



# **Washington State School Finances: Does Every Child Count?**

A Washington State PTA Report  
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## TABLE OF CONTENTS

<b>Executive Summary</b>	<b>page 3</b>
<b>Introduction</b>	<b>page 6</b>
<b>Results-In-Brief</b>	<b>page 8</b>
<b>Scope and Methodology</b>	<b>page 10</b>
<b>Background</b>	<b>page 11</b>
<b>Findings</b>	<b>page 15</b>
<b>Conclusions</b>	<b>page 38</b>
<b>Recommendations</b>	<b>page 39</b>
<b>References</b>	<b>page 41</b>
<b>Acknowledgements and About the Author</b>	<b>page 44</b>
<b>Appendices</b>	<b>page 45</b>

## Washington State PTA School Finance Study Executive Summary

Legislative and economic developments over the past 10 years have placed Washington state students in a tight squeeze between high academic expectations and limited resources. **Committed to ensuring that every child counts, the Washington State PTA became concerned with the equity and adequacy of funding for all students. Of particular concern was whether any worrisome funding gaps existed, especially among our most needy and vulnerable school districts.** Such districts are responsible for large numbers of high-needs students who are among those most at risk of failing in school—students federal and state legislation have been designed to rescue. These high-needs students include those with disabilities, English language learners, and students from poor families. This study was intended to provide a fresh look at Washington’s school finance system and to review—in light of recent legislative and economic changes—whether it is still sufficient or whether some changes might be warranted. The study’s major research questions and findings are summarized below.

### 1) How fairly is school funding distributed across districts in Washington state?

**Based on national benchmarks for equity, the distribution of total funding across school districts in Washington state is generally fair and equitable.** About two-thirds of the students are in districts that receive funds ranging from about \$6,300 to \$7,500 per pupil. These figures include revenues from federal, state and local sources for current operations and are adjusted for differences in student needs and local costs for educational resources. The average is \$6,906 per pupil.

However, **even with this favorable assessment, the state still has 17 districts with funding levels far below the average.** The funding levels of these 17 districts ranged from \$615 to \$1,055 less than the average funding per pupil. Altogether, these 17 lowest-funded districts accounted for about 171,000 students or about 18 percent of the total students in the study.

### 2) Why do the 17 lowest-funded districts receive much less funding than the other districts in the state?

We don’t have conclusive answers yet, but here are some important factors:

- **Most of the 17 districts receive relatively low funding shares from more than one revenue source (local, state and federal) meaning that no single reason can explain why these districts are relatively under-funded.**
- All 17 districts had higher than average local costs for educational personnel and resources. The state does not adjust for local differences in educational resource costs; a factor that may explain the districts’ relatively low revenue shares in this study—where such adjustments were made.
- Sixteen of the 17 districts have certificated teachers whose average education and experience levels are below the state’s average. This means these districts receive less than the average state allocation for teacher salaries.
- Finally, 12 of the 17 districts make an above-average local tax effort; yet nine of these 12 generate below-average local revenues. This finding suggests that an unwillingness to tax themselves is not an important reason for the districts’ low local revenues.

### **3) To what extent is districts' school funding dependent on district wealth?**

**School district funding in Washington state is not appreciably dependent on district wealth.** This means that wealthy districts in the state generally do not have an unfair advantage over poor districts in raising local revenues for education. The state finance system seems to have largely compensated for differences in district tax bases. For every 1 percent increase in districts' tax base, a district on average receives an increase in total state and local funding of only 0.035 percent.

### **4) What is the estimated cost of funding schools to a level adequate to meet state education standards?**

**We found that no matter what approach is taken for defining what it takes to achieve the state's standards; the additional cost is likely to be quite high. Estimates of the additional cost range from \$179 million to \$2.1 billion per year.** The lower estimate is based on using the median funding level as a proxy for a base spending level. Studies in other states have shown that districts meeting statewide standards of academic performance tended to be at the median funding level. The higher estimate is based on the base spending per pupil levels developed by the Rainier Institute in "What Will It Take?" Neither estimate, especially the lower one, takes into account all the resources needed to teach all types of students to the full range of state standards.

### **5) Which districts face the greatest risk for not ensuring their high-needs students attain the state's academic standards?**

**Of the 174 districts in the study, we identified 17 that we considered most at risk for not ensuring all of their high-needs students attain the state's academic standards.** These 17 at-risk districts have below-average funding and above-average rates of students with extraordinary needs and above-average rates of students who did not meet 4<sup>th</sup> grade WASL test standards in school year 2001-02. In other words, these are districts with above-average needs, but below-average resources. The concern is heightened by the strong correlation between students with high needs and students who do not meet WASL standards.

**Upon taking a closer look at these 17 at-risk districts, we found that most had average teacher experience and education levels that were below the state average and rates of poor and minority students that were above average.** Altogether, these 17 at-risk districts, located mostly in King and Yakima counties, account for about 103,000 students or 11 percent of the nearly 936,000 FTE students in the study.

## **Conclusions**

Judged against national benchmarks for equity, **Washington state has done well in fairly distributing its school funds across districts.** Also, the state's good fiscal neutrality scores indicate that the state's equalization policies have been effective in ensuring that wealthy districts do not have an unfair advantage in raising local revenues for their schools. However, gaps in school funding still remain even with otherwise good equity scores.

Compared to the need for more equity, **the lack of adequate funding is a much bigger problem.** Either estimate of the additional costs, \$179 million or \$2.1 billion, needed to bring students to the state's academic standards is expensive by today's budget realities. Although it may not be possible to attain adequate funding levels in the short term, the state should at least determine the cost of achieving adequacy. If the state chooses to strive for more funding, it needs to plan how this can be accomplished

over time and in increments.

Finally, **given the state and federal consequences that districts face if their students do not pass state assessments in a timely manner, below-average funding of any amount becomes critical if the district is also serving large portions of students with extraordinary needs and students not meeting WASL standards.** Certainly the 17 at-risk districts identified in the study have a legitimate right to at least expect average if not more than average funding given the difficulties they face.

## **Recommendations**

In its recent Legislative Assembly, the Washington State PTA endorsed an initiative calling for an education funding study as one of its top priorities for the 2004 Legislative Session. In keeping with the model school finance system discussed in the full report and in line with the findings of this report, **PTA recommends that any study of how the state funds education should do the following:**

### **1. Develop a base spending per pupil level that would ensure the average child could achieve the state's education standards.**

Washington state has not determined a base spending per pupil level considered adequate for the average child to reach the state's education standards. A base spending level is an essential element of any school finance system that seeks to link school finance to educational standards. PTA encourages the state to consider the various approaches for determining a base spending level. The state should conduct the appropriate research to ensure that the base spending level includes the costs of all the program components and educational staff and resources needed to ensure achievement of the state's education standards.

### **2. Determine the additional amounts of money needed for students whose extraordinary needs require more resources than the average student.** These are students with physical or mental disabilities, those from low-income families, and those learning the English language.

The state has programs that target additional dollars to students with high-needs through its special education, compensatory education, and bilingual education programs. PTA urges any study of education funding undertaken by the state to examine the adequacy of the additional funding for these high-need students in light of recent research on the most effective strategies and programs for these student populations.

### **3. Consider the feasibility of using a price adjustment for all dollar figures to ensure comparable spending power across all areas of the state.**

The state does not make adjustments for local differences in educational resource costs. Yet, in this PTA study the purchasing power of education dollars varied as much as 25 percent between the lowest and highest price districts within the state. Making these adjustments for local cost differences helps to ensure more equal education opportunities across the state. However, as school finance experts acknowledge, making such adjustments can be politically difficult. Nevertheless, PTA urges the state to consider the technical and political feasibility of making such adjustments in any study of education finance that it undertakes.

## INTRODUCTION

Legislative and economic developments over the past 10 years have placed Washington state students in a tight squeeze between high academic expectations and limited resources. Although the state has done much to provide fair and equitable funding since passing the Basic Education of Act of 1977, new legislative priorities and changes in the economy raise the question as to whether every child has the resources needed to attain high education standards. “Every child counts” is a central tenet of the Washington State PTA. PTA undertook this finance study to determine whether indeed every student—especially those most at risk for failing to achieve academic standards—receives a fair share of funding.

In response to a pending state Supreme Court ruling, the legislature passed the Basic Education Act of 1977 (BEA), which defined “basic education” in terms of broad goals and specified a minimum amount of time and instructional programs that school districts were required to offer. By law, the state was to fully fund the cost of a basic education without relying on local funds. The state also passed the Levy Lid Act in 1977 to regulate the amount of funds that could be raised by local levies for education. PTA joined other educational groups in crafting these legislations and lobbying for their passage.

Studies conducted since implementation of the BEA found that the new finance system did in fact produce more equitable funding of districts across the state and reduced the reliance of education funding on local levies.<sup>1</sup> However, researchers also were critical of certain omissions in the BEA. For example, the BEA does not factor in differences in the local cost of living or the extra costs urban districts have in educating a diverse population. Although overall funding for education increased, researchers found that the finance system ultimately rewarded relatively affluent and less diverse districts at the expense of districts with more poor and minority populations.<sup>2</sup> In the current times of restricted funding and increasing costs, such omissions increase the difficulty of districts trying to meet the educational needs of their diverse populations.

The concept of what constitutes a basic education changed dramatically following passage of the Education Reform Act in 1993 (HB 1209). Washington state established new statewide learning goals with high performance expectations for all students. More than spending a certain amount of time in a subject area, graduating students are now expected to achieve a level of proficiency in key subject areas. In support of the new goals, the Commission on Student Learning developed challenging and detailed academic standards and a state assessment system for measuring student achievement of the standards. Although the consequences for districts that fail to meet state standards are still being debated by the legislature, for students the consequences are clear. Beginning with the class of 2008, students must pass the 10th grade Washington Assessment of Student Learning (WASL) by the end of high school in order to graduate.

In addition, federal mandates to districts receiving federal Title I funding have been strengthened with the reauthorization of the federal Elementary and Secondary Education Act in 2000 – No Child Left Behind. School districts must now ensure all students, especially students of color, poor students, English language learners, and disabled students, improve their yearly academic performance and meet statewide performance goals within specified time frames. All students are expected to at least reach the

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<sup>1</sup> Plecki, Margaret L. “Washington’s School Finance Reform: Moderate Success and the Need for Improvement.” Journal of Education Finance 25 (Spring 2000): 565-582. Also, Garvey, Deborah L. “Does School Finance Centralization Reduce the Growth of Instructional Spending? The Case of Reform in Washington” Santa Clara University Research Paper (February 2002).

