



# TWIO

## This Week In Olympia

February 21, 2012

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### Special Edition:

#### 2012 House Operating Budget Proposal Released

Since the Legislature adopted the 2011-13 Operating Budget in May of last year, the state's economy has faced a series of set-backs. Following three downward revisions in revenue projections, the state's \$723 million in reserve turned to a projected budget gap of \$1.4 billion (that is, the difference between estimated state revenues and anticipated state expenditures). Assuming between \$500-600 million being set aside in reserve to protect the state against future economic downturns, the projected budget shortfall had been pegged at approximately \$2.0 billion.

The magnitude of the budget shortfall prompted Governor Gregoire to call lawmakers back to Olympia for an "emergency" Special Session in late November to solve the budget problem. Her stated hope was that the Legislature would move quickly to adopt a revamped budget that erased the state's budget shortfall before Christmas. Legislators, however, ultimately opted for a partial down payment, adopting an "early action" budget that saved \$480 million (reducing the projected shortfall to \$1.5 billion), but deferred the majority of the difficult and controversial budget decisions until the 2012 session.

With still a long way to go to completely erase the budget gap, legislators chose to wait until the state's financial picture was more clear before making any decisions (or even really having any public discussions) about the budget. What they were waiting for was an update to the state's caseload forecast and an update to the state's revenue forecast. On February 10, the Caseload Forecast Council released a preliminary update of projected entitlement spending for the state. Due to a reduced demand for state services (mainly a drop in expected K-12 enrollment and lower than expected use of Medicaid services), required spending was estimated to be approximately \$200 million less than first predicted in November. Just a few days later, those estimates were recalculated with an even greater savings predicted. The Caseload Forecast Council now projects that state caseloads will be approximately \$330 million less than projected in November.

More good news followed on February 16, when the Economic & Revenue Forecast Council released its update of projected revenue for the remainder of the biennium. For the first time in 15 quarters (almost four years), the revenue forecast was positive. Estimated revenues for the biennium were adjusted upward by almost \$100 million. Although half of this increase was already assumed (or "booked") in legislative budget projections due to a change made in December's early action budget, there was still an increase in predicted revenues of almost \$50 million.

With no changes, the current 2011-13 budget is projected to be in the red by approximately \$855 million. Add to that an assumed "healthy" reserve (\$500 million) and deduct the anticipated savings in caseload costs (\$330 million) and an increase in projected state revenues

### About TWIO

*This Week in Olympia* is emailed to active WASA and AEA members each Friday during the Legislative Session and is posted on WASA's website at [www.wasa-oly.org/TWIO](http://www.wasa-oly.org/TWIO).

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(\$46 million) and the budget problem is approximately \$1.0 billion. Certainly no easy task; however, the urgency for a tax package has lifted. It is questionable now if there will be any concerted effort to advance a tax package. With the stage set, legislative budget proposals will now start to emerge.

This morning, House Ways & Means Committee Chair Ross Hunter (D-Medina), unveiled the House's proposed 2012 Supplemental Operating Budget. This is a Proposed Substitute to HB 2127, which is Governor Gregoire's budget request, released in November. Complete details of the proposal are available at the website of the Legislature's budget agency: the Legislative Evaluation & Accountability Program (LEAP) Committee. Details of the K–12 portion of the budget are below.

Quickly following the release of the budget package, PS HB 2127 received a public hearing in the House Ways & Means Committee. It is expected to be moved to executive action soon and will likely be adopted by the full House by week's end. The Senate is expected to release its response early next week. With less than three weeks left in this scheduled 60-day session, the pace will presumably be fast as legislators attempt to adopt a balanced 2012 Supplemental Operating Budget before Sine Die arrives on March 8.

