

Central Washington University ScholarWorks@CWU

All Master's Theses


Master's Theses

1966

A Comparative Study of Maintenance and Operation Receipts of the High School Districts of Grant County under the "Washington Foundation Plan" and the Pre-1965 State School Support Formula

Henry J. Milhofer
Central Washington University

Follow this and additional works at: <http://digitalcommons.cwu.edu/etd>

 Part of the [Educational Administration and Supervision Commons](#), and the [Educational Leadership Commons](#)

Recommended Citation

Milhofer, Henry J., "A Comparative Study of Maintenance and Operation Receipts of the High School Districts of Grant County under the "Washington Foundation Plan" and the Pre-1965 State School Support Formula" (1966). *All Master's Theses*. 582.
<http://digitalcommons.cwu.edu/etd/582>

This Thesis is brought to you for free and open access by the Master's Theses at ScholarWorks@CWU. It has been accepted for inclusion in All Master's Theses by an authorized administrator of ScholarWorks@CWU. For more information, please contact pingfu@cwu.edu.

A COMPARATIVE STUDY OF MAINTENANCE AND OPERATION RECEIPTS
OF THE HIGH SCHOOL DISTRICTS OF GRANT COUNTY UNDER
THE "WASHINGTON FOUNDATION PLAN" AND THE
PRE-1965 STATE SCHOOL SUPPORT FORMULA

A Thesis
Presented to
the Graduate Faculty
Central Washington State College

In Partial Fulfillment
of the Requirements for the Degree
Master of Education

by
Henry J. Milhofer
August 1966

LD
5771.3
M644c

SPECIAL
COLLECTION

139063

APPROVED FOR THE GRADUATE FACULTY

Robert E. Anderson, COMMITTEE CHAIRMAN

Donald G. Goetschius

Carl F. Jenne

ACKNOWLEDGMENTS

The author wishes to indicate a debt of gratitude to those who were most instrumental in making this study a possibility: Dr. Ernest Muzzall, who initiated the idea; Mrs. Elizabeth Baumgarten, the Grant County Superintendent of Schools, source of much of the data; and the members of the committee for their efforts.

TABLE OF CONTENTS

CHAPTER	PAGE
I. THE PROBLEM AND DEFINITIONS OF TERMS USED . . .	1
The Problem	2
Importance of the study	3
Limitations of the Study	4
Methods Used	5
Definitions of Terms	6
Accrue	6
Apportionment	6
Assessed value	7
Average daily attendance	7
Capital outlay	7
Delinquent taxes	7
Equalization district	7
First class school district	7
General fund	8
Joint school district	8
Levy	8
Mill	8
Property tax	8
Nonrevenue receipt	8
Revenue receipt	9
Remittance	9

CHAPTER	PAGE
Second class school district	9
Special levy	9
True value	9
Weighted pupil	9
II. THE FOUNDATION APPROACH TO SCHOOL SUPPORT . . .	10
Historical Development	11
Contemporary Methods	16
Controversial Issues	18
III. THE "WASHINGTON FOUNDATION PLAN"	23
Background	23
Inequality of Educational Opportunity	25
Inequalities in Local Tax Effort	28
Terms of the "Washington Foundation Plan"	30
IV. FINANCIAL STATUS OF GRANT COUNTY HIGH	
SCHOOL DISTRICTS	45
Grant County High School Districts	47
The Pre-1965 Apportionment System	48
Local revenue	48
County funds	55
Federal funds	55
State sources of revenue	61
Summary	66
The "Washington Foundation Plan"	69
Local revenue	76

CHAPTER	PAGE
County funds	79
Federal funds	80
State funds	82
"Leeway" funds	84
"Grandfather" clause	86
V. CONCLUSIONS AND RECOMMENDATIONS	92
Local Funds	92
County Funds	97
Federal Funds	98
State Funds	100
Implications	103
Recommendations for Further Study	109
BIBLIOGRAPHY	111
APPENDIX	114

LIST OF TABLES

TABLE	PAGE
I. 1964-1965 Per Pupil Revenue Available In Selected Washington School Districts	27
II. Principles Basic to the "Washington Foundation Plan"	33
III. Treatment of "Local" Revenues in the "Washington Foundation Plan"	38
IV. Escalating Maximum of Certain "Local" Funds in the "Washington Foundation Plan"	40
V. Computation of Enrollment Weighting From Staff Experience and Professional Preparation in the "Washington Foundation Plan"	43
VI. Grant County High School Districts Classification and Type	45
VII. Property Valuation of Grant County High School Districts	49
VIII. Fourteen Mill Levy, Grant County High School Districts	52
IX. 1966-1967 Statement of Tax Levies, Grant County High School Districts	53
X. Anticipated Revenue From County One Per Cent Excise Tax on Real Estate Transactions, 1966-1967	56

TABLE	PAGE
XI. 1966-1967 Federal Funds in Terms of the Old Program	59
XII. 1966-1967 State-Distributed Funds Under Terms of the Former School Support Plan	64
XIII. Total Receipts From Major Sources of Revenue for Grant County High School Districts, 1966-1967, Under the Former Distribution System	66
XIV. Receipts Per Weighted Pupil in Anticipated Attendance in 1966-1967 Under Terms of the Former Support System	68
XV. Percentage of Support From Various Sources for Grant County High School Districts in 1966-1967 Under the Old System	70
XVI. Added Weightings to be Used for Elementary Districts with Enrollments of Less Than 100 Pupils	72
XVII. Added Weightings to be Used for High Schools With Enrollments of Less Than 225 Pupils	73
XVIII. Foundation Level of Support For Grant County High School Districts	75
XIX. 1966-1967 Tax Revenue for Grant County High School Districts Under Provisions of the "Washington Foundation Plan"	78

TABLE	PAGE
XX. 1966-1967 County Distributed Revenues Under the "Washington Foundation Plan"	81
XXI. 1966-1967 Federal Funds for Grant County High School Districts	83
XXII. Comparison of State and Local Share in Grant County High School District Foundation Plan	85
XXIII. 1966-1967 Foundation Plan "Leeway" Funds for Grant County High School Districts	87
XXIV. Total Receipts From Major Sources of Revenue for Grant County High School Districts, 1966-1967, Under the "Washington Foundation Plan"	89
XXV. Percentage of Support Funds From Various Sources for Grant County High School Districts Under the "Washington Foundation Plan," 1966-1967	90
XXVI. Total Maintenance and Operation Revenue for Grant County High School Districts, 1966-1967, in the Foundation Plan	91

CHAPTER I

THE PROBLEM AND DEFINITIONS OF TERMS USED

In 1937, the Washington State Legislature adopted a special equalization formula which was to permit poorer school districts to receive additional state funds to augment their income to approximately the state average. In addition, since 1943, the state had provided supplemental allotments to school districts to maintain satisfactory standards of school service. These two programs were integral features of Washington's school apportionment plan.

Defects in this plan of financing public education in the State of Washington were gradually pointed out. Schoolmen, taxpayer groups, and other interested factions criticized the apportionment system on the grounds that it tended to result in deficiencies of school services or in inequities to taxpayers, or both.

The apportionment system of school finance in this state was an outgrowth of many remotely related developments. Though perhaps adequate in terms of the educational requirements of 1937 and 1943, the state formula was charged with inadequacies in the sixties. Critics indicated that many old and inadequate procedures were incorporated into law and tradition. As a result, these deficiencies were allowed to continue in the apportionment formula. This created many

injustices. Consequently, a number of educationally-oriented groups began clamoring for a thorough revision of our school support policies.

Concerned with inequities of educational opportunity and local citizen tax effort, a group of Washington State school administrators sought to develop a comprehensive proposal to remedy the shortcomings inherent in the distribution system. Meeting in the summer of 1961 at the University of Washington, the educators advocated the "Washington Foundation Plan" as an answer to the inequalities in the apportionment plan. Through a foundation approach to school finance, these school superintendents sought to assure all districts a more just and equitable level of school support than was possible under the apportionment formula.

Acting on their suggestions, the 1965 Legislature passed Senate Bill 522 and Senate Bill 565. These laws set up an entirely new system for distributing state funds for school operations. The new school support formula is known as the "Washington Foundation Plan."

I. THE PROBLEM

It is the purpose of this study to investigate the merits of the "Washington Foundation Plan" as opposed to the supplanted state apportionment formula of 1965. Procedures of the foundation approach to state support will be

applied to operating school districts to compare funds available under that system with those available under the previous method. This study intends to apply the plan to the high school districts of an entire county so that the financial impact of the newly-adopted approach upon small as well as large districts will be thoroughly understood.

Importance of the study. A great amount of interest has been generated by the foundation plan. School finance personnel on all levels of administration have shown real concern as to how the plan will affect the financial stability of the school districts. This concern can be sifted down to one basic question: "Will it be better than what we had?"

Despite some recognized inequities, the previous apportionment system was essentially a good one. However, since the inception of the formula some twenty years ago, education in the state had been virtually transformed. School business really developed into "big business." The most important catalysts of this change were inflation and expanding enrollment. Along with this, the public demanded an expansion of school programs and services. The net result was a spiraling rise in the cost of public education.

What was true of education in the State of Washington was also true of other public services. Costs, for example, of highway construction and of the state welfare program

almost doubled over the two decades since 1945. As a consequence, education has had to compete with a host of public state-supported services for available revenue at every legislative session.

The increasing costs of public education caused a shift in the burden of financial support. The state is the dominant source of funds in school support today; the trend is toward ever greater state participation. The extent of state involvement in local school district finance means that a new concept of state support could have a tremendous influence on school finance. It is important to know if the foundation approach will actually serve the financial needs of the schools more effectively than the previous apportionment system.

At the same time, the "Washington Foundation Plan" is not well understood by the public. Even educators view the plan with mixed emotions. No penetrating research has been done. As the plan has been legally accepted as the school support program in the State of Washington, factual knowledge of how the plan will perform in operation is of prime importance.

II. LIMITATIONS OF THE STUDY

There is a large quantity of financial data available for each of the school districts of the state. It is

necessary to delimit the research so that data can be confined to workable limits. A county unit offers an advantage in this respect. It is a compact, well-defined unit that can delimit the study to its borders. The county unit contains a number of school districts of varying wealth and enrollment. Another consideration pertains to the financial data needed; all of the desired income information can be taken from one central authoritative source--the County Superintendent of Schools.

With these considerations in mind, Grant County high school districts were selected. This county has the desired compactness for delimiting the study; it contains only ten high school districts. Of these, one is a large first-class district while the others are second-class districts of widely differing size.

The cooperation of the County Superintendent's office was readily obtained.

III. THE METHODS USED

This study makes use of budget information submitted by the Grant County high school districts for the 1966-1967 school year. The source of this information is the office of the Grant County Superintendent of Schools in Ephrata, Washington.

School receipts were tabulated as to source for each of the ten districts involved.

Information relative to tax levies and enrollment were obtained from the Grant County Treasurer and the County Superintendent of Schools.

The data thus received was used to determine revenues accruing to the districts under the terms of the "Washington Foundation Plan." The same data was used to determine the extent of funds accruing to the districts had they still been operating under the pre-1965 apportionment system.

IV. DEFINITION OF TERMS

The following definitions of terms used in this study are needed to obtain some common understanding about financial procedures that apply to our public schools. Additional terms which are not primarily financial in nature have significance because they relate to school finance.

Accrue. To record revenues when earned or when levies are made, and to record expenditures as soon as they result in liabilities, regardless of when the revenue is actually received or the payment is actually made.

Apportionment. The amount of money allotted for a specific period or purpose.

Assessed value. The percentage of true and fair value of property in dollars to which property tax levies are applied.

Average daily attendance. Commonly referred to as ADA, this figure is derived by dividing the total days of attendance for a given school year by the number of days that school was in session.

Capital outlay. An expenditure which results in the acquisition of fixed assets or in additions to fixed assets. It is an expenditure for land or existing buildings, improvements or grounds, construction of buildings, additions to buildings, remodeling of buildings, or initial or additional equipment.

Delinquent taxes. Taxes, usually on property, unpaid on and after the date on which they have become delinquent by law.

Equalization district. Any school district whose revenues from all sources fail to reach a state-specified level per weighted pupil and which is therefor eligible for supplemental funds from the state to bring per pupil funds to the state-prescribed minimum.

First class school district. A school district which has a population in excess of 10,000.

General fund. The fund to finance the ordinary operations of the school district. It is available for any legally authorized purpose and consists of all school money not specifically designated for some particular purpose.

Joint school district. Any school district composed of territory in two or more counties.

Levy. The total of taxes or special assessments imposed by a governmental unit for a stated purpose.

Mill. A multiplication factor against the assessed value of each individual piece of property to determine the amount of tax to be paid. One mill is one-tenth of one cent.

Property tax. A tax on all property, real and personal, in a taxing area according to a uniform assessed valuation placed upon the property.

Nonrevenue receipt. An amount received which either incurs an obligation which must be met at some future date or changes the form of an asset from property to cash and therefor decreases the amount and value of school property. For example, money received from loans, sale of bonds, sale of property purchased from capital funds, and proceeds from insurance adjustments make up most of the nonrevenue receipts.

Revenue receipt. An addition to assets which does not incur an obligation that must be met at some future date and does not represent exchanges of property for money.

Remittance. A disbursement made by a check of a County Treasurer charged against a school district and made payable to a school district, another County Treasurer, or a fiscal agent.

Second class school district. A school district containing an incorporated city or an area of one square mile with a population of at least 300; any school district maintaining a fully accredited high school.

Special levy. A mandatory levy, over and above a required level, made by a taxing authority against property.

True value. Generally accepted to mean actual or market value of a piece of property. At times it is construed as that price which a willing buyer would pay to a willing seller under normal market conditions.

Weighted pupil. A modification adjusting pupil enrollment to account for increased per-pupil costs in such areas as junior high, high school, vocational classes, and the handicapped program.

CHAPTER II

THE FOUNDATION APPROACH TO SCHOOL SUPPORT

Theoretically, the concept of a minimum foundation program may be seen as a basic program of education to which all children of a state have access regardless of where they live. The cost of the program is borne by the state and the local school district. State funds are distributed on the basis of a formula that makes it possible for all school districts to maintain expenditures at the same tax rate on the true value of property.

In reality, the foundation program varies a great deal from state to state depending upon the standards prescribed by state support laws and the Departments of Education. The practice is variously known as a "foundation program," a "basic program," or as a "minimum program." At times, too, it has been known as the "minimum foundation program." The use of the expression "minimum program" was thought to have an advantage; some believed that such a title was instrumental in securing the approval of state legislatures even though the proposal involved substantial amounts of money. Generally, this expression has lost favor and has been largely replaced by other titles.

