Washington Research Council

Special Report

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School Funding: Accounting for the Billions Spent in Response to McCleary

Briefly

In response to the McCleary decision, and as part of the Legislature's adopted school funding reforms, state spending on public schools increased $14.244 billion or 110.0 percent from 2009–11 to 2019–21. Over the same period, all other state spending increased by just 52.0 percent.

In addition to increasing spending, the Legislature increased the state property tax and reduced school district levy authority. Statewide, enrichment levies as a percent of total district revenues dropped from 17.5 percent in SY 2017–18 to 12.3 percent in SY 2018–19. Despite the reduction in local levy authority, combined school property taxes (the state tax plus local enrichment levies) in 2020 are 33.0 percent higher than they were in 2017, the year before the first McCleary-related tax changes took effect.

From SY 2010–11 to SY 2018–19 (the most recent year of available data), total per-pupil revenues to districts increased by 49.7 percent (per-pupil revenues from state sources increased by 81.6 percent while local taxes per pupil decreased by 0.3 percent). District expenditures per pupil reached $14,545 in SY 2018–19, an increase of 46.3 percent from SY 2010–11.

Washington's increased spending on schools is showing up in national school district spending and revenue rankings. In SY 2017–18 (the most recent year of comparable data), Washington schools ranked 18th in spending per pupil, 8th in district per-pupil revenues from state sources, and 32nd in district per-pupil revenues from local sources. These rankings are up from SY 2010–11, when they were, respectively, 29th, 15th, and 35th. District spending increased significantly in SY 2018–19—this is not yet reflected in Washington's national ranking due to the data lag.

The average base salary for certificated teachers increased from $55,718 in SY 2017–18 to $73,101 in SY 2018–19, an increase of 31.2 percent. The average total salary (including supplemental contracts) for certificated teachers was $84,187 in SY 2018–19, up 13.1 percent over SY 2017–18. The average base salary for central administrators increased by 5.1 percent from SY 2017–18 to SY2018–19, while the average base salary for classified staff increased by 6.6 percent.

The state Supreme Court blessed the Legislature's changes. But the influx of billions of dollars—especially for SY 2018–19—led to teacher strikes, double-digit salary increases, and school district claims of significant budget deficits. Meanwhile, with the regionalization factors the Legislature added to salaries in districts with higher home values, it has maintained previous inequitable funding. And there has already been an erosion of the levy limits that were put in place to help preserve equity and prevent districts from using local revenues to fund basic education, raising the specter of another McCleary-style lawsuit in the future.

The McCleary school funding case stretched on for more than a decade. It finally came to a close in June 2018, when the state Supreme Court declared the state to be in compliance with its rulings in the case.

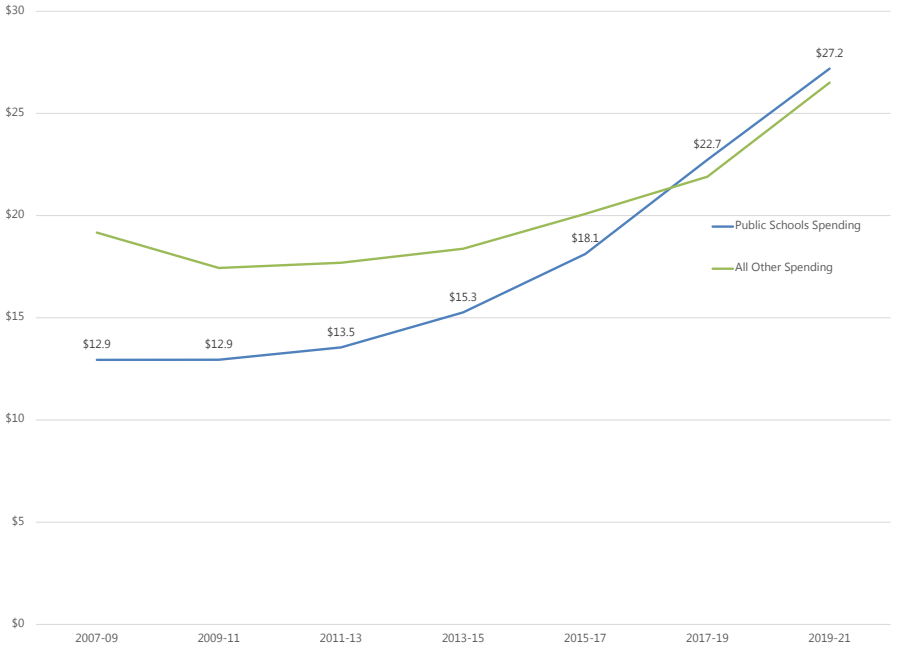
In 2012, the Court had ruled that the state was not amply funding basic education and that it must do so using state

What is Basic Education?

In 2009, as the McCleary case was ongoing, the Legislature redefined basic education as "that which is necessary to provide the opportunity to develop the knowledge and skills necessary to meet the state-established high school graduation requirements that are intended to allow students to have the opportunity to graduate with a meaningful diploma that prepares them for postsecondary education, gainful employment, and citizenship" (ESHB 2261, RCW 28A.150.200).

Today, basic education includes all or most of these budget lines: general apportionment, special education, pupil transportation, learning assistance program, transitional bilingual education program, highly capable program, institutional education, and staff compensation.

Chart 1: NGFO+Dedicated McCleary Penalty Account Spending (Billions of Dollars)



NGFO Plus Dedicated McCleary Penalty Account

In recent years, legislative fiscal committee staffs have based budget presentations on a synthetic "account" that rolls up the general fund–state (the state's primary budget account) with the education legacy trust account, the opportunity pathways account, and the workforce education investment account, because they believe that it better reflects the entire budget situation. It is called "funds subject to the outlook" or the near general fund–outlook (NGFO). (Under the four-year balanced budget requirement, a positive ending balance is required in both the current and following biennium on an NGFO basis.)

In 2018, the Legislature created the dedicated McCleary penalty account to hold the fines the state accrued in the case. These fines eventually totaled $105.2 million, and the funds were all appropriated in 2018 for basic education purposes.

funds—not local levies. According to the Court, the use of local levies for basic education is not dependable because "they are subject to the whim of the electorate"; further, reliance on local levies makes the school funding system less equitable, since they "depend on the assessed valuation of taxable real property at the local level" (McCleary 2012). The decision echoed earlier school funding cases from the 1970s (WRC 2016).

To comply with the state Supreme Court's ruling in McCleary (see the appendix for more on the case), the Legislature added billions of dollars of state spending for public schools. Extraordinary revenue growth coming out of the Great Recession helped fund the new spending (WRC 2018). The state also increased the state property tax, while simultaneously limiting the ability of school districts to increase local levies. Finally, the Legislature put in place several measures to increase district accountability, though some of these have already been loosened.

State Spending Increases

In response to the McCleary decision, and as part of the Legislature's adopted school funding reforms, state spending on public schools increased by $14.244 billion or 110.0 percent from 2009–11 to 2019–21. Over the same period, all other state spending increased by just 52.0 percent. Thus, K–12 spending as a percent of the state budget increased from 42.6 percent in 2009–11 to 50.6 percent in 2019–21. State spending on public schools totals $27.190 billion in 2019–21 (see Chart 1). (These dollar amounts include spending from the general fund–state and four other accounts dedicated to education (see the box).) The spending increase is apparent in rankings of state per-pupil spending on education; as discussed below, Washington has moved up considerably in recent years compared to other states.

