

April 10, 2013

Special Edition: House Offers 2013-15 Operating Budget Proposal

In the last five weeks, successive actions have prepared the Legislature for a final showdown on the 2013-15 Operating Budget. On March 14, the Caseload Forecast Council released its update on state entitlement costs, with an expected increase of \$301 million over previous projections. On March 20, the Economic & Revenue Forecast Council released its update on projected state revenue, with a slight decrease of \$19 million from the November forecast. With the size of the budget problem updated, leaving a projected shortfall in 2013-15 of approximately \$1.3 billion (not including the required basic education down payment to comply with the Supreme Court's Orders in *McCleary*), the table was set for the Legislature to get down to budget business. The following week, on March 28, Governor Jay Inslee unveiled his "[budget priorities](#)" and a revenue package to pay for it. Like clockwork, budget-writers in the Senate Majority Coalition Caucus introduced [their budget proposal](#) on April 3. After another week, House Democrat budget-writers released their budget (and revenue) package this afternoon. With all pieces of the budget on the table, budget-writers in the Senate and House (and presumably Gov. Inslee) can begin negotiating in earnest on a final, compromise 2013-15 Operating Budget. With the 105-day Regular Session set to adjourn on April 28, budget negotiators have their work cut out for them.

The House's budget addresses the state's \$3.4 billion budget problem (projected shortfall and *McCleary* enhancements, along with a healthy Ending Fund Balance) with a combination of fund transfers (\$757 million); spending reductions (\$1.3 billion); and increased revenue (\$1.3 billion). This Special Edition of *TWIO* provides a brief summary of the highlights of the K-12 portion of the budget. A more detailed review of this budget proposal will be included in next regular *TWIO* (Friday, April 12). For quicker information, the [Legislative Evaluation & Accountability Program \(LEAP\) Committee website](#) includes a budget overview, the full agency detail and the actual budget bill (a striking amendment to the Senate-adopted [ESSB 5034](#)). This afternoon, the House Appropriations Committee held a public hearing on the budget. They are expected to take executive action tomorrow, followed by adoption by the full House on Friday or Saturday.

Some of the key points:

- The House proposes a \$34.51 billion spending plan, with \$15.55 billion being committed to K-12 education. In comparison, Gov. Inslee proposed total spending of \$34.21 billion, with K-12 receiving \$15.42 billion; and the Senate proposed a \$33.35 budget, with \$15.17 going to K-12 education.
- \$985.7 million is provided in basic education enhancements, specifically to fund requirements of HB 2261 (2009) and HB 2776 (2010) in compliance with *McCleary*. (See attached chart for a comparison of down payment proposals.)

- \$461.3 million is provided to enhance **Materials, Supplies & Operating Costs (MSOC)**. The allocation in the 2013-14 school year achieves 33 percent of the additional MSOC funding necessary to meet full funding requirements under the revised MSOC values and increases to 66 percent in School Year 2014-15.
- \$225.3 million is provided for **K-3 Class Size Reduction**. Allocations provided will reduce non-poverty class sizes for grades kindergarten through three from 25.23 to 23.58 in School Year 2013-14 and 21.94 in School Year 2014-15. Class sizes in high poverty schools are reduced from 24.1 to 22.68 in School Year 2014-15 and 21.26 in School Year 2014-15.
- \$144.1 million is provided to fully fund the state's new **Pupil Transportation** formula in 2014-15.
- \$91.5 million is provided to continue the expansion of state-funded **All-Day Kindergarten**. Allocations increase from 22 percent of kindergarten enrollment in School Year 2012-13 to 37.6 percent of kindergarten enrollment in School Year 2013-14 and 59.6 percent of kindergarten enrollment in School Year 2014-15.
- \$63.5 million is provided for linear implementation of increased **instructional hours** for grades seven through 12. Provided funding is equivalent to 20 percent of full funding in the 2013-14 school year. Additional funding in school year 2014-15 will move the state to 40 percent of the full funding target.
- \$246.9 million is provided for increases in **staff salary allocations**. \$133.2 million is provided to increase salary allocations for state-funded classified staff from \$32,310 to \$35,318. \$113.7 million is provided to increase salary allocations for state-funded administrative staff from \$59,954 to \$71,332. (NOTE: [LEAP Document 2](#) lists budgeted classified and administrative salary allocations by district.)
- \$40.1 million is provided for **school counseling**. \$22.5 is provided to revise and increase the prototypical school funding model allocations for Parent Engagement Coordinators. Another \$17.6 million is provided to revise and increase the prototypical school funding model allocations for guidance counselors.
- \$33.9 million is provided for **professional development**. \$30.0 million is for training to prepare and educate teachers in the new Teacher/Principal Evaluation process. Another \$3.9 million is provided for cultural competency training for teachers and principals.
- \$22.8 million is provided to expand the **Learning Assistance Program**, increasing the number of instructional hours provided from 1.5156 hours per week per full-time equivalent (FTE) student to 1.6125 hours per week per FTE student. (This increase is part of the Career and College Ready plan, as adopted in the spending plan of the Joint Task Force on Education Funding.)
- \$12.0 million is provided to expand the **Transitional Bilingual Instructional Program**, increasing the number of instructional hours provided. (This increase is part of the Career and College Ready plan, as adopted in the spending plan of the Joint Task Force on Education Funding.)