I. HISTORICAL DEVELOPMENT

When state systems of public education were established, the states were made responsible for schools. The final responsibility of the state is evident in state constitutions, statutes, and court decisions. However, the states have traditionally shared this responsibility with the local school districts. To further local participation, district boards of education have been delegated taxing and other powers within specified limits.

Early assistance in financing public education in most of the states was provided through the permanent endowment funds arising from federal land grants. The endowment funds were small and state governments found it necessary to provide additional money for the support of schools. Just prior to the turn of the century, state support plans were based on either one of two plans: equalization and reward-for-effort. Rosenstengel and Eastmond (21:36) indicate that neither concept was well understood at the time; that they were not well defined until the work of Cubberley in 1905. It was, essentially, a period of trial-and-error development.

Furno (9:18) in commenting on this era, suggests that the ability of the local school districts to support adequate educational programs was "an accident of the distribution of children and wealth." He maintains that this

situation is traceable to the time when states were originally divided into taxing districts. Some school districts found themselves with less taxable wealth than others and, when left to their own devices, found it almost impossible to even hope to equalize educational opportunities for all children.

The outstanding study of this period was that of Cubberley concluded in 1905. In his research, Cubberley analyzed the contemporary methods of state apportionment. He pointed out the need for the states to (7:198):

. . . adopt a means of apportioning funds so as to more nearly equalize the apportionment to all districts, representing a marked improvement, enabling states to more nearly equalize the apportionment to each school district. This is certainly a much more equitable basis of apportionment than the per capita on census basis, and the time will come in each of the states when schoolmen and legislatures will so regard it.

Following Cubberley's critical appraisal, several efforts were made to analyze the practices and principles of state support. It was a period of trial-and-error experimentation. State aid programs during the first quarter of this century continued to be meager. Some communities were found to be financially incapable of providing a sound educational program. These were poor inadequate school districts that Norton (18:11) refers to as "the slums of American education." Of course, this picture had its bright side, for there were a number of communities that financed satisfactory programs without hardship.

There were some studies of merit completed in school finance during this period. The most noteworthy contribution was that of the Educational Finance Inquiry under the sponsorship of the American Council on Education. This study was conducted between 1921 and 1924. The most important phase of the report was the work of George Strayer and Robert Haig. The Strayer and Haig report, as it came to be called, held that proper equalization demanded that the state assume the responsibility for providing acceptable minimum programs in every school district (21:37). At the same time, Strayer and Haig contended that such a program must be provided after an equivalent tax effort had been made in every school district.

Furno (10:18) has concluded that these early studies were largely ineffective. He maintains that the reward-for-effort approach epitomized by Cubberley intensified the differences in educational opportunities. So did the proposals of Strayer and Haig despite the fact that these proposals specifically called for the equalization of educational opportunities and the equalization of the tax load. Both of these approaches, according to Furno, increased educational opportunities but did not equalize them.

It should not be construed from Furno's remarks that these studies had no merit. In Cubberley's research, the emphasis on reward-for-effort was a boon to the pioneer

light-house schools. In the work of Strayer and Haig, the emphasis on raising educational standards and opportunities from the bottom up to a certain minimum was a helpful concept.

The efforts of Strayer and Haig in the mid-twenties inspired a large amount of research in the decade following. Their original report lacked any specifics for implementing their suggestions. These devices and techniques were later provided by other school finance investigators, notably by Paul R. Mort. Mort is generally regarded as the driving force behind the foundation plan as it is conceived today. However, Mort himself (16:381) credits Strayer and Haig with the introduction of the foundation program concept as it is now understood.

Mort investigated measurements of educational need in 1924. This was followed by a study inquiring into state support for public schools. He collaborated with William Cooper on the National Survey of School Finance undertaken by grants from the U. S. Office of Education and the American Council on Education. This report was an analysis of the sources and apportionment of school revenues. Emerging from these studies were the tools and approaches inherent in the foundation plan as it is envisaged today.

The depression of the thirties strongly affected school finance programs and served as a catalyst for the

implementation of many of Mort's suggestions. The tight money of this period caused schools to experience hardship in obtaining necessary funds locally. For instance, in the State of Washington, the people's ability to raise cash for their property taxes fell to the point where almost one-third of the property on the tax rolls was delinquent in 1932 (13:15-16). It was the same situation in other states. Faced with drastically-reduced revenues, local school districts looked to the state for assistance. Foundation-type plans were inaugurated in a number of states; the approach was looked upon as a satisfactory means of obtaining additional funds to supplement the depressed local revenues. The states, acceding to the need, achieved a dual purpose in such action: school expenditure levels were maintained near customary levels and tax burdens for local property taxpayers were relieved.

The rapid increases in enrollment after World War II created an added strain to provide additional services and facilities. The local school districts again turned to the states for increased assistance. More states adopted the foundation approach to financing public education. Morphet (15:193) in a study conducted for the Council of State Governments in 1948-1949, concluded that approximately 42 states had some type of foundation program in operation. Freeman (8:342) reported in 1955 that there were 389 school

aid distribution plans being used in the United States. The majority of these were variations of the basic foundation plan. The high number is accounted for by the fact that a number of states implemented several different types of plans.

Without a doubt the underlying principles of the foundation plan have met with considerable favor over the past thirty years. In a report for the U. S. Office of Education in 1955, Hutchins and Munse (12:5) expressed the opinion that "On the whole, the program is regarded as a wholesome and satisfactory way of supporting public schools." This sums up quite adequately what appears to be the general attitude about the foundation approach to school finance.

II. CONTEMPORARY METHODS

Usually foundation systems require that the desired educational services be described then translated into money. This particular technique may vary from state to state. Swalls (24:38-39) reports that:

Usually foundation-program funds are provided for instruction and other current operating expenses. Some states include support for tuition, classes for handicapped children, summer schools, adult and evening classes, textbooks, and health services. In many states the program is extended to cover the costs of teachers' salaries, transportation, and textbooks in addition to maintenance and operation requirements. Other states are much more general in that they leave to local officials the proportion of state funds to be expended on various items of the budget.

Some measures of control are necessary, however. Controls are existent in all state aid programs, regardless of type. But, as we have seen, the amount and nature of the controls are varied. This is to be expected. It is inconceivable to assume that the people of any state would try to pay for any type of program that a local community might desire. Consequently, it is considered necessary before establishing a state plan for guaranteeing a school program, to know what the program is to be and approximately what it will cost.

Foundation plans are based on the premise that support of the schools is a dual responsibility of the state and the local school districts. Thus, state legislatures usually provide that financing will be on a partnership basis with the state and the local school district mutually obligated to supply funds. State and local shares are determined on the basis of an established objective formula. The plan as used in New York State is typical. The State of New York demands that the local school district pay six dollars per one thousand dollars of true valuation of property in the school district as the district's share of the program (3:40). The state guarantees to make up the difference between the local contribution and the total cost of the program.

Brittell (2:63), in outlining the extent of state aid programs, indicates that there are two popular methods for determining the foundation level of support. These are:

1. An amount based on a per pupil enrolled basis or a per pupil in average daily attendance basis.
2. An amount based on a teaching unit or classroom unit.

Whichever method is used, each adjusts the state share to local financial ability; theoretically, those districts with low taxpaying ability will receive more state assistance in providing the foundation program than those school districts with higher financial ability. For example, the State of California (5:17) in its program for 1962 set a minimum of \$345 per pupil in average daily attendance at the elementary level; a minimum of \$460 per pupil in average daily attendance was established for the high school level. Local school districts throughout California were expected to contribute different proportionate amounts of this sum depending on their local tax situation. The state made up the difference.

III. CONTROVERSIAL ISSUES

There are a number of conditions necessary to the successful operation of a basic program. The Research and Policy Committee of the Committee for Economic Development (20:53) suggests that three such conditions necessary for a

simple, effective, and economical foundation program include school districts of adequate size, uniform assessment of property, and a sufficiently high local tax and debt limit.

A number of critics point out defects in the foundation concept based on inequities in these three criteria. Bailey, Frost, and associates (1:19) concede the importance of the foundation approach to school finance, yet maintain that there are some glaring defects. They claim that some educators now look upon the foundation system as a depressant upon public spending for education. The defects they point out include the following:

1. A psychological effect of making local school districts satisfied with a minimum effort.
2. A harmful effect on poor school districts some of which have difficulty obtaining local funds sufficient for qualifying for state aid.
3. An inadequate effect in meeting the needs of rapid-growth areas and big cities.

The experience of the State of California with their foundation program would indicate that the first of the defects listed by Bailey and Frost is substantially correct. California's Department of Education (5:18) reports that a lack of incentive for effort has permitted school districts in that state to operate on less than the foundation minimum. The report states that the lack of an incentive for an increase in local property taxation arises because excess levies have no effect on the amount of state aid forthcoming

from the Department of Education. The philosophy of the foundation plan holds that the local school districts are at liberty to exceed the minimum program as much as they desire and can afford. The states have not made a practice of placing ceilings on the education programs of the local districts. However, if one were to weight the experience of California, the lack of incentive for special levy efforts prohibits extra efforts. It would appear that legislation placing limitations on tax rates and on district indebtedness would also handicap attempts to go beyond the basic program.

The local property tax has taken on some added significance with the increasingly popular practice of states to distribute school funds through formulas which make use of assessed values as the index of the financial capacity of local districts. The local property tax provides most of the total revenue received from local taxes. In the State of Washington, for example, eighty-five per cent of revenue received from local taxes is provided by the property tax, with Business and Occupations taxes and admissions taxes largely supplying the balance (13:17).

In the foundation program, it is mandatory that the local school district maintain a minimum level of taxation against property as its share of the program. Yet, critics maintain, the property tax is unreliable. Evidence is

constantly supplied that indicates that the property tax is inadequate to supply the revenue needs of local government. Since 1958 at least four different studies in the State of Washington have found the property tax inadequate and have recommended major reforms to strengthen it (13:17). Various limitations on the property tax through constitutional amendments and legislative action, as well as the general public acceptance of the concept that property taxes should be kept as low as possible, may make adherence to state minimum standards difficult.

Morphet (15:193) admits to defects in the foundation plan of school finance. Yet, he maintains that such defects are not the fault of the plan or its principles, but rather with the way the plan was implemented in the various states. Most state programs of financial support have developed over a period of years. Thus they incorporate both old and new provisions; they may contain contradictory and conflicting provisions. To avoid this situation, Morphet would have the states re-evaluate and reorganize their finance statutes when adopting the foundation approach.

Admittedly, some of the foundation-type approaches have resulted in gross inequities. Norton and Lawler (18:31) describe four techniques which proved to be unpopular:

1. The appropriation of additional state funds to the high rather than the low expenditure districts. This makes the situation worse.

2. Giving all school districts the same additional amount per classroom unit. This does little to equalize opportunity.
3. Shaving money off the top school districts and putting it on the bottom. This robs "Peter to pay Paul."
4. Aiding only the lower financial districts. This method places all the aid where it is most needed, but this approach will probably not get the support of the most prosperous communities.

These, then, are some of the current controversies raging about the foundation approach to school finance. Claims and counter-claims have tended to confuse the public and educators alike about the value of the foundation plan. At the same time, the controversies have focused attention on the financial problems confronting the schools today. Perhaps from this will come the public understanding and acceptance necessary to the success of the foundation plan.

However strong these controversies become, the real issue at stake is with equalization of education opportunities. This is the ultimate aim of all foundation concepts. Are we wasting our time? Furno (10:46) thinks so! Speaking before the Fifth National School Finance Conference in 1962 he maintained that the equalization of educational opportunity is an illusion.

Even if all states did have the same foundation program, tremendous inequalities would still exist. This stems from the fact that only a minimum of education is equalized. Communities with adequate revenue resources and free access to them remain free to give their children educational opportunities far beyond those of poor communities.

CHAPTER III

THE "WASHINGTON FOUNDATION PLAN"

In theory, the concept of the foundation plan is one of a basic or minimum program which is available to all the children of a state regardless of where they live in the state. Costs of the program are borne jointly by the state and the local school districts. A number of states are currently using the plan as an integral part of their support of education. Plans vary from state to state, this variance dependent on the procedures set forth by the state support laws.

Briefly, the foundation plan is another form of equalization. Such plans have been considered as sound methods of school finance for some time. Any type of foundation plan involves the distribution of funds collected by the state through its taxing powers to the local school districts. The intent is to make more nearly equal the educational opportunities available to all children of the state regardless of the wealth of their district. This is usually accomplished through the granting of special financial help to less wealthy school districts.

I. BACKGROUND

Equalization has been a basic principle of school finance in the State of Washington since the "barefoot

schoolboy" law was enacted in 1895. This law was developed to insure more equal opportunity for our rural youth--to insure for rural Washington the educational opportunities available to the urban areas with their greater taxable wealth.

State school support procedures were revised and modernized several times. A comprehensive change was made in 1937 when the state legislature adopted a special equalization plan. The purpose of the new law was to give to relatively poor school districts additional state funds which would presumably supplement their resources to that of the state average. Again in 1943, the legislature provided additional allotments to school districts where unusual conditions, such as necessarily small classes in small schools, called for the expenditure of additional funds to maintain reasonable standards of school service (23:236).

Several years ago, the Washington School Superintendent's Association expressed concern that the state's equalization formula was no longer adequate. Our schools were experiencing rising costs. These increases, coming out of an inflationary economy, a demand by the public for more school services, as well as the unprecedented growth of school enrollment, put an unparalleled demand on the state support system. Many of our school districts found it

necessary to request the approval of special levies for general operational expenses on a yearly basis. In 1964, for example, the regular local property taxes for schools raised over 58 million dollars (27:2). Because this fell far short of actual needs, voters authorized an additional 36 million dollars for school support. Reliance on levies for maintaining regular school programs increased more than three-fold in the last five years.

This increasing dependence on the special levy cast doubt on the adequacy of the apportionment formula. The Superintendent's Association maintained that "although adjustments have been made in the distribution formula, certain inequalities have crept in" (28:1).

II. INEQUALITY OF EDUCATIONAL OPPORTUNITY

Despite the trend in this state toward equalization of educational opportunity, the quality of education children were receiving ranged from mediocre to excellent. Although there were a number of contributing factors, money, or the lack of it, was the major element. Adequate school plants, well-equipped and diversified programs, and excellent teaching staffs can be obtained only through substantial financing. There are great differences in local wealth in Washington; this in itself creates great differences in educational opportunity. Moreover, these differences are on the increase.