Funding for schools in Washington is allocated via a prototypical funding model. The model shows "the level of

resources needed to operate a school of a particular size with particular types and grade levels of students" (RCW 28A.150.260). School funding reforms were phased in over five biennia, as shown in Table 1. Additionally, funding for special education was increased—particularly in 2019–21 (after the McCleary case officially ended). (This was in response to concerns that many districts used local levies to fund special education and that the capacity to do so would be lost when local levy limits were in place.)

Though school funding is allocated using a prototypical funding model, individual school districts decide how to use the money, and they may choose to use it differently than intended in the formula. An exception is the K–3 class size reduction funding: Beginning in SY 2019–20, districts must use the class-size reduction funds for class size reduction, or they will lose them, as discussed below.

The 110.0 percent increase in state spending on public schools noted above includes new policy spending (both related and not-related to McCleary) and the maintenance level of those and earlier policies (both related and not-related to McCleary). (The maintenance level is the cost of continuing current services, adjusted for caseload, enrollment, and inflation.) To give an idea of the McCleary impact, Table 1 shows the McCleary-related policy enhancements in each biennium. The new policy additions alone increased state spending on public schools by $6.132 billion over five biennia (an increase of 47.4 percent over 2009–11 K–12 appropriations). As that figure does not include the maintenance level costs associated with the new policies (which cannot be separated from other maintenance level costs with precision), it understates the full impact of the McCleary decision on school spending. We estimate that the full impact of the decision is more than $8 billion—over half of the total spending increase shown in Table 1.

One of the final items the Legislature dealt with was school staff salaries, and

Table 1: State Spending on Public Schools (NGFO+Dedicated McCleary Penalty Account (Thousands of Dollars)

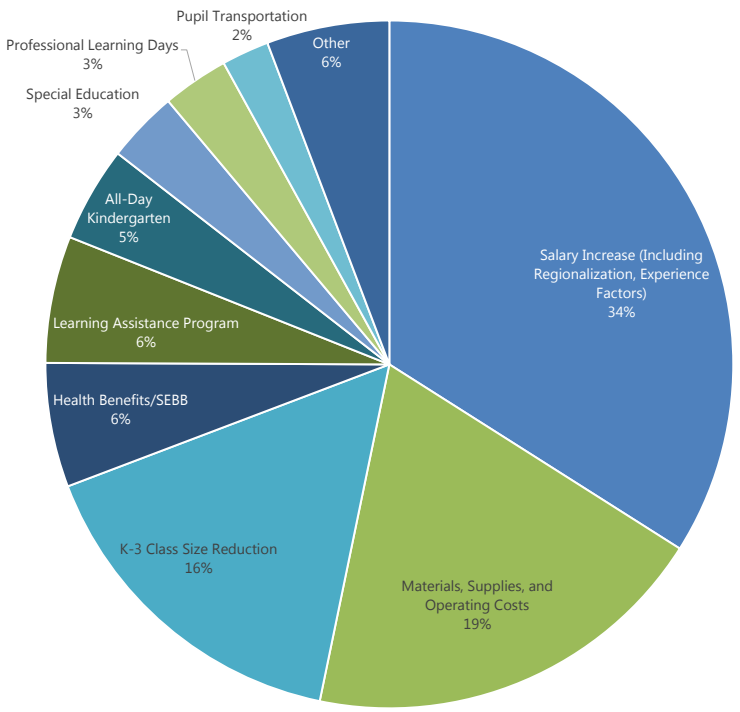
	2011-13	2013-15	2015-17	2017-19	2019-21	**Five Biennia Total**
McCleary-Related Enhancements and Phase-Ins						
Pupil Transportation	$5,000	$131,700				**$136,700**
Materials, Supplies, and Operating Costs	$7,000	$432,000	$741,458			**$1,180,458**
All-Day Kindergarten	$5,000	$89,800	$179,813			**$274,613**
K-3 Class Size Reduction	$33,600	$103,600	$350,193	$492,728		**$980,121**
Increased Instructional Hours		$97,000				**$97,000**
Transitional Bilingual Instruction Program		$18,900		$26,942		**$45,842**
Learning Assistance Program		$143,100		$222,547		**$365,647**
Special Education				$49,614	$157,110	**$206,724**
Highly Capable Program				$26,584		**$26,584**
Vocational Education				$83,939		**$83,939**
Salary Increase (Including Regionalization, Experience Factors)				$1,879,165	$205,335	**$2,084,500**
Health Benefits/SEBB				$110,356	$247,611	**$357,967**
Professional Learning Days				$26,378	$164,817	**$191,195**
Hold Harmless Funding for Districts	$25,000			$17,000	$58,424	**$100,424**
Total McCleary-Related Enhancements	**$75,600**	**$1,016,100**	**$1,271,464**	**$2,935,253**	**$833,297**	**$6,131,714**
Increase in Maintenance Level (for McCleary enhancements and other items) and Other Policy Spending from Prior Biennium	$528,608	$699,922	$1,585,618	$1,674,922	$3,623,708	$8,112,779
Total Increase in Spending on Public Schools from Prior Biennium	**$604,208**	**$1,716,022**	**$2,857,082**	**$4,610,175**	**$4,457,005**	**$14,244,493**

Note: Itemization does not include carryforward or maintenance level costs after items are phased-in

Sources: LEAP, Joint Select Committee on Article IX Litigation reports to Supreme Court

these made up 34.0 percent of the state allocations for McCleary-related policy items from 2011–13 to 2019–21 (as shown in Chart 2). (Ultimately, funds allocated for other purposes also flow through to salaries, as the activity of teaching accounts for the highest portion of school district spending—59 percent in school year 2018–19. Further, the funding for categorical programs like learning assistance is based on the additional staff hours needed to deliver the instruction.) The 2018 supplemental budget fully funded the salary increase in school year (SY) 2018–19, as required by the Court. (We discuss the salary changes in depth below.)

Chart 2: New Policy Spending Related to McCleary, 2011-13 to 2019-21



In addition to increasing salaries, the Legislature has substantially increased health benefit funding over the past two biennia (adding $358.0 million). As part of the reforms, the Legislature created the School Employees' Benefits Board (SEBB) to provide insurance for school employees statewide. The provision of insurance is no longer subject to local collective bargaining, and the amount of coverage is bargained by the governor and a single coalition of employee bargaining representatives. Also, school employees are eligible for coverage through the SEBB if they work just 630 hours per school year (about 12 hours a week).

Finally, the Legislature increased spending for professional learning days for teachers: the phase-in schedule specifies one day in SY 2018–19, two days in SY 2019–20, and three days in SY 2020–21.

Since the 2017–19 budget, the Legislature has reported statewide average basic education allocations per student (see Table 2). Allocations for special education increased the most (46.5 percent) from SY 2017–18 to SY 2020–21, followed by institutional education programs (42.6 percent) and pupil transportation (36.6 percent).

