

### In This Issue: 2013–15 Final Operating Budget

#### 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).

**NOTE: WASA staff is currently preparing our annual End of Session report. It will contain full details of the 2013 Operating Budget and the 2013 Capital Budget, along with a comprehensive review of the many education-related bills the Legislature addressed this session. It will be emailed to all TWIO subscribers as soon as it is completed.**

### Special Edition: Legislators unveil final, compromise 2013–15 Operating Budget

House and Senate budget-writers were unable to reach agreement on a final, compromise 2013–15 Operating Budget during the 105-day Regular Session. They also failed to reach consensus during a 30-day Special Session. On Thursday afternoon, Day 16 of the Second Special Session (151 legislative days after this session convened in January), Governor Jay Inslee, flanked by budget-writers and leadership from all four legislative caucuses, announced that a budget deal had been completed. With less than four days remaining before the Washington State government would be forced to partially shut down, legislators wrapped up major negotiations and shook hands over an agreed-to budget. Negotiators then turned their focus to a few remaining details that needed to be hammered out.

Although an agreement was reached early Thursday afternoon, legislative staff did not complete the drafting process until late, late Thursday night. This forced the Senate to postpone its planned adoption of the final budget until Friday. Each caucus has agreed to accept the budget as written and amendments will not be allowed in either house. This will assist the effort to move quickly. It is unclear if the House will act on Friday night following the Senate's adoption, or if they will wait until Saturday. Either way, it appears that adoption of the Operating Budget will not be immediately followed by a *Sine Die* adjournment, as other business still needs to be completed. One of those pieces—a major concern of school districts—is the 2013–15 Capital Construction Budget.

The final budget addresses the state's projected \$2.3 billion shortfall (not including a required basic education down payment for *McCleary*) with a set of savings, transfers and revenue enhancements. The budget reduces \$1.6 billion in current and/or expected expenditures, including: the continued suspension of Initiative 732's educator COLAs and savings associated with state assessment changes. Enhanced revenues come from: a fix to the state's estate tax, addressing the Supreme Court's *Bracken* decision (**HB 2075**); adoption of the so-called Telecommunications Parity Act (**HB 1971**); federal Medicaid expansion; and the restoration/extension of the Hospital Safety Net Assessment. The budget includes \$502 million in transfers. \$387 million of this amount comes from the Capital Budget, including \$277 million from the Public Works Assistance Account. The final budget is a \$33.6 billion spending plan, with \$631 million left in reserve (\$53 million Ending Fund Balance, coupled with \$578 million in the more difficult to access Budget Stabilization Account).

Complete details of the negotiated final budget, a new striking amendment to **SB 5034**, are available on the Legislative Evaluation & Accountability Program (**LEAP**) [website](#). The final budget bill, a complete agency detail and a summary of the budget are available.

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Below are the major details of the K–12 portion of the budget.

## **Major K–12 Policy Enhancements**

**MSOC – \$374.0 million:** The budget allocates \$374.0 million to enhance Maintenance, Supplies & Operating Costs (MSOC). As adopted in HB 2776 (2010), MSOC encompasses seven components representing the non-staff costs of operating a school district. Allocations are increased from a maintenance level of \$562.88 per full-time equivalent student in the 2013–14 school year to \$737.02 per full-time equivalent student. In the 2014–15 school year, MSOC allocations are increased to \$781.72. The MSOC allocation required by law is revised to reflect actual audited expenditures by school districts, as reported by OSPI.

The allocation in the 2013–14 school year achieves 37 percent of the additional MSOC funding necessary to meet full funding requirements under the revised MSOC values. The allocation in the 2014–15 school year achieves 44 percent of the additional MSOC funding necessary.

The final budget does not reduce MSOC rates for CTE enrollments as previously proposed.

