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ABSTRACT

Money to operate Washington's public schools comes from state, local, and federal sources. For the 1995-96 school year, total combined revenue exceeded $5 billion. The largest share of Washington's operating budget is devoted to K-12 education. This paper portrays critical features of Washington's school finance system. It first examines current and historical sources and levels of K-12 funding. Next, it analyzes school spending and outlines basic principles underlying Washington's system of collecting and distributing school revenue. The paper also examines school-construction funding and the condition of school facilities, and concludes with a look at the fiscal challenges Washington is likely to face in the near future. Challenges include the increasing number of bilingual students, the need for extensive school repair and replacement, increasing fiscal pressures, and an input-driven funding system that is not aligned with a performance-based educational system. (Contains 16 references.) (LMI)

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THE STATE OF WASHINGTON'S SCHOOL FINANCE SYSTEM

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The State of Washington's School Finance System

Introduction

This article portrays critical features of Washington's school finance system. It first examines current and historical sources and levels of K-12 funding. Next, it analyzes school spending and outlines basic principles underlying Washington's system of collecting and distributing school revenue. School construction funding and the condition of school facilities are also examined. The discussion concludes with a look at the fiscal challenges Washington is likely to face in the near future.

Revenue Sources

Money to operate Washington's public schools comes from state, local, and federal sources. For the 1995-96 school year, total state, local, and federal revenue exceeded $5 billion.

Washington public schools derive the majority of their revenue from state funds. In 1995-96, state revenue comprised 79.3% of the total operating revenue for K-12 public schools, with local revenue at 14.2% and federal revenue at 6.4%. This heavy reliance on state dollars represents a dramatic change from two decades ago. In 1974-75, state revenue comprised only 47.3% of total general fund revenues for schools. This change in the level of state support resulted from the enactment of the Basic Education Act of 1977, which radically altered financing for Washington schools.

State revenue

Taxes represent 96% of Washington's general fund revenue. Retail sales and use taxes, estimated at $9.2 billion for the 1995-97 biennium, compose the largest source of tax revenue for the state's general fund, accounting for 52.4% of all general fund tax receipts. The business and occupation tax provides the next most important source of state tax revenue. It is estimated to contribute nearly one-fifth (19.4%) of state general fund revenue. Finally, state property tax revenue is projected to constitute 12.8% of state general fund revenues for 1995-97.

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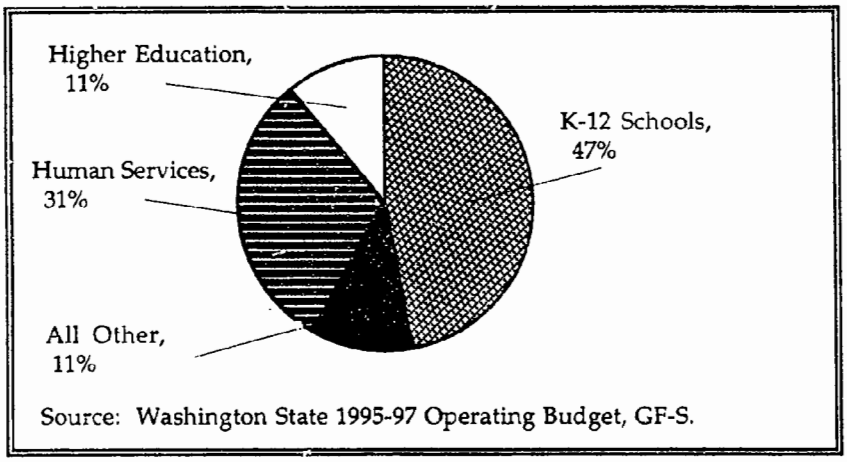
The largest share of Washington's operating budget is devoted to K-12 education. For the 1995-97 biennium, nearly half of the state's general fund (47.3%) is appropriated to K-12 schools and programs. Figure 1 displays the state's percentage allocations to K-12 education, higher education, human services, and all other programs for the 1995-97 biennium.

Figure 1: Percentage Budget Allocations by Service Type



Source: Washington State 1995-97 Operating Budget, GF-S.