<sup>2</sup> Theobald, Neil D. and Faith Hanna. “Ample Provision for Whom? The Evolution of State Control Over School Finance in Washington.” 17 Journal of Education Finance 7 (1991): 10-11. Also see Garvey, Deborah L. cited above.

proficiency level on state tests by the year 2014. Ultimately, districts that fail to make adequate progress over time might lose some of their federal funding, which totals about 9 percent of a district's revenue on average.<sup>3</sup>

We are asking our students to climb a very high academic mountain fueled by a 27-year-old finance system that has never determined the true cost of a basic education. Although the legislature has modified funding formulas to accommodate more programs and reduce the student-teacher ratio, it has never aligned the funding with the high performance expectations of 1993.

Now new state and federal mandates have taken hold at a particularly difficult time. The state has been slow to recover from the 2001-02 recession and regain lost jobs. Although state general fund revenues have modestly increased since the recession, they are not expected to keep pace with growing state expenditures over the next several years.<sup>4</sup> The state's budget difficulties are compounded by voter initiatives that have limited the level of state expenditures and curbed the growth in property tax revenues. Against this backdrop, funding for our state's schools has failed to keep pace with inflation and with the growing demands for improvements in student performance.<sup>5</sup> It's reasonable to ask whether it's truly possible to attain 100 percent proficiency by the year 2014 given the modest gains in WASL scores that have occurred over the past 5 years.

Committed to ensuring that every child counts, the Washington State PTA became concerned with the adequacy of funding for all students and whether any worrisome funding gaps existed, especially among our most needy and vulnerable school districts. Such districts are responsible for large numbers of high-needs students who are among those most at risk of failing in school—students federal and state legislation have been designed to rescue. These high-needs students include those with disabilities, English language learners, and students from poor families. This study was intended to provide a fresh look at Washington's school finance system and to review—in light of recent legislative and economic changes—whether it is still sufficient or whether some changes might be warranted. The study's major research questions and findings are summarized below.

More specifically, our research questions were as follows:

- (1) How fairly is school funding distributed across districts in Washington state?
- (2) If some districts receive much less school funding than others, what might be the reasons for this?
- (3) To what extent is districts' school funding dependent on district wealth?
- (4) What is the estimated cost of funding schools to a level adequate to meet state education standards?
- (5) Which districts face the greatest risk for not ensuring their high-needs students attain the state's academic standards?

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<sup>3</sup> The 9 percent is based on the percentage of federal funds in the combined school district General Funds for the 174 districts in this study for school year 2001-02.

<sup>4</sup> "Washington State 2003-05 Budget & Revenue Preview," Presentation by the Senate Ways and Means Committee Staff, January 2003.

<sup>5</sup> Pascall, Glenn. "Realities of Education Funding in Washington State: Why Schools are Still Struggling Even After the Passage of Two Education Initiatives." League of Education Voters Foundation (December 2002).

## RESULTS IN BRIEF

### 1) How fairly is school funding distributed across districts in Washington state?

The distribution of total funding across school districts in Washington state is generally fair and equitable. On widely recognized national measures of finance equity, school district revenues vary little across districts in the state. For example, two-thirds of the students in the state were enrolled in districts that received enough total (federal, state and local) funding to put them within about 8 percent of the state average per pupil funding level, \$6,906.<sup>6</sup> This means the total funding per pupil for most students fell within \$577 of the state average.<sup>7</sup> See pages 15 to 16 in the report for a full explanation.

Even though Washington state's system is fairly equitable, it's still possible to have a group of districts at the bottom end of the funding range that are far below the average funding level. In this study, we identified 17 such districts in the state that receive substantially below-average funding per pupil; even when federal funds are included in the total.<sup>8</sup> These districts are located primarily in King and Snohomish counties and tend to have higher costs for educational personnel and supplies than the average district in the state. Much greater than the typical difference from the average funding per pupil, these lowest-funded districts in the state ranged from \$615 to \$1,055 less than the state average. Altogether, these 17 lowest-funded districts accounted for about 171,000 students or about 18 percent of the total students included in the analysis. See pages 15 to 23 in the report for a full explanation.

### 2) Why do these 17 lowest-funded districts receive much less funding than the other districts in the state?

Although we have not conducted a complete investigation as to why the 17 lowest-funded districts are so far below the average funding level, we did examine a number of factors that could potentially explain the disparity. First, we learned that no single reason explains the low funding among this group, primarily because most of the districts receive relatively low funding shares from more than one revenue source (local, state and federal). However, certain aspects regarding the state's allocation criteria and the district's ability to raise local revenues appear to help explain the low funding.

For example, the state does not adjust for local differences in educational resource costs; a factor that may explain the districts' relatively low revenue shares in this study—where such adjustments were made. Also, 16 of the 17 districts have certificated teachers whose average education and experience levels are below the state's average. As the state awards additional salary funds for higher levels of teachers' education and experience, this finding means these districts receive less than the average state allocation for teacher salaries. Finally, 12 of the 17 districts make an above-average tax effort; yet nine of these 12 generate below-average local revenues. This finding suggests that an unwillingness on the part of districts to tax themselves is not an important reason for the low local revenues. See pages 24 to 27 for a full explanation.

### (3) To what extent is districts' school funding dependent on district wealth?

School district funding in Washington state is not appreciably dependent on district wealth. This means that wealthy districts in Washington state generally do not have an unfair advantage over poor districts

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<sup>6</sup> All of the funding figures have been weighted for student needs and adjusted for differences in local resource costs.

<sup>7</sup> The standard deviation for total funding per pupil is \$577. The standard deviation is the typical difference between a district's funding-per-pupil and the average funding-per-pupil allowing for the fact that some districts are above the average while others are below.

<sup>8</sup> These are districts that are more than one standard deviation below the average total funding per pupil.

in raising funds for education. Local levy revenue to support K-12 education is generated primarily by property taxes. Districts with low property values cannot raise an amount of local revenue equal to the revenue in high property wealth districts unless they tax themselves at very high rates. However, Washington's state finance system seems to have largely compensated for differences in district tax bases. Our analysis shows that for every 1 percent increase in districts' tax base, a district on average receives an increase in total state and local funding of only 0.035 percent. See pages 28 to 29 in the report for a full explanation.

(4) What is the estimated cost of funding schools to a level adequate to meet state education standards?

Using two disparate approaches to defining and measuring adequacy of funding, we found that the additional necessary funding required for every child to meet state academic standards ranges from \$179 million to \$2.1 billion per year. Some school finance experts recommend using the state median funding level per pupil as a proxy for the cost of "adequacy," because studies have shown that districts meeting statewide standards of academic performance tended to be at the median funding level. If Washington were to fund all districts at the state median funding level per pupil, the additional cost of K-12 education funding per year would be about \$179 million. By instead defining a specific basket of education resources required to achieve specific student outcomes, the additional funding necessary might be as much as \$2.1 billion annually. See pages 30 to 32 in the report for a full explanation.

(5) Which districts face the greatest risk for not ensuring their high-needs students attain the state's academic standards?

Of the 174 districts in the study, we identified 17 that we considered most at risk for not ensuring all of their high-needs students attain the state's academic standards.<sup>9</sup> These 17 at-risk districts have below-average funding and above-average shares of students with extraordinary needs and above-average rates of students who did not meet Washington Assessment of Student Learning (WASL) test standards in school year 2001-02. In other words, these are districts with above-average needs, but below-average resources. The concern is heightened by the strong correlation between students with high needs and students who do not meet WASL standards.

The combination of having both large portions of high-needs students and students who are below WASL standards places a considerable burden on the teaching staff. However, in 13 of the 17 at-risk districts, the teachers' average level of education and work experience was below the state's average level. An at-risk district's staff mix factor that is below the state average raises questions for parents whose children reside in these districts as to whether their children, especially any who require additional educational support, have the most qualified teacher. Also, 13 of the 17 at-risk districts had above-average rates of poor and minority students. Altogether these 17 at-risk districts account for about 103,000 students or 11 percent of the nearly 936,000 FTE students in the study. See pages 33-35 for a full explanation.

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<sup>9</sup> These 17 at-risk districts include some but not all of the 17 districts with the lowest levels of total funding per pupil discussed earlier. It's a coincidence that both the at-risk districts and the lowest-funded districts, based on different criteria, have the same number of districts. The four districts in both groups are Kent, Renton, Highline and Grandview.

## SCOPE AND METHODOLOGY

To determine how fair the distribution of state, local and federal funding is across school districts in Washington, we employed two different, nationally-recognized measures often used to evaluate finance equity in elementary and secondary education funding: The coefficient of variation and the McCloone Index. First, we used the coefficient of variation (COV), a widely employed statistical tool that standardizes the measurement of variance in per pupil funding among districts. Next, with the McCloone Index, we measured the difference between (a) the funding in districts falling below the median in state per pupil funding and (b) the funding if all such districts received the state median in per pupil funding. See appendix VI for more explanation on these statistical tools.

To determine the possible causes of underfunding in low-funded districts, we examined their separate shares of local, state and federal revenues and compared each of them to their relevant average for the 174 districts in the study. We also examined the districts' local levy rates, tax base per pupil, and average staff mix factors to help explain the relative funding received from each revenue source.

To determine the extent of dependency between school funding and district wealth, we estimated the state's fiscal neutrality, another nationally recognized measure of equity. Fiscal neutrality measures whether the tax base wealth of school districts impacts the total funding received by the districts, and if so, how much. See appendix VI for more explanation on this statistical tool.

To determine whether districts are adequately funded to achieve Washington's high education standards and consequently meet new federal requirements in the reauthorization of the Elementary and Secondary Education Act—No Child Left Behind, we employed two disparate approaches. The first mirrored an approach employed by researchers that have defined funding adequacy as the state median per pupil funding level. The second used a specific adequacy model designed by the Rainier Institute, a Washington-based public policy think-tank. The model identifies and prices program components judged to be essential to providing a quality education for all students and consistent with the state's education standards. See appendix VII for details.