**LEARNING ASSISTANCE PROGRAM – \$143.07 million:** Basic-education funding for the Learning Assistance Program (LAP) for under-achieving students is increased. LAP increases are coupled with program reforms specified in **SB 5946**, which requires LAP funds to be used for interventions and activities for which there is evidence, through research, that they are effective in improving academic achievement and prioritizing early-grade reading proficiency. Additionally, the Readiness to Learn program is consolidated into LAP and school districts may use LAP funds for the Readiness to Learn program.

**PUPIL TRANSPORTATION – \$131.68 million:** Funding is provided to continue implementation of the new pupil transportation funding formula. Funds in the amount of \$42.8 million for the 2013–14 school year provide 40 percent of the enhancement needed for full funding. As of the 2014–15 school year, the budget provides 100 percent of funding necessary to fully complete phase-in of the state’s new pupil transportation funding formula as provided in HB 2261 (2009). Districts will receive state allocations as calculated under the Student Transportation Allocating Reporting system (STARS). STARS uses statistical analysis of the 295 school districts to determine each district’s expected cost of operations.

**CLASS SIZE REDUCTION – \$103.60 million:** HB 2776 (2010) requires average class size for grades K–3 to be reduced, beginning with schools with the highest percent of low-income students, until the class size for those grades is 17.00 students per classroom teacher in the 2017–18 school year. At the time the new prototypical formulas were implemented, the class sizes in the basic education prototypical model for grades K–3 was 25.23 students per classroom teacher.

Current allocations for high-poverty schools provide for class sizes of 24.10 in grades K–3. The budget provides targeted funding enhancements for high-poverty schools to further reduce class sizes in grades K–1 to 20.85 students-per-teacher in school year 2013–14 and to 20.30 students-per-teacher in the 2014–15 school year. Although HB 2776 specifies that enhanced funding is for “allocation purposes only,” the 2013–15 Operating Budget makes funds for class sizes lower than 24.1 contingent on the schools’ “demonstrated actual average class size” up to a class size of 20.30 students-per-teacher.

**INSTRUCTIONAL HOURS – \$96.97 million:** An increase in instructional hours is funded for grades seven through 12. As of the 2014–15 school year, funding allocations for an additional 2.2222 hours of instruction per week is provided, increasing the total required instruction for each of grades seven through 12 to 1,080 hours per year.

**ALL DAY KINDERGARTEN – \$89.82 million:** Allocations for statewide voluntary full-day kindergarten programs are expanded, increasing from 22.00 percent of kindergarten enrollment in the 2012–13 school year to 43.75 percent of kindergarten enrollment in the 2013–14

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and 2014–15 school years. Schools receiving the state funding for full-day kindergarten will be those with the highest percentage of students eligible for the federal Free and Reduced-Price Lunch program.

**SCHOOL COUNSELORS – \$24.06 million:** The budget increases funding for guidance counselors in middle and high schools by 0.1 staff units per prototypical school, and increases funding for Parent Engagement Coordinators and elementary schools by 0.083 staff units per school.

**TRANSITIONAL BILINGUAL INSTRUCTIONAL PROGRAM – \$18.86 million:** Funding is provided to add instructional hours for up to two years per-student to assist students who have met English proficiency standards. In school year 2013–14, 3.0 hours of additional instruction per week are provided for students who exited the program in the immediate prior year. In school year 2014–15, 3.0 hours of additional instruction are provided for students who exited the program in the immediate prior two years.

**TEACHER/PRINCIPAL EVALUATIONS – \$15.00 million:** Funding previously was provided to train all administrative staff in the new evaluation system and for a professional development program for teachers, including a comprehensive on-line training package. The training base-budget funding is enhanced by \$10 million in Fiscal Year 2014 and \$5 million in Fiscal Year 2015. The Fiscal Year 2015 amount is ongoing.

**LOW-ACHIEVING SCHOOLS – \$10.28 million:** Funding is provided for **SB 5329**, as adopted and signed earlier in the session. Funding is sufficient to provide grants to school districts identified as persistently lowest-achieving, and having been listed by OSPI as a Required Action District (RAD). Grant sizes provided to a RAD will be determined by OSPI. Funds are also provided for staffing at OSPI for the implementation and continued administration of the program.

