

# Overview of Governor's Proposed 2015-17 Budget



**JACK ARCHER**  
**DIRECTOR OF BASIC EDUCATION OVERSIGHT**

**JANUARY 7, 2015**



# Takeaways from Today's Presentation



- What is the Governor's budget problem?
- What is his proposed budget solution?
- What enhancements does he propose to K-12 funding?
- What does he propose on assessments?
- How does he propose to deal with Initiative 1351?
- What are some possible areas for SBE concern?



# Defining the Governor's Budget Problem: Resources

NGF-S \$ Millions



## *Analysis by Senate Committee Services*

### **Resources**

Beginning balance after 2015 supplemental budget	523
November 2014 revenue forecast	36,985
Enacted transfers & other revenue	41
Transfer to Budget Stabilization Account	(365)
<b>Total Beginning Resources</b>	<b>37,184</b>



# Defining the Governor's Budget Problem: Spending

NGF-S \$ Millions



<b>2013-15 Enacted Budget</b>	<b>33,794</b>
Carryforward from 2013-15, enrollments, caseloads, etc.	3,465
<b>Estimated 2015-17 Maintenance Level</b>	<b>37,258</b>
<b>Policy Items (Excluding I-1351)</b>	
K-3 Class Size	448
Full-Day Kindergarten	108
K-12 Salaries above I-732 COLAs	150
State Employee & Other Collective Bargaining	377
ECEAP Expansion & Early Achievers	151
All Other Governor Policy Priorities	907
<b>Total Policy Items</b>	<b>2,141</b>
<b>TOTAL, Governor Estimated Spending Needs</b>	<b>39,400</b>



# Governor's Budget Problem: Summary

NGF-S \$ Millions



Resources	37,184
Projected Ending Fund Balance	<u>(474)</u>
Net Resources	36,710
Spending	39,400
<b>Resources Minus Spending (Problem)</b>	<b>(2,690)</b>



# I-1351 Adds \$2B to the 2015-17 Budget Problem

NGF-S \$ Millions

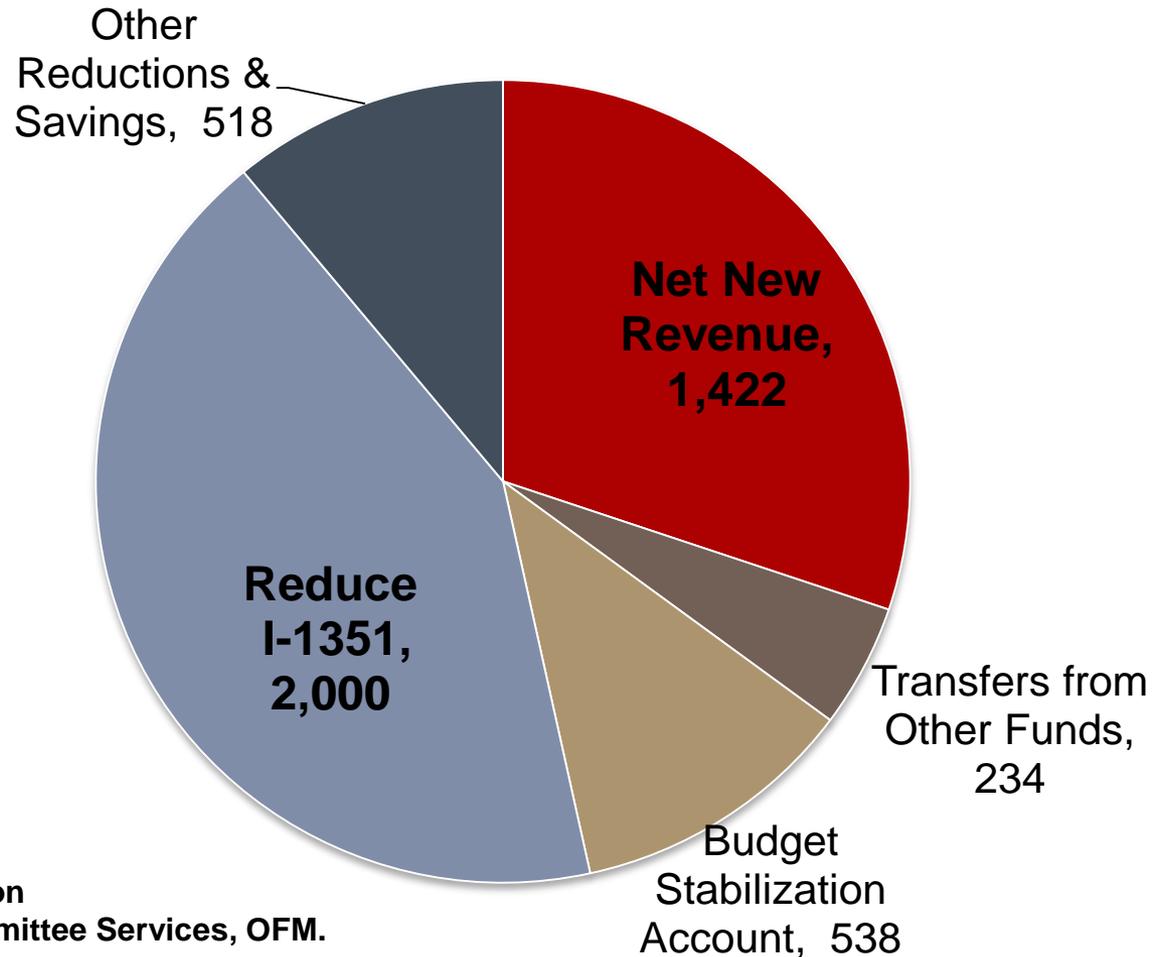


Resources	37,184
Projected Ending Fund Balance	<u>(474)</u>
Net Resources	36,710
Spending	39,400
<b>I-1351</b>	<b><u>2,000</u></b>
Total Spending	41,400
<b>Resources Minus Spending (Problem)</b>	<b>(4,690)</b>



