

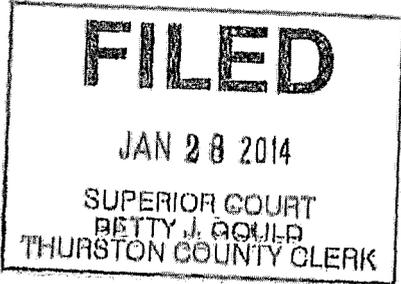
No. 92708-1
Appendix to Brief of Amicus
Curiae Association of
Washington School
Principals

APPENDIX

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X EXPEDITE (Per RCW 29A.72.080)
X Hearing is set
Date Friday, January 31.
Time: tbd
Judge/Calendar Tabor (affidavit of prejudice pending)

SUPERIOR COURT OF WASHINGTON FOR THURSTON COUNTY

In the Matter of:)
BALLOT TITLE APPEAL)
OF INITIATIVE 1325 AND 1328)
) No. 14-2-00127-1
FUZE WASHINGTON)
Petitioner) AMICUS
v.)
BOB FERGUSON, Attorney)
General of the State of Washington;)
and KIM WYMAN, Secretary of)
State of the State of Washington,)
Respondents)

As one of the co-sponsors of Initiative 1325 and Initiative 1328, I ask the court to consider this Amicus regarding Petitioner's ballot title challenges.

The goal and intent of each of these initiatives is to provide a strong financial incentive for the legislature to refer to voters a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes. Either they let the people vote (which costs them nothing) or the voters get some of their money back. Initiative sponsors will only proceed with one of the measures. Either initiative, if approved by the voters, will have a very powerful lobbying effect on the Legislature to let the people vote on the constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes. And the definition of raising taxes is nothing extravagant or unusual - it is current law -- RCW 43.135.034(1)(b) -- which has been the definition and the law since 2007.

According to their brief, Petitioner believes that despite the voters' anticipated approval of

this new initiative, its powerful lobbying effect, and the strong financial incentive it provides, the Legislature will nonetheless refuse to let the people vote, saying it is "impossible." But sponsors are confident that, *given the choice*, legislators will overwhelmingly vote to refer the constitutional amendment to the ballot.

The Attorney General's Ballot Titles and Ballot Summaries do not weigh more heavily in favor of one prediction over the other. They don't take sides. Their neutral language simply reflects the contents of the initiative.

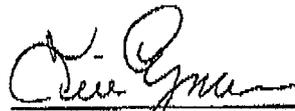
Because of the overwhelming voter support for the two-thirds policy every time it has been on the ballot, Petitioner is asking the court to remove the description of the two-thirds policy from the ballot titles (two-thirds legislative approval or voter approval to raise taxes). *Removing it would keep voters in the dark concerning what the initiative is all about.* The intent of the measure is to convince the Legislature to let the people vote on the constitutional amendment – *voters should be told what that constitutional amendment will do: require two-thirds legislative approval or voter approval to raise taxes.* That is certainly more important and more useful to voters than the vote totals needed for the Legislature to refer the constitutional amendment to the ballot.

Initiative sponsors are satisfied with the Attorney General's Ballot Title and Ballot Summary for Initiatives 1325 and 1328 and ask that the court affirm them.

Finally, it's important to note that polling shows 65% of likely voters support having the Legislature let the people vote on the 2/3-for-taxes constitutional amendment. That the 2/3-for-taxes policy has been approved by voters five times, each time by a wider margin. That in 2010 and 2012, the 2/3-for-taxes policy was approved by almost two-thirds of voters. That the 2/3-for-taxes initiatives in 2010 and 2012 were approved in 44 of 49 legislative districts, meaning 88 of 98 house members and 34 of 39 senators represent constituents who overwhelmingly support the two-thirds policy. That this year's initiatives don't force legislators to somehow violate their oath of office, as Petitioner seems to

imply; quite the contrary, the Initiatives only lobby legislators to truly represent the wishes of their constituents (at least in the case of 88 of 98 house members and 34 of 39 senators). That this year's Initiatives don't force the Legislature to unilaterally impose the constitutional amendment, but simply lobbies them to refer the issue to the ballot and let the voters decide. That the state supreme court, in 2013, told us that we needed to pursue a constitutional amendment and that is exactly what we're doing. That 17 other states already have in their state constitutions supermajority vote requirements for raising taxes. This final paragraph is likely not relevant to this legal proceeding but I felt it was necessary to refute some of the political rhetoric, accusations, and innuendo from Petitioner's Opening Brief.

Respectfully submitted this 29th day of January 2014.



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THE SUPREME COURT OF WASHINGTON

Filed 
Washington State Supreme Court

MATHEW & STEPHANIE McCLEARY,)
et al.,)
)
Respondents/Cross-Appellants,)
)
v.)
)
STATE OF WASHINGTON,)
)
Appellant/Cross-Respondent.)
)

ORDER

AUG 13 2015 
Ronald R. Carpenter
Clerk

Supreme Court No. 84362-7

King County No. 07-2-02323-2 SEA

The Washington Constitution imposes only one “paramount duty” upon the State: “to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex.” WASH. CONST. art. IX, § 1. In *McCleary v. State*, 173 Wn.2d 477, 269 P.3d 227 (2012), we held that the State’s program of basic education violated this provision. We declined, however, to impose an immediate remedy, recognizing the legislature’s enactment of “a promising reform program in [Laws of 2009, ch. 548] ESHB 2261,” *id.* at 543, designed to remedy the deficiencies in the prior funding system by 2018. The court retained jurisdiction “to monitor implementation of the reforms under ESHB 2261, and more generally, the State’s compliance with its paramount duty.”

Since then, we have repeatedly ordered the State to provide its plan to fully comply with article IX, section 1 by the 2018 deadline. The State has repeatedly failed to do so, offering various explanations as to why. Last Fall, we found the State in contempt of court, but held in abeyance the matter of sanctions until the completion of the 2015 legislative session. After the close of that session and following multiple special sessions, the State still has offered no plan for achieving full constitutional compliance by the deadline the legislature itself adopted.

7/19/12

Accordingly, this court must take immediate action to enforce its orders. Effective today, the court imposes a \$100,000 per day penalty on the State for each day it remains in violation of this court's order of January 9, 2014. As explained below, this penalty may be abated in part if a special session is called and results in achieving full compliance.

How Washington Got to This Point

In *McCleary*, 173 Wn.2d at 520, we held that the State's "paramount duty" under article IX, section 1 is of first and highest priority, requiring fulfillment before any other State program or operation. This duty not only obligates the State to act in amply providing for public education, it also confers upon the children of the state the right to be amply provided with an education. *Seattle Sch. Dist. 1 v. State*, 90 Wn.2d 476, 513, 585 P.2d 71 (1978). And while we recognized that the legislature enjoys broad discretion in deciding what is necessary to deliver the constitutionally required basic education, we emphasized that any program the legislature establishes must be fully and sufficiently funded from regular and dependable State, not local, revenue sources. *McCleary*, 173 Wn.2d at 526-28. The court deferred to the legislature's chosen means of discharging its constitutional duty, but it retained jurisdiction over the case to monitor the State's progress in implementing the reforms that the legislature had recently adopted by the 2018 deadline that the legislature itself had established. Pursuant to its retention of jurisdiction, the court called for periodic reports from the State on its progress. Following the State's first report in 2012, the court issued an order directing the State to lay out its plan "in sufficient detail to allow progress to be measured according to periodic benchmarks between now and 2018," noting that it must indicate the "phase-in plan for achieving the State's mandate to fully fund basic education and demonstrate that its budget meets its plan." Order, *McCleary v. State*, No. 84362-7, at 2-3 (Wash. Dec 20, 2012).

Following the 2013 legislative session, the Joint Select Committee on Article IX Litigation (Committee) issued the second of these reports, on the basis of which the court found in a January 9, 2014, order (as it had after the Committee's first report) that the State was not demonstrating sufficient progress to be on target to fully fund education reforms by the 2017-18 school year. In that order, the court noted specifically that funding appeared to remain inadequate for student transportation, and that the legislature had made no significant progress toward fully funding essential materials, supplies, and operating costs (MSOCs). Further, the court stressed the need for adequate capital expenditures to ensure implementation of all-day kindergarten and early elementary class size reductions. And finally, the court determined that the State's latest report fell short on personnel costs. Stressing, as it had in its opinion in *McCleary*, that quality educators and administrators are the heart of Washington's education system, the court noted that the latest report "skim[med] over the fact that state funding of educator and administrative staff salaries remains constitutionally inadequate." Order, *McCleary v. State*, No. 84362-7, at 6-7 (Wash. Jan. 9, 2014). Overall, the court observed, the State's report showed that it knew what progress looked like and had taken some steps forward, but it could not "realistically claim to have made significant progress when its own analysis shows that it is not on target to implement ESHB 2261 and SHB 2776 by the 2017-18 school year." *Id.* at 7. Reiterating that the State had to show through immediate and concrete action that it was achieving real and measurable progress, not simply making promises, the court in its order directed the State to submit by April 30, 2014, "a complete plan for fully implementing its program of basic education for each school year between now and the 2017-18 school year," addressing "each of the areas of K-12 education identified in ESHB 2261, as well as the implementation plan called for by SHB, and must include a phase-in schedule for fully funding each of the components of basic education." *Id.* at 8.

After the 2014 legislative session, the Committee issued its report to the court, acknowledging that the legislature “did not enact additional timelines in 2014 to implement the program of basic education as directed by the Court in its January 2014 Order.” REPORT TO THE WASHINGTON STATE SUPREME COURT BY THE JOINT SELECT COMMITTEE ON ARTICLE IX LITIGATION at 27 (May 1, 2014) (corrected version). In light of this concession, the court issued an order on June 12, 2014, directing the State to appear before the court and show cause why it should not be held in contempt for violating the court’s January 2014 order and why, if it is found in contempt, sanctions or other relief requested by the plaintiffs in this case should not be granted.

Following a hearing on September 3, 2014, the court issued an order on September 11, 2014, finding the State in contempt for failing to comply with the court’s January 9, 2014, order. But the court held any sanctions or other remedial measures in abeyance to allow the State the chance to comply with the January 2014 order during the 2015 legislative session. The court directed that if by the end of that session the State had not purged the contempt, the court would reconvene to impose sanctions and other remedial measures as necessary. The court further directed the State to file a memorandum after adjournment of the 2015 session explaining why sanctions or other remedial measures should not be imposed if the State remained in contempt. When the legislature failed to enact a budget for the 2015-17 biennium by the end of the regular session, the court held sanctions further in abeyance until the final adjournment of the legislature after any special session. At a third special session, the legislature adopted a 2015-17 biennial budget that included funding for basic education, and at the court’s direction, the State submitted its annual post-budget report to the court on July 27, 2015.

The State Still Has Not Adopted a Plan to Meet Article IX, Section 1 by 2018

It is evident that the 2015-17 general budget makes significant progress in some key areas, for which the legislature is to be commended. The budget appears to provide full funding for transportation, and the superintendent of public instruction agrees. Further, it meets the per-student expenditure goals of SHB 2776 for MSOCs during the 2015-17 biennium in accordance with the prototypical school model established by ESHB 2261. The budget also makes progress in establishing voluntary all-day kindergarten, appropriating \$179.8 million, which the State asserts will result in the establishment of all-day kindergarten in all schools by the 2016-17 school year, one year ahead of the schedule specified by SHB 2776. *See* RCW 28A.150.315(1). In addition, the current budget appropriates \$350 million for K-3 class size reduction, an amount the State says will achieve the target average class size of 17 for kindergarten and first grade in lower income schools by the 2016-17 school year.

But while there is some progress in class size reduction, there is far to go. The target for all of K-3 is an average of 17 students, RCW 28A.150.260(4)(b), but low-income schools will reach only 18 students in the second grade and 21 in the third by 2016-17. And in other schools, no class will reach the goal of 17 by 2016-17. With a deadline of 2018 for compliance, the State is not on course to meet class-size reduction goals by then. The appropriation of \$350 million for the 2015-17 biennium is considerable, but the legislature's own Joint Task Force on Education Funding (JTTEF) estimated in 2012 that \$662.8 million would be needed this biennium for K-3 class size reduction, and that the 2017-18 biennium would require an expenditure of \$1.15 billion. The State has presented no plan as to how it intends to achieve full compliance in this area by 2018, other than the promise that it will take up the matter in the 2017-19 biennial budget.

And as to both class size reductions and all-day kindergarten, it is unclear, and the State does not expressly say, whether the general budget or the capital budget makes sufficient capital outlays to ensure that classrooms will be available for full implementation of all-day kindergarten and reduced class sizes by 2018. The State indicates that the legislature allocated \$200 million for grants devoted to K-3 class size reduction and all-day kindergarten, but as this court noted in its January 2014 order, the superintendent of public instruction had previously estimated that additional capital expenditures of \$599 million would be needed just for K-3 class size reductions. The State has provided no plan for how it intends to pay for the facilities needed for all-day kindergarten and reduced class sizes. As the court emphasized in its January 2014 order, the State needs to account for the actual cost to schools of providing all-day kindergarten and smaller K-3 class sizes. It has not done so. Furthermore, in its latest report the Joint Select Committee notes an analysis estimating that there will be a shortage of about 4,000 teachers in 2017-18 for all-day kindergarten and class size reduction. It says nothing in the report about how that shortfall will be made up and what it will cost. Report at 16.

This leads to the matter of personnel costs, for which the State has wholly failed to offer any plan for achieving constitutional compliance. As this court discussed in *McCleary*, a major component of the State's deficiency in meeting its constitutional obligation is its consistent underfunding of the actual cost of recruiting and retaining competent teachers, administrators, and staff. *McCleary*, 173 Wn.2d at 536. The court specifically identified this area in its January 2014 order as one in which the State continues to fall short, finding it an "inescapable fact" that "salaries for educators in Washington are no better now than when this case went to trial." Order (Jan. 9, 2014) at 6. The legislature in ESHB 2261 recognized that "continuing to attract and retain the highest quality educators will require increased investment," and it established a technical work

group, which issued its final report and recommendations in 2012. ESHB 2261 § 601(1). The State is correct that it is not constitutionally required to adopt precisely those recommendations, but it must do something in the matter of compensation that will achieve full *state* funding of public education salaries. In the current budget, the legislature approved modest salary increases (across state government) and fully funded Initiative 732 cost of living increases (which had long been suspended), and it provided some benefit increases; but the State has offered no plan for achieving a sustained, fully state-funded system that will attract and retain the educators necessary to actually deliver a quality education.

The State devotes the bulk of its latest report to detailing proposed legislation on salaries and levy reform considered during the 2015 legislative session, and the State urges that “sophisticated efforts toward that goal already are underway.” *See* State of Washington’s Memorandum Transmitting the Legislature’s 2015 Post-Budget Report, at 30. But the bottom line is that none of these proposals was enacted into law, and they remain, in the State’s words, only matters of “discussion.” We have, in other words, further promises, not concrete plans.¹

As to all of these matters, the court emphasizes, as it has throughout these proceedings, that it will not dictate the details of how the State is to achieve full funding of basic education, nor has the court required that full funding be achieved in advance of the 2018 deadline. It is not within

¹ The State contends that the matter of salaries must be tied to reform of the local levy system, making this a particularly complex matter requiring time and study and discussion. Local levy reform is not part of the court’s January 9, 2014, order, though in *McCleary* the court was critical of the use of local levy funds to make up for shortfalls caused by the State’s failure to pay the full cost of staff salaries, and it determined that the State may not constitutionally rely on local levies to pay for basic education generally. *McCleary*, 173 Wn.2d at 536-39. We offer no opinion on whether full state funding of basic education salaries must be accompanied by levy reform, but how the State achieves full state funding is up to the legislature. And we note that the State has had ample time to deal with this matter, not just since *McCleary* but well before. *See Seattle Sch. Dist. 1*, 90 Wn.2d at 525-26 (holding unconstitutional the use of special excess local levies to fund basic education).

this court's authority to enact legislation, appropriate state funds, or levy taxes. Rather, in accordance with its obligation to enforce the commands of the Washington Constitution, and pursuant to its continuing jurisdiction over this matter to ensure steady progress towards constitutional compliance, the court has only required, and still requires, the State to present its *plan* for achieving compliance by its own deadline of 2018. The State acknowledges that it has not submitted a written plan listing benchmarks for assessing its progress, as this court has required, but it urges that SHB 2776 constitutes the "plan" and that it is on pace toward fulfilling that plan. But this court's order requires the State to explain not just what it expects to achieve by 2018, as SHB 2776 dictates, but to fully explain *how* it will achieve the required goals, with a phase-in schedule and benchmarks for measuring full compliance with the components of basic education.

Sanctions Are Appropriate For the State's Continued Failure to Comply with Court Orders

Despite repeated opportunities to comply with the court's order to provide an implementation plan, the State has not shown how it will achieve full funding of all elements of basic education by 2018. The State therefore remains in contempt of this court's order of January 9, 2014. The State urges the court to hold off on imposing sanctions, to wait and see if the State achieves full compliance by the 2018 deadline. But time is simply too short for the court to be assured that, without the impetus of sanctions, the State will timely meet its constitutional obligations. There has been uneven progress to date, and the reality is that 2018 is less than a full budget cycle away. As this court emphasized in its original order in this matter, "we cannot wait until 'graduation' in 2018 to determine if the State has met minimum constitutional standards." Order of December 20, 2012 at p.3

The court has inherent power to impose remedial sanctions when contempt consists of the failure to perform an act ordered by the court that is yet within the power of a party to perform.

