



OFFICE *of*  
**PROGRAM RESEARCH**

WASHINGTON STATE  
HOUSE OF REPRESENTATIVES

# **REVENUES SUPPORTING BASIC EDUCATION IN WASHINGTON**

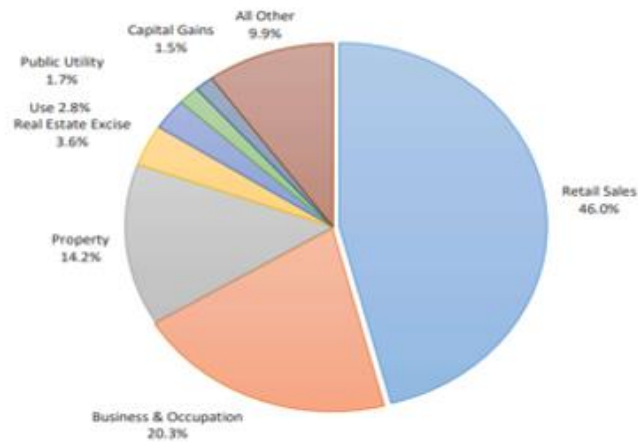
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January 11, 2024

House Finance Committee

# 2023-25 Enacted Operating Budget Revenues by Source

Near General Fund-State + Education Legacy Trust Account + Opportunity Pathways Account + Workforce Education Investment Account



Revenue Sources	
	Total
Retail Sales	30,207
Business & Occupation	13,354
Property	9,356
Real Estate Excise	2,379
Use	1,812
Public Utility	1,097
Capital Gains	966
All Other	6,530
<b>Total *</b>	<b>65,702</b>

\* Reflects the March 2023 Revenue Forecast.



# Limits to Property Taxation (a non-exhaustive list)

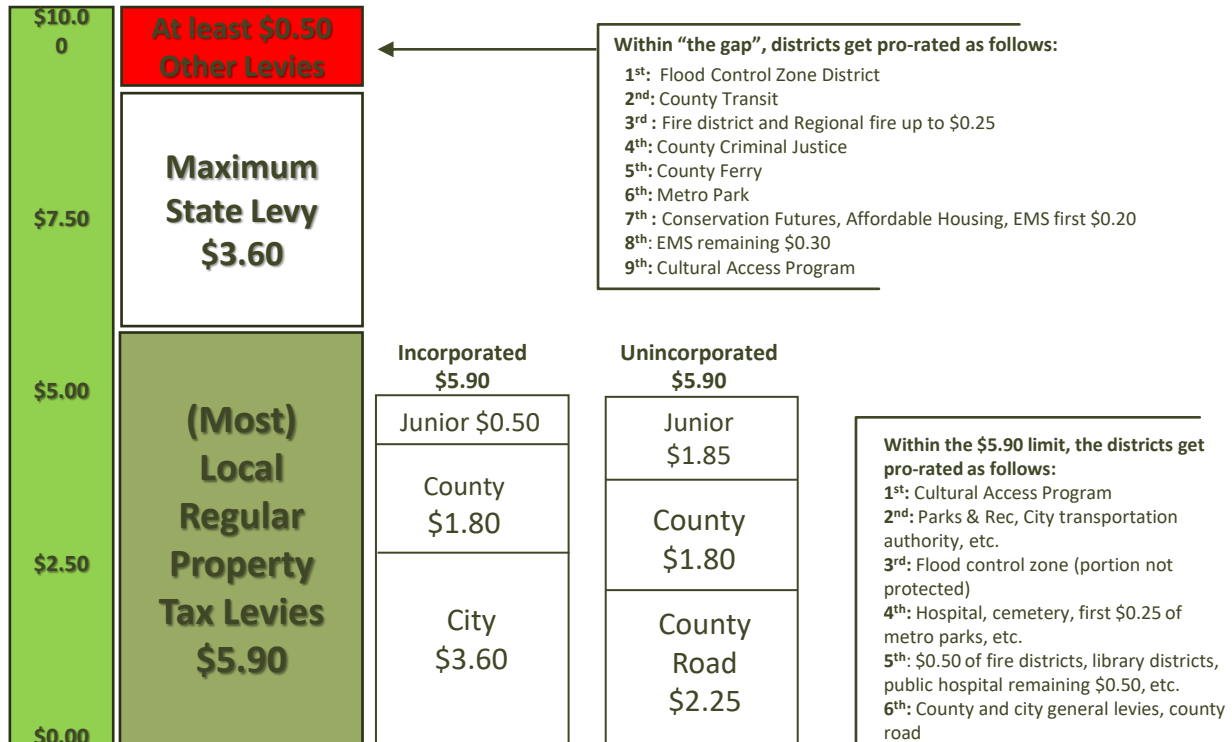
- ▮ Uniformity
- ▮ Constitutional 1% limit (\$10 limit)
- ▮ State statutory maximum rate
- ▮ 1% Revenue Growth Limit
- ▮ \$5.90 local government limit



# Constitutional 1% Limit: Regular Levy Tax Rate Allocation

Rates in \$ per thousand. Excludes excess levies such as local school levies.

