



**WASA Spring Conference**  
**Wenatchee Convention Center**  
**March 21, 2023**

# **68<sup>th</sup> State Legislature: 2023 Third-Quarter Update**

# 2023 Legislative Session Update

- Status Check
- 2023-25 Operating Budget
- Priority Issues Review
- Educator Compensation
- 2023-25 Capital Construction Budget

# Status Check

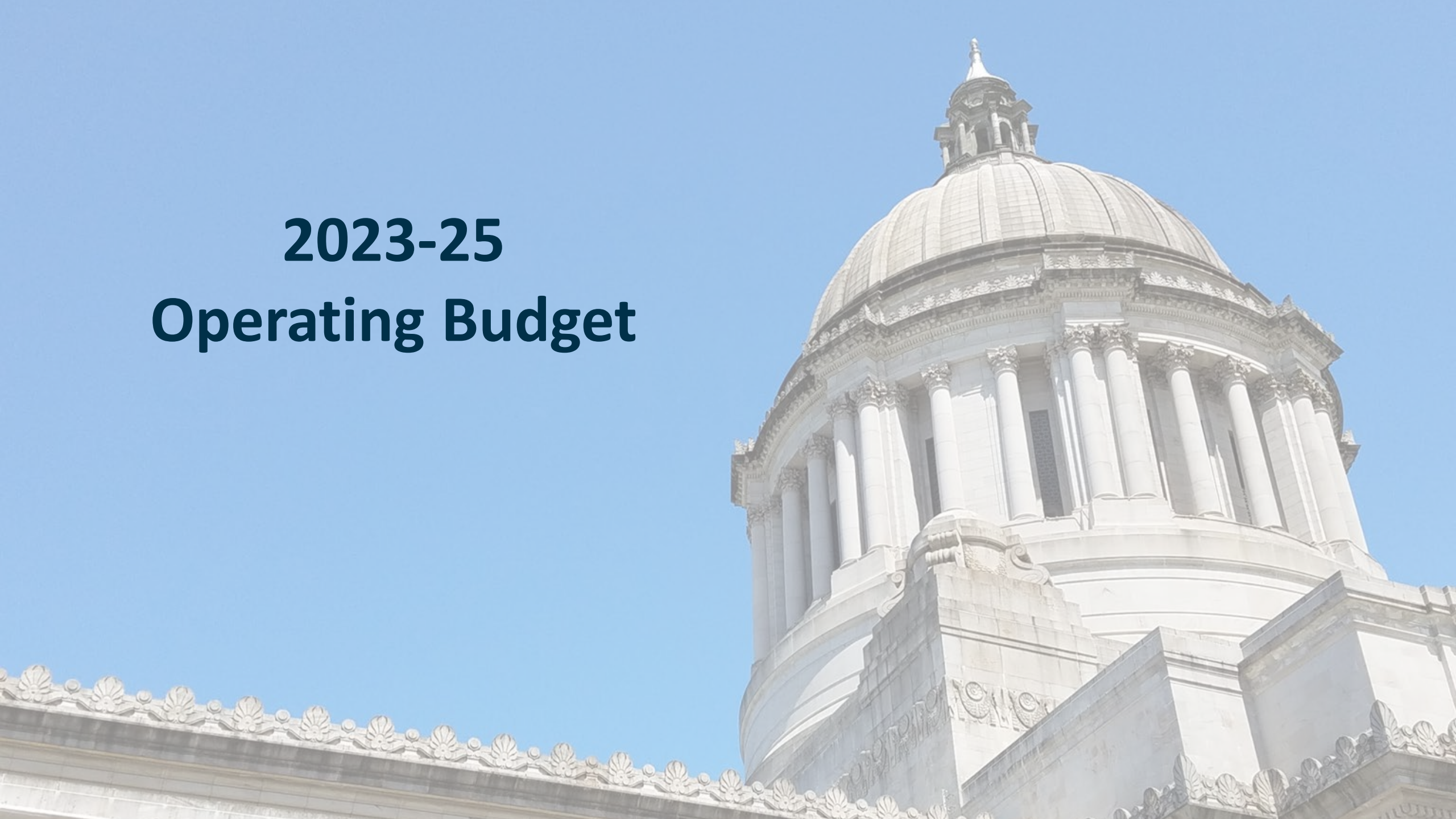
- **March 21:** Day 72
- **March 29:** Opposite House Policy Committee Cut-off
- **April 4:** Opposite House Fiscal Committee Cut-off
- **April 12:** Opposite House Cut-off
- **April 12-April 23:** “Reconciliation Phase”
- **April 23:** Day 105—Sine Die

# Budget Check

- **March 20:** Revenue Forecast Released
- **March 23:** Senate Budget Proposal Released
- **March 27:** House Budget Proposal Released
- **April 23:** Day 105—Sine Die