Other factors contribute to irregularities in educational opportunity. As the state was on the one hand attempting to maintain a policy of equalization, it was forced on the other hand to cope with problems resulting from rising enrollments and costs. At the same time, an unprecedented amount of federal spending on defense contracts within the state favored only a few school districts while most of the others were neglected. Those districts without federal funds, largely Public Law 874 payments, found themselves with less revenue. Public Law 874 funds were paid to school districts for general maintenance and operation; the funds were allotted on the basis of school enrollment caused by federal activities in the area.

As the ability to support and develop an adequate program hinges on the available dollars per pupil, it is obvious that opportunities can vary considerably. Table I shows some of the per-pupil revenue for selected school districts in Washington for the 1964-1965 school year (25:5). The metropolitan districts of Seattle, Spokane, Tacoma, and Highline exhibited an income range of \$33 per pupil. Among all of the districts listed there was a \$832 per pupil variance.

In the area of per pupil finance, the districts of the metropolitan class found themselves in a unique situation. While there was a general increase in enrollment

TABLE I
 1964-1965 PER PUPIL REVENUE AVAILABLE IN
 SELECTED WASHINGTON SCHOOL DISTRICTS

School District	State	Other	Total
Seattle	\$229	\$175	\$ 404
Spokane	269	119	388
Tacoma	282	113	395
Highline	286	85	371
Edmonds	291	64	355
Reardan	281	222	503
Republic	324	144	468
Coupeville	295	190	485
Reecer Creek	443	500	943
Harstine	336	851	1,187
Stehekin	899	177	1,076
Waldron	614	269	883

throughout the state, the highest percentage of increase was in the metropolitan districts. Today these districts enroll over fifty per cent of the students in the state. Thus, while it is true that these districts have the greatest taxable wealth, it is also true that the number of pupils enrolled caused this local wealth to be heavily burdened.

III. INEQUALITIES IN LOCAL TAX EFFORT

The second item that made the former equalization plan unworkable was the wide range of local tax effort throughout the state. Inequalities of assessment were pointed out as the major defect of the property tax upon which school districts must rely for the local share of school finance. The state constitution imposes two limitations on the property tax: the forty-mill limit and assessment of fifty per cent of true and fair value. Yet another hurdle is imposed by the unique "40-60" requirement. To approve a higher or excess levy, forty per cent of those who voted previously must vote on the issue. At least sixty per cent of those voting must approve the issue. Only four other states require more than a sixty per cent majority to exceed their set tax limits (26:4). Combined with the forty per cent validation requirement, Washington's tax laws are among the most restrictive in the nation.

The seventeenth amendment to the state constitution limits the total amount of taxes which may be levied against the assessed value of property to be no more than forty mills in any one year unless a higher amount is approved by the voters for a specified purpose. A special levy can be approved for only one year. Most of the taxing districts have found it necessary to levy the maximum forty mills allowed by law. Special levies and bond issues will cause millage to be in excess of forty mills. Residents of the Shoreline School District, for example, will be paying 42.7 mills in property taxes for schools this year--14 mills in regular taxes and 28.7 mills in additional taxes (26:3).

As elected officials, County Assessors are responsive to the expressions of their constituents. As a result, property assessments are considerably below the fifty per cent level as required by the seventeenth amendment. In fact, no county has ever assessed at fifty per cent. What we have is a rather irregular set of assessment levels which have brought about inequalities. When one county has an assessment level of 14.0 per cent of true and fair value and the other 38 counties have assessment levels which range upward to 25.0 per cent, there are definite unequal economic implications. Actual assessed values as reported by the Washington State Board of Equalization ranged from a low of 13.8 per cent to a high of 24.7 per cent among the counties

in 1965 (27:5). Such unequal assessments result in unequal burdens. For example, the owner of a \$10,000 home assessed at 13.8 per cent would pay \$19.32 in property taxes at 14 mills; the owner of an identical home assessed at 24.7 per cent would pay \$34.58 in property taxes at fourteen mills.

Under this system, the general property tax is not bearing its maximum load. This tax, one of the oldest types of taxation, could do a much more thorough job of satisfying local revenue needs. Gragg (11:81) maintains that inadequate assessment is a "villain" accounting for much of the school district's financial woes. He believes that the property tax is misused; that it has two qualities of outstanding merit--stability and simplicity. Its stability comes from the small fluctuations of the tax base from year to year; its simplicity stems from the ease of locating what is to be taxed and the certainty of collection. Inadequate assessments reduce the effectiveness brought about by its better qualities.

IV. TERMS OF THE "WASHINGTON FOUNDATION PLAN"

The new state formula, as originally envisioned by the school superintendents, was to meet the following needs (28:1):

1. Provide equal opportunity through a state distribution formula that makes it possible for all school districts to maintain a designated level

of expenditure at the same tax rate on the true value of property.

2. Simplify the mechanics for understanding and applying the state equalization formula.
3. Achieve greater acceptance on the part of the public resulting in more realistic school support.

Against the background of these needs, the Association developed a comprehensive foundation proposal. The program became a reality when Senate Bill 522 and Senate Bill 565 were passed by the 1965 Legislature.

The new state aid formula seeks to guarantee a financial basis that will provide each child with a nine-month school year, well-trained teachers, adequate books and supplies, an effective educational program, and a reasonably accessible, safe, and comfortable school--regardless of where he resides in the state (28:1).

A significant feature of the new program is that of guaranteeing a specified dollar amount for each pupil per year. As originated in 1961, the plan pegged this amount at \$350 per weighted pupil. The basic support level for the actual foundation program is somewhat lower--\$305 per weighted pupil in 1965-1966; planning for the current year is using the figure of \$326 per weighted pupil.

Local school districts, through their taxing powers, will be expected to exert equal efforts as their share of the program. The state will guarantee the balance so that each school district can attain the minimum expenditure level.

Per pupil expenditures are among the oldest methods used to determine the total cost of an educational program. Burke (4:449) says that this is the "oldest and most common method of calculating costs." He continues by explaining:

The assumption underlying the method is that a like amount of money will purchase roughly equivalent programs throughout a state. It has the advantages of administrative simplicity and encouraging local freedom. A district can budget the allowances as it deems best.

Some states make rather detailed definitions of the specific amounts of money that can be spent on various items of the budget. Presently the plan used in Washington State is much more general in this regard in that it leaves to the local officials the proportions of state funds to be allotted to budgetary items. Local officials, on the scene, can allocate funds to specific needs better than officials at the state capitol.

The formula is based on six principles. These principles embody the philosophy typical of all such equalization plans in use today. The principles are listed in Table II (25:1).

The foundation program requires each local school district to apply a standard tax rate of fourteen mills. This is very similar to the local effort required in the previous apportionment formula. Fourteen mills, as a required local contribution, is not so large an amount as to place an unduly heavy burden on the local tax structure.

TABLE II

PRINCIPLES BASIC TO THE "WASHINGTON FOUNDATION PLAN"

-
-
1. Every child should have a chance for a relatively equal educational opportunity regardless of the location or wealth of his school district.
 2. The Legislature is responsible for maintaining a proper balance among all sources of revenues available to school districts.
 3. State funds should be apportioned on as objective and easily computed basis as possible.
 4. The state should exercise a minimum amount of control over local school district programs.
 5. The state should encourage efficient organization and operation of school districts.
 6. Allowances should be made for some range in districts' revenues for difference in costs not otherwise covered or for local program differences.
-

The state, in making its determination of the local contribution, estimates that the fourteen mills should be based on an assessed valuation of property adjusted to 25 per cent of its true and fair value. If county assessors do not raise assessments to 25 per cent and/or the voters do not authorize schools to collect fourteen mills on this base (after January 1, 1967), the state will not make up the difference to provide the guaranteed minimum per weighted pupil.

It is easy to see that equitable assessments play an important role in the new equalization program. The original foundation plan as developed in the summer of 1961 proposed that property be assessed at 20 per cent of true and fair value (28:8). This was the approximate state average in 1961. Shortly thereafter, a new constitutional amendment was proposed by the Washington State County Assessors Association (Appendix A) whereby the same assessment level, or per cent of true and fair value, on all classes of property be mandatory in all counties. The assessors recommended that the assessment level be set at 25 per cent. As we have seen, the State Legislature in providing for the new system, required the State Superintendent of Public Instruction to assume that property is assessed at 25 per cent of its true and fair value when computing the amount of money to which a district is entitled. A county that

does not assess at 25 per cent thereby negates the efforts at equalization within that county.

The Superintendent's Association and the Washington State County Assessors were not the only ones wanting a requirement written into law that would make a new assessment level mandatory. The League of Women Voters of Washington were also anxious to enact such legislation and supported a slate of tax reforms which had a direct bearing on school district revenue (13:20-21).

The National Education Association (17:43-44) says that groups such as those indicated in the paragraph above take a position favoring state requirements of certain minimum levy efforts and assessment levels because of two basic considerations. These are:

1. If the state gives financial assistance to school districts in support of a state-wide legally defined foundation program, it has an interest in making sure that the local units will do their part in spending in support of such a program.
2. To require the local units to levy the specified rates and thus contribute to the support of the foundation program, in accordance with their ability, is the only way to assure that the program will actually become available to all the children of the schools of the state.

A legal provision of 25 per cent of true and fair value could be enforced if enacted into law. The Superintendent's Sub-committee on School Finance (Appendix B) suggested a few years ago that the state withhold revenue from

all local governmental units as a penalty for low assessments. More recently, a measure was passed in the last legislative session that would allow the state to collect part of the schools regular 14-mill tax on a statewide assessment ratio rather than the thirty-nine separate county ratios (27:5). The Governor vetoed the program. Constitutional action on the assessment issue would seem to be the only positive way of terminating the problem.

The foundation program allows for local district spending in excess of the foundation requirement. A school district can exceed the foundation minimum in two ways. First, there may be an excess levy voted for the local school district. Second, the county assessment level may be in excess of 25 per cent. The added effort indicated by either one of the two procedures would bring benefits in the form of more money per pupil than called for in the foundation plan. The Superintendents' 1961 proposal (28:8) did not elaborate on the point, but did state that "there will be an accompanying benefit for effort." One could assume that the benefits to be derived from this amount over and above the foundation would include superior faculty, additional services, and increased instructional aids and equipment. Former Governor Rosellini once proposed (26:5) that the state match local levies up to a certain ceiling--this would be a direct benefit to local

districts for added effort beyond the minimum. Opponents of the plan pointed out that it would tend to establish the special levy on a permanent basis and would reverse the effect of equalization.

In addition to funds available through the mandatory 14-mill assessment, each school district receives those funds which normally comes to it from other local, county, state, and federal sources. The most important funds in this category are Public Law 874 funds, real estate excise tax revenues, and public utility districts funds. In the new program, these funds are, for the most part, treated as additional sources of revenue and thereby constitute part of the district's share of the foundation program. Inasmuch as the sum total of the funds collected locally is, in all likelihood, less than the total required by the foundation plan, the state guarantees to make up the balance.

Most revenue sources, with few exceptions, are subject to accounting as part of the local contribution. The local revenues that must be subtracted from the guarantee (\$326 per weighted pupil in 1966-1967) to determine the amount of state aid are shown in Table III.

There is a proviso in the foundation plan that limits the maximum of certain funds (high school district fund and receipts from in-lieu-of-taxes) to be contributed as part

TABLE III

TREATMENT OF "LOCAL" REVENUES IN THE
"WASHINGTON FOUNDATION PLAN"

-
1. Eighty-five per cent of the revenue produced by a 14-mill levy on an assessed valuation of property adjusted to 25 per cent of its true and fair value.
 2. One per cent of tax on real estate transactions.
 3. From 40 per cent in 1965-1966 to 85 per cent in 1968-1969 of the net receipts of federal funds received for children whose parents work for the federal government or on federal land taken off the local tax rolls.
 4. Eighty-five per cent of the maximum receipts collectible from the high school district fund.
 5. Forty per cent to 85 per cent (1965-1966 to 1968-1969) of public utility district funds distributed to the schools.
 6. Forty per cent to 85 per cent (1965-1966 to 1968-1969) of revenue from federal forests located in the county.
 7. Eighty-five per cent of other revenue as determined by the State Superintendent of Public Instruction.
-

of the local share to the foundation program to 85 per cent of the total of each source. The remaining 15 per cent of these funds accrues to the district and plays no part in local support accounting; this 15 per cent is to reimburse local districts for the cost of processing and as an incentive to participate.

Eighty-five per cent of the revenue raised by the local property tax is considered as part of the local contribution. At the present time, this revenue is estimated as the funds raised by the maximum levy permissible for any school district without a vote of the people. After December 31, 1966, it will be based on the revenue produced by a 14-mill levy on an assessed valuation of property adjusted to 25 per cent of its true and fair value.

Other funds (Public Law 874, Federal Forest, and Public Utility District Funds) will not be estimated at the 85 per cent level until four years after the start of the program. Initially, in the 1965-1966 school year, the foundation plan called for a maximum of 40 per cent to be counted as the local district's share of the program. Table IV indicates the steps and years involved.

A "grandfather" clause included in the program assured that no district complying with the new law would receive less than 95 per cent of its 1964-1965 per pupil revenue in the first two years of the foundation program.

TABLE IV
 ESCALATING MAXIMUM OF CERTAIN "LOCAL" FUNDS IN THE
 "WASHINGTON FOUNDATION PLAN"

Year	Per Cent of Funds Counted as "Local" Support	Per Cent of Funds Left To District
1965-1966	40	60
1966-1967	55	45
1967-1968	70	30
1968-1969	85	15

How much of an impact does the new approach to school finance have on the school districts of the state? To answer this would require one to analyze the needs in terms of the new program of every school district in the state. This study will attempt to answer the question in terms of the ten high school districts of Grant County. There is little doubt but that the program will be expensive on a state-wide level. We can take the experience of other states, however, and apply it to our own. Morphet (14:14) estimates that in the foundation approach, the percentage of state support will be at least from 30 to 40 per cent of the total amount needed. He indicates that other factors, such as the size of the local districts, can raise this to where the state contributes between 50 and 70 per cent of the total cost of the program. The comprehensive nature of the plan in the

State of Washington, as well as the high per pupil expenditure level suggests that the percentage of state support will be quite high.

