

## Six-Year Outlook

2010 Supplemental Budget									
General Fund - State (GFS) Dollars in Millions									
	2010	2011	2009-11	2012	2013	2011-13	2014	2015	2013-15
<b>Beginning Balance</b>	189	(438)	189	247	(1,156)	247	(3,053)	(5,642)	(3,053)
<b>Revenues</b>									
<b>June Revenue Forecast</b>	13,621	14,900	28,521	15,862	16,560	32,422	17,346	18,170	35,516
<b>Enacted fund transfers</b>	547	416	963						
<b>Mandated transfer to Rainy Day Fund</b>	(120)	(140)	(259)	(149)	(156)	(305)	(160)	(168)	(328)
<b>Enacted Supplemental</b>									
<b>Fund transfers to/from GF-S</b>	306	23	328	(102)	(102)	(204)	(102)	(102)	(204)
<b>Governor's Vetoes</b>	(5)	(16)	(21)						
<b>Use of Rainy Day Account</b>	-	229	229			-			-
<b>New Revenue Proposals</b>	59	702	761	791	870	1,661	550	573	1,123
<b>Total Resources</b>	<b>14,408</b>	<b>16,115</b>	<b>30,523</b>	<b>16,403</b>	<b>17,171</b>	<b>33,574</b>	<b>17,634</b>	<b>18,473</b>	<b>36,107</b>
<b>Expenditures</b>									
<b>Enacted Budget/Baseline Estimates for 2011-13</b>	15,036	15,423	30,458	15,874	16,380	32,254	16,836	17,341	34,177
<b>Governor's Vetoes</b>	(0)	7	7						
<b>Replace Federal Funds and Future Obligations</b>									
<b>Replace Federal recovery funding/Other</b>				978	1,012	1,990	1,048	1,084	2,132
<b>Pension costs above the base</b>				314	388	702	591	649	1,240
<b>Continue Initiative 728</b>				354	457	811	484	522	1,006
<b>Restore and Continue Initiative 732</b>				45	180	225	488	745	1,233
<b>Basic Education (HB 2776)</b>				221	489	710	753	1,025	1,779
<b>Change in GAU costs due to federal health care reform</b>								(115)	(115)
<b>I-1029 Homecare Worker Training</b>				21	22	43	23	24	47
<b>Education Legacy Account Shortfall</b>						139		317	317
<b>Total Expenditures</b>	<b>15,036</b>	<b>15,430</b>	<b>30,465</b>	<b>17,806</b>	<b>19,068</b>	<b>36,874</b>	<b>20,223</b>	<b>21,592</b>	<b>41,815</b>
<b>Ending GF-S Balance</b>	(438)	247	247	(1,156)	(3,053)	(3,053)	(5,642)	(8,761)	(8,761)
<b>Budget Stabilization (Rainy Day) Balance</b>		6	6	155	311	311	471	639	639
<b>Total Reserves</b>	<b>(438)</b>	<b>253</b>	<b>253</b>	<b>(1,001)</b>	<b>(2,742)</b>	<b>(2,742)</b>	<b>(5,171)</b>	<b>(8,122)</b>	<b>(8,122)</b>

Based on budget obligations in current law, including education and pension funding, the reduction in federal assistance to the states, inflation and population growth, and the latest official revenue and caseload forecasts, budget writers are expected to face a \$3 billion gap in the 2011-13 biennial operating budget. Since the state must balance its budget, any solution to the gap for the 2011-13 Biennium would reduce the projected gap in 2013-15 to less than the amount shown in the table.