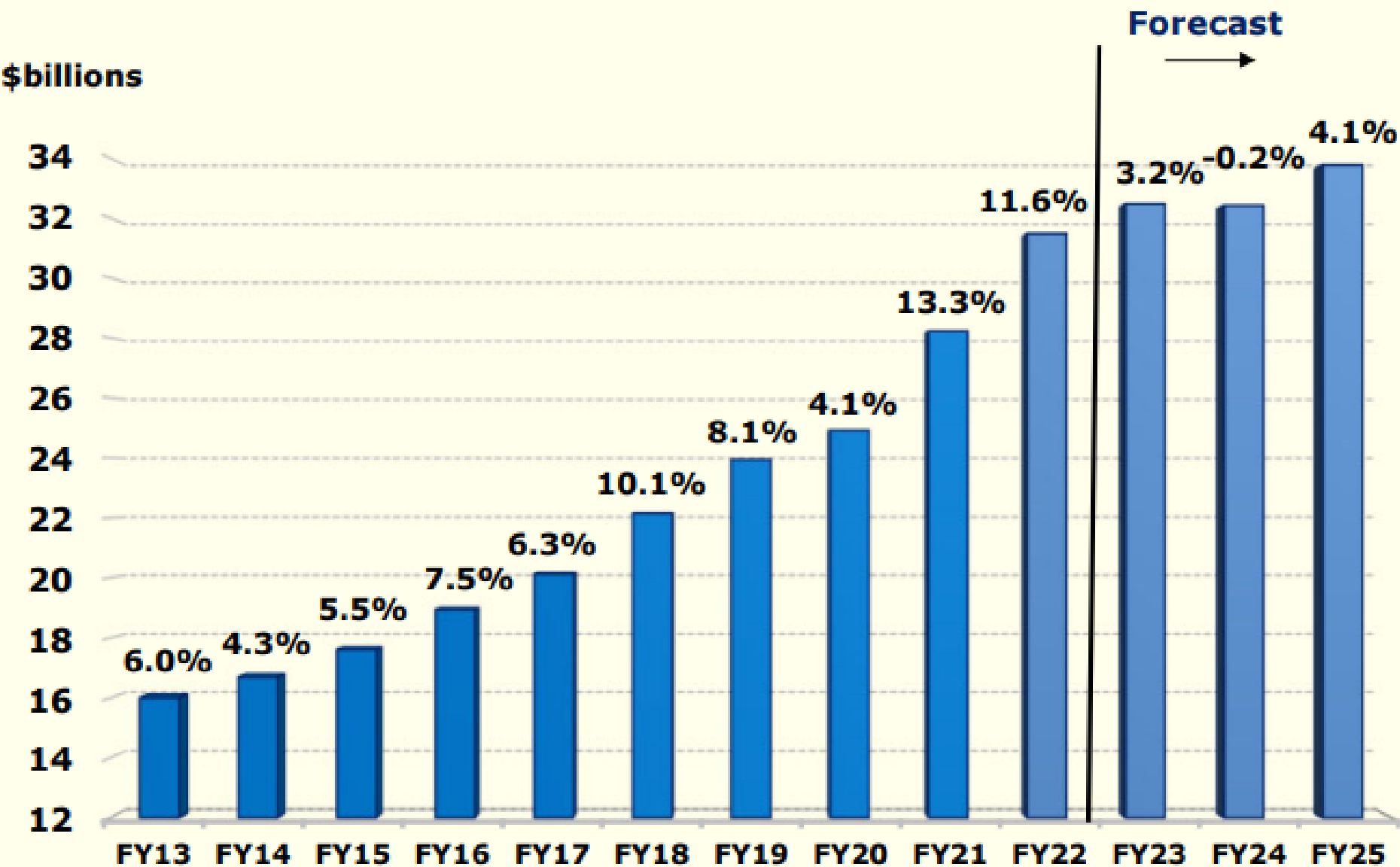
# **2023-25 Operating Budget**



# State Budget Update

- Revenue collections continue to exceed forecasted projections
  - Concern: growth is slowing
- Economic/Revenue Concerns:
  - Payroll employment is above Nov forecast
  - Unemployment has increased three straight months
  - Construction is slowing; REET declining
  - Seattle CPI exceeds national average

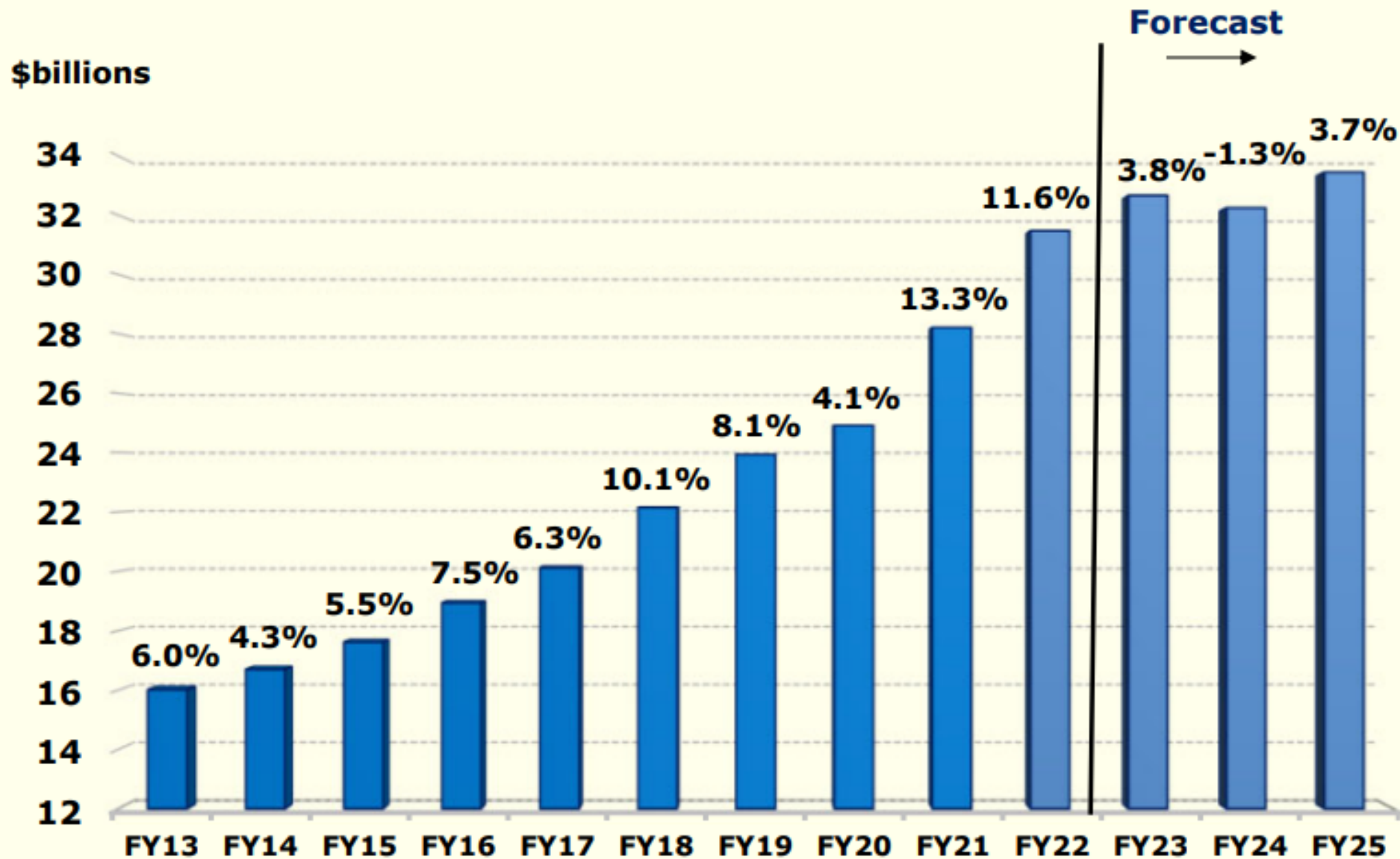
Forecasted  
Revenue Growth



Revenue Review  
November 18, 2022

\*Funds subject to the budget outlook process are General Fund-State plus Education Legacy Trust, Washington Opportunities Pathway and Workforce Education Investment Accounts  
Source: ERFC forecast, November 2022

