



Washington State School Directors' Association

Legislative Update

by Marie Sullivan, WSSDA Director of Governmental Relations

THURSDAY, MARCH 17, 2011

No gold at end of this rainbow

Speaking to the Revenue Forecast Council on Thursday at noon, state chief economist Dr. Arun Raha delivered the bad news that projected state revenues are down nearly \$700 million over the next two years. This widens the state's budget shortfall to \$5.1 billion.

Legislative budget writers had been expecting anywhere from a \$500 million to \$2 billion drop in revenues, so the news could have been worse. Last December, when Gov. Chris Gregoire announced her budget proposals, the shortfall was projected at \$4.6 billion.

Raha said that the political instability in the Middle East and Japan's natural disaster and energy crisis have contributed to the lack of economic recovery. "It is a fluid and fast-changing situation."

The budget gap is the difference between projected state revenues and what it would cost to fund state services at current levels, the new programs that were scheduled to start in the next biennium (like education reform), wage and benefit increases, and higher costs to keep up with inflation and population growth.

House Ways & Means Chair Ross Hunter, D-Medina, said they had gotten some unexpected good news last week when the caseload forecasts were released. While school enrollments are still expected to climb, health care costs were helped by federal health care reform efforts.

In addition to the \$698 million, another \$80 million in revenue shortfall is projected for the fiscal year that ends this June.

When lawmakers passed what could be considered the "third" supplemental budget, ESHB 1086, last month, they left about \$250 million on the table, with the expectation that the K-12 June 2011 apportionment would shift to July 2011. This budget trick would move the June payment into the next biennium, but exacerbates the fiscal challenge for the next two year spending cycle.

Most education advocates expect that funding for I-728 and I-732, which are part of the projected costs for the 2011-13 biennium, are gone. Also on the table are cuts to K-4 class size enhancements, local effort assistance (LEA), all-day kindergarten, highly capable students programs, and a variety of other existing programs that are part of "discretionary" expenditures.

Attendees at the September 2010 Legislative Assembly had heard from OFM budget director Marty Brown that they were bracing for the worst and K-12 would be cut. Education advocates have heard that K-12 programs sustained fewer spending cuts in the previous biennium, and that this year legislators wouldn't be able to spare most discretionary programs.

Policy changes adopted in 2009 through ESHB 2261, and the subsequent budget phase-in plan of SHB 2776, along with the ESSB 6696 education reforms, may be set aside while legislators struggle to fund basic education, public safety and preserve the safety net for vulnerable populations.

When asked by the news media whether the Legislature would wait until the June revenue forecast to finalize the budget, Council Chair and State Rep. Ed Orcutt, R-Kalama, scoffed and said it would probably cost more money to keep them in town than would be gained in the next forecast.

Council members were also asked if they would open up collective bargaining agreements with state employees. Senate Ways & Means Chair Ed Murray, D-Seattle, Hunter and Brown all said that it would be difficult and time-consuming, and wouldn't save enough money.

Sen. Joseph Zarelli, R-Ridgefield, challenged that perception, and said that the legislature could reject the agreements, pay the third year that carries the current agreement forward for union workers, and then do what it wanted in the second year of the biennium. "I think this gives us tremendous leverage," he said.

For K-12 education, proposals have floated around that would reduce the number of days and hours, limit the retire/rehire provisions, freeze step increases for employees, and consider furlough days. Everything is on the table, and things no one would have considered a couple of years ago are getting some play.

That said, while a broad coalition of interests is questioning all the tax exemptions and the extension of existing credit programs this session to claw back some revenues, it will be difficult to challenge some that are resulting in new jobs and are a boost to local economies.

For instance, in yesterday's Senate Ways & Means Committee, members heard testimony on extending a tax credit program for IT server farms and the benefits the incentive has had on landing businesses in towns such as Quincy. On the flip side, coalition advocates said this particular program could be beneficial, but the group wanted lawmakers to question all tax credits and exemptions and to justify their worth.

Not many are talking openly about revenue options, such as those put together at the end of the 2010 special session. Voters in November turned down the soda/water/candy tax increase and an income tax on higher wage earners, and voted to reinstate a two-thirds majority vote to pass revenue or tax increases by the Legislature.

House budget chair Hunter had hoped to have a budget ready for public review early next week. Pressed by the news media today, Hunter said he hoped to have something soon but was vague about when the release might be.

Responding to a question, Zarelli indicated he was working with Senate budget chair Murray, who had been expected to release his spending plan shortly after the House proposal. Following tradition, the House is supposed to release its budget first this biennium.

Lawmakers are working towards the 105-day deadline of April 24, but few are holding out hope they will be done on time. TVW carried [today's forecast announcement](#); the questions and answers are also worth listening to if you have the time. It runs a little under an hour.

Next week's schedule

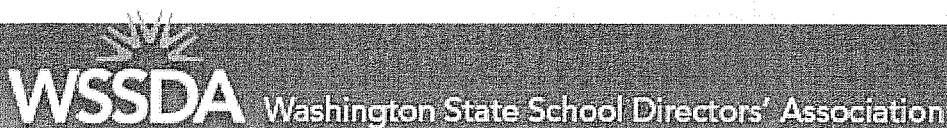
Remember to check next week's schedule tomorrow on the WSSDA web site for the latest in public hearings and executive action. Friday, March 25 marks the next major cutoff for bills to be passed from the policy committees.