## **Assumptions for 2011-13 and 2013-15 Baseline Revenue and Expenditure Projections**

- The 2009-11 budget enacted in May 2010 and the official revenue forecast adopted in June 2010 are the starting points for the longer term projections.
- The official June revenue forecast predicts 6.7 percent growth in FY 2012 and 4.7 percent growth for FY 2013 with the newly enacted revenue sources, and 6.5% and 4.4% respectively without the new revenue sources.
- For the 2013-15 Biennium, revenue is assumed to grow at an annual rate of 4.75 percent, slightly under the long term average.
- The Federal Recovery Act Federal Medical Assistance Percentage 6-month extension is assumed to be included in the next federal budget.
- When salaries are projected, the following percentage increases apply:
  - Restoration and continuation of Initiative 732 COLA for education staff: 1.2%, 2.5%, 3.9% and 4.2% per year based on the Consumer Price Index (CPI), plus staff growth, based on the Consumer Price Index (CPI).
  - Other employees: 1.7%, 1.9%, 2%, and 2% per year, based on the Implicit Price Deflator (IPD), plus staff growth.
- Employee health benefits are expected to grow at 7.5 percent per capita per year, plus staff growth.
- Medical Assistance is projected at a 5.0 percent annual per capita cost increase, plus caseload growth.
- Health Care-related programs (Development Disabilities, Long-Term Care, Alcohol and Substance Abuse Services, Mental Health) grow at 60 percent of the rate of medical inflation.
- Vendor Payments 1.7%, 1.9%, 2%, and 2% per year, based on the Implicit Price Deflator (IPD).
- All other program costs are increased by the IPD general inflation factor plus associated caseload/population cohort growth.
- Baseline expenditures are projected to grow as follows: FY 2012 – 2.9%; FY 2013 – 3.2%; FY 2014 – 2.8%; FY 2015 – 3.0%

## **Budget Pressures Above the Baseline**

- Replacement of Federal Recovery Act funding with state funds would cost about \$2 billion in 2011-13, and \$2.1 billion in 2013-15.
- Pension funding obligations (above the current base) would add nearly \$700 million to 2011-13; and \$1.2 billion in 2013-15.
- Basic education improvements adopted by the 2010 Legislature and statutory requirements to fund voter approved measures ( I-728 and I-732) suspended in the current budget would cost about \$1.7 billion in the 2011-13 Biennium, and \$4.0 billion in 2013-15.
- Covering expected shortfalls in the Education Legacy Account would add \$139 million to the 2011-13 budget and \$317 million in 2013-15.