Of the total state general fund revenues for K-12 schools, Washington allocates approximately 95% for basic education. Basic education includes general apportionment as well as programs and services such as pupil transportation, special education, institutional education, transitional bilingual education, and the state's Learning Assistance Program. General apportionment (that is, the base allocation) comprises 71.1% of the state's general fund allocation. Figure 2 displays allocations for the 1995-97 biennium as amended in the state's 1996 Supplemental Budget and approved by the legislature on March 7, 1996.

Figure 2: General Fund Budget for K-12 Education, 1995-1997

Program	Allocation (in thousands)	Percent of Total
General Apportionment*	6,428,005	71.11%
Special Education*	846,604	9.37%
Pupil Transportation*	328,753	3.64%
School Food Services	269,619	2.98%
Elementary/Secondary School Improvement	222,376	2.46%
Compensation Adjustments	218,964	2.42%
Levy Equalization	159,677	1.77%
Block Grants	114,969	1.27%
Learning Assistance Program*	114,627	1.27%
State Office and Statewide Programs	104,352	1.15%
Transitional Bilingual Instruction*	54,810	0.61%
Education Reform	48,466	0.54%
Institutional Education*	42,274	0.47%
All other programs	85,554	0.95%
TOTALS	9,039,050	100.00%

*indicates basic education program

Source: Legislative Evaluation and Accountability Program Committee: 1996 Supplemental Budget.

Local revenue

In addition to the state revenue, local school districts may raise money locally through the property tax. These local taxes often are referred to as "special levies" (because they require local voter approval) or "excess levies" (because they exceed the state's 1% limit on property taxes). Four types of levies can be raised: (1) maintenance and operations (M&O), one or two year levies devoted to district operations, (2) debt service, multi-year levies used to pay principal and interest on general obligation bonds, (3) capital projects, one to six year levies used to pay for school construction or remodeling, and (4) transportation vehicles, one or two year levies used to pay for school buses or other school transportation needs. Maintenance and operations levies constitute the most frequently occurring type of levy. All levies require voter approval. Figure 3 provides a historical review of the maintenance and operations levies for the period 1977-1995.

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Figure 3: Special Levies for Maintenance and Operation of the Public K-12 Schools

	Final Levy Approvals			Final Levy Losses		No Levy Submitted		
Year of Collection	Dollar Amount[2]	# of Districts	FTE Enrollment[3]	Dollar Amount[2]	# of Districts	FTE Enrollment[3]	# of Districts	FTE Enrollment[3]
1977	340,946,488	228	670,883	47,735,055	46	105,174	30	9,392
1978	357,913,279	250	687,431	32,493,556	20	82,371	31	10,928
1979	309,377,632	248	706,630	15,024,750	27	46,443	26	16,173
1980	267,472,177	246	702,929	5,579,639	14	20,655	40	40,413
1981	158,689,307	227	665,846	5,878,465	22	38,031	51	52,706
1982	191,455,921	225	676,838	9,455,552	25	42,139	53	40,183
1983	249,988,559	239	680,245	10,830,808	20	42,552	44	19,251
1984	262,073,084	235	690,121	9,440,229	18	25,174	47	20,799
1985	291,100,163	238	695,291	3,166,264	11	10,844	50	34,784
1986	287,386,087	233	647,266	4,989,200	12	23,851	53	31,568
1987	353,300,427	241	672,073	1,673,298	10	5,297	46	31,712
1988	369,875,809	242	681,990	1,902,549	8	6,518	47	32,371
1989	423,634,530	233	676,032	12,021,786	15	22,669	48	35,361
1990	448,242,327	248	712,121	877,587	6	4,588	42	31,930
1991	519,523,386	251	735,327	3,478,000	8	8,850	37	24,462
1992	554,863,191	257	764,228	10,409,364	6	18,985	33	12,497
1993	663,306,099	258	799,063	7,368,320	10	16,950	28	7,387
1994	719,954,685	259	833,245	3,633,044	10	11,948	27	4,905
1995	753,041,982	245	777,903	58,324,310	20	78,089	31	12,728

[1] The calendar year in which levies are collected. Voter approval of levies is required in one of the two prior calendar years.
[2] Levy election results are those reported to SPI by county auditors.
[3] Enrollments shown for 1975-85 are October full-time equivalent (FTE) students for the prior calendar year. Enrollments shown for 1986-91 are annual average FTE students for the most recent school year ending prior to the calendar year. Enrollments shown for 1986-1995 are annual average FTE students for the prior school year.

