



## BREAKOUT SESSION – K-12 EDUCATION

This session covers State and Local Partnerships, including property taxes, entitlements, K-12 education funding from the state, K-12 education at the district level, and pensions.

Purpose – Provide a perspective of what a 10 percent structural balance in government expenditures means. Sessions do not:

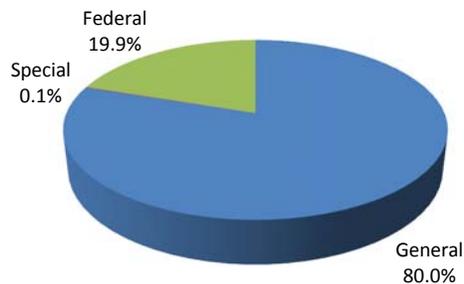
- Suggest how to close or eliminate the structural balance
- Provide specific options

### K-12 EDUCATION

K-12 education consists of programs provided by the Office of Public Instruction and funding support for local school districts.

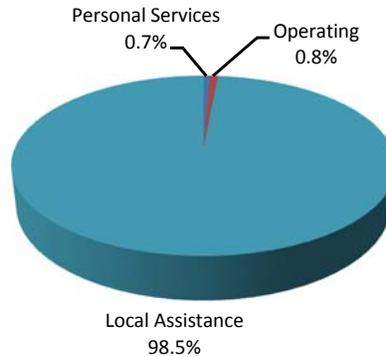
- About 36.1 percent of total projected general fund expenditures in the 2013 biennium
- General fund was over 80 percent of funding for the agency in the 2011 biennium (please note the figure is lower than historical due to the federal stimulus)
- General fund expenditures are dominated by local assistance payments to local school districts

**Office of Public Instruction 2011 Biennium Funding**





**Office of Public Instruction 2013 Biennium General Fund Budget =  
\$1,412,144,432**



## 10 PERCENT REDUCTION IN PERSPECTIVE

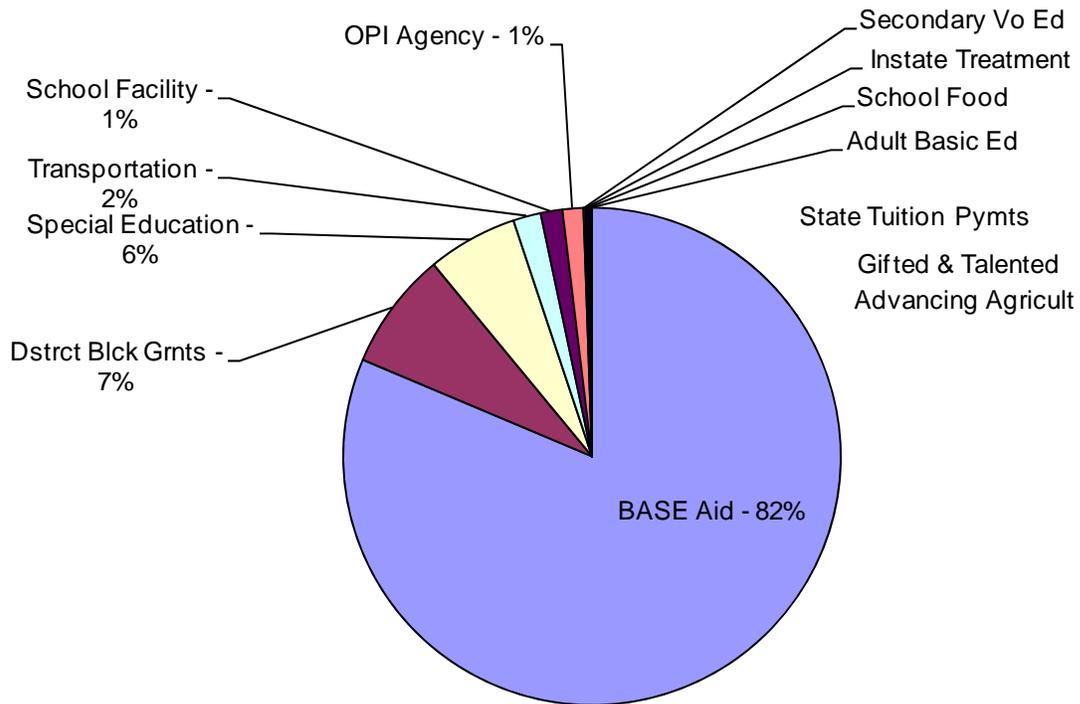
The following chart shows the percentage of the components of K-12 Education over the 2013 biennium. Over 82 percent of the funding is appropriated as part of BASE Aid. To effect a reduction of 10 percent in K-12 Education may necessitate changes in school funding methodology due the significance of BASE Aid. For example, to effect a reduction of 10 percent of K-12 Education without examining BASE Aid is roughly equivalent to the general fund support for:

- Secondary Vocational Education
- Instate Treatment
- School Food
- Adult Basic Education
- State Tuition Payments
- Gifted and Talented
- Advancing Agriculture
- Office of Public Instruction State Level Activities
- School Facility Reimbursements
- Transportation
- Special Education

Equal reductions of general fund without changing BASE Aid is equivalent to reducing 87 percent of general fund support in the 2013 biennium for all other components, (those listed above and funding for district block grants). As many of the programs use general fund support for maintenance of effort for federal funds, reductions in general fund may result in federal special revenues reductions.



