

February 22, 2022

## Special Edition: Senate & House Release 2022 Supplemental Budget Proposals



### About TWIO

*This Week in Olympia (TWIO)* is published by WASA in support of our members and members of our partners in WASBO, WSPA, and AEA.

TWIO is emailed each Friday during the Legislative Session and archived on WASA's website at <https://wasa-oly.org/WASA/TWIO>.



On Wednesday, February 16, the [Economic & Revenue Forecast Council](#) released its first quarterly [Revenue Update](#). The February forecast is the forecast which legislative budget-writers use to finalize supplemental budget proposals—and this usually triggers the release of initial legislative budget proposals. Last week's Revenue Forecast brought significant good news—on top of consistent positive revenue updates since the June 2020 pandemic-impacted forecast projected an \$8.8 billion shortfall over a three-year period of time (the remainder of the 2019–21 biennium and into the 2021–23 biennium). This recent update provided a projected increase of almost \$1.5 billion for the remainder of the 2021–23 biennium (ending June 30, 2023)—along with another \$1.3 billion for the 2023–25 biennium (for a total increase of \$2.8 billion over the next three years).

While the updated revenue numbers are significant, you have a greater appreciation for the state's bounty when you consider that, prior to last Wednesday, the state was looking at a \$6.7 billion budget surplus—not including a projected \$1.2 billion in the Budget Stabilization Account (BSA), another \$1.0 billion in the Washington Rescue Transition Account (established last year as an extra cushion to protect the budget), or the \$1.3 billion remaining in federal funds from the Coronavirus Fiscal Recovery Fund. Including all of the available revenue, along with the forecast increase (\$1.5 billion), the projected surplus swells to well-over \$11.0 billion.

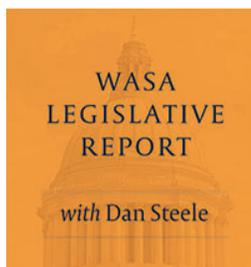
There should be no doubt that the Legislature has entered into its “budget phase,” with multiple budget proposals on the table. Beginning almost two weeks ago (February 9), a joint Senate and House Transportation Revenue and Spending package ([SB 5974/ HB 2119](#)—concerning resources; and [SB 5975/HB 2118](#)—concerning appropriations) was released. (Details of the Transportation package were discussed in the [Week 5 edition of TWIO](#).) Following movement on all four Transportation bills, both the Senate and House also introduced proposals to address a 2022 Supplemental Transportation Budget ([Proposed Substitute SB 5689](#) and [Proposed Substitute HB 1786](#)); both proposals were heard yesterday in their respective Transportation Committees.

On February 16, the Senate unveiled its 2022 Supplemental Capital Budget, a [Proposed Substitute SB 5651](#). The Senate Ways & Means Committee quickly held a public hearing on its proposal and adopted the proposal yesterday. (Details of the Senate's Capital proposal were discussed in the [Week 6 edition of TWIO](#).) Yesterday, the House released its 2022 Supplemental Capital Budget, a [Proposed Substitute HB 1781](#). The House Capital Budget Committee is scheduled to hear the proposal later today and is planning on adopting the proposal on Thursday, February 24. We will discuss the House's Capital plan in a later edition of TWIO.

***This Week in Olympia:***  
**Special Edition: Senate &**  
**House Release Proposals**

*Continued*

**WASA Legislative Report Podcast**



*The Podcast will be available on a regular basis on the [WASA website](#), or [subscribe to the Report](#) via multiple podcast apps.*

Finally, yesterday the Senate and House released their competing 2022 Supplemental Operating Budget proposals: a [Proposed Substitute SB 5693](#) and a [Proposed Substitute HB 1816](#), respectively. PSSB 5693 was heard last night in the Senate Ways & Means Committee; the Committee is scheduled to adopt the proposal tomorrow. PSHB 1816 was also heard last night, in the House Appropriations Committee, and they plan on moving their proposal out of Committee tomorrow as well.