Source: Superintendent of Public Instruction, Table ET06.

The past two decades have seen significant changes in the percentage of school revenue from local tax sources. In 1974-75, for example, excess general fund levies composed less than a third (32.23%) of total revenue. As a result of changes in the state's school finance formula, that figure fell to 8% by 1980-81. Since 1980-81, the percentage of total revenue from local tax sources has slowly and steadily increased. In 1995-96, local tax sources reached 14.3% of total revenue (See Figure 4).

Figure 4: Excess General Fund Levy as a Percentage of Total Revenue

Fiscal Year	Total Revenue	Excess Levy Revenue	Percent
1974-75	994,472	320,566	32.23%
1975-76	1,095,007	229,516	20.96%
1976-77	1,174,998	253,451	21.57%
1977-78	1,388,220	335,768	24.19%
1978-79	1,554,498	319,735	20.57%
1979-80	1,822,578	209,972	11.52%
1980-81	1,908,531	152,700	8.00%
1981-82	1,943,646	172,494	8.87%
1982-83	2,033,549	222,871	10.96%
1983-84	2,238,633	252,350	11.27%
1984-85	2,401,745	266,495	11.10%
1985-86	2,500,556	277,484	11.10%
1986-87	2,819,337	317,155	11.25%
1987-88	3,027,548	359,371	11.87%
1988-89	3,287,421	394,785	12.01%
1989-90	3,614,392	432,154	11.96%
1990-91	4,082,666	475,256	11.64%
1991-92	4,385,461	526,638	12.01%
1992-93	4,734,101	596,226	12.59%
1993-94	4,932,729	676,424	13.71%
1994-95	5,170,141	720,424	13.93%
1995-96	5,384,943	773,784	14.37%

Dollars are expressed in thousands. Total revenues are from OSPI Report F-196. Budgeted revenues are shown for 1995-96.

Source: Office Superintendent of Public Instruction (OSPI).

The timber excise tax and local non-tax sources provide additional local revenue for education. All timber growing on privately owned land is exempt from property taxes. The state collects an excise tax on timber at the time of harvesting and distributes these revenues to local taxing districts which contain harvestable timber. Timber tax revenues for local districts in 1993-94 equaled $6.7 million. These timber tax revenues are applied towards the district's local special levy amounts, thereby lowering the special levy property tax rates in those districts. Local non-tax revenue comes primarily from investment earnings and food service fees. Local non-tax revenue composed 3% of total revenue in 1994-95.

Federal revenue

Federal revenue accounts for approximately 6% of total operating revenue in Washington. Washington thus ranked 31st in the nation in terms of the percentage of 1994-95 operating revenue contributed from federal sources. Approximately 30% of federal revenue is derived from the Elementary and Secondary School Improvement Chapter 1 and 2 money, a little more than a quarter (28%) is derived from the School Food Services program, 12% from the Supplemental Handicapped fund, 10% from Federal Impact Aid, and 6% from federal forest revenues.

Per Pupil Revenues

Washington's total general fund revenue per FTE (full-time equivalent) pupil in 1994-95 equaled $5,750. Figure 5 provides a 10- year review of revenue levels from state, local, federal, and other sources. This review indicates that the pattern of percentage contributions from federal, state, and local sources has remained fairly constant, with state sources providing the majority of support. The percentage contribution from federal sources has dropped from 6.72% in 1985-86 to 6.28% in 1994-95. During the same time period, the percentage contribution from state sources dropped from 77.74% to 76.28%. The highest contribution from state sources occurred in 1990-91 with state revenues providing 78.5% of total per pupil revenues. Per pupil revenues from local sources increased from 15.04% in 1985-86 to 16.77% in 1994-95.