To determine the risk to vulnerable student populations in low-funded districts, we calculated indexes of 1) a district's rates of students not meeting standards on 4<sup>th</sup> grade WASL math and reading tests and 2) a district's relative share of students with extraordinary needs. To determine the relationship between districts' share of high-need students and districts' rates of not meeting WASL standards, we correlated the indexes. We then identified those districts that had below average funding per pupil and were above average on the indexes for not meeting WASL standards and high-need students. We acknowledge that single year performance indexes do not reflect any improvement or decline in district's rates of passing WASL tests over time. To help offset this limitation, we also provide information on districts' rates for not passing the WASL in the previous school year. See appendix VIII for details.

Our analysis relies on 2001-2002 state, local and federal funding, enrollment and WASL data for public school districts in Washington State, the most recent data available. We obtained our data from the Washington State Office of the Superintendent of Public Instruction. We focused our analysis only on funding for district maintenance and operations from the general fund, excluding funding for capital expenditures, debt service and other purposes.<sup>10</sup> See appendix I for a breakdown of the revenues by source used in this study.

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<sup>10</sup> In some instances, particularly in parts of the state with a heavy federal presence or large federal timber resources, supplemental federal funding to districts in these areas reduced somewhat the state allocation to them. This is an important consideration to note when analyzing the equity of state and local funds without the federal funds.

We excluded from our analysis very small and remote districts whose extremely high per pupil costs result in extraordinary state funding allocations. Including these districts would have skewed our analysis so that it would not have accurately reflected the distribution of funding across the majority of districts in the state. We also excluded institutionalized students whose extraordinary costs would also have skewed the analysis. Ultimately, our study included 96 percent, or 935,814, of the full time equivalent students enrolled in the state in school year 2001-02. See appendix II for more details on how we adjusted for district size.

In addition, we adjusted for differences in the costs associated with educating students with extra needs and for local differences in the cost of education. We weighted our analysis to recognize the additional cost of educating special education students, economically disadvantaged students, and students who are English language learners. Specifically, we counted special education students as 1.9, English language learners and economically disadvantaged students both as 1.2, and all other students as 1. The weights are based on conservative cost estimates of the additional educational services afforded to these students. We also adjusted for differences in local costs by using a district-level Geographic Cost of Education Index developed by researchers for the U.S. Department of Education.<sup>11</sup> See appendix III for how we made adjustments for differences in student need and appendix IV for how we made adjustments for differences in resource costs.

The application of cost and need indexes can dramatically change the relative ranking of districts by funding per pupil. The geographic cost of education index varied as much as 25 percent between the lowest and highest price districts in the state and the high-needs student index varied as much as 27 percent between districts with the lowest and highest rates of weighted pupils. See appendix V for summary statistics on the 174 districts that contrast funding figures before and after making adjustments for student needs and local costs differences.

PTA performed this work between September 2003 and January 2004.

## **BACKGROUND**

Until the 1800s, America's schools were funded and operated almost exclusively by local communities. However, in the mid-1800s, many states rewrote their constitutions to include a state responsibility to provide for the education of the states' children from kindergarten through high school and, subsequently, began to provide funding to support it. In most states, the responsibility for funding education was largely shared with local communities, which raised money for schools through local property or sales taxes. However, because the tax base could vary greatly among communities, disparities in funding levels were common among school districts within a state.

Considering the importance of education to the lives of children, it's not surprising that these funding disparities have been the subject of many lawsuits. The challengers have based their lawsuits on the equal protection clauses and/or the education clauses contained in state constitutions. State education clauses vary in their constitutional wording and in the manner courts have interpreted them. Some education clauses have been interpreted to mean that states must merely provide one statewide education system, while others have been interpreted to mean the state must provide equal opportunities to

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<sup>11</sup> Jay G. Chambers, Ph.D., is the primary author of the Geographic Cost of Education Index. Dr. Chambers is a senior research fellow and co-director of both the Education and Public Sector Finance Group and the National Center for Special Education Finance at the American Institutes for Research.

education across all districts. In still other cases, courts have inferred from education clauses that the state is to provide an adequate education for all students.

The results of these lawsuits have been mixed. Researchers report that, as of 1999, state courts in 43 states have heard cases on the constitutionality of school finance systems.<sup>12</sup> The courts have declared school funding systems unconstitutional and ordered various kinds of reforms in 19 states and rejected school finance claims in another 24 states. However, nine of the unsuccessful plaintiffs continued to seek redress on other legal grounds. School finance litigation is still active today. The Education Commission of the States reports that 19 states were involved in school finance litigation in 2002 and early 2003.

Over the last 30 years the focus of litigation has gradually shifted from equity in the distribution of school funds to adequacy, with plaintiffs asserting that the state also is responsible for providing a basic level of funding that is sufficient for a proper education. For example, in 2002, plaintiffs filed a suit in Montana after declining state school funds forced cutbacks in key programs and staff. The plaintiffs want the court to compel the legislature to study and define an adequate education and to fund it based on actual costs. The case is still pending.

One of the first court decisions made on adequacy grounds occurred here in Washington state. In 1978, the state's Supreme Court ruled that Washington must bear full responsibility for funding a "basic" education, a ruling that required the state legislature to define a basic education and revise the school finance system. Although the lawsuit was not brought on equity grounds, the state's new finance system had the effect of making school funding in the state more equitable.

### **What is Equity?**

Equity seems on its face a simple concept—equal resources for each student. However, spurred on by court cases, the analysis of equity in education finance has grown more complex over the last 30 years. One important development is the recognition that fair funding does not necessarily mean the same funding per pupil. For example, some children need additional resources to achieve the same educational goals as everyone else, and thus need additional funds to do so. A second development is the acknowledgement that differences in local property wealth can lead to an unfair distribution of school funds among a state's districts.

The simplest notion of equity is known as "horizontal equity." This notion is one many parents might easily grasp in that it implies a \$10 gift for one child warrants an equal \$10 gift for the other. The nominal spending is equal for each child and is therefore viewed as both fair and equitable. In terms of financing public education, horizontal equity would mean that the amount of funding a district receives per student would be the same for every district across a state. Courts and education stakeholders, however, typically do not find such a funding scheme as fair or acceptable.

Underpinning the notion of "vertical equity" is the acknowledgement that students vary greatly in their educational needs and districts vary greatly in size and location. Such factors have a great impact on the cost of providing an education. Students who are physically or mentally disabled, who are English language learners, or who are economically disadvantaged require additional educational services—which involve additional costs. Likewise, school districts with extremely low enrollments and those located in remote areas often have high per pupil costs in operating small school buildings and

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<sup>12</sup> Minorini, Paul A. and Stephen D. Sugarman, "School Finance Litigation in the Name of Educational Equity: Its Evolution, Impact, and Future," Equity and Adequacy in Education Finance: Issues and Perspectives (1999) The National Academy of the Sciences

transporting students across long distances. Urban districts, too, often have higher than average costs for labor driven by the price of housing, transportation, or food among other things. Making adjustments to account for differing needs for education services and for geographic cost differences in educational resources is a concept known as “vertical equity.” Once these adjustments are made, usually by inflating enrollment to account for the higher cost to educate some students or by employing a cost index to adjust for the varying purchasing power of education revenues, or both, the resulting funding per pupil across districts is expected to be equal.

Finally, the concept of “fiscal neutrality” asserts that no relationship should exist between education funding and local district wealth. District wealth is a measure of a district’s ability to raise revenues for education, often expressed as taxable property wealth per pupil. The quality of education, therefore, should be a function of the wealth of the entire state, not of an individual community. Unlike vertical equity, which calls for nearly equal funding per student (after need and cost adjustments have been made), fiscal neutrality allows for differences in funding as long as they are tied to the different choices districts make about how much local money they want to raise for schools, rather than to the innate value of their tax base.

### **What is Adequacy?**

Whereas finance “equity” concerns itself with the fair distribution of funding across school districts, the notion of adequate funding concerns itself with educational outcomes. In terms of “adequacy,” it is not only important that the distribution of funds be fair, but that the fair distribution of funding be adequate to achieve some predetermined educational outcome.

Today, a growing number of state court decisions suggest that states are now being expected to provide for an adequate education for all students and to do so in an equitable manner. But even more so than the concept of finance equity, “adequate” educational outcomes have proven complex and difficult to define. The challenge is to calculate a base spending per pupil amount considered adequate for the average child to reach high academic standards. According to school finance experts, this is one of the most pressing, as well as complex, tasks for linking a state’s school finance system to the goals and strategies of standards-based education reform.

In states that set a minimum foundation of funding to support basic education requirements, the per pupil funding levels are almost entirely the result of how much a state can afford to budget for education, compared to health care, corrections and other state services. In the vast majority of states, the amount of funding provided per pupil is not the result of any practical attempt to link performance levels desired to the resources required to achieve them. In Washington, the level of state funding is primarily determined by the teacher-to-student ratios in the basic education formulas. However, the state has never linked these formulas to the resources needed to achieve the state’s academic standards established by the Education Reform Act of 1993.

A number of states have begun efforts to both define and cost “adequacy.” Among these are Wyoming, Illinois, New Jersey, Wisconsin, Maryland and Ohio. School finance experts have developed various methods for measuring adequacy. Their work focuses on the following four approaches:<sup>13</sup> (1) inferring costs from outcomes by statistical analysis of statewide databases, usually including test scores, spending levels, demographic characteristics, and other variables; (2) inferring costs from outcomes by empirical observation of districts that seem to generate adequate outcomes, (3) inferring costs from the

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<sup>13</sup>Guthrie, James W. and Richard Rothstein. “A New Millennium and Likely New Era of Education Finance.” Education Finance in the New Millennium, AEFA 2001 Yearbook Stephen Chaikind, William J. Fowler, Eds.; Larchmont, NY: Eye On Education, Inc., 2001.

actual price of whole school reform designs (such as Success for All); and (4) inferring costs from professional judgment about the resource requirements of specific outcomes.<sup>14</sup>

In this report, we used base spending per pupil levels from two of these four approaches: first, inferring costs from districts with seemingly adequate outcomes and second, inferring costs from professional judgment about resource requirements. We discuss these approaches in greater detail on pages 30 to 32.

