

TWIO

This Week In Olympia

February 28, 2012

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Special Edition: 2012 Senate Operating Budget Proposal Released

Last week, House budget-writers unveiled their 2012 Supplemental Operating Budget proposal. Their original plan balanced the budget with a combination of \$882 million in net policy savings and \$168 million in additional resources, while leaving \$504 million in reserve. For K-12 education, the original proposal included \$21.8 million in K-12 cuts—in addition to \$405 million in “savings” from a delay in school districts’ general apportionment payments (\$340 million) and a delay in school districts’ Local Effort Assistance (LEA or levy equalization) payments (\$74.8 million).

The House Ways & Means Committee adopted the budget (a substitute version of HB 2127) on Saturday. Prior to moving the plan, a comprehensive amendment, introduced by the Chair, was accepted by the Committee. The amendment increases General Fund spending by approximately \$56 million. Said another way, the level of overall cuts is reduced by approximately \$56 million, which lowers the amount proposed to be left in reserve to about \$454 million. Among other things, the amendment restores the proposed cut to Small High School staffing (\$11.5 million); however, it should be noted that the proposed Joint Task Force on Education Funding would now also be charged with reviewing small high school funding. The amendment also partially restores funding to the Administrative Office of the Courts to fund the Becca/Truancy program (\$7.4 million); and adds funding for a new Urban School Turnaround Initiative (\$3.0 million), providing targeted grants to reduce achievement gaps in three of the state’s lowest-performing schools.

This morning, Senate Ways & Means Committee Chair Ed Murray (D-Seattle) held a press conference to release the Senate’s proposed 2012 Supplemental Operating Budget. Because the full House has not yet adopted HB 2127, the Senate budget proposal unveiled today is a Proposed Substitute to SB 5967, 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. For a quick comparison between the Senate and House proposed K-12 budgets, see the chart on page 6.

After the budget package was released, PSHB 5967 was scheduled for a public hearing in the Senate Ways & Means Committee. It has not yet been scheduled for executive action. Once the Senate adopts its budget, budget-writers in the House and Senate can begin negotiating in earnest in an effort to craft an agreed upon final, compromise budget allowing legislators to adjourn this session. The last allowed day for the 2012 Regular Session is March 8. Every effort will be made to adopt a balanced budget and adjourn by March 8; however, questions are beginning to be raised about the possibility of an on-time adjournment.

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.

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A few quick notes about the Senate proposal:

- The Senate budget includes \$356 million in spending reductions; a reduction in distributions to local governments, saving \$71 million; \$31 million in additional resources; a transfer of \$71 million from solid waste tax revenues to the General Fund; and reversions of \$160 million in unspent agency funds. The proposal would leave \$369 million in reserve to cushion the budget from further economic downturns. There are NO reductions in the K–12 education portion of the budget, although \$340 million is saved by changing the time of general apportionment payments to school districts. Unlike the House plan, this apportionment shift would be made permanent under the Senate’s proposal. There is no shift in school districts’ LEA payments.
- The budget provides \$32.3 million to fund lower class sizes in grades K-3 in high-poverty schools. The revenues would come from a limitation in the Business & Occupation tax deduction for first mortgages and from modifying the current sales tax exemption for renewable energy equipment. Both changes require a two-thirds vote to be approved under the provisions of Initiative 1053.
- \$5.8 million is provided for SB 5895, implementing a revised Teacher/Principal Evaluation system. The House did not include this funding in its budget; however, because SB 5895 was a negotiated compromise bill with approval from all four caucuses (and the governor), it is highly likely the final budget will include this funding.

The Senate budget is a very positive—and somewhat surprising—package for K–12 education. It is clear, however, that this budget does not yet have the necessary 25 votes to be adopted by the full Senate. After suffering through almost \$4 billion in budget cuts over the last few years—and being prepared for significant and devastating cuts this session—the education community should be pleased this budget is on the table for discussion. Senators need to hear affirmative messages about this proposal from school administrators in order for it to remain viable.

K-12 Reductions

There are ZERO proposed K-12 reductions in the Senate budget proposal. Cuts made in the original 2011-13 Operating Budget and additional cuts made in December’s “early action” budget are not restored; however, this proposal includes no further education cuts.

K–12 Enhancements

K–3 CLASS SIZE REDUCTION - \$ 32.3 million

The Senate budget provides funding to lower class sizes in grades K–3 in high-poverty schools. Class sizes are reduced from the current 24.10 students per class to 22.53. The education reforms being phased in under HB 2261 (education finance reform, adopted in 2009) include enhanced state funding for specific K–12 programs. One of those programs is smaller class sizes for lower grades, starting with high-poverty schools. The baseline funding level for grades K–3 was 25.23 students per class; the target class size under the education reform plan, to be funded by school year 2017–18 is 17.00. The increased funding is provided to schools that have free and reduced-price lunch eligible student populations exceeding 50 percent.