Blanchard v. Golden Age Brewing Co., 188 Wash. 396, 423, 63 P.2d 397 (1936) (“The power of a court, created by the constitution, to punish for contempt for disobedience of its mandates, is inherent. The power comes into being upon the very creation of such a court and remains with it as long as the court exists. Without such power, the court could ill exercise any power, for it would then be nothing more than a mere advisory body.”). *See also In re Dependency of A.K.*, 162 Wn.2d 632, 645, 174 P.3d 11 (2007). Monetary sanctions are among the proper remedial sanctions to impose, though the court also may issue any order designed to ensure compliance with a prior order of the court. When, as here, contempt results in an ongoing constitutional violation, sanctions are an important part of securing the promise that a court order embodies: the promise that a constitutional violation will not go unremedied.

Given the gravity of the State’s ongoing violation of its constitutional obligation to amply provide for public education, and in light of the need for expeditious action, the time has come for the court to impose sanctions. A monetary sanction is appropriate to emphasize the cost to the children, indeed to all of the people of this state, for every day the State fails to adopt a plan for full compliance with article IX, section 1. At the same time, this sanction is less intrusive than other available options, including directing the means the State must use to come into compliance with the court’s order.

Now, therefore, it is hereby

ORDERED:

Effective immediately, the State of Washington is assessed a remedial penalty of one-hundred thousand dollars (\$100,000) per day until it adopts a complete plan for complying with article IX, section 1 by the 2018 school year. The penalty shall be payable daily to be held in a

segregated account for the benefit of basic education. Recognizing that legislative action complying with the court's order can only occur in session, but further recognizing that the court has no authority to convene a special session, the court encourages the governor to aid in resolving this matter by calling a special session. Should the legislature hold a special session and during that session fully comply with the court's order, the court will vacate any penalties accruing during the session. Otherwise, penalties will continue to accrue until the State achieves compliance.

As it has since the constitutionality of Washington's school funding system was first litigated in *Seattle School District*, the court assumes and expects that the other branches of government will comply in good faith with orders of the court issued pursuant to the court's constitutional duties. *Seattle Sch. Dist. 1*, 90 Wn.2d at 506-07. Our country has a proud tradition of having the executive branch aid in enforcing court orders vindicating constitutional rights.

DATED at Olympia, Washington this 13th day of August, 2015.

Madsen, C.J.
CHIEF JUSTICE

Johnson

Wiggin, J.

Carver, J.

Gonzalez, J.

Fairhurst, J.

Geoff McLeod, J.

Stephens, J.

Zu, J.

THE SUPREME COURT OF WASHINGTON

MATHEW & STEPHANIE McCLEARY,)
 et al.,)
 Respondents/Cross-Appellants,)
 v.)
 STATE OF WASHINGTON,)
 Appellant/Cross-Respondent.)

ORDER

Supreme Court No.
 84362-7

King County No. 07-2-02323-2
 Washington State Supreme Court

Filed *CE*
 SEP 11 2014 *JB*

**Ronald R. Carpenter
 Clerk**

In *McCleary v. State*, 173 Wn.2d 477, 269 P.3d 227 (2012), this court unanimously affirmed a declaratory judgment of the King County Superior Court finding that the State is not meeting its “paramount duty . . . to make ample provision for the education of all children residing within its borders.” WASH. CONST. art. IX, § 1. The court initially deferred to the legislature’s chosen means of discharging its constitutional duty, but retained jurisdiction over the case to monitor the State’s progress in implementing by 2018 the reforms that the legislature had recently adopted. Pursuant to its retention of jurisdiction, the court has called for periodic reports from the State on its progress. Following the State’s first report in 2012, the court issued an order directing the State to lay out its plan “in sufficient detail to allow progress to be measured according to periodic benchmarks between now and 2018,” noting it must indicate the “phase-in plan for achieving the State’s mandate to fully fund basic education and demonstrate that its budget meets its plan.” Order, *McCleary v. State*, No. 84362-7, at 2-3 (Wash. Dec 20, 2012).

Following the 2013 legislative session, the Joint Select Committee on Article IX Litigation (Committee) issued the second of these reports, on the basis of which the court found

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(as it had after the Committee's first report) that the State was not making sufficient progress to be on target to fully fund education reforms by the 2017-18 school year. Reiterating that the State had to show through immediate and concrete action that it was making real and measurable progress, the court issued an order on January 9, 2014, directing the State to submit by April 30, 2014, "a complete plan for fully implementing its program of basic education for each school year between now and the 2017-18 school year," including "a phase-in schedule for fully funding each of the components of basic education." Order, *McCleary v. State*, No. 84362-7, at 8 (Wash. Jan. 9, 2014).

After the 2014 legislative session, the Committee issued its report to the court. In it, the Committee admitted that "[t]he Legislature did not enact additional timelines in 2014 to implement the program of basic education as directed by the Court in its January 2014 Order." REPORT TO THE WASHINGTON STATE SUPREME COURT BY THE JOINT SELECT COMMITTEE ON ARTICLE IX LITIGATION at 27 (May 1, 2014) (corrected version). In light of this concession, the court issued an order on June 12, 2014, directing the State to appear before the court and show cause why it should not be held in contempt for violating the court's January 2014 order and why, if it is found in contempt, sanctions or other relief requested by the plaintiffs in this case should not be granted.

Pursuant to its show cause order, the court held a hearing on September 3, 2014. As it did in its briefing, the State again admitted that it did not comply with the court's January 2014 order, but it urged the court not to hold the State in contempt and instead give the legislature the opportunity during the 2015 budget session to develop and enact a plan for fully funding K-12 public education by 2018. The State assured the court that a contempt order is not necessary to get the legislature's attention, that school funding is the number one issue on the legislature's agenda, and that the 2015 session will provide the best opportunity to take meaningful action on the matter.

The court has no doubt that it already has the legislature's "attention." But that is not the purpose of a contempt order. Rather, contempt is the means by which a court enforces compliance with its lawful orders when they are not followed. The State has suggested throughout these proceedings that the court may be approaching its constitutional bounds and entering into political and policy matters reserved to the legislature. But as the court has repeatedly stated, it does not wish to dictate the means by which the legislature carries out its constitutional responsibility or otherwise directly involve itself in the choices and trade-offs that are uniquely within the legislature's purview. Rather, the court has fulfilled its constitutional role to determine whether the State is violating constitutional commands, and having held that it is, the court has issued orders within its authority directing the State to remedy its violation, deferring to the legislature to determine the details. These orders are not advisory or designed only to get the legislature's "attention"; the court expects them to be obeyed even though they are directed to a coordinate branch of government. When the orders are not followed, contempt is the lawful and proper means of enforcement in the orderly administration of justice.

The court is not persuaded by the State's argument that a finding of contempt is unwarranted because the admitted violation was neither "disrespectful" nor the result of a "concerted effort by the Legislature to disregard the Court's order." A violation need not be "disrespectful" or result from "concerted effort" or even be motivated by literal "contempt" or other ill feeling toward the court. It is necessary only that a party's action be intentional. RCW 7.21.010(1)(b). The State suggests that one measure of whether a finding of contempt is warranted is whether an order has been repeatedly violated. Assuming that is a consideration, the current order is only the latest order that the court has issued since its decision in *McCleary*. It directed the State to provide its detailed plan in December 2012, prior to the 2013 legislative session, and it has

repeatedly emphasized that the State is engaged in an ongoing violation of its constitutional duty to K-12 children. The State, moreover, has known for decades that its funding of public education is constitutionally inadequate. *See Seattle Sch. Dist. No. 1 v. State*, 90 Wn.2d 476, 585 P.2d 71 (1978). This proceeding is therefore the culmination of a long series of events, not merely the result of a single violation. In retaining jurisdiction in *McCleary*, the court observed that it “cannot stand idly by as the legislature makes unfulfilled promises for reform.” *McCleary*, 173 Wn.2d at 545. Neither can the court “stand idly by” while its lawful orders are disregarded. To do so would be to abdicate the court’s own duty as a coordinate and independent branch of the government.

Accordingly, the court unanimously finds the State in contempt for failing to comply with the court’s January 9, 2014 order. The question remains whether sanctions are immediately warranted. The State has assured the court that education funding is the legislature’s top priority and that the legislature is determined to (and the State expects it to) take meaningful action in the 2015 budget session. In the interest of comity and continuing dialogue between the branches of government, the court accepts the State’s assurances that it will be compliant by the end of the 2015 session. Thus, the court will not presently impose sanctions or other remedial measures, and will provide the State the opportunity to purge the contempt during the 2015 legislative session by complying with the court’s order. If the contempt is not purged by adjournment of the 2015 legislature, the court will reconvene and impose sanctions or other remedial measures.

Now, therefore, it is hereby

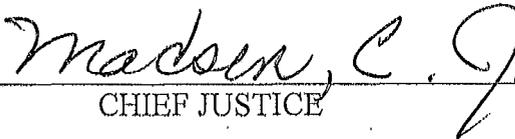
ORDERED:

That the State is in contempt of court for violating the court’s order dated January 9, 2014. The State failed to submit by April 30, 2014 a complete plan for fully implementing its program of basic education for each school year between now and the 2017-18 school year. Sanctions and

other remedial measures are held in abeyance to allow the State the opportunity to comply with the court's order during the 2015 legislative session. If by adjournment of the 2015 legislative session the State has not purged the contempt by complying with the court's order, the court will reconvene to impose sanctions and other remedial measures as necessary. On the date following adjournment of the 2015 session, if the State has not complied with the court's order, the State shall file in the court a memorandum explaining why sanctions or other remedial measures should not be imposed. This memorandum is separate from the court's order requiring an annual progress report. No other pleadings should be filed by any of the parties except at the direction of the court.

DATED at Olympia, Washington this 11th day of September, 2014.

For the court:


CHIEF JUSTICE

THE SUPREME COURT OF WASHINGTON

MATHEW & STEPHANIE McCLEARY,)
 et al.,)
 Respondents/Cross-Appellants,)
 v.)
 STATE OF WASHINGTON,)
 Appellant/Cross-Respondent.)

ORDER TO SHOW CAUSE

Supreme Court No.
84362-7

King County No.
07-2-02323-2 SEA **Filed** *CP*
Washington State Supreme Court

JUN 12 2014 *RB*

Ronald R. Carpenter
Clerk

In *McCleary v. State*, 173 Wn.2d 477, 269 P.3d 227 (2012), this Court unanimously held that the State is not meeting its “paramount duty . . . to make ample provision for the education of all children residing within its borders.” WASH. CONST. art. IX, § 1. The Court recognized that the legislature had recently enacted a promising set of reforms to remedy the deficiencies in the K-12 education system, and that it was making progress toward funding those reforms. The Court therefore deferred to the legislature’s chosen means of discharging its constitutional duty, but retained jurisdiction over the case to help ensure the State’s progress in its plan to fully implement reforms by 2018. *McCleary*, 173 Wn.2d at 547.

In a subsequent order following the 2012 legislative session, the Court directed the State to report to the Court on the progress it had made in implementing its program of reforms according to the anticipated schedule. The Joint Select Committee on Article IX Litigation issued a report, and on December 20, 2012, the Court found that the State’s efforts had fallen short. The Court directed the State to submit a report after the 2013 legislative session setting out its plan for implementing education funding reforms in sufficient detail to allow the Court to measure the

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legislature's progress between then and 2018 through periodic benchmarks. This Order, like the *McCleary* decision, was based on implementing the reforms that the legislature itself had adopted but not yet funded.

Following the 2013 legislative session, the Joint Select Committee issued the required report. While acknowledging that the legislature had taken meaningful steps in the 2013 session to address its constitutional obligation to amply fund basic education, the Court found that it had not made sufficient progress to be on target to fully fund the education reforms by the 2017-18 school year. Reiterating that the State had to show through immediate and concrete action that it is making real and measurable progress, the Court issued an order on January 9, 2014, directing the State to submit by April 30, 2014, "a complete plan for fully implementing the program of basic education for each school year between now and the 2017-18 school year," including "a phase-in schedule for fully funding each of the components of basic education." Order, *McCleary v. State*, No. 84362-7, at 8 (Wash. Jan. 9, 2014). Once again, this Order was based on implementing reforms that the legislature itself decided were necessary.

After the 2014 legislative session, the Joint Select Committee issued its report to the Court by the deadline date. The report relates what the State urges to be significant progress, or even full implementation, in some areas such as transportation and funding of materials, supplies, and operating costs, and it describes various bills that were introduced but not passed. The report, however, candidly admits that "[t]he Legislature did not enact additional timelines in 2014 to implement the program of basic education as directed by the Court in its January 2014 Order." 2014 Report to the Washington Supreme Court by the Joint Select Committee on Article IX Litigation (corrected version) (May 1, 2014), at 27. The report acknowledges that "the pace of implementation must quicken," and asks this Court to "recognize that 2015 is the next and most

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critical year for the Legislature to reach the grand agreement needed to meet the State's Article IX duty by the statutorily scheduled full implementation date of 2018." *Id.* at 33. But the report recognizes that during the legislature's 2014 session "there was no political agreement reached either among the political caucuses or between the legislative chambers on what the full implementation plan should look like." *Id.* at 27. And it offers no concrete reason to believe that the "grand agreement" it envisions will more likely be implemented in 2015. *Id.* at 33.

The Joint Select Committee thus acknowledges that the State did not provide the plan that this court ordered—a plan that, we reiterate, would schedule phase-in of reforms that the legislature itself deems necessary. In its January 2014 order the Court signaled its willingness to consider enforcement measures at its disposal should the State fail to comply with the Court's directive to submit a complete funding plan.

This matter came before the Court on its June 5, 2014, En Banc Conference for consideration of the legislature's 2014 Report to the Washington State Supreme Court by the Joint Select Committee on Article IX Litigation (corrected version) and the responses to the report. After consideration of the matter, the Court unanimously determined that a show cause hearing should be held. Now, therefore, it is

ORDERED

That the State is hereby summoned to appear before the Supreme Court to address why the State should not be held in contempt for violation of this Court's order dated January 9, 2014, that directed the State to submit by April 30, 2014, a complete plan for fully implementing its program of basic education for each school year between now and the 2017-18 school year. The State

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should also address why, if it is found in contempt, any of the following forms of relief requested by the plaintiffs, Mathew and Stephanie McCleary, et al., should not be granted:¹

1. Imposing monetary or other contempt sanctions;
2. Prohibiting expenditures on certain other matters until the Court's constitutional ruling is complied with;
3. Ordering the legislature to pass legislation to fund specific amounts or remedies;
4. Ordering the sale of State property to fund constitutional compliance;
5. Invalidating education funding cuts to the budget;
6. Prohibiting any funding of an unconstitutional education system; and
7. Any other appropriate relief.

The State should also address the appropriate timing of any sanctions.

The show cause hearing with oral argument by the parties shall be heard by the Washington Supreme Court on Wednesday, September 3, 2014, at 2:00 p.m. The State's response to this show cause order should be served and filed in this Court by not later than July 11, 2014. An answer to the State's response should be served and filed in this Court by not later than August 11, 2014. The State may serve and file a reply to the answer by not later than August 25, 2014.

DATED at Olympia, Washington this 12th day of June, 2014.

For the Court,



CHIEF JUSTICE

¹ In listing the forms of possible relief identified by the plaintiffs, the Court takes no position on the appropriateness of any of the possible sanctions.

THE SUPREME COURT OF WASHINGTON

BY RONALD R. CARPENTER

CLERK

MATHEW and STEPHANIE McCLEARY, et al., Respondents/Cross-Appellants, v. STATE OF WASHINGTON, Appellant/Cross-Respondent.

ORDER

Supreme Court No. 84362-7

King County No. 07-2-02323-2 SEA

“It is the paramount duty of the state to make ample provision for the education of all children residing within its borders.” WASH. CONST. art. IX, § 1. This is the only “paramount duty” our founders inscribed in our constitution. ROBERT F. UTTER & HUGH D. SPITZER, THE WASHINGTON STATE CONSTITUTION, A REFERENCE GUIDE 169 (2d ed. 2013). Two years ago, this court held unanimously that the State is not meeting its paramount duty. McCleary v. State, 173 Wn.2d 477, 269 P.3d 227 (2012). Recognizing that the legislature had enacted a promising set of reforms, the court deferred to its efforts but retained jurisdiction over this case to ensure timely and full compliance with the mandate to amply fund education. Last year, we recognized that the 2013 legislative session would provide the first full opportunity for the State to “lay out a detailed plan and then adhere to it.” Order, McCleary v. State, No. 84362-7, at 2 (Wash. Dec. 20, 2012). Our order dated December 20, 2012 directed the State to set out its plan for implementing education reforms in “sufficient detail to allow progress to be measured according to periodic benchmarks

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between now and 2018” and reiterated that “[y]ear 2018 remains a firm deadline for constitutional compliance.” *Id.*

Today, this matter is before the court following the State’s filing of the 2013 “Report to the Washington State Supreme Court by the Joint Select Committee on Article IX Litigation” (hereinafter Report) and the plaintiffs’ response. The Report summarizes steps taken in 2013, using the 2012 flat level of basic education funding as the baseline for measurement. Report at 5.¹ The Report also continues to rely on the reports of the Quality Education Council (QEC) and the Joint Task Force on Education Funding (JTFEF), which made recommendations to the legislature on how to implement the reforms enacted in 2009 in ESHB 2261 and 2010 in SHB 2776. Report at 7. By the State’s calculation, the 2013-15 operating budget achieves an 11.4 percent increase in basic education funding over 2011-13 estimated expenditures. Report at 2. Measured against maintenance level funding, the \$982 million allocated to K-12 basic education for the 2013-15 biennium translates into a 6.7 percent increase over the constitutionally inadequate level of funding. *Id.* The State also indicates that it has enhanced funding for programs beyond the elements specified in SHB 2776 and continues to “review, revise, and enhance other components within the basic education formulas.” Report at 3.