In terms of process, each budget proposal is introduced as a Proposed Substitute (a “striking amendment” that completely replaces original language) to the bills used to introduce Governor Inslee’s budget proposals. (The exception are the four bills that comprise the 16-year Transportation Revenue and Spending package, which were newly introduced.) Like all legislation, each of the three Supplemental Budgets must pass both houses in the exact same form, so after each budget passes both houses, they will go through a reconciliation process prior to adoption of final, agreed-upon compromise budgets. Even though the Legislature has a standard procedure for addressing bills (including the budgets) that have differences between the houses, often times there are some variations to the regular process. (For information on the Legislature’s reconciliation process, please see this Friday’s Week 7 *TWIO*.) For example, both Supplemental Operating Budgets are set to pass out of their own house by the end of this week. It would not be surprising if the Senate moved its budget first and when the House brought its budget to the House Floor, it overlaid its budget on top of the Senate budget, adopting a striking amendment to the Senate bill. That would send the Senate budget back to its original house, but would carry the House’s language. To be determined.

It should also be noted that the House Republicans, who were not invited to participate in the budget writing process, introduced their own [2022 Supplemental Operating Budget](#) proposal yesterday (no specific budget language was introduced, so it was not released with a bill number). While the Republican proposal will not be heard or otherwise acted upon, it does telegraph the Republican’s plan for budget amendments. They will likely propose their plan as a striking amendment to HB 1816 in Committee—if they eventually translate their proposal into actual budget language. If they do have budget language, it will also likely be introduced as a striking amendment when the Democrat’s budget moves to the House Floor. If the Republicans do not introduce a full proposal with budget language, individual provisions within the plan will likely be introduced as amendments.

Below are details of the 2022 Supplemental Operating Budgets introduced yesterday. This is not a comprehensive review of each budget, but covers many of the major education-related details. For full details, including texts of the bills, complete agency details, and summaries go to the [Washington State Fiscal Information](#) website.

### **Supplemental Operating Budgets**

The Senate Supplemental Operating Budget proposal, [Proposed Substitute SB 5693](#), would increase the underlying 2021–23 Operating Budget by \$5.8 billion, from \$59.1 billion, as adopted last year, to \$63.7 billion (NOTE: This includes a \$1.2 billion Maintenance Level reduction). As required by law, the proposal would balance over four years and leave a total of \$362 million in reserve (plus another \$1.3 billion in the Budget Stabilization Account (BSA or “rainy day” account) for a total of \$1.6 billion) in 2023–25.

The Senate’s budget would also leverage federal revenues, appropriating the remaining \$1.3 billion available from the Coronavirus Fiscal Recovery Fund. The one-time funds are spread throughout the budget; however, public health benefits the most.

As a general rule, the Senate is a more conservative body than the House and even though budget discussions were far from the public eye (budget development has become less and less transparent in the last several years and this session’s continued

***This Week in Olympia:***  
**Special Edition: Senate &**  
**House Release Proposals**

*Continued*

“remote” activity has driven the budget even further underground), most observers were assuming the House budget would spend more than the Senate budget. Not that it was a difficult bet to make, but the House’s Supplemental Operating Budget, [Proposed Substitute HB 1816](#), spending level topped the Senate’s. The House proposal would increase spending by \$6.2 billion from \$59.1 billion, as adopted last year, to \$65.2 billion (NOTE: This includes a \$1.2 billion Maintenance Level reduction). As required by law, the proposal would balance over four years and leave a total of \$297 million in reserve (plus another \$1.3 billion in the Budget Stabilization Account (BSA or “rainy day” account) for a total of \$1.5 billion) in 2023–25.

Like the Senate’s budget, the House’s budget leverages federal funds in the Coronavirus Fiscal Recovery Fund; however, they only use about \$300 million of the \$1.3 billion available revenue, arguing that the state has 34 months left to obligate the funds and it is appropriate to hold onto that revenue as an added cushion for the budget.

For K–12 education, Senate budget-writers boast that their budget would provide over \$600 million in increased funding. While the Policy Level budget increases by \$608 million in the Senate plan, there is also a \$926 million Maintenance Level reduction. This is a proposed net reduction of \$317 million. As a side note, Public Schools is the only budget area that receives a net reduction in the Senate’s budget—except the Judicial section, which receives a Policy Level reduction of \$16.4 million and a minor Maintenance Level increase, for a net reduction of \$16.2 million. Let’s not get started on a “paramount duty” conversation....

