

SCHOOL FUNDING PRIMER

A. How Is Funding Allocated To Schools?

Most of the large state entitlement programs (basic education, special education, learning assistance, and bilingual) are paid through state apportionment formulas based primarily upon the reported student enrollments. Funding to a district may fluctuate in response to its actual student enrollment reported during the school year.

The basic education formula is complex. Formula factors include:

- Varying staff/student ratios for different grade levels.
- Separate staff unit allocations for administrative, instructional, and classified staff.
- Allocations for benefits and nonemployee related costs.
- Allocations for substitute teachers.
- Enhanced funding for small schools.
- Enhanced funding for vocational programs.
- Separate rates for Running Start students.

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 are held to a standard of employing at least 46 certificated instructional employees per 1000 students. School districts negotiate employee salaries and benefits in local negotiations with its employees.

State funding formulas for the other programs are simpler. The state special education allocation per student is based a percentage (100.75% for Tier 1 and 99.5% for Tier 2) of the district’s basic education allocation per student. This funding is provided for up to 13.5% of a district’s basic education population. Special education safety net funding is provided to districts that can demonstrate financial need due to high-cost individual students. 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.

B. When Does the State Distribute Funding to Schools?

The state distributes funding 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 funding to each county treasurer for each of the school districts headquartered in each county. The county treasurers are the bankers for the school districts.

C. How Do School Districts Raise Local Money?

Article 7 of the State Constitution and chapter 84.52 RCW grant school districts the authority to levy local property taxes. School districts may run a levy for a particular fund a maximum of two times in a calendar year. Unsuccessful levies may be resubmitted in subsequent years.

School district levies are of four fund types:

Excess General Fund levies are one to four year levies used for day-to-day operations of the school. Such levies are known as Enrichment levies (EP&O). State law limits school district EP&O levies to the lesser of a per pupil rate or a determined rate of assessed values in the District. For 2023 the per pupil rate is \$2988.32 and maximum tax rate is \$2.50 per 1000 of assessed values

Local effort assistance is state money paid to eligible districts that have a voter approved Enrichment Levy. These payments help school districts that have above-average tax rates due to low property valuations.

Debt Service Fund levies are multi-year levies used to pay principal and interest on general obligation bonds sold to finance school construction and remodeling. Voter approval of a bond issue authorizes the sale of bonds and the levy of taxes over the life of the bonds, which is often 15 to 30 years. Tax revenues are deposited in the Debt Service Fund.

Transportation Vehicle Fund levies are one or two year levies used to pay for school buses or other school transportation equipment.

Capital Project Fund levies are one to six year levies used to pay for school construction or remodeling.

Election Dates, Exception

Levy elections must be voted on specific dates: (Exception for acts of God)

1. The second Tuesday in February;
2. The fourth Tuesday in April (2013 and after);
3. The first Tuesday in August; and
4. The first Tuesday after the first Monday in November. (general election)

Submission

Levy ballot issues must be submitted to county auditors in the form and format they require at least 46 days prior to the election date.

Certification of Amounts

Levy amounts must be annually certified to the county legislative authority by the board of directors for districts of the first class and by the ESD superintendent for districts of the second class.

Non-voted Debt

Within the constraints of debt limitation non-voted debt may be authorized by the board.

F. 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:

- ✓ State programs funded through the apportionment process
- ✓ State grant programs
- ✓ 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). Upon adoption, the budgets are submitted to OSPI.

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 ESDs help OSPI implement state and federal policies and collect information from school districts. ESDs also assist school districts by providing cooperative services that are more efficiently performed regionally. ESD programs and cooperatives allow districts to eliminate duplication of services, realize significant savings, and receive special program funding that might otherwise be unavailable to them.

G. Additional References

For additional information on school finance, see: <https://www.k12.wa.us/policy-funding/school-apportionment/instructions-and-tools>

- “Organization and Financing of Washington Public Schools”
- “Accounting, Budgeting, and Financial Reporting Handbook”
- Accounting Manual for School Districts