One thing is obvious from the State’s Report: unlike in 2012, meaningful steps were taken in the 2013 legislative session to address the constitutional imperative of amply providing for basic

¹ The Report acknowledges that the legislature made no changes to basic education funding during the 2012 session. Report at 5. Thus, it describes its 2012 report as establishing a “baseline description of the K-12 budget” and offering information about legislative activities in order to “provide context for future reports.” *Id.*

education. Recognizing there is debate over whether the State can claim a total of \$982 million in enhancements to the program of basic education,² the 2013-15 operating budget is undeniably an improvement over the last biennial budget. Moreover, implementing education reform has become a higher priority for the State, as even a casual observer of the 2013 legislative session could not fail to appreciate.

What is not clear, however, is how the State is measuring success when it asks us to “find that the State is making progress toward implementing the reforms initiated in ESHB 2261 and achieving full compliance with article IX, section 1 by 2018.” State of Washington’s Resp. to the Court’s Orders dated July 18, 2012 and December 20, 2012; The Legislature’s 2013 Post-Budget Report at 5. Looking at the gross numbers, the overall increased investment in basic education is only a modest 6.7 percent above current funding levels that violate the constitution, and there are not even two full budget cycles left to make up the sizable gap before the school year ending in 2018. The Report confirms that the State remains committed to ESHB 2261 and SHB 2776 and intends to fully fund its reforms, consistent with the reports of the QEC and JTFFEF. At the same time, the Report claims substantial progress and even “full implementation” of transportation funding by relying on cost figures that are lower than the projections of its own committee and task force, as well as the Office of the Superintendent of Public Instruction (OSPI). *See* Report at 12-13.

Transportation, for example, is funded at \$131.7 million for the 2013-15 biennium, with a phase in plan that leaves \$109.7 million for the 2014-15 school year. Report at 12-13, 21. As we

² The plaintiffs identify education funding shifts and cuts, such as striking K-12 staff cost-of-living increases in the amount of \$295.5 million, and claim the actual biennial education budget increase was only \$649 million. Pls./Resp’ts’ 2013 Post-Budget Filing (Pls.’ Resp.) at 14 & n.41.

noted in our opinion in this case, the 2010 QEC report estimated that state funding of transportation would *fall short* by nearly this amount during the 2009-10 school year. *McCleary*, 173 Wn.2d at 509. Moreover, the December 2012 JTFEF Final Report indicated that \$141.6 million would be needed in 2013-15 to stay on target toward full transportation funding, with substantial increases again in 2015-17. JTFEF Final Report at 3. The plaintiffs' rightly complain that the State appears to have revised the cost estimates based on a formula that its own analysis shows falls short. Pls./Resp'ts' 2013 Post-Budget Filing (Pls.' Resp.) at 23-24 & nn.74, 75 (discussing RCW 28A.160.192 and 2013 OSPI Transportation Update). We cautioned in 2012 that revised funding formulas cannot be used to declare "full funding," when the actual costs of meeting the education rights of Washington students remain unfunded. *See McCleary*, 173 Wn.2d at 532.

Even more troubling is the apparent lack of progress toward fully funding essential materials, supplies and operation costs (MSOCs). The JTFEF identified MSOCs as the area requiring the greatest increase in state funding, estimating a need for \$597.1 million in 2013-15, followed by \$1.410.9 billion in 2015-17 and \$1.554.7 billion in 2017-19. JTFEF Final Report at 3. The State's 2013-15 operating budget includes \$374 million for MSOCs. Report at 12. By its own estimates, this leaves a gap of about \$857 million to make up in the 2015-17 biennium, *id.*, and the JTFEF figures suggest the gap is even wider, JTFEF Final Report at 3. We agree with the plaintiffs that "[e]stimating the size of the shortfall in the next biennium is not a plan." Pls.' Resp. at 28 n.85. Underfunding MSOCs places an unsustainable burden on school districts. That burden is exacerbated when at the same time nonemployee related costs are underfunded, the State funds instructional and class-size reduction programs that incur additional costs to local districts. Consider,

for example, full-day kindergarten and early elementary class-size reduction. The 2013-15 education budget invests \$89.8 million in full-day kindergarten, anticipating an increase in enrollment from 22 percent to 43.75 percent. Report at 2, 14. It also provides \$103.6 million for K-3 class-size reduction in high poverty schools, with a goal of reducing class size to about 20 students in the 2014-15 school year. *Id.* at 13-14.³ The plaintiffs cite OSPI's 2013 Facilities Capacity Report to note that school districts are strapped for the physical space to meet these goals. Pls.' Resp. at 32, 36. OSPI estimates that additional capital expenditures are required of approximately \$105 million for full-day kindergarten and \$599 million for K-3 class-size reduction by 2017-18. *Id.* Make no mistake, enhanced funding for full-day kindergarten and class-size reduction is essential, but the State must account for the actual cost to schools of providing these components of basic education. We recognized long ago that the paramount duty to amply fund education under article IX, section 1 must be borne by the State, not local school districts. *See generally Seattle Sch. Dist. No. 1 v. State*, 90 Wn.2d 476, 536-37, 585 P.2d 71 (1978).

Another area in which the State's Report falls short concerns personnel costs. Quality educators and administrators are the heart of Washington's education system. The Report outlines increased state funding for instructional hours, the learning assistance program, and some counseling programs. Report at 15-16. But it skims over the fact that state funding of educator

³ The State acknowledges that the estimated cost of reaching full implementation of the reduced class-size law by the 2017-18 school year is \$1.096 billion for the 2017-19 biennium. Report at 14. The JTFFEF had recommended spending \$219.2 million in the 2013-15 biennium to stay on target to reaching this goal. JTFFEF Final Report at 3. A minority alternative proposal to the JTFFEF Final Report would have put an immediate priority on K-3 class-size reduction, investing \$575 million to fund the first half in 2013-15 and another \$576 million in 2015-17. *Id.* at App. E-3.

and administrative staff salaries remains constitutionally inadequate. Our decision in this case identified salaries as a significant area of underfunding by the State, noting OSPI data suggesting that sizable salary gaps remain to be filled at the district level. *McCleary*, 173 Wn.2d at 536; *see also Fed. Way Sch. Dist. No. 210 v. State*, 167 Wn.2d 514, 522 & n.11, 219 P.3d 941 (2009) (noting with respect to state pay for administrator salaries that “[t]hese figures have no correlation to the real cost of hiring administrators”). The State notes that its 2013-15 budget restores previous temporary salary reductions (1.9 percent for certificated instructional and classified staff and 3 percent for administrators), but at the same time it suspends the cost-of-living increases imposed by Initiative 732, which totaled \$295.5 million. Report at 10, 17. The Report identifies this salary cut as part of “savings and reductions in non-basic education,” Report at 10, but nothing could be more basic than adequate pay. The inescapable fact is that salaries for educators in Washington are no better now than when this case went to trial. This despite the report of the ESHB 2261 compensation work group concluding that the State needs to invest at least a billion dollars a year—above inflationary adjustments—to bring salary funding in line with actual costs. *See 2012 Compensation Technical Working Group Final Report* (June 30, 2012) at 47. It is deeply troubling that the State’s Report does not address this component of ESHB 2261 or offer any plan for meeting its goals.

Overall, the State’s Report demonstrates that it understands what progress looks like, and unlike in 2012, it has taken some steps toward fulfilling its constitutional mandate. But, it cannot realistically claim to have made significant progress when its own analysis shows that it is not on target to implement ESHB 2261 and SHB 2776 by the 2017-18 school year. A rough comparison

of the funding levels for core areas identified in the JTFFEF Final Report and provided in the 2013-15 biennial budget suggests the need for a greater immediate investment. Broken down by category, the JTFFEF Final Report proposed a spending plan for implementing SHB 2776 that would require the 2013-15 budget to include \$141.6 million for transportation, \$597.1 million for MSOCs, \$219.2 million for K-3 class-size reduction, and \$89.3 million for full-day kindergarten. The 2013-15 biennial budget provides \$131.7 million for transportation, \$374 million for MSOCs, \$103.6 million for class-size reduction, and \$89.8 million for full-day kindergarten.⁴ Thus, the current level of funding falls short of the JTFFEF plan in every category except full-day kindergarten, and, as noted, the funding for that category does not account for the additional capital investment needed to implement full-day kindergarten. Moreover, the JTFFEF spending plan projects a steep upward curve in funding levels in the next two biennia, requiring \$3.35 billion in 2015-17 and \$4.48 billion in 2017-19. In order for the court to find the legislature is making progress toward full compliance with its constitutional responsibility, the State must address each of these core areas of basic education and provide a timetable for funding its plan.

⁴ The JTFFEF spending plan also includes \$66.5 million for accountability, evaluation and common core, and \$169.8 million for classified and administrative salary allocations, neither of which is specifically identified as an enhancement in ESHB 2261 or SHB 2776, as well as \$140.4 million for the career and college ready plan. And, the 2013-15 budget includes funding for several other enhancement programs. Our comparison of the core categories identified in the *McCleary* decision and our 2012 order should not be interpreted as suggesting that funding in these other areas is unimportant to fulfilling the State's constitutional mandate. Nor does our reference to the funding recommendations in the JTFFEF Final Report suggest that it provides the only constitutionally viable plan. Rather, these figures illustrate at a minimum the budgeting priorities that would demonstrate real and measurable progress designed to achieve full compliance with article IX, section 1 by 2018.

One reason we retained jurisdiction over this case is to foster dialogue and cooperation in reaching a goal shared by all Washingtonians. The legislature is embarking on a short session in 2014, where it has an opportunity to take a significant step forward. We are aware that OSPI has submitted a supplemental budget request of approximately \$544 million, with \$461 million addressing basic education funding. The need for immediate action could not be more apparent. Conversely, failing to act would send a strong message about the State's good faith commitment toward fulfilling its constitutional promise. This court also made a promise to the school children of Washington: We will not "idly stand by as the legislature makes unfulfilled promises for reform." *McCleary*, 173 Wn.2d at 545. Our decision in this case remains fully subject to judicial enforcement.

We have no wish to be forced into entering specific funding directives to the State, or, as some state high courts have done, holding the legislature in contempt of court. But, it is incumbent upon the State to demonstrate, through immediate, concrete action, that it is making real and measurable progress, not simply promises. Toward that end, it is hereby ordered: the State shall submit, no later than April 30, 2014, a complete plan for fully implementing its program of basic education for each school year between now and the 2017-18 school year. This plan must address each of the areas of K-12 education identified in ESHB 2261, as well as the implementation plan called for by SHB 2776, and must include a phase-in schedule for fully funding each of the components of basic education. We recognize that the April 30, 2014 deadline shortens the time for the State's report, but it is clear that the pace of progress must quicken. In order to facilitate

judicial oversight, this court may also require more periodic reports detailing the State's strategy for fully meeting the mandate of article IX, section 1.

IT IS SO ORDERED.

DATED at Olympia, Washington this 9th day of January, 2014.

Madsen, C. J.
CHIEF JUSTICE

WE CONCUR:

Johnson

Parsons

Fainhurst, J.

Stephens, J.

Wiggin, J.

Comáñez, J.

Geel-McLeod, J.

THE SUPREME COURT OF WASHINGTON

MATHEW and STEPHANIE McCLEARY,
 et al.,
 Respondent/Cross-Appellant,
 v.
 STATE OF WASHINGTON,
 Appellant/Cross-Respondent.

ORDER
 Supreme Court No.
 84362-7
 King County No.
 07-2-02323-2 SEA

FILED
 SUPREME COURT
 STATE OF WASHINGTON
 2012 DEC 20 A 11:42
 BY RONALD H. CARPENTER

This matter came before the court on its December 6, 2012, en banc conference following the parties' submissions in response to this court's July 18, 2012 order. See Report to the Washington State Supreme Court by the Joint Select Committee on Article IX Litigation; Pl./Resp'ts' 2012 Post-Budget Filing. The question before us is whether, in remedying the constitutional violation of the State's paramount duty under article IX, section 1, current actions "demonstrate steady progress according to the schedule anticipated by the enactment of the program of reforms in ESHB 2261." Wash. Supreme Court Order (July 18, 2012) at 3 (Order). Consistent with ESHB 2261, 61st Leg., Reg. Sess. (Wash. 2009), such progress must be both "real and measurable" and must be designed to achieve "full compliance with article IX, section 1 by 2018." *Id.*

The State's first report falls short. The report details some of the same history set out in this court's opinion, *McCleary v. State*, 173 Wn.2d 477, 269 P.3d 227 (2012), and it identifies committees in place and the funding task force's assignment. But, the report does not

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sufficiently indicate how full compliance with article IX, section 1 will be achieved. Indeed, since the passage of ESHB 2261 in 2009, significant cuts to education funding have been made. Some of these cuts have been partially restored, but the overall level of funding remains below the levels that have been declared constitutionally inadequate.

Steady progress requires forward movement. Slowing the pace of funding cuts is necessary, but it does not equate to forward progress; constitutional compliance will never be achieved by making modest funding restorations to spending cuts.

It continues to be the court's intention to foster cooperation and defer to the legislature's chosen plan to achieve constitutional compliance. *See McCleary*, 173 Wn.2d at 541-42, 546. But, there must in fact be a plan. Each day there is a delay risks another school year in which Washington children are denied the constitutionally adequate education that is the State's paramount duty to provide.

Year 2018 remains a firm deadline for full constitutional compliance. Whether this is achieved by getting on track with the implementation schedule anticipated in ESHB 2261 or whether it is achieved by equivalent measures, it is incumbent upon the State to lay out a detailed plan and then adhere to it. The upcoming legislative session provides the opportunity for the State to do so. While the State's first report to the court identified the standing committees that have been formed and the additional studies that have been undertaken, the second report must identify the fruits of these labors.

Accordingly, by majority, it is hereby ordered: the report submitted at the conclusion of the 2013 legislative session must set out the State's plan in sufficient detail to allow progress to be measured according to periodic benchmarks between now and 2018. It should indicate the

phase-in plan for achieving the State's mandate to fully fund basic education and demonstrate that its budget meets its plan. The phase-in plan should address all areas of K-12 education identified in ESHB 2261, including transportation, MSOCs (Materials, Supplies, Other Operating Costs), full time kindergarten, and class size reduction. Given the scale of the task at hand, 2018 is only a moment away—and by the time the 2013 legislature convenes a full year will have passed since the court issued its opinion in this case.¹

In education, student progress is measured by yearly benchmarks according to essential academic goals and requirements. The State should expect no less of itself than of its students. Requiring the legislature to meet periodic benchmarks does not interfere with its prerogative to enact the reforms it believes best serve Washington's education system. To the contrary, legislative benchmarks help guide judicial review. We cannot wait until "graduation" in 2018 to determine if the State has met minimum constitutional standards.

IT IS SO ORDERED.

DATED at Olympia, Washington this 20th day of December, 2012.

For the Court,



CHIEF JUSTICE

¹ On a minor point, the State's 2013 postbudget report and any response should be filed as a pleading with the court. This case remains open and it is important that all communications between the parties and the court be part of the open court file.

No. 84362-7

J.M. JOHNSON, J. (dissenting)—Today’s order clearly violates two important provisions of our constitution: the separation of powers and the explicit delegation of education to the legislature. This order purports to control the Washington State Legislature and its funding for education until 2018. The order ultimately impairs the implementation of newly designed best available education techniques for our school children. I dissent.

SEPARATION OF POWERS

This case was originally brought as a declaratory action alleging that the State was violating the Washington State Constitution by failing to adequately fund the K-12 school system.¹ RCW 7.24.010 authorizes Washington courts to declare rights, status, and other legal relationships under declaratory judgment actions. Here, the majority actually orders the legislature to take certain specific actions by

¹ *McCleary v. State*, 173 Wn.2d 477, 269 P.3d 227 (2012).

a specified date, which sounds more in mandamus than declaratory judgment. It also disregards the multitudinal facets of a budget.

A writ of mandamus is used “to compel the performance of an act which the law especially enjoins as a duty resulting from an office, trust or station, or to compel the admission of a party to the use and enjoyment of a right or office to which the party is entitled” RCW 7.16.160. Although this court has limited authority to issue writs of mandamus, it seldom controls state officers, much less the legislature. Furthermore, “such a court order must be justified as an extraordinary remedy.” *SEIU Healthcare 775NW v. Gregoire*, 168 Wn.2d 593, 598-99, 229 P.3d 774 (2010) (denying mandamus).

As the remedy lies in equity, courts must exercise judicial discretion to issue the writ. *Id.* at 601. “[W]hen directing a writ to the Legislature or its officers, a coordinate, equal branch of government, the judiciary should be especially careful not to infringe on the historical and constitutional rights of that branch.” *Brown v. Owen*, 165 Wn.2d 706, 718, 206 P.3d 310 (2009) (quoting *Walker v. Munro*, 124 Wn.2d 402, 407, 879 P.2d 920 (1994)).

