



# TWIO

## This Week In Olympia

December 12, 2011

### Special Edition: “Early Action” Budget Proposals Released

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TWIO is a publication of the Washington Association of School Administrators. TWIO keeps you informed about budget issues and legislation impacting K–12 education. Weekly TWIO releases will begin after the Legislature convenes on January 9, 2012.

Just prior to the beginning of the Second Special Session of the 2011 Legislature, on November 21, Governor Gregoire released her 2012 Supplemental Operating Budget proposal. Her proposal would have enacted spending cuts, reduced local government revenue sharing and made a series of budget transfers saving more than \$1.7 billion, while also setting aside approximately \$600 million in reserve to cushion the budget from future economic downturns. In an effort to prevent some of her proposed cuts, she also requested the Legislature allow the votes to decide whether to approve a temporary one-half cent sales tax increase in the state sales tax (from the current 6.5 percent to 7.0 percent). Gregoire urged the Legislature to quickly adopt a plan to balance the budget during the Special Session, allowing policymakers to focus on policy issues, including job creation, during the upcoming Regular Session.

When the Special Session convened on November 28, few observers were optimistic legislators would be able to adopt a full supplemental operating budget before they were forced to adjourn. Special Sessions of the Legislature are constitutionally limited to 30 days; however, it was never in doubt that the Legislature would adjourn sometime before Christmas. While legislative committees held numerous public hearings and/or work sessions, it was clear the amount of positive progress did not match the level of activity. Rumors quickly surfaced that even legislative leaders and budget-writers doubted if adopting a full budget before Christmas was viable.

During the second week of the session, budget-writers in the House began privately discussing the potential of adopting an “early action” budget, somewhere between \$300–\$500 million, and leaving the remainder of the problem for the Regular Session. Shortly after, Senate budget-writers entered into similar conversations. Late last week, budget-writers from all four caucuses met privately and agreed to negotiate a “skinny budget” comprised of some of the less controversial savings. Signaling a potential agreement, both the House and Senate Ways & Means Committees provided notice that proposed substitute versions of two “title only” bills, HB 2058 and SB 5883, would receive public hearings today in their respective committees. The bills are expected to be fast-tracked and it is anticipated a final budget package can be adopted, sent to the governor, and have the Special Session adjourn as early as Friday, December 16.

This morning, budget-writers in both houses unveiled identical budget proposals which would save \$479.7 million as a first-step to closing the current \$1.4 billion projected budget-shortfall. The plans would make approximately \$226 million in “policy level” changes, along with about \$97 million in required “maintenance level” changes. Additionally, fund transfers would provide over \$106 million (including almost \$83 million from recapturing funds unspent by state agencies last year) of budget “savings.” Another \$51 million would be raised by transferring unclaimed property to the state’s General Fund.

The big-ticket (and the most controversial) budget cuts were left for future deliberations and decisions. Those items left for later include drastic cuts to social and health programs,

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**Proposals Released**  
*continued*

like the Basic Health Plan, and the major potential cuts to K–12 education funding. Not included in today’s budget packages are the proposed cuts to and restructuring of Local Effort Assistance (LEA or levy equalization) or the proposed reduction of the school year. In total, policy level reductions to the K–12 education portion of the budget amount to just over \$54 million. A handful of required maintenance level changes bring the total reductions to almost \$75 million. Details of the K–12 portion of the budget are below.

The proposed major reductions to the K–12 budget have been avoided at this point; however, the Legislature has a long way to go to completely close the budget gap. K–12 education reductions will continue to be a part of their discussions. Perhaps more than ever, school administrators need to be alert and active in the legislative process. Engage with your legislators and members of your local community. Remind them of your schools’ needs. Remind them that K–12 education is not simply just an expense—public education is a wise and sound investment in our future.

### **K–12 Policy Level Reductions**

#### **SCHOOL BUS DEPRECIATION – (\$49.0 million)**

The state provides funding to school districts to replace school buses under a depreciation schedule set by OSPI. State allocations are deposited into the district’s Transportation Vehicle Fund to be used only to purchase new buses or for major bus repairs. Annual payments are made to districts the year a bus is purchased and continue until the bus reaches the end of its scheduled lifecycle. Current practice is to allocate payments in October. Beginning in School Year 2012–13, the annual bus depreciation payments are made in August instead of the previous October, providing a one-time savings in Fiscal Year 2013.

#### **ENROLLMENT REPORTING CHANGE – (\$1.3 million)**

School districts calculate full-time equivalent enrollments using nine student counts, September through May. Beginning with the 2011–12 school year, enrollment reporting is adjusted to include an additional count in June (or on the last full day of class in May). The enrollment reporting change is expected to result in: a decrease General Apportionment funding of \$6.3 million; a decrease in Learning Assistance Program funding of \$69,000; a decrease in Highly Capable Students funding of \$11,000; an increase in Special Education funding of \$4.8 million; and an increase in the Transitional Bilingual Instruction Program of \$337,000. The change is expected to result in a net decrease of \$1.3 million.

Note: the governor’s proposed change to the State’s attendance policy is not included. Her proposal would have excluded a student from a districts’ enrollment count if the student had accumulated over five days (rather than the current twenty days) of consecutive unexcused absences.

#### **EDUCATION JOBS FUNDING – (\$3.1 million)**

In September 2011, the US Department of Education allocated Washington State an additional \$3.1 million for the Education Jobs Federal Grant. The budget incorporates the additional funding as part of the General Apportionment payment to school districts for the 2011–12 school year.

#### **OSPI ADMINISTRATION – (\$600,000)**

The following units at OSPI perform administrative, rather than programmatic, functions: the Superintendent’s Office, Communications, Government Relations, Chief of Staff’s Office, Audit Unit, Human Resources, Agency Financial Services, Information Technology Administration, and Agency Support. The estimated total cost is \$4 million per fiscal year. Starting January 1, 2012, OSPI administrative funding is reduced by 10 percent.

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*continued*

### **K–12 Maintenance Level Changes**

Required Maintenance Level reductions (due to cost increases or decreases) total \$20.9 million. This includes three major required reductions:

#### **LOCAL EFFORT ASSISTANCE – (\$11.7 million)**

Maintenance Level allocations for LEA are adjusted for the 2011–13 Biennium based on projections for adjusted assessed value as provided by OSPI.

#### **TRANSITIONAL BILINGUAL INSTRUCTION PROGRAM – (\$10.2 million)**

The Maintenance Level budget reflects a decrease in the public school Transitional Bilingual Instructional Program caseload for the 2011–13 Biennium. Bilingual headcount is forecasted to be 5,966 students lower in the 2011–12 school year for a total enrollment of 88,704 students; and 6,388 students lower in the 2012–13 school year for a total enrollment of 93,541 students. The 2011–13 biennial budget assumption was 94,670 students for the 2011–12 school year and 99,929 students for the 2012–13 school year.

#### **SCHOOL BUS DEPRECIATION – (\$5.7 million)**

The Maintenance Level budget reflects adjustments to the bus depreciation payments due to lower than forecasted bus depreciation payments for the 2011–12 and 2012–13 school years. This is a result of lower interest rates and fewer bus purchases by school districts.



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