A significant and most interesting part of the plan is the weighting system which has been devised to accompany it. It takes into account variable costs and is used to adjust the average number of pupils enrolled during the year. Per pupil weighting is important in the accurate computation of the foundation support level for each school district. Through weighting, it is possible to measure most accurately the educational needs of a district; weighting takes account of pupil cost differentials, differing proportions of pupils in the various grade levels, as well as other factors affecting the cost of the program.

A most novel feature of the "Washington Foundation Plan" is weighting of staff experience and professional preparation. In this arrangement, credit for previous experience is allowed for full-time public or private elementary or secondary schools under state certification in any state.

Enrollment weighting is also included in computing funds needed by the local district. The weighting of enrollment is one of the most refined of all pupil measures. The State of Washington is cited by Burke (4:460) as being one of the early pioneers in this index.

Table V illustrates the format used to evaluate staff experience and professional preparation. It is interesting to observe that the state limits experience to ten years. Professional training extends to the Master's Degree or its equivalent.

On the basis of the weighting factors, the state can objectively determine the cost of the foundation program for a school district. The state's responsibility at that point is to provide for the school district the difference between the amount raised through the total local contributions and the total cost of the program in the district. Under this system, the formula for finding the state share of the plan in the local district is: total weighting factors times the foundation level per pupil minus local receipts equals state share.

TABLE V

COMPUTATION OF ENROLLMENT WEIGHTING FROM STAFF EXPERIENCE AND PROFESSIONAL PREPARATION IN THE "WASHINGTON FOUNDATION PLAN"

Years of Experience	Professional Preparation			
	Less than B. A. Degree	B. A. Degree and Provisional Certificate	Standard Certificate or Equivalent	M. A. Degree or One Year Subsequent to the Standard Cert.
0	-.002	.000	.020	.040
1	-.005	.015	.035	.055
2	.010	.030	.050	.070
3	.025	.045	.065	.085
4	.040	.060	.080	.100
5	.055	.075	.095	.115
6	.070	.090	.110	.130
7	.085	.105	.125	.145
8	.100	.120	.140	.160
9	.115	.135	.155	.175
10	.130	.150	.170	.190

CHAPTER IV

FINANCIAL STATUS OF GRANT COUNTY

HIGH SCHOOL DISTRICTS

To compare and contrast the financial support available to school districts under provisions of the "Washington Foundation Plan" with the former state apportionment system, this study selected the ten high school districts of Grant County, Washington. A complete listing of the districts, along with classification and type, is found in Table VI.

Preliminary calculations of the funds available to the districts were obtained from the Grant County Superintendent of Schools--these were preliminary estimates of funds expected for maintenance and operation during the 1966-1967 school year. Anticipated revenues were based on provisions of the newly-adopted foundation plan.

On the basis of the foundation's computation forms, an enrollment level of support was developed for each of the districts. This enrollment, weighted as directed by the new program, was projected to the 1966-1967 school year. Local tax support, on the basis of 14 mills at 25 per cent assessment was determined. All other sources of revenue were treated strictly in accordance with the terms of the plan.

TABLE VI

GRANT COUNTY HIGH SCHOOL DISTRICTS
CLASSIFICATION AND TYPE

District Number	School District	Classification of District	Type of District
55	Grand Coulee	2	Accred. H. S.
128	Hartline	2	Unaccred. H. S.
144	Quincy	2	Accred. H. S.
146	Warden	2	Accred. H. S.
150	Coulee City	2	Accred. H. S.
156	Soap Lake	2	Accred. H. S.
160	Lower Crab Creek	2	Accred. H. S.
161	Moses Lake	1	Accred. H. S.
164	Wilson Creek-Marlin	2	Accred. H. S.
165	Ephrata	2	Accred. H. S.

With this approach, the study was able to determine the total foundation level of support for each of the school districts. The local district's share of the program was determined.

Subtraction of the local contribution from the total yielded the amount of state funds required to maintain the expected level of \$326 per weighted pupil in 1966-1967.

In a like manner, anticipated total attendance data, compiled from the County Superintendent's office, yielded information necessary to compute district revenues as per the apportionment formula in use until 1965. From the estimated attendance, apportionment revenues were calculated. The same data was used to determine funds distributed on the basis of teaching units. Both total attendance and teaching units were used to estimate additional equalization. For the purpose of evaluating the amount of local property taxes, an assessment level of 20.8 per cent was used, the level used in Grant County through December 31, 1966.

In both approaches, the foundation plan and the apportionment system, special levies were not taken into consideration in estimating district income. Under both plans, the special levy has been left out of computation as a part of the financial structure.

Likewise, several miscellaneous funds of a minor nature were omitted from the study. These items, such as

insurance adjustments, fines and damages, and sale of old material and property, have been treated the same in both systems. They have not been held accountable as part of the local effort.

With the view that this study is primarily concerned with a comparison of the foundation approach with the older apportionment system, the inclusion of these revenues would in no way alter the differences between the two programs; existing differences would be apparent without taking these funds into consideration.

I. GRANT COUNTY HIGH SCHOOL DISTRICTS

Expansion and growth of the ten districts has paralleled the work of the United States Bureau of Reclamation in the Columbia Basin. District consolidations and annexations have been frequent with the result that five of the school districts are joint districts.

The county covers a large area of north-central Washington. The mid-county and south county regions have the most highly developed agricultural and industrial interests. The bulk of the population is found in those areas. The highest property tax valuations are located there. As one might expect from variations in district valuation, as well as from notable differences in enrollment, funds available for educational facilities vary greatly. Per pupil

valuation, for example, ranged from about \$21,000 per pupil in the Hartline district to about \$3,700 in the Grand Coulee district as of September 30, 1965. Table VII lists district valuation, both at the current 20.8 per cent level and at the projected state ratio of 25 per cent.

II. THE PRE-1965 APPORTIONMENT SYSTEM

The sources of operating revenue for the districts under the supplanted school support plan as well as the new "Washington Foundation Plan" came from four major areas: local revenue, county funds, federal funds, and state allocations.

Local revenue. Local revenue for the districts can be divided into two different areas--local tax revenues and miscellaneous local funds. Local tax revenues included such items as monies from the sale of tax title property, remittances from the County Treasurer (usually joint school district funds), money paid in-lieu-of-taxes and the local property tax. Miscellaneous local funds included student fees, tuition, rental of school property, and other local funds of a minor nature.

The local property tax was by far the main source of local support. In the pre-1965 distribution formula, the districts were expected to make a regular levy of 14 mills

TABLE VII
PROPERTY VALUATION OF GRANT COUNTY
HIGH SCHOOL DISTRICTS

School District	Total Valuation	Projected to State Ratio of 25%
Grand Coulee		
Grant Co.	\$ 1,068,277	
Lincoln Co.	19,224	
Douglas Co.	<u>461,577</u>	
	\$ 1,549,078	\$ 1,905,237
Hartline		
Grant Co.	<u>\$ 2,379,391</u>	
	\$ 2,379,391	\$ 2,859,845
Quincy		
Grant Co.	\$11,146,604	
Douglas Co.	<u>232,821</u>	
	\$11,379,425	\$13,683,314
Warden		
Grant Co.	\$ 4,256,282	
Adams Co.	<u>505,715</u>	
	\$ 4,761,997	\$ 5,834,069
Coulee City		
Grant Co.	\$ 1,012,191	
Douglas Co.	<u>1,108,885</u>	
	\$ 2,121,076	\$ 2,638,223
Soap Lake		
Grant Co.	<u>\$ 2,274,526</u>	
	\$ 2,274,526	\$ 2,733,805
Lower Crab Creek		
Grant Co.	<u>\$ 3,899,193</u>	
	\$ 3,899,193	\$ 4,686,530
Moses Lake		
Grant Co.	<u>\$25,174,746</u>	
	\$25,174,746	\$30,258,108

TABLE VII (continued)

School District	Total Valuation	Projected to State Ratio of 25%
Wilson Creek-Marlin		
Grant Co.	\$ 2,370,381	
Lincoln Co.	<u>474,008</u>	
	\$ 2,844,389	\$ 3,576,022
Ephrata		
Grant Co.	\$ 9,626,505	
Lincoln Co.	<u>44,460</u>	
	\$ 9,670,487	\$11,627,319

if they operated a high school (8.4 mills in elementary districts). Table VIII illustrates local funds available based on the current valuation and the 1966 assessment level of 20.8 per cent. In the old formula, state law required that five-sixths of the local property tax revenue be subtracted from the total amount guaranteed from state and local sources to determine the amount of equalization money, if any, the district might receive. Equalization payments were the difference between amounts per pupil, or per teacher, raised by local taxes and amounts guaranteed by the state as the minimum equalization level (19:1). School districts that qualified for such additional payments were known as equalization districts.

A study of the Grant County local revenue situation reveals that all ten districts will operate on excess levies in 1966-1967. While the extent of special levies played no part in the computation of pre-1965 apportionment support, it does indicate that the special levy is depended upon to meet regular school operating costs. Table IX is a statement of current tax levies. Total millage is indicated. A glance at the table will show that some of the districts operate at fairly high local tax levels. Lower Crab Creek, for example is functioning with a total of 38.93 mills. This is perhaps due to the fact that there is no developed business district which would widen the tax base. The

TABLE VIII

FOURTEEN MILL LEVY, GRANT COUNTY
HIGH SCHOOL DISTRICTS

School District	Valuation at 20.8%	Fourteen Mills	5/6 - for Equalization
Grand Coulee	\$ 1,549,078	\$ 21,687.09	\$ 18,070.75
Hartline	2,379,391	33,311.47	27,759.55
Quincy	11,379,425	159,311.95	132,759.95
Warden	4,761,997	66,667.96	55,556.65
Coulee City	2,121,076	29,240.93	24,367.45
Soap Lake	2,274,526	31,843.36	28,036.15
Lower Crab Creek	3,899,193	54,588.70	45,490.60
Moses Lake	25,174,746	352,446.44	293,705.35
Wilson Creek-Marlin	2,844,839	39,991.45	33,326.20
Ephrata	9,670,487	135,393.51	112,827.90

TABLE IX

1966-1967 STATEMENT OF TAX LEVIES
GRANT COUNTY HIGH SCHOOL DISTRICTS

School District	Tax Levy					Total Millage
	General Regular	General Special	Bond	Building	Non-High	
Grand Coulee	14.00	11.85	3.00			28.85
Hartline	14.00	12.09	3.00			29.09
Quincy	14.00	10.55	6.50			31.05
Warden	12.00	16.80	7.00	2.00		37.80
Coulee City	14.00	10.00	7.00			31.00
Soap Lake	14.00	10.47	10.00			34.47
Lower Crab Creek	14.00	20.93	4.00			38.93
Moses Lake	14.00	7.50				21.50
Wilson Creek-Marlin	14.00	23.43				37.43
Ephrata	14.00	9.77	6.00			29.77

average levy load for the ten districts is 31.13 mills.
(See Table IX, page 53.)

The local property tax, and the part that it played in the total school finance program, varied greatly in Grant County. Local taxes in the Hartline district will account for about 59 per cent of the total available for maintenance and operation in 1966-1967. Local revenue will provide 55 per cent of the funds needed this next year in the Wilson Creek-Marlin district. This situation is unusual and developed because of the high per pupil valuations found in those districts.

Average local support among the other eight districts approximated 20 per cent of the operating revenue.

Local taxes levied and local taxes collected are two different matters. Some taxes become delinquent and remain unpaid. It is a truism that district valuation only represents taxes available, not necessarily the sum total of local funds that will come to the financial support of the schools. Grant County, as other counties of the state, has a large total of delinquent taxes on the books. These funds could have been of significant help to the school districts had they been collected or paid.

Other local funds played no part in the computation of the former apportionment formula. For the most part, they represented only minor amounts of revenue. Only in

the area of receipts from the sale of tax title property did the county-wide total reach the figure of \$50,000.

County funds. The County Real Estate Transaction Tax was the sole contribution from this level to school district finance. This accrued from the 1 per cent excise tax on the sale of real estate within the county. This revenue was distributed to the schools on the basis of 17¢ per pupil per day of attendance. The state, in the pre-1965 formula, guaranteed the 17¢; if the county funds from the 1 per cent real estate excise tax could not approach this required level, the state was constrained to make up the balance. The ten districts expect a total of \$320,000 from this source in the 1966-1967 school year. Table X indicates anticipated funds from the real estate excise tax as well as the total required (under terms of the former distribution system) to realize 17¢ per pupil per day of attendance.

It was readily apparent that anticipated revenue from the 1 per cent excise tax on real estate transactions fell far short of satisfying the demand of 17¢ per pupil per day of attendance; the receipts from this source yielded only about 45 per cent of the total required.

Federal funds. Grant County schools had access to a small number of federal programs in which the government

TABLE X

ANTICIPATED REVENUE FROM COUNTY ONE PER CENT EXCISE TAX
ON REAL ESTATE TRANSACTIONS, 1966-1967

School District	Anticipated Days of Attendance	Total: 17¢ Per Pupil Per Day of Attendance (as per pre-1965 formula)	Expected Receipts County Real Estate Excise Tax
Grand Coulee	74,160	\$ 12,607.20	\$ 4,976.64
Hartline	10,125	3,421.25	1,197.65
Quincy	315,720	53,672.40	25,936.00
Warden	114,300	19,431.00	8,010.72
Coulee City	39,240	6,670.80	3,048.77
Soap Lake	85,240	14,565.60	9,058.72
Lower Crab Creek	111,420	18,941.40	6,864.00
Moses Lake	767,160	130,417.20	75,920.35
Wilson Creek-Marlin	25,020	4,253.40	2,424.19
Ephrata	346,680	58,935.60	23,973.61

either absorbed the entire cost or matched expenditures of the state or local funds. The role of these federal funds in overall district revenue depended on several factors.

Among these were:

1. The voluntary participation of the Grant County districts in the federal programs.
2. The amount of federally-controlled construction in the districts.
3. The extent of federally-controlled land holdings in the districts.

Federal funds came to the schools from various agencies or programs. Among these are revenues from in-lieu-of-tax payments, Public Law 874 funds, National Defense Education Act funds, Federal Forest funds, and Taylor Grazing funds.

Payments in-lieu-of-taxes came from federally-owned or controlled installations in Grant County. Payments were made on behalf of the Federal Housing Authority (in five districts), the United States Bureau of Reclamation (in six districts), and the United States Wildlife Management (in one district).

