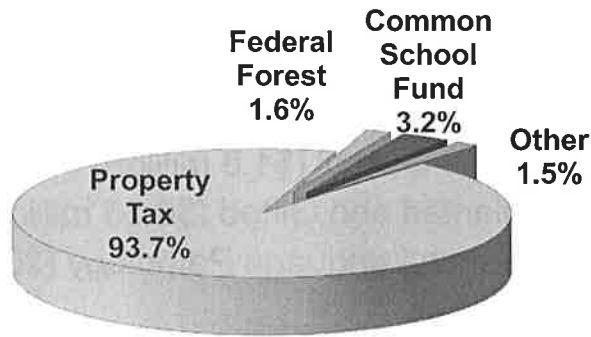
Local Revenue for Formula

- Operating property taxes collected
- Common School Fund
- County School Fund
- Federal forest related revenue
- Revenue from state managed forestlands
- Revenue *in lieu* of property taxes



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Local Revenue for Formula 2009-11 Biennium (Estimate)



\$3.088 billion

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Equalization Formula

STATE REVENUE + LOCAL REVENUE

Is Distributed as

General Purpose Grant + Transportation Grant + High Cost Disability Grant + Facility Grant

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Equalization Formula Cost Factors

- Student Cost Weights
- Teacher Experience Adjustment
- Transportation Costs
- High Cost Disability Students (03-04)
- New Facility Costs (99-00)



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Facility Grant Equals

**Up to 8% of Construction Costs
of New School Buildings**

- Prorated if biennial total exceeds \$25 mil.
- Cannot be used for construction
- Paid in school year facility first used



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Facility Grant- Construction Costs

- Limited to cost of additional classrooms from
 - new school buildings
 - additions to existing buildings and
 - pre-manufactured structures
- Does not include land acquisition cost



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High Cost Disability Grant

Equals

***Up to Sum of Eligible Costs above \$30,000
per Disability Student***

- Grant limited to \$18 million per year
- Costs prorated if total above \$18 million
- Passed in 2003 for two years at \$25,000; made permanent in 2005 at \$30,000
- Costs include ESD costs for student



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Transportation Grant Equals

70% to 90% of Approved
Transportation Costs



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Transportation Grant Percent of Approved Costs

Districts ranked by cost per
student from high to low

District Rank	% of Costs as Grant
Highest 10%	90%
Next 10%	80%
Bottom 80%	70%



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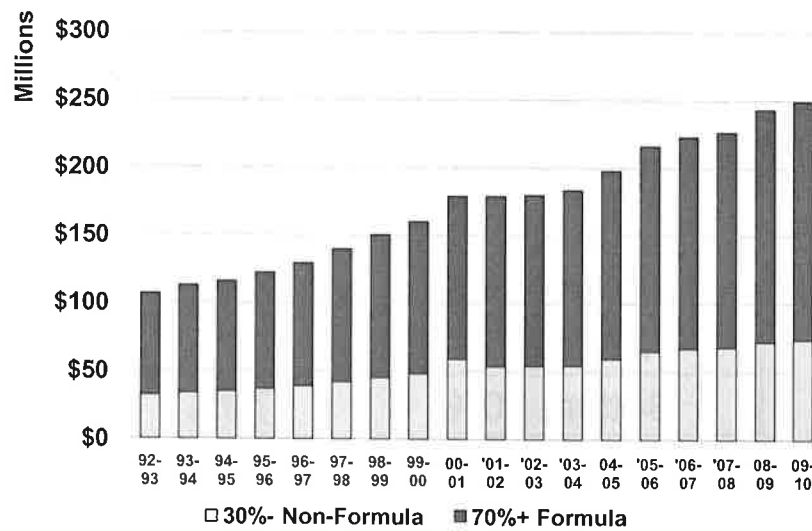
Transportation Costs

Approved costs:

- Elementary students more than 1 mile away
- Secondary students more than 1.5 miles away
- Transportation for health or safety reasons
- Between school sites
- Preschool children with disabilities
- Students on field trips
- Room and board *in lieu of* transportation

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Transportation Costs



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General Purpose Grant

Equals

Weighted Students

X

\$4,500 Adjusted by Teacher
Experience and Balanced to
Available Funds



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General Purpose Grant

Equals

$$\text{ADMw Extended} \times \left[\begin{array}{c} \$4,500 \\ \text{Target} \end{array} + \begin{array}{c} \text{Teacher} \\ \text{Experience} \\ \text{Adjustment} \end{array} \right] \times \text{Balance Ratio}$$



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Formula Student Counts

- ADM - Average daily membership
with kindergarten at half-weight
- ADMw - ADM adjusted by student cost weights
- Extended ADMw - Higher of current or prior year ADMw

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Student Cost Weights Special Education and at Risk

	Additional Weight
Individualized Education Program (IEP)	1.00
Students in poverty	0.25
English as Second Language (ESL)	0.50
Pregnant and parenting	1.00
Neglected and Delinquent	0.25
Students in Foster Homes	0.25
*Maximum additional weight allowed:	2

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IEP 1 Extra Weight ESL 0.5 Extra Weight

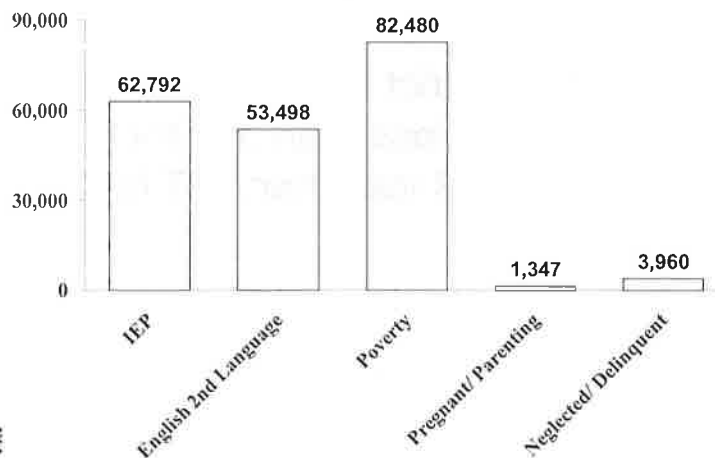
- IEP
 - IEP students are 11.8% of ADM
 - Limited to 11% of ADM without waiver
 - 42 districts below 11%; 150 above 11%
 - Waivers for about 5,000 IEP students
- ESL
 - 134 districts report ESL students
 - ESL students are about 10% of ADM

*Based on FY 2009-10 data (estimate)

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IEP And At Risk Students

(based on FY 2009-10 weights data)



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Student Cost Weights Grades and School

	Weight
Kindergarten	.50
Elementary district students	.90
Union High district students	1.20
Remote small elementary schools	Varies
Small high schools	Varies

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Small High School Qualification

- School in a district under 8,500 ADMw, and if (1) ADM less than 350 for 4 grades (2) ADM less than 267 for 3 grades
- Location unchanged since 1995
- Existed as small high school in 1999



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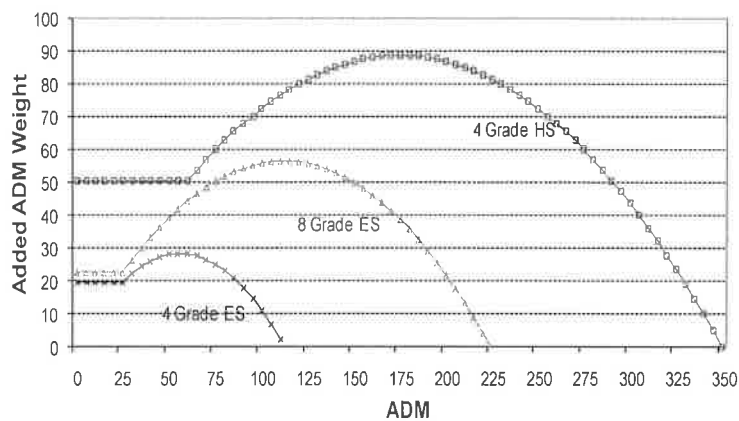
Small Elementary School Qualification