### **What is the State's Role for Linking States' School Finance Systems to Performance Standards?**

If states are to ensure that all schools have the resources needed to teach students to high academic standards, then states need to link their school finance systems to the goals and strategies of their education standards. According to two highly regarded school finance experts, Allan Odden and Lawrence Picus, such a school finance system would consist of the following elements:<sup>15</sup>

1. A base spending level that would be considered adequate for the average child, which in the short term could be approximated by the median expenditure level.
2. Additional amounts of money for students who need extra help and thus more resources than the average students. These are students with physical or mental disabilities, those from low-income families, and those struggling with the English language.
3. A price adjustment for all dollar figures to ensure comparable spending power across all areas of the state.
4. Adjustments for the education level of students, that is whether students are in elementary or secondary school, and for scale economies, that is, whether districts have small enrollments or located in remote areas.

The state's school finance system addresses two of the four elements. The state does target additional funds to students who need special help through formulas and categorical programs (element 2). The state's school finance system does take into account the two factors—education level and scale economies—identified in the fourth element. In kindergarten through 4<sup>th</sup> grade, the state provides funds for up to 55.4 certificated teachers for each 1,000 FTE pupils enrolled, and for grades 5 through 12, it provides funds for 46 certificated teachers for each 1,000 FTE pupils enrolled. The state also awards additional funds to districts with small enrollments or those located in remote areas.

However, the state has not conducted a cost study to determine the base spending per pupil for achieving the academic standards developed in 1993 (element 1). Nor does the state adjust for differences in the purchasing power of educational dollars across districts (element 3).

In this analysis, we examined school finance issues related to the first three of the four elements listed above.

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<sup>14</sup> Guthrie, James W. and Richard Rothstein. "Enabling "Adequacy" to Achieve Reality: Translating Adequacy into State School Finance Distribution Arrangements." In Helen Ladd, Rosemary Chalk, and Jane Hansen (Eds.), *Equity and Adequacy in Education Finance*. Washington, D.C.: Committee on Education Finance of the National Research Council, National Academy Press, 1999.

<sup>15</sup> Allan R. Odden and Lawrence O. Picus. *School Finance: A Policy Perspective* Second Edition, The McGraw-Hill Companies, Inc. 2000. Allan R. Odden is a professor of Educational Administration at the University of Wisconsin-Madison and Co-Director of the Consortium for Policy Research in Education (CPRE), and the director of CPRE's Education Finance Research Program. Lawrence O. Picus is a Professor in the Rossier School of Education at the University of Southern California and the director of the Center for Research in Education Finance (CREF), a research center in the School of Education at the University of Southern California.

## FINDINGS

### Research Question 1: How fairly is school funding distributed across districts in Washington State?

#### **Based on National Benchmarks, School Funding is Fairly Distributed Across Districts**

The distribution of total funding across school districts in Washington state is generally fair and equitable. Based on national benchmarks, Washington's equity scores for disparity indicate that the state has a relatively modest amount of variation in school district funding. In a perfectly equitable situation, we would expect no variation in school funding. Every child would receive the same or average funding after adjusting for differences in student needs and local costs. We used two equity measures to analyze the variation in per pupil funding across districts. Each measure focuses on a different aspect of the dispersion.

The judgment of two national school finance experts, Allen R. Odden and Lawrence O. Picus provide the benchmarks for judging equity scores. Their opinions are elaborated in their textbook on school finance.<sup>16</sup>

To better appreciate the equity measures that deal with how much variation exists in funding across the 174 districts in the study, we first present the districts' summary statistics in Table 1. The average funding-per-pupil for state and local revenues is \$6,317 and the range is \$3,055. At \$4,955 per pupil, Wapato in Yakima County is at the bottom, while at \$8,010 per pupil, Conway in Skagit County is at the top. The addition of federal funds increases the average to \$6,906 and the range to \$3,836 per pupil. At \$5,851 per pupil, Federal Way in King County is at the bottom, while Hood Canal in Mason County with \$9,687 is at the top. Federal funds had the overall effect of increasing the variation in funding as indicated by the increase in both the range and standard deviation shown in Table 1. As discussed in a later section, some of the districts with the lowest levels of state and local funding per pupil received such large shares of federal funds that they moved to the top levels for total funding per pupil.

**Table 1. Summary Statistics of the 174 Districts in Study, School Year 2001-02**

	<b>Average</b>	<b>Standard Deviation</b>	<b>Median</b>	<b>Range</b>	<b>Minimum</b>	<b>Maximum</b>
<b>State and local funding per pupil*</b>	<b>\$6,317</b>	<b>\$462</b>	<b>\$6,319</b>	<b>\$3,055</b>	<b>\$4,955</b>	<b>\$8,010</b>
<b>Federal, state and local funding per pupil*</b>	<b>\$6,906</b>	<b>\$577</b>	<b>\$6,827</b>	<b>\$3,836</b>	<b>\$5,851</b>	<b>\$9,687</b>

\*All figures have been adjusted for differences in local costs and weighted for student needs.

<sup>16</sup> Allan R. Odden and Lawrence O. Picus. *School Finance: A Policy Perspective* Second Edition, The McGraw-Hill Companies, Inc. 2000. Allan R. Odden is a professor of Educational Administration at the University of Wisconsin-Madison and Co-Director of the Consortium for Policy Research in Education (CPRE), and the director of CPRE's Education Finance Research Program. Lawrence O. Picus is a Professor in the Rossier School of Education at the University of Southern California and the director of the Center for Research in Education Finance (CREF), a research center in the School of Education at the University of Southern California.

Given these summary statistics, the text below along with the equity measures in Table 2 explain the equity results for the districts in school year 2001-02. See Appendix VI for more details on equity measures.

**Table 2. Equity Measures for the 174 Districts in Study, School Year 2001-02**

	<b>Coefficient of Variation</b>	<b>McCloone Index</b>
<b>State and local funding per pupil*</b>	<b>7.3%</b>	<b>94%</b>
<b>Federal, state and local funding per pupil*</b>	<b>8.4%</b>	<b>94%</b>

\*All figures have been adjusted for differences in local costs and weighted for student needs.

## 1. Coefficient of Variation

**Definition:** The coefficient of variation is the standard deviation for funding-per-pupil expressed as a percent of the average for such funding.

**Results:** Based on the coefficient of variation, most students in the study received near the average funding for pupil, adjusting for differences in student need and local costs. This is true for the average that includes just state and local revenues as well as for the average that includes federal revenues.

The average funding-per-pupil from state and local sources is \$6,317 after adjusting for differences in student needs and local costs. The coefficient of variation for this average is 7.3 percent. This means about two-thirds of the student population are within 7.3 percent of the average. That is, about two-thirds of the students receive funds ranging from \$5,856 to \$6,778 per pupil. These figures were all adjusted for local cost differences and weighted for student needs.

The addition of federal funds increases the average funding-per-pupil to \$6,906. The coefficient of variation for this average is 8.4 percent, slightly larger than the COV without federal funds. A coefficient of variation of 8.4 percent means that two-thirds of the students are within 8.4 percent of the average, ranging from \$6,326 to \$7,486 per pupil. These figures were all adjusted for local cost differences and weighted for student needs.

**Comparison to National Benchmarks:** Comparing the coefficient of variations against national benchmarks earns the state good ratings. Odden and Picus would consider both COVs to be within the desirable range of 10 percent or less.

## 2. McCloone Index

**Definition:** What if all the districts with per-pupil-funding below the median level were to receive the funds needed to bring everyone up to the median? How does the current amount of money compare to the amount needed? The McCloone index answers this question by comparing the actual funding of the districts below the median to the funding that would be needed to ensure all students in this lower half received the median amount.

**Results:** We found that districts received 94 percent of the total state and local funds needed to ensure

all students in the lower half receive the median amount per pupil (\$6,319). The McCloone index was also 94 percent when federal funds were included. These figures were adjusted to reflect local cost differences and weighted for student needs.

**Comparison to National Benchmarks:** Odden and Picus found that McCloone indices for “most school finance data sets are between 0.7 and 0.95, [with] 0.9 desirable.”<sup>17</sup>

### **The Typical Difference is Sizeable Between Average and Below-Average Districts**

Although the state’s COV of 7.3 percent for combined state and local funding falls within the acceptable range suggested by experts, it is still a value judgment by the state as to whether this represents an acceptable amount of variation in school funding.<sup>18</sup> About two-thirds of the students are in districts that receive between \$5,855 and \$6,779 per pupil from state and local sources—this is the range that comes from adding and subtracting the standard deviation of \$462 to and from \$6,317, the average state and local funding per pupil. With the addition of federal funds, the COV becomes 8.4 percent and the standard deviation is now \$577. Two thirds of the students are now in districts that range from \$6,329 to \$7,483 per pupil. Figures in this section were all adjusted for local cost differences and weighted for student needs.

It is interesting to note that in comparison to the standard deviations of other states, Washington’s is relatively small. In a national equity study of state and local revenues in school year 2000-01, researchers from Education Week, a national education publication, found that the average state and local funding per pupil in Washington state was \$6,501 with a standard deviation of \$774. The Education Week study included 240 of Washington’s 296 districts, which in contrast to this PTA study, includes more of the smaller districts with high levels of funding per pupil. Based on the Education Week study, Washington state’s standard deviation is in the bottom third of the overall distribution of states’ standard deviations.<sup>19</sup> Standard deviations range from as much as \$2,524 in Alaska with an average funding per pupil of \$7,275 to as low as \$367 in Florida with an average funding per pupil of \$6,447.

On the other hand, when districts at the low end of the funding range in this study consider the purchasing power of \$462 or \$577, the disparities may seem sizeable. After all, public education advocates worked hard in the year 2000 to pass I-728—a legislation that called for a \$196 increase in funding-per-pupil the first year it was enacted.

### **Some Districts are Well Below Average Even After Federal Funds are Included**

Beyond considering overall measures of equity, we also examined the districts that were at the low end of the funding range. We defined the low end to be those districts whose funding-per-pupil was one or more standard deviations below the average. Funding gaps at the low end may be substantial even though the overall equity scores are acceptable.

When considering just state and local funds, we found 23 districts were well below the average of \$6,317 per pupil. These districts ranged from \$461 to \$1,362 per pupil (1 to 2.95 standard deviations)

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<sup>17</sup> Allan R. Odden and Lawrence O. Picus. School Finance: A Policy Perspective Second Edition, The McGraw-Hill Companies, Inc. 2000. p. 77.

<sup>18</sup>By definition the coefficient of variation is the standard deviation, \$462, divided by, \$6,317, the average per pupil for funds received from state and local sources.