Forecasted  
Revenue Growth






Revenue Review  
March 20, 2023

\*Funds subject to the budget outlook process are General Fund-State plus Education Legacy Trust, Washington Opportunities Pathway and Workforce Education Investment Accounts  
Source: ERFC forecast, March 2023



# State Budget Update

## March 2023 Revenue Forecast

- 2021-23:  \$194 million
- 2023-25:  \$483 million
- 2025-27:  \$541 million

# State Budget Update

- Significant risks to forecast:
  - Continued high inflation & and federal funds rate hikes
  - Tight labor market
  - Ukraine-Russia conflict
  - Potential recession
  - Banking crisis
  - Capital Gains Tax?

# Capital Gains Tax

- 2021: Legislature adopts new Capital Gains Tax
- March 2022: Law ruled unconstitutional (Douglas County)
- July 2022: Supreme Court accepts case on direct review
- November 2022: Supreme Court grants 'stay'
  - *DOR can begin collecting tax before Court rules on case*
- January 2023: Oral arguments in Supreme Court
- ??: Decision

# Capital Gains Tax—Revenue Impacts

## **June 2021 Fiscal Note Estimate: \$2.47 billion**

- 2021-23 Projected Revenue: \$442 million (FY 23)
- 2023-25 Projected Revenue: \$974 million
- 2025-27 Projected Revenue: \$1.05 billion

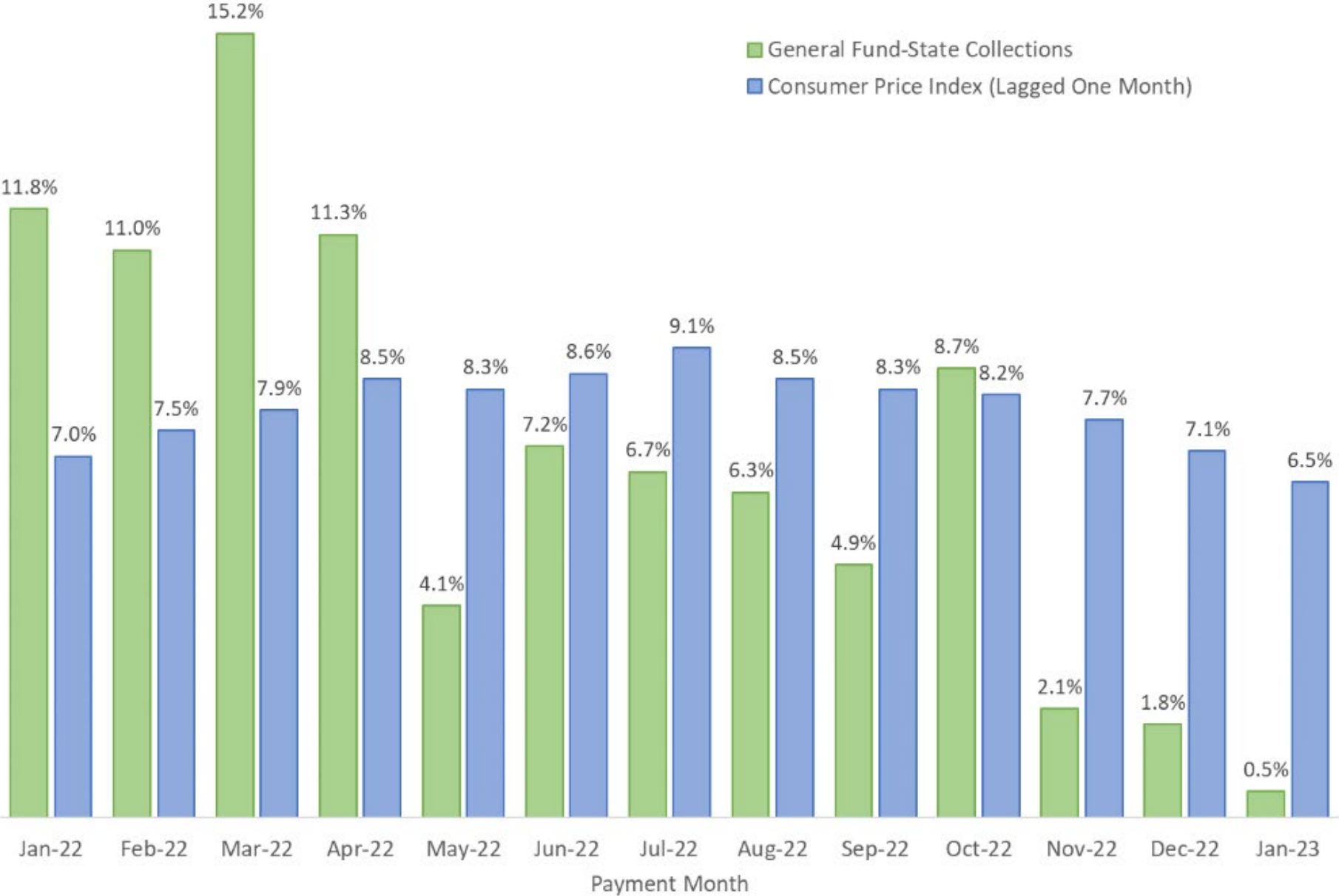
## **November 2022 Forecast Estimate: \$2.25 billion**

(Total 2023-25 Budget  $\cong$  \$70.0 billion)



# Year-Over-Year Percent Growth

General Fund-State Collections  
Consumer Price Index (Lagged One Month)



For 8 of the last 9 months, year-over-year CPI inflation exceeded the year-over-year increase in GFS revenues. While inflation has trended downward since mid-summer, the gap between inflation and revenue growth has widened.