## State and Local Regular Property Taxes



# Brief Summary of Key K12 Funding Cases and Legislation

## Article IX, Section 1

“It is the *paramount duty* of the state to make *ample provision* for the *education* of all children residing within its borders, without distinction or preference on account of race, color, caste or sex.”



# Brief Summary of Key K12 Funding Cases and Legislation

Seattle School District 1 & 2 (1978; 1983)

McCleary v. State (2012)

EHB 2242 (2017); E2SSB 6362 (2018); ESSB 5313 (2019)

Wahkiakum v. State (2023)



# Operating Revenue Flows to Public Schools



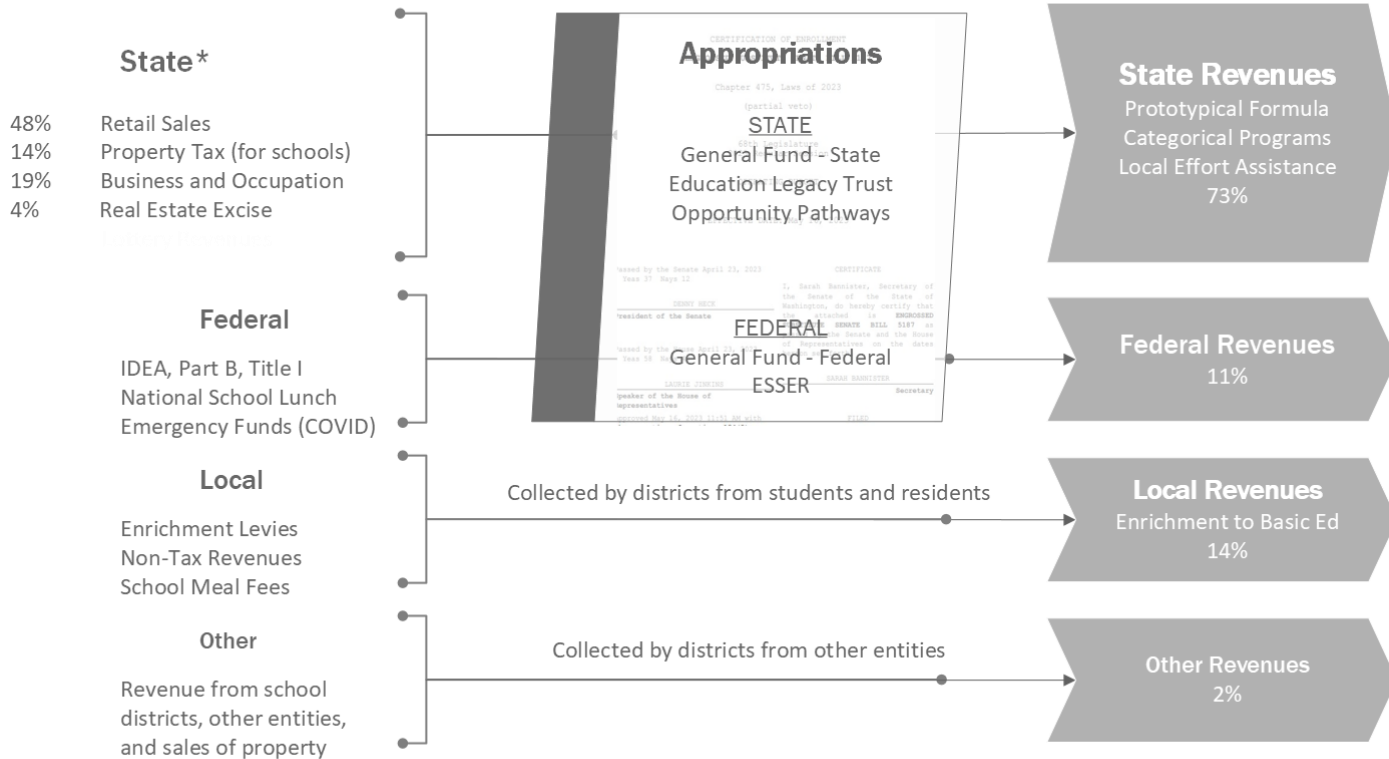
Tax/Revenue Sources



State Operating Budget



School District General Fund Revenues



\* Shows estimated percentage of overall state NGF-O tax revenues, excluding WEIA