**Office of Superintendent of Public Instruction**  
K-12 Financial Resources

# **K-12 Funding and QEC Update**

## **State Board of Education**

Shawn Lewis, OSPI  
January 2011



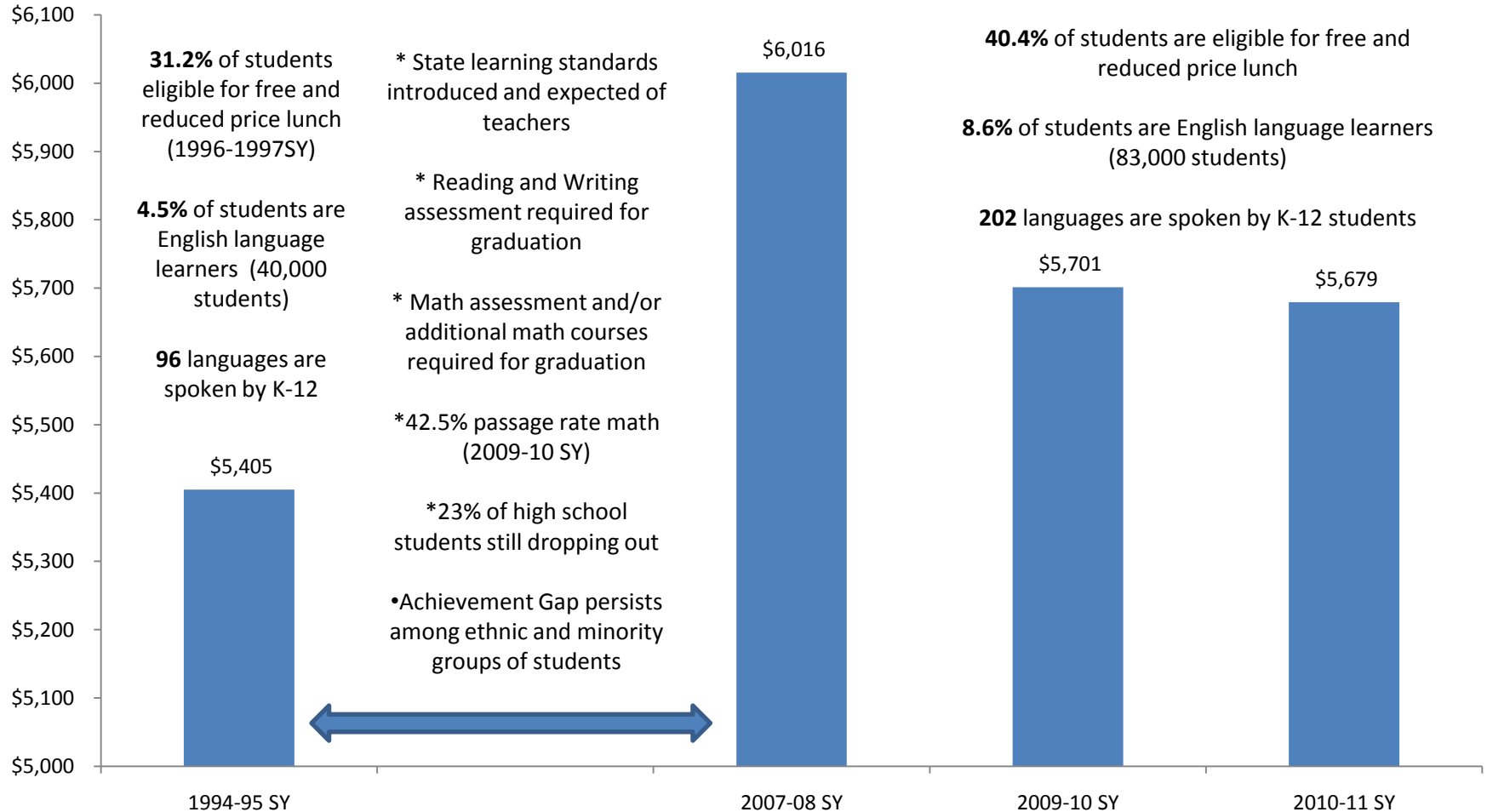
State Funding of K-12 Declining