Table 2: Statewide Average Basic Education Allocations per Annual Average FTE Student

	SY 2017-18	SY 2018-19	SY 2019-20	SY 2020-21
General apportionment	$7,063	$8,773	$9,176	$9,398
Pupil transportation	$429	$557	$586	$586
Special education programs	$6,897	$8,784	$9,611	$10,107
Institutional education programs	$14,401	$17,796	$19,186	$20,540
Programs for highly capable students	$457	$572	$598	$609
Transitional bilingual programs	$1,031	$1,258	$1,365	$1,390
Learning Assistance program	$738	$925	$932	$950

Salary Increases

Salary increases were a major part of the response to the McCleary decision. As part of the salary changes, the Legislature repealed the use of "staff mix" in determining salary allocations from the state. That policy allocated state funding based on a district staff's educational credits earned and years of service. Now, the state allocates funding based on minimum statewide average salaries for certificated instructional staff, certificated administrative staff, and classified staff.

The 2018 supplemental budget set the statewide base salary allocation for SY 2018–19 at $65,216 for certificated instructional staff, $96,805 for certificated administrative staff, and $46,784 for classified staff. (The 2019–21 budget provided annual increases to the allocations of 2.0 percent in SY 2019–20 and 2.1 percent in SY 2020–21.) But note that these are the state's allocations to districts; actual salaries are negotiated at the district level (and money designated for other functions in the prototypical school funding model can ultimately be negotiated for salaries).

To compensate for differences in the cost of living, the Legislature added regionalization factors on top of the state's base salary allocations to districts in which median home values are higher than the statewide median. For the top third of these districts (ranked by median home price) the regionalization factor is 18 percent; for the middle third, the regionalization factor is 12 percent; for the remaining third, the regionalization factor is 6 percent. Additionally, a 6 percent adjustment is provided for six districts that border districts with regionalization factors more than 6 percent higher.

The 2017–19 operating budget also added a 6 percent adjustment for districts whose allocation under the new system in SY 2018–19 was lower than their total salaries in SY 2016–17. This adjustment is in place for 31 districts in SY 2018–19 and SY 2019–20, then steps down over three years.

Finally, beginning in SY 2019–20, a 4 percent experience factor was added for 56 districts with median teacher experience above the state average and a higher ratio of advanced to bachelor's degrees.

Initially (in EHB 2242), the Legislature limited average total salary increases for certificated instructional staff in SY 2018–19 (which, as discussed below, was then intended to be a transitional funding year given the timing of planned property tax changes) to inflationary growth (3.1 percent). An exception was made for districts with average salaries less than the average salary allocated by the state: such a district could increase salaries so that its average salary equaled the salary allocated by the state.

Legislation in 2018 (E2SSB 6362) eased this restriction so that SY 2018–19 average total salary increases could not be higher than inflationary growth, annual experience and education salary step increases, salary changes for staffing increases due to enrollment growth or new state funding, salary changes for professional learning, increases related to national board bonuses, increases to bring salaries up to the statewide average allocation, or salaries for new staff. There was significant confusion about the effect of the restriction, which led to unsustainable salary increases and labor strife, as we discuss below.

As a result, the statewide average total teacher salary increase in SY 2018–19 was 13.1 percent (over 2017–18). Since salaries are negotiated locally, the increase ranged from 0.1 percent to 124.4 percent. Average total salaries decreased in fifteen districts (representing 0.3 percent of statewide FTE teachers). They increased by double-digits in 221 districts (representing 78.4 percent of statewide FTE teachers). Of course, these increases were much larger than the 3.1 percent limit originally envisioned by the Legislature. This was the product of several factors.

The Legislature's 2017 deal on school funding (EHB 2242) assumed that the

increased salary allocations would be phased in over two years, with half funded in SY 2018–19 and the full amount funded in SY 2019–20. Meanwhile, the state property tax would increase beginning in calendar year (CY) 2018 and local levies would be limited beginning in CY 2019 (WRC 2017). Thus, there was a large increase in state and local taxes in 2018 that would be followed by a decrease in 2019. (We discuss the property tax changes in more detail below.)

The Legislature intended CY 2018 to be a transitional year. Nevertheless, the Supreme Court ordered the state to fully fund the salaries in SY 2018–19, which the Legislature did in the 2018 supplemental budget. Full state funding, coupled with the 2018 tax increases, emboldened teachers to seek large salary increases that year, regardless of many districts' inability to sustain them even one year later (given the corresponding reduction in local levies scheduled for 2019).

Finally, the 2018 policy change that loosened the salary increase limit reduced clarity for districts and teachers. The Washington Association of School Administrators argued that "newly negotiated step increases" could not be used "to avoid the 3.1% limitation" (WASA 2018). On the other hand, state Superintendent Reykdal wrote to school district superintendents in Aug. 2018, "The 2018–19 salary language in E2SSB 6362 is ambiguous, and we do not believe salary increases are limited to 3.1%" (Reykdal 2018a).

Together, these factors led to intense labor negotiations. According to the Public Employment Relations Commission (PERC), "There were fourteen teacher strikes in 2018, which was the most teacher strikes in any one year since PERC was created in 1976" (PERC 2019). (There were four school strikes in 2019 (PERC 2020).)

Although Reykdal advised districts that the statutory salary limitation was not binding, he did caution them: "Your practical limitation on collective bargaining is your ability to fund compensation increases in the short-term AND your ability to sustain those increases. **Not every district will have an equal opportunity to provide compensation increases with double-digit percentages**" (Reykdal 2018a). (Emphasis in original.)

The Office of Superintendent of Public Instruction (OSPI) identified four risk factors that could make significant salary increases unsustainable for districts: (1) Their average salaries were already "very near, or above, the new state average salary allocation"; (2) Their average SY 2018–19 state salary allocation was less than the average salary paid in SY 2017–18; (3) They did not receive an experience factor allocation for SY 2019–20; and (4) They were expected to lose at least 50 percent of their levy capacity with the new limits in CY 2019.

According to OSPI, all four of the risk factors applied to 22 districts, including Tacoma, Snohomish, and Spokane, while just 21 districts had none of the risk factors. Nevertheless, most of these districts increased salaries in SY 2018–19 by double digits. For example, average total salaries for certificated instructional staff increased that year by 13.3 percent in Tacoma, 15.6 percent in Snohomish, and 13.2 percent in Spokane. (Reykdal 2018b)

Many districts said that they wouldn't be able to afford these raises over the long term without more funding (Morton 2018). Then, in response to pressure from districts and despite concerns about creating a slippery slope in which districts will revert to using local levies to pay teacher salaries, the Legislature acted in 2019 to raise the limit on local levies to give districts more funding options.

With all these changes, spending on school salaries has increased substantially (see Chart 3 on page 7).