Here, the court is issuing what appears to be a writ of mandamus without calling it by its proper name or justifying it as an extraordinary remedy. Further, writs of mandamus must be directed at an “inferior tribunal, corporation, board or

person.” RCW 7.16.160. The legislature is separate and equal, not an “inferior . . . board.” *Id.*

The majority’s order directs the legislature to create a specific educational plan by the end of the 2013 legislative session with further steps to 2018. Considering that the new legislators have not yet been sworn in, and the body to which we are issuing this direction is consequently not even in existence, the order is improper. At the least, the new legislature should be allowed to consider the issue, in good faith, without this court’s orders held to its head.

The Washington State Constitution does not express its separation of powers. “Nonetheless, the very division of our government into different branches has been presumed throughout our state’s history to give rise to a vital separation of powers doctrine.” *Brown*, 165 Wn.2d at 718 (quoting *Carrick v. Locke*, 125 Wn.2d 129, 135, 882 P.2d 173 (1994)). The separation of powers doctrine exists “to ensure that the fundamental functions of each branch remain inviolate.” *Carrick*, 125 Wn.2d at 135.

We have recognized that “[t]he spirit of reciprocity and interdependence requires that if checks by one branch undermine the operation of another branch or undermine the rule of law which all branches are committed to maintain, those checks are improper and destructive exercises of the authority.” *In re Salary of*

Juvenile Director, 87 Wn.2d 232, 243, 552 P.2d 163 (1976). Today's order is precisely that—a destructive exercise of authority. Effects on other state funded programs, such as those for the needy, are disregarded. The extensive history of educational studies and reform described in *McCleary v. State*, 173 Wn.2d 477, 269 P.3d 227 (2012), illustrates the legislature's comparative advantage at identifying policy goals and implementing them.² Although the majority in *McCleary* claimed that this court would not “dictat[e] the precise means by which the State must discharge its duty,”³ today's order no doubt contemplates this court's future assessment of the merits of the legislature's benchmarks, as well as the contents of its plan.⁴ Because we are isolated from the legislative mechanisms

² Examples of such studies and reforms include the Washington Basic Education Act of 1977 (LAWS OF 1977, 1st Ex. Sess., ch. 359), the Levy Lid Act of 1977 (LAWS OF 1977, 1st Ex. Sess., ch. 325), the Remediation Assistance Act (LAWS OF 1979, ch. 149), the Transitional Bilingual Instruction Act of 1979 (LAWS OF 1979, ch. 95), the Education for All Act of 1971 (LAWS OF 1971, 1st Ex. Sess., ch. 66), the Governor's Council on Education Reform and Funding, the Commission on Student Learning, ESHB 1209, the development of EALRs and the Washington Assessment of Student Learning, the Washington Learns study, E2SSB 5841, the Transportation Funding study, the Basic Education Finance Task Force, E2SSB 5627, the creation of the Quality Education Council, and SHB 2776. *McCleary*, 173 Wn.2d at 486-510. A recent example of how educational reforms are constantly evolving is the announcement of Washington State Superintendent of Public Instruction Randy Dorn's proposal to reduce five required testing areas down to three. Press Release, State of Washington Office of Superintendent of Public Instruction, Dorn Proposes Changes in State Assessment System (Dec. 13, 2012), <http://www.k12.wa.us/Communications/PressReleases2012/DornProposesChanges-Assessment.aspx> (last visited Dec. 18, 2012).

³ 173 Wn.2d at 541.

⁴The order appears to be predicated on the misinformation that more funding is the solution to all problems in education. American students' recent scores on 12th grade National Assessment of Educational Progress (NAEP) tests highlight the mediocrity in K-12 schools. Matthew Ladner et

for gathering public input, such as hearings and committees, courts are undeniably unsuited to decide these policy judgments.

WASHINGTON STATE CONSTITUTION ARTICLE IX, SECTION 2

The constitution enshrines in article IX, section 2 that “[t]he legislature shall provide for a general and uniform system of public schools.” This is supported both by statewide representation in the legislature and by the legislature’s control over the budget. Today’s order is a clear usurpation of the legislature’s constitutionally mandated duty.

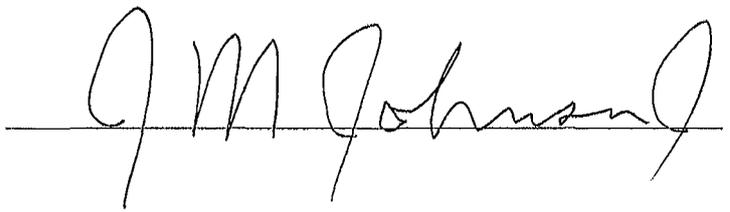
Judges sometimes have delusions of grandeur. Our decision-making deals with thousands of criminal and civil cases through one model. Our state constitution allows other major problems to be resolved through elected representatives from the entire state. This includes the committee process, two houses, a governor, and the use of initiatives and referenda as prods.

The United States Supreme Court has long recognized “that judicial inquiries into legislative or executive motivation represent a substantial intrusion

al., *Report Card on American Education* 4 (16th ed. 2010). For example, only 23 percent of 12th graders scored “Proficient” in math (39 percent scored “below Basic”). *Id.* Similarly, only 35 percent of 12th graders scored “Proficient” in reading. *Id.* Nationally, per student annual expenditures have increased from \$4,060 in 1970 to \$9,266 in 2006 (in constant 2007 dollars). *Id.* at 8. Meanwhile, NAEP scores have remained fairly constant and high school graduation rates have dropped slightly. *Id.* What this means is that United States taxpayers are paying more than double per student than they were 40 years ago without seeing any measurable increases in educational outcomes.

into the workings of other branches of government.” *Vill. of Arlington Heights v. Metro. Hous. Dev. Corp.*, 429 U.S. 252, 268 n.18, 97 S. Ct. 555, 50 L. Ed. 2d 450 (1977). We should accordingly presume that legislators act in good faith in discharging their constitutional duties. In *McCleary*, the majority clarified the legislature’s duty under article IX, section 1 of the Washington State Constitution and expressed that we expect to see full implementation of educational reforms. 173 Wn.2d at 547. Because I would continue to presume that the legislature will act in good faith in implementing these reforms, this order oversteps the bounds of proper judicial action.

I agree with and signed Chief Justice Madsen’s concurrence/dissent in *McCleary*, in which she expressed that “[w]e have done our job; now we must defer to the legislature for implementation.” *Id.* at 548 (Madsen, C.J., concurring/dissenting). For this reason, I respectfully dissent.

A handwritten signature in cursive script, reading "J M Johnson", is written over a horizontal line. The signature is centered on the page.

ENGROSSED HOUSE BILL 2698

State of Washington 64th Legislature 2016 Regular Session

By Representatives Lytton, Magendanz, Sullivan, Ortiz-Self, Reykdal, Rossetti, Senn, Sawyer, S. Hunt, and Pollet

Read first time 01/19/16. Referred to Committee on Appropriations.

1 AN ACT Relating to delaying implementation of revisions to the
2 school levy lid and local effort assistance; amending RCW 84.52.0531;
3 amending 2013 c 242 s 10, 2012 1st sp.s. c 10 s 10, 2010 c 237 ss 9,
4 8, and 10, and 2013 2nd sp.s. c 4 s 1905 (uncodified); reenacting and
5 amending RCW 84.52.0531; adding a new section to chapter 28A.500 RCW;
6 creating a new section; providing effective dates; and providing
7 expiration dates.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** The legislature recognizes that school
10 districts may provide locally funded enrichment to the state's
11 program of basic education. The legislature further recognizes that
12 the system of state and local funding for school districts is in
13 transition during 2016, with the state moving toward full funding of
14 its statutory program of basic education by 2018, and with current
15 statutory policies on school district levies scheduled to expire at
16 the end of calendar year 2017. To promote school districts' ability
17 to plan for the future during this transitional period, the
18 legislature intends to extend current statutory policies on local
19 enrichment through calendar year 2019.

1 **Sec. 2.** RCW 84.52.0531 and 2013 c 242 s 8 are each amended to
2 read as follows:

3 The maximum dollar amount which may be levied by or for any
4 school district for maintenance and operation support under the
5 provisions of RCW 84.52.053 shall be determined as follows:

6 (1) For excess levies for collection in calendar year 1997, the
7 maximum dollar amount shall be calculated pursuant to the laws and
8 rules in effect in November 1996.

9 (2) For excess levies for collection in calendar year 1998 and
10 thereafter, the maximum dollar amount shall be the sum of (a) plus or
11 minus (b), (c), and (d) of this subsection minus (e) of this
12 subsection:

13 (a) The district's levy base as defined in subsections (3) and
14 (4) of this section multiplied by the district's maximum levy
15 percentage as defined in subsection (7) of this section;

16 (b) For districts in a high/nonhigh relationship, the high school
17 district's maximum levy amount shall be reduced and the nonhigh
18 school district's maximum levy amount shall be increased by an amount
19 equal to the estimated amount of the nonhigh payment due to the high
20 school district under RCW 28A.545.030(3) and 28A.545.050 for the
21 school year commencing the year of the levy;

22 (c) Except for nonhigh districts under (d) of this subsection,
23 for districts in an interdistrict cooperative agreement, the
24 nonresident school district's maximum levy amount shall be reduced
25 and the resident school district's maximum levy amount shall be
26 increased by an amount equal to the per pupil basic education
27 allocation included in the nonresident district's levy base under
28 subsection (3) of this section multiplied by:

29 (i) The number of full-time equivalent students served from the
30 resident district in the prior school year; multiplied by:

31 (ii) The serving district's maximum levy percentage determined
32 under subsection (7) of this section; increased by:

33 (iii) The percent increase per full-time equivalent student as
34 stated in the state basic education appropriation section of the
35 biennial budget between the prior school year and the current school
36 year divided by fifty-five percent;

37 (d) The levy bases of nonhigh districts participating in an
38 innovation academy cooperative established under RCW 28A.340.080
39 shall be adjusted by the office of the superintendent of public

1 instruction to reflect each district's proportional share of student
2 enrollment in the cooperative;

3 (e) The district's maximum levy amount shall be reduced by the
4 maximum amount of state matching funds for which the district is
5 eligible under RCW 28A.500.010.

6 (3) For excess levies for collection in calendar year 2005 and
7 thereafter, a district's levy base shall be the sum of allocations in
8 (a) through (c) of this subsection received by the district for the
9 prior school year and the amounts determined under subsection (4) of
10 this section, including allocations for compensation increases, plus
11 the sum of such allocations multiplied by the percent increase per
12 full time equivalent student as stated in the state basic education
13 appropriation section of the biennial budget between the prior school
14 year and the current school year and divided by fifty-five percent. A
15 district's levy base shall not include local school district property
16 tax levies or other local revenues, or state and federal allocations
17 not identified in (a) through (c) of this subsection.

18 (a) The district's basic education allocation as determined
19 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

20 (b) State and federal categorical allocations for the following
21 programs:

22 (i) Pupil transportation;

23 (ii) Special education;

24 (iii) Education of highly capable students;

25 (iv) Compensatory education, including but not limited to
26 learning assistance, migrant education, Indian education, refugee
27 programs, and bilingual education;

28 (v) Food services; and

29 (vi) Statewide block grant programs; and

30 (c) Any other federal allocations for elementary and secondary
31 school programs, including direct grants, other than federal impact
32 aid funds and allocations in lieu of taxes.

33 (4) For levy collections in calendar years 2005 through ~~((2017))~~
34 2018, in addition to the allocations included under subsection (3)(a)
35 through (c) of this section, a district's levy base shall also
36 include the following:

37 (a)(i) For levy collections in calendar year 2010, the difference
38 between the allocation the district would have received in the
39 current school year had RCW 84.52.068 not been amended by chapter 19,

1 Laws of 2003 1st sp. sess. and the allocation the district received
2 in the current school year pursuant to RCW 28A.505.220;

3 (ii) For levy collections in calendar years 2011 through ((2017))
4 2018, the allocation rate the district would have received in the
5 prior school year using the Initiative 728 rate multiplied by the
6 full-time equivalent student enrollment used to calculate the
7 Initiative 728 allocation for the prior school year; and

8 (b) The difference between the allocations the district would
9 have received the prior school year using the Initiative 732 base and
10 the allocations the district actually received the prior school year
11 pursuant to RCW 28A.400.205.

12 (5) For levy collections in calendar years 2011 through ((2017))
13 2018, in addition to the allocations included under subsections
14 (3)(a) through (c) and (4)(a) and (b) of this section, a district's
15 levy base shall also include the difference between an allocation of
16 fifty-three and two-tenths certificated instructional staff units per
17 thousand full-time equivalent students in grades kindergarten through
18 four enrolled in the prior school year and the allocation of
19 certificated instructional staff units per thousand full-time
20 equivalent students in grades kindergarten through four that the
21 district actually received in the prior school year, except that the
22 levy base for a school district whose allocation in the 2009-10
23 school year was less than fifty-three and two-tenths certificated
24 instructional staff units per thousand full-time equivalent students
25 in grades kindergarten through four shall include the difference
26 between the allocation the district actually received in the 2009-10
27 school year and the allocation the district actually received in the
28 prior school year.

29 (6) For levy collections beginning in calendar year 2014 and
30 thereafter, in addition to the allocations included under subsections
31 (3)(a) through (c), (4)(a) and (b), and (5) of this section, a
32 district's levy base shall also include the funds allocated by the
33 superintendent of public instruction under RCW 28A.715.040 to a
34 school that is the subject of a state-tribal education compact and
35 that formerly contracted with the school district to provide
36 educational services through an interlocal agreement and received
37 funding from the district.

38 (7)(a) A district's maximum levy percentage shall be twenty-four
39 percent in 2010 and twenty-eight percent in 2011 through ((2017))
40 2018 and twenty-four percent every year thereafter;

1 (b) For qualifying districts, in addition to the percentage in
2 (a) of this subsection the grandfathered percentage determined as
3 follows:

4 (i) For 1997, the difference between the district's 1993 maximum
5 levy percentage and twenty percent; and

6 (ii) For 2011 through (~~2017~~) 2018, the percentage calculated as
7 follows:

8 (A) Multiply the grandfathered percentage for the prior year
9 times the district's levy base determined under subsection (3) of
10 this section;

11 (B) Reduce the result of (b)(ii)(A) of this subsection by any
12 levy reduction funds as defined in subsection (8) of this section
13 that are to be allocated to the district for the current school year;

14 (C) Divide the result of (b)(ii)(B) of this subsection by the
15 district's levy base; and

16 (D) Take the greater of zero or the percentage calculated in
17 (b)(ii)(C) of this subsection.

18 (8) "Levy reduction funds" shall mean increases in state funds
19 from the prior school year for programs included under subsections
20 (3) and (4) of this section: (a) That are not attributable to
21 enrollment changes, compensation increases, or inflationary
22 adjustments; and (b) that are or were specifically identified as levy
23 reduction funds in the appropriations act. If levy reduction funds
24 are dependent on formula factors which would not be finalized until
25 after the start of the current school year, the superintendent of
26 public instruction shall estimate the total amount of levy reduction
27 funds by using prior school year data in place of current school year
28 data. Levy reduction funds shall not include moneys received by
29 school districts from cities or counties.

30 (9) The definitions in this subsection apply throughout this
31 section unless the context clearly requires otherwise.

32 (a) "Prior school year" means the most recent school year
33 completed prior to the year in which the levies are to be collected.

34 (b) "Current school year" means the year immediately following
35 the prior school year.

36 (c) "Initiative 728 rate" means the allocation rate at which the
37 student achievement program would have been funded under chapter 3,
38 Laws of 2001, if all annual adjustments to the initial 2001
39 allocation rate had been made in previous years and in each
40 subsequent year as provided for under chapter 3, Laws of 2001.

1 (d) "Initiative 732 base" means the prior year's state allocation
2 for annual salary cost-of-living increases for district employees in
3 the state-funded salary base as it would have been calculated under
4 chapter 4, Laws of 2001, if each annual cost-of-living increase
5 allocation had been provided in previous years and in each subsequent
6 year.

7 (10) Funds collected from transportation vehicle fund tax levies
8 shall not be subject to the levy limitations in this section.

9 (11) The superintendent of public instruction shall develop rules
10 and inform school districts of the pertinent data necessary to carry
11 out the provisions of this section.

12 (12) For calendar year 2009, the office of the superintendent of
13 public instruction shall recalculate school district levy authority
14 to reflect levy rates certified by school districts for calendar year
15 2009.

16 **Sec. 3.** RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11 are
17 each reenacted and amended to read as follows:

18 The maximum dollar amount which may be levied by or for any
19 school district for maintenance and operation support under the
20 provisions of RCW 84.52.053 shall be determined as follows:

21 (1) For excess levies for collection in calendar year 1997, the
22 maximum dollar amount shall be calculated pursuant to the laws and
23 rules in effect in November 1996.