House budget-writers highlight K–12 education funding in their proposal, saying their budget “invests in the future” and increases Public School funding by almost \$800 million. That \$789 million Policy Level increase quickly becomes a net reduction of \$129 million, however, when you include a Maintenance Level reduction.

### **Major K–12 Education Items**

#### **Enrollment Stabilization—Senate: \$346.5 million/House: \$314.7 million**

The Senate budget provides funding for OSPI to provide an allocation to stabilize school districts that experienced enrollment declines as a result of the COVID-19 pandemic that led to a loss of revenue in the 2021–22 school year when compared to 2019–20 revenue. Enrollment stabilization in the Senate budget is calculated as required in [SB 5563](#), which would provide 50 percent of the funding loss, as calculated by OSPI. Additional support is also provided for Local Effort Assistance or “levy equalization.”

The House budget provides enrollment stabilization, as described in the original [HB 1590](#). OSPI would be required to provide funding to school districts with actual enrollments in 2021–22 lower than budgeted 2021–22 enrollments, capped at proportional stabilization amounts based on 2019–20 enrollments. Local Effort assistance would also be stabilized to 2019–20 enrollments in the 2022 and 2023 calendar years, as required by HB 1590.

#### **Staffing Allocation Enhancement—Senate: \$173.8/House: \$107.9 million**

The Senate budget provides funding to increase allocations for Physical, Social, and Emotional support staff as a part of the Prototypical School Funding Model. As provided in [SB 5595](#), these staff include school nurses, social workers, psychologists, school counselors, classified staff providing student and staff safety, and parent involvement coordinators to support the physical and social emotional needs of students throughout the state.

The House budget provides funding to increase staffing ratios for Physical, Social, and Emotional support staff as a part of the Prototypical School Funding Model. As provided in [HB 1664](#), these staff include school nurses, social workers, psychologists, counselors, classified staff providing student and staff safety, and

***This Week in Olympia:***  
**Special Edition: Senate &**  
**House Release Proposals**

*Continued*

parent involvement coordinators to support the physical and social emotional needs of students throughout the state. Staffing ratio increases in the House budget would be phased in over three years.

**Learning Assistance Program—Senate: \$27.4 million/House: -0-**

The Senate budget provides funding to hold school districts harmless by allowing them to use 2019–20 school year Free and Reduced-Price Lunch percentages for calculating Learning Assistance Program funding.

**Transitional Kindergarten—Senate: \$13.0 million/House: -0-**

The Senate budget provides funding for increased Transitional Kindergarten enrollments in districts in the 2022–23 school year to align with projected enrollment increases.

While the House budget does not provide additional funding for Transitional Kindergarten, the budget provides \$125,000 for the Washington State Institute for Public Policy (housed at The Evergreen State College) to evaluate student participation in Transitional Kindergarten programs across the state. A report is due December 31, 2023; the intent of the Legislature is to provide funding in the 2023–25 Operating Budget to complete the report.

**Residential Outdoor School—Senate: \$10.0 million/House: \$20.0 million**

Funding is provided in the Senate budget for a grant program to reimburse school districts for costs associated with 5th and 6th grade students participating in residential outdoor education programs.

The House budget provides funding for OSPI to administer an outdoor learning program to develop and support outdoor educational experiences for students. Funding is also provided to OSPI to implement a grant program and award grants to eligible school districts and outdoor education program providers starting in the 2022–23 school year, as provided for in [HB 2078](#).

**Native American Names—Senate/House: \$4.5 million**

Both the Senate and House budgets provide additional funds to continue the grant program for K–12 public schools to discontinue the use of Native American names, images, and symbols as mascots by January 1, 2022, as required in [SHB 1356](#).

**Healthcare Simulation Labs—Senate/House: \$3.6 million**

Both the Senate and House budgets provide one-time funding for OSPI to administer grants for nursing programs to purchase or upgrade simulation laboratory equipment.

**Financial Literacy Education—Senate: \$3.0 million/House: -0-**

The Senate budget provides funding for the Financial Public-Private Partnership to establish a grant program and take on additional duties as required by [SB 5720](#).