According to OSPI, average base salaries for certificated teachers increased from

$55,718 in SY 2017–18 to $73,101 in SY 2018–19, an increase of 31.2 percent. (According to the National Education Association, teacher salaries in Washington ranked 24th in the country in SY 2017–18 and 7th in SY 2018–19. The year-over-year increase was the highest in the country. (NEA 2020)) Base salaries for central administrators increased by 5.1 percent in SY 2018–19. Classified staff base salaries increased by 6.6 percent in SY 2018–19. (OSPI 2019b)

Chart 3: Average Base Salaries per FTE (Constant 2018–19 Dollars)

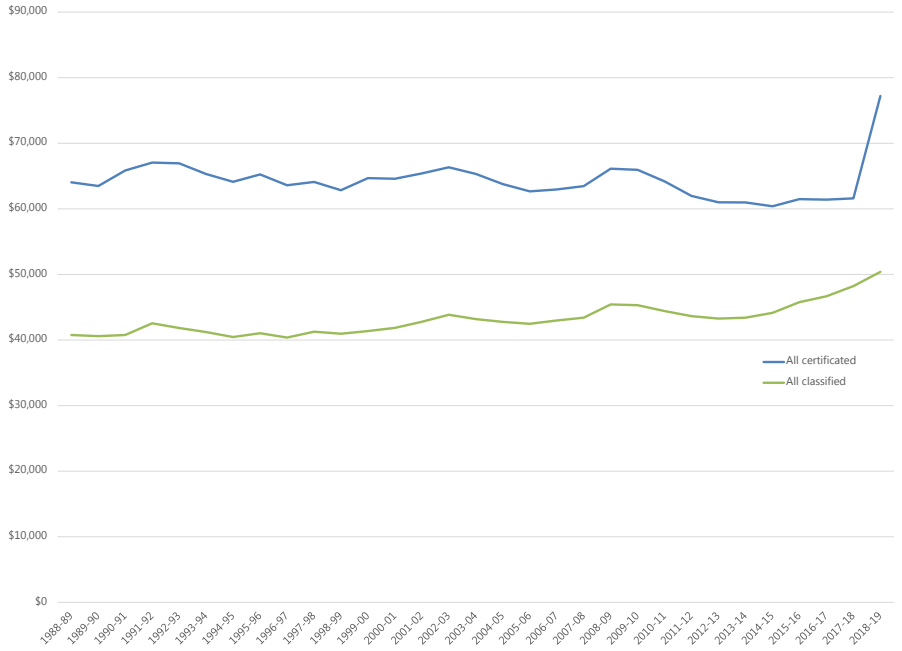
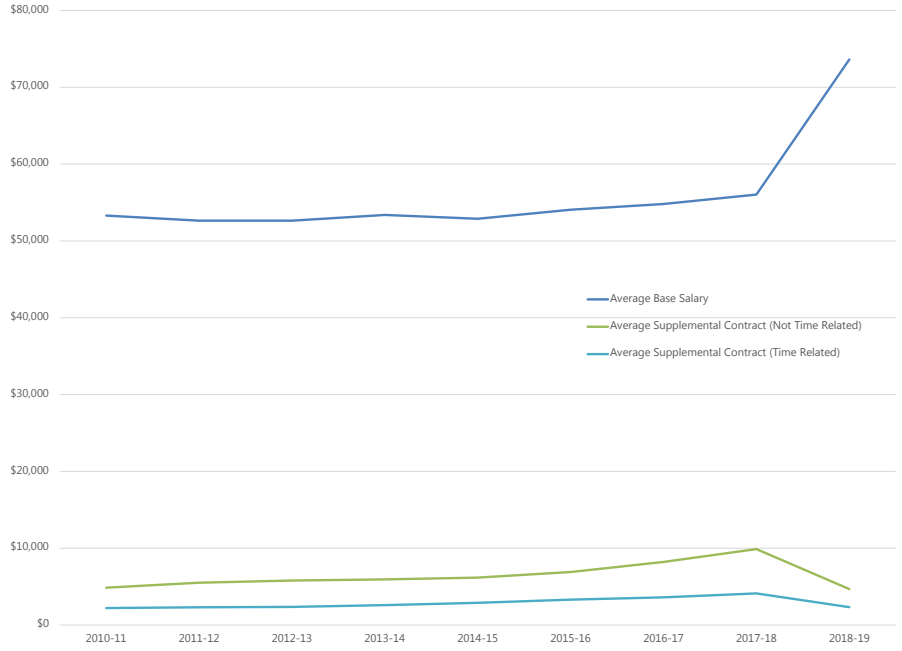


Chart 4: Salaries for Certificated Instructional Staff in Basic Education Programs (Statewide Summary)



Average total salaries (including supplemental contracts negotiated for additional time, responsibilities, or incentives) for certificated teachers were $84,187 in SY 2018–19, up 13.1 percent over SY 2017–18. Average insurance benefits (health, life, liability, etc.) for teachers totaled $10,372 in SY 2018–19, a 6.4 percent increase.

Supplemental contracts are typically paid with funds from local levies. Chart 4 shows how compensation has changed for certificated instructional staff in basic education programs, given the Supreme Court's ruling that districts could not use local revenues to compensate staff for basic education purposes. As the average base salary for certificated instructional staff in basic education programs increased by 31.4 percent ($17,591) in SY 2018–19 (from 2017–18), the average amount spent on their supplemental contracts decreased by 52.6 percent (-$5,209) for contracts that were not time related and by 43.4 percent (-$1,792) for contracts that were time related.

Property Tax Changes

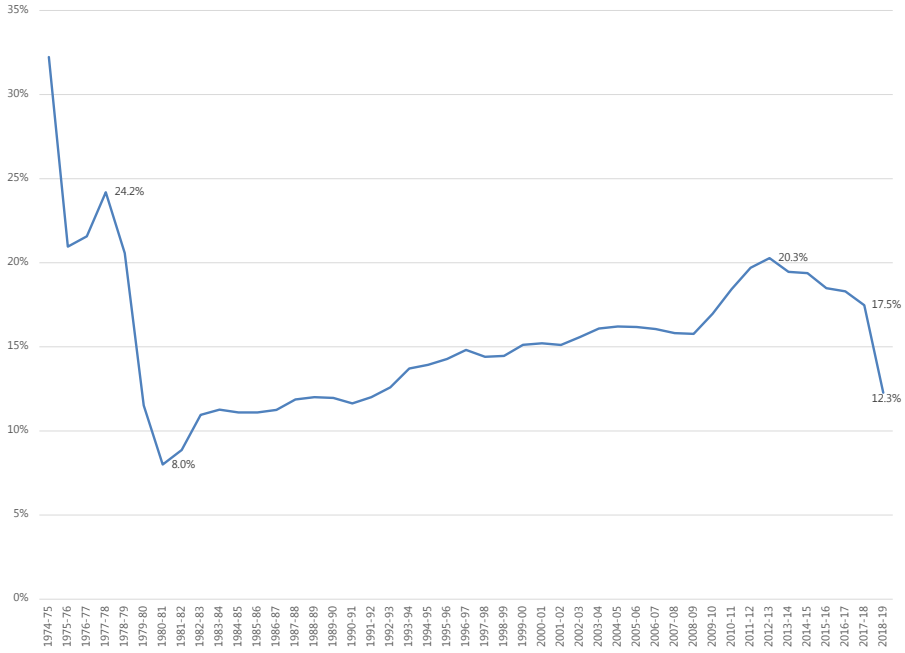
In 2017, the Legislature opted to fund a portion of the new McCleary-related spending by increasing state property taxes. In conjunction with that increase, the Legislature reduced the amounts of money school districts could raise through local levies (the "levy swap"). This limitation on local levies was meant to reduce the burden on taxpayers, create more equity between districts, and prevent future increases in levies that could lead to another school funding lawsuit. The state property tax increase occurred in CY 2018; the reduction in local levy authority became effective a year later, in CY 2019. (As discussed above, this created significant problems with local collective bargaining as there

was one year with both higher state funding and higher local levy authority.)