<sup>19</sup> Quality Counts 2004, Education Week Volume XXIII, No. 17, January 8, 2004.

below average. The funding per pupil ranged from \$4,955 per pupil in Wapato, Yakima County to \$5,856 per pupil in Brewster, Okanogan County. Altogether, the 23 districts represented about 19 percent (180,961) of the total number of FTE students in the study. Of the 23 districts, 8 are in Yakima County, 6 in King County, 3 in Snohomish County, 2 in Pierce County, and 1 each in Island, Kitsap, Okanogan, and Skamania Counties. Four of the 5 lowest funded districts are located in Yakima County. Funding figures were all adjusted for local cost differences and weighted for student needs.

However, the number and extent of districts that are below average somewhat improves when federal funds are included. This is in part explained by the fact that 143 districts of the 174 districts in the study had their state basic education apportionments reduced to some degree by the amount of federal funds they expected to receive from certain federal programs.<sup>20</sup> With federal funds included, we found just 17 districts were well below the average of \$6,906 per pupil. These districts ranged from \$615 to \$1,055 (1.07 to 1.83 standard deviations) below average. The funding-per-pupil for the 17 districts in this low-end group ranged from \$5,851 in Federal Way, King County to \$6,291 in Grandview, Yakima County. These 17 districts represented about 18 percent (171,106) of the total student FTEs in the study. See Table 3 for the 17 districts and their funding. Funding figures were all adjusted for local cost differences and weighted for student needs.

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<sup>20</sup> Federal revenue from the sale of federal forests (Account 5500 Federal Forests) and certain revenues from the Federal Housing Administration, Bureau of Land Management, Military Forest Yield and Reclamation Projects (Account 5400 Federal in Lieu of Taxes) all reduce the state's Basic Education payment to districts receiving these federal revenues. See Accounting Manual for Public School Districts in the State of Washington.

**Table 3. Districts with the Lowest Levels of Total Funding Per Pupil, School Year 2001-02  
Adjusted for Differences in Student Needs and Local Costs**

			Geographic		Federal,	Amount Below
		Number	Cost of	High-needs	State & local	Average
		of	Education	Student	Funding	Funding
County	District	Pupils <sup>1</sup>	Index <sup>2</sup>	Index <sup>3</sup>	per pupil <sup>4</sup>	per pupil <sup>5</sup>
1 King Co.	Federal Way	21,550	1.13	1.00	\$5,851	\$1,055
2 Snohomish Co.	Granite Falls	2,217	1.07	0.99	5,982	924
3 King Co.	Kent	25,604	1.13	1.00	6,059	847
4 King Co.	Auburn	12,900	1.13	0.98	6,063	842
5 King Co.	Renton	12,270	1.14	1.00	6,099	807
6 King Co.	Snoqualmie Valley	4,353	1.12	0.95	6,155	751
7 Snohomish Co.	Mukilteo	13,812	1.09	0.98	6,163	743
8 Snohomish Co.	Sultan	2,177	1.07	1.02	6,167	739
9 Snohomish Co.	Stanwood-Camano	5,299	1.08	0.97	6,183	722
10 Snohomish Co.	Lake Stevens	6,725	1.08	0.96	6,205	701
11 Snohomish Co.	Arlington	4,936	1.08	0.97	6,240	666
12 King Co.	Highline	17,605	1.14	1.02	6,254	652
13 King Co.	Issaquah	13,765	1.13	0.94	6,257	648
14 Kitsap Co.	South Kitsap	10,717	1.04	0.99	6,269	636
15 King Co.	Tahoma	5,826	1.12	0.96	6,273	633
16 Snohomish Co.	Snohomish	8,469	1.08	0.96	6,290	615
17 Yakima Co.	Grandview	2,884	1.01	1.08	6,291	615
	<b>Total Students</b>	<b>171,106</b>	<b>Average Funding for all 174 districts: \$6,906 per pupil.</b>			

<sup>1</sup>Number of pupils is the total number of unweighted students in the district less the number of institutionalized students.

<sup>2</sup>The study's average is 1.00. An index measures a district's cost of educational resources relative to the study's average. For example, Federal Way's educational resources on average cost 13 percent more than the average for the 174 districts in the study. See Appendix IV for more details on the Geographic Cost of Education Index.

<sup>3</sup>High-needs students include students with disabilities, English language learners, and students from poor families. In the analysis, such students are weighted according to their need for additional resources. Students with disabilities count as 1.9, English language learners and students from poor families count as 1.2, and all others as 1. The index measures a district's relative percentage of weighted students relative to the study's overall percentage, which is 19 percent. For example, Grandview's percentage of weighted students is 108 percent of the study's average. See Appendix III for more details on adjusting for differences in student needs.

<sup>4</sup>This is total funding per pupil weighted for differences in student needs and adjusted for differences in the local costs of educational resources. The funding does not include revenues for institutionalized students.

<sup>5</sup>This is calculated by subtracting a district's total funding per pupil from the study's average of \$6,906.

### **Mix of Lowest-Funded Districts Change with Inclusion of Federal Funds**

The mix of districts in the lowest-funded group with federal funds is different compared to the lowest-funded group without federal funds. Most affected districts are now in King County rather than Yakima County. Specifically, 8 of the 17 low-funded districts are in King County, 7 are in Snohomish County, and 1 each in Kitsap and Yakima Counties. Overall, King County districts represent 5 of the 6 lowest funded districts in this group. See Figures 1 and 2 to see the contrast in the geographical dispersion of low-funded districts before and after federal funds are added.

Insert Figure 1 *the color map showing geographic dispersion of low-funded and high-funded districts without federal funds*

*INSERT Figure 2: the color map showing geographic dispersion of low-funded and high-funded districts with federal, state and local funding.*

**Federal Funds Boosted Funding in Districts with Lowest Levels of State and Local Funds**

It’s clear that the five districts with the lowest levels of state and local funding per pupil all benefited from the addition of federal funds. As Table 4 shows, only 1 district (Grandview, Yakima County) of the 5 districts is still among the lowest-funded districts once federal funds are included. Grandview is still \$615 per pupil below the average, more than one standard deviation below average. Two of the five, Mount Adams, Yakima County and Stevenson-Carson, Skamania County, experienced a huge increase. Mount Adams received \$3,986 per pupil in federal funds, most of which was from the federal Impact Aid program (Account 5300). Stevenson-Carson received \$4,200 per pupil in federal funds, most of which was from Federal Forest Fees (Account 5500). The other two districts, Wapato and Toppenish in Yakima county, are still below the average funding-per-pupil, but they are both less than one standard deviation (\$577) away from the average. Funding figures were all adjusted for local cost differences and weighted for student needs.

Although these districts greatly benefited from federal funds, the question remains as to whether the state is meeting or should be meeting the basic education needs of these districts without relying on federal funds. A second question is whether the federal funds are as flexible in their use as any state funds they may have supplanted. This study did not attempt to answer these questions.

**Table 4. Addition of Federal Funds Benefited the Five Districts  
With the Lowest State & Local Funding Levels, School Year 2001-02**

County	District	Number of Pupils <sup>1</sup>	State & local Funding per pupil <sup>2</sup>	Difference From Average State & Local Funding per pupil <sup>3</sup>	Federal, State & local Funding per pupil <sup>4</sup>	Difference From Average Federal, State & Local Funding per pupil <sup>5</sup>
1	Yakima Wapato	3,184	\$4,955	-\$1,362	\$6,652	-\$254
2	Yakima Mount Adams	1,039	5,039	-1,278	9,025	2,120
3	Skamania Stevenson-Carson	1,053	5,069	-1,248	9,268	2,363
4	Yakima Toppenish	3,224	5,171	-1,146	6,844	-61
5	Yakima Grandview	2,884	5,242	-1,075	6,291	-615

<sup>1</sup>Number of pupils is the total number of unweighted students in the district less the number of institutionalized students.

<sup>2</sup>This is a district’s combined state and local funding per pupil weighted for differences in student needs and adjusted for differences in the local costs of educational resources.

<sup>3</sup>This is calculated by subtracting a district’s total funding per pupil from the study’s average of \$6,317.

<sup>4</sup>This is total (federal, state, and local) funding per pupil weighted for differences in student needs and adjusted for differences in the local costs of educational resources.

<sup>5</sup>This is calculated by subtracting a district’s total funding per pupil from the study’s average of \$6,906.

## **Research Question 2: If some districts receive much less school funding than others, what might be the reasons for this?**

### **Various Factors May Explain Low Funding in 17 Districts**

Although we have not conducted a complete investigation of why the 17 lowest funded districts are so far below the average funding, we did examine a number of factors that could potentially explain their funding status. No single factor explains the low funding among this group, primarily because most of the districts receive relatively low funding shares from more than one revenue source (federal, state and local). However, certain aspects regarding the state's allocation criteria and the districts' ability to raise local revenues appear to help explain the low funding. These findings are discussed below. Refer to Table 5 for a list of the districts' key traits referred to in the discussion.

#### **1. Most districts received relatively low funding shares from more than one revenue source.**

A combination of local, state, and federal funds makes up the total funding per pupil of the 17 lowest-funded districts. A relatively low amount of funds from any one or combination of these revenue sources could explain the overall low funding of the districts. In fact, we found that 16 of the 17 districts received below-average funding per pupil from more than one source. In table 5, columns E, F and G summarize the relative standing of each district in terms of their funding per pupil received from each funding source.

- 10 of the 17 receive below-average funding per pupil from all three sources (federal, state, and local). Federal Way, Granite Falls, Auburn, Renton, Mukilteo, Sultan, Stanwood-Camano, Lake Stevens, Arlington and Snohomish

- 5 of the 17 receive below-average funding per pupil from state and federal sources. Kent, Snoqualmie Valley, Highline, Issaquah and Tahoma

- 1 receives below-average funding per pupil from local and federal sources. South Kitsap

- 1 receives below-average funding per pupil from just one source—local. Grandview

#### **2. All districts are located in areas with high education costs; the state does not adjust for such costs.**

As a group, all 17 districts have higher than average costs for education personnel and supplies. See column B of table 5. The state does not adjust districts' revenues for their relative differences in purchasing power. Not adjusting for geographic differences in resource costs when distributing revenues may help explain why these districts have low funding per pupil levels in this study—where the adjustments were made.

#### **3. Certificated staff with relatively low experience and education levels garner relatively low state salary allocations.**

In allocating funds for teacher salaries, the state provides more funds to districts that have certificated instructors with more education and work experience, as measured by a district's "average staff mix factor." All but one of the 17 lowest-funded districts have below-average staff mix factors. See column H of table 5. This factor may help to explain why these districts have relatively low state funding per pupil. See appendix IX for the table and explanation of staff mix factors used by the state in 2002.

