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### 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:

#### Senate & House Release 2018 Supplemental Budget Proposals

Each quarter, the [Economic & Revenue Forecast Council](#) (ERFC) provides updated revenue projections. The release of the ERFC's first quarterly forecast (February in even-numbered years; March in odd-numbered years) is traditionally the trigger for public discussions of legislative budget proposals. That tradition held true this year. Last week, the ERFC unveiled its update of the [state revenue projections](#). As expected there was good news. Revenue collections were up from the November forecast, with forecasted revenues projected to be increased by \$647 million in the current biennium (2017–19) and \$671 million above previous estimates in 2019–21.

In addition to the good revenue news, last week the [Caseload Forecast Council](#) also released its updated projections of state entitlement costs (e.g., special education, children's services, long-term care, Medicaid, etc.). In addition to increased revenues, mandatory caseload costs are down, approximately \$90.0 million. With increases in revenues and a decrease in mandatory expenses, the talk of property tax reductions intensified and plans for any potential tax hikes became hampered.

Yesterday, Senate Democratic budget-writers released their 2018 Supplemental Capital & Operating Budget proposals. Earlier today, House Democratic budget-writers released their own budget proposal (Operating Budget only). This Special Edition of *TWIO* provides a broad overview of the three legislative proposals on the table.

#### Operating Budgets

The Senate's 2018 Supplemental Operating Budget ([Proposed Substitute SB 6032](#)) would increase the underlying 2017–19 Operating Budget by \$1.2 billion (net). The Senate's SB 6032 assumes passage of [SB 6362](#) (EHB 2242 "fix" bill, as adopted by the Senate), [SB 6174](#) (utilizing Budget Stabilization Account to fund forest fires), and [SB 6614](#) (property tax reduction).

SB 6614 is the Senate's new proposal (introduced yesterday) to reduce the State Property Tax by \$.31 per \$1,000 AV in 2019. The bill would reduce approximately \$400 million from the State Property Tax and be back-filled by Budget Stabilization Account reserves (via SB 6174, which will require a 60% supermajority approval). In unveiling the plan, Senator Christine Rolfes (D-Bainbridge Island), lead budget-writer for the Senate Democrats, noted that this is a "one-year reduction, while the Legislature continues to review further tax reforms."

## Special Edition: Senate & House Supplemental Budget Proposals

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The House's 2018 Supplemental Operating Budget ([Proposed Substitute HB 2299](#)) would increase the underlying 2017–19 Operating Budget by \$377 million (net). Like the Senate plan, the House budget relies on several additional bills: [HB 2993](#) (Property Tax Reduction), [HB 2967](#) (Capital Gains Tax), and [HB 2437](#) (Affordable Housing).

HB 2993 would reduce the State Property Tax in 2019 by \$.33 per \$1,000 AV and another \$.07 per \$1,000 AV in 2020. Like SB 6614, Budget Stabilization Account reserves (almost \$1.0 billion) would also be used to back-fill the lost revenue in the General Fund—and requires a 60% supermajority approval. HB 2293 appears alongside another House proposed property tax reduction: HB 2967. HB 2967 would implement a new Capital Gains Tax and use the proceeds, at least partially, to reduce the State Property Tax beginning in 2021 (making the imposition of the new tax essentially revenue-neutral). Budget-writers today explained that HB 2993 is a temporary, short-term reduction, while HB 2967 is a more long-term solution.

Below are some of the key points of the two budgets. Both budgets were heard in their respective fiscal committees this afternoon and are expected to be debated and adopted tomorrow. Both budgets should be adopted by their respective houses by Friday, allowing Senate and House negotiators almost two full weeks before the end of the Regular Session to quickly reach consensus on a final compromise budget.

- **K–12 Salary Allocations**

The Senate budget provides \$777.9 million in 2017–19 (along with \$193.9 million in 2019–21—for a total of \$971.8 million) to “fully fund” state salary allocations in the 2018–19 school year, as required by the November 2017 Supreme Court Order. As outlined in SB 6362, minimum salary allocations would be: \$65,024 for CIS; \$46,647 for CLS; and \$96,520 for CAS. Expected increases in 2018–19 salary allocations, by district, are available [here](#).

NOTE: SB 6362, as adopted by the Senate, included the governor's proposed school district apportionment shift to assist in funding increased salaries. Language is inserted in the budget, however, that explicitly states that due to the “recent influx” of revenues in last week's revenue forecast, the apportionment shift is “no longer necessary” and the Legislature “intends to retain the current apportionment schedule contained in RCW 28A.510.250” (as amended last year in EHB 2242).

The House does not provide the Court-required accelerated salary allocations. Instead, the House makes a transfer of \$1.1 billion from the General Fund to the Education Legacy Trust Account. Budget language clarifies these funds may only be spent in the 2019–21 biennium for the final compensation step scheduled to be made in the 2019–20 school year, as required by last year's EHB 2242.

- **McCleary Sanctions**

The Senate budget establishes a new Dedicated *McCleary* Penalty Account and sets aside General Fund dollars to account for the \$100,000 per day sanctions from the Supreme Court due to lack of timely action on *McCleary*. The appropriated amount equals the monetary penalties accrued from August 13, 2015 to March 8, 2018 (\$93.8 million) and an additional 100 days (\$10 million, for a total of \$103.8 million) for penalties that could accrue as the Supreme Court reviews the Legislature's annual post-budget report. Funds in the account are dedicated to fund basic education costs (and partially used in this budget for special education).

