

## Special Edition: Governor Inslee Releases 2018 Supplemental Budget Proposal

The 2017 Legislative Session, a record-long 193-day affair, was “long, partisan, opaque, and contentious” (See WASA’s [2017 End of Session Report](#)), but in the waning hours before the state would tumble over the June 30 fiscal cliff, the Legislature adopted (and the governor signed) a \$43.7 billion budget—an increase of \$5.3 billion above the 2015–17 budget—alongside the long-awaited, Court-required, *McCleary* Education Funding Plan ([EHB 2242](#)). A 2017–19 Transportation Budget was adopted earlier in the session; however, a full 2017–19 Capital Budget has yet to be adopted. (A “re-appropriations only” Capital Budget ([ESSB 5965](#)) was adopted by the Legislature and a complete two-year Capital Budget (SB 5981) has been negotiated and agreed upon, but has not been voted on by either the House or Senate. This is because of an on-going fight over Hirst, a 2016 Supreme Court decision regarding water rights. For more details, see WASA’s [2017 End of Session Report](#).)

Since the current two-year budget was adopted, the state’s [Economic & Revenue Forecast Council](#) has projected a revenue increase of almost \$2.4 billion above the June forecast. Understand, however, this projection includes approximately \$2.1 billion in additional revenue due to an increase in the State Property Tax and other legislative changes that result in additional revenue. This new revenue has already been appropriated (or is scheduled to be appropriated)—mostly to fund necessary increases in basic education. Beyond these legislative changes, projected revenues have increased moderately, by approximately \$304 million, above collections predicted in June.

While there is little additional revenue to play with, the 2018 Legislature must grapple with the Supreme Court’s [November 15 McCleary Order](#). In short, Justices said the State (that is, the Legislature) has “satisfied the Court’s mandate to fully fund the program of basic education” as established by ESHB 2261 (2009) and SHB 2776 (2010). Where the Legislature remains deficient, however, is the funding of basic education salaries. Justices stated they were “satisfied that the new salary model established by EHB 2242 provides for full State funding of basic education salaries sufficient to recruit and retain competent teachers, administrators, and staff,” but noted EHB 2242 and the budget fall short in fully funding salary increases by September 1, 2018, as Ordered by the Court. The Court continues to retain jurisdiction in the case and is maintaining the sanction of \$100,000 per day “with the expectation that the State will enact measures to achieve full compliance during the *regular* 2018 Legislative Session.” The emphasis on the “regular” session is the Court’s own emphasis, meaning the problem must be solved by March 8, 2018—the last day of the session. The problem to be addressed? An additional \$1 billion (approximately) for education salaries must be provided in 2017–19, via a 2018 Supplemental Budget, rather than remain as a plan for next biennium’s 2019–21 budget.

This morning, as required by law, Governor Jay Inslee released his [2018 Supplemental Operating Budget proposal](#), launching the first salvo in next session’s budget debate. His proposal includes a net spending increase of \$961 million to the current 2017–19 budget. Inslee stated his budget request included a modest, albeit necessary, increase in expenditures, and he believes projected increases in state revenue would cover most of the new spending.

## 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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That said, some of the new spending would be funded by using available revenues in the state's Ending Fund Balance. Siphoning one-time budget reserves for ongoing expenditures leaves the state vulnerable to an economic downturn and there is a concern that the state will need a healthy reserve to help fund expected increases in costs in the next biennium. Understanding this, Inslee has also proposed the implementation of a new carbon pollution tax to provide a temporary infusion of new revenue.

For K–12 education, Inslee requests a net increase of \$173.3 million. This is a net increase of \$207.8 million in policy changes and a net reduction of \$34.5 million in required Maintenance Level adjustments. Included is a budget shift to provide an additional \$950 million in the 2018–19 school year to increase staff salaries by September 1, 2018, to comply with the Supreme Court's *McCleary* decision and its November 15 Order. Because the School Year (September 1 to August 31) does not align with the state Fiscal Year (July 1 to June 30), the proposal would revise the current apportionment schedule. Currently, apportionment payments to school districts provide 20 percent of the school year funding in July and August (\$190 million) and 80 percent of apportionment payments provided during the remainder of the year (\$760 million). Inslee's proposal would adjust funding in Fiscal Year 2019 to permanently change the current allocation schedule, making 25 percent of the payments in July and August. This shift allows a reduction in apportionment in FY 2019 of \$604 million and provides for an increase in salary allocations of \$761 million. An additional \$157 million is budgeted in FY 2019 to ensure salary allocations are increased by \$950 million, prior to the Court's deadline of September 1, 2018. Said more simply, a budget shift provides \$950 million to comply with the Court's Order, but only costs the state \$157 million in this budget.

