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Special Edition:

Supplemental Operating Budget Update

As noted in the **Sine Die Edition of TWIO**, released earlier today, the Senate has unveiled a new 2016 Supplemental Operating Budget proposal. A Proposed Substitute version of **SB 6667** was heard this afternoon in the Senate Ways & Means Committee. The new proposal makes several changes to the Senate's original budget proposal (**SB 6246**) and moves closer to the House's position in a number of areas in an apparent effort to break the current logjam between budget negotiators. House negotiators, however, are upset about this new budget. They say they presented a budget offer to Senate Republicans on Tuesday, but never heard back from them and then they broke off talks. House budget-writers are frustrated that this new proposal could have been discussed amongst the negotiators early in the week and a deal could have either been completed or near to completion. They claim this public release of a new offer by the Senate further complicates the negotiations.

SB 6667 increases spending of the underlying 2015–17 budget by \$178 million, a total of \$143.7 million more than was originally proposed by the Senate. The spending increase is comprised of a \$203 million increase for maintenance level costs coupled with a decrease of approximately \$26 million in policy decisions. The new budget makes two major concessions to the House. First, the new Senate proposal would follow the House's lead and spend \$190 million from the Budget Stabilization Account for wildfire costs. Second, the Senate's controversial proposal, embodied in **SB 6668**, to save \$75 million (increasing to \$244 million in the next biennium and approximately \$1.5 billion over a 25-year period) by merging the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF Plan 1) with the Teachers' Retirement System Plan 1 (TRS Plan 1) has been dropped. There is proviso language to provide for a study of the issue, however.

For K–12 education, there is an increase of approximately \$31.2 million above the underlying 2015–17 budget. This is compared to a previously proposed decrease of \$1.3 million, which mainly comes from an adjustment in how maintenance level costs are calculated. In the original Senate proposal, there was a \$9.5 million maintenance level reduction, compared to a \$25.9 million increase in the new plan. This is due to a change in K–3 class size funding. The original Senate plan included a \$52 million "savings" by reducing K–3 class size funding based on actual utilization of the funds. The new Senate budget lowers that "savings" to \$17 million.

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K–12 policy changes are fairly minor between the two packages. The original Senate plan would have increased spending on K–12 policy items by \$8.1 million (of which \$6.2 million was for charter schools). The new Senate budget would increase spending on K–12 policy items by \$5.3 million (mostly accounted for by a reduction of charter school funding to \$2.9 million).

The Senate budget moves to the House’s position and provides \$1.5 million to implement **HB 1999** to support educational outcomes for foster youth. This was not funded in the original Senate package. Changes in funding for the Academic Acceleration program (reduced by \$205,000) and funding for Dual Credit IB programs (increased by \$205,000) results in no net budget impact. These issues were not addressed in the first Senate budget. The original Senate budget included funding for paraeducator certification (\$907,000) and for student mental health (\$134,000). Both of those items have been dropped in the new proposal.

While we have not had an opportunity to thoroughly review the full budget language, there are a handful of new provisos in the Senate’s bill. One key proviso deals with funding for Maintenance, Supplies & Operating Costs (MSOC). The new language, found in Section 502(7)(b), specifically states, “As a condition of receipts of these funds, school districts must certify to the Office of Superintendent of Public Instruction that state funding provided under this subsection has been expended solely for MSOC.” What does that mean? In simple terms, this specifically precludes districts from using MSOC funding for salaries. Throughout this session, we have been asking for the Legislature to provide some protections for districts at the bargaining table. This may be a backdoor way of accomplishing that; however, rather than protecting districts, it may simply handcuff districts—and perhaps force them to play a shell-game with state and levy funding. We’ll continue to work on this issue to see if we can get some language that will actually assist school districts.

Complete details of SB 6667, the Senate’s new budget proposal—including a Summary, the actual budget bill and agency details—can be found at the [Legislative Evaluation & Accountability Program Committee website](#).



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