# Schools receive funding from multiple sources, with the state providing the largest portion of funding.

## Total K-12 Public Schools Funding by Source

As reported by school districts to the Office of the Superintendent of Public Instruction  
Dollars in Billions

Note: Other revenue typically less than 2% of total revenue

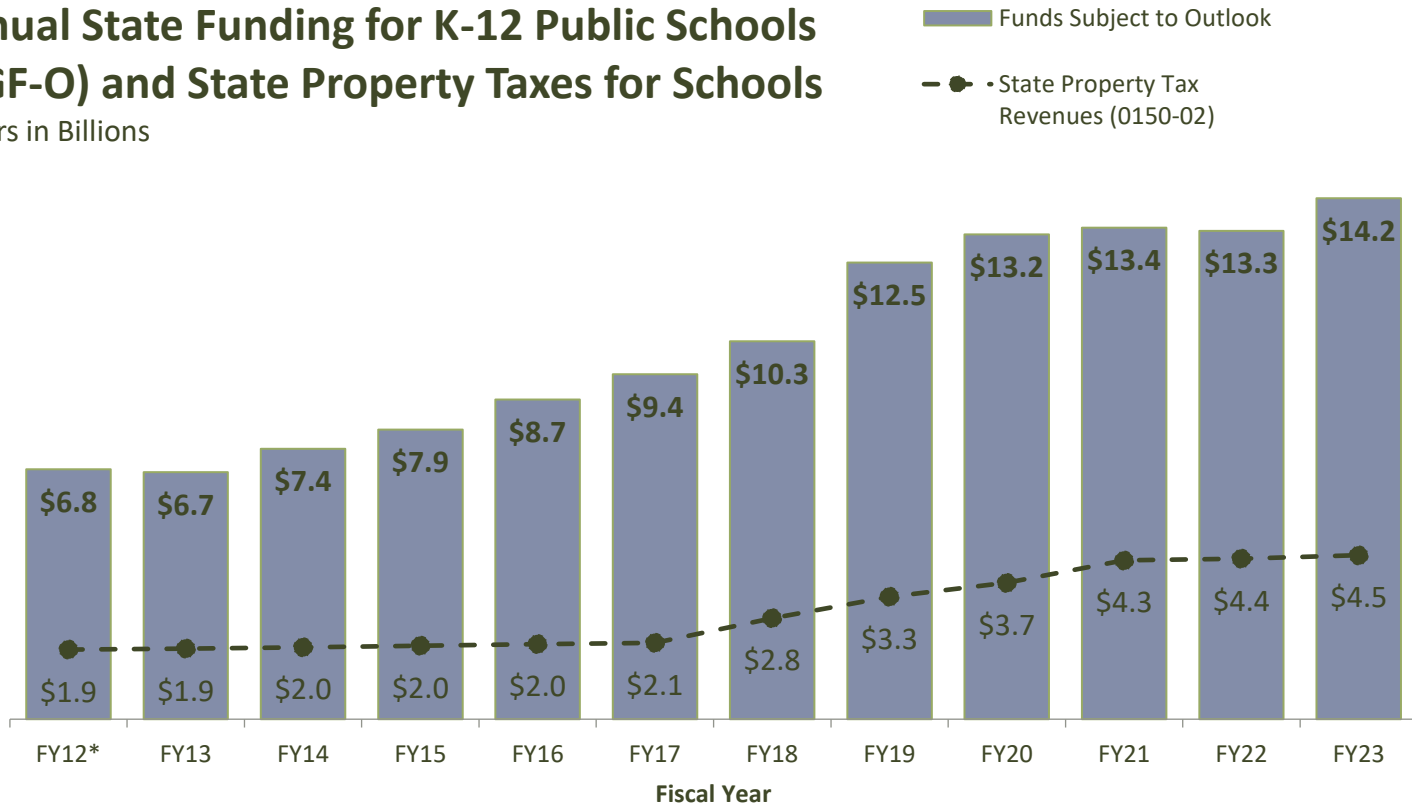




# State property taxes account for less than one-third of K-12 operating budget funding from the state.

## Annual State Funding for K-12 Public Schools (NGF-O) and State Property Taxes for Schools

Dollars in Billions



In this display, NGF-O includes General Fund-State, Education Legacy, Opportunity Pathways, Workforce Education Investment, and Dedicated McCleary Penalty in FY19. Data through FY23 are final actual expenditures. Special Appropriations not included in statewide NGF-O totals.



