

## IN THIS ISSUE:

### Final 2017–19 Operating Budget Proposal

#### 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).

### Special Edition: Final 2017–19 Operating Budget Proposal

On Wednesday, with the end of the fiscal year rapidly approaching, budget negotiators announced they had reached an “agreement in principle” on a compromise 2017–19 Operating Budget. At that point, legislative staff began the long and difficult process of actually drafting a budget document that reflected the agreement between the Senate and House. Rank-and-file legislators were briefed on the proposed agreement yesterday morning, but budget documents were not available to the public. In fact, for several hours following the caucus briefings legislators remained close-lipped about any of the details of the final budget. Late in the day, we finally started to hear about some of the revenue pieces that were agreed upon, but the discussions were fairly broad and it was difficult to pin down exact revenue sources and revenue estimates. And budget documents were still unavailable to understand how the resources would be used.

Early this morning, an actual budget was finally presented as a Proposed Substitute of [SB 5883](#). Complete budget documents, including the bill, a budget summary and a complete agency detail are available on the Legislative Evaluation & Accountability Program (LEAP) Committee website. Note that both the [Senate](#) and [House](#) have posted budget documents. The agreed upon bill, SB 5883, is identical from both fiscal committees and the numbers provided by each house are consistent; however, the two houses describe individual details differently. Historically, these final documents have been jointly produced, but in recent years, as the Legislature has become even more divided and partisan, the two houses have put their own political spin on the agreed-upon numbers.

The new budget was moved to the Senate Ways & Means Committee this morning—not for a public hearing, just an executive session—and was quickly moved out and onto the Senate Floor. It is expected to be adopted fairly promptly, then transmitted to the House for its quick action. Then it will be sent to the governor's office for his action, sometime before the midnight, fiscal year deadline. Once action on the 2017–19 Operating Budget is completed and an Education Funding Plan is in place, do not assume this Third Special Session will adjourn. The 2017–19 Capital Budget continues to be stuck in a political chess game. Senate Republicans continue to hold the Capital Budget hostage, waiting for a fix to the *Hirst* decision (a recent Supreme Court water rights decision which negatively impacts property owners' ability to drill wells, mostly in rural, eastern Washington). For several weeks, Senate Republicans have publicly stated, “No *Hirst* fix—No Capital Budget.” Legislators from both houses continue to negotiate on *Hirst*; however, all indications are that those negotiations are rocky at best. Assuming a miracle resolution is not found, this session may continue into July in order to address *Hirst* and a final Capital Budget. There may be an alternative, however. Bills have been introduced

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in both the Senate and House to adopt a less-than-complete Capital Budget. [SB 5965](#) would provide \$335 million from the Common School Construction Account for school construction and provide re-appropriations of \$2.5 billion for projects funded in prior biennia appropriations. [HB 2240](#) would take a different approach and enact a bare-bones Capital Budget in order to “provide continuity for state-funded Capital Budget activities.” It would provide for 2015–17 appropriations for supplemental capital projects, 2017–2019 appropriations for previously authorized capital projects, and 2017–2019 appropriations for oversight and review of projects and facilities. At this point it is unclear which option will prevail: continuing negotiations into July; adopting the Senate’s re-appropriations and K–12 Capital Budget; or adopting the House’s bare-bones continuity Capital Budget plan.

The final, compromise 2017–19 Operating Budget, SB 5883, appropriates \$43.7 billion, an increase of approximately \$5.3 billion above the current 2015–17 budget. \$3.2 billion of this total increase is due to mandatory Maintenance Level spending (the cost of continuing current programs, plus inflation and additional caseloads); the remaining \$2.1 billion is for Policy Level changes. As we have discussed in previous *TWIOs*, revenues for 2017–19 are forecasted to increase by \$2.6 billion, leaving a \$2.7 billion hole. Unlike the federal government, Washington’s budget must be balanced (over four years), so the final budget also includes a \$2.07 billion revenue package (one of the major sticking points that forced this Legislature into three overtime sessions), along with a series of budget transfers. \$1.6 billion of the total new revenue comes from an increase in the State Property Tax. Under [HB 2242](#) (*McCleary* Solution), the State Property Tax will increase from the current \$1.88 per \$1,000 of Assessed Valuation to \$2.70 per \$1,000 of Assessed Valuation (an increase of \$0.82 per \$1,000). An increase of \$456.4 million comes from [HB 2163](#). HB 2163: implements Marketplace Fairness and requires remote/Internet sellers to collect and remit sales tax; repeals the current sales tax exemption on bottled water; repeals the current self-produced fuel exemption; and applies a B&O tax economic nexus standard to out-of-state retailers. In addition to these revenue increases, a third revenue bill, SB 5977, actually *reduces* revenue by \$15.7 million. The bill creates, modifies or extends thirteen current tax preferences.

