

2015-17 Biennium Final Budget Agreement

BRIEF SUMMARY

The overall adopted budget for the 2015-17 biennium is \$38.2 billion. That represents a \$4.4 billion increase in resources overall– or 13.1% above the 2013-15 enacted budget. The K-12 portion of the budget increased by \$2.9 billion (up 19%) – and higher education is up \$427 million (up 13.8%) in state funding.

In summary – a significant amount of money is being invested in public education for the next two years. Unfortunately:

- The investments aren't always the right ones (investments in supplies instead of people),*
- Some of the investments are temporary (a part of the K-12 salary increase and the ability to use local funding for increments at the community colleges), and*
- Some very important investments are not made at all (K-12 staffing beyond grades K-3).*

We have work to do at the local level this summer and fall to ensure the investments made by school districts are the right ones for our staff and students.

Higher education funding:

The final budget lowers tuition for undergraduate students and provides \$160 million in state funds to cover the lost revenue to the institutions. This change provides relief for students and families who faced double digit tuition increases during the height of the recession, but it does not make progress of amply funding our two and four year systems. The tuition reductions are 5% next year at all state colleges and universities, and grow to a total of 20% at regional institutions and 15% at UW and WSU by the 2016-17 academic year. The budget reduces the State Need Grant (SNG) to reflect the reduced tuition instead of taking the opportunity to serve more eligible SNG students with the savings. The following is a list of other major changes within higher education:

- **\$110 million** for ongoing compensation increases, which are funded based on a 4.8% increase for all higher education employees, including CTC faculty and staff covered by the I-732 COLA.
- **\$41 million** to fund Opportunity Scholarships for low-income middle school students who commit to earning a bachelor's degree in high demand fields in STEM and health care.
- **\$13.7 million** targeted to STEM programs, including computer science and aerospace.
- **\$19.5 million** to develop a medical school at WSU and for medical programs at UW.

Higher Education Compensation:

The COLA required under I-732 is 3% over the biennium. The final budget provides additional compensation increases above the I-732 COLA for CTC faculty and staff since all higher education faculty and staff are funded based on a total 4.8% COLA over the biennium. Four-year faculty at the regional universities will negotiate how compensation is provided.

The budget notably allows the CTC's to use local funds to provide increment funding during this biennium. This budget proviso provides needed relief on increment funding for the next two years, but will require continued authorization by the legislature for this change to continue in future years.

The budget provides funding to maintain the policy that employees pay a 15% share of the monthly health care premium, as negotiated in the state employee coalition bargaining agreement. The surcharges for tobacco use and for spouse's who waive coverage through their employer continue at the same rates as 2015, and there are no increases to the limitations on spousal coverage that had been proposed earlier by the Senate.

K-12 funding:

No matter how you slice it \$2.9 billion for K-12 is a lot of money. But, before the legislature started the session the so-called "maintenance level" – or the amount of money to fund current law and maintain current programs – required an additional \$4.2 billion. That means the legislature actually cut \$1.4 billion from where they started.

Since the overall budget increased by \$4 billion overall – one could easily argue that they had the money to fund everything in current law...including I-1351. But – it was also clear that in order to provide other necessary services – additional revenue was going to be needed.

That is why WEA supported several pieces of legislation that would have provided both sufficient revenue and support a more fair and balanced approach to revenue. Those proposals included a tax on the state's wealthiest investors and a tax on the state's largest polluters. Both proposals had significant funds targeted to education – but neither of these proposals could make it through the Senate. WEA also supported the reduction or elimination of over a dozen tax breaks – such as a tax break for oil refineries.

In the end – the Senate Republicans successfully blocked all efforts to implement any significant additional revenue. While they did agree to eliminate a few tax breaks – they also negotiated extending or increasing others. The lack of new revenue led Republicans and Democrats alike to back away from the requirements to make significant progress on total compensation and their obligations under Initiative 1351. There is a lot of money in K-12 (\$2.9 billion over last biennium) – but unfortunately not nearly enough in the two highest priority areas for WEA members.