# Governor's Proposed Budget Solution

NGF-S Dollars in Millions



Total: \$4,711 million

Data: Senate Committee Services, OFM.



# Governor's Proposed New Revenue



<b>Proposal</b>	<b>\$ Millions</b>
Capital gains tax on individuals at 7%	798
Carbon tax/Cap and trade, 40% GF share	379
Cigarette tax increase, new tax on e-cigarettes	56
Repeal sales, B&O tax preferences	<u>252</u>
<b>Total</b>	<b>1,515</b>
New or extended tax preferences	(94)
<b>Net Proposed New Revenue</b>	<b>1,421</b>



# Governor's Proposed K-12 -- Summary



- \$1.3 billion in new funding for *McCleary* mandates
  - ✦ \$448 million for class size reduction in grades K-3.
  - ✦ \$108 million to expand full-day kindergarten.
  - ✦ \$752 million for increased allocations for Materials, Supplies and Operating Costs (MSOCs) per current law.
- I-732 COLAs plus additional salary increases.
- \$788 million in net policy enhancements.
- Total biennial increase in state funds of \$2.9 billion (19%) over 2013-15.



# Major Policy Enhancements



- **K-3 Class Size.** Funds K-3 class size of 17.0 required by HB 2776, beginning 2016-17 school year. -- *\$448 million*
- **Full-Day Kindergarten.** Expands funding for voluntary full-day kindergarten to 100% of enrollment in 2016-17 school year. -- *\$108 million*
- **Family Engagement Coordinators.** Increases funding for family engagement coordinators at high-poverty elementary schools. -- *\$20 million*



# Major Policy Enhancements



- **Improve Graduation Rates.** Increases allocations for Learning Assistance Program (LAP) at high-poverty high schools, directs new funding to activities designed to improve graduation rates. -- *\$35 million*
- **Guidance for Middle School Students.** Increases allocations for guidance counselors at high-poverty middle schools. -- *\$14 million*
- **College in the High School.** Expands participation in program by covering costs of credit fees for more low-income students. -- *\$9 million*



# Compensation



## Two-step salary increase for K-12 employees:

1. Funds I-732 COLAs of 1.8% in the first year and 1.3% in the second, at \$235 million.
2. Adds \$150 million to bring the increases for K-12 employees to 3.0% in the first year and 1.8% in the second, in alignment with negotiated increases for state employees, at a total \$387 million.



# Governor's Proposal on Assessments



- Eliminates math end-of-course exams and 10<sup>th</sup> English Language Arts assessment after 2014-15 school year. Biology EOC is retained.
- Retains assessment requirement for graduation, but provides new options for students.
- Beginning with Class of 2018, students will need to pass 11<sup>th</sup> grade ELA assessment.
- Students who don't pass a required assessment may graduate by taking a college readiness transition course, at district option.
- Collection of evidence is retained as a district option.
- Assumes \$23 million in savings from the proposed changes.



# How is I-1351 Treated in Governor's Budget?



- Governor's Recommendations Summary shows a reduction of I-1351 by the full biennial cost of \$2.0 billion in "Other Appropriations."
- Legislation will be requested to amend I-1351 to provide that governor's K-3 class size reduction and certain other enhancements fulfill I-1351 funding requirements for 2015-17, without change to out-biennium requirements.



# Strengths of Governor's Proposal



- Strong commitment to meeting *McCleary* mandates. Requirements for K-3 class size reduction, full-day kindergarten met a year early.
- Substantial new revenue to support basic education.
- *McCleary* investments made without deep reductions to human services, early education and other essential state programs and services.
- Focus on improving graduation rates.
- Thoughtful proposal on student assessments.



# Potential Areas of Concern



- Reliability of major new revenue sources for basic education.
- Balance sheet dependence on Rainy Day Fund.
- Lack of transparency in treatment of I-1351.
- No funding of additional “days” for professional learning.
- No proposal to limit local levy authority as state funding is increased.



# Resources



- Website: [www.SBE.wa.gov](http://www.SBE.wa.gov)
- Blog: [washingtonSBE.wordpress.com](http://washingtonSBE.wordpress.com)
- Facebook: [www.facebook.com/washingtonSBE](http://www.facebook.com/washingtonSBE)
- Twitter: [www.twitter.com/wa\\_SBE](http://www.twitter.com/wa_SBE)
- Email: [sbe@sbe.wa.gov](mailto:sbe@sbe.wa.gov)
- Phone: 360-725-6025