- 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 \$10.0 million (in addition to required maintenance level increases) for increased LEA payments.

Some K-12 "savings" are also included in the House budget:

- Initiative 732 Cost of Living Adjustments are frozen (saving \$295.6 million) and required inflationary increases for bonuses to teachers certified by the National Board for Professional Teaching Standards are also frozen (saving another \$3.2 million). The temporary 1.9 percent and 3.0 percent salary reductions are restored.
- The Alternative Learning Experience program is revised. The program is redefined based on the course type and limitations are added to the funding allocations related to full-time equivalent student enrollment counted by districts, resulting in an expected savings totaling \$29.8 million. Additionally, a one-time adjustment for assumed audit recoveries of \$8.2 million is included in the budget.
- The 2011-13 Operating Budget provided funding to hold districts harmless as the funding system was converted to the HB 2776 prototypical school funding model. The House's budget assumes "hold harmless" funding is no longer needed due to the following basic education funding changes: (1) increasing the funding allocations for implementing the HB 2261/HB 2776 funding targets; (2) providing additional allocations in LAP and TBIP; and (3) providing additional allocations to fund an increase in 7th through 12th grade instructional hours. By eliminating hold harmless funding, the state "saves" \$24.7 million.
- Revisions in required statewide student assessments are expected to result in savings of approximately \$24.3 million. The revisions to statewide assessments include: replacement of the 10th grade high school reading and writing exams with a single English language arts exam; elimination of one required math exam; and implementation of Smarter Balance assessments to align with the common core state standards.

(Retirement and Health Benefit information follows on next page)

Retirement and Health Benefits

House and Senate Proposed Operating Budget 2013-15

Pensions:

- Contribution Rates are as recommended by the State Actuary through the Pension Funding Council at an increase in cost to the GF State of \$245 M.

Rates	Current	Senate	House
TRS	8.05%	10.39%	10.39%
SERS	7.59%	9.82%	9.82%
PERS	7.21%	9.21%	9.21%

- Senate Budget Only - SSB 5851 Defined Contribution Option Plan (401k) – savings of \$2.3M 2013 -15

Health Benefits:

- Health Benefit Allocation

Current – \$768 per month	Senate	2013-14 - \$763	2014-15 - \$764
	House	“ - \$768	“ - \$768

- Remittance

Current - \$65.17	Senate	2013-14 - \$60.17	2014-15 - \$61.00
	House	“ - \$64.40	“ - \$70.39

- Retiree Subsidy Per Month

Current - \$150 per month Senate 2013-14 & 2014-15 - \$150 However there is a reduction down to \$100 based on a years of service formula

House 2013-14 & 2014-15 - \$150 per month

- Senate Budget Only - Affordable Care Act

\$87M Savings to GFS by reducing insurance allocations for part-time K-12 employees by aligning them with the Federal Affordable Care Act’s Washington Health Benefit Exchange premium costs.

Basic Education Down Payment Proposals vs. Joint Task Force Full Funding Plan