# K-12 Approaching Fiscal Cliff

- Rapidly approaching economic/fiscal shocks:
  - ESSER spending (obligation) deadline arriving (Sept 2024)
  - Continuing (or growing) enrollment declines
  - Inflation and tight labor market
  - Potential recession and/or economic slowdown

# Priority Issues Review



# SPECIAL EDUCATION—E2SSB 5311

## As Adopted by Full Senate

- **Funding:** \$359M, 2023-25
- **Enrollment Cap:** 13.5%-15%
- **Multiplier Increases:** Pre-K to K-12
  - Increased 2023-24 only
- **Safety Net:** <1,000 FTE = 2 times APPE; >1,000 = 2.2 times APPE
- **Accountability:** OSPI allocation and cost accounting methodology
- **Other:** OEO Special Education Advocates



# SPECIAL EDUCATION—**EHB 1436**

## **As adopted by Full House**

- **Funding:** \$177M
- **Enrollment Cap:** 13.5%-14.0%-14.5%-15.0%; 2027-28: lifted
- **Multiplier Increases:** K-12 only
- **Safety Net:** Reduces threshold to 2.2 APPE
- **Accountability:** OSPI redirect 50% of special ed student general apportionment to special education
- **Accountability:** JLARC performance audit
- **Other:** OSPI disproportionality review; assist w/ Inclusionary Practices PD

# SPECIAL EDUCATION MULTIPLIERS

## OSPI REQUEST VS SSB 5311 vs E2SSB 5311

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OSPI Request	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.337	1.2484	1.3569	1.3611
K-12 Multiplier LRE 2-3	0.9950	1.325	1.3359	1.3444	1.3486
Pre-K	1.1500	1.175	1.1800	1.1900	1.2000

SSB 5311	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.0742	1.1408	1.2074	1.2740
K-12 Multiplier LRE 2-3	0.9950	1.0283	1.0617	1.0950	1.1283
Pre-K	1.1500	1.175	1.1800	1.1900	1.2000

E2SSB 5311	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.1200	1.1200	1.1200	1.1200
K-12 Multiplier LRE 2-3	0.9950	1.0600	1.0600	1.0600	1.0600
Pre-K	1.1500	1.200	1.2000	1.2000	1.2000

# SPECIAL EDUCATION MULTIPLIERS

## OSPI REQUEST VS HB 1436 vs ESHB 1436

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OSPI Request	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.337	1.2484	1.3569	1.3611
K-12 Multiplier LRE 2-3	0.9950	1.325	1.3359	1.3444	1.3486
Pre-K	1.1500	1.175	1.1800	1.1900	1.2000

HB 1436	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.610	1.1784	1.1961	1.2140
K-12 Multiplier LRE 2-3	0.9950	1.1459	1.1631	1.1805	1.1923
Pre-K	1.1500	1.1600	1.1700	1.1800	1.1900

ESHB 1436	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.0350	1.0400	1.0430	1.0590
K-12 Multiplier LRE 2-3	0.9950	1.0200	1.0250	1.0280	1.0430
Pre-K	1.1500	1.1500	1.1500	1.1500	1.1500

# SPECIAL EDUCATION MULTIPLIERS

## E2SSB 5311 vs ESHB 1436

20

E2SSB 5311	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.1200	1.1200	1.1200	1.1200
K-12 Multiplier LRE 2-3	0.9950	1.0600	1.0600	1.0600	1.0600
Pre-K	1.1500	1.200	1.2000	1.2000	1.2000

ESHB 1436	Current	FY 2024	FY 2025	FY 2026	FY 2027
K-12 Multiplier LRE 1	1.0075	1.0350	1.0400	1.0430	1.0590
K-12 Multiplier LRE 2-3	0.9950	1.0200	1.0250	1.0280	1.0430
Pre-K	1.1500	1.1500	1.1500	1.1500	1.1500

2023-25 Budget



E2SSB 5311  
"Accountability"  
language

"NEW SECTION. **Sec. 3.** A new section is added to chapter 28A.150 RCW to read as follows:

(1) It is the policy of the state that for purposes of state funding allocations, students eligible and receiving special education generate the full basic education allocation under RCW 28A.150.260 and, as a class, are to receive the benefits of this allocation for the entire school day, as defined in RCW 28A.150.203, whether the student is placed in the general education setting or another setting.

(2) The superintendent of public instruction and the state auditor shall develop an allocation and cost accounting methodology that ensures state general apportionment funding for students who receive their basic education services primarily in an alternative classroom or setting are prorated and allocated to the special education program and accounted for before calculating special education excess costs. Nothing in this section requires districts to provide services in a manner inconsistent with the students individualized education plan or other than in the least restrictive environment as determined by the individualized education plan team.

(3) The superintendent of public instruction shall provide the legislature with an accounting of prorated general apportionment allocations provided to special education programs broken down by school district by January 1, 2024, and then every January 1st of odd-numbered years thereafter."

ESHB 1436  
"Accountability"  
language

(2) The superintendent of public instruction must maintain a full cost method of excess cost accounting to account for expenditures beyond amounts provided through the special education funding formula under RCW 28A.150.390. This method of accounting must shift the following portions of a school district's general apportionment revenue for students eligible for and receiving special education to the school district's special education program for expenditure.

(a) A percentage of a school district's base allocation as defined in RCW 28A.150.390(3) for students eligible for and receiving special education based on their percentage of time served in a special education setting;

(b) To the extent that state special education expenditures in the previous year exceeded state funding provided for that year under RCW 28A.150.390, 28A.150.392, and methods for redirecting general apportionment revenue based on the students' percentage of time served in a special education setting, up to 50 percent of the school district's base allocation as defined in RCW 28A.150.390(3) for students eligible for and receiving special education combining portions under (a) of this subsection.

