

2009-11 Supplemental Operating Budget

The legislative leaders have reached a compromise on this year's 2009-11 Supplemental Operating Budget that were made public April 12, 2010.

Budget Context:

When the legislature adopted its original 2009-11 biennial budget, they had closed a projected shortfall of \$8.9 billion through budget reductions, government efficiencies, fund transfers and about \$3.0 billion in federal funds. The ending fund balance was \$739 million. Since then, revenue forecasts for the state general fund have declined \$1.8 billion and mandatory (caseload) costs have increased by \$652 million. In addition, several lawsuits have impacted legislation adopted in 2009 that has resulted in an additional \$359 million in costs. Altogether, this represents a \$2.8 billion shortfall that needs to be addressed in the final year of the two-year budget cycle.

The legislative budget responds to this shortfall through overall spending reductions of \$840 million, an additional \$633 million in federal funds (largely Medicaid expenditures), and transfers from other funds sources for \$328 million and increased revenue of \$757 million. These changes result in total Near General Fund-State spending of \$30.456 billion for the two-year period and leave an ending fund balance of \$482 million – or about 1.6%.

K-12 Public Schools:

Overall K-12 Budget Reduction:

The original maintenance level for K-12 education for the 2009-11 budget period had originally been \$14.79 billion to cover the then current law costs. When the original two-year spending plan was adopted the amount funded was \$13.3 billion. This amount increased over this past year \$252 million due to an increased number of students and higher costs for teacher pay due to last year's cut-backs resulting in a more experienced workforce. So, the revised maintenance level for the supplemental budget was \$13.562 billion. The total supplemental reductions in K-12 funding totaled nearly \$120 million, or just under 1 percent of funding. This overall net reduction includes spending reductions of over \$159 million and spending increases of \$39 million.

Major Budget Reductions:

1. **(\$78.5 million) Initiative 728** funding is eliminated. The current \$131.16 per FTE student in 2009-10 was originally budgeted to be reduced to \$99.32 in 2010-11, a 71.4 percent reduction in the first year and 78.3 percent in the second year. However, that per student funding is now eliminated entirely for the 2010-11 school year. In the current 2009-10 year, I-728 funding provides state funding for approximately 1,500 educator positions.

2. **(\$30 million) Certificated Staff Ratio – Grade 4.** Basic education act formulas require a minimum of 46 certificated instructional staff (CIS) for each 1,000 students. This ratio has been enhanced in the early grades (K-4) to provide 53.2 CIS for each 1,000 students. This ratio is maintained for grades K-3, however for grade 4 the ratio is reduced to 47.4 CIS for every 1,000 FTE students. This results in approximately 453 fewer state funded CIS positions for the 2010-11 school year.
3. **(\$22 million) Bus Depreciation.** Savings are assumed by postponing sales tax payments for school bus depreciation. OSPI will provide sufficient funds in the last year of a bus's expected life cycle to cover sales tax costs, rather than providing a portion of these funds each year to cover this cost.
4. **(\$1.8 million) Career and Technical Education.** Funding is reduced by two-thirds for grants to middle and high schools, or skill centers to develop or upgrade high-demand career and technical education programs.
5. **(\$1.7 million) Alternate Routes.** The program to provide assistance to individuals pursuing teacher certification through performance-based non-traditional programs is reduced 50 percent.
6. **(\$1.5 million) Focused Assistance.** The state funded focused assistance program is reduced by 50 percent.
7. **(\$1.6 million) National Board Certification.** The provision that permitted NBC Teachers to keep their bonus should they become a principle is eliminated. State funding for scholarships to provide a \$2,000 advance to cover up-front costs of pursuing certification from the National Board is also eliminated. The bonus provided teachers in Challenging Schools and the inflation adjustment to the basic NBCT bonus – which were once threatened – remain intact.

Budget Additions (excluding compensation):

1. **\$21.8 million – School Levies.** SHB 2893 increases the levy lid by 4 percent and increases state payments for levy equalization from 12 to 14 percent. This additional funding provides the resources necessary for funding the additional levy equalization costs for the first six months of calendar year 2011 (which represents the last six months of the state's 2009-11 biennial operating budget).
2. **\$7.9 million - Per Pupil Inflation.** State funding is provided to maintain the per pupil inflator at four percent. This item increases levy equalization costs for school districts and allows some districts to collect additional local funds approved by their voters.
3. **\$2.5 million - Basic Education Allocation.** Funding is provided to develop the IT systems infrastructure to support the new (prototypical) school funding formula provisions contained in ESHB 2776.
4. **\$2.4 million - Education Reform.** Funding is provided to implement the provisions of E2SSB 6696. The bill implements policy changes in school and school district accountability, educator preparation programs, educator evaluation systems, academic standards and parent and community involvement.