#### 4. Although most tax efforts are above-average, most local revenues are low.

We found that 12 of the 17 districts make an above-average tax effort<sup>21</sup>; yet nine of these 12 generate below-average local revenues. These nine are Federal Way, Granite Falls, Auburn, Mukilteo, Sultan, Lake Stevens, Arlington, South Kitsap and Snohomish. This finding suggests that an unwillingness to tax themselves to raise local education revenues is not an important factor in explaining why these 12 districts are among the lowest-funded in the state. See columns D and E of table 5.

Further, as column C of table 5 shows, 12 of the 17 districts have a relatively low tax base per pupil making it difficult to raise funds for education, regardless of the levy tax effort. These are Federal Way, Granite Falls, Kent, Auburn, Sultan, Lake Stevens, Arlington, Highline, South Kitsap, Tahoma, Snohomish, and Grandview.

#### 5. Relatively low federal shares typical of most low-funded districts

All but one of the districts had below-average shares of federal funding. At least 60 percent of all federal funds in the state target students from poor families and students with disabilities.<sup>22</sup> It's reasonable to expect that districts with high-need students indexes, which account for such students, would also receive sizeable federal funds.

Only six of the 17 districts in the study had above-average high-needs student indexes—and five were only slightly above average.<sup>23</sup> See column A of Table 5. Of these six, Grandview had the highest high-needs student index (1.084) and was the one district with an above-average federal share. The other five districts (Federal Way, Kent, Renton, Sultan, and Highline) had high-needs student indexes that ranged from 0.2 percent to 2.3 percent above the study's average. However, their federal shares were all less than average, ranging from 8 percent to 40 percent less than the average federal share for the districts in the study.

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<sup>21</sup> Local tax effort is the district's certified levy amount (made up of local property tax dollars) divided by the district's levy valuation with timber, a measure of the district's tax base subject to property tax. The certified levy amount is either the actual amount approved by the district's voters or the district's levy lid, whichever is less. In calculating levy lids, the state deducts the amount of state aid—termed local effort assistance—the district is expected to receive to offset a district's relative low ability to raise local revenue because of low property values. Without the state's assistance, a district would have a higher levy lid and would have to tax itself at a higher rate to capture all the revenue it's permitted to raise. So, local effort assistance helps to keep the local tax effort lower than it would otherwise need to be to raise the same amount of revenue. Yet even with the local effort assistance, these nine districts still had above-average local tax efforts: Federal Way, Granite Falls, Kent, Sultan, Lake Stevens, Arlington, South Kitsap, Tahoma and Snohomish.

<sup>22</sup> The main federal programs that account for about 60 percent of the state's federal funds and target students with disabilities and low-income students are authorized by the Elementary and Secondary Education Act in Title I and Title X, the Individuals with Disabilities Education Act, and the U.S. Department of Agriculture's free or reduced price meal programs. Also, other federal programs use the criteria defined in these programs to target federal funds to schools.

<sup>23</sup> The high-needs student indexes in this study ranged from 0.91 to 1.14 with an average of 1.0.

Insert Table 5 Lowest Funded Districts: Key Student and Funding Traits, p.1

Insert Table 5 Lowest Funded Districts: Key Student and Funding Traits, p.2

### Research Question 3: How Much Does School Funding Depend on District Wealth?

#### Washington State Meets Standard for Fiscal neutrality

The concept of “fiscal neutrality” asserts that no relationship should exist between education funding per pupil and district wealth per pupil. The quality of education, therefore, should be a function of the wealth of the entire state, not of an individual community. Ideally, fiscal neutrality is achieved when district education funding is not dependent on district wealth. Under such conditions, we would expect a fiscal neutrality score of zero. In our analyses, we found that district education funding has a very small and positive relationship with district wealth. This means, an increase in district wealth results in a very small increase in district funding. Judged against national benchmarks, the state’s fiscal neutrality scores, with and without federal funding, are quite good. See Table 6 for fiscal neutrality scores. See Appendix VI for a more details on measuring fiscal neutrality.

**Definition:** We measured district funding as funding-per-pupil and district wealth as tax base-per-pupil, both adjusted for differences in local resource costs and student needs. In Washington state, district tax base includes assessed property values and timber assessed value.<sup>24</sup> We measured the extent of the dependency between district funding and district wealth by calculating the tax base elasticity of district funding-per-pupil.<sup>25</sup> Elasticity measures the percent change in funding per pupil relative to a 1-percent change in tax base per pupil. An elasticity that equals 1.0 or higher indicates that funding increases in percentage terms at the same or higher rate as an increase in district tax base. Elasticities between 0 and 1.0 indicate that funding does not increase at the same rate as an increase in district tax base.

**Results:** We found that a 1-percent increase in tax base per pupil is associated with a 0.035 percent increase in funding (state and local) per pupil. This low score suggests that the state’s policies for equalizing differences in districts’ abilities to raise local tax revenues have been effective. State policy tools for equalizing education revenues across districts include 1) providing all or most of the total funding so there are no discrepancies across districts, and 2) targeting funds to low tax base districts. Washington state’s owes most of its equalization effort to its relatively high state share rather than to its targeting effort.<sup>26</sup>

The addition of federal funds lessens the elasticity, moving the state closer to fiscal neutrality. A 1-percent increase in tax base per pupil is associated with just a 0.019 percent increase in funding (federal, state and local) per pupil. In both cases, district funding increases at a much lower rate relative to a 1-percent increase in district tax base. The relatively lower elasticity score for funding that includes revenues from federal sources means that federal funds are more highly targeted to low wealth districts than are combined state and local funds. Table 6 summarizes these results.

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<sup>24</sup> Tax base is the sum of a district’s assessed property valuation and the district’s share of assessed timber value. This is the tax base as calculated by the state.

<sup>25</sup> Both tax base per pupil and funding per pupil are measured relative to their respective state average. These variables represent percent changes from their respective state averages. In a simple regression where tax base per pupil is the independent variable and funding per pupil is the dependent variable, the coefficient of the independent variable represents the percent difference in funding per pupil associated with a 1-percent difference in district tax base compared with the state average. That is, the coefficient is the tax base elasticity of district funding evaluated at the state average.

<sup>26</sup> See the discussion of Washington’s equalization effort in the State of the States section of Quality Counts 2004, Education Week, Vol. XXIII, No. 17, January 8, 2004.

**Comparison to National Benchmarks:** Odden and Picus suggest that an elasticity less than 0.1 could signify that the state met the fiscal neutrality standard.<sup>27</sup>

**Table 6. Fiscal neutrality Results for 174 Public School Districts in School Year 2001-02**

<b>Fiscal neutrality Scores With and Without Federal Funding<sup>1</sup></b>	
<b>Elasticity of tax base per pupil to funding (state and local) per pupil<sup>2,3</sup></b>	<b>0.035</b>
<b>Elasticity of tax base per pupil to funding (federal, state and local) per pupil<sup>2,3</sup></b>	<b>0.019</b>

<sup>1</sup>Fiscal neutrality scores are the tax base elasticities and both scores are significantly different from zero.

<sup>2</sup>Both funding-per-pupil and tax base-per-pupil have been adjusted for differences in local costs and student needs. Tax base is the sum of a district’s assessed property valuation and the district’s share of assessed timber value. This is the tax base as calculated by the state.

<sup>3</sup>Both tax base per pupil and funding per pupil are measured relative to their respective state average. These variables represent percent changes from their respective state averages. In a simple regression where tax base per pupil is the independent variable and funding per pupil is the dependent variable, the coefficient of the independent variable represents the percent difference in funding per pupil associated with a 1-percent difference in district tax base compared with the state average. That is, the coefficient is the tax base elasticity of district funding evaluated at the state average.

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<sup>27</sup> Odden and Picus actually suggest judging fiscal neutrality on both a state’s elasticity and the correlation between tax base-per-pupil and funding-per-pupil. Odden and Picus suggest that a correlation less than 0.5 and an elasticity less than 0.1 could be used to determine whether the state met the fiscal neutrality standard. In our analyses, the correlation between funding (state and local) per-pupil and tax base-per-pupil was 0.32 and the correlation between funding (federal, state and local) per-pupil and tax base-per-pupil was 0.15. All variables were adjusted for differences in local costs and weighted for student need. All variables were measured relative to their respective state average.

#### **Research Question 4: What is the cost of funding schools to a level adequate to meet the state's academic standards?**

##### **Estimates of the Additional Cost to Fund Schools to Adequate Levels Are Expensive and Vary Widely**

This research question assumes that we first have an estimate of the base spending per pupil needed to achieve the state's academic standards. In our study, we relied on two different such estimates arising from two different approaches for estimating and costing the amount of resources needed to achieve the standards. Certainly other cost estimates are possible using other approaches. We then subtracted the state and local funding for school year 2001-02 from the total cost estimate for each approach to determine the additional funds that would be needed under each scenario.<sup>28</sup> See appendix VII.

The two scenarios and the cost estimates of the additional funds needed to bring all students to standard are as follows:

1. Washington State would need to spend an additional \$178,670,188, assuming that the median funds per pupil level is a proxy for the funding needed to ensure every student achieves the states academic standards.
2. Washington State would need to spend an additional \$2,076,899,980, assuming the spending per pupil levels recommended by the Rainier Institute in its 2003 study of the funding needed to ensure that every student achieves the state's standards.

The first cost estimate is based on an approach that identifies the cost of existing school wide programs in a state's districts that have already achieved desired outcomes. Such a study has not been done in Washington State. However, studies using this approach in Illinois and Ohio have calculated base spending per pupil levels that were close to the median spending per pupil in the state.<sup>29,30</sup>

Two criticisms of this approach suggest that the base spending per pupil calculated in this way may be underestimated. First, although the analyses were conducted in districts that exhibited high rates for passing proficiency standards on state tests,<sup>31</sup> such proficiency measures do not include the entire range

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<sup>28</sup> The total amount of state and local funds spent in school year 2001-02 on current operations for the districts in our study was \$6,174,101,704.