# In Washington, state funds comprise a larger percentage of school budgets than most states.

Percentage Distribution of Public Elementary-Secondary School System Revenue\* by Source and State\*\*: Fiscal Year 2021

	Geographic area	State sources	Federal sources	Local sources
		Total	Total	Total
No.	<b>United States.....</b>	<b>45.3</b>	<b>10.5</b>	<b>44.1</b>
1	Vermont.....	88.1	10.1	1.8
2	Hawaii.....	88.0	11.4	0.6
3	Arkansas.....	71.0	16.2	12.8
4	New Mexico.....	70.0	13.4	16.6
5	Washington.....	67.7	8.2	24.2
6	Kansas.....	66.1	9.2	24.7
7	Alaska.....	62.2	16.5	21.3

<https://www.census.gov/data/tables/2021/econ/school-finances/secondary-education-finance.html>

Summary Table No. 5

\* Amounts include Capital Outlays

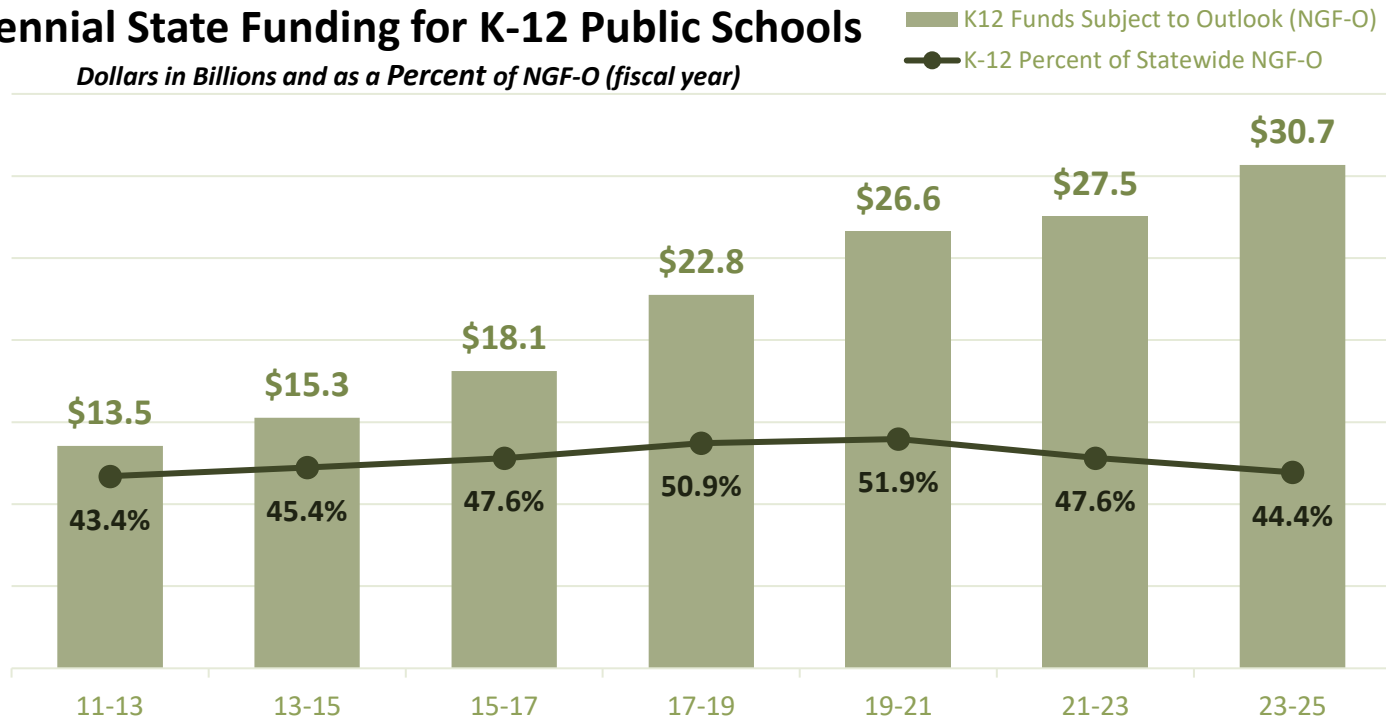
\*\* DC revenues to schools treated as local revenues