24 (2) For excess levies for collection in calendar year 1998 and
25 thereafter, the maximum dollar amount shall be the sum of (a) plus or
26 minus (b), (c), and (d) of this subsection minus (e) of this
27 subsection:

28 (a) The district's levy base as defined in subsection (3) of this
29 section multiplied by the district's maximum levy percentage as
30 defined in subsection (4) of this section;

31 (b) For districts in a high/nonhigh relationship, the high school
32 district's maximum levy amount shall be reduced and the nonhigh
33 school district's maximum levy amount shall be increased by an amount
34 equal to the estimated amount of the nonhigh payment due to the high
35 school district under RCW 28A.545.030(3) and 28A.545.050 for the
36 school year commencing the year of the levy;

37 (c) Except for nonhigh districts under (d) of this subsection,
38 for districts in an interdistrict cooperative agreement, the
39 nonresident school district's maximum levy amount shall be reduced

1 and the resident school district's maximum levy amount shall be
2 increased by an amount equal to the per pupil basic education
3 allocation included in the nonresident district's levy base under
4 subsection (3) of this section multiplied by:

5 (i) The number of full-time equivalent students served from the
6 resident district in the prior school year; multiplied by:

7 (ii) The serving district's maximum levy percentage determined
8 under subsection (4) of this section; increased by:

9 (iii) The percent increase per full-time equivalent student as
10 stated in the state basic education appropriation section of the
11 biennial budget between the prior school year and the current school
12 year divided by fifty-five percent;

13 (d) The levy bases of nonhigh districts participating in an
14 innovation academy cooperative established under RCW 28A.340.080
15 shall be adjusted by the office of the superintendent of public
16 instruction to reflect each district's proportional share of student
17 enrollment in the cooperative;

18 (e) The district's maximum levy amount shall be reduced by the
19 maximum amount of state matching funds for which the district is
20 eligible under RCW 28A.500.010.

21 (3) For excess levies for collection in calendar year 1998 and
22 thereafter, a district's levy base shall be the sum of allocations in

23 (a) through (c) of this subsection received by the district for the
24 prior school year, including allocations for compensation increases,
25 plus the sum of such allocations multiplied by the percent increase
26 per full time equivalent student as stated in the state basic
27 education appropriation section of the biennial budget between the
28 prior school year and the current school year and divided by fifty-
29 five percent. A district's levy base shall not include local school
30 district property tax levies or other local revenues, or state and
31 federal allocations not identified in (a) through (c) of this
32 subsection.

33 (a) The district's basic education allocation as determined
34 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

35 (b) State and federal categorical allocations for the following
36 programs:

37 (i) Pupil transportation;

38 (ii) Special education;

39 (iii) Education of highly capable students;

1 (iv) Compensatory education, including but not limited to
2 learning assistance, migrant education, Indian education, refugee
3 programs, and bilingual education;

4 (v) Food services; and

5 (vi) Statewide block grant programs; and

6 (c) Any other federal allocations for elementary and secondary
7 school programs, including direct grants, other than federal impact
8 aid funds and allocations in lieu of taxes.

9 (4)(a) A district's maximum levy percentage shall be twenty-four
10 percent in 2010 and twenty-eight percent in 2011 through ~~((2017))~~
11 2018 and twenty-four percent every year thereafter;

12 (b) For qualifying districts, in addition to the percentage in
13 (a) of this subsection the grandfathered percentage determined as
14 follows:

15 (i) For 1997, the difference between the district's 1993 maximum
16 levy percentage and twenty percent; ~~((and))~~

17 (ii) For 2011 through ~~((2017))~~ 2018, the percentage calculated as
18 follows:

19 (A) Multiply the grandfathered percentage for the prior year
20 times the district's levy base determined under subsection (3) of
21 this section;

22 (B) Reduce the result of (b)(ii)(A) of this subsection by any
23 levy reduction funds as defined in subsection (5) of this section
24 that are to be allocated to the district for the current school year;

25 (C) Divide the result of (b)(ii)(B) of this subsection by the
26 district's levy base; and

27 (D) Take the greater of zero or the percentage calculated in
28 (b)(ii)(C) of this subsection;

29 (iii) For ~~((2018))~~ 2019 and thereafter, the percentage shall be
30 calculated as follows:

31 (A) Multiply the grandfathered percentage for the prior year
32 times the district's levy base determined under subsection (3) of
33 this section;

34 (B) Reduce the result of (b)(iii)(A) of this subsection by any
35 levy reduction funds as defined in subsection (5) of this section
36 that are to be allocated to the district for the current school year;

37 (C) Divide the result of (b)(iii)(B) of this subsection by the
38 district's levy base; and

39 (D) Take the greater of zero or the percentage calculated in
40 (b)(iii)(C) of this subsection.

1 (5) "Levy reduction funds" shall mean increases in state funds
2 from the prior school year for programs included under subsection (3)
3 of this section: (a) That are not attributable to enrollment changes,
4 compensation increases, or inflationary adjustments; and (b) that are
5 or were specifically identified as levy reduction funds in the
6 appropriations act. If levy reduction funds are dependent on formula
7 factors which would not be finalized until after the start of the
8 current school year, the superintendent of public instruction shall
9 estimate the total amount of levy reduction funds by using prior
10 school year data in place of current school year data. Levy reduction
11 funds shall not include moneys received by school districts from
12 cities or counties.

13 (6) For the purposes of this section, "prior school year" means
14 the most recent school year completed prior to the year in which the
15 levies are to be collected.

16 (7) For the purposes of this section, "current school year" means
17 the year immediately following the prior school year.

18 (8) Funds collected from transportation vehicle fund tax levies
19 shall not be subject to the levy limitations in this section.

20 (9) The superintendent of public instruction shall develop rules
21 and regulations and inform school districts of the pertinent data
22 necessary to carry out the provisions of this section.

23 **Sec. 4.** 2013 c 242 s 10 (uncodified) is amended to read as
24 follows:

25 Section 8 of this act expires January 1, (~~2018~~) 2019.

26 **Sec. 5.** 2012 1st sp.s. c 10 s 10 (uncodified) is amended to read
27 as follows:

28 Section 8 of this act expires January 1, (~~2018~~) 2019.

29 **Sec. 6.** 2010 c 237 s 9 (uncodified) is amended to read as
30 follows:

31 Sections 1, 5, and 6 of this act expire January 1, (~~2018~~) 2019.

32 **Sec. 7.** 2010 c 237 s 8 (uncodified) is amended to read as
33 follows:

34 This act expires January 1, (~~2018~~) 2019.

1 **Sec. 8.** 2010 c 237 s 10 (uncodified) is amended to read as
2 follows:

3 Section 2 of this act takes effect January 1, (~~(2018)~~) 2019.

4 **Sec. 9.** 2013 2nd sp.s. c 4 s 1905 (uncodified) is amended to
5 read as follows:

6 Section 957 of this act expires (~~(August)~~) January 1, (~~(2018)~~)
7 2019.

8 NEW SECTION. **Sec. 10.** A new section is added to chapter 28A.500
9 RCW to read as follows:

10 The local effort assistance transition account is created in the
11 state treasury. Expenditures from the account may be made only for
12 the local effort assistance program in this chapter during the
13 2017-2019 fiscal biennium as the state transitions to full funding of
14 its statutory program of basic education. Moneys in the account may
15 be spent only pursuant to appropriation.

16 NEW SECTION. **Sec. 11.** Section 2 of this act takes effect
17 January 1, 2017.

18 NEW SECTION. **Sec. 12.** Section 2 of this act expires January 1,
19 2019.

20 NEW SECTION. **Sec. 13.** Section 3 of this act takes effect
21 January 1, 2019.

--- END ---

CERTIFICATION OF ENROLLMENT
ENGROSSED SECOND SUBSTITUTE SENATE BILL 6195

64th Legislature
2016 Regular Session

Passed by the Senate February 16, 2016
Yeas 26 Nays 23

President of the Senate

Passed by the House February 18, 2016
Yeas 66 Nays 31

Speaker of the House of Representatives
Approved

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE SENATE BILL 6195** as passed by Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

Secretary of State
State of Washington

ENGROSSED SECOND SUBSTITUTE SENATE BILL 6195

Passed Legislature - 2016 Regular Session

State of Washington 64th Legislature 2016 Regular Session

By Senate Ways & Means (originally sponsored by Senators Rivers,
Rolfes, Litzow, and Billig)

READ FIRST TIME 02/09/16.

1 AN ACT Relating to basic education obligations; creating new
2 sections; making appropriations; providing an expiration date; and
3 declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** INTENT. During the past two biennia, the
6 legislature has demonstrated its commitment to funding education
7 through strong bipartisan support for funding its statutory formulas
8 for: Pupil transportation; materials, supplies, and operating costs;
9 full-day kindergarten; and class size reductions. In the 2015-2017
10 biennial budget, the legislature specifically increased funding to
11 reduce class sizes in grades K-3. The legislature further included
12 the previously scheduled 2017-2019 biennium completion of K-3 class
13 size reduction funding in its adopted four-year budget outlook. The
14 legislature has planned for and is fully committed to completing the
15 scheduled phase in of K-3 class size reduction in the 2017-2019
16 biennium.

17 The state is fully committed to funding its program of basic
18 education as defined in statute and to eliminating school district
19 dependency on local levies for implementation of the state's program
20 of basic education. It is the intent of the legislature to provide
21 state funding for competitive salaries and benefits that are

1 sufficient to hire and retain competent certificated instructional
2 staff, administrators, and classified staff. Additionally, the
3 legislature intends to minimize any disruptive impact to school
4 districts and taxpayers.

5 The legislature finds that the lack of transparency in school
6 district data regarding how districts use local levy funds limits its
7 ability to make informed decisions concerning teacher compensation.
8 Previous studies have analyzed market data for educator compensation
9 and have provided recommendations on revisions to state allocation
10 formulas, but these studies did not provide data and analysis of
11 compensation paid by districts above basic education salary
12 allocations above the statutory prototypical school model, the source
13 of funding for this compensation, and the duties, uses, or categories
14 for which that compensation is paid. This foundational data is
15 necessary to inform the legislature's decisions.

16 NEW SECTION. **Sec. 2.** EDUCATION FUNDING TASK FORCE ESTABLISHED.

17 (1) The education funding task force is established to continue the
18 work of the governor's informal work group to review the data and
19 analysis provided by the consultant retained under section 3 of this
20 act and must make recommendations to the legislature on implementing
21 the program of basic education as defined in statute.

22 (2) Using the data and analysis provided by the consultant and
23 the previous body of work provided to the legislature, the task force
24 must, at a minimum, make recommendations for compensation that is
25 sufficient to hire and retain the staff funded under the statutory
26 prototypical school funding model and an associated salary allocation
27 model. The recommendations must also include provisions indicating
28 whether:

29 (a) A system for future salary adjustments should be incorporated
30 into the salary allocation model and if so, the method for providing
31 the adjustment; and

32 (b) A local labor market adjustment formula should be
33 incorporated into the salary allocation model and if so, the method
34 for providing the adjustment. This must include considerations for
35 rural and remote districts and districts with economic and
36 distressing factors that affect recruitment and retention.

37 (3) The task force must review available information to determine
38 whether additional state legislation is needed to help school

1 districts to support state-funded all-day kindergarten and class size
2 reduction in kindergarten through third grade.

3 (4) The task force must review the report on addressing the
4 problem of teacher shortages prepared by the professional educator
5 standards board. The task force must make recommendations for
6 improving or expanding existing educator recruitment and retention
7 programs.

8 (5) The task force must also make recommendations regarding:

9 (a) Local maintenance and operation levies and local effort
10 assistance;

11 (b) Local school district collective bargaining;

12 (c) Clarifying the distinction between services provided as part
13 of the state's statutory program of basic education and services that
14 may be provided as local enrichment;

15 (d) Required district reporting, accounting, and transparency of
16 data and expenditures;

17 (e) The provision and funding method for school employee health
18 benefits; and

19 (f) Sources of state revenue to support the state's statutory
20 program of basic education.

21 (6) The task force consists of the following members:

22 (a) Eight legislators, with two members from each of the two
23 largest caucuses of the senate appointed by the leaders of each of
24 the two largest caucuses of the senate, and two members from each of
25 the two largest caucuses of the house of representatives appointed by
26 the speaker of the house of representatives; and

27 (b) The governor or the governor's designee as a nonvoting member
28 to serve as facilitator.

29 (7) Recommendations of the task force require the affirmative
30 vote of five of its members.

31 (8) Staff support for the task force must be provided by the
32 house of representatives office of program research and senate
33 committee services, with additional staff support provided by the
34 office of financial management.

35 (9) Meetings of the task force shall comply with Joint Rule 10,
36 Senate Rule 45, and House of Representatives Rule 24.

37 (10) The expenses of the task force must be paid jointly by the
38 senate and the house of representatives. Task force expenditures are
39 subject to approval by the senate facilities and operations committee

1 and the house of representatives executive rules committee, or their
2 successor committees.

3 (11) The task force recommendations and any supporting
4 legislation must be submitted to the legislature by January 9, 2017.

5 NEW SECTION. **Sec. 3.** ANALYSIS OF K-12 PUBLIC SCHOOL STAFF
6 COMPENSATION. (1) In consultation with the education funding task
7 force established in section 2 of this act, the Washington state
8 institute for public policy shall contract for independent
9 professional consulting services to:

10 (a) Collect K-12 public school staff total compensation data, and
11 within that data, provide an analysis of compensation paid in
12 addition to basic education salary allocations under the statutory
13 prototypical school model, source of funding, and the duties, uses,
14 or categories for which that compensation is paid;

15 (b) Identify market rate salaries that are comparable to each of
16 the staff types in the prototypical school funding model; and

17 (c) Provide analysis regarding whether a local labor market
18 adjustment formula should be implemented and if so which market
19 adjustment factors and methods should be used.

20 (2) The superintendent of public instruction must collect, and
21 school districts and other applicable local education agencies must
22 provide, compensation data necessary to implement this section with
23 sufficient time for the consultant to accomplish the work required by
24 this section. Data must be in the format necessary to meet the needs
25 of the consultant. The superintendent of public instruction must
26 provide this information to the Washington state institute for public
27 policy, the office of financial management, and the education funding
28 task force, for use by the consultant and the task force.

29 (3) The consultant must provide an interim report to the
30 education funding task force and the governor by September 1, 2016.

31 (4) The consultant's final data and analysis must be provided to
32 the education funding task force and the governor by November 15,
33 2016.

34 NEW SECTION. **Sec. 4.** LOCAL LEVIES—LEGISLATIVE ACTION.
35 Legislative action shall be taken by the end of the 2017 session to
36 eliminate school district dependency on local levies for
37 implementation of the state's program of basic education.

1 NEW SECTION. **Sec. 5.** APPROPRIATIONS. (1) The sum of two hundred
2 fifty thousand dollars, or as much thereof as may be necessary, is
3 appropriated for the fiscal year ending June 30, 2016, from the
4 general fund to The Evergreen State College to fund the Washington
5 state institute for public policy contract with independent
6 professional consulting services as required in section 3 of this
7 act.

8 (2) The sum of two hundred fifty thousand dollars, or as much
9 thereof as may be necessary, is appropriated for the fiscal year
10 ending June 30, 2017, from the general fund to The Evergreen State
11 College to fund the Washington state institute for public policy
12 contract with independent professional consulting services as
13 required in section 3 of this act.

14 NEW SECTION. **Sec. 6.** EXPIRATION DATE. This act expires June 30,
15 2017.

16 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
17 preservation of the public peace, health, or safety, or support of
18 the state government and its existing public institutions, and takes
19 effect immediately.

--- END ---

SENATE BILL 6353

State of Washington 64th Legislature 2016 Regular Session

By Senators Rivers, Rolfes, Billig, Pedersen, and McAuliffe

Read first time 01/18/16. Referred to Committee on Early Learning & K-12 Education.

1 AN ACT Relating to delaying implementation of revisions to the
2 school levy lid; amending RCW 84.52.0531; amending 2013 c 242 s 10,
3 2012 1st sp.s. c 10 s 10, 2010 c 237 ss 9, 8, and 10, and 2013 2nd
4 sp.s. c 4 s 1905 (uncodified); reenacting and amending RCW
5 84.52.0531; creating a new section; providing effective dates; and
6 providing expiration dates.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** The legislature recognizes that school
9 districts may provide locally funded enrichment to the state's
10 program of basic education. The legislature further recognizes that
11 the system of state and local funding for school districts is in
12 transition during 2016, with the state moving toward full funding of
13 its statutory program of basic education by 2018, and with current
14 statutory policies on school district levies scheduled to expire at
15 the end of calendar year 2017. To promote school districts' ability
16 to plan for the future during this transitional period, the
17 legislature intends to extend current statutory policies on local
18 enrichment through calendar year 2019.

19 **Sec. 2.** RCW 84.52.0531 and 2013 c 242 s 8 are each amended to
20 read as follows:

1 The maximum dollar amount which may be levied by or for any
2 school district for maintenance and operation support under the
3 provisions of RCW 84.52.053 shall be determined as follows:

4 (1) For excess levies for collection in calendar year 1997, the
5 maximum dollar amount shall be calculated pursuant to the laws and
6 rules in effect in November 1996.