Table: <b>E2SSB 5311</b> Fiscal Impacts						
School Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
SpEd Enrollment CAP	\$ 49,350,000	\$ 51,076,000	\$ 52,474,000	\$ 53,940,000	\$ 55,019,000	\$ 56,119,000
SpEd Multiplier	\$ 143,636,000	\$ 148,921,000	\$ 153,222,000	\$ 157,732,000	\$ 160,887,000	\$ 164,105,000
Safety Net	\$ 5,988,000	\$ 5,988,000	\$ 5,988,000	\$ 5,988,000	\$ 5,988,000	\$ 5,988,000
Allocation & Cost Accounting	\$ 18,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
<b>Total School Year</b>	<b>\$ 198,992,000</b>	<b>\$ 205,989,000</b>	<b>\$ 211,688,000</b>	<b>\$ 217,664,000</b>	<b>\$ 221,898,000</b>	<b>\$ 226,216,000</b>
State Fiscal Year	2024	2025	2026	2027	2028	2029
General Fund	\$ 153,367,000	\$ 203,289,000	\$ 209,259,000	\$ 215,154,000	\$ 219,758,000	\$ 224,033,000
Opportunities Pathway	\$ 852,000	\$ 1,125,000	\$ 1,147,000	\$ 1,165,000	\$ 1,188,000	\$ 1,212,000
<b>Total Fiscal Year</b>	<b>\$ 154,219,000</b>	<b>\$ 204,414,000</b>	<b>\$ 210,406,000</b>	<b>\$ 216,319,000</b>	<b>\$ 220,946,000</b>	<b>\$ 225,245,000</b>
Biennium	2023-2025		2025-2027		2027-2029	
General Fund	\$ 356,656,000		\$ 424,413,000		\$ 443,791,000	
Opportunities Pathway	\$ 1,977,000		\$ 2,312,000		\$ 2,400,000	
<b>Total Biennium</b>	<b>\$ 358,633,000</b>		<b>\$ 426,725,000</b>		<b>\$ 446,191,000</b>	

**Table: ESHB 1436 Fiscal Impacts by School Year**

School Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Sec 2: SpEd Enrollment CAP	\$ 45,240,000	\$ 49,332,000	\$ 52,457,000	\$ 53,926,000	\$ 58,768,000	\$ 59,944,000
Sec 2: SpEd Multiplier	\$ 38,201,000	\$ 47,053,000	\$ 52,998,000	\$ 79,102,000	\$ 80,684,000	\$ 82,298,000
Sec 3: Safety Net	\$ 5,747,000	\$ 5,749,000	\$ 5,749,000	\$ 5,749,000	\$ 5,749,000	\$ 5,749,000
Sec 4: Redirect of BasicEd/Sped - OSPI/IT	\$ -	\$ 18,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Sec 5: Maintaining Inclusionary Practices (IPP)	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
<b>Total School Year</b>	<b>\$ 94,188,000</b>	<b>\$ 107,152,000</b>	<b>\$ 116,208,000</b>	<b>\$ 143,781,000</b>	<b>\$ 150,205,000</b>	<b>\$ 152,995,000</b>
State Fiscal Year	2024	2025	2026	2027	2028	2029
General Fund	\$ 72,611,000	\$ 103,682,000	\$ 113,564,000	\$ 136,844,000	\$ 147,963,000	\$ 151,549,000
Opportunities Pathway	\$ 384,000	\$ 553,000	\$ 606,000	\$ 733,000	\$ 797,000	\$ 818,000
<b>Total Fiscal Year</b>	<b>\$ 72,995,000</b>	<b>\$ 104,235,000</b>	<b>\$ 114,170,000</b>	<b>\$ 137,577,000</b>	<b>\$ 148,760,000</b>	<b>\$ 152,367,000</b>
Biennium	2023-2025		2025-2027		2027-2029	
General Fund	\$ 176,293,000		\$ 250,408,000		\$ 299,512,000	
Opportunities Pathway	\$ 937,000		\$ 1,339,000		\$ 1,615,000	
<b>Total Biennium</b>	<b>\$ 177,230,000</b>		<b>\$ 251,747,000</b>		<b>\$ 301,127,000</b>	



## Advocacy Message

**We support the Senate policy and  
funding level for special education**

# PUPIL TRANSPORTATION

## SB 5174—As Adopted by Full Senate

- Creates Special Passenger Safety Net Program
  - Requires OSPI to analyze school district transportation costs and allocations; report to the Legislature by June 1, 2026
- ☐ Amd offered (*defeated*):
- Contracted services must provide health and pension benefits comparable to school employees; one-time funds provided

## HB 1248

Died in House Rules Committee

# Educator Compensation



## EDUCATOR COMPENSATION

Confusion about statutory Inflationary adjustment:

- The Inflationary Factor, currently Implicit Price Deflator (IPD), is calculated based on a calendar year, from January to December; state budgets are based on a fiscal year, from July to June; and school district budgets are based on a school year, from September to August
- Mismatches in timelines caused salary allocations, based on IPD, to lag actual inflation
- In 2022, the Supplemental Operating Budget increased the Inflationary Factor from the previously projected/adopted 2.8 percent to 5.5 percent to “rebase” and align the salary allocation with actual inflation since the 2017–18 school year

# EDUCATOR COMPENSATION

## SB 5650 & HB 1732—Inflationary Index

“The Legislature intends to change the inflation factor to use prior year inflation rather than projected inflation to ***add predictability and certainty*** to school district planning and budgets, and to better reflect changing costs in salary allocations” (SHB 1732)

Inflationary Adjustment Index means:

- For the **2023-24 school year, ~~3.8 percent~~ 3.7 percent**; and
- Beginning with the **2024-25 school year**, the IPD for “**the previous calendar year as of the beginning of the school year**”
  - Governor Inslee’s proposal: 2023-24—4.5%; 2024-25—2.0%
  - Projected IPD—Current Methodology: 2023-24—5.7%; 2024-25—2.0%
  - Projected IPD—Prior Calendar Year : 2023-24—6.3%; 2024-25—3.6%
  - **SB 5650/HB 1732: 2023-24—3.7%; 2024-25—3.6%**