Public Law 874 funds provided federal money for school maintenance and operation in areas where federal activities contributed to school district enrollment. Under terms of the pre-1965 system of distribution, a certain percentage of the total entitlement was computed as a local contribution to the support of the school program. In the

last few years of the old formula, this figure was set at 31 per cent. The individual district would receive its full 874 entitlement, while the state would deduct 31 per cent of that revenue from its support to that district. For the purpose of this study, the 31 per cent figure, last used in 1964-1965, will be applied to the current 874 entitlements. This will involve seven of the ten school districts. Public Law 874 entitlements for the districts participating will approximate \$430,000 in the 1966-1967 school year. Of this amount, approximately 83 per cent of the total entitlement falls to the Moses Lake district.

Federal Forest funds, or its counterpart in predominantly non-forested Grant County, the Taylor Grazing Act, was another source of federal involvement in school district finance. As a land-holder, the federal government received income from the use of lands within a state when leased for range or grazing purposes. Receipts are divided with the state receiving $37\frac{1}{2}$ per cent which must be allotted to public roads and education. The amount to be given to each was not specified. The grazing act was of no consequence in Grant County School District finance in 1966-1967 as no district will be reimbursed from this category.

Table XI lists anticipated receipts from the two federal programs in which the school districts will be involved in 1966-1967. It is apparent that 874 funds are

TABLE XI

1966-1967 FEDERAL FUNDS IN TERMS
OF THE OLD PROGRAM

School District	In-Lieu-of Taxes	P. L. 874 Total Entitlement	P. L. 874 Revenue 31% of total as per old formula
Grand Coulee	\$ 96.90	\$ 9,000.00	\$ 3,600.00
Hartline			
Quincy	800.00	9,000.00	3,600.00
Warden	265.84	5,675.00	1,759.25
Coulee City			
Soap Lake	289.31	5,578.00	1,729.18
Lower Crab Creek	954.88	4,225.00	1,309.75
Moses Lake	627.40	350,904.00	108,780.24
Wilson Creek-Marlin	12.97		
Ephrata	437.31	43,967.00	13,629.77

by far the predominant source of federal funds for schools in the Columbia Basin. Under the old distribution formula, the state reduced its support by an amount equal to 31 per cent of Public Law 874 funds. This is shown in Table XIII (page 66) where the full entitlement due a district is shown; the state figure represents the total state funds due the district less an amount equal to 31 per cent of Public Law 874.

The federal government has other programs which involve the ten districts. Two important in the county are National Defense Education Act funds and the Vocational Education programs. Both are voluntary programs. The N. D. E. A. fund is applied to the purchase of materials in specified areas of the curriculum (science, mathematics, etc.); the federal funds must be matched by state or local units. In the Vocational Education program, the federal government reimburses the district to the extent of one-half the salary of a teacher of agriculture, home economics, and industrial subjects at the secondary level. Four of the ten districts will participate in 1966-1967.

Neither of the two programs has been involved in computation as "local revenue" in either the older formula or in the new foundation plan. Very likely, they were omitted in an attempt to maintain district participation.

State sources of revenue. State allocations were of the greatest importance under the pre-1965 distribution formula just as they are today under the "Washington Foundation Plan." Under the former system, the phases of state financing which had the greatest importance were the regular apportionment and equalization program, the Public Utility Excise Tax fund, and the fund for the education of handicapped children.

By far, the most important of these was the State apportionment program. This program, concluded at the end of the 1964-1965 school year, actually embodied two devices: allotments based on attendance and financial support based on teacher units. Grants made on the basis of these two procedures made up the major portion of each district's operating revenue.

The attendance allotment was based on an annual computation by the State Superintendent of Public Instruction of each school district's attendance credits for the year. Total days of estimated attendance determined the amounts due. The state paid 45¢ per pupil per day of attendance; the state guaranteed an additional 17¢ per pupil per day of attendance. The latter sum was supposed to be derived from the one per cent real estate transaction tax. If the revenue stemming from the tax fell short of the desired 17¢ per pupil per day of attendance, the state made up the difference.

The state formula recognized increased per pupil costs in such areas as junior high schools, high schools, and various special programs by using a device known as weighted attendance. In the former distribution system, an elementary school of grades one through eight had an attendance weighting of 1.0. A junior high school of grades seven through nine multiplied its raw attendance by a factor of 1.2 to determine weighted attendance. A high school of either grades nine through twelve or ten through twelve received a weighting factor of 1.4 to develop its weighted attendance.

The allotment based on teacher units allowed school districts to receive funds on the basis of certified employees. The figure used in the last year of the former system was \$2,925 per teacher unit. One teacher unit was allowed for every 5,000 days of attendance in large high schools, while one unit was allowed for every 4,500 days of attendance in small high school districts. Through manipulation of the proportion of teacher units to attendance days, the state could control the average class size.

If funds available to a district were below the minimum amount per pupil or classroom as provided by law, the state allocated additional funds through its equalization program. Districts qualifying for these additional funds were known as equalization districts. Under the equalization program as practiced in the former distribution system,

two alternative formulas were used to determine how much, if any, additional money a district may receive. One formula allotted an extra 52 1/8¢ per pupil per day of attendance; another approach allowed an extra \$2,345.63 per authorized teacher unit. An equalization district could use whichever of the two formulas that guaranteed the highest additional revenues.

The Public Utility District Excise Tax has a varied influence on the financial structure of the districts in Grant County. In some districts, it represents quite a substantial income (Moses Lake, for example); in others, it is of insignificant value (Grand Coulee). Funds in this source come from a tax levied on the generation, distribution, and sale of electric power. The revenue is distributed by the state from the tax which ranges between two per cent and five per cent of the gross revenue of the Public Utility District.

Table XII indicates the total of state expenditures and state-distributed funds necessary to operate the ten school districts in 1966-1967 on the basis of the old distribution formula abandoned in 1965. Raw attendance data was multiplied by the appropriate weighting factor to develop weighted attendance, important to both the attendance allotment and the teacher units. The state allocation is a figure representing the sum total of both categories.

TABLE XII

1966-1967 STATE-DISTRIBUTED FUNDS UNDER TERMS OF
THE FORMER SCHOOL SUPPORT PLAN

School District	State Allocation*	Equalization	State Share of Real Estate Tax Fund	PUD Excise Tax
Grand Coulee	\$ 90,842.60	\$ 26,923.40	\$ 7,630.56	\$ 89.00
Hartline	10,406.25		2,223.60	1,055.30
Quincy	363,936.60	52,395.31	27,736.40	33,634.77
Warden	139,453.45	11,446.74	11,420.28	7,028.36
Coulee City	49,467.60		3,622.03	3,642.25
Soap Lake	104,603.72	22,286.75	8,506.88	5,845.72
Lower Crab Creek	137,533.25	20,462.05	12,077.40	9,540.38
Moses Lake	787,292.16	138,028.16	54,496.85	71,212.96
Wilson Creek-Marlin	12,976.90		1,829.31	2,187.12
Ephrata	369,995.83	95,218.46	34,961.99	22,412.22

*The state allocation represents funding by the state after the amount due each school district has been reduced by 31 per cent of each school district's Public Law 874 revenue.

Additional attendance reflects the state's share of 17¢ per pupil per day, part of which stems from the real estate transaction tax. Alternate equalization formulas were applied to attendance and teacher units to estimate the amount of funds needed from that program.

Summary. This study has presented the major sources of revenue for the ten high school districts of Grant County for the 1966-1967 school year; these revenues have been treated in accordance with the terms of the old distribution formula discontinued at the end of the 1964-1967 school year. A complete outline of the anticipated general fund receipts for the 1966-1967 period is available in Table XIII. The dominant role of the state is most apparent. Any reduction in the state support level would seriously affect the programs offered in the districts. The dependence of the local districts upon state participation in school finance was undeniable when one glances at the sums distributed by the state through its various aid programs.

The relatively insignificant role of the county in school support is equally obvious. With the real estate transaction tax the sole source of major contributions on the county level, Grant County was poorly equipped to render more abundant assistance. Seven of the ten districts would be equalization districts if they were operating on the old distribution system at this time; an abundance of rural

TABLE XIII

TOTAL RECEIPTS FROM MAJOR SOURCES OF REVENUE FOR GRANT COUNTY HIGH SCHOOL DISTRICTS, 1966-1967, UNDER THE FORMER DISTRIBUTION SYSTEM

School District	Total Local Funds	Total County Funds	Total Federal Funds*	Total State Funds**	Total Funds
Grand Coulee	\$ 21,687.09	\$ 4,976.64	\$ 9,096.90	\$ 125,485.56	\$ 161,246.19
Hartline	33,311.47	1,197.65		13,685.15	48,194.27
Quincy	159,311.95	25,936.00	9,800.00	477,703.08	672,751.03
Warden	66,667.96	8,010.72	5,940.84	169,348.83	249,968.35
Coulee City	29,240.93	3,048.77		56,731.88	89,021.58
Soap Lake	31,843.36	6,058.72	5,867.31	141,243.07	185,012.46
Lower Crab Creek	54,588.70	6,864.00	5,179.88	179,613.08	246,245.66
Moses Lake	352,446.44	75,920.35	351,531.40	1,051,030.13	1,830,928.32
Wilson Creek- Marlin	39,991.45	2,424.19		16,993.33	59,421.94
Ephrata	135,393.51	23,973.61	44,404.31	522,588.60	726,360.03

*Federal funds include total Public Law 874 entitlement.

**The total state funds due a district have been reduced by an amount equal to 31 per cent of the district's Public Law 874 entitlement.

areas as well as a sparse population probably created this situation.

Federal finances accrue to eight of the districts, ranging from less than one per cent to over eight per cent in the Moses Lake district. The extent of the 874 sum expected in that district is surprising in view of the closure of a major military installation in the area.

The figures for local support of the schools are significant. The wide range of local involvement under the former distribution system is apparently hinged to other factors, notably to the total amount of state support. It is not surprising, therefore, that the unaccredited school district, Hartline, has a high degree of school support from the local level. Hartline, if under the pre-1965 support system in the forthcoming year, would maintain local financing to the extent of 69 per cent of its revenue. Wilson Creek-Marlin, recently consolidated, will count on local sources of funds to the extent of 67 per cent of its total income.

Budgets of the ten districts represent a considerable investment in public education. Under the provisions of the former support system, discontinued in 1965, district funds available per weighted pupil would be approximately \$342 in 1966-1967. Table XIV lists the per weighted pupil receipts district by district. For the purpose of this table, the

TABLE XIV
 RECEIPTS PER WEIGHTED PUPIL IN ANTICIPATED
 ATTENDANCE IN 1966-1967 UNDER TERMS OF
 THE FORMER SUPPORT SYSTEM

School District	Receipts per Weighted Pupil
Grand Coulee	\$336
Hartline	386
Quincy	343
Warden	350
Coulee City	356
Soap Lake	345
Lower Crab Creek	354
Moses Lake	380
Wilson Creek-Marlin	379
Ephrata	321

only weighting factors used were those reflecting per pupil cost differentials. The total weighted attendance was applied to total receipts to develop per weighted pupil receipts.

The receipts accruing to the districts are depended upon for general maintenance and operation. As has been indicated, these revenues stem from four areas. Table XV indicates the percentage of support, the ten school districts receive from each of the four areas.

III. THE "WASHINGTON FOUNDATION PLAN"

The first step in determining the effect of the new approach to school finance on the Grant County high school districts was to compute the foundation level of support required for each of the school districts involved. This was a rather complex process, the most essential part of which is weighted enrollment which entails the following factors:

1. Total anticipated enrollment.
2. Anticipated enrollment for approved vocational classes.
3. Staff experience and professional preparation.
4. Additional weightings for small elementary districts and small high schools as well as for disadvantaged or migrant pupils.

In computing the base enrollment, each pupil receives a factor equivalency of 1.0 with the exception of

TABLE XV

PERCENTAGE OF SUPPORT FROM VARIOUS SOURCES FOR
GRANT COUNTY HIGH SCHOOL DISTRICTS IN
1966-1967 UNDER THE OLD SYSTEM

School District	Local Funds	County Funds	Federal Funds	State Sources
Grand Coulee	13.6%	3.0%	5.6%	77.8%
Hartline	68.8	2.1		29.1
Quincy	23.7	3.9	1.5	70.9
Warden	27.0	3.2	2.4	67.4
Coulee City	32.6	3.4		64.0
Soap Lake	17.6	3.3	3.2	75.9
Lower Crab Creek	22.5	2.4	2.0	73.1
Moses Lake	20.8	4.5	19.0	55.7
Wilson Creek-Marlin	66.6	3.4		30.0
Ephrata	19.0	3.5	6.1	71.4

This table may be compared and contrasted with Table XXV (page 90).

kindergarten pupils who have a 0.5 rating. The added expense of operating a junior and senior high school was acknowledged by giving an extra 0.3 weighting to pupils in these areas. In a like manner, an additional weighting of 0.2 was given to students in approved vocational classes.

The staff experience and professional preparation is found on Table V, page 43. The total staff weighting for a school district was divided by the number of teachers involved to develop an average.

Additional weightings for small elementary districts and small high schools can be found in Table XVI, page 72, and Table XVII, page 73.

Once these various factors were determined, they were added together to form weighted enrollment. This figure was then multiplied by the guaranteed state support level per pupil, set for this coming school year at \$326. The resulting answer is the foundation level of support (in dollars) needed in the district. Table XVIII, page 75, indicates the foundation level of support for each of the ten high school districts.