# Biennial K-12 Funding in the Operating Budget

## Biennial State Funding for K-12 Public Schools

*Dollars in Billions and as a Percent of NGF-O (fiscal year)*

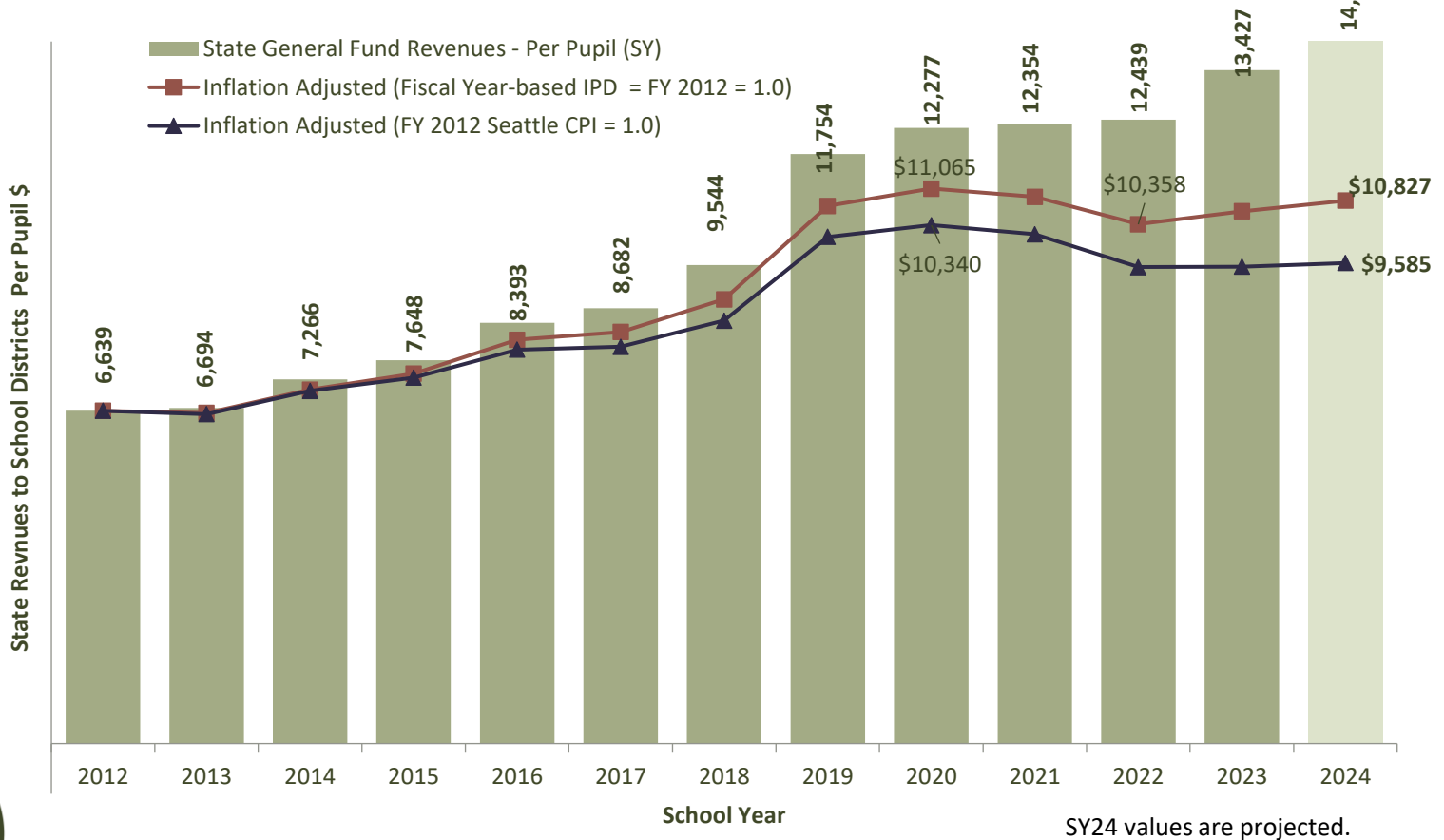


In this display, NGF-O includes General Fund-State, Education Legacy, Opportunity Pathways, Workforce Education Investment, and Dedicated McCleary Penalty in FY19. Data through FY21 are final actual expenditures. FY22 is preliminary expenditures as of Oct 2022. Data for FY23 are based



# State operating revenues to schools have grown on a per pupil basis.

## State Revenues Per-Pupil to Districts for K-12 Public Schools



# Prototypical formulas are enrollment-driven.

## Prototypical Schools: SY 2023-24

	Elementary	Middle	High
School Size (Students)	400	432	600
Class Size (Grade Level)	17 (K-3) 27 (4-6)	28.5 (7-8)	28.7 (9-12) 19.8 (Lab Sci.)
Librarians (Staff Units)	0.663	0.519	0.523
<b>Physical, Social, &amp; Emotional Learning (Staff Units)</b> (e.g. Nurses, Counselors, Social Workers, Safety)	<b>1.701</b> <b>1.867 (Hi Pov)</b>	<b>2.332</b> <b>2.498 (Hi Pov)</b>	<b>3.730</b> <b>3.887 (Hi Pov)</b>
Administrative (Staff Units)	1.253	1.353	1.88
Non-Instructional Classified (Staff Units)	3.669	4.267	6.234
Instructional Aides (Staff Units)	0.936	0.7	0.652
Materials Supplies and Operating Costs (MSOC)*	\$1483.44 Per Pupil		\$1,683.67
Central Office	5.3% of school staff units are added		
Districtwide Support	2.773 FTE per 1,000 students		