**A few quick notes about the House proposal:**

- The budget includes \$882 million in net policy savings and leaves \$504 million in reserve. For K–12 education, approximately \$22 million is reduced from the maintenance level budget. Another \$405 million in K–12 "savings," however, comes from two major funding shifts. First, there is a delay in school districts' June 2013 general apportionment payments. The June 2013 payment will be shifted from the last business day in June to the first business day in July, reducing \$340 million from the current biennium (and increasing the same costs in the next budget). Second, a portion of Local Effort Assistance (LEA or levy equalization) payments are shifted. On a one-time basis, May and June 2013 payments are shifted to July 2013. This "saves" \$74.8 million in the current biennium.
- In addition to the one-time LEA funding shift described above, the House budget, beginning with the August 2013 LEA payment, assumes a reduction of the LEA equalization rate from the current 14 percent to 12 percent. Coupled with this, effective January 1, 2014, local school districts' levy lids would be reduced by four percent.
- The small high school factor would be reduced. High schools with less than 300 students would no longer receive funding for nine certificated instructional staff. The minimum staffing would be reduced by two—small high schools would receive funding for seven certificated instructional staff. This change would "save" \$11.5 million.
- In a bit of déjà vu, the House budget would provide \$250,000 to fund a Joint Task Force on Education Funding, to be staffed by the Washington State Institute for Public Policy. The Task Force would be created to help the Legislature meet the requirements of the *McCleary v. State* decision by recommending options for a permanent funding source. Additionally, the Task Force would be charged with: reviewing basic education funding; developing options for improving levy equalization and compensation grandfathering; examining early learning education investment; and examining higher education funding structures.
- No funding has been provided in this budget to implement revisions to the Teacher/Principal Evaluation Project, embodied in SB 5895.

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## **K–12 Reductions**

### **SMALL HIGH SCHOOL FUNDING – (\$11.5 million)**

High schools with fewer than 300 full-time equivalent students currently receive funding for nine certificated instructional staff. This budget proposal reduces minimum staffing by two certificated instructional staff, from nine certificated instructional staff to seven certificated instructional staff.

### **NATIONAL BOARD BONUSES – (\$8.3 million)**

The National Board Bonus program is a voluntary program that provides annual bonuses to teachers who have earned their National Board for Professional Teaching Standards certification in one or more subject areas. An additional Challenging School bonus is provided to Nationally Board certified teachers who teach in a school with a high enrollment of students eligible for the free and reduced-price lunch program. For the 2011–13 biennium, the annual bonus is \$5,090 and the challenging bonus is an additional \$5,000 per year. As of school year 2011–12, both bonuses are reduced to \$4,000. Bonuses are paid at the end of the school year with the result of the expenditure occurring in the subsequent fiscal year.

### **MATH/SCIENCE PROFESSIONAL DEVELOPMENT – (\$3.5 million)**

Regional mathematics and science coordinators in each ESD provide mathematics and science professional development in each of their respective ESDs. Math and science professional development is eliminated in school year 2012–13.

### **BEGINNING EDUCATOR SUPPORT TEAM – (\$1.0 million)**

The Beginning Educator Support Team (BEST) program provides early career educators with mentorship and support. Funding for this service is eliminated in Fiscal Year 2013.

### **PROFESSIONAL EDUCATOR STANDARDS BOARD – (\$355,000)**

The Professional Educator Standards Board (PESB) establishes policies and requirements for the preparation of education professionals and serves as an advisory body to OSPI. PESB administration and programs are reduced by 10 percent in Fiscal Year 2013.

### **STUDENT HEALTH & SAFETY – (\$254,000)**

The School Nurse Corps program, through the ESDs, provides nursing services to meet student health care needs. Registered nurses are dispatched to small schools to provide direct care for students, health education, and training and supervision for school staff. This program is reduced by 10 percent in Fiscal Year 2013.

### **IT ACADEMY – (\$200,000)**

The Information Technology (IT) Academy program is a public-private partnership providing free educational software and IT certification and software training opportunities for high school students and staff. This program is reduced by 10 percent in Fiscal Year 2013.

### **K–20 NETWORK – (\$122,000)**

K–20 Support Services in K–12 deliver technical support for K–12 schools on the K–20 Educational Network. State funding supports staffing for management and oversight at OSPI and the Regional Institutional Technical Units at all nine ESDs. This program is reduced by 10 percent in Fiscal Year 2013.

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**COLLEGE BOUND RECRUITING – (\$100,000)**

OSPI contracts for outreach services to inform students of College Bound Scholarships. The program is reduced by 10 percent in Fiscal Year 2013.

