



## Special Edition:

### Senate Releases 2019–21 Operating Budget Proposal

**\*\*House Operating Budget Update:** On Friday, the full House adopted its amended 2019–21 Operating Budget plan, [HB 1109](#). Following the discussion of the Senate’s budget below, we will provide an update on the budget amendments proposed and adopted on the House Floor. First, however, a correction is in order.

In Friday’s regular weekly *TWIO* ([Week 11, March 29](#)), we provided information on the House’s proposed levy/Local Effort Assistance (LEA) package contained in a [Proposed Substitute of HB 2140](#). The information we provided indicated that the LEA available (12 percent for districts with at least 75 percent of students eligible for Free and Reduced-Price Meals; and 10 percent for districts with less than 75 percent of students eligible for Free and Reduced-Price Meals) *would only be available to districts that used the option of a 20 percent state/federal levy base to determine their levy lid*. That information was incorrect—under provisions of the bill, LEA is set at 10 percent (or 12 percent) of the levy base *regardless of which levy approach districts choose*. To receive full LEA, districts only have to levy up to a portion of the 10 percent levy rate, based on the difference between the district’s 10 percent levy base, minus the 10 percent levy rate as a ratio to the statewide average 10 percent rate. HB 2140 will be heard this afternoon in the House Appropriations Committee.

## 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).

### Senate Operating Budget Proposal

On Friday, March 29, Senate Democratic budget-writers released their 2019–21 Operating Budget proposal, a Proposed Substitute of [SB 5153](#). It should be noted that the House’s budget, HB 1109, will likely be the vehicle for a final budget. At this point it is unclear if the Senate will move its own bill or overlay their proposal as a striking amendment to HB 1109. If the Senate moves SB 5153 through the process, they could adopt their budget and await negotiations on a final, compromise budget. When negotiations are complete, they would simply amend HB 1109 and send it back to the House for a final approval. The alternative is to adopt HB 1109 with the Senate’s language and send it back to the House now, where it will await negotiations. After negotiations are complete, the House would adopt the agreed upon amended bill and send it back to the Senate for a final approval. The first option is more streamlined. Also, using this option, the Senate would not necessarily need to have the full Senate adopt the budget initially, which would avoid a potentially messy Floor fight, with the 28 members of the Democratic Caucus fighting amongst themselves. The second option is more traditional, but forces a more public process until negotiations begin—which are usually driven underground. Regardless of the strategy, either option ends with the same result.

The Senate’s budget proposal would increase spending over the 2017–19 budget by \$7.5 billion. The full spending package would be \$52.2 billion, compared to the House’s \$52.8 billion proposal. Both budget packages include approximately \$5.8 billion in Maintenance Level spending. In Policy Level spending, the Senate proposes \$1.6 billion

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in new or enhanced programs, while the House would add \$2.3 billion in Policy Level increases.

Both the Senate and the House proposals would include additional resources—including tax increases. The House proposes three major revenue sources: a new Capital Gains Tax, coupled with a graduated Real Estate Excise Tax ([HB 2156](#)); the elimination of a series of current tax preferences ([HB 2157](#)); and an increase in Business & Occupation Taxes dedicated to higher education programs ([HB 2158](#)). If adopted, the new taxes would raise \$979 million in 2019–21, increasing to \$2.17 billion in 2021–23. The Senate budget also raises revenue through: a graduated Real Estate Excise Tax ([SB 5991](#)); an elimination of tax preferences ([SB 5997](#)); a reduction in the current tax preference for prescription drug resellers ([SB 5988](#)); and an insurance premium surtax for wildfire prevention ([SB 5996](#)). In total, the Senate’s revenue package would raise \$518 million in 2019–21. It should be noted that the Senate also proposes a new Capital Gains Tax; however, the resultant revenues would be used to reduce taxes for small businesses and fund a working families tax credit. The Senate does not “book” this potential revenue in its budget proposal, however, while the House does. Said another way, the House’s budget is reliant on the projected revenues from a new Capital Gains Tax bill; if it fails to be adopted there will be a half-a-billion hole in the House budget.