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Figure 5: Ten-Year Comparison of General Fund Revenue and Other Financing Sources Per FTE Pupil

Fiscal Year	Total Revenue Per FTE	Local Revenue Per FTE	% local	State Revenue Per FTE	% state	Federal Revenue Per FTE	% federal	Revenue Per FTE	% other
1994-95	$5,749.70	$964.42	16.77%	$4,385.80	76.28%	$361.28	6.28%	$38.20	0.66%
1993-94	5,600.92	921.91	16.46%	4,290.94	76.61%	348.78	6.23%	39.29	0.70%
1992-93	5,499.88	839.37	15.26%	4,294.06	78.08%	328.50	5.97%	37.95	0.69%
1991-92	5,240.58	776.88	14.82%	4,111.80	78.46%	313.42	5.98%	38.48	0.73%
1990-91	4,987.03	745.06	14.94%	3,914.82	78.50%	299.22	6.00%	27.92	0.56%
1989-90	4,581.20	706.10	15.41%	3,561.30	77.74%	286.30	6.25%	27.50	0.60%
1988-89	4,277.46	665.42	15.56%	3,311.98	77.43%	277.05	6.48%	23.01	0.54%
1987-88	4,019.28	615.00	15.30%	3,126.33	77.78%	257.75	6.41%	20.20	0.50%
1986-87	3,804.99	564.99	14.85%	2,973.53	78.15%	249.50	6.56%	17.37	0.46%
1985-86	3,442.34	517.73	15.04%	2,676.19	77.74%	231.22	6.72%	17.21	0.50%

Notes: State average revenue per FTE pupil data for the last ten years as shown on Report 1078 for all school districts.

Revenues shown in the Other Per FTE column are made up of revenues from other school districts, revenues from other agencies and associations, and other financing sources. The term other financing sources includes proceeds from the sale of bonds, the sale of equipment, the compensation for the loss of fixed assets, and the proceeds from long-term financing. The FTE pupil enrollments used to calculate total revenue and other financing sources per FTE include regular K-12, vocational-secondary, handicapped, skills center, detention center, and state institutions.

Source: Office of the Superintendent of Public Instruction: Bulletin No. 9-95 A/SBS and Bulletin No. 30-96 A/SBS.

Washington state provides a higher percentage of revenue from state sources than any other comparable state (Figure 6). In fact, in 1992-93, only two other states provided a higher percentage of revenue from state sources: Hawaii, a single-school district state which provides 90.1% of revenue and New Mexico which provides nearly three-quarters (73.7%) of all educational dollars.

Figure 6: Comparison of Revenues by Source: Washington, U.S., and Selected States

1992-93	Federal	State	Local/ intermediate	Other
Washington	5.6	71.3	20.1	3.0
United States	6.9	45.6	44.7	2.7
Arizona	8.8	41.5	47.4	2.3
Colorado	4.9	42.0	49.7	3.4
Indiana	5.2	52.1	39.5	3.1
Nevada	4.7	34.2	57.5	3.6
Oregon	6.3	37.8	53.1	2.9
Tennessee	10.3	45.6	37.0	7.1
Virginia	6.2	32.1	58.8	2.8
Wisconsin	4.4	38.3	55.3	1.9

Note: Excludes revenues for state education agencies.

Source: National Center for Education Statistics: Digest of Educational Statistics 1995, US Department of Education.

Expenditures

Washington's 1994-95 general fund expenditure per FTE pupil equaled $5,701. Figure 7 displays general fund expenditures for the period 1984-85 to 1993-94. During this period, total expenditures rose from $3333 per pupil to $5532 per pupil. However, these figures are not adjusted for inflation. Figure 7 also presents per pupil expenditures adjusted for inflation using two different inflationary indices, the Consumer Price Index (CPI) and the School Price Index (SPI). When adjusting for inflation using the CPI, per pupil expenditures from 1984-85 to 1993-94 rose 20.1 percent. In contrast, when using the SPI, per pupil expenditures during this period rose 8.3%.

Figure 7: Comparison of State Average General Fund Expenditures Per FTE Pupil

Fiscal Year Total FTE Enrollment	Total Expenditures	Expenditures per FTE pupil (unadjusted)	CPI adjusted	SPI adjusted
1993-94	880,699.66	5,532.43	4,004.32	3,611.31
1992-93	860,763.93	5,416.77	4,017.81	3,656.64
1991-92	836,827.41	5,196.42	3,974.82	3,591.88
1990-91	818,656.18	4,983.93	3,935.26	3,597.38
1989-90	788,961.48	4,556.05	3,792.01	3,475.69
1988-89	768,545.38	4,259.05	3,714.17	3,435.31
1987-88	753,256.26	4,007.71	3,657.88	3,400.66
1986-87	740,958.29	3,805.14	3,617.07	3,408.58
1985-86	726,411.39	3,463.42	3,366.52	3,263.44
1984-85	718,711.79	3,332.96	3,332.96	3,332.96