### Selected Categorical Programs:

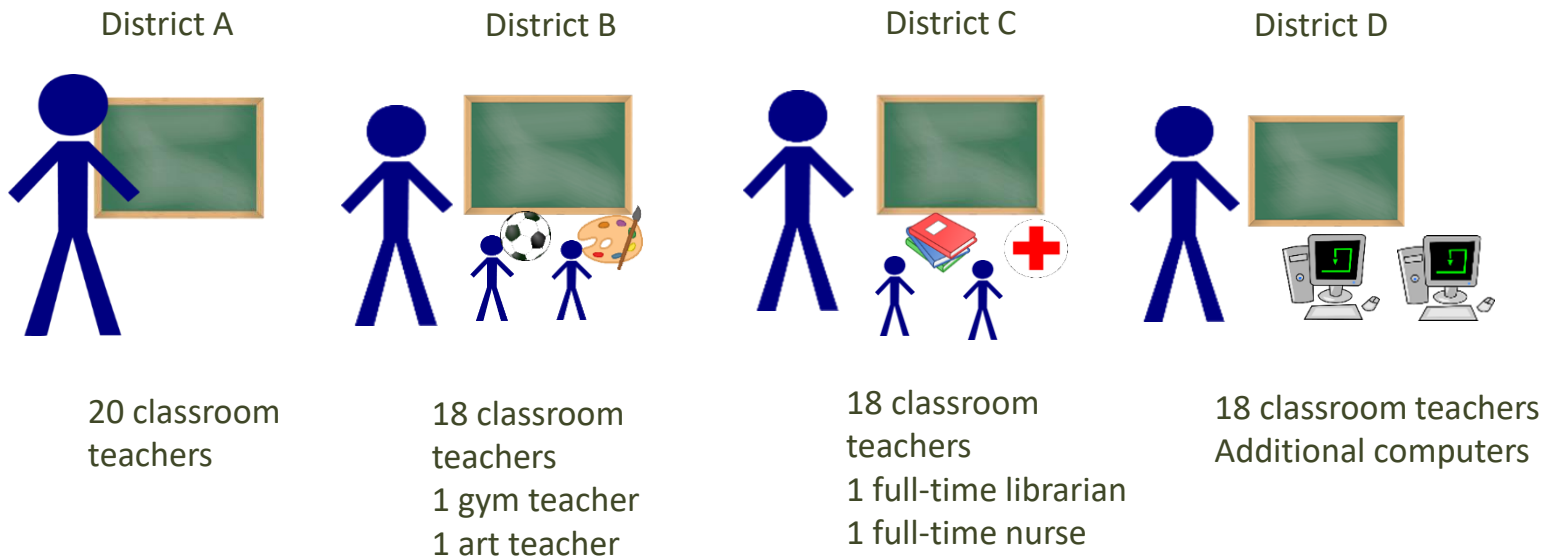
Special Education: Excess Cost Multiplier of 1.12 or 1.06 depending on inclusion

Learning Assistance Program: Additional instructional hours based on Free and Reduced-Price Lunch Status

Transitional Bilingual Instructional Program: Additional instructional hours for eligible students.