Compensation:

1. **Initiative 732 COLA.** As provided in the original two-year spending plan the I-732 COLA is suspended for the 2009-10 and 2010-11 school years.
2. **(\$15.5) - Learning Improvement Days** – The one remaining LID day is eliminated which is a half percent reduction in base compensation.
3. **Health Benefit Rates** - Are maintained at the originally budgeted rate, wherein they will increase from the current \$745 per month per employee in 2009-10 to \$768 in 2010-11.
4. **HCA Subsidy Remittance** - for retiree health benefits is \$59.59 per month in 2009-10 and was scheduled to increase to \$64.90 in 2010-11. The 2010-11 remittance will instead only increase to \$62.48.

Finally, while not a part of the K-12 budget, but affecting WEA members, the supplemental budget does call for closing Maple Lane School by June 30, 2013. "Phased reduction and reallocation of capacity from Maple Lane School is assumed to be as follows: be at 70 percent of capacity in Fiscal Year 2011, 40 percent in FY 2012 and 20 percent in FY 2013." Other downsizing but no closures would take place at the other Juvenile Rehabilitation Administration institutions to cut some 35 positions.

Higher Education:

Overall Higher Education Budget Reduction:

State funding for higher education was reduced a net \$68 million. However, that amount includes over \$17 million in reductions to student aid funding which aren't reflective of state support for the two and four-year schools. Overall, institutional reductions totaled \$73 million, or about 6 percent of state funding. However, the state's two-year schools will receive an additional \$18 million in funding to support an additional 3,784 Worker Retraining slots that provide financial aid and other support services to jobless workers who need to change careers in order to re-enter the workforce. In this context, it is worth remembering that under the original two-year operating budget adopted last year, that the institutions are enabled to raise tuition again for the 2010-11 school year by another seven percent at the two-year colleges and fourteen percent at the four-year universities. Those previously authorized tuition increases can be viewed as helping to mitigate the state funding reductions.

Largely, the overall funding reduction to the higher education institutions is intended to be achieved through additional reductions in administrative activities, student support services and course offerings. The amounts the two-year colleges and four-year regional institutions are expected to reduce through these reductions are:

- \$37.7 million – State Board for Community and Technical Colleges (all two-year schools)
- \$2.6 million – Western Washington University
- \$2.6 million – Central Washington University

\$2.8 million – Eastern Washington University
\$1.3 million – The Evergreen State College

In addition, institutions are expected to implement temporary layoffs, or “furloughs” wherein the institution is expected to either find a means to achieve a designated savings level through an approved alternative compensation reduction plan, or be required to close their facility 10 days during the next fiscal year. In making this requirement, the legislature intends that student class time not be affected.

The amounts the two-year colleges and four-year regional institutions are expected to reduce through furloughs are:

\$7 million – State Board for Community and Technical Colleges (all two-year schools)
\$1.2 million – Western Washington University
\$342,000 – Central Washington University
\$230,000 – Eastern Washington University
\$327,000 – The Evergreen State College

Compensation:

For higher education employees, there are again no salary increases funded, and no provision for salary increments in the two-year schools. However, there is specific proviso language in the budget to allow the “use of salary and benefit savings from faculty turnover to provide salary increments and associated benefits for faculty who qualify through professional development and training.” Additionally, there again was no funding or direction for the two-year schools to continue part-time to full-time conversion of faculty positions.

In the originally adopted Operating Budget, health benefits were funded at \$745 per FTE in the 2009-10 year and scheduled to increase to \$768 in 2010-11. This assumed an annual 3 percent health benefit inflation rate whereas the state’s actuaries had assumed a 7.5 percent benefit inflation rate. Of course, the actual rate of health benefit inflation was even higher. As a result of the shortfall this caused, the Supplemental Operating Budget provides \$850 per FTE per month for the 2010-11 school year for state employee health benefits. The legislature continues to assume that employees’ share of their benefit premium will continue at 12 percent of the overall cost, but calculates that even with the additional funding employees will again experience increased point-of-service cost sharing for their health benefits.

Higher Education Budget Additions:

As noted above, the primary budget addition was the provision for an additional 3,784 Worker Retraining slots in the state’s Community and Technical Colleges.