# **K-12 SYSTEM FINANCE UPDATE**

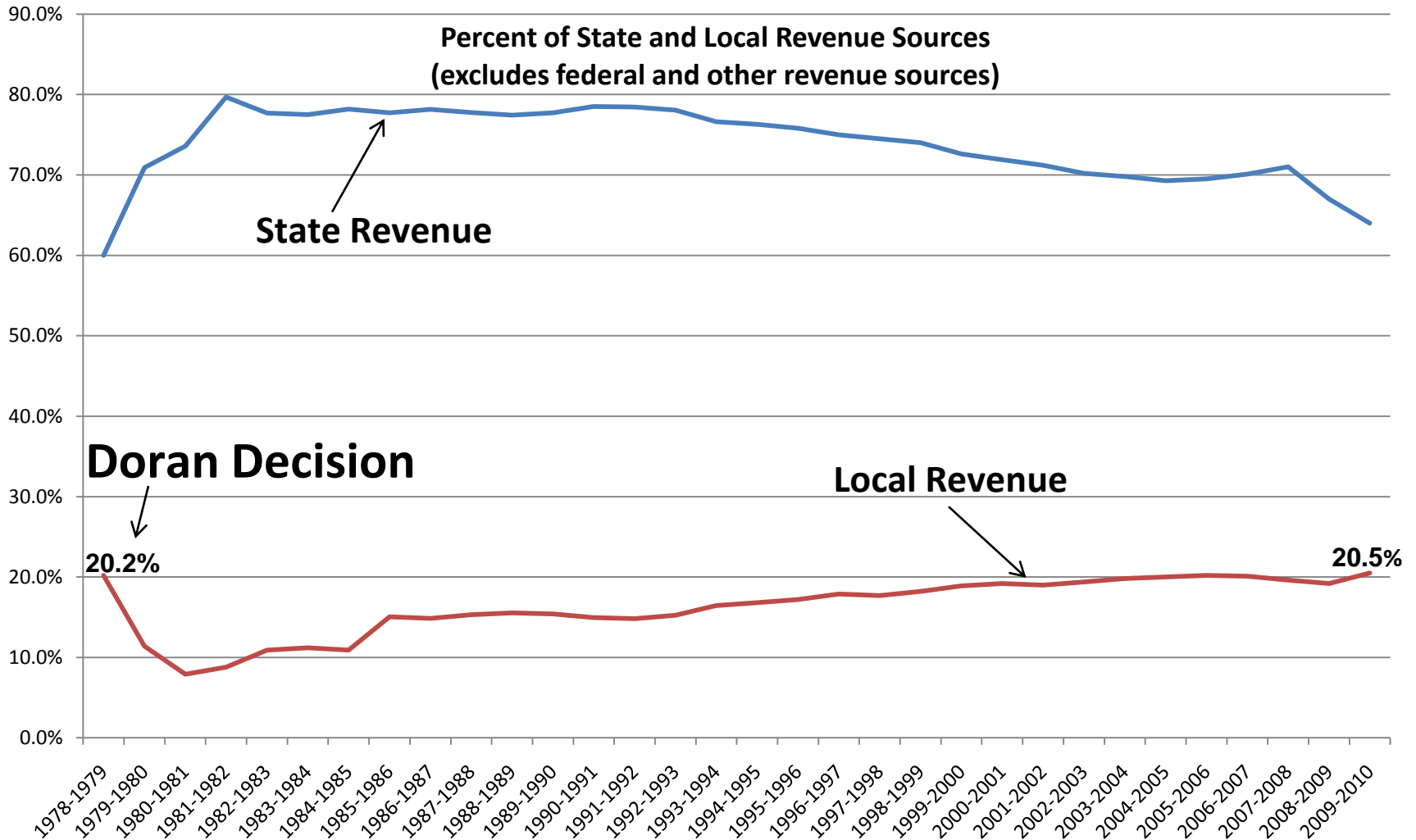


# Issue 1: Academic requirements and students' needs increase, but state funding declines

**State Funding Per Student, Adjusted for Inflation (CPI-Seattle)**  
 (Not Including Health Care Benefits or Employer Pension Contributions)