**ESD Administrative Reduction—Senate: \$1.2 million/House: -0-**

The Senate budget provides funding to remove a previous administrative reduction taken from the base budget of ESDs.

**ESD Funding—Senate: \$1.0 million/House: -0-**

The Senate budget provides funding to each ESD for the employer cost of school employees' benefits for employees of the ESD who are covered by collective bargaining, as required by [SB 5539](#).

**OSPI State Office Administration—Senate: \$1.0 million/House: \$2.0 million**

Both the Senate and House budgets provide additional funding to increase the base operations budget of OSPI. The House budget provides the \$2.0 million base increase in Fiscal Year 2023 requested by OSPI; however, neither budget provides for an automatic inflationary adjustment, also requested by OSPI.

***This Week in Olympia:***  
**Special Edition: Senate &**  
**House Release Proposals**

*Continued*

**Behavioral Health Program Pilot—Senate: \$1.0 million/House: -0-**

The Senate budget provides one-time funding for OSPI to collaborate with a non-profit entity for a pilot program to provide behavioral health support for youth and provide trauma-informed, culturally responsive training to staff.

**Pupil Transportation Funding—Senate/House: \$63,000**

Both the Senate and House budgets provide initial funding for school districts to be reimbursed for the actual costs of transporting special passengers, including students that are homeless, in foster care, or receiving special education, beginning in the 2022–23 school year. The Senate’s funding would implement [SB 5581](#); the House’s funding would implement [HB 1808](#). (NOTE: While this initial funding is minimal, projected costs to fully reimburse school districts that serve special passengers escalates to over \$100.0 million in 2023–25. At the same time, education community advocates will be working to update the base transportation formula in an effort to fully fund all pupil transportation.)

**Additional Substitute Days—Senate: -0-/House: \$40.4 million**

The House budget provides funding to increase allocations for substitute days. Substitute days are increased from four to five for classroom teachers, and two substitute days are provided for school-based classified staff and bus operators. Additionally, one-time funding is provided in Fiscal Year 2023 for substitutes in school districts that maintain a leave pool.

**CEP Expansion—Senate: -0-/House: \$21.7 million**

Funding is provided in the House budget for reimbursements to school districts for schools and groups of schools required to participate in the federal Community Eligibility Provision (CEP) under [HB 1878](#), but are not eligible for the full federal reimbursement rate.

**Running Start Enrollment Cap—Senate: -0-/House: \$9.3 million**

The House budget provides funding for enrollment increases that are projected due to increasing the Running Start cap from 1.2 FTE to 1.6 FTE, as authorized by [HB 1760](#).

**BEST Program—Senate: -0-/House: \$4.5 million**

The House budget provides additional funding to expand the Beginning Educator Support Team (BEST) program, which offers mentoring for beginning teachers.

**MTSS Implementation Supports—Senate: -0-/House: \$3.5 million**

The House budget provides one-time funding for OSPI to contract for regional Multi-Tiered Systems of Support (MTSS) implementation specialists during the 2022–23 school year.

**Next Generation Science Standards—Senate: -0-/House: \$2.0 million**

A funding enhancement is provided in the House budget to continue professional development in the Next Generation Science Standards and to support community-based climate science organizations in partnering with ESDs and school districts.

**Paraeducator Training—Senate: -0-/ House: \$1.5 million**

Funding is provided in the House budget for new paraeducators to receive four days of training in the Paraeducator Certificate program during their first year.

**Additional Notes of Interest**

**Inflationary Factor**

In the underlying 2021–23 Operating Budget, the inflationary factors—the Implicit Price Deflator or IPD—as adopted are: 2.0 percent for the 2021–22 school year and 1.6 percent for the 2022–23 school year. When the governor introduced his budget request, he increased the 2022–23 school year IPD from 1.6 percent to 2.0 percent. Now, both the Senate and House budgets provide an update to the second-year, 2022–23 school year inflationary factor. Unfortunately, not only are they different than the governor’s request, both the Senate and House differ significantly on the appropriate IPD.

***This Week in Olympia:***  
**Special Edition: Senate &**  
**House Release Proposals**

*Continued*

The Senate proposal increases the second-year IPD to 2.8 percent, while the House increases the second-year IPD to 5.5 percent. The House describes their larger increase as an “inflationary rebase, which aligns the new IPD with actual inflation since the 2017–18 school year.” The Senate provides no explanation.