- ADM below 224 for 8 grades – ADM limit varies with number of grades
- More than 8 miles to nearest elementary (except when transportation to another school is not feasible due to physiographic conditions)
- Existed as remote small school in 1995
- Location unchanged since 1995



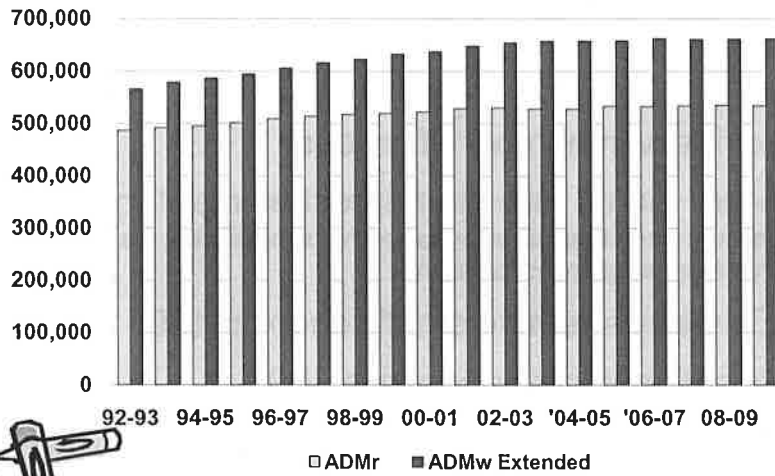
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Small School Added Student Weight



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Student Counts ADMr and ADMw Extended



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Teacher Experience Adjustment

$$\$25 \times \left[\begin{array}{cc} \text{District} & \text{State} \\ \text{Average} & \text{Average} \\ \text{Experience} & \text{Experience} \end{array} \right]$$

EXAMPLES:

$$\$25 \times (14.6 - 12.6) = + \$50 \text{ per student}$$

$$\$25 \times (11.6 - 12.6) = - \$25 \text{ per student}$$

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Equalization Formula

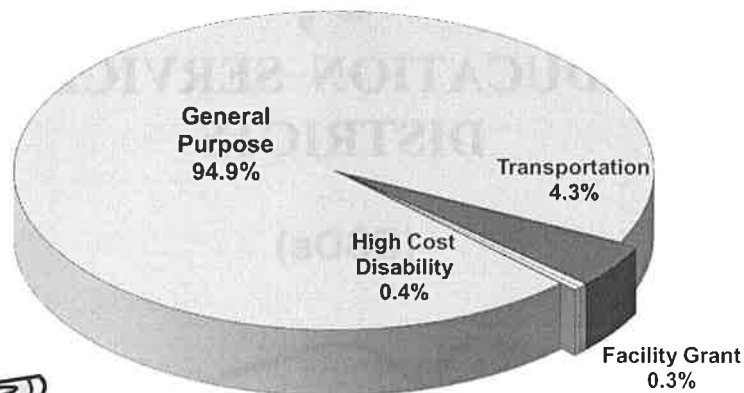
STATE REVENUE + LOCAL REVENUE

EQUALS

Student ADMw Extended	×	\$4,500 adjusted by teacher experience and balanced to total funds	+	70%-90% of Transportation Costs
+		Up to sum of Costs above \$30,000 per Disability Student	+	Up to 8% of Construction Costs