Chart 1: Inflationary Adjustments Based on FY IPD

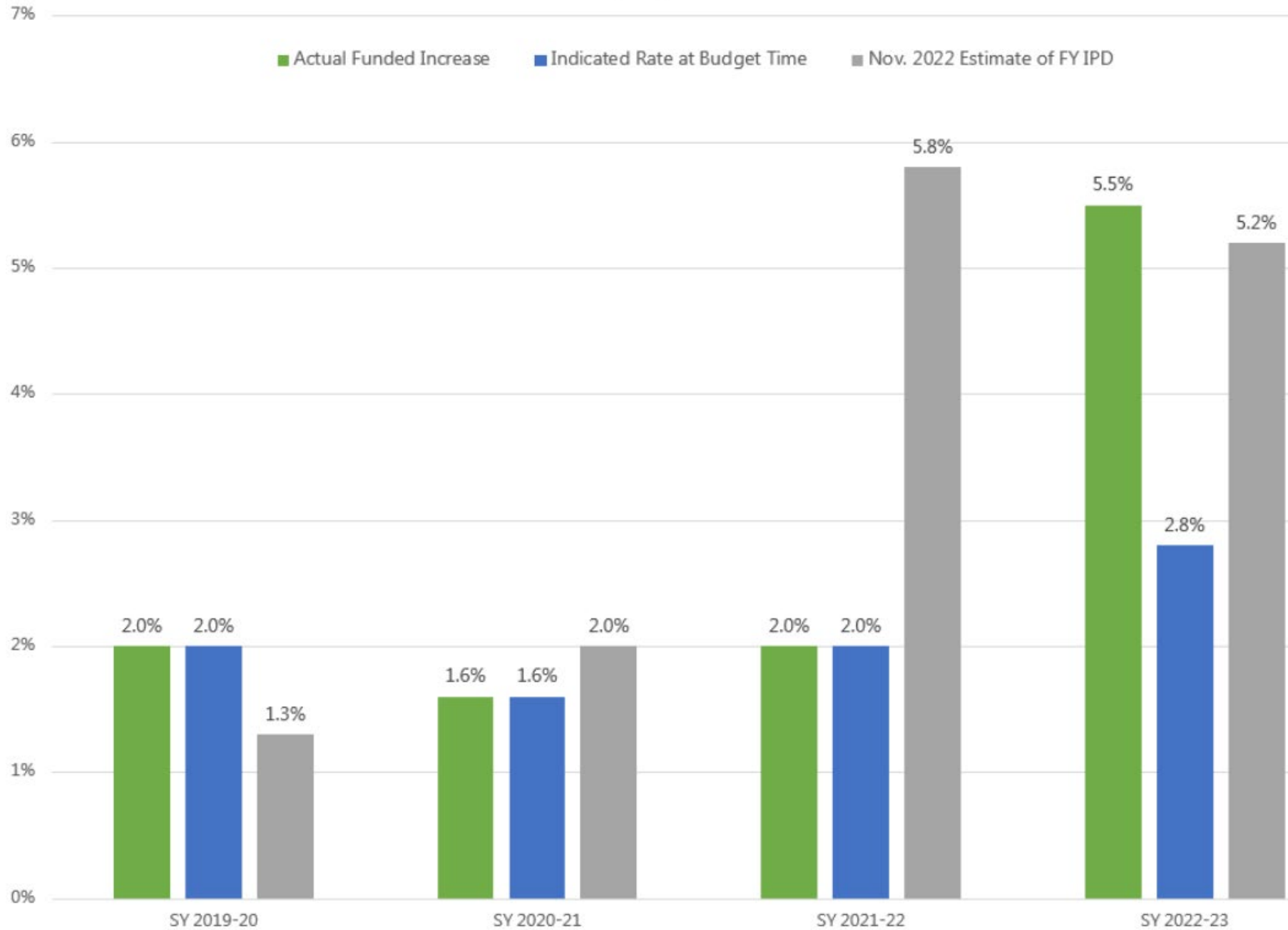


Chart 2: Inflationary Adjustments Based on Prior CY IPD