7 (2) For excess levies for collection in calendar year 1998 and
8 thereafter, the maximum dollar amount shall be the sum of (a) plus or
9 minus (b), (c), and (d) of this subsection minus (e) of this
10 subsection:

11 (a) The district's levy base as defined in subsections (3) and
12 (4) of this section multiplied by the district's maximum levy
13 percentage as defined in subsection (7) of this section;

14 (b) For districts in a high/nonhigh relationship, the high school
15 district's maximum levy amount shall be reduced and the nonhigh
16 school district's maximum levy amount shall be increased by an amount
17 equal to the estimated amount of the nonhigh payment due to the high
18 school district under RCW 28A.545.030(3) and 28A.545.050 for the
19 school year commencing the year of the levy;

20 (c) Except for nonhigh districts under (d) of this subsection,
21 for districts in an interdistrict cooperative agreement, the
22 nonresident school district's maximum levy amount shall be reduced
23 and the resident school district's maximum levy amount shall be
24 increased by an amount equal to the per pupil basic education
25 allocation included in the nonresident district's levy base under
26 subsection (3) of this section multiplied by:

27 (i) The number of full-time equivalent students served from the
28 resident district in the prior school year; multiplied by:

29 (ii) The serving district's maximum levy percentage determined
30 under subsection (7) of this section; increased by:

31 (iii) The percent increase per full-time equivalent student as
32 stated in the state basic education appropriation section of the
33 biennial budget between the prior school year and the current school
34 year divided by fifty-five percent;

35 (d) The levy bases of nonhigh districts participating in an
36 innovation academy cooperative established under RCW 28A.340.080
37 shall be adjusted by the office of the superintendent of public
38 instruction to reflect each district's proportional share of student
39 enrollment in the cooperative;

1 (e) The district's maximum levy amount shall be reduced by the
2 maximum amount of state matching funds for which the district is
3 eligible under RCW 28A.500.010.

4 (3) For excess levies for collection in calendar year 2005 and
5 thereafter, a district's levy base shall be the sum of allocations in
6 (a) through (c) of this subsection received by the district for the
7 prior school year and the amounts determined under subsection (4) of
8 this section, including allocations for compensation increases, plus
9 the sum of such allocations multiplied by the percent increase per
10 full time equivalent student as stated in the state basic education
11 appropriation section of the biennial budget between the prior school
12 year and the current school year and divided by fifty-five percent. A
13 district's levy base shall not include local school district property
14 tax levies or other local revenues, or state and federal allocations
15 not identified in (a) through (c) of this subsection.

16 (a) The district's basic education allocation as determined
17 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

18 (b) State and federal categorical allocations for the following
19 programs:

20 (i) Pupil transportation;

21 (ii) Special education;

22 (iii) Education of highly capable students;

23 (iv) Compensatory education, including but not limited to
24 learning assistance, migrant education, Indian education, refugee
25 programs, and bilingual education;

26 (v) Food services; and

27 (vi) Statewide block grant programs; and

28 (c) Any other federal allocations for elementary and secondary
29 school programs, including direct grants, other than federal impact
30 aid funds and allocations in lieu of taxes.

31 (4) For levy collections in calendar years 2005 through ((2017))
32 2018, in addition to the allocations included under subsection (3)(a)
33 through (c) of this section, a district's levy base shall also
34 include the following:

35 (a)(i) For levy collections in calendar year 2010, the difference
36 between the allocation the district would have received in the
37 current school year had RCW 84.52.068 not been amended by chapter 19,
38 Laws of 2003 1st sp. sess. and the allocation the district received
39 in the current school year pursuant to RCW 28A.505.220;

1 (ii) For levy collections in calendar years 2011 through ((2017))
2 2018, the allocation rate the district would have received in the
3 prior school year using the Initiative 728 rate multiplied by the
4 full-time equivalent student enrollment used to calculate the
5 Initiative 728 allocation for the prior school year; and

6 (b) The difference between the allocations the district would
7 have received the prior school year using the Initiative 732 base and
8 the allocations the district actually received the prior school year
9 pursuant to RCW 28A.400.205.

10 (5) For levy collections in calendar years 2011 through ((2017))
11 2018, in addition to the allocations included under subsections
12 (3)(a) through (c) and (4)(a) and (b) of this section, a district's
13 levy base shall also include the difference between an allocation of
14 fifty-three and two-tenths certificated instructional staff units per
15 thousand full-time equivalent students in grades kindergarten through
16 four enrolled in the prior school year and the allocation of
17 certificated instructional staff units per thousand full-time
18 equivalent students in grades kindergarten through four that the
19 district actually received in the prior school year, except that the
20 levy base for a school district whose allocation in the 2009-10
21 school year was less than fifty-three and two-tenths certificated
22 instructional staff units per thousand full-time equivalent students
23 in grades kindergarten through four shall include the difference
24 between the allocation the district actually received in the 2009-10
25 school year and the allocation the district actually received in the
26 prior school year.

27 (6) For levy collections beginning in calendar year 2014 and
28 thereafter, in addition to the allocations included under subsections
29 (3)(a) through (c), (4)(a) and (b), and (5) of this section, a
30 district's levy base shall also include the funds allocated by the
31 superintendent of public instruction under RCW 28A.715.040 to a
32 school that is the subject of a state-tribal education compact and
33 that formerly contracted with the school district to provide
34 educational services through an interlocal agreement and received
35 funding from the district.

36 (7)(a) A district's maximum levy percentage shall be twenty-four
37 percent in 2010 and twenty-eight percent in 2011 through ((2017))
38 2018 and twenty-four percent every year thereafter;

1 (b) For qualifying districts, in addition to the percentage in
2 (a) of this subsection the grandfathered percentage determined as
3 follows:

4 (i) For 1997, the difference between the district's 1993 maximum
5 levy percentage and twenty percent; and

6 (ii) For 2011 through (~~2017~~) 2018, the percentage calculated as
7 follows:

8 (A) Multiply the grandfathered percentage for the prior year
9 times the district's levy base determined under subsection (3) of
10 this section;

11 (B) Reduce the result of (b)(ii)(A) of this subsection by any
12 levy reduction funds as defined in subsection (8) of this section
13 that are to be allocated to the district for the current school year;

14 (C) Divide the result of (b)(ii)(B) of this subsection by the
15 district's levy base; and

16 (D) Take the greater of zero or the percentage calculated in
17 (b)(ii)(C) of this subsection.

18 (8) "Levy reduction funds" shall mean increases in state funds
19 from the prior school year for programs included under subsections
20 (3) and (4) of this section: (a) That are not attributable to
21 enrollment changes, compensation increases, or inflationary
22 adjustments; and (b) that are or were specifically identified as levy
23 reduction funds in the appropriations act. If levy reduction funds
24 are dependent on formula factors which would not be finalized until
25 after the start of the current school year, the superintendent of
26 public instruction shall estimate the total amount of levy reduction
27 funds by using prior school year data in place of current school year
28 data. Levy reduction funds shall not include moneys received by
29 school districts from cities or counties.

30 (9) The definitions in this subsection apply throughout this
31 section unless the context clearly requires otherwise.

32 (a) "Prior school year" means the most recent school year
33 completed prior to the year in which the levies are to be collected.

34 (b) "Current school year" means the year immediately following
35 the prior school year.

36 (c) "Initiative 728 rate" means the allocation rate at which the
37 student achievement program would have been funded under chapter 3,
38 Laws of 2001, if all annual adjustments to the initial 2001
39 allocation rate had been made in previous years and in each
40 subsequent year as provided for under chapter 3, Laws of 2001.

1 (d) "Initiative 732 base" means the prior year's state allocation
2 for annual salary cost-of-living increases for district employees in
3 the state-funded salary base as it would have been calculated under
4 chapter 4, Laws of 2001, if each annual cost-of-living increase
5 allocation had been provided in previous years and in each subsequent
6 year.

7 (10) Funds collected from transportation vehicle fund tax levies
8 shall not be subject to the levy limitations in this section.

9 (11) The superintendent of public instruction shall develop rules
10 and inform school districts of the pertinent data necessary to carry
11 out the provisions of this section.

12 (12) For calendar year 2009, the office of the superintendent of
13 public instruction shall recalculate school district levy authority
14 to reflect levy rates certified by school districts for calendar year
15 2009.

16 **Sec. 3.** RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11 are
17 each reenacted and amended to read as follows:

18 The maximum dollar amount which may be levied by or for any
19 school district for maintenance and operation support under the
20 provisions of RCW 84.52.053 shall be determined as follows:

21 (1) For excess levies for collection in calendar year 1997, the
22 maximum dollar amount shall be calculated pursuant to the laws and
23 rules in effect in November 1996.

24 (2) For excess levies for collection in calendar year 1998 and
25 thereafter, the maximum dollar amount shall be the sum of (a) plus or
26 minus (b), (c), and (d) of this subsection minus (e) of this
27 subsection:

28 (a) The district's levy base as defined in subsection (3) of this
29 section multiplied by the district's maximum levy percentage as
30 defined in subsection (4) of this section;

31 (b) For districts in a high/nonhigh relationship, the high school
32 district's maximum levy amount shall be reduced and the nonhigh
33 school district's maximum levy amount shall be increased by an amount
34 equal to the estimated amount of the nonhigh payment due to the high
35 school district under RCW 28A.545.030(3) and 28A.545.050 for the
36 school year commencing the year of the levy;

37 (c) Except for nonhigh districts under (d) of this subsection,
38 for districts in an interdistrict cooperative agreement, the
39 nonresident school district's maximum levy amount shall be reduced

1 and the resident school district's maximum levy amount shall be
2 increased by an amount equal to the per pupil basic education
3 allocation included in the nonresident district's levy base under
4 subsection (3) of this section multiplied by:

5 (i) The number of full-time equivalent students served from the
6 resident district in the prior school year; multiplied by:

7 (ii) The serving district's maximum levy percentage determined
8 under subsection (4) of this section; increased by:

9 (iii) The percent increase per full-time equivalent student as
10 stated in the state basic education appropriation section of the
11 biennial budget between the prior school year and the current school
12 year divided by fifty-five percent;

13 (d) The levy bases of nonhigh districts participating in an
14 innovation academy cooperative established under RCW 28A.340.080
15 shall be adjusted by the office of the superintendent of public
16 instruction to reflect each district's proportional share of student
17 enrollment in the cooperative;

18 (e) The district's maximum levy amount shall be reduced by the
19 maximum amount of state matching funds for which the district is
20 eligible under RCW 28A.500.010.

21 (3) For excess levies for collection in calendar year 1998 and
22 thereafter, a district's levy base shall be the sum of allocations in
23 (a) through (c) of this subsection received by the district for the
24 prior school year, including allocations for compensation increases,
25 plus the sum of such allocations multiplied by the percent increase
26 per full time equivalent student as stated in the state basic
27 education appropriation section of the biennial budget between the
28 prior school year and the current school year and divided by fifty-
29 five percent. A district's levy base shall not include local school
30 district property tax levies or other local revenues, or state and
31 federal allocations not identified in (a) through (c) of this
32 subsection.

33 (a) The district's basic education allocation as determined
34 pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

35 (b) State and federal categorical allocations for the following
36 programs:

37 (i) Pupil transportation;

38 (ii) Special education;

39 (iii) Education of highly capable students;

1 (iv) Compensatory education, including but not limited to
2 learning assistance, migrant education, Indian education, refugee
3 programs, and bilingual education;

4 (v) Food services; and

5 (vi) Statewide block grant programs; and

6 (c) Any other federal allocations for elementary and secondary
7 school programs, including direct grants, other than federal impact
8 aid funds and allocations in lieu of taxes.

9 (4) (a) A district's maximum levy percentage shall be twenty-four
10 percent in 2010 and twenty-eight percent in 2011 through (~~2017~~)
11 2018 and twenty-four percent every year thereafter;

12 (b) For qualifying districts, in addition to the percentage in
13 (a) of this subsection the grandfathered percentage determined as
14 follows:

15 (i) For 1997, the difference between the district's 1993 maximum
16 levy percentage and twenty percent; (~~and~~)

17 (ii) For 2011 through (~~2017~~) 2018, the percentage calculated as
18 follows:

19 (A) Multiply the grandfathered percentage for the prior year
20 times the district's levy base determined under subsection (3) of
21 this section;

22 (B) Reduce the result of (b)(ii)(A) of this subsection by any
23 levy reduction funds as defined in subsection (5) of this section
24 that are to be allocated to the district for the current school year;

25 (C) Divide the result of (b)(ii)(B) of this subsection by the
26 district's levy base; and

27 (D) Take the greater of zero or the percentage calculated in
28 (b)(ii)(C) of this subsection;

29 (iii) For (~~2018~~) 2019 and thereafter, the percentage shall be
30 calculated as follows:

31 (A) Multiply the grandfathered percentage for the prior year
32 times the district's levy base determined under subsection (3) of
33 this section;

34 (B) Reduce the result of (b)(iii)(A) of this subsection by any
35 levy reduction funds as defined in subsection (5) of this section
36 that are to be allocated to the district for the current school year;

37 (C) Divide the result of (b)(iii)(B) of this subsection by the
38 district's levy base; and

39 (D) Take the greater of zero or the percentage calculated in
40 (b)(iii)(C) of this subsection.

1 (5) "Levy reduction funds" shall mean increases in state funds
2 from the prior school year for programs included under subsection (3)
3 of this section: (a) That are not attributable to enrollment changes,
4 compensation increases, or inflationary adjustments; and (b) that are
5 or were specifically identified as levy reduction funds in the
6 appropriations act. If levy reduction funds are dependent on formula
7 factors which would not be finalized until after the start of the
8 current school year, the superintendent of public instruction shall
9 estimate the total amount of levy reduction funds by using prior
10 school year data in place of current school year data. Levy reduction
11 funds shall not include moneys received by school districts from
12 cities or counties.

13 (6) For the purposes of this section, "prior school year" means
14 the most recent school year completed prior to the year in which the
15 levies are to be collected.

16 (7) For the purposes of this section, "current school year" means
17 the year immediately following the prior school year.

18 (8) Funds collected from transportation vehicle fund tax levies
19 shall not be subject to the levy limitations in this section.

20 (9) The superintendent of public instruction shall develop rules
21 and regulations and inform school districts of the pertinent data
22 necessary to carry out the provisions of this section.

23 **Sec. 4.** 2013 c 242 s 10 (uncodified) is amended to read as
24 follows:

25 Section 8 of this act expires January 1, (~~2018~~) 2019.

26 **Sec. 5.** 2012 1st sp.s. c 10 s 10 (uncodified) is amended to read
27 as follows:

28 Section 8 of this act expires January 1, (~~2018~~) 2019.

29 **Sec. 6.** 2010 c 237 s 9 (uncodified) is amended to read as
30 follows:

31 (1) Sections (~~17~~) 5(~~7~~) and 6 of this act expire January 1,
32 2018.

33 (2) Section 1 of this act expires January 1, 2019.

34 **Sec. 7.** 2010 c 237 s 8 (uncodified) is amended to read as
35 follows:

36 (1) Section 1 of this act expires January 1, 2018.

1 (2) Section 2 of this act expires January 1, 2019.

2 **Sec. 8.** 2010 c 237 s 10 (uncodified) is amended to read as
3 follows:

4 Section 2 of this act takes effect January 1, (~~2018~~) 2019.

5 **Sec. 9.** 2013 2nd sp.s. c 4 s 1905 (uncodified) is amended to
6 read as follows:

7 Section 957 of this act expires (~~August~~) January 1, (~~2018~~)
8 2019.

9 NEW SECTION. **Sec. 10.** Section 2 of this act takes effect
10 January 1, 2017.

11 NEW SECTION. **Sec. 11.** Section 2 of this act expires January 1,
12 2019.

13 NEW SECTION. **Sec. 12.** Section 3 of this act takes effect
14 January 1, 2019.

--- END ---

SCHMUDGET BLOG

Declining Revenue Projections Show It's Time for Policymakers to Get Serious about Meeting Washington's Needs

The new forecast of Washington state tax collections makes it clear that lawmakers can no longer assume the growing economy will automatically generate the resources needed to fund court-mandated improvements to schools, mental health, and other important priorities for our state.

The Washington State Economic and Revenue Forecast Council's projection that state tax resources will be more than \$500 million *lower* than previously forecasted over the next four years means policymakers must get serious about generating new revenue to invest in the progress and well-being of our state and its people.

The diminished tax resources (\$78.2 million lower for the current 2015-17 budget cycle; \$435.6 million lower in the 2017-19 budget cycle) present a significant challenge to House and Senate budget writers. Their budgets must remain balanced for the remainder of the current budget cycle and in the following two-year cycle.(1)

They should be cautious about tapping budget reserves to make up for the reduction in revenues. Doing so would only be a temporary fix. And depleting savings now could jeopardize the state's ability to maintain core public investment in schools, public health, parks, and other vital services that serve us all if the economy were to enter a downturn.

Nor should budget writers enact more damaging cuts to the investments that strengthen our communities and our state economy. Cuts to programs that help seniors, families that work hard for low pay, and college students in need of financial aid have already made it harder for too many Washingtonians to make ends meet.

A better approach is to preserve the things we rely on by raising additional resources. The Legislature can do this by ending wasteful tax breaks and enacting the new tax on capital gains as proposed by Gov. Jay Inslee in late 2014. It wouldn't be right to continue giving tax breaks to large profitable corporations and wealthy investors while cutting back on financial aid, making K-12 class sizes bigger, or eroding the independence of seniors.

Given the forecasted shortfall in resources, these new sources of added revenue are key to ensuring that all Washingtonians have the opportunity to live in healthy, thriving communities.

(1). The four-year balanced budget law allows policymakers to assume annual revenue growth of at least 4.5 percent, even during years in which growth is projected to be lower than that amount. This provision allows lawmakers to call their budget balanced even when sizable shortfalls are projected.