The new two-year budget provides approximately \$23.91 billion to K–12 Education. This includes almost \$2.0 billion (\$1.99 billion) in mandatory Maintenance Level costs and an increase of \$1.8 billion in Policy Level changes. The lion’s share of the policy increases are to fund HB 2242, the Legislature’s proposed *McCleary* fix, as discussed in [yesterday’s TWIO](#). Due to the Legislature’s four-year balanced budget requirement, most of the budget discussion includes funding over a four-year period. The total projected four-year increase in K–12 spending due to HB 2242 is \$7.3 billion. Certainly positive—and legislators in all four caucuses are proud of themselves—however, it should be noted that \$7.3 billion is less than was proposed by the governor, and is less than originally proposed by both the Senate and House. Funny how a negotiated compromise ended with the state’s paramount duty getting *less* money than anyone had previously proposed.

Below is a summary of the K–12 budget details; however, before we delve into that, some additional information is available as you continue to review the new *McCleary* fix, HB 2242. All of these documents are available from [LEAP](#):

- [Per Pupil Funding Changes](#) (by district)
- [Total Funding](#) (by district)
- [New Tax Rates](#) (by district)
- [Staff Mix & Base Salaries](#) (for SY 2017–18 only)
- [Salary Allocations](#) (by district) (for SY 2017–18 only)
- [Regionalization Factors](#) (by district) (beginning SY 2018–19)

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### Major K–12 Policy Enhancements

#### Salary Allocations – \$1.1 billion

Funding is provided to support increased K–12 basic education salary allocations (as required by HB 2242) for all state-funded staff types (Certificated Instructional Staff, Certificated Administrative Staff, and Classified Staff). State salary allocations are increased and based on a statewide average for each staff type, adjusted for inflation and regionalization factors. The new allocations are phased in over two years beginning with the 2018–19 school year. The CIS salary allocation is increased to a minimum of \$64,000, the CAS salary allocation is increased to \$95,000, and the CLS salary allocation is increased to \$45,912. These allocations are adjusted for inflation from the 2017–18 school year, and increased for a regionalization factor, addressing differences in the cost to hire and retain staff throughout the state. Additionally, the Cost-of-Living Adjustment that was provided on a one-biennial basis during the 2015–16 and 2016–17 school years is restored for the 2017–18 school year.

#### Learning Assistance Program – \$222.5 million

Beginning with the 2017–18 school year, state funding for the Learning Assistance Program is increased to support a High Poverty-Based Learning Assistance Program to provide additional support for students in high poverty school buildings. Allocations are sufficient to support an additional 1.1 hours of instruction per week, assuming a class size of 15 students. The High Poverty-Based Learning Assistance Program funding allocations must be distributed to the school building that generates the funding and may not supplant the broader Learning Assistance Program funding.

#### Local Effort Assistance – \$165.3 million

Local Effort Assistance (LEA or “levy equalization) funding is provided to support implementation of SB 5023 (Levy Cliff Delay) which delayed revisions to the levy lid and LEA by one year from 2018 to 2019 as well as to implement increased allocations resulting from revisions to levies and LEA as a part of the *McCleary* solution, HB 2242. For school year 2017–18, the Per Pupil Inflation (PPI) is 5.85 percent. Beginning with Calendar Year 2019, the LEA is revised and based on equalizing school districts to a per pupil level of \$1,500, pursuant to HB 2242.

#### Class Size—CTE and Skills Centers – \$82.0 million

Funding is provided to support smaller class sizes in Career & Technical Education (CTE) and Skills Center programs, beginning in school year 2017–18. The CTE class size is reduced from 26.58 students to 23.0 students. The Skill Center program class size is reduced from 22.76 students to 20 students.

#### Transitional Bilingual Instructional Program – \$26.9 million

Beginning with the 2017–18 school year, funding is provided to increase instructional hours for middle and high school transitional bilingual students by two hours from 4.778 hours of instruction per week to 6.778 hours of instruction per week.

#### Highly Capable Program – \$26.6 million

Funding is provided to increase state-funded Highly Capable program enrollment from 3 percent of the most highly capable students in a district to 5 percent. School districts are required to prioritize equitable identification of low-income students in identifying the mostly highly capable students.

#### Special Education – \$22.7 million

Beginning with the 2017–18 school year, funding is provided to support an expansion of the state’s special education program, increasing maximum state-funded enrollment from 12.7 percent to 13.5 percent.

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### **Basic Education Implementation – \$11.0 million**

Funding is provided for OSPI to implement K–12 basic education funding revisions, including implementation of new reporting requirements and the staffing and reporting costs specified in HB 2242.