It is important to note that because Inslee's budget would provide "full funding" for the state's new salary allocation model in the 2018–19 school year (rather than EHB 2242's required 50 percent), Inslee also proposes to shift EHB 2242's requirements for implementation of minimum/maximum salaries and other implementation dates from the 2019–20 school year to the 2018–19 school year. This would essentially eliminate the 2018–19 "transition" year and eliminate EHB 2242's salary limits in 2018–19 (the bill, Sections 701, 702, and 703 prohibits salary increases in 2018–19 beyond the Seattle/Tacoma/Bremerton CPI).

It should also be noted that Governor Inslee and his policy staff have heard educators' concerns about EHB 2242 and understand there are a series of "technical" fixes that may be necessary. Other than the adjustments in salary allocations described above, however, Inslee has no intention of introducing request legislation to make any technical changes to the bill. He has left that task to OSPI, and it is our understanding that Superintendent Reykdal is drafting request legislation that would implement a number of technical corrections to EHB 2242. That legislation should be available in the coming weeks, and we will keep you apprised.

Even though Governor Inslee intends to sit on the sidelines while the state's new education finance system is put into place, WASA, along with our colleagues in the Local Funding Work Group, will be advocating for a number of necessary fixes to EHB 2242. It is our hope that our efforts will coincide with OSPI's efforts. [WASA's 2018 Legislative Platform](#) and the [Local Funding Work Group's 2018 Priorities](#) are available on the WASA website.

Following below are additional details of the K–12 Education section of Governor Inslee's 2018 Supplemental Operating Budget request.

## **K–12 Education Enhancements**

### **Salary Allocations – \$950 million**

As discussed above, Governor Inslee proposes to shift school district apportionment payments, increasing the July and August payments. This reduces state costs in Fiscal Year 2019 by approximately \$600 million. Additional apportionment funding (approximately \$750 million), along with an additional budget expenditure (approximately \$160 million) is then

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provided to reach full funding of state basic education salary allocations in 2018–19 school year (and, therefore, by the Supreme Court’s September 1, 2018, deadline). The net result is an increase of \$950 million in SY 2018–19 for educator salaries.

**High School and Beyond Support – \$17.5 million**

Beginning with the 2017–18 school year, students must create High School and Beyond plans beginning in the 7th or 8th grade. Funding is provided to support quality implementation of this work by allocating additional guidance counselors to middle schools and increasing resources and professional development.

**Science Standards Professional Learning – \$6.0 million**

Funding is provided for grants to school districts and ESDs to support professional learning in the Next Generation Science Standards. Professional learning is funded for teachers in one grade level in each elementary, middle, and high school and will include training on climate change literacy.

**Retiree Remittance – \$5.3 million**

Funding is provided to increase remittance rates for retiree benefits \$64.39 to \$69.57 per month for the 2018–19 school year.

**OSPI IT Upgrades – \$3.9 million**

Funding is provided (\$1.8 million) to upgrade OSPI’s statewide grant management system to align with the Washington Every Student Succeeds Act (ESSA) Consolidated Plan, allowing districts more flexibility to meet student needs by combining federal, state, and local dollars. Additional funding (\$1.5 million) is provided to migrate the OSPI data center to the State Data Center (SDC) in compliance with the Office of Chief Information Officer policy that all agencies locate servers at the SDC by June 30, 2019. Another \$565,000 is provided to upgrade OSPI’s existing public website functionality to remove accessibility issues for persons with a disability, as recommended by the Office of Civil Rights of the US Department of Education. Net funding for these OSPI upgrades is \$3.9 million.

**Special Education Safety Net – \$1.3 million**

OSPI is directed to work with the Office of Financial Management and the Legislature to expand the special education safety net program by lowering the safety net threshold beginning with the 2018–19 school year. Funding provides for ten additional staff for the Special Education program, primarily to support the expansion of the safety net program. These staff will support the work of the Safety Net Committee, provide training and support to districts applying for safety net awards, and support compliance with the federal Every Student Succeeds Act. Increased funding (estimated to be \$20 million per school year) for safety net payments begins in Fiscal Year 2020, because safety net funds are disbursed in August, the last month of the school year.

It should be noted that, even though OSPI and most of the education community (including WASA), have been advocating for an increase in the per-student funding for special education students, by way of an increase in the excess cost multiplier, Inslee does not agree with this approach.