**LOCAL EFFORT ASSISTANCE – \$8.30 million:** Due to basic education enhancements, school district levy bases will expand. This increases local districts' levy capacity and increases Local Effort Assistance (LEA) funding. The budget provides \$8.3 million (in addition to required maintenance level increases) for increased LEA payments.

**IMPROVED STUDENT OUTCOMES – \$ 4.43 million:** Funding is provided to implement SB 5946. The omnibus education reform bill addresses early-grade reading proficiency; requires Learning Assistance Program (LAP) funds to be used for interventions and activities which research shows to be effective and makes early-grade reading proficiency the first priority for LAP funds; limits the length of long-term suspensions and expulsions; establishes a beginning teacher mentoring program in statute; establishes a professional development program for new superintendent and new board members; and redefines and amends the funding allocation for Alternative Learning Programs. Additionally, the permissible uses of LAP funds are extended to include interventions for students with behavioral issues, as well as the Readiness to Learn program.

NOTE: At the time this *TWIO* was being prepared, neither the budget nor SB 5946 had yet been adopted. A compromise version of SB 5946 awaits action in the House. This new bill, which is expected to be adopted, does NOT include professional development provisions for new superintendents and school directors, nor does it include any language requiring that adjustments to locally provided compensation be tied to professional development.

### **Major K–12 Reductions**

**INITIATIVE 732 – (\$295.47 million):** Initiative 732, approved by voters in 2000, requires an annual cost-of-living adjustment for school employees based on the Seattle Consumer Price Index for the prior calendar year. The Initiative has been suspended multiple times since being adopted. The final budget again suspends these COLAs.

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**ASSESSMENT REFORM – (\$24.96 million):** The budget assumes a \$24.96 million savings from changes to the statewide-required student assessments. The changes include replacement of high school reading and writing exams with a single English language arts exam and utilization of the Smarter Balance test bank.

**HOLD HARMLESS FUNDING – (\$24.72 million):** The 2011–13 Operating Budget provided funding to hold districts harmless as the education funding system was converted to the HB 2776 prototypical school funding model. The final budget assumes this “hold harmless” funding is no longer needed due to the increased funding allocations to implement HB 2261/ HB 2776 funding targets and enhancements to LAP funding. By eliminating hold harmless funding, the state “saves” \$24.72 million.

**ALTERNATIVE LEARNING EXPERIENCE PROGRAMS – (\$12.67 million):** The State Auditor’s Office (SAO) recently completed 2010–11 school year audits of the Alternative Learning Experience (ALE) Program. An \$11.05 million one-time adjustment is included in the budget, which is based on the scope and size of the audit findings, adjusted by the historical ratio of SAO audit findings to OSPI audit resolution recoveries for the ALE programs.

The budget includes an additional \$1.62 million savings due to implementation of SB 5946, which establishes new definitions and program guidance for funding ALE programs. Funding for ALE is based on the statewide ninth- through twelfth-grade Basic Education Allocation rate.

The net savings from assumed audit recoveries and changes to the ALE program is \$12.67 million.

**NAVIGATION 101 – (\$5.03 million):** Navigation 101 is part of a comprehensive school guidance and counseling program in Washington state. The purpose of Navigation 101 is to help students make choices for college and career readiness in the areas of course selection, goal setting, career planning, and postsecondary options, including financial aid. Funding for the Navigation 101 grants is eliminated. Funding for 2.5 FTEs at OSPI is maintained to support the curriculum where districts elect to continue to utilize the program using other funding sources.

**ALTERNATIVE ROUTES – (\$4.24 million):** Alternative certification routes are teacher-training programs that serve as different options to traditional teacher preparation programs. Funding in the amount of \$4.24 million is suspended for the 2013–15 biennium, with a resulting funding level of \$500,000.