The two competing budgets have different spending levels and a different level of new resources. This leaves a difference in a third important area: how much revenue is left in the bank for future needs. The House budget would leave \$241 million in the Ending Fund Balance, while the Senate would save \$564 million. Put simply, the House raises more money, allowing them to spend more money, but leaves less revenue for the future. Individual line items in the budgets will be debated, but these big pictures issues are where the real battles will be fought.

For K–12 Education, the Senate budget would increase current spending by \$532 million (not including the \$507 million to implement the School Employees’ Benefits Board program). Key highlights of the K–12 Education portion of the budget are detailed below. Full budget details, including a Summary, a comprehensive agency detail, and the actual budget bill are available from the [Washington State Fiscal Information website](#).

## Major K–12 Policy Enhancements

### School Employee Health Benefits – \$507 million

Funding is provided for implementation of the School Employee’s Benefits Board (SEBB) program beginning January 1, 2020. The Senate’s budget proposal uses insurance funding rates of \$994 per employee per month for Fiscal Year 2020 and \$1,056 per employee per month for Fiscal Year 2021. The funding would approve the Tentative Collective Bargaining Agreement between the governor’s Office of Financial Management and a coalition of school employee labor representatives, including the Benefit Allocation Factors (BAF) for state allocated classified staff (1.43) and certificated staff (1.02).

As with the House proposal, this funding is presumed to provide for state-funded school employees and no funding (beyond some additional funding via the BAFs) is included for eligible employees that are locally or federally funded. Additionally, it should be noted the estimated health benefit rates are significantly lower than the recent estimates provided by the Health Care Authority (which were lower than first estimated last October). The rates are also lower than the House provided in its budget—and even lower than what the Senate was first discussing just a few weeks ago. Reduction of the health benefit rates will reduce the state’s cost of implementing the program and should also reduce local school district costs to implement the program. That is good news; however, it is unclear how “real” these estimates may be. House and Senate budget-writers are using a set of assumptions in developing these adjusted rates and only time will tell if the assumptions are valid. If they are, that is great. If the assumptions turn out to be bogus, however,

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there will have to be significant adjustments in the Supplemental Operating Budget—and school district budgets will take a hit. There is a concern that budget-writers are trying to artificially drive down the costs of the program, simply to get SEBB over the finish line—and then deal with any problems later. This is a dangerous strategy because if all the estimates and assumptions turn out to be false, the new benefits program will be “locked in” and it will essentially be impossible to turn this train around. We are trusting that legislative leaders are being honest with themselves—and us.

**Special Education – \$155.9 million**

The Senate budget provides \$155.9 million for special education—a significant increase beyond the House’s \$71.9 million. The comparison, however, is “apples to oranges.” The House budget would provide \$71.9 million to increase the current 0.9609 excess cost multiplier for special education students to 0.9925. The Senate’s special education funding, however, covers four specific components:

- \$85.7 million is provided to implement the first part of [SB 5091](#) and increase the excess cost multiplier to 1.00. The Senate’s proposal is more than the House proposal; however, both offers are still well short of the documented special education underfunding of between \$300 and \$400 million. This is the message we have been trumpeting since before the 2019 Legislature convened—which is why we stepped up and [publicly announced](#) our disappointment in the two budget proposals currently on the table.
- The second component is the removal of federal dollars from the special education safety net as required by SB 5091. \$29.6 million would be provided to “backfill” the federal dollars with state funding.
- \$6.3 million is provided to implement [SB 5532](#), which would fund: assistance with transition planning for special education students; and the establishment of an advisory committee.
- The fourth component is the funding of anticipated growth in safety net awards for the 2018–19 and 2019–20 school years. The Senate provides \$34.3 million for this expected cost.

In another section of the K–12 Education budget, the Senate also provides \$4.8 million to provide excess cost allocations for students with disabilities in institutional education programs, as required by SB 5091.

**Paraeducator Training – \$23.1 million**

The Senate budget provides funding to allow school districts to provide four days of training to all paraeducators in a fundamental course of study on paraeducators standards of practice, as required by current law.

The House budget provides half of this amount (\$12.0 million) and would halve the number of paraeducator professional development days required from the current four to two.