### K-12 Education 2013 Biennium

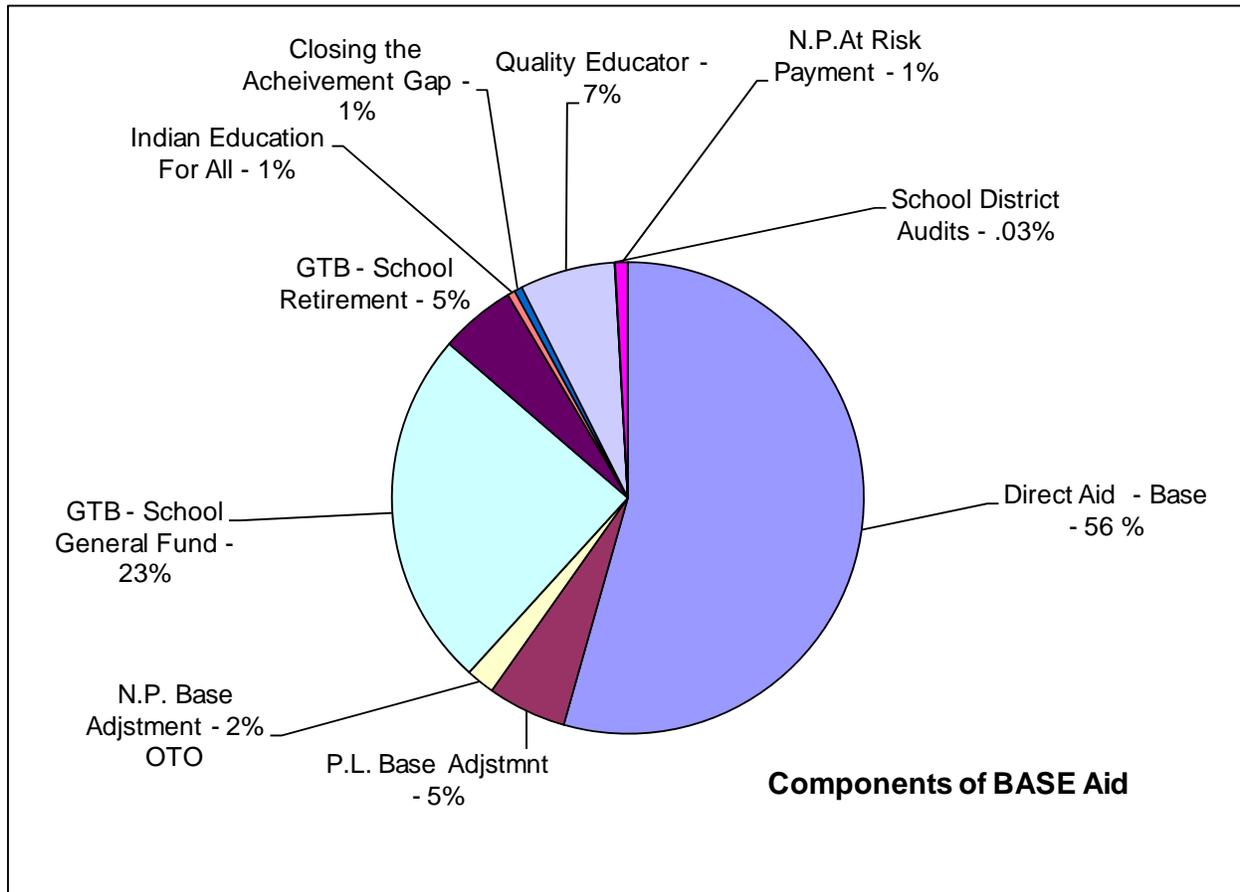


Assumptions for the 2013 biennium include:

- Basic entitlement and per- ANB inflationary increases at 1.96 percent in FY 2012 and 1.7 percent in FY 2013
- ANB (average number belonging) increases at 0.17 percent in FY 2010 and 0.76 percent in FY 2011.
- Restoring one-time-only funding for the 2 percent inflationary increase in the basic and per-ANB entitlements for FY 2010
- School district block grants increases of 0.76 percent each fiscal year as required by law
- At-risk component of BASE aid is estimated to be reinstated at the previous funding level
- Maintenance of effort requirement for special education funding is included
- Vacancy savings were estimated at 4 percent rather than the 7 percent included in the 2011 biennium



BASE Aid components appropriated with state general fund are presented in the next chart.