Notes: Total expenditures refers to all school districts" General Fund expenditures in the state. The total expenditures for all school districts are listed on Report 1077A for FY 1993-94. The FTE pupil enrollments used to calculate total expenditures per FTE include regular K-12, vocational-secondary, handicapped, skills center, detention center, and state institutions. Beginning with FY 1986-87, the employers share of contributions to the Teachers Retirement System was paid by school districts. The state increased the amount of the school districts apportionment to partially pay for this expenditure increase. A portion of the increase in total expenditures per pupil ($230.88) from FY 1985-86 to FY 1986-87 was due to this change.

Adjusted dollars are in constant 1984-95 dollars.

Sources: OSPI Bulletin No. 9-95 A/SBS, Bulletin No. 30-96 A/SBS, and Bulletin No. 9-86 F.S. Inflation measure sources: Consumer Price Index (CPI), Bureau of Labor Statistics. School Price Index (SPI), Research Associates of Washington, D.C.

Washington's level of per pupil spending falls in the middle range of school spending nationwide. In 1992-93, for example, Washington's per pupil equaled $5,614 per pupil, just slightly above the national average of $5,594, ranking the state 21st in the nation. Ten years ago, in 1986-87, Washington's per pupil expenditure was $3,964, just below the national average of $3,970, ranking the state 20th in the nation. Importantly, however, these figures do not reflect differences in inflation rates from state to state.

Types of Expenditures

What do education dollars buy in Washington? Personnel costs compose the largest share of school expenditures. In 1994-95, employee salaries and benefits accounted for 82.75% of total educational expenditures. In 1984-85, salaries and benefits equaled 79.56% of total expenditures. (See Figure 8).

Figure 8: Expenditures by object
(percentage of total expenditures)

Object of Expenditure	1984-85	1994-95
Certificated Salaries	51.75	46.95
Classified Salaries	16.00	16.15
Benefits	11.89	19.65
Supplies	6.03	4.75
Instructional Materials	1.60	1.33
Contractual Services	9.91	8.69
Travel	0.40	0.35
Capital Outlay	2.49	2.13
Combined Salaries and Benefits	79.64	82.75

Source: OSPI Financial Reporting Summaries.

Expenditures on salaries, benefits, and other materials and services supported various school activities. For example, in 1994-95, teaching and teaching support accounted for 69.44% of the state's total operating expenditures. This category includes the costs of teachers, teacher aides, textbooks, computers for classroom instruction, librarians, libraries and other media services, and costs for guidance and counseling, speech, psychological, and health services.

Similarly, in 1994-95, administration costs composed 13.04% of total operating expenditures. Central administration costs accounted for 6.92% of total operating expenditures and building administration costs represented 6.12% of this total. Administrative expenditures as a percentage of total operating expenditures declined slightly since 1981-82, when central administrative expenditures were at 7.13% and building administrative expenditures were at 6.51% for a total of 13.64% of total operating expenditures. Figure 9 reviews operating expenditures for the period 1982 through 1995.