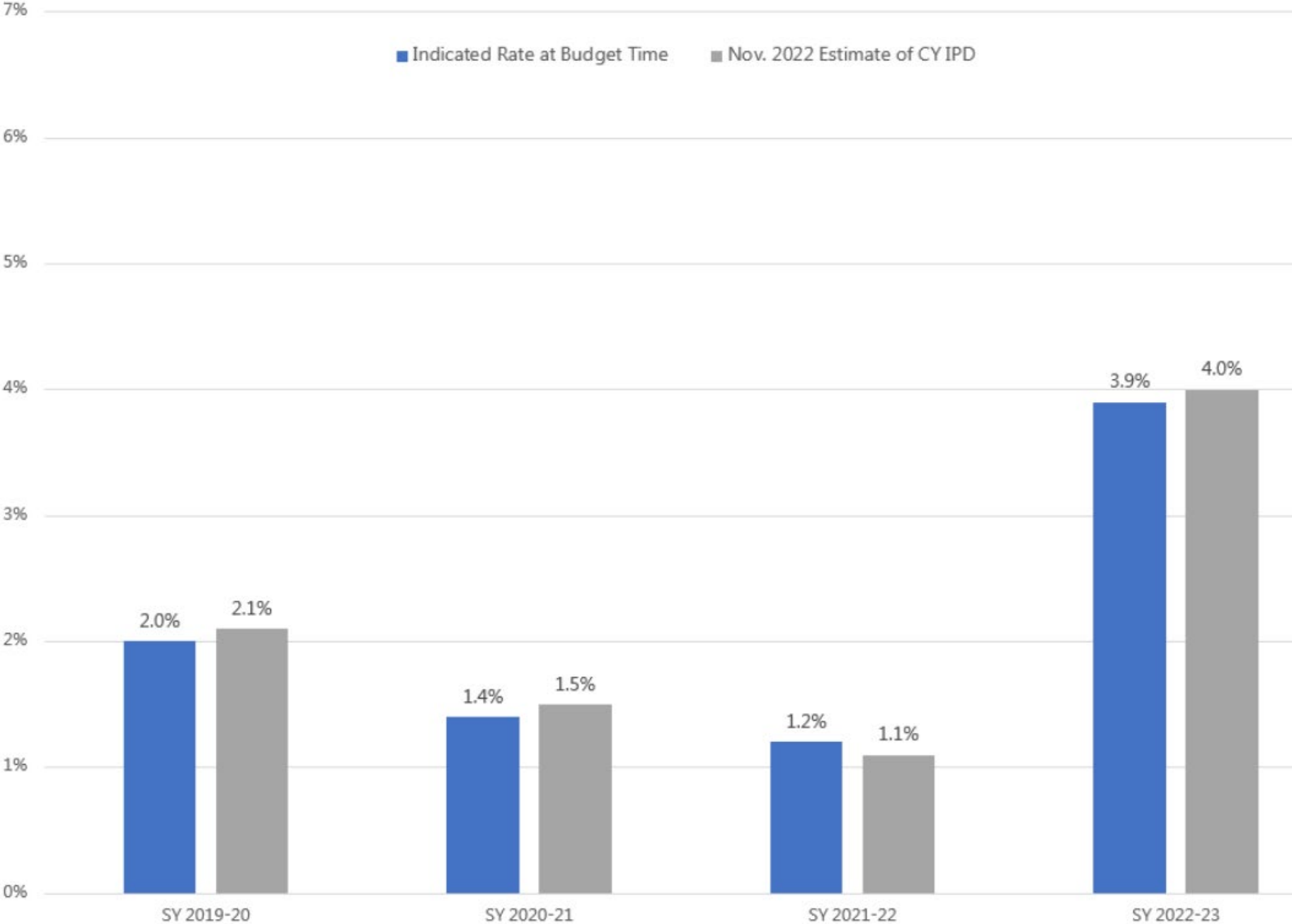


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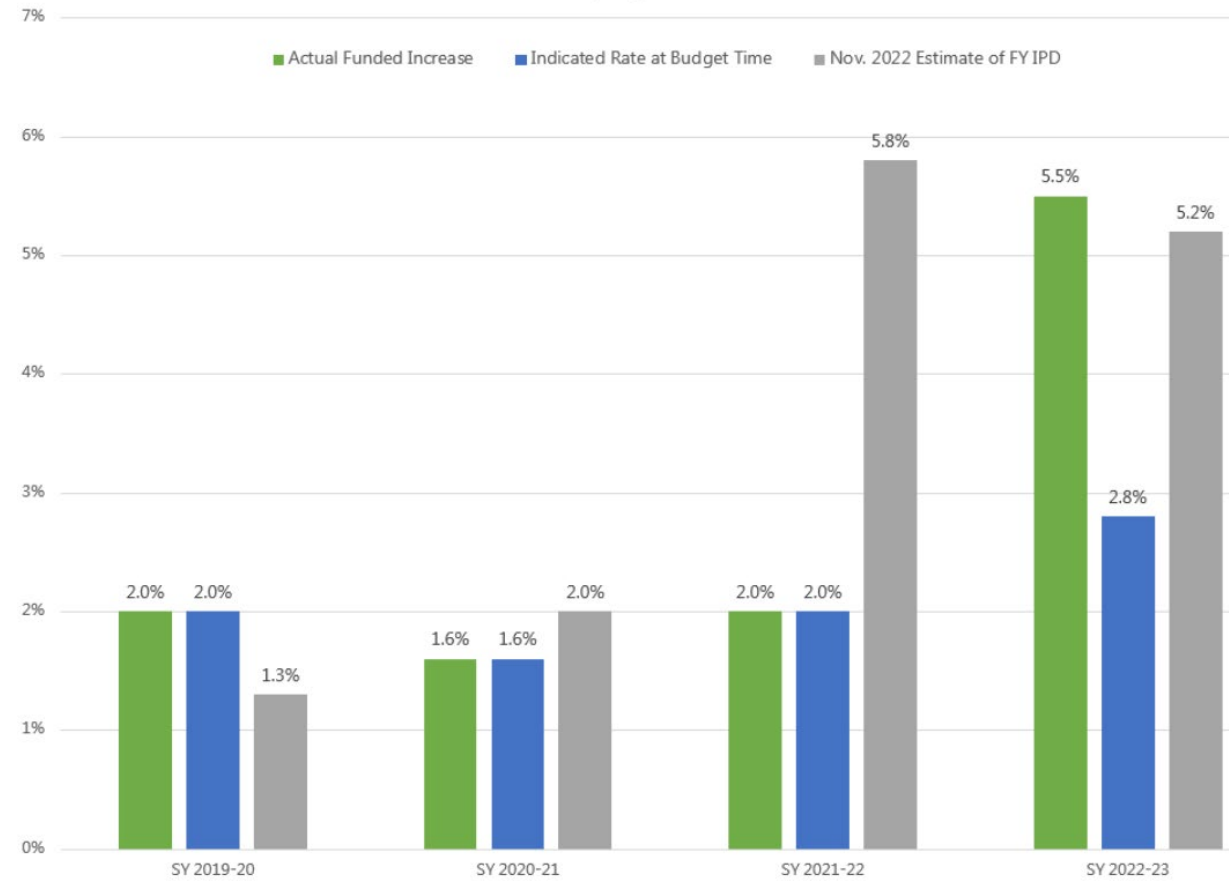
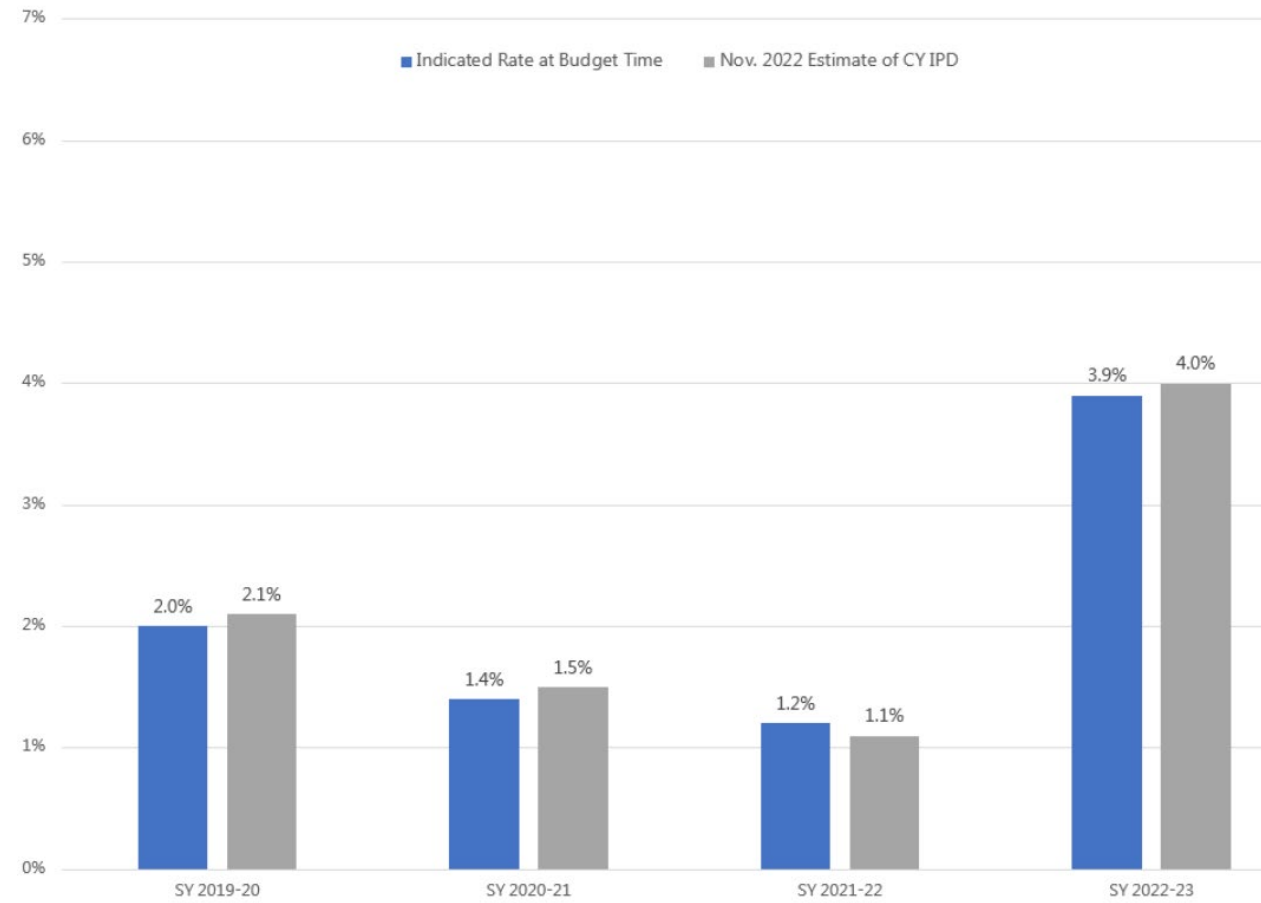