The amount of money specified as the foundation level for each school district was considered sufficient to supply needs and services of an adequate educational program. "Adequacy" was interpreted by the foundation plan in terms of money expended per pupil. The new practice as

TABLE XVI

ADDED WEIGHTINGS TO BE USED FOR ELEMENTARY DISTRICTS
WITH ENROLLMENTS OF LESS THAN 100 PUPILS

Enrollment	Weighting	Enrollment	Weighting
99	.002	59	.154
98	.005	58	.161
97	.007	57	.168
96	.009	56	.175
95	.012	55	.182
94	.014	54	.189
93	.017	53	.197
92	.019	52	.205
91	.022	51	.214
90	.025	50	.222
89	.027	49	.231
88	.030	48	.241
87	.033	47	.251
86	.036	46	.261
85	.039	45	.272
84	.042	44	.283
83	.046	43	.295
82	.049	42	.307
81	.052	41	.320
80	.056	40	.333
79	.059	39	.348
78	.063	38	.363
77	.066	37	.378
76	.070	36	.395
75	.074	35	.413
74	.078	34	.431
73	.082	33	.451
72	.086	32	.472
71	.091	31	.495
70	.095	30	.519
69	.100	29	.544
68	.105	28	.571
67	.109	27	.601
66	.114	26	.632
65	.120	25	.667
64	.125	24	.704
63	.131	23	.744
62	.136	22	.788
61	.142	21	.836
60	.148	20	.947

TABLE XVII

ADDED WEIGHTINGS TO BE USED FOR HIGH SCHOOLS
WITH ENROLLMENTS OF LESS THAN 225 PUPILS

Enroll.	Weight.	Enroll.	Weight.	Enroll.	Weight.
224	.001	184	.050	144	.125
223	.002	183	.051	143	.127
222	.003	182	.053	142	.130
221	.004	181	.054	141	.132
220	.005	180	.056	140	.135
219	.006	179	.057	139	.137
218	.007	178	.059	138	.140
217	.008	177	.060	137	.143
216	.009	176	.062	136	.145
215	.010	175	.063	135	.148
214	.011	174	.065	134	.151
213	.013	173	.067	133	.154
212	.014	172	.068	132	.157
211	.015	171	.070	131	.159
210	.016	170	.072	130	.162
209	.017	169	.074	129	.165
208	.018	168	.075	128	.168
207	.019	167	.077	127	.171
206	.020	166	.079	126	.175
205	.022	165	.081	125	.178
204	.023	164	.083	124	.181
203	.024	163	.085	123	.184
202	.025	162	.086	122	.188
201	.027	161	.088	121	.191
200	.028	160	.090	120	.194
199	.029	159	.092	119	.198
198	.030	158	.094	118	.202
197	.032	157	.096	117	.205
196	.033	156	.098	116	.209
195	.034	155	.100	115	.213
194	.036	154	.102	114	.216
193	.037	153	.105	113	.220
192	.038	152	.107	112	.224
191	.040	151	.109	111	.228
190	.041	150	.111	110	.232
189	.042	149	.113	109	.236
188	.044	148	.116	108	.241
187	.045	147	.118	107	.245
186	.047	146	.120	106	.249
185	.048	145	.123	105	.254

TABLE XVII (continued)

Enroll.	Weight.	Enroll.	Weight.	Enroll.	Weight.
104	.259	82	.388	60	.611
103	.263	81	.395	59	.625
102	.268	80	.403	58	.640
101	.273	79	.411	57	.655
100	.278	78	.419	56	.671
99	.283	77	.427	55	.687
98	.288	76	.436	54	.704
97	.293	75	.444	53	.721
96	.299	74	.453	52	.739
95	.304	73	.463	51	.758
94	.310	72	.472	50	.778
93	.315	71	.482	49	.798
92	.321	70	.492	48	.819
91	.327	69	.502	47	.842
90	.333	68	.513	46	.865
89	.340	67	.524	45	.889
88	.346	66	.535	44	.914
87	.352	65	.547	43	.941
86	.359	64	.559	42	.968
85	.366	63	.571	41	.997
84	.373	62	.584	40	1.000
83	.380	61	.597	and under	

TABLE XVIII
 FOUNDATION LEVEL OF SUPPORT FOR GRANT COUNTY
 HIGH SCHOOL DISTRICTS

School District	Total Weighted Enrollment	Foundation Level
Grand Coulee	541.480	176,692.00
Hartline	169.250	55,175.50
Quincy	2,236.048	728,951.65
Warden	847.135	276,166.01
Coulee City	306.396	99,885.09
Soap Lake	632.339	206,142.51
Lower Crab Creek	781.266	254,692.72
Moses Lake	5,313.640	1,732,246.64
Wilson Creek-Marlin	219.028	71,403.13
Ephrata	2,501.816	<u>815,591.82</u>
Total		4,416,947.07

originally proposed in 1961 set \$350 per pupil as sufficient for the 1961-1962 school year. In actual costs for that same year, \$429 per pupil was realized. The state has not, in these first years of the plan, set the guarantee level at anywhere near that figure; \$306 per weighted pupil was used in 1965-1966 with a raise to \$326 in 1966-1967.

These foundation levels were guaranteed by the state after all local contributions have been tabulated. According to the plan, this level was to be maintained without recourse to special levies. It should be pointed out that the guaranteed per pupil support levels (\$326 in 1966-1967, for example) represented the sum to be expended through the general fund only. Funds for capital outlay (buildings, grounds, etc.) were not taken into consideration as part of the foundation program.

Local revenue. Once the cost of the program has been determined, the amount to be raised through local sources must be computed. Local revenues will be subtracted from the guarantee to determine the amount of state aid.

The main source of revenue from the local level will be the property tax. Income estimates for the 1966-1967 school year are somewhat more complex to estimate than they will be normally. The forthcoming year is viewed as a transition year as far as the property tax and the foundation plan are concerned. According to the plan, 85 per

cent of the revenue raised by a maximum levy permissible for any school district without a vote will be counted as the local contribution. For the Grant County high school districts this means revenue received from a 14-mill levy on an assessed valuation of 20.8 per cent of true and fair value. This provision will be effective through December 31, 1966. Thereafter, the local contribution in property taxes will be estimated at 85 per cent of such revenue produced by a 14-mill levy on an assessed valuation of property adjusted to 25 per cent of its true and fair value. Table XIX indicates property tax income for the schools under this procedure.

For this transition year only, 35 per cent of property tax will be based on the unadjusted (Grant County, 20.8 per cent) figure; 65 per cent will be estimated on the basis of the adjusted valuation.

The requirement of 14 mills at the local level is similar to a provision in the previous distribution formula. A major change, however, is embodied in the foundation plan's approach to property valuation. This is the enforcement of a uniform local property assessment based on 25 per cent valuation. This should have the effect of increasing local revenues by making low-valuation counties raise their assessment levels.

TABLE XIX

1966-1967 TAX REVENUE FOR GRANT COUNTY HIGH SCHOOL DISTRICTS
 UNDER PROVISIONS OF THE "WASHINGTON FOUNDATION PLAN"

School District	1966 Assessed Valuation x 85% x 14-mills x 35%	1967 Adjusted Valuation x 85% x 14-mills x 65%	Estimated Total Revenue
Grand Coulee	\$ 6,451.91	\$ 14,977.63	\$ 21,429.54
Hartline	9,910.16	22,120.90	32,031.06
Quincy	47,395.31	105,840.42	153,235.75
Warden	19,833.72	45,126.52	64,960.24
Coulee City	8,834.28	20,406.65	29,240.93
Soap Lake	9,473.40	21,145.98	30,619.38
Lower Crab Creek	16,240.14	40,608.75	56,848.89
Moses Lake	104,852.82	234,046.47	338,899.29
Wilson Creek-Marlin	11,846.88	27,660.53	39,507.41
Ephrata	40,279.57	89,937.32	130,989.38

For a number of years, the State of Washington has been making an effort to equalize property assessments. By using new procedures, total assessed valuation throughout the state increased by 80.6 per cent during the 10-year period, 1953-1963 (29:5). At the same time, county assessments have come closer to equalization.

The new assessment practice will be initiated on January 1, 1967.

County funds. Two sources of revenue distributed by the county are strongly affected by the foundation plan; these two are the high school district fund and the county one per cent real estate excise tax.

Eighty-five per cent of the proceeds of the high school district fund is to be computed as part of the local effort. Anticipated revenue from this source in Grant County is slight in 1966-1967 with only two of the districts being involved.

All revenue accruing to the districts from the one per cent real estate excise tax will be counted in full as part of the local contribution. At this time, this is the only fund that is entirely absorbed as a local share of the foundation plan.

In the former distribution system (terminated in 1964-1965), the county real estate excise tax revenues were the county's share of the state-guaranteed supplemental

attendance allotment. Under the new foundation plan the use of this procedure has been abandoned.

Preliminary budget estimates from the ten districts indicate that anticipated revenue from the real estate excise tax will amount to more than \$150,000 in the forthcoming year.

Table XX on the following page presents anticipated revenue data from county funds.

Federal funds. Some federal funds will be added to the income from local tax revenue and other sources to form the local contribution to the foundation program. Percentage of the funds to be channeled into the local contribution varies. In Grant County, revenue from in-lieu-of-taxes accrues entirely from federal funds; 85 per cent of such revenues will be counted as local contribution. Fifty-five per cent of receipts from Public Law 874 funds will be absorbed by the local share. The same holds true for receipts from Federal Forest Funds or (as in the case of Grant County) Taylor Grazing Act Funds. These last two funds are affected by the escalating accountability features of the foundation plan (40 per cent in 1965-1966, 55 per cent in 1966-1967, etc.) and are expected to reach their maximum level of 85 per cent in 1968-1969.

Local contributions will absorb about a quarter of a million dollars from federal 874 funds in 1966-1967. This

TABLE XX

1966-1967 COUNTY DISTRIBUTED REVENUES UNDER
THE "WASHINGTON FOUNDATION PLAN"

School District	100% Real Estate Excise Tax	85% High School District Fund
Grand Coulee	\$ 4,976.64	
Hartline	1,197.65	
Quincy	25,936.00	\$1,450.81
Warden	8,010.72	
Coulee City	3,048.77	
Soap Lake	6,058.72	
Lower Crab Creek	6,864.00	1,000.00
Moses Lake	75,920.35	
Wilson Creek-Marlin	2,424.19	
Ephrata	23,973.61	

sum represents only 55 per cent of the total--the remainder accrues to the districts for incentive and bookkeeping costs.

Federal forest and grazing funds are treated in the same fashion. Occasionally, one of the ten districts will receive some funding from this source. None is anticipated, however, for this next school year.

Table XXI indicates anticipated revenue from federal sources under terms of the "Washington Foundation Plan."

State funds. Funds from state sources show a drastic change under the foundation approach as compared to the previous system. State allotments, for example, in the new plan come to the districts in one weighted attendance allocation rather than from the several allocations possible under the old formula.

The Public Utility District excise tax accrues to the districts from the state as it did in the old formula. In the foundation plan, however, it is held accountable as part of the local contribution. It is one of those funds that will escalate upward to a level of 85 per cent over a period of four years.

The major source of school aid under the previous system, the state allocation, maintains its dominant role. However, it will be known as "foundation support." The state-guaranteed program in the ten Grant County high school districts will cost about four and one-half million

TABLE XXI

1966-1967 FEDERAL FUNDS FOR GRANT COUNTY
HIGH SCHOOL DISTRICTS

School District	Public Law 874 (55% of Total)	Federal In- Lieu-of-Taxes (85% of Total)
Grand Coulee	\$ 4,950.00	\$ 83.06
Hartline		
Quincy	4,950.00	680.00
Warden	3,121.25	225.96
Coulee City		
Soap Lake	3,067.90	245.91
Lower Crab Creek	2,323.75	954.88
Moses Lake	192,997.20	533.29
Wilson Creek-Marlin		11.02
Ephrata	24,181.85	371.71

dollars in 1966-1967; a large part of this will come from the state allocation. The State of Washington will supply the difference between the local contribution total and the foundation level. Total foundation levels, local contribution, and state allocation for each of the ten districts is shown in Table XXII.

The total cost of the foundation plan in Grant County to the state should decline gradually over the first four years. This will be true if the enrollments and programs remain fairly stable in that period of time. The state's cost should drop as more of the revenues that make up "local funds" are taken into account. After the fourth year of the foundation approach, both state and local contributions should stabilize with slight variations due to district changes. Of course, any reductions in the district's local contribution will automatically increase the state's share. An increase in the per weighted pupil support level could also hike state expenditures.

"Leeway" funds. All districts should have more funds than the state minimum of \$326 per weighted pupil in 1966-1967. This is due to revenues that do not have to be tabulated as part of the local contribution. These are known as "leeway" funds (25:4). An example of such a fund is Public Law 874 revenue. This year districts have to count only 55 per cent of this income as a local contribution;

TABLE XXII

COMPARISON OF STATE AND LOCAL SHARE IN GRANT COUNTY
HIGH SCHOOL DISTRICT FOUNDATION PLAN

School District	Foundation Level	Local Contribution	State Allocation
Grand Coulee	\$ 176,692.00	\$ 31,488.74	\$ 145,203.26
Hartline	55,175.50	33,809.17	21,366.33
Quincy	728,951.65	204,751.66	524,199.99
Warden	276,166.01	80,183.77	195,982.24
Coulee City	99,885.09	34,292.99	65,592.10
Soap Lake	206,142.51	43,207.06	162,935.45
Lower Crab Creek	254,692.72	73,238.73	181,453.99
Moses Lake	1,732,246.64	647,517.26	1,084,729.38
Wilson Creek-Marlin	71,403.13	43,145.54	28,257.59
Ephrata	<u>815,591.82</u>	<u>191,070.58</u>	<u>624,521.24</u>
Totals	\$4,416,947.07	\$1,382,705.50	\$3,034,241.57

the other 45 per cent will accrue to the district and is "leeway" revenue. Also, some districts may receive funds from such sources as tuition, rental of school property, or investment earnings that are not included in the guarantee. A most important source of "leeway" funds is the special levy. Table IX (page 53), a statement of 1966-1967 tax levies, indicates that all of the districts will be operating with special levies ranging from 10.00 mills to 23.43 mills. Table XXIII lists the "leeway" funds available to the districts, but does not indicate funds accruing from special levies.

"Grandfather" clause. Part of the foundation plan involves a state guarantee that no school district would receive less money for the first two years of the new program than it did in the last year of the old support system. This "grandfather" clause specifies that no district that complies with the law shall receive less than 95 per cent of its 1964-1965 per pupil revenue (26:3). Because of this state guarantee, school districts may receive more money in 1966-1967 than called for under the foundation plan. However, this is the last year that such an arrangement is possible.

At an investment of \$326 per weighted pupil, the cost of the plan in Grant County for 1966-1967 is \$4,416,947.07 without taking special levies into account. We find that

TABLE XXIII

1966-1967 FOUNDATION PLAN "LEEWAY" FUNDS FOR
GRANT COUNTY HIGH SCHOOL DISTRICTS

School District	15% Local Property Tax	15% H.S. District Fund	15% In-Lieu-of Taxes	45% Public Law 874	45% PUD Excise Tax	Total "Leeway" Revenue
Grand Coulee	\$ 2,840.46		\$ 15.66	\$ 4,050.00	\$ 39.50	\$ 6,944.62
Hartline	5,653.94				474.93	6,128.87
Quincy	27,041.60	\$256.02	120.00	4,050.00	15,135.65	46,603.27
Warden	21,463.76		39.88	2,553.75	3,162.76	27,220.15
Coulee City	5,159.07				1,639.06	6,798.13
Soap Lake	5,490.62		43.40	2,510.10	2,630.57	10,674.69
Lower Crab Creek	10,385.11	176.47	168.51	1,901.25	4,293.17	16,924.51
Moses Lake	58,150.71		94.11	157,906.80	32,945.83	248,197.45
Wilson Creek-Marlin	6,972.59		1.95		984.20	7,958.74
Ephrata	21,350.62		65.60	19,785.15	10,085.50	51,286.87

the state's share of this guaranteed program approximates 68.3 per cent of the total revenue needed in the districts with the balance coming from local, county, and federal sources. Table XXIV, page 89, is an index indicating the total amount of income from these various sources, while Table XXV, page 90, indicates the percentage of support from these several levels of government.

