



ISSUE BRIEF

K-12 Funding Challenges

Key takeaways

- The current 2019-21 budget provides \$27.3 billion for K-12, representing 51% of all state spending.
- Since COVID hit, school districts have continued to receive their full state allocations based on pre-COVID enrollment and have also continued collecting local levy revenue in full.
- Many school districts are experiencing a decline in enrollment, which could result in an immediate and meaningful reduction in revenue beginning in January.

The issue

Over the last decade, the Legislature enacted sweeping changes to the K-12 funding model and ultimately doubled state funding, from \$13.4 billion in 2011-13 to \$27.3 billion in 2019-21. Despite these historic investments in basic education, COVID has created unforeseen challenges for school district budgets and the continued school closures could have significant impacts on K-12 funding.

Background

- The current 2019-21 budget provides \$27.3 billion for K-12, representing roughly 51% of all state expenditures.ⁱ
- School district operating budgets are comprised of four revenue sources: state allocations (72%), local revenue from enrichment levies (20%), federal revenue (6%), and other sources (2%).
- Most state funding is provided through general apportionment, which follows the Prototypical School Model (PSM). The PSM applies certain staffing and class size assumptions for each school type (elementary, middle, and high school) and then allocates funding to districts based on their actual enrollment.
- Additional funds are provided to districts for certain categorical programs, which includes pupil transportation.
- School districts may impose a local enrichment levy to fund programs outside of basic education. All districts (except Seattle) can collect the lesser of \$2.50 per \$1,000 of AV or \$2,500 per pupil.

K-12 funding during COVID

Since COVID hit, districts have seen major changes in their expenditures and staffing practices. For example, districts have experienced a number of *new* costs related to staff training, internet access, and PPE. At the same time, districts have also experienced a number of *avoided* costs including reduced utilities and operating costs, reduced travel, and reduced use of substitutes and paraeducators.

It is important to note that school districts have not yet seen a reduction in any state or local revenues. They have continued to receive their entire budgeted state allocations and have also continued collecting local levy revenue in full. However, many districts have reported lost revenue in other programs like food service and childcare.

In addition to state and local revenues, K-12 programs also received \$217 million in federal funds under the Elementary and Secondary School Emergency Relief Fund (ESSER). Of the \$217 million awarded to the state, \$195 million was distributed to school districts via formula and \$22 million was retained by OSPI for various statewide programs and administration. ESSER funds can be spent on a number of allowable purposes including COVID planning, support for

disadvantaged populations, cleaning/sanitation, educational technology, training, mental health services, or other activities necessary to maintain operations or employ existing staff.

K-12 funding issues for the 2021 session

Despite the recent investments in K-12, OSPI continues to push for significant new spending including \$346 million per biennium for additional staff and \$174 million to access learning devices and connectivity for students and educators. While the Legislature will have the opportunity to consider these new policies, members will also need to weigh in on fiscal issues for the *current* 2020-21 school year. Two of the more prominent issues resulting from the school closures – declining enrollment and low bus ridership – will result in less funding to districts, absent legislation. However, as is always the case with K-12, impacts to funding will vary district-by-district.

Enrollment for the 2020-21 school year

- From September through December, apportionment payments to districts are made according to the district’s own enrollment projections. During this timeframe, OSPI is conducting its enrollment counts which are then used to “true up” the district’s enrollment beginning in January and could impact a district’s allocations moving forward.
- Some school districts were already considering COVID when making their enrollment projections, but if those projections were significantly overstated, a district could see an immediate drop in funding beginning in January.
- For context, every 1% reduction in enrollment would result in a \$120 million drop in annual funding. Lower enrollment will also impact the following year’s funding for certain categorical programs, local enrichment levies, and local effort assistance (since these funding formulas are based on the number of student FTEs in the district).
- **Bottom line: Many school districts expect lower enrollment for the 2020-21 school year, which will result in reduced state and local funding based on current law. However, impacts will vary by school district and depend in large part on how much the district’s own projections varied from actual enrollment.**

Pupil transportation for the 2020-21 school year

- The STARS model determines the allocations for pupil transportation; it uses a regression analysis to compare similarly situated districts and drives out an “expected” or “average” cost to school districts.
- Ridership isn’t the only factor that determines funding in the STARS model, but it is a significant one. For example, OSPI estimated that a 70% drop in ridership would result in a 30% drop in funding based on the current formula.
- Pupil transportation funding is already set for the first part of the 2020-21 school year (through January) and is not impacted by COVID, but the allocations for the rest of the year will be determined in February based on actual ridership in 2020-21.
 - September through January: funding based on the prior year ridership (pre-COVID)
 - Beginning February: funding based on actual ridership in 2020-21 (post-COVID)
- **Bottom line: Because of the timing, the Legislature should have time for early action on pupil transportation in the 2021 session. But absent any action, lower ridership in 2020-21 would result in a lower pupil transportation funding beginning in February.**

Additional information

- [A Citizen’s Guide to Washington’s K-12 Finance](#)
- [Issue Brief: K-12 Finance and McCleary](#) (on Insight, must be connected to VPN)
- [Comparison of K-12 Funding Before and After McCleary](#) (on Insight, must be connected to VPN)

ⁱ “State expenditures” refers to the NGF-O accounts (Near General Fund-State + Opportunity Pathways + Workforce Education Investment accounts), which receive general tax revenue and are covered by the four-year balanced budget requirement.