### **Mentoring – \$10.0 million**

Funding is provided to support expansion of the Beginning Educator Support Team program, providing mentoring for beginning teachers.

### **Low Achieving Schools – \$5.0 million**

Funding is provided to increase support for low-achieving schools through increased allocation for schools that are low achieving and schools that are in Required Action District status. The increased allocations are contingent on legislative approval of the Superintendent’s implementation plan for the expanded program.

### **Federal Forest Revenues – \$2.0 million**

The reduction in school district basic education allocations due to receipt of federal forest revenues is eliminated.

### **MSOC—CTE – \$1.9 million**

Funding for Materials, Supplies, and Operating Costs (MSOC) in Skills Center programs is increased to align with the allocations for Career & Technical Education MSOC. In school year 2017–18 the Skills Center program MSOC allocation is increased by \$163.14 to \$1,472.01 per full-time equivalent student. In school year 2018–19 the allocation is increased by \$165.75 to \$1,495.56 per full-time equivalent student.

### **Paraeducators – \$1.9 million**

Funding is provided to implement HB 1115, which creates a Paraeducator Board and requires the development of specialty certificates in special education and English language learners that paraeducators may obtain.

### **Foster Care Youth Services – \$1.4 million**

To improve graduation rates and post-secondary educational outcomes, contracted educational planning and coaching services are expanded, increasing support in the state foster care system by approximately 120 youth.

### **Children’s Mental Health – \$816,000**

Funding is provided to implement HB 1713. The bill implements the recommendations from the Children’s Mental Health Work Group. Included is a requirement that OSPI establish pilot projects in two ESDs to deliver and coordinate children’s mental health and substance use disorder services.

### **Dual Language – \$400,000**

Funding is provided to implement HB Bill 1445, which: creates grant programs to expand capacity for K–12 Dual Language programs; directs the Professional Educator Standards Board to administer and oversee the Bilingual Educator Initiative to prepare high school students to become future bilingual teachers and counselors; and directs the Department of Early Learning to work with community partners to support outreach and education for parents and families around the benefits of native language development and retention.

### **Truancy Reduction – \$364,000**

Funding is provided to implement HB 1170, which makes changes to the school and court processes regarding truancy. Funding is expected to be sufficient for staffing at OSPI to provide support to school districts.

### **Smaller Programs – \$2.1 million**

Funding is provided to support a series of smaller programs including AIM Community Grants, the First Robotics Program, and the IB Pipeline Program. Full details are available

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in the budget documents at LEAP. WASA's End of Session Report will also provide more comprehensive details of the Operating Budget.

### Major K-12 Reductions or "Savings"

#### Initiative 1351 – (\$1.9 billion)

As part of revisions to the basic education programs in HB 2242 (*McCleary* solution), the smaller class sizes and increased staffing allocations specified in Initiative 1351 are reestablished as enrichments beyond the state's program of basic education. If they are specifically funded in the future, they become part of the state's statutory program of basic education. OSPI is directed to convene a technical work group to review and prioritize the enrichments that are research or evidence-based strategies for reducing the opportunity gap, assisting struggling students, enhancing the educational outcomes for all students, or strengthening support for all schools and school district staff. The date by which the I-1351 values must be implemented is repealed.

#### High School Assessments – (\$12.7 million)

Savings are "booked" in the budget as a result of implementation of HB 2224, which reforms the current High School Assessment system, providing flexibility in High School graduation requirements.

#### Building Bridges Program – (\$1.3 million)

Funding for the Building Bridges dropout prevention and reengagement program is reduced.

#### Teacher Evaluation Training – (\$1.0 million)

Teachers are evaluated using the Teacher and Principal Evaluation Program. Grant funding has provided for teachers to attend training to learn about the new evaluation system during the implementation phase. Funding for this program is reduced beginning with FY 2019.

#### Management Reduction – (\$499,000)

Funding is reduced to reflect the elimination of 6.0 percent of management positions at state agencies, including OSPI.

#### WaKIDS – (\$394,000)

Funding for the Washington Kindergarten Inventory of Developing Skills (WaKIDS), a kindergarten readiness program, is adjusted to reflect savings related to updated estimates of the cost to administer the program.

#### McCleary Implementation Schedule – (\$324,595)

The payment schedule for K–12 public schools is revised as part of the implementation of the state's *McCleary* solution (HB 2242). The current apportionment schedule requires a payment of 20 percent of total state allocations for basic education in the months of July and August. Under the new apportionment schedule that begins September 1, 2018, 12.5 percent of the total state basic education allocation will be paid in July and 10 percent will be paid in August, resulting in savings to the state due to the difference in the state and school district fiscal calendars. There is no change to the total school year allocations as a result of this policy.