**REGIONAL TECHNOLOGY CENTERS – (\$98,000)**

Regional Education Technology Support Centers provide assistance directed at ESDs that, in turn, provide school districts with assistance in technology planning, network development, cost-benefit analysis, and professional development. This program is reduced by 10 percent in Fiscal Year 2013.

**READING CORPS – (\$95,000)**

The Reading Corps program provides grants to schools with low reading scores to increase student tutoring through the use of AmeriCorps and VISTA members. In Fiscal Year 2013, this program is reduced by 10 percent.

**STATE BOARD OF EDUCATION – (\$85,000)**

The Washington State Board of Education's administrative funding is reduced by 10 percent in Fiscal Year 2013.

**WASHINGTON STATE LEADERSHIP ACADEMY – (\$81,000)**

The Washington State Leadership Academy supports professional development and training for school administrators. The program is reduced by 10 percent in Fiscal Year 2013.

**ACHIEVERS SCHOLARS – (\$67,000)**

OSPI provides funding for the mentoring of Washington Achievers Scholars. This funding leverages private funding for the recruitment, training, and matching of volunteer mentors with students selected as Washington Achievers Scholars. The mentoring is provided to low-income high school students in their junior and senior years of high school and into their freshman year of college. The program is reduced by 10 percent in Fiscal Year 2013.

**PRINCIPAL & SUPERINTENDENT INTERNSHIPS – (\$48,000)**

Funding for internships for principals, superintendents, and program administrators completing certification programs is reduced by 10 percent in Fiscal Year 2013.

**LASER – (\$35,000)**

Washington State Leadership and Assistance for Science Education Reform (LASER) is a public/private partnership led by the Strategic Program Division of the Pacific Science Center and the Office of Science & Engineering Education, acting as a catalyst for sustainable innovation and improvement in K–12 science education. In Fiscal Year 2013, the LASER allocation is reduced by 10 percent.

**STEM LIGHTHOUSES – (\$14,000)**

The Science, Technology, Engineering, and Math (STEM) Lighthouses are three districts that demonstrate best practices in STEM subject areas and provide technical assistance to other districts. This program is reduced by 10 percent in Fiscal Year 2013.

**GRADUATES PROGRAM – (\$14,000)**

Jobs for America's Graduates (JAG) is a dropout prevention program at OSPI, started in Fiscal Year 2011. This program is reduced by 10 percent in Fiscal Year 2013.

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**STUDENT ACHIEVEMENT GAP – (\$5,000)**

State funding for the Education Opportunity Gap Oversight and Accountability Committee, which studies the achievement gap in underrepresented and underserved populations, is reduced by 10 percent in Fiscal Year 2013.

**K–12 Enhancements**

**WaKIDS - \$1.5 million**

Funding is provided to implement HB 2586. The bill changes the implementation schedule for administration of the Washington Kindergarten Inventory of Developing Skills (WaKIDS).

**COMMUNITY PARTNERSHIP SCHOOLS - \$1.5 million**

The budget provides \$1.5 million “solely the implementation of legislation relating to community partnership schools.” No such legislation has been introduced—yet. None of the budget materials released today (budget bill, agency detail, budget summary) describe community partnership schools and legislators have not been forthcoming with any information. It is unclear what this placeholder is intended to be used for at this point. Is this simply a euphemism for charter schools? It is possible this funding may be used to implement the governor’s proposed university laboratory program, but again that is unclear.

**OPEN EDUCATION RESOURCES - \$500,000**

Funding is provided to implement HB 2337, which requires that the Superintendent of Public Instruction to develop and adopt new and existing openly licensed courseware aligned with the Common Core State Standards.

**PROJECT LEAD THE WAY - \$250,000**

One-time funding is provided for 10 high schools to implement Project Lead the Way (PLTW) coursework in the 2012–13 school year. Funding will support course implementation costs, including training, curriculum, and materials, for the 10 participating high schools. As described in Governor Gregoire’s 2012 Supplement Operating Budget, PLTW is a multidisciplinary approach to teaching science, technology, engineering and math subjects.