Figure 9: Operating expenditures by activity: 1982-83 through 1995-96

Fiscal Year	Total Expend.	Build. Admin	% build. admin	School Central Admin	% central admin	Teaching Activities	% teaching	Teaching Support	% teaching support	% teaching and teach supp	Other Activities
1982	1,959,932	127,607	6.51%	139,794	7.13%	1,125,296	57.42%	135,360	6.91%	64.32%	431,875
1983	1,998,547	127,952	6.40%	142,612	7.14%	1,149,371	57.51%	137,260	6.87%	64.38%	441,352
1984	2,213,938	139,396	6.30%	167,493	7.57%	1,270,246	57.37%	151,766	6.86%	64.23%	485,037
1985	2,395,435	151,059	6.31%	177,651	7.42%	1,372,868	57.31%	164,569	6.87%	64.18%	529,288
1986	2,515,867	159,726	6.35%	189,799	7.54%	1,437,568	57.14%	172,865	6.87%	64.01%	555,909
1987	2,819,450	180,297	6.39%	203,472	7.22%	1,676,182	59.45%	197,125	6.99%	66.44%	562,374
1988	3,018,829	191,838	6.35%	221,018	7.32%	1,804,775	59.78%	210,665	6.98%	66.76%	590,533
1989	3,273,270	209,243	6.39%	239,566	7.32%	1,879,466	57.42%	243,706	7.45%	64.86%	701,289
1990	3,594,552	227,904	6.34%	268,901	7.48%	2,082,686	57.94%	259,981	7.23%	65.17%	755,080
1991	4,080,129	258,628	6.34%	295,075	7.23%	2,499,600	61.26%	301,264	7.38%	68.65%	725,562
1992	4,348,506	277,063	6.37%	320,323	7.37%	2,647,211	60.88%	324,685	7.47%	68.34%	779,224
1993	4,662,557	299,460	6.42%	340,119	7.29%	2,843,937	61.00%	353,736	7.59%	68.58%	825,305
1994	4,872,405	311,789	6.40%	351,100	7.21%	2,964,960	60.85%	374,789	7.69%	68.54%	869,767
1995	5,253,855	321,597	6.12%	363,602	6.92%	3,252,692	61.91%	395,558	7.53%	69.44%	920,407

Note: The above totals contain expenditures that are financed from local special levies, the federal government, and other sources.

Source: Compiled using data provided by OSPI: Financial Reporting Summary.

Basic features of the finance system

The following paragraphs describe the rationale and primary components of Washington's system school finance system. This section is not intended as a precise and detailed accounting of all aspects of the funding system. Rather, it provides an general understanding of the system's basic features.

Article 9, Section 1 of the Washington State Constitution 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 1977 court ruling *(Seattle v State of Washington)*, 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 a basic education. The court also declared that financial support for basic education must be provided through state, not local, sources.

The legislature codified its interpretation of this responsibility in the Basic Education Act of 1977. This act defined full funding of basic education through the

use of staff-to-student ratios which allocate resources to school districts. In 1983, again in response to a court ruling, the legislature expanded the definition of basic education to include special education programs for the handicapped, transitional bilingual programs, remediation assistance programs, and certain specified pupil transportation costs. The state thus assumed responsibility for funding these additional components of basic education.

Distribution of state general apportionment revenue to each school district is based primarily on ratios of staff to students. Different ratios exist for each type of staff: certificated instructional, administrative, and classified. Additional revenues are allocated for smaller staffing ratios in grades K-3. The state provides funds to school districts based on their enrollment and the average salary allocation for each type of staff member. Basic education funds are also provided for Non-Employee Related Costs, that is, costs not associated with employee compensation, such as books, supplies and equipment, materials, and utilities.

Also in response to the court, the legislature enacted the Levy Lid Act. The Levy Lid Act placed restrictions on the amount of revenue school districts can raise locally. The levy lid was designed to limit local district levies to no more than 10 percent of a district's basic education allocation from the state and to ensure that such money provided enrichment programs at the local level. When the Levy Lid Act was passed, some school districts already collected local revenues that exceeded the 10 percent lid. These districts were given special authorization (or "grandfathered") to continue their higher levies. Levy amounts for grandfathered districts were to be reduced gradually so as to eliminate higher levies by 1982. However, since its enactment, the levy lid law has been amended eight times (1979, 1981, 1985, 1987, 1988, 1989, 1992, and 1993) and the original 10 percent limit was never implemented. Under current law, districts can raise local levy amounts up to 24% of their state and federal allocation. The current 24% lid contains a temporary 4% increase which expires in December 1997, after which the lid is scheduled to be reduced permanently to 20%.

In 1987, the legislature added an additional component of state funding called local effort assistance, or levy equalization aid. Local effort assistance provides aid to those districts which levy above-average local tax rates to compensate for low assessed property 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 the 1995-97 biennium, funds for levy equalization aid composed 1.77% of the state's general fund budget for K-12 education.

Funding for basic education also includes state support for pupil transportation. The transportation funding formula accounts for the number of pupils being transported, distance traveled, and an established cost rate. State funds are also provided for acquisition of transportation vehicles. In the 1995-97 biennium, state pupil transportation funds amount to more than $328.7 million and represent 3.64% of the state's general fund K-12 budget.