Any consideration of the financial aspects of the foundation plan should have in mind that total funds received for maintenance and operation are of prime importance. A survey of the revenues should bear in mind that the total receipts include both revenues contributing to the \$326 per weighted pupil level of foundation support and the "leeway" funds. Table XXVI, page 91, is an indication of total funds available to the districts within this approach.

TABLE XXIV

TOTAL RECEIPTS FROM MAJOR SOURCES OF REVENUE FOR GRANT
 COUNTY HIGH SCHOOL DISTRICTS, 1966-1967,
 UNDER THE "WASHINGTON FOUNDATION PLAN"

School District	Local Funds	County Funds	Federal Funds*	State Funds**	Total
Grand Coulee	\$ 21,429.54	\$ 4,976.64	\$ 5,033.06	\$ 145,252.76	\$ 176,692.00
Hartline	32,031.06	1,197.65		21,946.79	55,175.50
Quincy	153,235.75	27,386.81	5,630.00	223,250.78	728,951.65
Warden	64,960.24	8,010.72	3,347.21	199,847.84	276,166.01
Coulee City	29,240.93	3,048.77		67,595.39	99,885.09
Soap Lake	30,619.38	6,058.72	3,313.81	166,150.21	206,142.51
Lower Crab Creek	56,848.89	7,864.00	7,864.00	186,701.20	254,692.72
Moses Lake	338,899.29	75,920.35	193,530.49	1,123,896.51	1,732,246.64
Wilson Creek-Marlin	39,507.41	2,424.19	11.02	29,460.51	71,402.13
Ephrata	130,216.89	23,973.61	24,553.56	636,847.96	815,591.82

*Federal funds include 55 per cent of Public Law 874 funds.

**Foundation support, in state funds, has been decreased by an amount equal to 55 per cent of the local school district's 874 entitlement.

TABLE XXV

PERCENTAGE OF SUPPORT FUNDS FROM VARIOUS SOURCES FOR
GRANT COUNTY HIGH SCHOOL DISTRICTS UNDER THE
"WASHINGTON FOUNDATION PLAN," 1966-1967

School Districts	State Allocations	Federal Funds	County Sources	Local Contributions
Grand Coulee	82.2%	2.8%	2.8%	12.2%
Hartline	39.8		2.2	58.0
Quincy	74.3	1.0	3.7	21.0
Warden	72.4	1.2	2.9	23.5
Coulee City	67.7		3.0	29.3
Soap Lake	80.6	1.6	3.0	14.8
Lower Crab Creek	73.7	1.3	2.7	22.3
Moses Lake	64.9	11.2	4.4	19.5
Wilson Creek-Marlin	41.2	.4	3.1	55.3
Ephrata	78.1	3.0	2.9	16.0

This table may be compared and contrasted with
Table XV (page 70).

TABLE XXVI

TOTAL MAINTENANCE AND OPERATION REVENUE FOR GRANT COUNTY
HIGH SCHOOL DISTRICTS, 1966-1967,
IN THE FOUNDATION PLAN

School District	Foundation Level of Support	"Leeway" Funds	Total Revenue
Grand Coulee	\$ 176,692.00	\$ 6,944.62	\$ 183,906.62
Hartline	55,175.50	6,128.87	61,304.37
Quincy	728,951.65	46,603.27	775,554.92
Warden	276,166.01	27,220.15	303,386.16
Coulee City	99,885.09	6,798.13	106,683.22
Soap Lake	206,142.51	10,674.69	216,817.20
Lower Crab Creek	254,692.72	16,924.51	271,617.23
Moses Lake	1,732,246.64	248,197.45	1,980,444.09
Wilson Creek-Marlin	71,402.13	7,958.74	79,360.87
Ephrata	815,591.82	51,286.87	866,360.87

This table may be compared and contrasted with Table XIII (page 66).

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

After the comparative analysis of income accruing to the ten Grant County high school districts from the "Washington Foundation Plan" and the former state support system, applying both to the 1966-1967 school year, it is proper that conclusions be made on the basis of the data presented. To facilitate the discussion, this study will treat the data in four different categories--local, county, federal, and state.

I. LOCAL FUNDS

The 1966-1967 school year has been called a "transition year" in school finance in the State of Washington. This stems from the state's change in evaluation of local effort; for this next year, 35 per cent of local taxes will accrue from Grant County's current assessment of 20.8 per cent while 65 per cent will accrue from adjusted valuation. An integral part of the plan is the requirement that the state distribute funds to the local districts on the assumption that counties are assessing at 25 per cent of true and fair value. This feature becomes active on January 1, 1967. This accounts for the 35-65 per cent procedure in estimating

local taxes for this school year, the only year this step will be used.

Under the former distribution system, the local districts would contribute almost \$925,000 to the support of their schools in the form of local property taxes. That older system required districts to contribute funds equivalent to a 14-mill regular levy. Under the local effort specifications of the foundation plan, local property taxes will contribute a total of \$1,055,300 to the ten districts. Of this amount, 85 per cent (\$897,000) will be counted by the state as local shares of the foundation program.

Part of the difference between the two programs stems from the difference in assessment rates. The old approach used an assessment level of 20.8 per cent; the new formula used the transition concept. This resulted in higher revenues.

In the former state support system, all of the funds raised locally by a 14-mill levy counted as the district's share of the program; in the equalization phase of school finance, $\frac{5}{6}$ (83 $\frac{1}{3}$ per cent) of revenue raised by a 14-mill levy was deducted from any equalization funds due the district. In the foundation approach, 85 per cent of local financing is accountable as part of the program. The remaining 15 per cent is left to the district as part of its "leeway" funds. Local property taxes set aside as "leeway"

funds in the 1966-1967 school year will amount to more than \$138,000.

In the 1967-1968 school year, receipts from local property taxes should show an increase to slightly more than \$1,125,000. Of this amount, approximately \$956,000 will be counted as local contributions while about \$168,000 will be diverted to "leeway" funds. Here it is assumed that since the state will estimate that the local share is based on a 25 per cent assessment, the county will actually assess at that rate to avoid financial penalties to the ten school districts. These figures are also based on the assumption that valuation will remain constant.

The "leeway" funds take on a strong significance in the ten districts. The total for the 1966-1967 school year is slightly more than \$412,000 with about 60 per cent accruing to the Moses Lake district. These funds, when added to other minor funds not counted in the foundation program, will allow the districts to extend their offerings beyond the \$326 per pupil set by the foundation program for this school year.

The total amount of "leeway" funds available will be less in the 1967-1968 school year; revenue in this category will drop from the \$412,000 available this year to about \$324,000 in the following year. This is because Public Law 874 fund and PUD Excise Tax funds will reach the 70 per cent

level of accountability as part of the foundation program. As a result, one-third less money from these two sources will be available for "leeway" funds.

Grant County high school districts are at liberty under terms of the foundation plan, to exceed the minimum level of \$326 per pupil. Each district can exceed this basic expenditure by as much as the district desired and could afford within the limits of the law. This can be done only through recourse to a special levy. Reference to Table IX, page 53, indicates that all districts will operate under special levies in the forthcoming year. Funds accruing to the ten districts as "leeway" items will not offset the need for a special levy. The "leeway" funds for 1966-1967 are equivalent to between two and four mills in all districts except Moses Lake where extensive 874 funds raise the equivalency to eight mills. However, as has been indicated, there will be a reduction in "leeway" funds within the next year reducing still further the capacity of these funds to offset the need for special levies.

The foundation program with the local contribution based on 14 mills at 25 per cent assessment is supposed to represent an expenditure level high enough to insure an adequate type of education. Fourteen mills did not exhaust local taxpaying power under the apportionment system; it is safe to assume that the same will hold true for the

foundation plan. Consequently, local districts in Grant County have tax resources sufficient to exceed the foundation minimum.

However, recourse to excess levies does present a real political problem. The framers of our 40-mill local limit amendment (the 17th) never intended that the special levy be used annually as a source for general operational expenses. Yet this is the case today in Grant County. The foundation approach to school financing will not reduce the need for excess levies. As a matter of fact, it will be the best method available for exceeding the minimum expenditure level. At the same time, however, we must realize that the special levy process is unwieldy for the purpose of the foundation plan. It may be voted on only one year at a time and must be voted upon during the year in which it will be in effect. Yet another handicap is the "40-60" requirement. To approve an excess levy under this law requires that 40 per cent of those who voted previously in a general election must vote on the issue. At least 60 per cent of those voting must approve the issue.

Excess levies will prove as troublesome under the foundation approach as under the previous apportionment system. The districts will have to continue to face annual elections and their considerable expense, as well as the

handicap of having a favorable majority yet lacking enough numbers to validate the election.

II. COUNTY FUNDS

The major source of revenue from the county level, the one per cent real estate excise tax, is little affected by the transition from the old system to the foundation plan. Under both plans, 100 per cent of the funds were held accountable as part of school district support. The previous formula maintained that proceeds from the tax were to be used to support the state-guaranteed 17¢ per pupil per day supplemental attendance allotment. Usually, the tax receipts fell short of meeting the required 17¢ per pupil per day; the state, in guaranteeing the supplemental attendance program, had to supply the balance of the fund.

With the termination of the old state support system in 1964-1965, this supplemental attendance program was also discontinued. The tax is still collected by the county on the local level and distributed to the schools. Under the provisions of the new program, it is absorbed in its entirety as a part of the local contribution; it is the only revenue treated in this fashion.

For 1966-1967, the total real estate tax revenue accruing to the ten high school districts will approximate \$158,000.

The High School District Fund is distributed by the county. With only two participating districts in the next school year, total revenue realized will be slight--little more than \$2,850. Under the previous state support system, all of this was held to be part of the local contribution. The foundation program, on the other hand, maintains that only 85 per cent of the total accruing to a district will be viewed as a part of the local effort. The remaining 15 per cent is held as a "leeway" fund.

Under the previous support system, county revenues amounted to 3.1 per cent of district receipts. Because of the higher expenditure level of the foundation plan (to the state and local district), county sources dropped to 2.5 per cent of receipts.

III. FEDERAL FUNDS

Revenues from federal sources will amount to more than \$432,000 in 1966-1967. Two principal sources of these funds are Public Law 874 and payments made in-lieu-of-taxes. The majority of this will come through the 874 source. The "Washington Foundation Plan" will absorb 55 per cent of the total this year; over the next two years this will climb to 85 per cent of the total. This will have the effect of gradually increasing the local contribution while reducing the amount of the state allotment. The Moses Lake district

may not show this trend, however. It is expected that due to closure of a major military installation in the district there will be an abrupt decrease in 874 funds; it would require substantial state funds to offset the reduction. It is expected that 874 funds in the other districts will remain essentially the same with the possible exception of the Grand Coulee district. Here, renewed activities by the Bureau of Reclamation may greatly increase 874 entitlement in that district. The result that this will have on receipts from the state is not yet known; if the state follows the foundation plan precisely, a reduction of state support can be expected. Much of what the state may do in this district may be determined by future enrollments.

In-lieu-of-tax payments by the federal government will come to eight of the ten high school districts. As required by the foundation plan, 85 per cent of these minor funds will be counted as part of the local contribution.

One of the most striking changes in the transition from the old support system to the foundation plan has been the treatment of federal funds, notably Public Law 874 revenue. Under the previous system, 31 per cent of the 874 receipts were held accountable as part of the local effort. Now, the foundation plan calls for 55 per cent of this money to be counted as local effort. The state will reduce its support by an amount equal to that figure. Within two

years, this level will reach 85 per cent, the maximum planned at this time.

IV. STATE FUNDS

Most affected by the change from the old formula to the new foundation plan is the state allocation. These show a significant increase. The foundation plan will cost the state approximately \$3,034,000 for 1966-1967 in the ten districts. This can be compared with the \$2,598,000 it would cost if it followed the pre-1965 formula.

With its complex weighting formula, the foundation plan total does yield an amount equal to \$326 per weighted pupil. The per pupil weighting of the old support system was not as complex, weighting only for cost differentials at the various grade levels. Applying this weighted pupil concept to the foundation plan, total support per weighted pupil would reach a level of \$370; of this amount, state-distributed funds would account for \$254 per weighted pupil. Applying the same weighting to the old support system indicates a level of \$358 per weighted pupil. State-supplied funds would account for \$217 per weighted pupil with the balance coming from all other source. The difference is \$12 per weighted pupil (weighted for cost differentials only).

All of the high school districts will receive more total revenue through using the foundation plan than they would using the old formula. Moses Lake, the largest district of the ten, would realize a total revenue from all sources for maintenance and operation under the foundation plan of approximately \$1,980,000; its total funds from all sources for maintenance and operation under the old system would be approximately \$1,830,000. In neither case is the special levy revenue considered. Hartline, smallest district in the county, would operate with a total of slightly more than \$55,000 under foundation provisions; under the old approach, total revenue available would be approximately \$48,000.

Moses Lake presents a unique situation. When its "leeway" funds are not taken into account, the total available revenue under the foundation plan falls below that which would be available under the old formula. Treatment of the 874 funds accounts for this situation. Moses Lake's total under the old system (Table XIII, page 66) has the state deducting 31 per cent of the district's impressive 874 funds. Its total under the foundation plan (Table XXIV, page 89) results after the state has deducted 55 per cent of the 874 revenue from its allotment to the district. At the same time, the total figure projected for the old formula includes the 874 funds less 31 per cent withheld by

the state. Likewise, the total figure projected for the foundation plan includes the 874 funds less 55 per cent withheld by the state. The essential difference in the handling of these revenues in both programs is in the amount the state withholds from its support funds.

Total funds available under foundation provisions include all revenue counted as part of the program as well as "leeway" funds. When viewed in this manner, the Moses Lake district will receive approximately \$150,000 more under the new program than it would receive under the old system.

