

### Special Edition:

#### Governor Releases 2012 Supplemental Budget

In May, the Legislature solved a \$5.1 billion budget problem by adopting a 2011–13 Operating Budget with program cuts across state government totaling \$4.6 billion (including \$1.8 billion in K–12 reductions), making a series of budget transfers (totaling \$458.6 million) and providing for a small amount of revenue enhancements (a net of \$34.1 million). The final budget also included a \$723 million cushion in state's Ending Fund Balance, to protect the budget from future economic downturns. Following three consecutive negative revenue forecasts (a \$560 million revenue downturn in June; a \$1.4 billion downturn in September; and a \$122 million downturn in November), the state faces a \$1.4 billion projected revenue shortfall in the current biennium (ending June 30, 2013)

On October 27, Governor Gregoire released her “2012 budget blueprint” comprised of a series of budget reduction alternatives to rebalance the state budget. Her package includes drastic cuts across all areas of state government, totaling over **\$4.2 billion**. Gregoire then narrowed those alternatives to a preliminary list of preferred choices totaling just over \$2 billion, including a **\$365 million reduction to K–12**. This shorter list of reductions were a starting point for budget conversations and were used to craft Gregoire's full 2012 Supplemental Operating Budget, which was released today.

Governor Gregoire's official [2012 Supplemental Operating Budget proposal](#) would enact more than \$1.7 billion in spending cuts, reduce local government revenue sharing, make a series of budget transfers and leave approximately \$600 million in reserve. K–12 Education would receive a \$370 million reduction. Additionally, Gregoire proposes a shift in June 2013 apportion payments from the last business day in June 2013 to the first business day of July 2013, which would “save” another \$340 million in the current biennium. Details of the [K–12 portion of the budget](#) are below.

Recognizing that her proposed cuts would do serious damage to the state's safety net and jeopardize our students' future, the governor recommends a number of [revenue enhancements](#) to prevent cuts to critical services. First, she requests the Legislature allow the voters to decide whether to approve a temporary one-half cent sales tax increase (from the current 6.5 percent state base sales tax to 7.0 percent). If approved, the increase would raise \$494 million through June 30, 2013 and expire July 1, 2015. Gregoire would direct that additional funding to three specific areas: education investments (including the prevention of her proposed reduction of school days and her proposed reduction of Local Effort Assistance); public safety; and developmental disability and long-term care services. Second, Gregoire asks the Legislature to consider a series of revenue alternatives worth nearly \$341 million to prevent a number of her proposed cuts. \$59 million of her revenue alternatives could be adopted by a simple majority of the Legislature, while another \$282 million of alternatives would require a two-thirds vote.

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## Special Edition: Special Session Update

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Now, the game is afoot. When the Legislature convenes in Special Session, beginning at noon on November 28, there will be discussions about an unknown number of budget solutions and revenue proposals. While Governor Gregoire's 2012 Supplemental Operating Budget request, along with her suggestions for revenue, surely will not be adopted without potentially major changes, at least legislators will have a platform to begin their conversations. Educators and other advocates also now have a clearer picture of what is at stake and a better idea about the potential alternatives. Perhaps more than ever, school administrators need to be informed and active in the legislative process. It is unclear if the Legislature will be able to adopt a 2012 Supplemental Operating Budget before the Special Session adjourns (as has been requested by the governor); however, it is clear the conversations and decisions during the Special Session will lay the foundation for whatever actions occur during the 2012 Regular Session, beginning January 9, 2012. The time to impact your legislators is NOW.

### Major K–12 Reductions

#### LOCAL EFFORT ASSISTANCE – (\$173.6 million)

Local Effort Assistance (LEA or levy equalization) provides extra support to school districts with higher-than-average property tax rates as a result of lower adjusted assessed property values. For Fiscal Year 2013, total statewide allocations for levy equalization are reduced by 50 percent (\$151.9 million). Two policies implement this reduction. First, starting with Calendar Year 2013, [the levy equalization program is restructured](#) to assign districts now qualifying for levy equalization into four tiers, with the most property-poor districts receiving the smallest reduction in state funds. No levy equalization funding is provided to districts closest to the statewide property tax average. Second, a one-time adjustment is made to the following monthly distributions for Calendar Year 2013: April is 10 percent rather than 30 percent; May is 0 percent rather than 23 percent; June is 0 percent rather than 2 percent; and July is 45 percent rather than 0 percent.

Additionally, maintenance level allocations for LEA are adjusted for the 2011–13 Biennium based on projections for adjusted assessed value as provided by OSPI (\$11.7 million).

#### SCHOOL YEAR REDUCTION – (\$99.2 million)

State funding for school operations is reduced from a 180 day school year to 176 days. This reduction results in a temporary layoff of school employees, which reduces annual salaries by an equivalent of 2.2 percent, beginning in the 2012–13 school year. Additionally, allocations to districts for transportation costs, materials, supplies, and operating costs are reduced by a proportional amount.