<sup>29</sup> For general overview of this point see Allan R. Odden and Lawrence O. Picus, School Finance: A Policy Perspective, Second Edition, The McGraw-Hill Companies, Inc. 2000, p. 73. For the specific studies see Hinrichs, William L., and Richard D. Laine. (1996) "Adequacy: Building Quality and Efficiency into the Cost of Education." Springfield, IL: Illinois Board of Education. Alexander, Kern, John Augenblick, William Driscoll, James Guthrie, and R. Levin. (1995). "Proposals for the Elimination of Wealth-Based Disparities in Public Education." Columbus, OH: Department of Public Instruction. Augenblick, John (1997) "Recommendations for a Base Figure and Pupil-Weighted Adjustments to the Base Figure for Use in a New School Finance System in Ohio." Columbus, OH: Ohio Department of Education.

<sup>30</sup> Both Ohio and Illinois have greater interdistrict variation than does Washington, suggesting that these states' median spending per pupil levels vary farther from the average than does Washington's.

<sup>31</sup> In Illinois, at least 83 percent of the district's students met state proficiency standards; in Ohio, the passing rate ranged from 60 percent to 85 percent depending on the grade and test. From "A Survey of Finance Adequacy Studies", Education Commission of the States, Mike Griffith, Sept. 2001.

of educational outcomes some would expect of an adequate education.<sup>32</sup> Second, the approach does not control for different portions of economically disadvantaged or racial minority youth in districts. For example, “the approach assumes that schools or districts with very high percentages of at-risk students can, using the same level of basic resources, perform at the same level as schools with low proportions of at-risk students.”<sup>33</sup>

Further, the median funding per pupil does not account for increases in teacher salaries as is recommended by the second approach used in this study.

Despite these shortcomings, Odden and Picus recommend using the median funding per pupil as an approximation of the base spending per pupil in the short run. Hence, our first cost estimate for achieving Washington State’s educational standards is simply based on the median funding-per-pupil, adjusted for student need and local cost differences.

The median funding (state and local) per pupil was \$6,319, adjusted for student need and local cost differences. Of the 174 districts in the study, 63 are below the median and account for about 440,000 student FTEs.

The second cost estimate is based on the Washington Quality Education Model (WQEM), a model developed by the Rainier Institute that allocates state and local funds in school year 2000-01 to a set of programs thought to be necessary and effective in achieving the state’s academic standards.<sup>34</sup> In developing the WQEM, the Rainier Institute used a two-step approach. First, the Institute identified and priced a set of effective strategies and programs that research has shown have led to educational success. Then the Institute used a panel of knowledgeable experts to review and modify the programs and strategies as necessary to assure a better fit with Washington State’s education system. The Institute then assigned costs to the program elements to develop three recommended spending per pupil levels, one each for a typical school at the elementary, middle, and high school level in Washington State. The spending levels assume an increase in teacher salaries from their 2000-01 levels.

Based on the allocation of the WQEM costs to the various program elements, we calculated the base spending per pupil at each level (elementary, middle school and high school) and the student weights at each level associated with special education students, English language learners, and students from poor families.<sup>35</sup> After adjusting for inflation and differences in local costs, we used these figures to develop a cost estimate for achieving state standards in each district. See Table VII.2 in Appendix VII for spending per pupil levels and student weights derived from the WQEM model and used in our calculation.

We found that none of the districts were currently funded at levels recommended by the WQEM. The additional funds needed ranged from about \$408 per weighted pupil in Griffin, Thurston county to about

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<sup>32</sup> Guthrie, James W. and Rothstein, R. “Enabling “Adequacy” to Achieve Reality: Translating Adequacy into State School Finance Distribution Arrangements” Equity and Adequacy in Education Finance: Issues and Perspective. National Research Council, National Academy Press, 1999.

<sup>33</sup> “Adequacy and Education Finance” National Conference of State Legislatures, National Center on Education Finance Concept Paper, [www.ncsl.org/programs/educ/PubsAdequacy.htm](http://www.ncsl.org/programs/educ/PubsAdequacy.htm)

<sup>34</sup> What Will It Take? Defining a Quality Education in Washington and A New Vision of Adequacy for School Funding. Rainier Institute, March 2003.

<sup>35</sup> See appendix VII for more details on how we calculated the additional funds needed for each district assuming WQEM spending levels.

\$3,835 per weighted pupil in Wapato, Yakima county. The average additional cost per weighted pupil is \$2,125. The total \$2.1 billion estimate of the additional costs is about a third more than the combined state and local funding level in school year 2001-02. See Table 7 for a summary of the additional costs needed under this second scenario.

**Table 7. Additional Costs to Achieve State Standards are Expensive Under WQEM Model<sup>1</sup>, School Year 2001-02**

<b>Total Cost to Achieve State Standards Under WQEM</b>	<b>State and Local Funds in School Year 2001-02</b>	<b>Additional Cost to Achieve State Standards</b>
\$8,251,001,684	\$6,174,101,704	\$2,076,899,980

<sup>1</sup>See Appendix VII for more details on the Washington Quality Education Model (WQEM) developed by the Rainier Institute.

## **Research Question 5: Which districts face the greatest risk for not ensuring their high-needs students attain the state’s academic standards?**

### **Seventeen Low-Funded Districts at Risk of Not Ensuring High-Needs Students Attain State Academic Standards**

Of the 174 districts in the study, we identified 17 that we considered most at risk for not ensuring that their high-needs students attain the state’s academic standards.<sup>36</sup> These 17 at-risk districts have below-average funding and above-average shares of students with extraordinary needs and above-average rates of students who did not meet Washington Assessment of Student Learning (WASL) test standards in school year 2001-02. In other words, these are districts with above-average needs, but below-average resources. The concern is heightened by the strong correlation between students with high needs and students who do not meet WASL standards. The capacity of districts to teach such challenging students is dependent on the quality of the teaching staff. Yet, in 13 of the 17 at-risk districts, the average education and experience level of their certified instructors is below the state’s average level. Further, most districts (13) have above-average shares of minority and poor students. Altogether the 17 districts account for about 103,000 students or 11 percent of the nearly 936,000 FTE students in the study. Appendix VIII has more details on the method we used and the data for all 174 districts.

In the sections below, we discuss how we narrowed the 174 districts down to the 17 districts that are at greatest risk for not ensuring their high-needs students meet the state’s academic standards. Figure 3 below tracks the process.

Initially we narrowed the field of 174 districts by considering only the 65 districts that received less than \$6,906, the average per pupil funding from federal, state and local sources, adjusted for differences in student type and resource costs. Next, we considered the incidence of high-needs students in these 65 low-funded districts. About a third of these low-funded districts have relatively large shares of children whose extraordinary needs require additional education resources if they are to achieve the state’s high academic standards. Children with extraordinary needs are those who possess physical or mental disabilities, struggle with the English language, or come from poor families. Specifically, of the 65 districts, 22 had higher than average high-needs student indexes.<sup>37</sup>

With less than average funding, these 22 districts may be especially hard pressed to ensure such children enjoy comparable education experiences as their peers and achieve a level of proficiency on state assessments. Yet, both state and federal mandates are clear that all children are to succeed or face certain consequences.

Concerned, therefore, with how well these districts performed on state assessments, we also considered the 22 districts’ performance on WASL tests. Of the 22 districts that had below- average funding and above-average shares of high-needs students, 17 had higher than average rates of students who did not meet the standards on 4<sup>th</sup> grade WASL math or reading tests.<sup>38</sup> It’s likely that the 17 districts that need

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<sup>36</sup> These 17 at-risk districts include some but not all of the 17 districts with the lowest levels of total funding per pupil discussed earlier. It’s a coincidence that both the at-risk districts and the lowest-funded districts, based on different criteria, have the same number of districts. The four districts in both groups are Kent, Renton, Highline and Grandview.

<sup>37</sup> The high-needs student index is a ratio of a district’s percent of weighted students to the average such percentage for all 174 districts in the study. The average percent of weighted students for all 174 districts is 19 percent. The weighted student count gives extra weight to students with disabilities, struggling with the English language, and coming from poor families.

<sup>38</sup> Nine of these 17 districts also had rates of students not meeting 4<sup>th</sup> grade WASL standards that increased or worsened from school year 2000-01 to school year 2001-02. The other 8 districts had rates that either did not change or improved. It’s

additional resources to serve their populations of high-needs students are further stressed by the need to provide additional instructional support to students striving to meet WASL standards.

Underscoring the two pressures that students with high needs and students not passing WASL tests bring to bear on districts' budgets is our finding that the measures of these two populations are highly correlated with each other. Specifically, we found that the correlation between districts' high-need indexes and districts' indexes for not meeting standards on 4<sup>th</sup> grade WASL reading tests was 0.97, and between districts' high-need indexes and districts' indexes for not meeting standards on 4<sup>th</sup> grade WASL math tests, 0.98.<sup>39</sup> This finding further supports that these 17 districts out of the 174 in our study are likely most at risk for not ensuring their vulnerable or high-needs students meet state academic standards.

Certainly the combination of having both large portions of high-needs students and students who are below WASL standards places a considerable burden on the teaching staff. Ideally, some of the best and most qualified teachers should be available to help teach these most challenging students. However, as table 8 indicates, 13 of the 17 at-risk districts have average staff mix factors below the states average.<sup>40</sup> This means that the teachers' average education and experience levels in these 13 at-risk districts are below the state's average level.

Without the proper teaching expertise, the task of helping high-needs students make the most of their education and attain state standards becomes more difficult. In fact, a growing body of research suggests that teacher quality is the most important school factor affecting student achievement.<sup>41</sup> Although the staff mix factor is not a definitive indicator of teacher quality, it is the best available. An average doesn't indicate the portion of the district's teachers who are at the high end of the education/work experience scale versus the low end. However, an at-risk district's staff mix factor that is below the state average should raise questions for parents whose children reside in these districts as to whether their children, especially any who require additional educational support, have the most qualified teacher.

Finally, it's interesting to note that these 17 at-risk districts tend to have relatively large shares of minority students and poor students. In fact, 13 of the 17 districts had above-average rates for both poor and minority students.

-- Specifically, 15 of the 17 districts had shares of minority students that exceeded 26 percent, the average for all 174 districts in the study.<sup>42</sup> Among the 17 districts, the highest shares of Hispanic American students occurred in Brewster district of Okanogan county and the Toppenish and Grandview

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possible to develop other measures of academic performance besides using the rate of 4<sup>th</sup> graders who did not meet WASL math or reading standards in school year 2001-02. Single-year performance indexes are limited because they only show a snap shot in time.