**Bilingual Educator Outreach – \$1.0 million**

The Bilingual Educator Initiative, established in RCW 28A.180.120, is subject to funding. Funding is provided in Inslee’s budget to allow the Public Educator Standards Board to partner with two- and four-year colleges to plan and administer a pilot program to recruit, prepare, and mentor bilingual high school students interested in becoming teachers or school counselors. Pilot projects will be implemented in one or two districts on each side of the state and support students from middle school through college on their paths to become educators.

**Strategic Science Investment – \$500,000**

Funding is provided to strategically address statewide climate and environmental sustainability literacy in all grades. Activities will include: (1) development of statewide professional learning

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in climate and environmental sustainability aligned with the educational learning and academic requirements; (2) building of frameworks for earth- and climate-focused science lessons and activities that can translate between classroom-based and outdoor learning environments; (3) creation of short formative classroom-based assessment tasks for each of the elementary grade levels; and (4) expansion of the science fellows network.

**Higher Education Readiness Outreach – \$290,000**

The Higher Education Readiness Outreach program supports low-income students through the transition from 8th grade into high school using advising, academic and attendance monitoring, and leadership development. Funding supports the expansion of the program into two high schools in Spokane.

**Equity in Student Discipline – \$236,000**

Funding is provided for additional staff at OSPI to develop and implement a targeted technical assistance and monitoring process to address concerns about equity in student discipline around the state. Students of color and students with disabilities are disproportionately impacted by the use of suspensions and expulsions. Additional program staff will provide districts the support they need to implement evidence-based practices to eliminate these disparities and maintain a safe, positive school climate.

**National History Day – \$200,000**

National History Day challenges students to conduct historical research using primary and secondary sources while exploring multiple perspectives and interpretations of American history. Declining sponsorship has caused participation fees to increase, creating an opportunity gap. Funding provides a statewide outreach campaign and program access for all students, including those whose families or districts cannot afford the participation fees.

**Career-Connected Learning – \$156,000**

Funding is provided for staff at the State Board for Community and Technical Colleges, Workforce Training Board, Employment Security Department, Department of Labor and Industries, and OSPI to assist the Office of the Governor in developing a strategic plan for youth apprenticeship and career-connected learning. The agencies will engage with business and education stakeholders to inventory existing state and local systems and programs, analyze barriers, and propose policies that support statewide implementation of registered youth apprenticeships.

**Career & Technical Education – \$150,000**

Funding is provided for staff at five separately governed state agencies to assist the Office of the Governor along with business, academia, and philanthropy in developing a strategic plan for youth apprenticeship and career-connected learning. OSPI, the State Board for Community and Technical Colleges, the Workforce Training Board, the Department of Labor and Industries, and Employment Security Department will inventory the existing state and local systems and programs, analyze barriers, and propose policies that support statewide implementation of registered apprenticeships. (General Fund-State)

**College Bound Outreach – \$100,000**

The Washington College Bound program provides support and guidance for low-income students as they progress through high school and into the College Bound scholarship. Funding supports one regional officer at a nonprofit focused on College Bound student success to serve the coast and peninsula regions where a low percentage of eligible students stay on track and complete the steps to receive the scholarship.

**K–8 Redesign Study – \$100,000**

Research shows that providing underserved students with more opportunities to access student supports can help close the achievement gap. Funding is provided for a study on the impact on student success of lengthening the school day and/or year in grades K–8 to make time for additional academic and nonacademic supports.

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**Suicide Prevention Training – \$65,000**

Funding is provided for evidence-based training and relevant referral resources to help identify struggling students and direct these students to appropriate care. All school staff will have access to online suicide prevention training and students will have access to a text-based crisis hotline.

**Central Services – \$155,000**

Agency budgets (including OSPI's) are adjusted to reflect each agency's anticipated share of legal service charges (\$5,000) and charges for administrative hearings (\$13,000).

All agency budgets (including OSPI's) are adjusted to reflect each agency's allocated share of charges from:

- The Consolidated Technology Services Agency for the Office of the Chief Information Officer, Office of Cyber Security, state network, enterprise systems, security gateways, and geospatial imaging services (\$27,000);
- The Department of Enterprise Services (DES) for campus rent, utilities, parking and contracts; a capital project surcharge; financing cost recovery; public and historic facilities; real estate services; risk management services; small agency financial and human resource services; personnel service rates; the Perry Street child care center; and the Department's enterprise applications (\$70,000);
- The Office of Financial Management for the One Washington project (\$25,000).

Rates for wireless, virtual private network, and server infrastructure services are increased effective January 1, 2018, to align revenues with WaTech's cost of providing services. Monthly rates per device or service will increase for wireless to \$50, Centrex services to \$45 and virtual private network to \$285 per tunnel per month with a \$500 setup fee. Funding is provided to cover the adjustment in fees for service (\$15,000).