**NATIONAL BOARD BONUS – (\$3.01 million):** The National Board Bonus program provides annual bonuses to teachers and counselors who have earned rigorous certification from the National Board for Professional Teaching Standards. Current law requires the regular bonus to be adjusted for inflation, increasing the bonus from \$5,090 to \$5,489. This requirement is suspended for the 2013–15 biennium and the bonus will remain at \$5,090.

**PASS ACT – (\$3.00 million):** The budget eliminates state funding for the Paying for Actual Student Success (PASS) Act which supports several dropout prevention and retention programs including Building Bridges and Jobs for America’s Graduates (JAG). Building Bridges and JAG are consolidated into a single dropout prevention and retention program and funding for them increased by \$1.1 million.

**EDUCATION TECHNICAL SUPPORT CENTERS – (\$1.96 million):** Funding is eliminated for the Regional Education Technical Support Centers at the Educational Service Districts.

### **Additional Details**

- State salary allocations for K–12 employees (1.9 percent for classified and certificated instructional staff and 3.0 percent for certificated administrative staff) were temporarily reduced for the 2011–12 and 2012–13 school years. Funding is

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provided to restore the reductions. (For additional compensation information relating to pensions and health benefits, see page seven of this *TWIO*.)

- The budget includes proviso language requiring a review of the use of school days (see **SB 5588**). The Joint Legislative Audit & Review Committee (JLARC) is directed to conduct an analysis of how school districts use school days. The analysis must include:
  - o How school districts define classroom time, non-classroom time, instructional time, non-instructional time, and any other definitions of how the school day is divide or used;
  - o Estimates of time in each category;
  - o How noninstructional time is distributed over the annual number of school days;
  - o When noninstructional hours occur;
  - o How noninstructional hours are used, including how much non-instructional time is devoted to professional development for the purposes of teacher and principal evaluation training or common core state standards training; and
  - o The extent to which the use of each category of time is identified or defined in collective bargaining agreements.

JLARC must submit a report of its findings to the Legislature by December 1, 2014.

JLARC is also directed to review funding enhancement formulas that provide minimum staffing unit funding to small school districts and districts with school plants that have been judged by the State Board of Education to be remote and necessary. JLARC must make an assessment of the current formulas and report any recommended adjustments to the Legislature by November 1, 2014. In assessing the current formulas, JLARC committee may consider: Enhancements being made to basic education funding in the 2013–15 Operating Budget and committed to under HB 2261 (2009) and HB 2776 (2010); developments in technology or educational service delivery since the formulas were established; practices in other states; districts' ability to provide students with access to a program of education; and inter-district equity.

- The Administrator for the Courts is provided \$3.2 million for school districts which file petitions to juvenile court for truant students. Allocation of the money to school districts is to be based on the number of petitions filed. The funding includes amounts school districts may expend on the cost of serving petitions.

The Administrator for the Courts is also provided \$14.6 million for distribution to juvenile court administrators to fund the costs of processing truancy, children in need of services and at-risk youth petitions.

- The Department of Social & Health Services is provided \$1.4 million to fulfill its contracts with school districts to provide transportation, building space, and other support services as are reasonably necessary to support the educational programs of students living in Residential Habilitation Centers.
- The Criminal Justice Training Commission is provided \$200,000 for a school safety program. The Commission, in collaboration with the School Safety Center Advisory Committee, must provide school safety training for all school administrators and school safety personnel hired after the effective date of the budget.

Another \$192,000 is provided to the Criminal Justice Training Commission for the School Safety Center within the Commission. The Safety Center is to act as an information dissemination and resource center when an incident occurs in a school district in Washington or in another state, coordinate activities relating to school

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safety, and review and approve manuals and curricula used for school safety models and training. The Commission must provide funding to OSPI to continue to develop and maintain a school safety information website. The School Safety Center Advisory Committee is required to develop and revise the training program, using the best practices in school safety, for all school safety personnel. The Commission must provide research-related programs in school safety and security issues beneficial to both law enforcement and schools.