As the Court noted, inadequate state funding for basic education had forced school districts "to turn increasingly to excess levies, placing them on the same unstable financial foundation" as they were prior to the school funding cases in the 1970s (McCleary 2012). In 1977, the Legislature responded to a similar state of affairs by limiting the ability of districts to use local levies, but the limit crept up over the years (WRC 2016). In CY 2017 and CY 2018, school districts were allowed to levy up to 28 percent of their revenues, if approved by voters (and 90 districts were grandfathered in with levy authority of 28 to 38 percent of their revenues) (OSPI 2018).

In 2018, the state average local enrichment levy rate was $2.27 per $1,000 of assessed value and enrichment levy collections totaled $2.584 billion (DOR 2020). The local rates ranged from $0.32/$1,000 in Bickleton to $8.83/$1,000 in Taholah. Due to disparities in district assessed values, local rates can bring in vastly different sums. For example, Seattle's $1.14/$1,000 yielded $4,381 per student while Columbia's $1.14/$1,000 yielded $864 per student. (OSPI 2018)

Chart 5: Enrichment Levy Revenue as a Percent of Total District Revenue



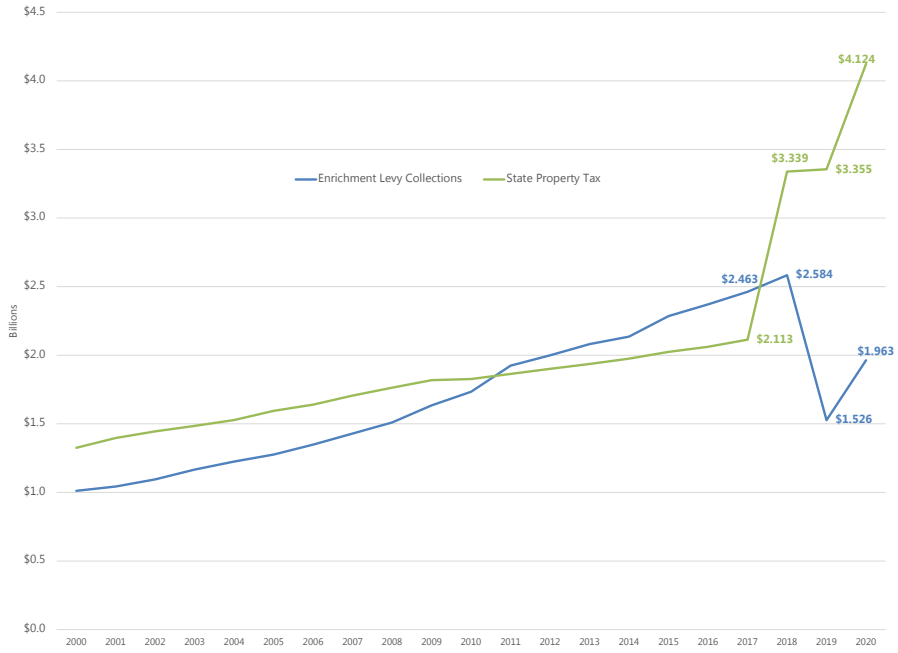
Under legislation enacted in 2017 (EHB 2242), a second state property tax was enacted (on top of the existing regular state property tax), and the combined rate of the two state property taxes was set at $2.70 per $1,000 of assessed value in calendar year 2018 (RCW 84.52.065). (In 2017, the state property tax rate was $1.89/$1,000 (WRC 2017).) Legislation enacted in 2018 (ESSB 6614) reduced the combined rate to $2.40/$1,000 for CY 2019; it reverted to $2.70/$1,000 for CY 2020 and 2021. Additionally, the statutory property tax growth limit of 101 percent was suspended until CY 2022 for the state portion of the property tax. This means that increases in property values during this period are more fully captured in the determination of tax rates, resulting in higher tax collections. For the first state property tax, the limit was suspended effective 2019. Previously, collections from the first state property tax had grown by 2.5 percent in 2017 and 3.0 percent in 2018. Collections grew by 12.5 percent in 2019 and by 9.7 percent in 2020.

Meanwhile, EHB 2242 changed the school district levy limit. In CY 2019, districts were allowed to levy up to the lesser of $1.50/$1,000 of assessed value or $2,500 per pupil. With this change from prior law (a limit of 28 percent of revenues), the state average local enrichment levy rate dropped from $2.27/$1,000 to $1.20/$1,000 of assessed value in 2019; enrichment levy collections dropped from $2.584 billion to $1.526 billion (DOR 2020). Statewide enrichment levies as a percent of total district revenues dropped from 17.5 percent in SY 2017–18 to 12.3 percent in SY 2018–19, as shown in Chart 5.

Worried the limit was set too low, and responding to district concerns of unsustainable labor contracts, the Legislature acted in 2019 (ESSB 5313) to increase the limit for CY 2020. (Despite the Supreme Court's decision to the contrary,

four school district superintendents had written earlier that year, "K-12 education is not fully funded by the state. Our districts still need to ask voters to consider local levies" (Enfield et al. 2019).) In CY 2020, Seattle Public Schools may levy up to the lesser of $2.50/$1,000 or $3,000 per pupil and all other districts may levy up to the lesser of $2.50/$1,000 or $2,500 per pupil (RCW 84.52.0531). (The per-pupil limit will be adjusted by inflation thereafter.)

Chart 6: Property Tax Collections



Consequently, property taxes (the two state taxes plus local enrichment levies) increased by 24.7 percent in 2020 (DOR 2020). Combined school property taxes in 2020 are 33.0 percent higher than they were in 2017, the year before the first McCleary-related tax changes took effect. (See Chart 6.)

Impacts to District Revenues and Spending

Revenues to school districts statewide have increased substantially as state funding increases have kicked in. (Final revenue and spending numbers are publicly available from OSPI only through SY 2018–19. The data includes traditional school districts, tribal schools, and charter schools.) From SY 2010–11 to SY 2018–19, total per pupil revenues to districts increased by 49.7 percent. Over that time period, state per pupil revenues to districts increased by 81.6 percent while local taxes per pupil decreased by 0.3 percent. (From SY 2017–18 to SY 2018–19, local taxes per pupil decreased by 20.4 percent. As mentioned above, though, local property tax limits were increased for CY 2019, which are not yet fully reflected.)