The House takes a similar action, establishing a Basic Education Account. \$105.2 million is set aside, but then appropriates the funding to several basic education enhancements in Fiscal Year 2019: special education multiplier,

## Special Edition: Senate & House Supplemental Budget Proposals

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Family Involvement Coordinators, middle school Guidance Counselors, and adjustments to regionalization and experience factors for school salaries.

- **Special Education**

The Senate provides \$25.3 million (from the *McCleary* Penalty Account discussed above) to increase the special education excess cost multiplier from 0.9309 percent to 0.9609 percent (as outlined in SB 6362, as adopted by the Senate) in Fiscal Year 2019.

The House provides \$36.8 million (from the Basic Education Account discussed above) to increase the special education excess cost multiplier from 0.9309 percent to 0.975 percent.

- **Special Education Safety Net**

The Senate budget increases the special education multiplier, noted above; however, at the same time, the Senate reduces funding for the special education safety net by \$10.0 million in 2017–19 and another \$20.0 million in 2019–21.

The House makes no change (positive or negative) to the special education safety net.

- **Regionalization**

The Senate budget provides \$4.9 million in 2017–19 and \$12.8 million in 2019–21 to provide a six percent regionalization adjustment for those school districts which share a boundary with any school district with a regionalization factor more than one tercile higher, so long as the district is located west of the crest of the Cascade mountains.

NOTE: The regionalization adjustment in the current version of SB 6362 only impacts six school districts (along with 11 charter schools and tribal-compact schools). Regionalization factors for North Mason, Quilcene, and Washougal school districts would increase from zero to six percent; and regionalization factors for Concrete, Mt. Baker, and Sedro-Wooley school districts would increase from six to 12 percent.

The House budget summary indicates that regionalization adjustments will be calculated in the same manner as the Senate (but funded from the Basic Education Account); however, this language is absent from the actual House bill. The bill simply notes that funding will be provided for regionalization adjustments as adopted in SB 6362 “as amended by the House.” The House has not yet heard, let alone amended SB 6362, so it is not entirely clear if the House’s plan will match the Senate’s or not.

- **Salary Safety Net**

The Senate budget establishes a Salary Safety Net grant program (as described in SB 6362, as adopted by the Senate), to provide districts with one-time salary funding (total of \$20.0 million) in the 2018–19 school year if they can demonstrate a need for additional funding due to a high staff mix or lack of regionalization.

The House budget provides funding for a four percent experience factor adjustment for school districts with median experience for Certificated Instructional Staff above the statewide average CIS experience and a ratio of CIS advanced degrees to bachelor’s degrees above the statewide ratio. Similar to the regionalization adjustments, the House’s plan for experience factors is described in the budget summary, but no language is contained in the bill. Language in the bill simply notes that funding will be provided for experience factors as adopted in SB 6362 “as amended by the House.” Again, the House

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has not yet heard, let alone amended SB 6362, so it is not entirely clear what direction the House will take. One indication, however, is [LEAP Document 3 \(February 20, 2018\)](#), noted in the budget bill, which includes regionalization factors that are adjusted to include an experience factor. LEAP Document 3 includes experience factor adjustments for 60 school districts (along with another eleven charter schools or tribal-compact schools). It is unclear if this new LEAP Document 3 includes the adjustments in regionalization for districts which share a boundary with any school district with a regionalization factor more than one tercile higher (as noted above).

NOTE: The House budget provides \$17.9 million to fund regionalization adjustments and experience factors (combined).

- **K–3 Class Size**

The House delays the requirement for school districts to demonstrate a K–3 class size of 17-to-1 until the 2019–20 school year and provides \$19.4 million to fund those districts not yet in compliance.

The Senate provides no additional appropriation, as SB 6362, as adopted by the Senate, maintains the K–3, 17-to-1, compliance date of September 1, 2018.

- **Professional Learning Days**

The Senate budget would delay by one year the phase-in (one day per year, for a total of three) of state-funding Professional Learning Days, outlined in SB 6362, as adopted by the Senate. This saves \$29.8 million.

The House budget makes no changes to Professional Learning Days.

### Capital Construction Budgets

The Senate's 2018 Supplemental Capital Budget ([Proposed Substitute SB 6095](#)) is a \$335 million package, funded with a mixture of cash (\$149 million) and bonds (\$186 million). K–12 construction would receive \$66 million of the total increase:

- The School Construction Assistance Program (SCAP) would receive \$51.3 million to cover additional school construction projects not accounted for in the underlying two-year budget.
- The Small Rural District Modernization Grant program would receive \$6.0 million.
- Distressed Schools funding would increase by \$9.0 million; however, this funding would be provided to three specific schools named in the budget: Chief Leschi's auditorium, Frantz H. Coe elementary (Seattle), and the Glacier-site middle school (Highline).

This afternoon, the Senate Ways & Means Committee adopted an amended SB 6095 (it was heard yesterday). Most of the adopted amendments were fairly minor; no K–12 amendments were adopted.

The House's 2018 Supplemental Capital Budget (Proposed Substitute HB 2395) has not yet been released. It is scheduled to be heard in the House Capital Budget Committee on Thursday afternoon and will likely be released that morning.

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### Budget Materials

All 2018 supplemental budget materials are available on the Legislative Evaluation & Accountability Program (LEAP) Committee website: [http://leap.leg.wa.gov/leap/archives/index\\_budgetsp.asp](http://leap.leg.wa.gov/leap/archives/index_budgetsp.asp)

Materials for the Senate's Supplemental Operating Budget (budget bill, summary and comprehensive agency details) and Supplemental Capital Budget (budget bill, summary and project lists) are available from LEAP: [Senate Operating](#); [Senate Capital](#).

Materials for the House's Supplemental Operating Budget (budget bill summary and comprehensive agency details) is also available from LEAP: [House Operating](#).



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