- As in previous budgets, proviso language is included explicitly prohibiting the Department of Health and the State Board of Health from implementing any new or amended rules pertaining to primary and secondary school facilities until the rules and a final cost estimate have been presented to the Legislature and the Legislature has formally funded implementation of the rules through the state budget or by statute.

Additional proviso language has been added, requiring the Joint Administrative Rules Review Committee (JARRC) to review the new or amended rules pertaining to primary and secondary school facilities. JARRC must determine whether: the rules are within the intent of the Legislature as expressed by the statute that the rule implements; the rule has been adopted in accordance with all applicable provisions of law; or that the agency is using a policy or interpretive statement in place of a rule. JARRC must report to the Legislature the results of its review and any recommendations the Committee deems advisable.

- The Washington State Institute for Public Policy is provided with \$85,000 to prepare an inventory of evidence-based and research-based effective practices, activities, and programs for use by school districts in the Learning Assistance Program, as directed by SB 5946. The initial inventory is due by August 1, 2014, and shall be updated every two years thereafter.

The Washington State Institute for Public Policy is provided with another \$200,000 to provide primary staff support for a new K–12 funding Task Force, comprised of four legislators, the State Superintendent and three members chosen by the governor. The Task Force must examine options and make recommendations regarding the following topics:

- o Revised salary allocation methodologies and models for administrative, classified, and certificated instructional staff in public schools (including regional salary differentials);
- o Policies and funding to support Career and Technical Education, including:
  - o A revised funding allocation methodology for career and technical education for middle schools, comprehensive high schools, and Skill Centers through the prototypical school funding formula;
  - o Recommended capital facilities policies related to the siting of Skill Center campuses, including Skill Centers co-located on comprehensive high school and higher education campuses; and
  - o The feasibility of establishing technical high schools as an alternative delivery model for integrated secondary career and academic education; and
- o The appropriate use of state and local property taxes to support the financing of public schools, modifications to property tax growth limitations, and strategies for improving the stability and transparency of such use.

The Task Force must submit an interim report to the legislature by December 1, 2013, and a final report by December 1, 2014.

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## Pensions and Health Benefits

By John Kvamme

### Striker to 2ESSB 5034 Proposed Operating Budget

Representative Hunter & Senator Hill: Proposed final Operating Budget.

#### Pensions:

- Contribution Rates: are as recommended by the State Actuary through the Pension Funding Council.

Plan	Employer Cost		
	Current	House & Senate	Plan 2 Member
o TRS	8.05%	10.39%	4.96%
o SERS	7.59%	9.82%	4.64%
o PERS	7.21%	9.21%	

- **SSB 5851 Defined Contribution Option Plan (401K):** Not included in the final proposed budget, thus presumed dead.

#### Health Benefits:

- Health Benefits Allocation

Current – \$768 per month	Senate: 2013–14 - \$758	2014–15 - \$758
	House: 2013–14 - \$768	2014–15 - \$768
	Final: 2013–14 - \$768	2014–15 - \$768

- Remittance

Current – \$65.17	Senate: 2013–14 - \$54.68	2014–15 - \$55.39
	House: 2013–14 - \$64.40	2014–15 - \$70.39
	Final: 2013–14 - \$64.40	2014–15 - \$70.39

- Retiree Subsidy      Final: \$150 per month is provided for calendar years 2014 and 2015.
- **Part-Time Employees / Exchange: SSB 5905** does not appear to be included in the final budget. A section under JLARC requires that committee to include an analysis of the impacts of using the Exchange as a mechanism for providing health insurance for part-time K–12 employees within the December 1, 2014 OIC report as outlined in ESSB 5940 (2012 session)
- **Wellness and PEBB Coverage Waiver Surcharge:** The smoker surcharge and spouse or partner surcharge issues appear to only pertain to employees that use the PEBB health insurance plans. The smoking surcharge is \$25 per month and the spouse/partner surcharge is \$50 per month.
- **Office of the Insurance Commissioner (OIC):** The amount of funding for the OIC during the 2013–2015 biennium for the **ESSB 5940** reporting project is reduced by \$900,000.