# In general, state funding generated by formulas is *for allocation purposes only.*

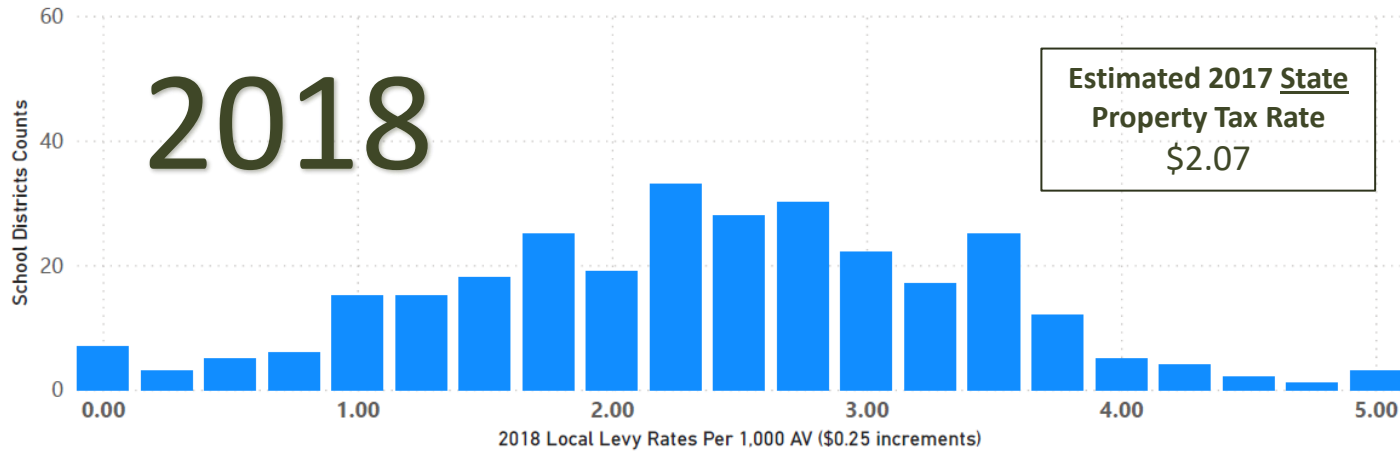


\*Rounded for illustration to assume 400-student prototypical elementary school generates 20 state-funded teachers

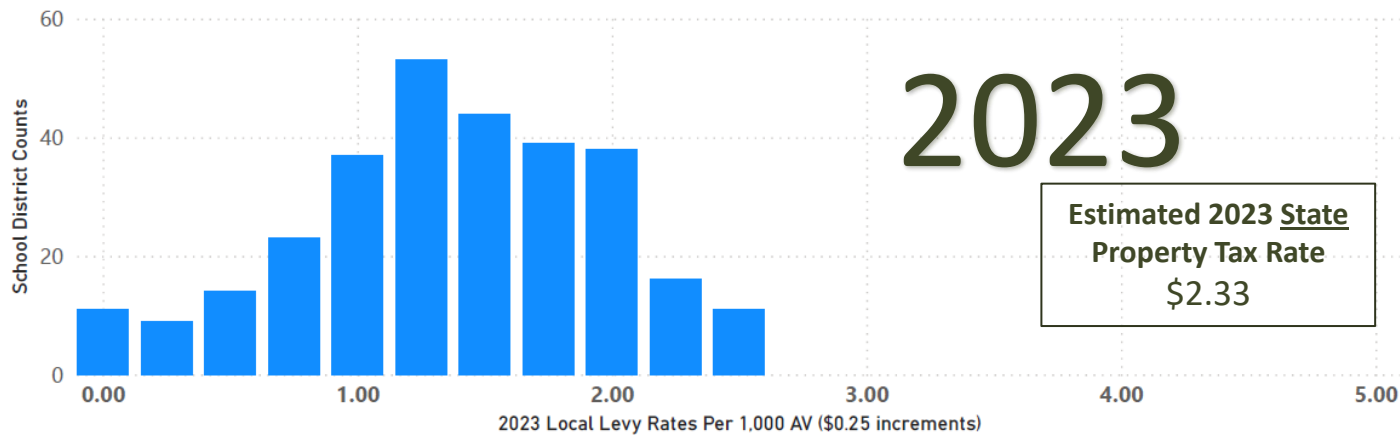


# Local enrichment levy rates were reduced in many school districts with the changes post McCleary.

School Districts Counts by 2018 Local Levy Rates Per 1,000 AV (\$0.25 increments)



School District Counts by 2023 Local Levy Rates Per 1,000 AV (\$0.25 increments)



# Local Enrichment Levies and Local Effort Assistance are funding sources outside of basic education.

## Enrichment Levies

The maximum levy authority for a district is the lesser of \$2.50 per \$1,000 of assessed property value (AV) or \$2,500 per pupil, increased by inflation (\$2,988 in 2023).

- ▮ Districts with more than 40,000 students (Seattle), can levy up to \$3,000 per pupil, increased for inflation (\$3,586 in 2023).
- ▮ Allowable uses of enrichment funds defined in statute.
- ▮ Unlike state property taxes, assessed values used for enrichment levies are not adjusted for the indicated ratio.

## Local Effort Assistance (LEA)

- ▮ LEA is state enrichment funding to districts with lower relative property values.
- ▮ Qualifying districts receive up to \$1,550 per pupil, increased for inflation, in combined levy and LEA (with inflation \$1,842 in 2023).
- ▮ A district qualifies if its levy collections under an assumed rate of \$1.50 per \$1,000 of assessed value are less than \$1,550 per pupil, inflated.
- ▮ LEA is prorated if actual levy rate is less than \$1.50 (actual levy rate/\$1.50 per \$1,000 AV).