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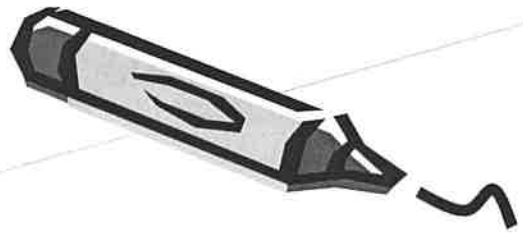
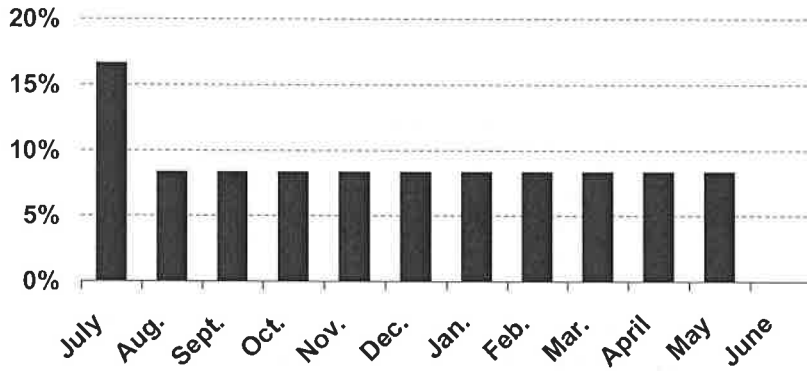
K-12 School Formula Revenue 2009-10



Total \$4.2 billion

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State School Fund Payment Schedule



EDUCATION SERVICE DISTRICTS

(ESDs)



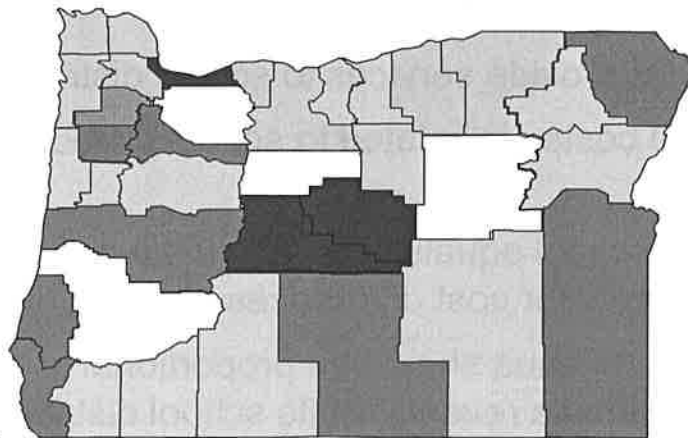
ESD Mergers

- Before 1993 merger legislation
29 county-wide ESD districts
6 counties without an ESD because
of county-wide school district
- After 1995 merger legislation
21 ESDs statewide
- Currently 20 ESDs



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ESD REGIONS



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ESD Resolution Services

- At least 90% of State School Fund and local revenues on expenditures subject to resolution services
- Resolution services require component school district approval
- Approval requires yes vote by (1) 2/3 of component school districts, and (2) with at least a majority of ADM in the ESD



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ESD Equalization General Logic

- ESDs provide services to school districts
- ESD costs are related to school district costs
- The school equalization formula weights students for cost differences
- ESD revenue should be proportional to the formula revenue of its school districts



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ESD Allocation (Starting in 2006-07)

Base
Revenue

= (4.75/95.25)% X

Sum of
Component SD
Formula Revenue

= 4.75% of SSF



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Distribution Method General Format

State Revenue + Local Revenue

EQUALS

Percent Of Component School
District Formula Revenue



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ESD Allocation (Starting in 2006-07)

State Revenue + Local Revenue

Equals

Higher of: (1) % to Balance X
Base Revenue
(2) \$1,000,000

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ESD "Equity"

- "Equity" is a percent of component school district revenue
- Equity changes when the formula changes
- Definition is a policy choice
- Definition will likely change

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ESD Revenue