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Achieving Small School Success in Washington State

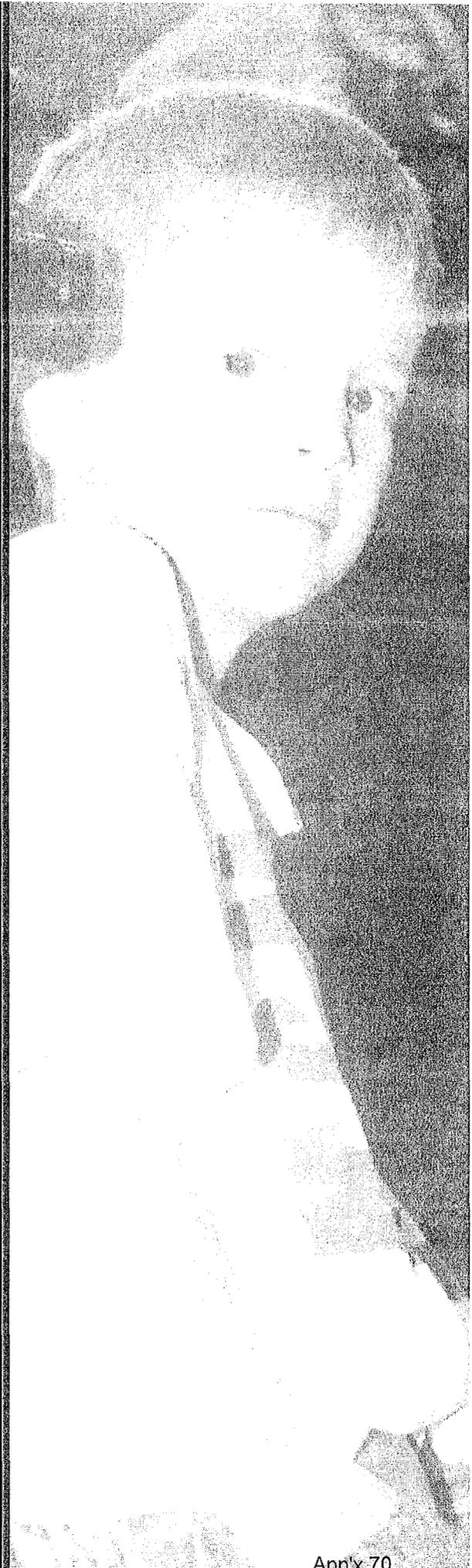
Office of the Superintendent
of Public Instruction

Washington Association
of School Administrators

Washington State School
Directors' Association

Rural Education Center,
Washington State University

Other contributors
listed on back cover



Achieving Small School Success in Washington State

Of Washington State's 296 school districts, two-thirds have 2,000 or fewer students. These small school districts provide unique learning opportunities for our children, but also present special challenges to achieving the higher standards called for in the state education reform bill and recent federal legislation.

What follows is an overview of the impediments that our small schools face, a vision for future success, and strategies to help us meet the challenges. The report, which grew out of two educational summits held in 2002, represents a collaboration of many different stakeholders. Educators and board members on the frontlines in small school districts contributed their perspectives, as did representatives of organizations such as the Washington Association of School Administrators, Washington State School Directors' Association, Parents and Teachers Association, State Legislature, Bill and Melinda Gates Foundation, State Board of Education, Rural Education Center, and the Office of the Superintendent of Public Instruction.

Our goal is to develop a powerful common voice regarding Washington's small schools and to be heard whenever decisions are made that affect education in our state. We do not seek to be divisive, creating an "us" versus "them" situation. We recognize that most of the needs of Washington's districts are the same, whether they're located in densely populated urban centers or rural and isolated towns.

However, small schools have unique needs that must be addressed so that their programs are uniform with larger districts and *all* students are on a level playing field.

Our Beliefs

- **The mission of public education in a democratic society is to educate all students.** Public schools bridge the divide of culture, advantage, and diverse perspectives to promote equality, freedom, respect, and justice. We understand and value our charge to keep public education—the foundation of democracy—safe and responsive for future generations.
- **All students—children of color, poverty, and privilege, as well as those new to our shores—can achieve high standards of learning, regardless of the location and size of their schools or school districts.** We support the state of Washington's education reform efforts and embrace the rigor of higher standards.
- **Flexibility in how schools receive and use resources can contribute to their success.** If students achieve at various rates, it is logical to assume that schools will achieve at various rates as well. Modifying rules and allowing schools some latitude with new learning and funding models will help increase achievement.

Challenges Facing Small School Districts

Washington can be characterized generally as having higher population densities and stronger economies west of the Cascades and lower population density with weaker economies east of the mountains. Agriculture and forestry dominate economic activity in the less populous areas where most small school districts are found. These economic and geographic disparities impact small schools in a number of ways:

- More students in small school districts live in poverty: 45.2% of students in small districts are eligible for free and reduced-price lunch compared to 34.3% of students in larger districts with more than 2,000 enrollment. (See table to the right.)
- Higher numbers of migrant students live in small school districts. Of the 19 school districts with at least 25% limited English proficiency (LEP) students, 13 are small districts. All 19 are located in districts of 5,000 or fewer students.
- The percentage of students meeting Washington Assessment of Student Learning (WASL) standards is lower in small districts at every grade and content level. (See line charts on page 4).
- Children in small districts are generally more dispersed and have longer bus rides, with some students spending as much as three hours a day in transit. This precludes extending the school day to provide extra help to struggling students.
- Small school districts have difficulty generating the economies of scale necessary for the array of support services required by low-achieving students. In addition, state funding formulas are often based on FTE, rather than a base allocation plus FTE, which severely impacts the ability of small school districts to pay for a number of mandated programs and services.
- Administrators and staff are closer to school reform issues because there are fewer layers of bureaucracy impeding change. Teachers are accustomed to site-based management, staff collaboration, and the need for flexibility.
- Teachers know their students well. Students may have the same

firsthand the results of their policymaking.

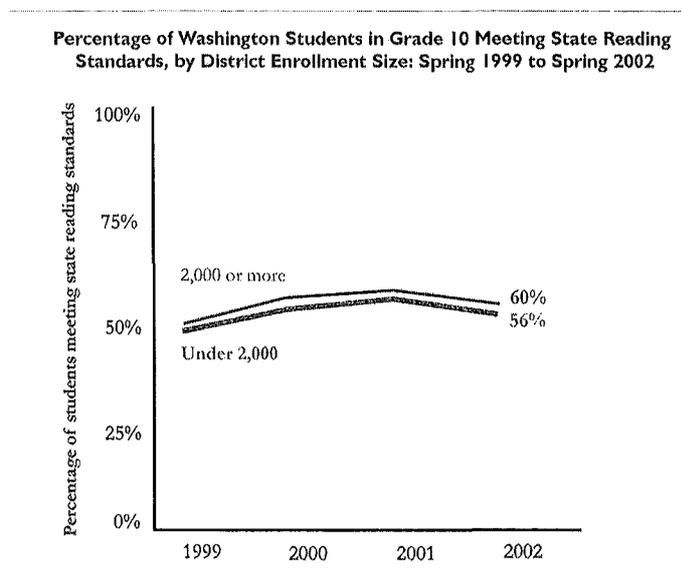
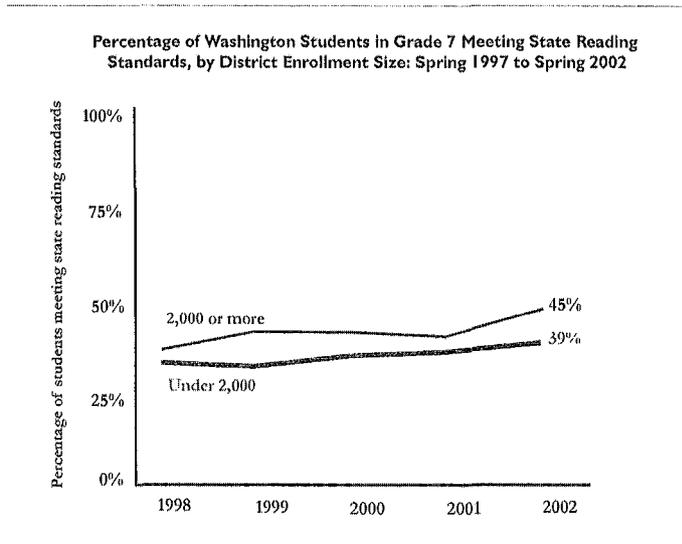
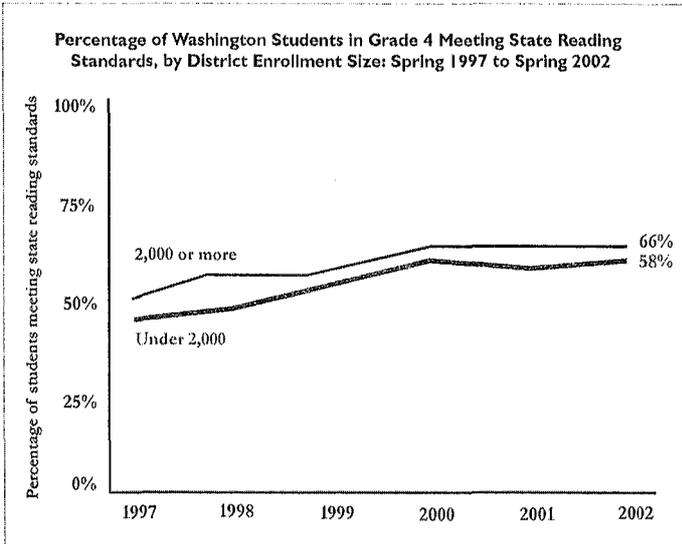
District Size	Number of Districts	Enrollment	FRLE Count	FRLE Percentage
Enrollment under 2,000	177	115,301	52,078	45.2%
Enrollment 2,000 plus	105	869,317	298,102	34.3%
All Districts	282	984,618	350,180	35.6%

Note: 14 districts do not have lunch programs

What Works in Small Schools

Despite a lack of resources and a disproportionate number of low-income students, small schools do have certain advantages:

- Small numbers facilitate more communication and enhanced personal relationships among students, staff members, board members, parents, and the community at large.
- The school is at the heart of the community. Community members take a broad interest in what goes on at school and often serve as volunteers.
- School boards are closer to their schools. Board members are often parents of students and can see instructor for multiple years, and may have siblings who were taught by the same teacher. Relationships with parents have been established over time.
- Students benefit from more personalized instruction. The low adult to student ratio provides a sense of security.
- Students may experiment with a variety of extracurricular activities and discover unknown talents. Because the student body is small, more youngsters can assume leadership roles and participate in sports, band, drama, chorus, and the newspaper club. Because of these unique characteristics, studies have shown that low-income and at-risk students



often perform better in small schools. All students demonstrate lower dropout rates and better attendance. Researcher Mary Anne Raywid, reporting in a 1999 *ERIC Digest*, stated that qualitative studies have “firmly established small schools as more productive and effective than large ones.” A 2000 study published by the Bank Street College of Education—*Small Schools: Great Strides, A study of new small schools in Chicago*—concludes that “(these small schools) significantly increase student persistence and student performance. More students complete courses, get higher grades, and graduate. Further, parents, teachers, students, and community members alike are more satisfied with their schools, believe in them, and want to see them continue to grow.”

Private benefactors, like the Bill and Melinda Gates Foundation, have provided millions of dollars in grants to fund the creation of smaller, more personalized middle and secondary schools within large districts across the country. The Gates Foundation also helped establish a Small Schools Center at the University of Washington’s Center on Reinventing Public Education. Ironically, though, comparatively few resources are available for existing small school districts, located primarily in small, rural, or remote areas.

Note to line charts: While smaller districts have lower proportions of students meeting state standards, they have higher Free or Reduced-Price Lunch Eligibility rates:
 Districts with enrollment under 2,000--45%
 Districts with enrollment of 2,000 or more--34%

Major Issues for Small School Educational Reform

With the implementation of education reform, Washington state has fundamentally changed the “what” and “how” of public schools. There are new demands and levels of accountability as to what must be achieved by public schools and their students. That, in turn, has required a shift in how we structure schools, including the allocation of time and resources.

At the 2002 educational summits, participants agreed on a number of key issues that have a direct bearing on whether small schools can successfully carry out the new mandates of school reform. These are:

- Equity
- Program support
- Staffing
- Flexibility/Adaptability
- Facilities

We believe it is our duty to inform policymakers and the public about these issues because our students deserve the same quality programs, instructors, facilities, and access to technology as their peers in larger districts. They deserve the same opportunity to succeed.

Equity

Vision

All schools are funded equitably to provide all students with equal access to appropriate educational opportunities to meet federal and state mandates.

Challenge

To equitably provide districts of all sizes with the financial resources to make the vision a reality.

Background

The current state funding structure for K–12 school districts is based on an allocation formula that provides financial resources for a basic education program on a per-pupil basis. State funds are supplemented by federal funds that address specific needs. Local funds are intended to provide program enhancements beyond the definition of basic education.

Today, state funding falls short of the state’s constitutional obligations for schools of all sizes. For small schools, there are additional factors that further exacerbate the problem:

1. Per-pupil allocations of state funds don’t fully take into account the economy of scale that benefits larger schools.
2. A few student FTEs in a small district can dramatically change the district’s demographics from year to year. This shift—up or down—can alter a district’s budget and undermine strategic plans by overburdening one or more parts of the system.
3. Fulfilling federal mandated special education needs and providing services to limited English proficiency students can have a disproportionate effect on small districts. One expensive special needs student can trigger a severe negative financial impact on other programs.
4. Transportation departments in small districts face the challenges

of distance, geography, and low ridership. The current funding system calculates distance “as the crow flies,” ignoring obstacles that may require more circuitous routes.

5. Assessed valuations vary greatly from district to district. To raise the same resources per pupil, local patrons in property-poor districts may pay three to four times the tax rate as those in districts with higher assessed valuation.
6. Districts that do not maintain a high school face supplemental “non-high payments” and added transportation costs for students that they send to neighboring districts, even though they receive no state allocation for those pupils.

Washington’s Basic Education Act, written in 1977, should be updated and redefined. Funding small schools on a per-student basis makes less sense as district size decreases. When such a formula is used, the dollars allocated to small districts often don’t stretch far enough to buy what legislators and policymakers envisioned. In addition, the educational landscape has altered dramatically since the 1970s with the advent of high technology; the addition of many unfunded mandates; expanding special education requirements; legal costs; the introduction of state and federal learning standards; and Washington Assessment of Student Learning requirements.

Solutions

In addition to reexamining the Basic Education Act, other possible solutions include:

- Ensure adequate emergency funds for small schools.
- Lobby for changes in federal Individuals with Disabilities Education Act (IDEA) legislation that differentiates “educational needs” from “health care needs” of special education students.
- Consider the special circumstances faced by small district transportation systems when creating funding formulas.
- Require the state to assume “non-high payments” for districts that send high school students to neighboring communities.

Program Support

Vision

All school districts will have organizational support and access to needed resources to serve all students.

Challenges

Honor the need for local control; provide resources for a comprehensive educational program; overcome time constraints and inflexible regulations; develop new models of delivery systems; and build up the role of Educational Service Districts (ESDs) for small schools.

Background

When small schools are faced with “one size fits all” requirements without receiving adequate resources, it is unrealistic to expect them to meet the intent of federal and state laws and to maintain equity in program offerings. Additional program support is needed for administration,

teachers, and support personnel in small schools. Other critical areas include technology, grant writing, and enrichment programs. Each of these categories is examined below, along with the issue of recognition.

Administration

Under the current state funding formulas, some small school districts have just a 0.2 FTE allocation—calculated with a 1986 funding formula—for administrators, which equates to one day per week. This is inadequate in terms of providing support to staff and ensuring safe conditions. Other issues include:

1. Most administrators in small districts have no central office or specialist support to help prepare myriad required reports and complicated grant applications for critically needed funding. Rules, regulations, paperwork, and mandatory reports for the state and federal government are the same for small and large districts, regardless of staff size.
2. A number of small districts have more buildings than they have administrators. School leaders must make hard choices between working on-site for the direct benefit of students or attending important meetings off-site and satisfying external audiences.
3. Because many small school administrators are less than full-time employees, they may function as both principal and superintendent. A heavy work load and inadequate compensation can lead to job burnout and high turnover. This situation makes it

difficult for small districts to recruit and retain quality administrators who have the creative vision and skills to implement educational reform.

4. Small school administrators often face pressures that their large district counterparts do not experience: they perform under the microscope of community scrutiny; they control what may be the largest budget in town; and they are never “off duty.”

Solutions

In collaboration with other partners, we need to institute an ongoing program of education for legislators and boards of directors on issues of local control and meeting the unique needs of each community. Other steps include:

- Collect quantitative and qualitative data that support success stories in small school districts in Washington state.
- Identify resources within the small school community and develop skill-based consortia.
- Fund a minimum of 1.0 FTE administrator per district.
- Provide Educational Service District (ESD) specialist support for special education and safety net applications, ESEA title programs, grant writing, accountability reports, and curriculum/professional development.
- Provide “models” for report writing and support collective reporting and accountability.
- Hire and share “specialists” among districts, including counselors, psychologists, and speech therapists.