Prior to 2019, levies and LEA were limited by a levy lid, defined as a percentage of state, federal and other funds (the levy base).

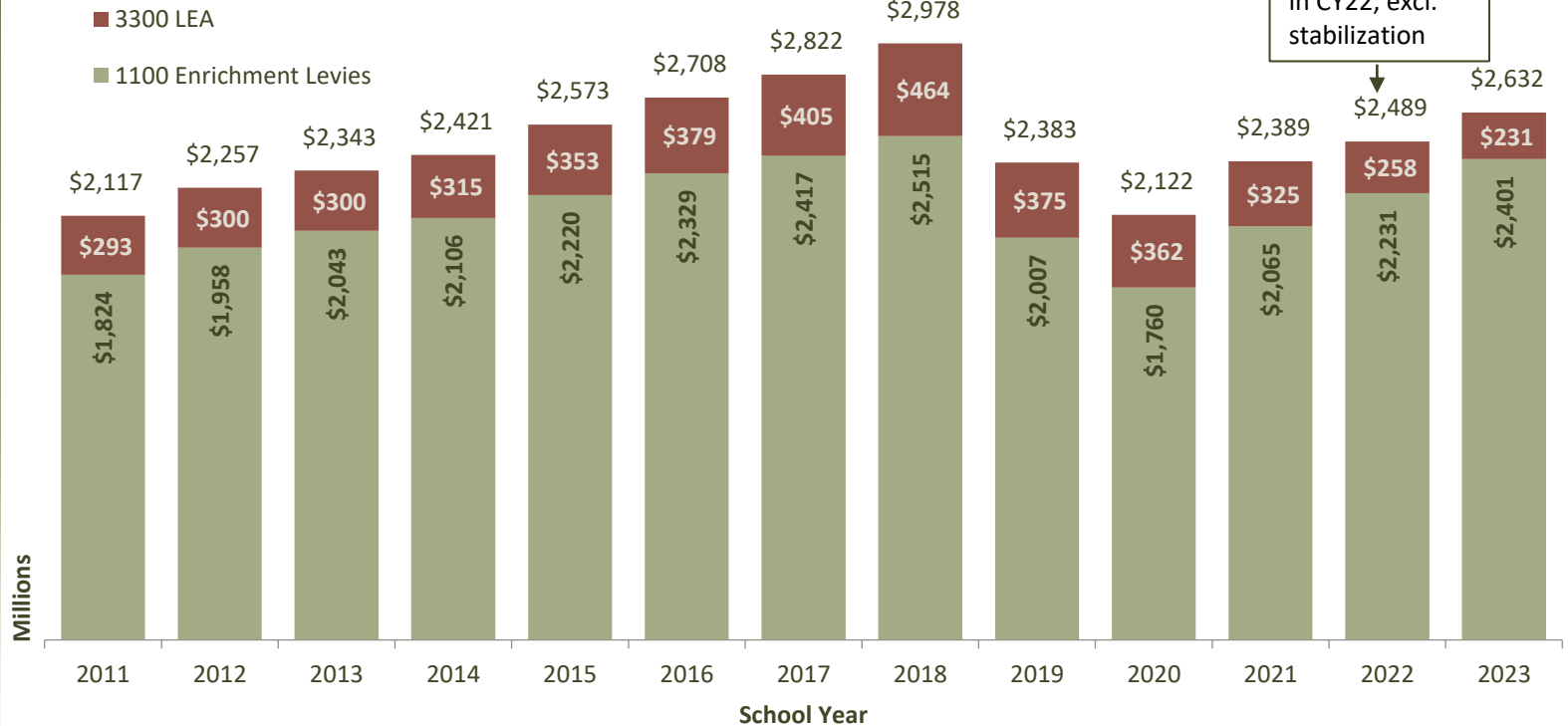




# LEA and Enrichment Levies 2011-2023

## School Year Enrichment Levies and LEA

Prior School Year Actuals Levies  
Dollars in millions



Actuals based on school district F-196 data. Chart does not include state basic education amounts. Includes any LEA stabilization funding in 2021 - 2023 reported by districts.



# Additional K-12 Resources

⌄ Legislative Evaluation and Accountability Program (LEAP)

⌄ <https://leap.leg.wa.gov/index.html>

⌄ Fiscal.wa.gov K-12 Public Schools: District Staffing & Finance Data

⌄ <https://fiscal.wa.gov/K12/K12FinanceStatewide>

⌄ Office of the Superintendent of Public Instruction – School Apportionment

⌄ <https://ospi.k12.wa.us/policy-funding/school-apportionment>



Thank you!

Questions?



January 11, 2024