Chart 7: School District Revenues and Expenditures Per Pupil, State Summary

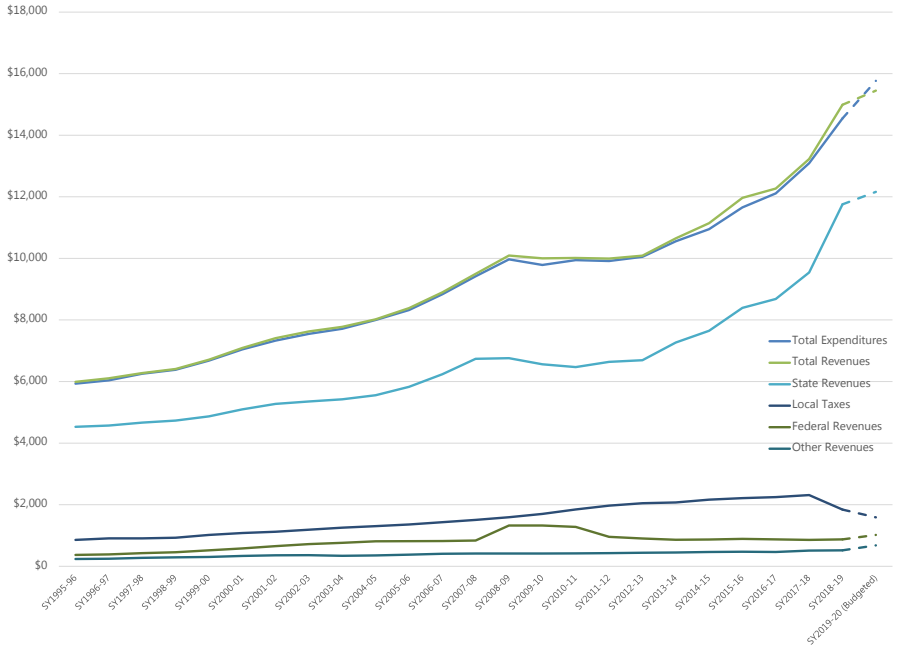


Chart 7 shows revenue and expenditure history per pupil through SY 2018–19 and budgeted revenue and expenditures for SY 2019–20.

The revenue trends shown in Chart 7 (increases in state and total revenues and a reduction in local revenues) are broadly shared among districts. From SY 2017–18 to SY 2018–19, 286 districts gained total revenue per pupil, 300 districts gained state revenue per pupil, and 27 districts gained local taxes per pupil. State revenues made up 78.4 percent of total district revenues in FY 2018–19, up from 64.6 percent in FY 2010–11 (OSPI 2020).

Average district expenditures per pupil reached $14,545 in SY 2018–19, an increase of 46.3 percent from SY 2010–11. From SY 2017–18 to 2018–19, district expenditures per pupil increased by 11.1 percent; they were budgeted to increase another 8.4 percent in SY 2019–20, to $15,767. According to the four-year budgets developed by districts in Fall of 2019, expenditures per pupil are forecast to increase to $16,204 in SY 2020–21.

Chart 8: School Spending by Object (State Summary, Dollars in Millions)

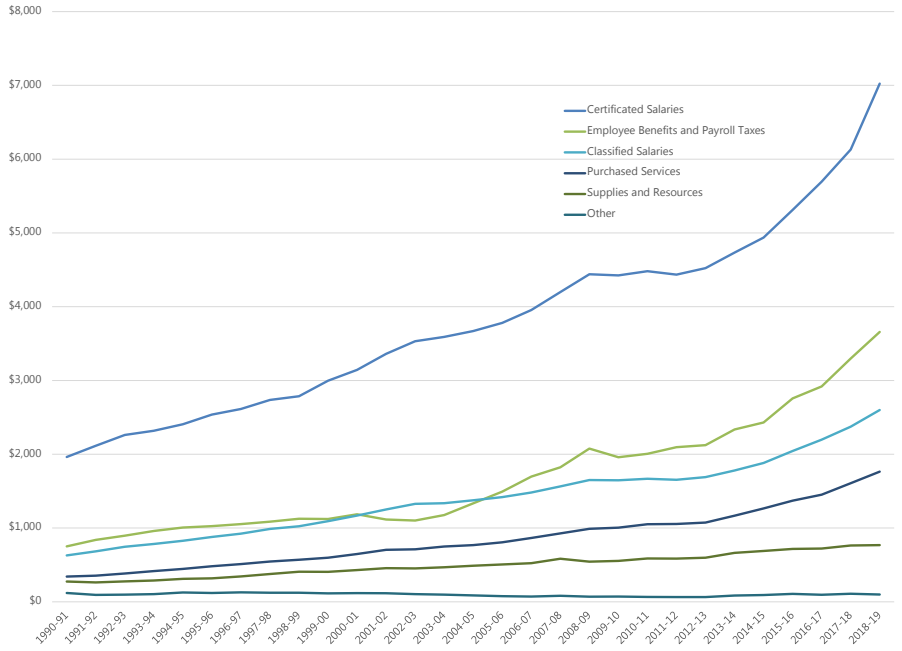
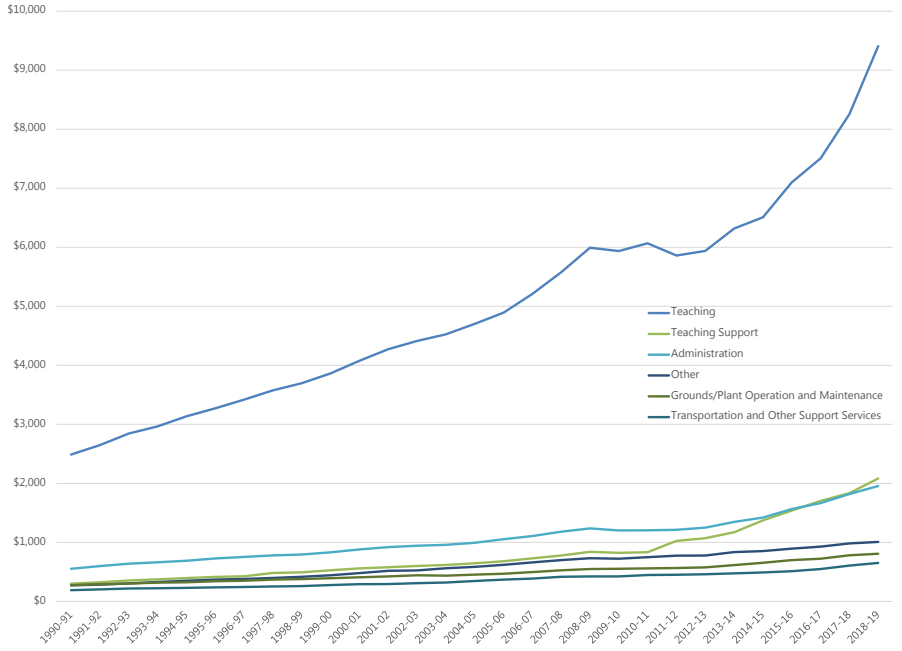


Chart 9: School Spending by Activity (Statewide Summary, Dollars in Millions)



Total general fund spending by districts was $15.911 billion in SY 2018–19 (an increase of 11.4 percent from SY 2017–18 that, due to a data lag, does not yet show up in national rankings). This spending can be grouped by object, program, or activity. Of total spending statewide, certificated salaries made up 44.1 percent, employee benefits and payroll taxes made up 23.0 percent, and classified salaries made up 16.3 percent (collectively staff costs made up 83.5 percent of all expenditures) (see Chart 8). (This high percentage devoted to staffing helps illustrate the point above that even though salaries made up just 34 percent of the McCleary policy enhancements, much of the other spending also flows through to compensation.) From SY 2010–11 to SY 2018–19, certificated salaries grew 56.7 percent, classified salaries grew 55.9 percent, and employee benefits and payroll taxes grew 82.4 percent.

