



Policy Brief: Do Cities Provide Funding to School Districts?

Summary

The Sequim School District is requesting a one-time \$250,000 grant to help reach the \$1 million local funds needed to match a potential \$15,000,000 Washington State investment to construct a new state-of-the-art Career Technical Education (CTE) Center in Sequim.

A comprehensive CTE Business Plan has determined that the new Center will enable between 90 and 110 graduates per year to fill open well-paying career-level positions in the community. The project will generate \$11 to \$14 million of additional annual economic output, **\$170,000 of Sequim City sales tax receipts during the construction period, and between \$65,000 and \$80,000 of additional Sequim City annual sales tax receipts after the Center is open.** This will enable the city to recoup their entire investment in as little as one year after the new CTE Center opens.

Why this Policy Brief

The Sequim School District in collaboration with local business and non-profit partners is pursuing \$15,000,000 in Washington State funding for a new state-of-the-art Career Technical Education (CTE) Center that must be matched with \$1 million of local funds. As part of this match funding effort, the district has asked the City of Sequim to consider making a one-time \$250,000 grant toward this local match.

As part of the decision-making process, Sequim City Councilors have raised an important question, “Why should a city in Washington State provide funding to a school district when this is the clear responsibility of the state?”

This policy brief addresses this question, breaking the answer down into two parts:

- 1) Is it Good Public Policy for Cities to Fund Schools?
- 2) Should the City of Sequim provide funding to the Sequim School District for the new CTE Center?

Background

Washington State currently has a system of government and taxation that separate functions and funding streams between cities and school districts. Under this model, the state is responsible for funding public education. Although there are differences across school districts, the state spent an average of \$11,500 per student on basic education in 2019. “On top of basic education funding, school districts can apply for state, federal, and local grants; receive targeted funding for specific purposes, such as school improvement; or raise levy funds within their local community.”¹

¹ Washington Office of Superintendent of Public Instruction: [Policy & Funding | OSPI \(www.k12.wa.us\)](https://www.k12.wa.us/policy-funding)

Is it Good Public Policy for Cities to Fund Schools?

The Washington Office of Superintendent of Public Instruction (OSPI) is clear that the state is responsible for funding “basic education” and that school districts should look to other sources for “specific purposes”. On their Policy & Funding website² they note that special purposes include school facilities, including Skill Centers Capital Funding.

Unfortunately, current State regulations only allow school districts that are larger than the Sequim School District to access State funds to plan and construct such facilities.³ In this regulatory environment, communities such as the Sequim/Dungeness Valley are shut out of available funding streams and their Career Technical Education programs are forced to operate in substandard facilities. Cities, businesses, foundations, and citizens must either fill the gap or programs continue to suffer.

And cities, knowing that they are allowed to fund other government entities including school districts⁴, must make the public policy call about whether funding schools advance the mission and goals of their city.

CityHealth, an initiative of the de Beaumont Foundation and Kaiser Permanente has done a deep dive into the question of city funding of public education with their web-based tool, “City Funding Strategies to Support Public Pre-K Programs”⁵, which builds a parallel business case for city funding of K-12 programs.

In their web-based tool, they describe several strategies for cities to fund public education programs. The following three examples illustrate ways cities across the country support public education.

Blended Funding Across Multiple Sources: Several funding sources are combined at the city level and then distributed to programs.

General Funds from City/Budget Set-Aside: Instead of leveraging funding from an increase in property taxes, budget set-asides allow the city to dedicate funding from existing tax revenues for a special purpose, ensuring the funding is not redirected elsewhere.

Sales Tax: A tax paid to the city based on the sale of designated goods or services.

These approaches are used in the City of Seattle and King County, which have a long history of providing grant funds to the Seattle School District. In the current fiscal year (2022-2023) the City of Seattle is providing \$27.6 million of grants for Family Support Workers, Nurses, and Educatory Diversity and Culturally Responsive Programing; \$9.9 million for the districts Preschool Program; \$600,000 for middle school athletics⁶; and a recent grant of \$4 million towards mental health resources for K-12 students in Seattle Public Schools over the next two years.⁷

After reviewing Washington State OSPI material and other sources, two things are clear:

² Washington Office of Superintendent of Public Instruction: School Buildings & Facilities: [School Buildings & Facilities | OSPI \(www.k12.wa.us\)](https://www.k12.wa.us/School-Buildings-Facilities)

³ WAC 392-600-050

⁴ <https://mrsc.org/Home/Stay-Informed/MRSC-Insight/October-2017/Municipal-Giving-and-Receiving.aspx> and <https://mrsc.org/Home/Explore-Topics/Legal/Ethics/Gift-of-Public-Funds.aspx>