Chart 2: Inflationary Adjustments Based on Prior CY IPD



# EDUCATOR COMPENSATION

## SB 5650 & HB 1732—Inflationary Index

### — CAUTION —

- SB 5650/HB 1732 would save state funding compared to the governor’s proposal and compared to the current methodology.
    - WEA requests savings be used to provide additional salary increases for paraeducators and classified staff; they propose an 8.0 percent increase (4.0 percent per year) for these employees (*on top of the 3.7% and 3.6%*)
  - How to accomplish?
    - Option 1: Include the increase in updated K–12 classified staff salary allocation; or
    - Option 2: Disaggregate Administrative Classified Staff from CLS “to increase transparency,” and provide additional salary allocations to Non-Administrative Classified Staff only
- \*\*WEA also suggests the Legislature:
- (1) adopt language “***encouraging districts to bargain increases that target the lowest wage and highest turnover job classifications***” AND
  - (2) require district compensation reports to ensure “***transparency and accountability***”

# EDUCATOR COMPENSATION

## WEA's message vs Our message

- WEA refers to SB 5650/HB 1732 as “PK-12 Educator COLAs” noting the bills would fund educator Cost of Living Increases
- WEA acknowledges the “COLAs” are added to the statewide average allocation *provided to employers for staffing*, but note, “Local unions need to bargain to have these amounts included in their contracts”
- In 2017, EHB 2242 (*McCleary* “solution”) REPEALED Initiative 732 COLAs and replaced the automatic Cost of Living Adjustments with a statewide average allocation for CIS, CLS, and CAS; a K-12 COLA does not exist
- A “COLA” implies all employee receive the salary increases. The new statewide average allocations allow school districts to provide raises based on local salary schedules and local Collective Bargaining Agreements



## Senate Capital Budget—PSSB 5200

- 2023-25 Capital Budget: \$7.9 billion
  - \$4.7 billion—Bonds
  - \$798 million—Federal funds
  - \$325 million—Model Toxic Control Account
  - \$319 million—Climate Commitment Account
  - \$265 million—Alternative Financing
  - \$1.5 billion—Other funds

# SENATE CAPITAL BUDGET—PSSB 5200

## K-12 EDUCATION—\$894 MILLION

(Dollars in Thousands)

■	School Construction Assistance Program	\$593,011
■	Small District Modernization Program	\$100,032
■	Project List: <a href="https://bit.ly/3JSl8Wa">https://bit.ly/3JSl8Wa</a>	
■	West Sound Technical Skills Center	\$41,361
■	School Seismic Safety	\$40,000
■	Distressed Schools	\$33,340
■	Chief Leschi School HVAC	\$20,000
■	School District Health & Safety	\$19,200
■	Healthy Kids—Healthy Schools	\$13,000
■	Skills Centers Minor Works	\$6,879
■	Agriculture Science in Schools	\$5,000
■	OSPI Capital Administration	\$4,839
■	Career Preparation and Launch Grants	\$4,000
■	Green Schools—Stormwater Infrastructure	\$575

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