WSSDA LEGISLATIVE REPORTS

WSSDA legislative reports are prepared by WSSDA's Governmental Relations staff team: [Marie Sullivan](#) (360.252.3010) and [Sheila Chard](#) (360.252.3011). We welcome your questions and comments. We also encourage school directors to keep in touch with their legislators on a regular basis. If you need contact information, visit the Legislature's [District Lookup Tool](#). WSSDA also provides a number of [links to key House and Senate committees](#).

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by Marie Sullivan, WSSDA Director of Governmental Relations

FRIDAY, MARCH 18, 2011

The week ahead, Senate releases substitute bill on education restructuring

Next week's hearing [schedule](#) is posted to the WSSDA web site, so please take a look at what's coming up that you might be following. However, be advised that it has changed and will continue to change, so your best bet is to check the [legislative web site](#).

Here's a quick glance:

Budgets

House Ways & Means Chair Ross Hunter, D-Medina, had planned to have a 2011-13 spending plan on the streets next week. The bleak revenue forecast March 17 blew a hole in that strategy.

At the media event following the Thursday revenue announcement, Hunter said he needed to get the votes to bring a bill forward, and it sounds like they might be back to the drawing board on some items.

Reading the tea leaves, the earliest we might see an operating budget is probably Thursday, March 24, with the budget committee working Friday and Saturday to bring it forward for a vote on the House floor. It is also probable a proposal won't be available until the following week. Stay tuned.

On the Senate side, the scuttle is that Ways & Means Chair Ed Murray, D-Seattle, had projected for the worst and may be in a position to either "buy back" a few things that are near and dear to members or may not have to make as deep of cuts as had been discussed.

Keep in mind, the Senate is trying for a bipartisan approach to budget writing, with Senator Joseph Zarelli, R-Ridgefield, participating with Hunter in the [TVW discussion](#) following the forecast. From most appearances, the House may be working more traditionally within the two caucuses on budget priorities.

On the capital budget, Rep. Hans Dunshee, D-Snohomish, cancelled a public hearing on his proposal, opting just for executive action March 24, 2011 at 1:30 p.m. [HB 1497](#) is Gov. Chris Gregoire's proposal, which was released in December. The substitute will replace that proposal.

Dunshee has also introduced [HB 2020](#), which is nearly a title-only bill. The entire bill's content reads: "The legislature intends to adopt legislation to finance capital projects."

This is Dunshee's way of saying that he intends on getting Republican votes for the bill that will allow the state to sell bonds to finance the construction projects. Without the bond bill, the capital budget won't fly.

School districts with projects in the pipeline should pay attention to this bill and may want to contact their legislators to encourage their support. With the two-thirds majority requirement applying to the bond bill this year, the magic number is 60 votes in favor.

Sen. Derek Kilmer, D-Gig Harbor, who serves as the lead on the Senate capital budget, has indicated that the school construction assistance account is a priority. Like the House, Kilmer will be looking for Republican votes

to help pass the bond bill in the Senate.

Necessary to implement the budget

A number of bills are either being moved next week or getting hearings that have been deemed “necessary to implement the budget.” These are policy bills that amend current statute, which in turn would allow the Legislature to make certain budget cuts or changes.

The House Ways & Means Committee has scheduled the bills that would suspend I-728 and I-732 for action on Wednesday.

Also on the agenda are a series of bills that make changes to retire/rehire, Plan 2 and Plan 3 provisions, and [HB 2021](#), which would suspend the small increase Plan 1 members get post-retirement. Budget writers say the change could reduce the pension obligations by \$4 billion, and represent significant savings in the upcoming biennium.

Education system restructuring

On Thursday, the Senate Early Learning & K-12 Education Committee will take up a [substitute to ESHB 1849](#). The striking amendment is similar to the governor’s original restructuring proposal and to [SSB 5639](#) that passed the committee last month and has been sitting in the Senate Ways & Means Committee.

The substitute would create a Department of Education with a department secretary appointed by the Governor. OSPI would be “housed” in the new education department, and would “retain the supervisory duties pertaining to public schools granted under the state Constitution.”

The substitute also would transfer responsibilities from the Department of Early Learning, the state schools for the blind and the deaf, and the Professional Educator Standards Board to the new department. Financial aid programs under the Higher Education Coordinating Board would be moved to the new department.

The State Board of Education, the Office of the Education Ombudsman, and the Quality Education Council are abolished, as are the early learning advisory council and the achievement gap oversight and accountability committee.

WSSDA also would be abolished, and would have its state agency status repealed by December 31, 2012.

However, a transition team appointed by the governor will review WSSDA and make a recommendation to the Legislature whether school directors’ needs are best served by a private or public organization.

A drafting error says the transition team’s recommendation on WSSDA will be made by July 1, 2012. Committee staff said the intent was to have the transition team make its findings by January 1, 2012, prior to the start of the 2012 session so that the Legislature can make a final call on whether or not WSSDA should remain a state agency.

Also under review is the Workforce Training and Education Coordinating Board, and whether its dropout and CTE roles should be transferred to the new education department.

WSSDA has not had an opportunity to review the [100-page document](#) thoroughly – it was released at 5:30 p.m. Friday night – but we will provide updates as more details emerge.

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