From a K-12 perspective, the final adopted budget looked much like the original Senate proposal from April which was the lowest among all budget proposals for the year – and took a step backwards in terms of take home pay for many educators. The major changes in the final budget – when compared to the prior biennium include:

- **\$231 million** additional funding for the COLA of 3.0% over two years (I-732 only) which will continue beyond the 2016-17 school year
- **\$152 million** additional funding for a one biennium salary increase (1.8% over two years) which will go away after the 2016-17 school year

- **\$350 million** to reduce class sizes in grades K through 3, with a plan to phase in additional K-3 class size reductions in the 2017-18 school year
- **\$180 million** to provide full day Kindergarten to all elementary schools
- **\$741 million** increase in maintenance, supplies and operating costs (MSOC) funding to fund 100 percent of the funding levels required by law in both the 2015-16 and 2016-17 school years
- **\$5.0 million** for expanding the BEST teacher mentoring program
- **\$3.2 million** for school turnaround programs in required action districts
- **\$2.8 million** for WaKIDS implementation and training grants to schools implementing the assessment for the first time.
- **\$2.0 million** for the Microsoft IT academy grants

What is significantly missing from this list is any funding to implement lower class sizes in grades 4 through 12, provide any additional staffing to support students and schools, and any sustained funding to provide for the competitive, professional wages that are required to attract and retain educators. The legislature provided more funding - but entirely missed the mark when it comes to funding the most important element in the education system....our educators.

K-12 compensation:

While the budget provides the first COLA in six years, it is nowhere near enough to address the state's obligation to pay competitive salaries to attract and retain quality educators in every school. The budget provides the 3% COLA mandated by I-732, and also provides a 1.8% one-time salary increase over the upcoming biennium. While this will total a 4.8% compensation increase, which is similar to state employees' salary increases – there is a distinct difference that is only applied to K-12 employees. In the state budget, only K-12 employees have part of their compensation increases that are considered one-time in the state budget. Whether 3% or 4.8%, these numbers are well below the 11.2% COLA that legislators will receive next biennium – which is permanent and on-going.

The amount of funding for a K-12 COLA was at the center of budget debates between the House and the Senate. The House Democrats proposed and worked diligently to keep at least a 4.8% COLA for K-12 employees over the biennium. The Senate Republicans, however, proposed that K-12 salary increases be limited to the I-732 COLA, which is 3% over the next two years. The Senate's steadfast opposition to any COLA above the I-732 COLA is the reason why the final budget agreement had to settle for the higher raise, but on a one-time basis.

The final budget includes a small increase for rising health care costs, but not at the rate provided to address the rising health care costs, and nowhere near the increases provided for state employees and legislators. The K-12 health care allocation will increase by \$12 per month from \$768 per month to \$780 per month, which is the first increase since the 2010-11 school year. The monthly premiums for state employees will rise to \$894 per month by the second year of the biennium. State employee PEBB plans will continue surcharges from 2015 for tobacco use and for spousal coverage when the spouse waives their employer's coverage. But, the increases in these surcharges that the Senate proposed for state and K-12 employees are not part of the final budget.

The HCA retiree subsidy (the monthly remittance to the Health Care Authority to support retiree health benefits) is currently \$66.64 per month. That amount is reduced slightly in the first year to \$65.25 per month in 2015-16 and then increased to \$70.45 per month in 2016-17.

The monthly subsidy for retirees eligible for Medicare is maintained at the current rate of \$150 per month. Originally, the Senate had proposed reducing that rate to \$110 per month, but that proposed cut to retiree health care did not remain in the final budget.

The final budget makes a sizeable required investment for pensions due to an actuarial assumption change that anticipates people living longer in retirement. For educators in TRS, SERS, or PERS Plans 2, the employees' deduction for pensions will increase by about 1 percent next year – meaning employees will pay more each month toward their retirement benefits. Employer contributions are also increasing at a similar rate to meet the new actuarial estimates.

The combined impact of minimal salary increases, small recognition of rising health care costs, and higher pension contributions for plan 2 members means that many educators will go backward on take home pay.