NOTE: The Governor chose to recommend this change rather than the proposal to increase class sizes in grades 4–12 as was contained in her October 27 budget blueprint.

#### SCHOOL BUS DEPRECIATION – (\$54.7 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 (\$49.0 million) in Fiscal Year 2013.

Additionally, 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 (a reduction of \$5.7 million). This is a result of lower interest rates and fewer bus purchases by school districts.

## Special Edition: Special Session Update

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### **SMALL GRANTS/PROJECTS – (\$8.8 million)**

Several grants and projects administered through OSPI are terminated: Promoting Actual Student Success (PASS), Readiness to Learn, Beginning Educator Support Team (BEST), principal and superintendent internships, career and technical education start-up grants, STEM Lighthouses and nonviolence training. Additional programs are cut by 20 percent: Building Bridges, Jobs for America's Graduates (JAG), LASER, Washington Reading Corps, Washington State Leadership Academy, College Readiness, Achievers Scholars and IT Academy.

### **NATIONAL BOARD BONUSES – (\$8.6 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, of 25 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. Currently, there are 5,800 teachers certified by the National Board for Professional Teaching Standards.

### **STATE ATTENDANCE POLICY – (\$6.5 million)**

School districts calculate full-time equivalent enrollments using nine student counts, September through May. Additionally, a student is excluded from a district's enrollment only if s/he has accumulated over twenty days of consecutive unexcused absences (or officially withdrawn from the district). Effective with the 2012–13 school year, enrollment reporting is adjusted to: 1) include an additional June count (or the last full day of class in May); and 2) exclude a student from the enrollment count if s/he has accumulated over five days of consecutive unexcused absences.

### **SMALL HIGH SCHOOL STAFFING – (\$4.4 million)**

Small high schools with fewer than 300 full time students receive funding for nine certificated instructional staff. This funding is reduced to provide for a minimum of eight instructors.

### **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.

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

The Professional Educator Standards Board (PESB) operating budget is reduced by an additional 3 percent for the 2011–13 Biennium. The PESB also administers alternative certification routes, which are teacher-training programs that serve as different options to traditional teacher preparation programs. The 2011–13 biennial budget reduced funding to reflect changes in demand for new teachers due to the current labor market. The alternative routes program is further reduced by 22 percent for the 2011–13 Biennium.

### **STATE BOARD OF EDUCATION – (\$128,000)**

Starting January 1, 2012, the State Board of Education's operating budget is reduced by 10 percent in both the OSPI State Office and also the Education Reform Program for administering 28A.657 RCW.

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### Major K–12 Enhancements

#### **FINANCIAL CONTINGENCY FUND – \$10.0 million**

Recognizing a potential for hardship on some districts due to the June 2013 general apportionment delay, a contingency fund is established for districts that meet certain financial hardship criteria during the 2012–13 school year. School district “loans” would have to be repaid in the following year.

#### **AEROSPACE COMPETITIVENESS – \$700,000**

Taking advantage of a high school student’s Launch Year, or final year, grants would be made to 12 high schools and two skills centers for an aerospace assembler program and manufacturing support (\$450,000). Students who complete the curriculum will be ready for entry-level aerospace jobs. Additionally, start-up support is provided for the creation of an advanced Project Lead the Way course in 10 high schools (\$250,000). Project Lead the Way is a national program with a multi-disciplinary, hands-on, problem solving approach to learning.

### Additional Changes

#### **APPORTIONMENT DELAY – (\$340 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 and reduces costs for Fiscal Year 2013. The extra day moves the apportionment payment to the next biennium, which will not change total state payments to school districts for the 2012–13 school year.

#### **SCHOOL-BASED MEDICAID - \$605,000**

The Health Care Authority budget eliminates the school-based Medicaid state match (“saving” \$3.6 million in the Health Care Authority portion of the budget). This shifts all state costs for school-based medical services, such as speech and occupational therapy, to local district funds to earn federal Medicaid reimbursement. Local school districts will be required to provide the matching funds needed for Medicaid reimbursement through inter-governmental transfers. This change will increase some districts’ special education costs and qualify those districts for additional safety net funding, which in turn increases the state’s safety net costs for Fiscal Year 2013.

## Pensions and Health Benefits

By John Kvamme

### Governor's November 21, 2012 Supplemental Budget

## Special Edition: Special Session Update

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#### Health Benefits

- The health benefit allocation has been reduced from \$768 per month to \$745 per month for the 2012-13 school year.
- The retiree remittance is reduced from \$67.91 to \$65.17 beginning September 1, 2012
- The consolidated K-12 health benefit system proviso within the Health Care Authority (HCA) budget section has not changed. The HCA is to make a report to the legislature by December 15, 2011.

#### Pensions

- Section 910, which is a new section, shows new contribution rates for the employer beginning on February 1, 2012 and then again on July 1, 2012. Rates include the DRS expense charge of 0.16%. They are:

Plan	February 1, 2012	July 1, 2012
PERS	7.08%	7.21%
SERS	7.58%	7.59%
TRS	8.04%	8.05%