Funding for this enhancement would be generated from two revenue changes: (1) limiting the current Business & Occupation tax deduction for first mortgage interest deduction to banks

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located in ten or fewer states; and (2) modifying the current sales tax exemption for renewable energy equipment by removing wind generating machinery and equipment. SB 5903 is the vehicle to accomplish this; however, it is currently a "title only" bill and has no text.

TEACHER/PRINCIPAL EVALUATION SYSTEM - \$5.8 million

Funding is provided to implement SB 5895, revising the statewide system of performance evaluation for teachers and principals. The agreed-upon compromise bill was adopted by the House Ways & Means Committee on Monday and awaits action by the full House.

SERVICES FOR AT-RISK STUDENTS - \$200,000

Funding is provided for the American Academy to provide social support and academic intervention to students who have been suspended or expelled, are pregnant or parenting teens, have dropped out of school, or are significantly at-risk of dropping out of school. Students are eligible to participate with the recommendation and approval of their resident school district.

FOSTER CARE OUTCOMES - \$128,000

Funding is provided to implement HB 2254, which directs OSPI to report on the implementation of the state's plan of cross-system collaboration to promote educational stability and improve education outcomes of foster youth. The first report is due December 1, 2012 and annually thereafter through 2015.

INTERPRETER-SERVICES STANDARDS - \$25,000

Funding is provided for the Professional Educator Standards Board (PESB) to develop educator interpreter standards and identify interpreter assessments that are available to school districts. The PESB will establish a performance standard, defining what constitutes a minimum assessment result, for each educational interpreter assessment identified and will publicize the standards and assessments for school district use.

Additional Changes

APPORTIONMENT DELAY – (\$330.0 million)

Like the House budget, the Senate proposal 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 House proposes this as a one-time delay; the Senate budget assumes this schedule change would be permanent, providing school districts with additional predictability.

Both budget plans also provide a \$10 million June financial contingency fund for districts that meet specific financial hardship criteria resulting from the apportionment shift. Under the Senate plan, however, districts meeting specific financial hardship criteria resulting from the school bus depreciation payment shift, as adopted in the December "early action" budget, would also be eligible for this assistance.

The Senate budget does not include the House's proposed delay in school districts' Local Effort Assistance payments.

TRUANCY FUNDING – (\$940,000)

Funding for the Becca/Truancy program in the Administrative Office of the Courts is reduced to reflect the elimination of the requirement that school districts file truancy petitions for truant students who are 17 years old, as provided in SB 6494.

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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.

CONSOLIDATED K–12 HEALTH BENEFITS - \$12.4 million

Funding is provided for the startup costs associated with the creation of the School Employees' Benefits Board (SEBB) program within the Health Care Authority pursuant to SB 6442. The SEBB will provide centralized purchasing of health benefits for public school employees throughout the state beginning January 1, 2014.

EDUCATION FUNDING STUDY - \$250,000

Funding is provided to the Office of Financial Management to establish a "Blue Ribbon" Committee on Education Funding. Funding is provided for a similar study in the House budget, however, the structure and tasks of the Senate's proposed study group are very different. The Senate's plan would establish a committee comprised of the governor, legislators, other elected officials and citizens to conduct a comprehensive analysis of the education finance and accountability system in Washington, including the state's financial needs and priorities; existing and potential levels of state and local revenues and expenditures; and school, educator, and student accountability with the goal of stable and adequate funding. The governor would chair the committee.

Among other things, the committee would be required to develop a preferred alternative and schedule for the full implementation of a K–12 finance system that meets the requirements of the *McCleary* decision, legislative policy goals, and provides greater transparency and accountability. They would be required to also consider other school finance issues such as levies, LEA, salary schedules, early learning and higher education. The Committee would be required to provide quarterly progress reports to the Legislature and report its final findings and recommendations by September 1, 2014.

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.

Pensions and Health Benefits

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All pension and health benefits items are identical to the House budget except for funds in the Senate budget for the startup of SB 6442. (See previous page.)

Pensions:

- No reductions to the state's pension contributions
- DRS funding of HB 2441, Excess Compensation (\$64,000)

Health Benefits:

- The K-12 health benefits 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

	Senate Proposal	House Proposal	Difference
<i>K-12 Education</i>			
K-12 National Board Bonus	0	-8,296	8,296
Math/Science Prof Development	0	-3,473	3,473
Other Savings	0	-1,573	1,573
Beginning Educator Support Team	0	-1,000	1,000
School For Blind & CCDHL	0	-693	693
Urban School Turnaround	0	3,000	-3,000
Other Increases	622	4,848	-4,226
Teacher Evaluation Systems	5,767	0	5,767
K-3 Class Size Reduction	32,300	0	32,300
K-12 Education Total	38,689	-7,187	45,876
<i>K-12 Payment Schedule Changes</i>			
Apportionment Delay	-330,000	-330,000	0
Levy Equalization Payment Shift	0	-74,841	74,841
K-12 Payment Schedule Changes Total	-330,000	-404,841	74,841