To affect a 10 percent reduction in general fund spending in BASE Aid (82 percent) in the 2013 biennium, requires a larger percentage reduction, 12.2 percent. Components to the state funding portion of local K-12 education include:

- Per-ANB entitlements– based on average number belonging, a measure of the number of children attending school in the district times a dollar amount per ANB
- Basic entitlements- fixed amount per district with differences for elementary and high schools
- Quality Educator – based on qualified licensed educators in schools
- Indian Education for All – based on the number of ANB in a district
- Closing the American Indian Achievement Gap – based on the number of Indian students
- At Risk – based on federal Title I distributions previously funded by legislature at \$5 million a year
- Guaranteed Tax Base – school general fund and retirement payments are subsidy payments for low-wealth schools

A 10 percent general fund spending reduction in BASE Aid is roughly equivalent to state funding for the following combination of services and functions:

- At-risk, Indian education for all, Indian achievement gap, the quality educator components of the state school funding formula and the inflationary increase for the 2 percent provided in FY 2010
- Present law adjustment for entitlement inflationary increases, inflationary increase for the 2 percent provided in FY 2010, and guaranteed tax base for retirement



- 12 percent of the guaranteed tax base for the schools general fund

## **Can reduction in K-12 education be affected without increases in property taxes?**

Reductions to the state components of BASE Aid can result in increases in property taxes within local school districts. This is because the entitlements (Basic and per-ANB) are funded by state and local dollars within the local school districts general fund support. To ensure property taxes did not increase, the November 1993 Special Legislative Session required school districts to lower the district general fund budget by 4.5 percent, the same amount as the percentage of the lowered state entitlements.

## **Potential Impact of State Reductions to K-12 on District General Fund**

In FY 2010 the state contributed 65.7 percent of the average district's general fund budget. This was lower than usual because of federal stabilization dollars supplanting state dollars. In a year without federal stabilization dollars the state share is around 70 percent.

The state's share is made up of the following:

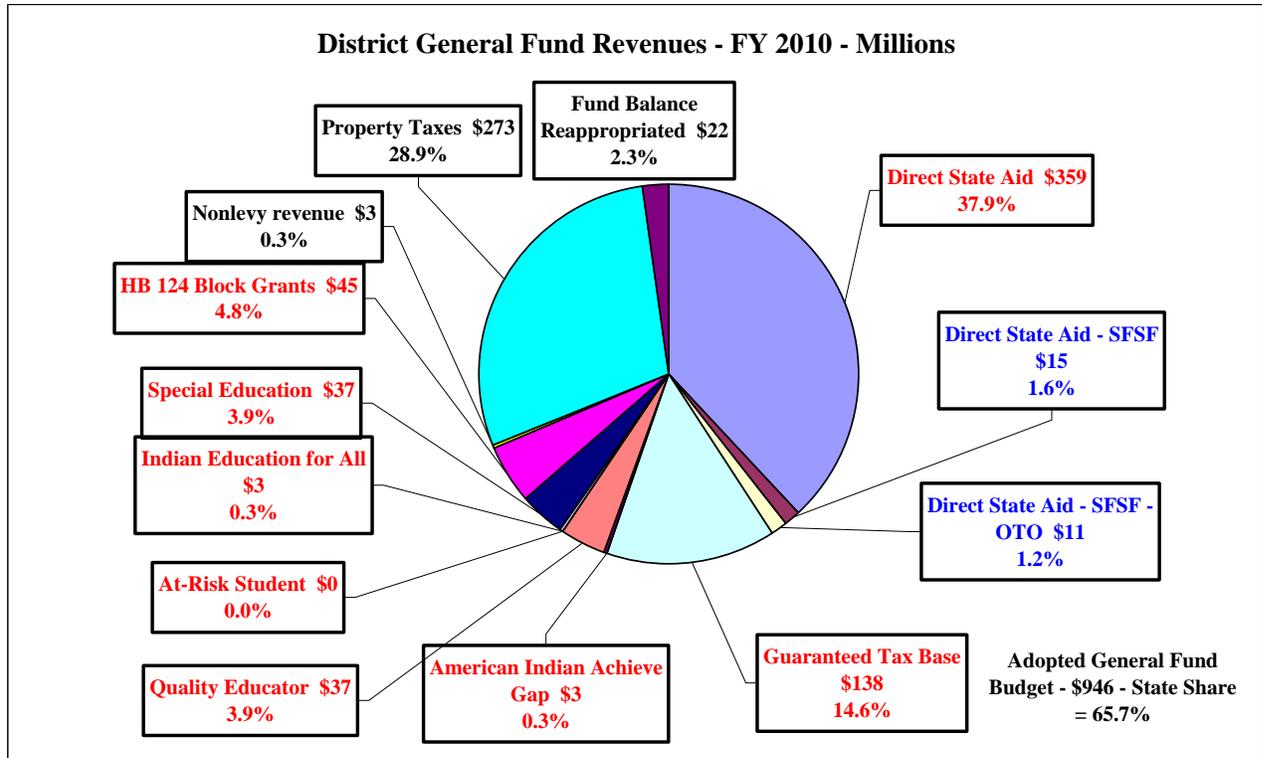
- Base Aid – as defined above
- HB 124 block grants
- Special Education Allowable costs