<sup>39</sup> The Not-Passing index for the 4<sup>th</sup> grade WASL reading test is the percentage of students who did not pass the WASL in a district relative to the average percentage for all the districts in the study. Students who did not pass include those at level 1 (well below the standard) and level 2 (below the standard). Students at Level 0 who did not take the test are not included in the calculation. The Not-Passing index for the 4<sup>th</sup> grade WASL math test was calculated in a similar manner.

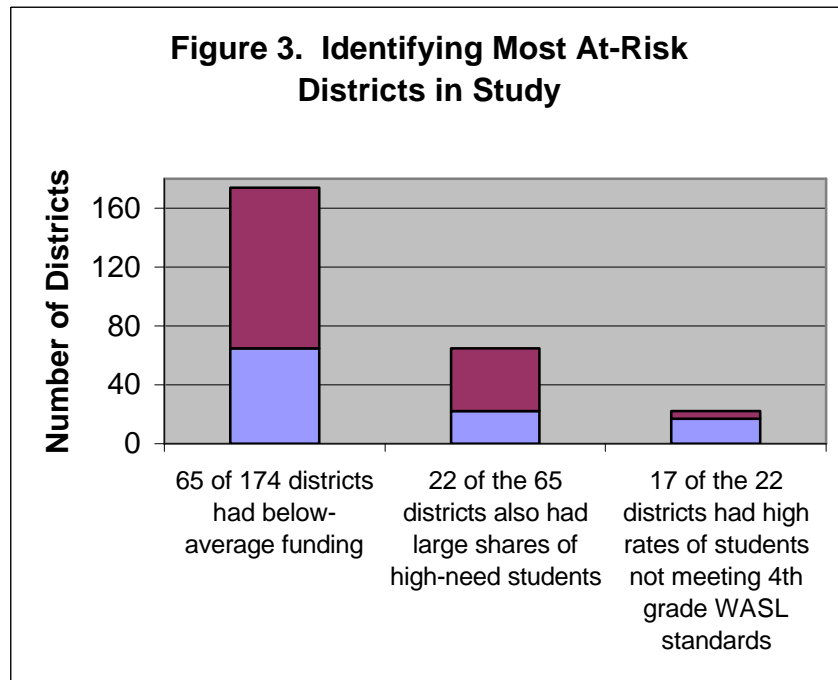
<sup>40</sup> As the staff mix table in Appendix IX indicates, the state's average staff mix factor of 1.60641 corresponds to teachers with years of service and education experience ranging from about 12 years of service with a bachelor degree plus 90 additional credits to about 8 years of service with a doctorate degree. A first year teacher with no additional credits beyond a bachelor degree would have a staff mix factor of 1.0.

<sup>41</sup> See readings for example, in Plecki, Margaret L. and David H. Monk, editors. School Finance and Teacher Quality : Exploring the Connections. American Education Finance Association 2003 Yearbook, Eye on Education, NY 2003.

<sup>42</sup> Minority students include Native Americans, Asian Americans, African Americans, and Hispanic Americans.

districts of Yakima county; while the highest shares of Africa American students occurred in the Tukwila and Renton districts of King county and Franklin-Pierce district in Pierce county.

--With regard to poor students, 15 of the 17 districts also had shares of poor students that exceeded 32 percent, the average percentage of poor students for the 174 districts in the study. In fact, seven districts had shares of poor students that are more than double the state average. Most (five) of the seven districts are in Yakima county, and the other two are in Grant and Okanogan counties.



In table 8, we listed the 17 school districts that are most at risk for not ensuring all their students achieve Washington State’s academic standards. The lowest-funded districts are ranked first. As table 8 shows, the districts that have the lowest funding levels aren’t necessarily the ones that have the highest rates of students not meeting WASL standards. For example, the King County districts of Kent and Renton are more than \$800 below the average funding per pupil, but they also have among the lowest rates of students not passing WASL tests in the group.

Insert Table 8. At-Risk Districts: Key Student and Funding Traits, School Year 2001-02 p.1

Insert Table 8. At-Risk Districts: Key Student and Funding Traits, School Year 2001-02 p.2

## Conclusions

Judged against national benchmarks for equity, Washington state has done well in fairly distributing its school funds across districts. Also, the state's good fiscal neutrality scores indicate that the state's equalization policies have been effective in ensuring that wealthy districts do not have an unfair advantage in raising funds for their schools.

However, gaps in school funding still remain even with otherwise good equity scores. About 18 percent or about 171,000 students of the study's total number are in 17 districts that receive substantially below \$6,906 per pupil—the average total funding per pupil. Most of these students are in districts in King and Snohomish Counties that receive anywhere from \$1,055 to \$615 less per pupil than the average.

The reasons for the underfunding in this group of districts vary, in part because they receive relatively low funding shares from more than one revenue source. Although further research is needed, the low funding seems to be related to the state's allocation criteria and the district's ability to raise local revenues.

Compared to the need for more equity, the lack of adequate funding is a much bigger problem. Either estimate of the additional costs, \$179 million or \$2.1 billion, needed to bring students to the state's academic standards is expensive by today's budget realities. The size of the estimates suggests two considerations.

First, although it may not be possible to achieve adequacy in the short run, the state should at least determine the cost of adequacy. If the state chooses to strive for more funding, it needs to plan how this can be accomplished over time and, most likely, in increments.

Second, these widely ranging estimates illustrate the sensitivity that such estimates have to the approach that's used to estimate the cost of adequate resources. Also, each approach has its pros and cons. For example, using the median funding level as a measure of adequate funding is the less expensive alternative. However, it means that the state merely ensures all students have the same level of funding-per-pupil that currently exists in the typical academically successful district. Further, as discussed in the report, the median may underestimate the full cost of providing for an adequate education. In contrast to Rainier Institute's Washington Quality Education Model, the median funding level would not pay for increased salaries for teachers and administrators, reduced class sizes, or expansion of kindergarten to full day.

Finally, given the state and federal consequences that districts face if their students do not pass state assessments in a timely manner, below-average funding of any amount becomes critical if the district is also serving large portions of students with extraordinary needs and students not meeting WASL standards. Our study found 17 such at-risk districts accounting for about 103,000 students or 11 percent of the nearly 936,000 FTE students in the study. Most of these at-risk districts are located in King and Yakima counties and have a higher than average rates of poor and minority students. These are districts that have fewer resources than the average district in the state and, at the same time, more need than the average. Certainly these districts have a legitimate right to at least expect average if not more than average funding given the difficulties they face.

Our finding that the state is struggling to meet the academic needs of many students with extraordinary needs reflects the judgment of the State Superintendent of Public Instruction, who in her 2003 State of Education Address said, “The bottom line is, our education system still doesn’t work for many children who are poor or non-white. About 200,000 students in our state are really struggling to master the essential learning requirements. My plea to you is to face these brutal facts, and commit together to change this reality now.”

Finally, in this analysis, we were most concerned with the impact of low funding on vulnerable students. However, low-funded districts without relatively large numbers of high-needs students certainly have cause to worry as well. Such districts may be facing cutbacks in important programs or struggling to pay teachers a competitive wage. This topic—the impact of low funding on districts—could be the subject of further research.

## **RECOMMENDATIONS**

In its recent Legislative Assembly, the Washington State PTA endorsed an initiative calling for an education funding study as one of its top priorities for the 2004 Legislative Session. Specifically, the initiative said, “The Washington State PTA shall support or initiate legislation or policies that fund a study regarding how our state funds education, which would include an analysis of fairness and adequacy.”

In keeping with the model school finance system discussed in the report’s background and in line with the findings of this report, PTA recommends that any study of how the state funds education should do the following:

1. Develop a base spending per pupil level that would ensure the average child could achieve the state’s education standards

Washington state has not determined a base spending per pupil level considered adequate for the average child to reach the state’s education standards. A base spending level is an essential element of any school finance system that seeks to link school finance to educational standards. This PTA study used two different estimates of a base spending level to estimate the additional costs for ensuring all children reach the state’s education standards. Other approaches are possible for determining the cost of providing an adequate education. PTA encourages the state to consider the various approaches for determining a base spending level. The state should conduct the appropriate research to ensure that the base spending level includes the costs of all the program components and educational staff and resources needed to ensure achievement of the state’s education standards.

2. Determine the additional amounts of money needed for students whose extraordinary needs require more resources than the average student. These are students with physical or mental disabilities, those from low-income families, and those struggling with the English language.

The state has programs that target additional dollars to students with high-needs through its special education, compensatory education, and bilingual education programs. PTA urges any study of education funding undertaken by the state to examine the adequacy of the additional funding for these high-need students in light of recent research on the most effective strategies and programs for these student populations.

At the same time, PTA wishes to applaud and encourage the efforts that the state has already undertaken to research effective learning strategies, especially those targeting high-needs students, and to disseminate this information among the 296 districts.

In this study, we identified 17 at-risk districts with below-average funding serving large shares of high-need students and dealing with large shares of students not passing WASL tests. Some of these districts also had a complement of certified teachers whose average level of education and experience was less than the average for the state. We did not determine whether these at-risk districts needed additional staff resources or better instructional methods or a combination of these factors to help their students attain educational standards. We urge the state to take stock of the situation in these at-risk districts and consider what types of improvements, if any, are needed to close the achievement gap for these at-risk students.

3. Consider the feasibility of using a price adjustment for all dollar figures to ensure comparable spending power across all areas of the state.

The state does not make adjustments for local differences in educational resource costs. Yet, in this PTA study the purchasing power of education dollars varied as much as 25 percent between the lowest and highest price districts within the state. Making these adjustments for local cost differences helps to ensure more equal education opportunities across the state. However, as school finance experts acknowledge, making such adjustments can be politically difficult. Nevertheless, PTA urges the state to consider the technical and political feasibility of making such adjustments in any study of education finance that it undertakes.

Finally, in keeping with the principle of fiscal neutrality, the PTA encourages legislators to carefully consider whether any proposed school finance legislation would have the effect of giving wealthy districts an increased ability to raise local revenues without compensating for the relative inability of less wealthy districts to raise revenues. If such proposed legislation has the effect of lessening the degree of the state's fiscal neutrality, we urge the legislators to modify the proposal to offset the imbalance. Legislation that could affect the state's fiscal neutrality includes any proposal that affects the calculation of levy bases, levy authority percentages or local effort assistance.

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