**Forest Revenue Deduction – \$13.4 million**

For many years, school districts with state forest lands had the resultant revenues deducted from their general apportionment payments. In 2018, OSPI adopted a rule change which allowed districts to retain their state forest revenues without incurring a reduction in their state allocations. The Senate budget provides funding which reflects forest payments not deducted in the 2018–19 and 2019–20 school years.

The House’s original budget included language requiring OSPI to adopt revised rules by September 1, 2019, to resume the prior timber revenue deduction. An amendment adopted in the House Appropriations Committee reversed this decision, impacting the budget by \$23.7 million. The House provided \$10.3 million in Fiscal Year 2020 and

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\$13.4 million in Fiscal Year 2021; the resultant increase in general apportionment is the same in both the House and Senate budgets (\$13.4 million).

**STEM Grant Program – \$6.5 million**

Funding is provided (\$6.6 million) for a STEM and Outdoor Education Grant Program beginning in Fiscal Year 2021. A \$135,000 adjustment is also made, moving funding for STEM Lighthouses into the STEM and Outdoor Education Competitive Grant Program beginning Fiscal Year 2021.

**Highly Capable Programs – \$3.8 million**

The Senate budget provides funding to implement [SB 5354](#) to provide universal highly capable screenings for students at least once between second and sixth grade.

**Student Safety – \$2.9 million**

Funding is provided to allow OSPI to maintain its State Safety Center and convene a Safety and Well-being Committee. Funding is also provided to each ESD for 1.0 FTE for behavioral health coordination.

**CTE Programs – \$2.5 million**

Funding is provided to fund the implementation of [SB 5327](#)—Career Connected Learning. The funding will be used to expand core plus grants for equipment and professional development related to the manufacturing, aerospace, and maritime trades (\$305,000). Additionally, ESD Regional Leadership funding is provided for each ESD to employ one full-time employee to convene and manage regional, cross-industry networks (\$2.2 million).

**Next Gen Science Standards – \$2.0 million**

The Senate budget provides funding for professional development in the Next Generation Science standards and to support community-based climate science organizations to partner with ESDs and school districts.

**Additional Funded Legislation**

The Senate budget would provide funding to implement several additional bills, including the following:

- [SB 5023](#)—Ethnic Studies. \$61,000 is provided to OSPI to convene a workgroup to develop ethnic studies curriculum for grades 7–12.
- [SB 5082](#)—Social Emotional Learning. \$400,000 is provided for: OSPI to adopt Social Emotional Learning (SEL) standards and benchmarks; the Professional Educator Standards Board to incorporate the adopted SEL standards and benchmarks along the entire career continuum of knowledge, skill, and performance standards for effective teaching, to the extent possible; and creation of an SEL committee.
- [SB 5141](#)—School Resource Officers. \$100,000 is provided to OSPI to administer a grant program to for mandatory School Resource Officer Training.
- [SB 5247](#)—Catastrophic Incident Plans. \$48,000 is provided for OSPI to consult with the military department to develop guidance to school districts for catastrophic incident plans.
- [SB 5497](#)—Immigrants in the Workplace. \$70,000 (one-time funding) is provided for legal services to review confidentiality policies and to develop model policies related to immigration enforcement at public schools.
- [SB 5612](#)—Holocaust Education. \$194,000 is provided for OSPI to: collaborate with an expert organization to develop best practices and guidelines for high quality instruction on the Holocaust and to encourage, support, and train teachers in implementing them; and report to the Legislature with a summary

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of feedback and a recommendation about whether Holocaust instruction should be required in public schools, and if so, in which grades.

- **SB 5903**—Children’s Mental Health. \$42,000 for OSPI to participate in implementation of a two-year pilot program called the Partnership Access Line (PAL) for schools.