⁵ City Funding Strategies to Support Public Pre-K Programs: [City Funding Strategies to Support Public Pre-K Programs - CityHealth](https://www.cityhealth.org/city-funding-strategies-to-support-public-pre-k-programs)

⁶ https://www.seattleschools.org/wp-content/uploads/2022/09/2022-23-Adopted-Budget-Book_Final_Online.pdf

⁷ [Seattle City Council approves budget. Here are 3 things to know | The Seattle Times](https://www.seattletimes.com/news/seattle-city-council-approves-budget-here-are-3-things-to-know/)

- Cities in Washington State should NOT provide funding for basic education; that is the responsibility of the State.
- Cities in Washington State can and do provide special purpose funding to schools and are in a position to make a call whether a specific request by a school district represents good public policy that advances the mission and goals of their city.

Should the City of Sequim provide funding to the Sequim School District for the new CTE Center?

The recently prepared Business Plan for the Sequim School District Career Technical Education Center describes how the local community will benefit from a robust and relevant Career Technical Educational program that educates and trains industry-ready, career-prepared graduates to enter the workforce as highly trained skilled trades people.

The project is in response to local businesses and community members that have emphasized that a well-trained, local workforce is needed in our area to fill the many openings in healthcare, building construction, manufacturing, diesel/marine automotive technologies, and information technology.

The Business Plan, drawing on CTE research from over two-dozen states, identifies six key ways the new CTE Center will benefit the community.

For Employers

- 1.) Workforce Shortages:** CTE programs can address workforce shortages in key business sectors, which can have a significant impact on local, regional, and state economic output.
- 2.) Employer Training Costs:** CTE programs can save employers on training costs for new employees.

For Workers

- 3.) Earnings:** CTE programs enhance an individual’s skills and productivity, thus increasing wages rates. This results in significantly greater short-term and lifetime earnings.
- 4.) Fringe Benefits:** CTE program participation results in additional fringe benefits in the form of paid leave, paid insurance, retirement/savings plan contributions and other non-cash benefits.

For the Public

- 5.) Tax Payments:** CTE programs, which generate higher incomes for participants, lead to payment of increased payroll, sale/excise, local, state, and federal income taxes.
- 6.) Economic Impact:** A recent study of Washington State CTE programs found that for every dollar spent on secondary CTE students, taxpayers receive a \$9 return on investment (ROI).

Local Impact: The Sequim CTE career pipeline will generate \$11 to \$14 million of additional annual economic output, including over \$3.7 million of additional wages and substantial County and City sales tax receipts.

Annual Return on Investment Projections	Additional FTEs	Additional Wages	Economic Output
Community benefit - Low	90	\$3,731,957	\$11,910,662
Community benefit - High	110	\$4,566,245	\$14,664,405

The Business Plan examined what type of dollar-for-dollar return on investment these grants will create for the city and county. Based on current sales tax rates, **Sequim will receive over \$170,000 in sales tax receipt during the construction period.** The Business Plan also projects **\$65,000 to \$80,000 of additional Sequim annual sales tax receipts** due to increased economic output related to the 90 to 110 Sequim CTE Program graduates filling open jobs in the community.

Sequim School District CTE Sales Tax Revenue Analysis		
	Low Scenario	High Scenario
Annual Tax Receipts		
Economic Output from CTE Program	\$11,910,662	\$14,664,405
Sequim Tax Rate	1.14%	1.14%
Percent of work completed in Sequim City Limits	50.00%	50.00%
Additional Annual Sequim Tax Receipts	\$67,593	\$83,220
CTE Construction Period Tax Receipts		
Washington State Funding Request	\$15,000,000	\$15,000,000
Sequim Tax Rate	1.14%	1.14%
Percent of work completed in Sequim City Limits	100.00%	100.00%
Additional Annual Sequim Tax Receipts	\$170,250	\$170,250

If the City of Sequim provides the requested \$250,000 of match funding, the city will recoup the entire amount in sales tax revenues in as little as one year after the new CTE Center opens.

Conclusion

The City of Sequim is a critical partner in helping the Sequim School District move the new CTE Center from the drawing board to reality. The answers to the two questions are clear:

- 1) Local funding of school districts is generally considered good public policy because Washington State only guarantees funding for basic education and cities are an important partner in addressing funding disparities.
- 2) There is a strong public policy and economic case for the City of Sequim to provide funding to the Sequim School District for the new Career Technical Education Center – a project that will help local employers, local workers, the public, and the City of Sequim’s financial bottom line.