**CAREER PATHWAYS - \$205,000**

Funding is provided to OSPI for the implementation of HB 2170, making several changes intended to increase information available to students who may wish to pursue career pathways other than into a baccalaureate institution. An additional \$205,000 is also provided in the Workforce Training and Education Coordinating Board to implement the bill.

**SKILLS CENTERS - \$150,000**

One-time funding is provided for aerospace and manufacturing course equipment and curriculum to two Skills Centers in the 2012–13 school year. The Skills Centers will provide: (1) local high schools access to laboratory space for manufacturing courses; (2) more specialized training; and (3) teachers in the region a central location to attend technical professional training in the instruction of courses leading to student employment certification in aerospace and manufacturing industries.

**STATE BOARD OF EDUCATION RULES - \$80,000**

Funding is provided to implement HB 2492, which requires a fiscal impact analysis for rule changes made by the State Board of Education. The bill’s Fiscal Note indicates one additional FTE will be required to meet the requirement.

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## **Additional Changes**

### **APPORTIONMENT DELAY – (\$330.0 million)**

The budget shifts \$340 million of the June 2013 apportionment payments to school districts from the last business day of June 2013 to the first business day of July 2013. This increases costs for Fiscal Year 2014, while reducing costs for Fiscal Year 2013. The budget also provides a \$10 million June financial contingency fund for districts that meet specific financial hardship criteria resulting from the apportionment shift. The 2013–15 biennial budget will assume repayment of this funding during Fiscal Year 2014.

### **LOCAL EFFORT ASSISTANCE DELAY – (\$74.8 million)**

Local Effort Assistance (LEA) payments are made on a schedule outlined in statute. On a one-time basis, the May and June 2013 payments, which equal 25 percent of the calendar year LEA, are shifted to July 2013. Additionally, the budget assumes that, beginning with the August LEA payment, the LEA equalization rate will change from 14 percent to 12 percent and be an ongoing adjustment. It is also assumed, effective January 1, 2014, school district levy lids will be reduced by 4 percentage points.

### **TRUANCY FUNDING – (\$8.7 million)**

Funding in the Administrative Office of the Courts is reduced to reflect elimination of the Becca/Truancy program, effective April 1, 2012.

### **RACE TO THE TOP - \$17.9 million**

Federal expenditure authority is provided to the Department of Early Learning for the Race to the Top Early Learning Challenge Grant that was awarded to the state in December 2011. The state was awarded a total of \$60 million under the grant. The grant will last for four years and primarily be used to implement and expand the Quality Rating and Improvement System (QRIS) that the Department piloted in the 2009–11 biennium. The grant will also be used to support the WaKIDS kindergarten assessment, professional development, and various system supports.

### **EDUCATION FUNDING STUDY - \$250,000**

Funding is provided to the governor's special appropriation fund to establish a Joint Task Force on Education Funding. The Joint Task Force would be staffed by the Washington State Institute for Public Policy and will review basic education funding, develop options for improving levy equalization and compensation grandfathering, examine early learning education investment, and examine higher education funding structures. The Task Force will consist of 16 members, including: 8 legislators; representatives from the governor's office, OSPI, the director of Early Learning, the executive director of the Higher Education Coordinating Board (or its successor agency); and three individuals to be appointed by the governor. The chair of the Task Force will also be appointed by the governor.

### **STUDENT TRANSITIONS - \$250,000**

Funding is provided for the Department of Social and Health Services to contract with school districts for instructional support of new students with developmental disabilities that are admitted to a Residential Habilitation Center (RHC). The Department will provide \$25,000 for each person under the age of 21 who—between July 1, 2011, and June 30, 2013—is newly admitted to the RHC and newly enrolled in the school district in which the RHC is located. The school district will use this funding to provide enhanced supports and to offset increased costs for children who may be experiencing distress while transitioning to a new school environment.

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## Pensions and Health Benefits

### Pensions

- No reduction to the state's pension contributions
- DRS funding of \$64,000 for the implementation of HB 2441 which deals with excess compensation. Excess in the bill is that which exceeds one and one-half times the employee's reportable compensation.

### Health Benefits

- The K–12 health benefit allocation stays at \$768
- The retiree remittance changes starting September 1, 2012 from \$67.91 to \$65.17.
- The retiree subsidy stays at \$150 per month.