As the Supreme Court noted, such "increased funding for staff compensation drives increased funding into almost all parts of the prototypical school model and into categorical education programs" (McCleary 2017). Chart 9 shows statewide district spending by activity. Teaching made up 59.1 percent of spending in SY 2018–19, followed by teaching support (13.1 percent) and central and building administration (12.3 percent). From SY 2010–11 to SY 2018–19, spending on teaching grew 55.1 percent, spending on teaching support grew 150.1 percent, and spending on central and building administration grew 62.1 percent. Finally, Chart 10 (on page 11) shows statewide spending by instructional program. Of the spending, 54.7 percent went to regular instruction, 19.3 percent to support services, and 14.0 percent to special education. From SY 2010–11 to SY 2018–19, spending on regular instruction grew 71.9 percent, spending on support services grew 45.1

percent, and spending on special education grew 89.9 percent.

According to the U.S. Census Bureau, the state's increased spending is making a difference in our national spending rank. There is a long data lag, but in SY 2017–18, school districts in Washington spent $12,995 per pupil, surpassing the national average. That was an increase of 37.0 percent over SY 2010–11 (national average per-pupil spending increased by 18.9 percent). The percentage growth of Washington's spending per pupil over this period ranked highest in the country. (Census n.d.) Washington's ranking among the states was 18th in SY 2017–18—up from 29th in SY 2010–11. (See Chart 11.)

Chart 10: School Spending by Instructional Program (Statewide Summary, Dollars in Millions)

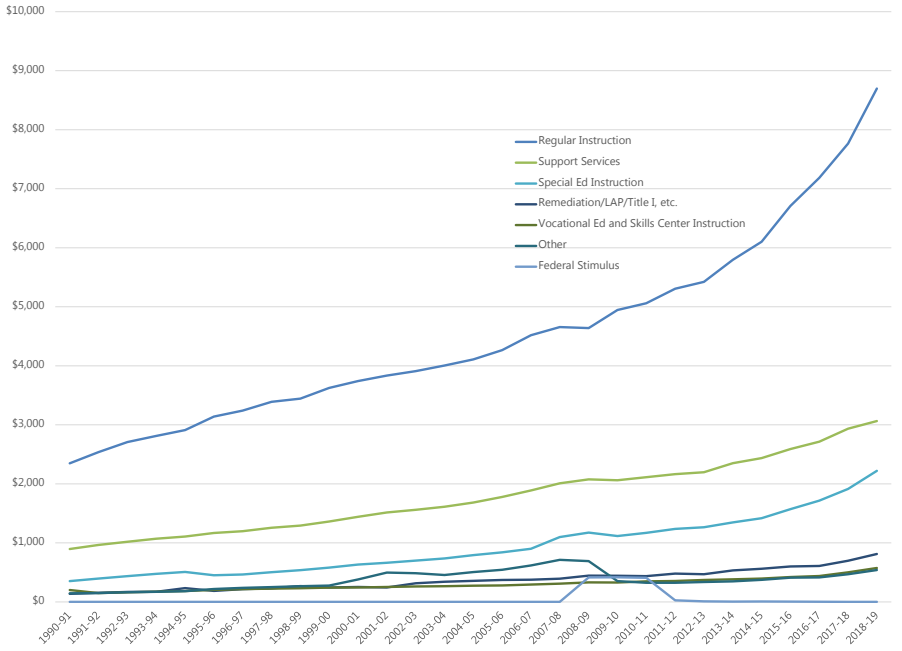
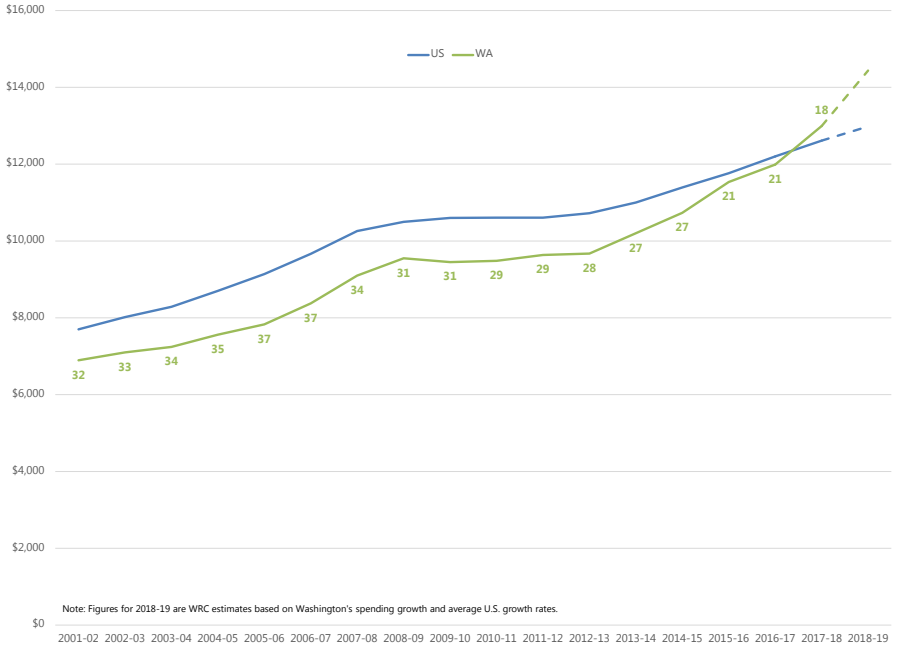


Chart 11: Current Spending per Pupil (Rank Among States)



School districts receive funds from local, state, and federal sources. Washington's districts get a high share of their revenues from state sources, compared to other states (due to the paramount duty clause of the state constitution). In SY 2017–18, 64.1 percent of Washington school district revenues came from state sources (the 8th highest percentage in the country). But Washington district revenues from both state and local sources have risen in the national rankings. In SY 2017–18, revenues from state sources ranked 8th (up from 15th in SY 2010–11) and revenues from local sources ranked 32nd (up from 35th in SY 2010–11). (Census n.d.) (See Table 3 on page 12.)

Washington will likely continue to rise in the rankings over the next few years, as the substantial increases in state spending weren't completely phased in until SY 2018–19.

District Accountability and Equity

Along with substantial new state spending, the Legislature enacted a number of accountability requirements for school districts.

As of Sept. 1, 2018, districts may use enrichment levies "solely to enrich the state's statutory program of basic education" (RCW 84.52.053(4)(a)). The Supreme Court referenced this approvingly, writing that the levy system reforms "ensure local levy funds are used to pay only for 'enrichment' programs beyond the basic education program" (McCleary 2017). However, the Washington Association of School Administrators writes, "Time will tell, but it does not appear the

adopted levy limits will do much to change behavior because the definition of 'enrichment' continues to be very broad and subject to interpretation" (WASA 2019). (Note, too, that even in levy elections in 2020, many districts are still describing their levies to voters as being needed for maintenance and operations, not enrichment.)

Additionally, the superintendent of public instruction must approve enrichment levy expenditure plans before they may be submitted to voters, beginning with levies for collection in CY 2020 (RCW 84.52.053(4)(b)). According to OSPI, while some plans have been sent back to districts for revisions, none have been rejected outright thus far. It remains to be seen how effective this intended check on the use of local levies will be. (The state auditor must review the levy expenditure plans approved by OSPI.)