The local school district has its own sources of revenue. These are:

- Nonlevy revenue – interest earnings, oil, gas and coal revenues, etc
- Fund balance reappropriated – funds left over from last year that exceed 10 percent of the budget, and
- Property taxes



If the state reduces its aid to school districts, under current law, districts may raise property taxes. In some cases this may require a vote of the electorate.



## Where will School Districts Cut If Forced To Do So?

School districts may increase property taxes if the state reduces its aid to school districts. However, districts may also respond to state cuts by cutting back their own spending. The chart below shows where districts in FY 2009 spent their money, by function and by object. For instance, approximately 72.9 percent on average statewide was spent on compensation (salaries and benefits) for personnel. This amounts to over \$1 billion of the total \$1.4 billion spent by school districts statewide.

It is unknown exactly where school districts would cut. Under the State Constitution, the supervision and control of schools in each school district is vested in a board of trustees. It is this body that will make decisions regarding the type of cuts in school spending or property tax increases if the legislature reduces state support for school districts.



**School District Expenditures By Function and By Object - FY 2009**

Sum of SumOfAmount	ObjName						
FuncName	1 Salaries	2 Benefits	3 Purchased Services	5 Supplies and Materials	6 Capital Outlay	7 Other	Grand Total
1 Instruction	545,462,532	157,882,387	22,506,354	52,775,890	3,436,638	1,036,738	783,100,539
10 Bonds					48,253,488	699,675	48,953,163
2 Student services	70,530,394	19,032,450	20,373,943	10,068,308	597,211	149,700	120,752,005
3 General Admin	38,688,199	11,588,509	15,303,257	5,684,925	520,456	2,220,202	74,005,548
4 Building Admin	54,708,350	16,122,703	2,298,821	1,906,438	136,710	307,297	75,480,318
5 Building OM	49,936,040	18,621,340	58,966,714	14,947,517	4,322,991	836,091	147,634,014
6 Transportation	18,348,777	5,782,968	36,615,380	6,302,992	11,644,972	117,996	78,813,084
7 Other	19,503,537	7,135,208	9,918,879	22,274,859	494,795	2,333,960	61,661,238
8 Extracurricular	19,355,543	3,077,358	5,555,122	3,322,047	184,395	693,978	32,188,444
9 Facilities	17,936	7,311	3,206,790	222,673	24,010,049	202,007	27,666,766
Grand Total	816,551,307	239,250,234	172,563,836	117,505,648	93,601,706	8,597,643	1,447,998,674

**Proportion of Total School District Expenditures by Function, By Object - FY 2009**

Function	1 Salaries	2 Benefits	3 Purchased Services	5 Supplies and Materials	6 Capital Outlay	7 Other	Grand Total
1 Instruction	37.67%	10.90%	1.55%	3.64%	0.24%	0.07%	54.08%
10 Bonds	0.00%	0.00%	0.00%	0.00%	3.33%	0.05%	3.38%
2 Student services	4.87%	1.31%	1.41%	0.70%	0.04%	0.01%	8.34%
3 General Admin	2.67%	0.80%	1.06%	0.39%	0.04%	0.15%	5.11%
4 Building Admin	3.78%	1.11%	0.16%	0.13%	0.01%	0.02%	5.21%
5 Building OM	3.45%	1.29%	4.07%	1.03%	0.30%	0.06%	10.20%
6 Transportation	1.27%	0.40%	2.53%	0.44%	0.80%	0.01%	5.44%
7 Other	1.35%	0.49%	0.69%	1.54%	0.03%	0.16%	4.26%
8 Extracurricular	1.34%	0.21%	0.38%	0.23%	0.01%	0.05%	2.22%
9 Facilities	0.00%	0.00%	0.22%	0.02%	1.66%	0.01%	1.91%
Total	56.39%	16.52%	11.92%	8.12%	6.46%	0.59%	100.00%