The Grant County Superintendent of Schools reports that three districts will take advantage of the "grandfather" clause in the foundation plan. This will allow the districts (Hartline, Wilson Creek-Marlin, and Coulee City) to claim 95 per cent of the general fund revenues they received in 1964-1965, the last year of the old program. In each case, the total weighted enrollment was greater in 1964-1965, and as a result, receipts from state apportionment funds were somewhat higher. This is the last year that a district may take advantage of the "grandfather" clause for it was slated to be effective only in the first two years of the new plan.

The new foundation plan has the state supplying 67.5 per cent of revenue available to the districts in 1966-1967.

This is opposed to the 61.5 per cent in the previous state support system. This change upward in the state support level is an extension of a trend that has been developing in our state for some time (22:3). Public education in Washington has been drifting toward ever greater state participation. Critics of statewide school support plans base much of their objection on contentions that greater state support begets greater state control. Legislation creating the foundation plan in Washington has not extended state control beyond that in practice under the previous system. Some state standards are vital to the improvement of education. State control, in a limited sense, can eliminate some of the shortcomings in education.

V. IMPLICATIONS

A study of a new statewide school finance plan, such as the adoption of the foundation approach in the State of Washington, produces a great deal of thought-provoking data that develop inferences quite apart from the compilation of facts and figures. One of these involves the question of school consolidation as related to the new foundation plan.

Over the years, the state has followed a policy of reducing the total number of school districts by a program of consolidating small, uneconomical districts.

Currently, the "Washington Foundation Plan" in its several weighting formulas approves slightly larger amounts of money for high schools with enrollments of less than 225 pupils as well as elementary school districts with enrollments of less than 100 pupils. This is justified since unit costs for small schools are higher than those of larger schools. At the same time, the "grandfather" clause which allows a district to claim 95 per cent of revenues it received in 1964-1965 is an aid to smaller school districts.

A question which arises at this point is this: Is there a conflict between the consolidation process to which the state has been committed and the foundation plan pupil weighting system which would distribute slightly larger amounts to small school districts?

It appears that the proposal will have the tendency to maintain all current school districts through the first two years of the foundation program (1965-1967). In all likelihood, the "grandfather" clause will have the effect of maintaining the status quo on consolidations, at least until the "grandfather" clause expires at the end of the current year.

It would appear that a continuing program of school district consolidation would be in the best interests of the foundation plan. The Committee of Economic Development (20:12) states that one condition necessary for an effective

and economical foundation program involves school districts of adequate size. According to the committee, the aim of any foundation program should be to facilitate and encourage a good school program rather than perpetuate a status quo.

Although it is not specifically stated in the foundation legislation, it would appear that the plan's system of school finance would aid and abet consolidation. As more of the "leeway" funds are channeled into local effort, small school districts may find themselves facing consolidation as the only answer to rising costs stemming from a greater percentage of local support.

The consolidation process is being pursued actively in Grant County. The last consolidation occurred at the end of the 1964-1965 school year when Marlin School District consolidated with Wilson Creek. This spring, preliminary studies were completed by the state for the consolidation of the Grand Coulee system with another (not in Grant County). It would appear that in Grant County the transition to the foundation plan has not slackened the pace of consolidation.

Criticisms may be leveled at the "Washington Foundation Plan" on the basis of incentives for extra local effort. At this time, the plan has no incentives built in to encourage the local school districts to spend money over and

above the minimum requirements of the foundation plan (14 mills). Corballey (6:140) indicates that in most foundation plans there has been a lack of incentive for added effort, stressing that this has been the most serious drawback. Some efforts have been made to reward school districts for special levy effort in the state of Washington, yet none of these have received legislative approval. Some incentives may have to be added to maintain local support of schools at the current level. Gragg (11:80) believes that foundation programs are likely to result in loss of "desirable local interest, initiative, and responsibility" if incentives are lacking. Bailey, Frost, and others (1:56) indicate that lack of incentives may have an "adverse psychological effect" of making school districts satisfied with a minimum effort.

Equally strong advocates of the foundation approach to school finance point out that special levies tend to defeat the purpose of the foundation plan, that of equalization of educational opportunities. Brittell (2:62) says that equalization is the "only inescapable justification" for a state-wide program, pointing out that the special levy runs counter to the equalization purposes of the plan. Communities with relatively greater taxable wealth would be able to afford more educational opportunities than those with less taxable wealth. Perhaps, as Furno (10:46)

indicated, tremendous inequalities would exist even with the foundation plan as long as there is a difference in the revenue resources of the state's communities.

At the same time, we must recognize that the strongest incentives for the passage of special levies may come from such other areas as competition for teachers and maintenance of the school program. In view of these pressures, the addition of further incentives will perhaps not be necessary.

This study has shown that operation of the plan in the ten high school districts of Grant County demands an increase of \$400,000 in state expenditures. A rise in costs of this magnitude in one county of the state, a relatively sparsely populated one at that, suggests that over the state the cost increase to the state is sizeable. Costs should increase gradually; the \$305 per weighted pupil established in 1965-1966 and the \$326 per weighted pupil set for 1966-1967 are not permanent figures to be met at every biennial legislative session.

It may become necessary that the state fiscal policies for schools be re-examined if the foundation program is to meet with complete success. More money will have to be gradually allocated to education. A question still lacking a satisfactory answer is one of where the money should be obtained. In light of the state's present taxing system,

this question is particularly challenging and involves the whole field of taxation and fiscal policy. The State of Washington must have a sound tax system to meet its obligations under the foundation plan.

Legislation that created the foundation plan in Washington empowered the State Superintendent of Public Instruction to require that school districts subtract 85 per cent of other revenue as determined by the State Superintendent of Public Instruction (25:3). One way for the state to meet part of the demand of increased revenue would be for the addition of funds currently outside foundation computations to the list of those figuring as "local" contributions.

As long as some of the support of schools has to come from local sources, the bulk of it is likely to be derived from the local property tax. Yet, in this state at least four major studies have found the property tax to be inadequate (13:20). The studies were involved with different aspects of state and local problems; each found the property tax weak and made recommendations to strengthen it. The studies were conducted by The Governor's Tax Advisory Council of 1958, The Governor's Expenditures Advisory Committee of 1960, The Citizen's Advisory Committee on Education of 1960, and The Citizen's Advisory Committee on Urban Area Government of 1962.

The local property tax structure will have to be investigated to make sure that it is bearing its full load. At the same time, it has an inherent weakness in that taxable property is inequitably distributed. Hence, we find a situation where Hartline, a district of about 112 pupils, has a greater adjusted valuation than Coulee City with 218 pupils, Grand Coulee with 412, or Soap Lake with 476 pupils.

This discussion implies that an immediate answer to the problem of securing more tax revenue from both the state and local level is more effective and efficient use of our present tax resources. The foundation plan demands a balanced, equitable state and local tax system that will realistically meet the needs of public education. A program of research and tax improvement coordinated at three levels of government--local, county, and state--would be most helpful.

VI. RECOMMENDATIONS FOR FURTHER STUDY

A strong recommendation is made that further study be made in county assessment practices under the foundation plan. On January 1, 1966, legislation requiring the State Superintendent of Public Instruction to assume that all counties are assessing at a 25 per cent rate becomes effective. Counties not assessing at that will, in effect, be penalizing their schools with reduced per weighted pupil revenues.

It would also be instructive to note the effect of the plan on the special levy. Reduced revenues from low assessment could be made up through the use of excess levies. In this vein, it would be helpful to determine if school district reliance on the special levy increases or decreases under the foundation plan.

The use of incentives in foundation-type programs in other states would be helpful. It would be of interest to our situation here to research programs in other states to determine the effectiveness of any incentives used.

BIBLIOGRAPHY

BIBLIOGRAPHY

1. Bailey, Stephen K., Richard T. Frost, Paul E. Marsh and Robert C. Wood. Schoolmen and Politics. Syracuse, New York: Syracuse University Press, 1962. 111 pp.
2. Brittell, Robert W. "State Aid: Can We Go Too Far?" School Executive, 78:62-63, October, 1958.
3. Buckley, Raymond C. "A Primer on Equalization Rates," American School Board Journal, 142:40-41, February, 1961.
4. Burke, Arvid J. Financing Public Schools in the United States. New York: Harper and Brothers, 1957. 627 pp.
5. California Department of Education. Recommendations on Public School Support. Sacramento: State Printing Office, 1962. 378 pp.
6. Corballe, John E. School Finance. Boston: Allyn and Bacon, Inc., 1962. 288 pp.
7. Cubberley, Ellwood P. School Funds and Their Apportionment. New York: Columbia University Press, 1905. 255 pp.
8. Freeman, Roger A. Taxes for the Schools. Vol. II of Financing the Public Schools. 2 vols.; Washington, D. C.: The Institute for Social Science Research, 1960.
9. Furno, Orlando F. "Equalizing Educational Opportunities--the Next Step," School Life, 42:17-18, December, 1959.
10. _____. "Financing the Changing School Program," Fifth National School Finance Conference. Washington, D. C.: The Committee on Educational Finance of the National Education Association, 1962. 154 pp.
11. Gragg, W. L. "A Sound State Aid Program Encourages Home Rule," The Nation's Schools, 55: 80-81, February, 1955.
12. Hutchins, Clayton D. and Albert R. Munse. Public School Finance Programs of the United States,

Washington, D. C.: Office of Education, Department of Health, Education, and Welfare, Government Printing Office, 1955. 251 pp.

13. League of Women Voters of Washington. Facts About Your Property Taxes. Seattle: The League, 1963. 22 pp.
14. Morphet, Edgar L. "State and Federal Support of Schools," The School Executive, 67:11-14, March, 1949.
15. _____. "The Foundation Program and Public School Finance," State Government, 25:192-196, September, 1952.
16. Mort, Paul R. and Walter C. Reusser. Public School Finance. New York: McGraw-Hill Book Co., 1960. 512 pp.
17. National Education Association. "Statutory Bases for State Foundation Programs for Schools," Research Bulletin of the National Education Association, 26:43-99, April, 1948.
18. Norton, John K. and Eugene S. Lawler. Unfinished Business in American Education. Washington, D. C.: The National Education Association and the American Council on Education, 1946. 64 pp.
19. Pasnick, George and Stayner Brighton. Basic Principles Underlying the Washington State Apportionment Formula. Seattle: The Washington Education Association, 1961. 4 pp.
20. Research and Policy Committee of the Committee for Economic Development. Paying for Better Schools. New York: The Committee for Economic Development, 1959. 90 pp.
21. Rosenstengel, William E. and Jefferson N. Eastmond. School Finance. New York: The Ronald Press Co., 1957. 442 pp.
22. Superintendent of Public Instruction. School Statistics. Olympia: Washington State Superintendent of Public Instruction, 1963. 4 pp.

23. Superintendent of Public Instruction. State Manual of Washington. Olympia: State Printing Office, 1956. 308 pp.
24. Swalls, Fred. "Trends in State Support of Public Education," Teachers College Journal, 30:38-39, December, 1958.
25. Washington Education Association. Research in Education. Seattle: Washington Education Association (Vol. 9, No. 2), 1965.
26. Washington Education Association. Research in Education. Seattle: Washington Education Association (Vol. 9, No. 3), 1966.
27. Washington Education Association. Research in Education. Seattle: Washington Education Association (Vol. 9, No. 5), 1966.
28. Washington School Superintendent's Association. Foundation Proposal for Support of Public Education, Seattle: The Association, 1962. 8 pp.
29. Washington State Board of Equalization. Minutes and Official Proceedings--Session 1963. Olympia: State Printing Plant, 1963. 59 pp.

APPENDIX

APPENDIX A

LETTER FROM OKANOGAN COUNTY ASSESSOR ON ASSESSOR'S
STAND ON THE PROPERTY ASSESSMENT LEVEL

July 27, 1964

Dear Mr. Milhofer:

I will attempt to answer your letter of July 5th concerning your inquiry on the Assessors stand on the property assessment level. The County Assessors held a state-wide meeting in Okanogan June 18th and part of the discussion was on the property assessment level although the Washington State Assessors Association passed a resolution at the September, 1963 Convention to propose a change in the State Constitution that the mandatory assessment rate be 25% of true and fair value and that the County Assessors Office be made a constitutional office.

I am fairly new to this field, having completed two years as Assessor of Okanogan County, although I worked in the Assessor's office ten years prior to becoming Assessor, and I hesitate to give any specific answer as to why the assessment level should be at 25% instead of 50% as the constitution demands. However, if you will refer to page 4 of the Tax Commission Minutes and note the county ratio study, you will note a level of assessment at under 25% in all counties of the state. By referring to pages 15 and 16 of the League of Women Voters booklet it will somewhat explain the cause of the assessment level.

Personally, I feel the local taxes are at a level that the property can support, but if it were placed at the 50% level of true cash value on the 40-mill limit, a burden would be placed against most property, income, and non-income, that could not be met.

Yours very truly,

Wm. P. Parten
County Assessor

APPENDIX B

PRELIMINARY REPORT OF THE WASHINGTON STATE SUPERIN-
TENDENT'S SUBCOMMITTEE ON SCHOOL FINANCE

After thoughtful analysis of the school support and allocation procedures, this committee recognizes that any improvements or changes should be developed cooperatively between legislators and professional educators. It recognizes that the legislature has an important dual responsibility to:

1. Exercise its constitutional responsibility for guaranteeing an adequate educational program for each child, and
2. Continue to strive for equal citizen tax effort.

This committee and its parent organization, the Washington State Superintendent's Association, can best serve in suggesting revisions in the distribution formula and supporting legislative changes necessary to bring about such revisions. Recognizing that a prerequisite to changes in the distribution of funds is an improved level of support, particularly as it relates to property taxes and assessment practices, the following recommendations are offered for thorough consideration:

A. Improved revenue level

1. Enforcement of uniform local property assessment practices.
2. Levying all or portion of 14 mills as a state tax.
3. Withholding of state revenue from all local governmental units as a penalty for low assessments.

B. Guaranteed support program considerations

1. Considerations be focused on one factor of guaranteed dollars per pupil enrolled.

2. $5/6$ of all funds other than local or state be treated as local funds with the proviso that forest funds and 874 funds reach an upper limit of $5/6$ in four steps--40%, 55%, 70% and $83 \frac{1}{3}\%$.
3. That no district receive less money per pupil over the next two years than they would receive under the present formula.
4. That a system for weighting membership be developed to provide for the variable needs in different types of situations.

This committee will recommend to WSSA that this organization support changes in the state allocation formula contingent upon legislative action equalizing and increasing local property valuations.

These are modifications or compromises on areas in which total agreement was lacking. With these changes we find much more acceptance and agreement.

C. Jensen
Highline Public Schools