

# Special Legislative Update

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## **Governor proposes nearly \$2 billion in public school funding cuts**

Saying she was “cutting the unthinkable,” Washington Governor Chris Gregoire unveiled her [proposed operating budget](#) for the 2011-13 biennium today with nearly \$2 billion in cuts to the K-12 system.

In a pre-release briefing, Office of Financial Management budget staff also warned that public schools would take hits in the FY11 supplemental operating budget being released Friday, which will be in addition to the “early action” cuts and fund shifts from last Saturday’s special legislative session.

There is no joy in the [2011-13 budget for K-12](#), including a nearly 6.3 percent cut to Local Effort Assistance (LEA), a two-year suspension of K-4 class size enhancements, and elimination of many programs including those targeted for dropout prevention, highly capable students, Reading Corps, and much more. Under the governor’s proposal, all-day kindergarten is frozen at the current rate and the pilots for Teacher/Principal evaluations are funded for the next two years.

For teachers, the 2011-13 operating budget freezes years of experience and education for salaries, suspends teacher COLAs (I-732) and class size reductions (I-728) and the National Board Certification Bonus program, among others. The governor stated at the press conference today that suspending the K-4 enhancement is expected to eliminate 1,500 teacher jobs.

The budget trick that pushes school districts’ June apportionments into July 2011 is included in the proposed budget, but not at the full rate. According to OFM staff, only \$253 million would be shifted from June to July, which means that schools will see some funding in June, but not the total amount budgeted when the school year began.

The governor also proposes a [6.3 percent cut to Local Effort Assistance](#), but making the cut specifically aligned with how close the district is to the statewide average property tax rate. Under the [proposed four-tier system](#), districts that are close to the average will have less funding; districts farther away from the average will keep more funding. However all districts will have some reduction.

To change LEA funding formulas, the governor needs to propose a change to state law. Governor’s staff indicated a bill will be available in early January, probably the week before the session starts.

In addition, governor’s staff indicated they are creating a \$15 million contingency fund for school districts that would have cash-flow issues due to the LEA cut or the June apportionment shift. It is not clear at this time exactly how this will work, and WSSDA will get additional details to share.

In response to a reporter’s question about how the court decision around “ample funding” may have factored into the governor’s K-12 system cuts, the governor said that the Legislature defines what is “basic education,” and that she will be asking them to “suspend” that definition in the upcoming session. The governor referenced all-day kindergarten as an example of programs that have been added to basic education but can’t be started in the next biennium due to budget restraints. She is expected to offer a bill that would slow the phase-in of this program, for instance.

While announcing the cuts to public schools, governor's budget staff stated that enrollments are going up, and shared graphs that indicated enrollment increases in general K-12, special education, Learning Assistance Program, and bilingual students. Staff said the pressure on the system will continue to increase and that cuts will be deep.

Additional elements of the proposed budget include:

- The per pupil inflator rate will go to three percent in school year 2011-12 and five percent in school year 2012-13, compared to four percent each year last biennium.
- The state is changing its allocation for bus depreciation to a final year payment. Beginning in the 2011-12 school year, the bus depreciation schedule is replaced with a single state allocation, paid at the end of the lifecycle of the bus. This change allows for \$90 million to be put in the operating side of transportation to enhance the new transportation funding formula.
- Reductions in Assessment Administration, including a decrease in what districts are reimbursed for "collection of evidence," from \$300 to \$200. OSPI and ESDs also had the rate reduced.
- Reducing the number of ECEAP slots by 652, with a focus on funding for four-year-olds except in rural districts, where the Department of Early Learning will have some discretion to fund slots for three-year-olds.

The governor's [proposed capital budget](#) (see the 5000 sections for K-12) is about \$900 million – much higher than previously anticipated, but significantly lower than previous biennia. The new appropriation for the 2011-13 School Construction Assistance Program is \$486.6 million, far short of the \$660 million in school construction projects requested by OSPI last fall. The capital budget also includes a \$10 million appropriation for the Small Repair Grant Program, which has been funded to varying degrees and called by different names in previous budgets.

Various funds are shifted to the state general fund to boost bond capacity for capital projects. Budget staff said that the funding focus will be on projects that are truly "shovel ready" and can make use of the funds immediately. Projects that are still in planning or design will be put off until the capital budget is more robust.

Those familiar with how previous operating budgets are laid out will find a different look in the 2011-13 budget bill due to the prototypical school model, MSOC and transportation changes adopted in last session's SHB 2776. K-12 education will still be found in Part V of the [operating budget bill](#).

The governor will push for quick adoption of the next version of the FY11 supplemental budget early in session to capture as much savings as possible. Staff said that some policy bills will also be pushed to align with the budget proposal for the fiscal year that ends June 2011.

Over the next few weeks we will look at the governor's proposed operating and capital budgets and the supplemental budget and will report new findings or nuances. If you have specific questions about different programs, please review the governor's [budget documents](#) for details on the programs that are being proposed for elimination or suspension, and if you have any questions, please let us know.

Also, a reminder that now is the time for school district leaders to be in touch with your legislators about the impacts of K-12 budget proposals in your districts.

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