# Issue 2: Burden for Basic Education Funding Put Back on Local Tax Payers



Fiscal year 2011 and the 2011-13 Biennium

# NEAR-TERM FINANCIAL OUTLOOK



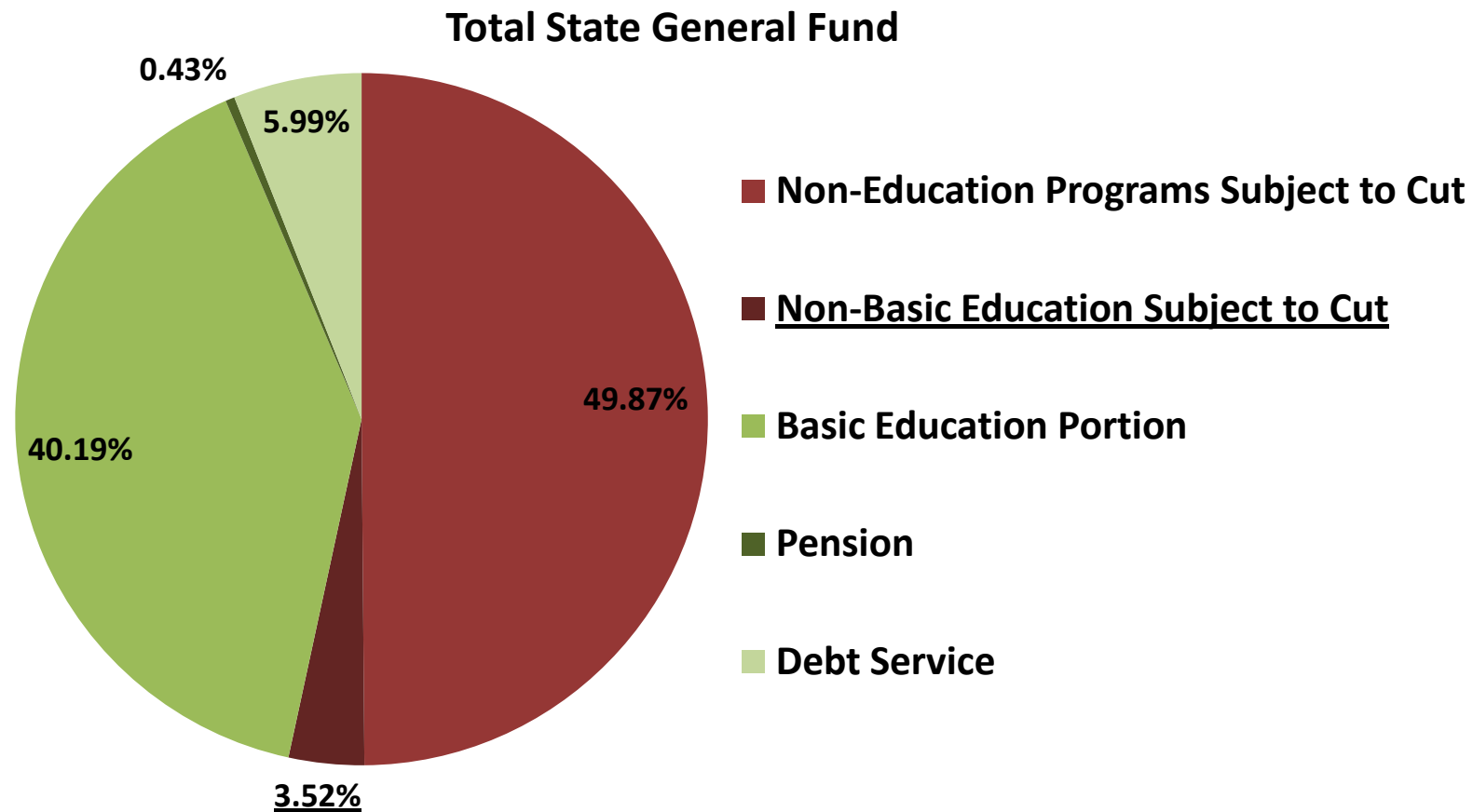
# Three Issues for the State Budget

- In September, Governor implemented an across-the-board cut to all state -general fund programs, excluding basic education, pensions and debt payments (6.287% reduction or \$520 million)
- In November, deficit increased and State now must prepare for a supplemental budget to address at least \$1,115 million shortfall in the current fiscal year (ending June 30)
- Preparation for a 2011-13 biennial budget that addresses a \$5.7 billion shortfall





# Cut only applies to a small Portion of Education Budget



# Impact of Governor's Proposed Supplemental Budget Cuts

Program	Amount (Millions)	
Education Reform (assessment savings)	\$8.7	Reduction
OSPI Administration and Program Funding	\$3.4	Reduction
School-based Medicaid Services	\$3.3	Eliminate
Levy Equalization	\$18.0	Reduction, 6.3% retroactive
K-4 enhancement	\$81.5	Eliminate Full year, retroactive
Highly capable student funding	\$7.0	Eliminate, Full FY 11
Education Jobs Funds	\$208.4	Use for Basic Education Costs



# 2011-13 Biennium Outlook for State

- State projected biennial shortfall is \$5.7 billion
- As part of this shortfall the state :
  - Restore cuts to I-728 and I-732 over 4 years, beginning in the 2011-12 SY
  - Increase employer pension contributions
    - Pension savings proposed by the Governor will still result in an increase in the pension contribution paid by school districts.
- State funding for K-12 will be impacted by all above hurdles; outlook for 2011-13 biennium and beyond is bleak [Six Year Outlook](#)



2010 Activities and Recommendations

# QUALITY EDUCATION COUNCIL



# Legislature and Governor

## OSPI and/or OFM Work Groups

- Funding Formula
- Levy and Levy Equalization
- Early Learning (lead by DEL)
- Building Bridges
- Data Governance
- Compensation
- Highly Capable
- Learning Assistance Program
- Transitional Bilingual Program

## Professional Educator Standards Board

- Teacher Standards

## State Board of Education

- Accountability
- Implementation of Core 24

## Quality Education Council (QEC)

- State Superintendent
- Governor Appointee
- SBE Member
- PESB Member
- AGOAC Member
- DEL Director
- Legislators (8)



# Review of QEC January 2010

## Recommendations

1. Do not decrease funding in 2009-10
2. Adopt Crosswalk/Baseline
3. 3-year phase-in of Transportation, beginning 2011-12
4. 3-year phase-in of NERC, beginning 2011-12
5. 7-year phase-in of Full-day Kindergarten
6. 5-year phase-in of K-3 Class Size to 1:15, beginning 2011-12
7. 3-year phase-in of Early Learning for at-risk 3&4 year olds, beginning 2011-12
8. Other recommendations in report:

<http://www.k12.wa.us/QEC/default.aspx>



# How Are New Resources Phased-in Under SHB 2776?

	School Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1	<b>Full-Day Kindergarten</b> Must be fully funded statewide by 2017-18 (\$158.3 Million) Phase-in based on FRPL	219 Schools	More funding <i>can</i> begin	More funding <i>must</i> begin	Continues to ramp up	Continues to ramp up	Continues to ramp up	Continues to ramp up	Fully Funded
2	<b>K-3 Class Size Reduction from 25.23 to 17 students</b> Must be fully funded statewide by 2017-18 (\$453.6 Million) Phase-in based on FRPL	\$0	More funding <i>can</i> begin	More funding <i>must</i> begin	Continues to ramp up	Continues to ramp up	Continues to ramp up	Continues to ramp up	Fully Funded
3	<b>Materials, Supplies, Operation Costs (MSOC)</b> Must be fully funded by 2015-16 (\$682.5 Million) \$ per student basis		More funding <i>can</i> begin	More funding <i>must</i> begin	Continues to ramp up	Continues to ramp up	Funded at new level	Funded at new level	Funded at new level
4	<b>Basic Transportation</b> Must be fully funded by 2014-15 (\$160.2 Million) % of formula funded basis		More funding <i>can</i> begin	More funding <i>must</i> begin	Continues to ramp up	Fully Funded	Fully Funded	Fully Funded	Fully Funded



# OSPI - Implementation Timeline for the New Prototype Funding Model Tools & Training

- A projection model is available on OSPI's website to project the new funding model at the school and district level.
- OSPI is providing training throughout the state on the structure and implications of the new funding model.
- The model and other 2776 materials are on our website at:

[www.k12.wa.us/safs/INS/2776/2776.asp](http://www.k12.wa.us/safs/INS/2776/2776.asp)





# QEC Work Plan for 2010

- ***Identify measurable goals and priorities for the educational system – utilizing the State Reform Plan and current performance data as a baseline***
- ***Implementation Schedule for revised graduation requirements and increased hours of instruction***
- ***Making necessary reports to the Legislature*** regarding:
  - Classified staffing adequacy
  - Capacity of school districts to implement new funding including for class size reductions
- ***Recommend programs and funding to Close the Achievement Gap, Increase Graduation Rates and Decrease the Dropout rate, including:***
  - Recommend an improved Learning Assistance Program, including funding methodology
  - Recommend an improved Transitional Bilingual Program, including funding methodology
  - Review recommendations made by the Achievement Gap Oversight and Accountability Committee
  - Review recommendations made by the Building Bridges Workgroup



# Draft QEC January 2011

## Recommendations

1. Continue implementation of SHB 2776 and preserve funding necessary to deliver basic education including Levy Equalization, Highly Capable and K-3 reduced class size funding.
2. Support opportunities to graduate prepared for postsecondary education employment and citizenship
3. Close the opportunity gap for disadvantaged students and students of color
4. Support programs that strengthen education professionals
5. Support improvements in math and science
6. Invest in early Learning



# Proposed Classified Staff Recommendations

Classified Staff:	SHB 2776			Actual Staffing			Recommended		
	Elem.	Mid.	High	Elem.	Mid.	High	Elem.	Mid.	High
<b>School Based</b>									
Students per Prototype	400	432	600	400	432	600	400	432	600
Teaching Assistance	0.936	0.700	0.652	1.123	0.774	0.655	1.195	1.295	1.121
Office Support/Noninstructional Aides	2.012	2.325	3.269	2.414	2.569	3.287	3.220	3.029	3.382
Custodians	1.657	1.942	2.965	1.988	2.157	2.981	3.524	3.454	4.412
Student and Staff Safety	0.079	0.092	0.141	0.095	0.110	0.169	0.099	0.506	0.723
Parent Involvement Coordinators	0.000	0.000	0.000	NA	NA	NA	.676	.676	.676
<b>Districtwide Support</b>									
Students per Prototype		1,000			1,000			1,000	
Technology		0.628			1.45			2.01	
Facilities, Maintenance, Grounds		1.813			2.037			4.719	
Warehouse/Laborers/Mechanics/ <u>Facility Security</u>		0.332			0.347			0.571	



# Next Steps

## Work before session:

- QEC will release their report in January.

## Work for next year:

- Local Levy Technical Working Group Recommendations due June 30, 2011
- Compensation Technical Working Group begins July 1, 2011.