Enrichment levies must be deposited in a separate subfund from other school revenues beginning with CY 2018 taxes (RCW 84.52.0531, RCW 28A.320.330). Further, beginning in SY 2019–20, school districts must report spending by revenue source (RCW 28A.320.330(c)) and the state auditor must review districts' use of local revenues (RCW 43.09.2856). If an audit finds that a district is using levies for non-enrichment purposes, the district's maximum levy in the following year will be reduced. School districts must also develop four-year budget plans as part of their annual budget process, beginning in SY 2018–19 (RCW 28A.505.040).

The 2019–21 state operating budget required school districts to report to OSPI the results of each collective bargaining agreement, including minimum and maximum base salaries, supplemental salaries, and average increases for teachers.

Finally, beginning Sept. 1, 2019, funding for class size reductions in grades K–3 may only be provided to districts proportionate to their actual class sizes (RCW 28A.150.260(4)(b)(i)). Because of this, the official state budget outlook assumes that reversions (appropriations not spent) will be larger than normal in 2019–21 and 2021–23. Through 2021–23, the state estimates reversions due to K–3 class size noncompliance will be $150 million (SBOWG 2020). Those reversions are estimated to decline each year, "as schools continue to move towards compliance with K–3 class size requirements" (SBOWG 2019).

These accountability measures are meant to ensure that districts do not slowly increase their dependence on local levies such that the Supreme Court again determines that school funding is unconstitutional. The measures should also provide more transparency and make districts more accountable to the state. This is important, as the body that provides the money (the state) is not the same as the one that spends it (local districts).

Another typical concern about school funding is whether it is equitable among districts. It's too early to tell how the response to McCleary has affected equity. As noted above, the Court believes that

Table 3: Per-Pupil School Revenues in Washington (Rank Among States)

	From State Sources	From Local Sources	From All Sources
2017-18	8	32	18
2016-17	9	34	20
2015-16	12	33	21
2014-15	15	36	24
2013-14	14	35	25
2012-13	17	36	29
2011-12	18	36	28
2010-11	15	35	29
2009-10	11	41	27
2008-09	12	41	27
2007-08	12	40	32
2006-07	14	39	32
2005-06	16	39	36
2004-05	16	40	34
2003-04	14	41	31
2002-03	15	40	27
2001-02	12	41	29

the use of local levies makes the school funding system less equitable. Additionally, state Superintendent Reykdal has blamed the new salary regionalization factors for inequities in school funding: "An unintended consequence of adding this factor to the funding model was the creation of a model where districts with the most wealth receive even more from the state on a per-student basis" (OSPI 2019a).

Comment

Since 2009–11, the state has increased spending on public schools by $14.244 billion (110.0 percent). These dollars led to substantially increased revenues for school districts, even with new limits to school district levy authority.

The state Supreme Court blessed these changes. But the influx of billions of dollars, a lack of clear salary limits, and an acceleration of full state funding before limits on local levies were in place led to teacher strikes and double-digit salary increases. And there has already been an erosion of the levy limits that were put in place to preserve equity and prevent districts from using local revenues to fund basic education. Meanwhile, property taxes have increased substantially.

Washington has organized its school funding system so that the state is responsible for the funding while districts have some flexibility to raise funds locally. Local control over spending is good in that districts may be best positioned to determine what is important to their communities. But there is an inherent conflict between the principles of local control of district budgets and statewide equity. When local levies are allowed to supplement state funding, districts in property-rich areas will have more resources than those in property-poor areas.

Because making "ample provision for the education of all children" is the "paramount duty" of the state under the constitution, the state must either limit local control of levies in order to keep a semblance of statewide equity for students or continue to give local districts wide leeway (at the risk of future lawsuits). The alternative would be amending the constitution. With the regionalization factors the Legislature added to salaries in districts with higher home values, it has maintained the previous inequitable funding while complying with the Court's mandate that basic education not be funded with local levies.

As we wrote in 2016, Washington has been stuck in a cycle that is effectively prescribed by the paramount duty clause: "State school funding drops (due to recession or other priorities), local levies make up the difference, courts rule that the state must pay more, repeat" (WRC 2016). Given that the new levy limit lasted only a year, the cycle may not be broken yet.

Indeed, the state's budgetary response to the current recession will be instructive. Will the state avoid cutting basic education spending (despite the fact that it now makes up over half of the budget), or will it go right back to its old ways? Initial indications suggest that accountability provisions put in place in response to the McCleary decision will not be enough.

Appendix: McCleary Case Background

McCleary et al. v. State of Washington stretched on for more than a decade. First filed in 2007, the lawsuit argued that the state was not meeting its "paramount duty" under Article IX of the state constitution "to make ample provision for the education of all children residing within its borders."

In 2012, the state Supreme Court agreed. Further, the Court ruled, as it had in the 1970s, that basic education must be funded with "regular and dependable tax sources" (i.e., state sources rather than local levies) and the state Legislature is responsible for determining the program of basic education. The 2012 decision endorsed reforms initiated by the Legislature in 2009 and 2010 (which the Legislature planned to implement by 2018). According to the Court, these, "if fully funded, will remedy deficiencies in the K-12 funding system" (McCleary 2012). Nevertheless, the Court retained jurisdiction in the case "to help facilitate progress in the State's plan to fully implement the reforms by 2018" (McCleary 2012).

In a January 2014 order, the Court (concerned by the Legislature's pace in phasing in planned funding increases) ordered the state to submit "a complete plan for fully implementing its program of basic education for each school year" (McCleary 2014). Later that year, after the state did not provide an implementation timeline to the Court, the Court found the state in contempt. In August 2015, the Court imposed a penalty on the state of $100,000 per day until it complied with the January 2014 order.

On Oct. 6, 2016, the Court specified that the state had until Sept. 1, 2018 to fully implement the program of basic education. On Nov. 15, 2017, the Court held that the state was in full compliance with the McCleary decision—with the exception of the implementation of school salary increases, which the 2017 Legislature had planned to fully fund in SY 2019–20. Aside from that, "At this point, the court is willing to allow the State's program to operate and let experience be the judge of whether it proves adequate" (McCleary 2017). If full implementation of the salary increases were moved up a year, "The court is satisfied that the new salary model established by EHB 2242 provides for full state funding of basic education salaries sufficient to recruit and retain competent teachers, administrators, and staff. This is consistent with the standards established for constitutional compliance" (McCleary 2017).

The McCleary case officially ended on June 7, 2018, when the Court found that the Legislature acted in 2018 to fully implement the increased salary allocations for the 2018–19 school year. Thus, "the State has fulfilled this court's directives issued pursuant to McCleary" and the Court relinquished jurisdiction.

Importantly, the Nov. 15, 2017 order noted the Court's endorsement of the prototypical school model adopted as part of ESHB 2261 in 2009, and specified, "ESHB 2261 is not designed to dictate reimbursements to school districts for their actual expenditures on the components of basic education." Instead, the prototypical model "is designed to calculate the amount of state funding necessary to provide for the program of basic education while maintaining the ability of individual school districts to decide how best to spend the allocations to meet local needs. Being only an allocation model, it is not prescriptive" (McCleary 2017). Further, "This court has never held that to meet its constitutional obligation, the State must precisely account for every school district's actual expenditures in providing basic education" (McCleary 2017).

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