WEA has been making the case that the current law (adopted in 2017’s HB 2242 “*McCleary* solution”) inflationary factor is simply a “minimum.” They are also making the case that because school years do not sync with calendar years or the state’s fiscal years, the provision of IPD has not kept pace with actual inflation. There were early conversations about asking for an increase, beyond the IPD, in the current 2021–22 school year and the upcoming 2022–23 school year. They recognized, however, how disruptive a mid-year change would be and opted to request a larger percentage in the 2022–23 school year. They argue that the second-year inflationary factor provided should be at least 5.0 percent—which is calculated as the current year IPD (early-on projected to be 2.5 percent,) plus a 2.5 percent “catch up.” The House went beyond this initial request, proposing a 5.5 percent bump.

The new wrinkle: last week’s Revenue Forecast included IPD for 2022 at 5.1 percent and projected 2023 to be at 2.8 percent (which is presumably where the Senate got their 2.8 percent, but does not include any “catch up” for 2022). So, WEA’s new ask is a 5.9 percent bump (which is the projected 2.8 percent plus the “underfunding” in 2022—again, there’s a sync up problem between salaries provided in school years, state budgets adopted in fiscal years, and IPD calculated in calendar years).

This conversation will make for interesting budget negotiations behind-the-scenes to be sure. There are (at least) two important considerations for us:

1. It is clear that at least preliminary budget conversations have begun, if not full-fledged negotiations. One of the first decisions made by budget-writers in negotiations is an agreement on how big the budget will be (the “size of the box”). Once that decision is made, agreements are made on the size of “boxes within the box”—that is, how much for K–12; how much for Natural Resources; how much for Social Services; how much for Higher Education; etc. You will find people who would disagree, but it seems clear to this writer that the K–12 “box” has already been determined. If that’s true, then every item that gets added to the box (increased IPD, for example), something has to be removed from the box. There has been an underlying fear all session that our major priorities would cannibalize themselves—can we really achieve enhanced staffing allocations AND enrollment stabilization AND pupil transportation? All three have had positive movement and likely success; however, staffing allocations, instead of being increased in Fiscal Year 2023, will be phased in over three years; enrollment stabilization looks to be on course for the finish line, yet at least one house has decided making districts completely whole is too much and has halved the funding; and the pupil transportation ask, while a minor blip in Fiscal Year 2023, looks to be big budget item in the future—especially when we move from this first step to an overhaul of the base funding model.

So, these puzzle pieces are not laid out exactly as we wanted, if we were in charge of the game, but we are making great progress—even though it was feared our priorities would compete against each other. Now, let’s talk about adding an enhanced, “catch up” IPD. The House’s 5.5 percent proposal is already \$237 million dollars. If the Senate agrees to that (or what about 5.9 percent?) how much will need to be taken out of the K–12 box? Will it be a question of salary increases or enrollment stabilization? A question of IPD or a longer phase-in for staffing allocation increases? Playing chicken in budget negotiations is a dangerous game.

***This Week in Olympia:***  
**Special Edition: Senate &**  
**House Release Proposals**

*Continued*

2. The second consideration is important. Regardless of the scenarios laid out in number 1 above, you can be assured that if WEA does not get what they want from legislators, they will be knocking on your doors.

**SEBB Rate Adjustment**

Both the Senate and House budgets fund a School Employees' Benefits Board (SEBB) rate adjustment and a proposed reserve rate reduction. For the 2022–23 school year, the per employee per month rate is reduced to \$1,026, from the \$1,032 adopted in the underlying budget.

**PERS and TRS Plan 1 Benefit Increase**

Both the Senate and House budgets provide funding to implement [SB 5676](#), which provides a one-time, three percent increased benefit, up to \$110 per month, for retirees of the Public Employees' Retirement System (PERS) Plan 1 and the Teachers' Retirement System (TRS) Plan 1.

Both budgets also provide funding (\$48,000) to the Department of Retirement Systems to implement SB 5676, which requires a one-time process to create a permanent increase to PERS Plan 1 and TRS Plan 1 benefits calculated on their current monthly benefit including eligible adjustments.