## House Budget Update

On Friday, Representatives spent most of the morning in their respective political caucuses discussing the budget. When members returned to the Chamber—after we had prepared last week’s *TWIO*—the House moved their budget, HB 1109, as amended by the House Appropriations Committee, to the Floor. Legislators debated and acted upon 41 amendments. Nineteen of the amendments were adopted. Sixteen of the amendments were defeated, five amendments were withdrawn, and one amendment was ruled Out of Order. Several of the amendments had K–12 impacts:

**Amendment 471:** This amendment would have revived and implemented **HB 1910**, which would have: increased the special education excess cost multiplier to 1.07; removed the current 13.5 percent funded enrollment limit for special education; and made a series of changes to the special education safety net. The amendment, costing \$253 million, failed.

**Amendment 472:** This amendment would have provided grant funding to school districts for transportation of students that are homeless or in foster care (under McKinney-Vento). The amendment, costing \$5.0 million, failed.

**Amendment 456:** This amendment provides funding to implement **HB 1390**, and provides a one-time three percent benefit increase to retirees from the Public Employees’ and Teachers’ Retirement Systems Plans 1. Employer contribution rates are increased to fund the benefit increases. The amendment was adopted and increases the General Fund budget by \$38.3 million and increases other appropriated funds by \$7.1 million.

**Amendment 493:** This amendment would have directed the State Treasurer to transfer one percent of the new Capital Gains Tax revenues (if adopted) that are to be deposited in the Education Legacy Trust Account—to fund education programs—to the Budget Stabilization Account. The amendment failed. It would have increased the Budget Stabilization Account by \$7.8 million and reduced the revenue available in the Education Legacy Trust Account by an equal \$7.8 million.

**Amendment 460:** This amendment will transfer funding for paraeducator training from OSPI to the Professional Educator Standards Board. The amendment was adopted and has no change in appropriation.

**Amendment 462:** This amendment directs OSPI to submit an annual report to the Legislature on how school districts are spending the statewide Information Technology Academy Program grant funds, including which districts are receiving grant awards and matching funds. The amendment was adopted and has no change in appropriation.

**Amendment 461:** This amendment clarifies that all educators are eligible to apply to the Beginning Educator Support Program within OSPI, as opposed to teachers only. The amendment was adopted and has no change in appropriation.

**Amendment 463:** This amendment transfers funding for a feasibility study on a public secondary education institution focused on maritime education from Statewide Programs within OSPI to the Grants and Pass-Through Funding program at OSPI. This amendment was adopted and has no change in appropriation.

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**Amendment 478:** This amendment would have funded a modified version of WASA’s “Hold Harmless” proposal. It would have been funded out of the General Fund. This amendment was withdrawn in favor of the next amendment.

**Amendment 475:** This amendment implements a modified version of [WASA’s “Hold Harmless” proposal](#). It requires OSPI to provide hold harmless payments to districts in the 2019–20 and 2020–21 school years, based on general apportionment amounts in the 2018–19 and 2019–20 school years and levy and Local Effort Assistance (LEA) payments in the 2019 and 2020 calendar year, as compared to the 2017–18 school year general apportionment and the 2018 calendar year levy and LEA. The amendment was adopted. The funding, \$58.4 million (\$42.6 million in Fiscal Year 2020 and \$15.8 million in Fiscal Year 2021), would be provided from the Budget Stabilization Account (BSA), using a portion of the “extraordinary revenue growth” that is scheduled to be transferred from the General Fund to the BSA. Funding is contingent on adoption of [HB 2163](#).

**Amendment 465:** This amendment would have provided funding to implement [HB 1559](#), which would have created a Back-to-School sales tax exemption, which would exempt certain clothing and school supplies from sales tax during one weekend in August each year. The amendment would have transferred up to \$45 million from the Sales Tax Holiday 2020 Account (created by HB 1559) back to the General Fund to replace the General Fund revenue foregone during the tax holiday. The amendment failed.

**Amendment 464:** This amendment would have provided funding for the Workforce Training and Education Coordinating Board to contract with the Washington West Sound STEM Network to develop and implement a controls programmer apprenticeship pilot program. The program would provide a pathway for youth to earn a high school diploma and postsecondary credentials while being employed as a controls programmer apprentice. This amendment, costing \$1.0 million, failed.

The newly amended HB 1109 was adopted with a straight party-line vote of 56–38. All Democratic members supported the budget, while all Republican members opposed the bill.



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