State Categorical Aid

As noted above, state funding for basic education also includes support for students' special needs, including special education for the handicapped, transitional bilingual education, and the Learning Assistance Program.

In 1995, a major change occurred in funding special education programs for the handicapped. During the 1995 legislative session, special education funding was set at an overall cap equal to no more than 12.7% of the total student population. Previously, special education funding had been allocated at different rates based on the type of handicapping conditions of enrolled students. In general, under the previous model, districts received higher per-student allocations for students exhibiting more severe handicapping conditions.

For the past 20 years, Washington has operated a program for low-performing students called the Learning Assistance Program (LAP). Districts qualify for LAP funding on the basis of a formula which accounts for the percentage of students performing below the fourth quartile on standardized tests and the percentage of students who apply for the Free or Reduced Price Lunch Program. Districts are responsible for allocating LAP funds to individual schools that serve eligible students from grades K-9. LAP is projected to serve 89,810 students statewide during the 1996-97 school year. Estimated expenditures for LAP during this same time period equal $59,989,000.

The Washington State Transitional Bilingual Education Program serves students whose primary language is not English and whose deficiencies in English language skills impair their classroom learning. Between 1985 and 1995, bilingual students as a percentage of total K-12 enrollment grew from 1.9% to 5.1%. During this same period, the number of students to staff in bilingual programs grew from 14:1 to 20:1. The estimated number of students eligible for transitional bilingual education services during 1996-97 is 46,656. Estimated expenditures in this program for 1996-97 equal $29,516,000.

School Construction

Since 1965, the Common School Construction Fund has provided state revenue for capital construction. This revenue is derived mostly from the sale of timber resources, the 1.3 million acres of state school lands set aside in 1889 to fund education. Beginning in 1990, the legislature added a state General Fund appropriation to the Common School Construction Fund. Additionally, Initiative 601 established conditions under which excess state revenue can be deposited in an Education Construction Fund. Moneys from this fund may be appropriated by the legislature for capital construction projects for higher education institutions and the K-12 system.

School districts acquire funds for capital projects through bond sales, investment earnings on proceeds from these sales, and a state matching program for school construction and modernization. Districts receive varying amounts of assistance based on their per-pupil property wealth.

Condition of school facilities

The General Accounting Office recently completed a state-by-state examination of school facilities, including ratings about building condition and features, environmental factors, facility needs for educational reform, and technology elements. Results were based on a sample of schools in each state which completed a survey, and on interviews with state officials responsible for school facilities.

Results for Washington indicated that 44% of schools surveyed needed extensive repair or replacement. The comparison national figure was 33%. However, Washington's result is close to the average for western states, 42%. The most commonly cited building problem nationally and in Washington was inadequate heating, ventilation, or air conditioning.

Increasing Fiscal Pressures

Assuming no major changes in state funding mechanisms and spending limits, Washington faces mounting fiscal pressures. School enrollment constitutes the principal determinant of school funding. Washington's K-12 enrollment

growth rate will continue to outpace the state's general population growth rate through the end of the 1990's. Moreover, state spending limitations required by Initiative 601 will reduce the state's fiscal capacity to fund basic education commensurate with projected K-12 enrollment growth. Continued growth in the Washington's higher education system during this same time period also will exacerbate pressure on state resources. Additionally, the scheduled four percentage point reduction in the lid on local maintenance and operations levies will diminish local funding for K-12 education. In short, steady growth and state and local spending limitations challenge the state's fiscal ability to meet its future educational obligations.

Funding School Improvement

Washington's current school finance system, although atypical in its high level of state contributions to total educational revenue, is typical of most school finance systems nationwide in that it is "input-driven." That is, the system funds staff, materials, buildings, programs, and other objects irrespective of a school's or a district's performance. This input-driven system is not strategically aligned with Washington's educational reforms.

The fiscal consequences of the change to a performance-based educational system are particularly acute in Washington. The court charged the legislature with defining and funding basic education. Fundamental changes occurring with the transition to a performance-based system (due to be in place by the year 2000) challenge the very definition of "basic education." Fortunately, the legislature has the option to reconsider this definition at any time. Given that performance-based assessments are still in the development and initial implementation stages, Washington has time to examine the implications of the current school finance system for performance-based schools.

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