Teachers

1. Teaching staff suffer from a lack of curriculum support: they need assistance evaluating curriculum to match needs with appropriate materials, resources, and training. Small school districts average just .04 curriculum specialists per district while districts with more than 10,000 students have an average of 6.6 FTE and districts with between 5,000 and 10,000 students have 2.0 FTE devoted to curriculum development.
2. Professional development is impeded by a lack of funds, shortage of substitute teachers, and long travel distances to training sites.
3. Many teachers in small districts face a broad-spectrum, multiage classroom. Often, there's only one teacher per grade level. The resulting isolation prevents teaming or the cross-fertilization of ideas with peers.
4. Each curriculum change requires that every teacher participates in the training, since there aren't separate curriculum teams for different subjects.

Solutions:

- Maintain Educational Service District funding and programs. Often the ESDs function as a central office for small schools.
- Develop ESD cadres of curriculum support staff to provide training, support, and liaison efforts.
- Create a clearinghouse for recommended curriculum and adoptions.

Support Personnel

There is a direct relationship between the size of the district and the number of clerical staff. In small districts, a few clerical personnel wear many hats and are often stretched to the breaking point. Delegation of duties is often not an option, as there is no one else to do the job.

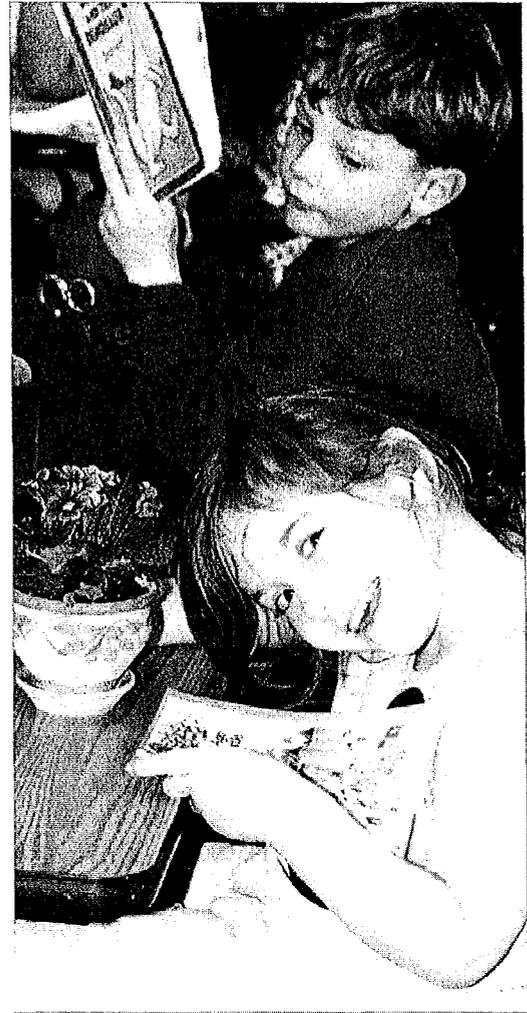
Recruiting specialists like counselors, psychologists, and special education teachers in large districts is difficult and becomes even more problematic for small districts. That's particularly true when these individuals cannot be offered full-time employment.

As previously suggested, sharing specialists among small school districts could help ameliorate this problem, along with additional funding and a reduction in state paperwork. Another solution is simplified procedures for small districts that take into account limited staff resources.

Technology

Keeping current with hardware and software needs, wiring, and technical training are time-consuming and expensive. Technicians for systems support are also costly and may not be available in the community.

Washington's K-20 Initiative has brought videoconferencing capabili-



ties to all districts. Smaller, isolated districts can benefit greatly from distance learning, online training, classroom-to-classroom activities, virtual field trips, and cyberlearning. However, small districts do not necessarily have the resources to take full advantage of technology.

Grant Writing

While there are many opportunities to finance school district improvements through grants, it is difficult for small schools to take advantage of them.

- Isolated districts with overworked staffs often lack awareness of



- Provide categorical grant flexibility.
- Draw grant readers from small communities.

Enrichment Programs

Small communities often have limited enrichment opportunities for young children and teens.

Daycare programs, preschools, private schools, teen centers, YMCAs, Boys and Girls Clubs, and even libraries may not be available for parents and children.

School-sponsored programs can fill the void.

They can offer options

such as preschool, extended day programs, community access to computers at night, summer camps, and field trip opportunities that expose youngsters to activities that children in larger districts take for granted. To level the playing field, these opportunities must be funded.

Some schools are currently using grants from the Rural Education Achievement Program—REAP—to fund enrichment programs. REAP, which was established as part of the No Child Left Behind Act, is a federal funding stream to help rural districts operate within the unique situations in which they exist.

Recognition

There are many unsung heroes laboring to achieve high standards and quality programs in their small

school districts: teachers, board members, support staff, and administrators.

Opportunities for recognition are limited because numerous awards are based on student FTEs. Though small districts make up two-thirds of Washington's school districts, the odds of winning awards favor the remaining one-third of the districts. Likewise, our students often do not have the opportunity to compete for statewide honors.

Solutions

- Include more entry categories for awards.
- Offer enough awards in the small schools category to accurately represent the number of districts that meet those criteria.
- Investigate statistical methods that allow comparisons of test scores for small sample sizes.
- Recognize innovative, non-standard achievement strategies and assessment.
- Eliminate the glass ceiling for small school district superintendents, recognizing that their abilities are transferable to larger districts.

Student success stories happen everywhere. They occur because someone developed a model, took a risk, or created an opportunity. Such successes need to be shared and the models replicated in other areas. Where better to find new programs that work and people to lead them than in the crucible of small schools? Expanding the possibility of recognition for everyone increases incentives for excellence.

appropriate grants and aren't able to commit the time to complete detailed applications.

- Trained personnel aren't available to generate grants or administer them.
- Most grant reviewers come from large, urban areas. They may lack knowledge of conditions facing small school districts—and even have an unrecognized bias—which works against these small applicants.

Solutions

- Address the above barriers and raise awareness with ESDs, professional organizations, and the Office of the Superintendent of Public Instruction.
- Expand Web sites, consortia, and grant booths at conferences to publicize grant opportunities.
- Make grant writers available at ESDs.

Staffing

Vision

Small schools will successfully attract, employ, and retain sufficiently qualified and capable staff to meet district and individual student needs.

Challenges

Meeting new certification/endorsement requirements mandated by the state and federal governments; attracting qualified, certified staff to small, rural schools that lack housing, amenities, professional development, and social opportunities; staffing programs such as vocational, technology, and honors classes.

Background

The ability to hire and retain a quality teaching staff is a challenge for any size district. Large districts are able to expend a great deal of energy on recruitment, and offer more paid days, higher cocurricular pay, and local options such as TRI-pay (Time Responsibility Incentive funds that supplement teacher salaries). Small school districts lack incentives to attract better candidates, except in instances where a candidate chooses to work in an area for quality of life or other personal reasons.

Other issues that present roadblocks in staffing include:

1. Teacher absences are difficult to fill because of substitute teacher shortages.
2. There's a lack of employment opportunities for spouses of married teachers.

3. Finding individuals with the right certification and endorsements to fit available openings in small districts is difficult and will become even more so with new federal mandates in the No Child Left Behind Act.

Solutions

- Create broader certification and endorsement categories, including a liberal arts endorsement for small schools.
- Revise placement rules to encourage practicum or student teaching opportunities in rural settings, thus encouraging eventual placement in these communities.
- Develop certification programs for multiage classrooms.
- Offer certification programs that address the benefits of teaching in small schools.
- Give bonuses to attract teachers to isolated, small schools.
- Encourage beginning secondary school teachers to seek multiple certifications at the time they earn their original certification.
- Allow competency testing as an option for adding certification areas.
- Centralize continuing education/certification records.
- Create a new certification system that's portable and compatible with cross-training institutions; make it user friendly to rural and small schools.
- Provide housing or travel allotments for teachers who live in isolated communities.

Flexibility/Adaptability

Vision

All students are prepared. All districts are supported and treated with respect. All stakeholders develop effective processes that offer enough flexibility to allow individual districts to meet their needs and those of their students in the best ways possible.

Challenges

Achieve true equity for all students; allow for multiple models; develop a unified definition of terms like rural, remote, necessary, non-high, urban, and small.

Background

As noted before, one size does not fit all. The current system should be altered to allow for the special challenges and realities of small school districts. In the classroom, teachers are asked to adapt their curriculum and teaching strategies to meet the needs of diverse learners. In the same way, small districts will benefit from the freedom to be flexible and adapt rules and regulations to fit their unique circumstances.

Solutions

- Establish a database with resources and contacts for programs that work.
- Include small school representation on policy committees, in focus groups, and other statewide summits that impact educational decisionmaking.

Facilities

Vision

All students are served in safe, healthful, well-maintained facilities that effectively support current and future educational programs. Small schools are recognized as the center of the community and serve as the de facto community center.

Challenges

Hire and retain trained and qualified personnel to properly maintain facilities and technology tools; increase square footage to adequately accommodate basic ancillary needs; meet regulations and educational program needs.

Background

Seventy percent of Washington's schools are more than 20 years old. School bonds for capital improvements are difficult to pass in communities where poverty rates are high and property values are low. Other problems include:

1. Budgeting for building maintenance is often a low priority when resources are concentrated on student achievement.
2. Building and safety issues may be delayed until an emergency occurs.
3. When an emergency does strike, repairs are often very expensive.
4. Many small school districts lack facilities that are standard in large district schools. These include gymnasiums, cafeterias, covered outdoor play areas, staff workrooms, and staff restrooms.

Solutions

- Create an equitable funding formula for essential facilities in resource-poor districts.
- Identify capital funds other than school bonds for adequate facilities; establish more programs like REN (Renovation) grants.
- Take the lead in exploring liability issues that stem from community use of school facilities.
- Work with ESDs to continue their commitment to train maintenance staff (particularly in maintaining outdated equipment and facilities).



Conclusion

Washington's large and small districts are committed to achieving student success, building support for student growth, and finding solutions to problems that may block our progress toward these goals. The state's small districts face unique barriers in accomplishing that mission. We seek support for identifying and building models that make sense in smaller environments. We also ask for

consideration of our special needs.

There are multiple organizations and committees that speak for small schools. We believe there is a need for a collective voice, partnerships, and collaborations that will enable us to be heard clearly in the halls of the legislature and anywhere decisions impact small schools.

Finally, we respectfully suggest that we all heed the example of General H. Norman Schwartzkopf, the retired commander who led U.S. troops in the Gulf War. In his 1992 autobiography, *It Doesn't Take a Hero*,

Schwartzkopf states that he refused to allow American soldiers under his command to enter battle until he had provided everything they needed to be successful. As parents, professionals, and educators, can we ask any less of our schools and our state as we revolutionize public education?

We urge state lawmakers and policymakers to equip small school districts and our students with the necessary resources to be successful. We also invite

these constituencies to use small schools as laboratories for innovation. Small school districts can serve as ideal sites to pilot new programs before they're introduced statewide. We are nimble, able to turn on a dime, and can institute programs with fewer materials and fewer staff to train. Together, we can blaze a trail that will benefit all of Washington's students, no matter where they live or how big or small their school district is.

A Tale of Three Districts

Dry statistics can't tell the whole story. It's difficult to appreciate the reality of attending or working in a small school until you've driven down dusty two-lane roads, peered in multigrade classrooms, and listened to the familiar, easy banter between staff and kids in the hallways. You discover the challenges of organizing a band with just two players and the joys of establishing long-lasting relationships with families. You see the incredible commitment of teachers who spend their own time and money to give students enrichment activities they won't get at home or anywhere else.

Each of Washington state's small school districts has a different tale to tell. We've chosen just three to put a face on some of the issues presented in the preceding pages. Tiny Index School District struggles with staggering cuts in federal funding and layoffs that will tear apart their close-knit school community. Klickitat School District faces declining enrollment in a community with one of the state's worst unemployment rates. Steilacoom School District grapples with the needs of diverse neighborhoods, a growing population, and a shortage of basic state funds.

Their experiences raise the difficult question of what is fair, and the equally difficult answer that it's not the same for every district.



Index School District #63

Grades served

Pre-K through 7th grade
in one facility

Number of students

43

FY 2002–2003 Budget

\$600,000

Location

Northwestern Washington,
on the northwest slopes of
the Cascade Mountains

“Community” was the theme of Index’s 2002–2003 school year. It aptly expresses what this tiny school district, surrounded on all sides by towering granite peaks, is all about.

The 1950s-era gleaming white school building pulsates with energy, drawing in not only students, but siblings and parents, as well as the occasional canine. It’s not unusual to see a mom casually stopping by to help weed the flower and vegetable beds that the preschoolers planted, or one of the town’s 350 residents strolling into the office to use the only fax machine for 30 miles around.

Everyone turns out for the superintendent’s barbeque in the adjacent

park, and the school’s gym/auditorium serves as a venue for community gatherings like the ambitious plays put on by students. Even the school newsletter is a hot item, disappearing from a stack in the town’s combination post office and general store.

When Superintendent Martin Boyle arrived on the scene seven years ago, the picture was bleak. The district was on the verge of bankruptcy with just \$10 in reserves. It had seen 10 superintendents in 12 years. The building was in disrepair. Standardized test scores averaged in the low teens, staff morale was abysmal, and playground fights were a regular fixture of recess. “You didn’t hear any laughter, just crying,” Boyle remembers.

The sound you hear today is the steady hum of kids learning. Even though summer beckons, students remain on-task. In the sunny preschool headquarters, youngsters help themselves to plastic bins overflowing with art supplies and books. In the music room next door, third- and fourth-graders keep the beat with an eclectic collection of percussion instruments. Just down the hallway, fifth- and sixth-graders are industriously solving problems on a row of sleek computers, which arrived courtesy of the Gates Foundation. Virtually every Index student has passed the state reading test in the last several years, and a majority passed all four of the WASL tests.

Despite Boyle’s success in turning the school district around, Index may be in danger of slipping back to its inglorious past. Word came in May that the district was losing 100 percent of its federal Title I funding—all

\$207,000—on top of \$50,000 in state spending cuts. Hard-won grants for everything from capital improvements to technology training are also expiring, leaving the district with one-third less in its coffers for next school year. On the list of cuts: a full-time teacher for first and second grades; the full-time art and technology instructor; one full-time aide; the part-time music teacher; and the part-time school nurse. The preschool and summer adventure camps—often the only organized activity for most Index children—are also on the chopping block. And, Boyle's own 0.7 FTE job will shrink to just one day a week.

The loss of the school's Title I funds is a lesson in politics and demographics. The Title I program provides federal education funds based on the number of students who live at or below the national poverty level. Several years ago, the U.S. Congress revamped the funding formula, and Index was one of 77 small school districts in the country severely impacted. By working with congressional leaders, Index was able to get a "hold harmless" agreement that kept the district out of the funding formula and left its money largely intact.

Recently, with a new administration in the White House and changes in national education policy, the agreement was lifted. Index's funding for the coming school year was figured solely on the basis of the 2000 census. "It showed only three of our students living in poverty," says Boyle, "even though at least 70 percent of our students are on the free and reduced-price lunch program." The discrepancy lies in the fact that the district draws many children from

homeless families and from the ramshackle cabins hidden away inaccessible in the woods. These households are so far off the grid that they're invisible—often intentionally so—to government census-takers.

"The community jokes that a lot of our families have two incomes: welfare and disability," says Boyle sardonically. The natural resource-based industries that once made Index one of the state's larger and more prosperous towns have all evaporated: the granite quarry that produced the steps for the state capitol building sits idle; copper, silver, and gold mining are a thing of the past; and the forests are quiet now.

Boyle will challenge the loss of federal poverty funds but even a reprieve won't come in time to spare the teaching staff that's more like a family than a group of colleagues. Becky Jussel packed up her first- and second-grade classroom knowing she won't be back, but still grateful for the experience gained over the last year. "It's been a huge blessing," she says. "There's been an incredible amount of support." Jussel, a beginning teacher, was encouraged to visit other schools, observe master teachers, and incorporate their lessons in her classroom of 10 boys and one girl.

Eight-year veteran Kristi Douglas also won't return. "I'm shell-shocked," admits the technology and art teacher, "I had all these plans for next year. Now, the other teachers will have to take up the slack and determine how much time they can put into teaching kids computers and art. With all the other things they have to do, the quality of instruction in those areas will be hurt."

Boyle, who won a statewide Most Effective Administrator Award last year for districts under 500 students, admits he may start sending out his résumé. "It's one thing to build a program, and another to dismantle it," he sadly observes. "You can take kids that other people have given up on and do something great with them, but money makes the difference."

Still, Boyle won't be going without a fight. "We're going to attempt to turn this into a cooperative elementary school, keeping it together somehow. We don't want to give up and let it atrophy." Boyle muses that he may use part of his one-day-per-week salary to pay the music instructor. Plus, he's got another development strategy going: every Wednesday and Friday, he buys Lotto tickets for his staff, hoping a jackpot will save the dream they've built together.



Klickitat School District #402

Grades served

K–12 in two buildings with shared gym

Number of students

172

FY 2002–2003 Budget

\$2.1 million (including \$250,000 in grants)

Location

South central Washington, in the Columbia River Gorge

If you call a Klickitat High School student a “vandal,” it’s not an insult. The school’s official nickname derives from the lore of the Klickitat tribe, which was proudly known as robbers and thieves. Like their indigenous predecessors, the current townspeople and their children are fiercely battling to hang on to their traditions and to an endangered community.

The school district, with its trio of long grey buildings, sits with its back to the Wild and Scenic Klickitat River. It faces a string of modest wood frame houses that smack up against steep canyon walls. In this landlocked town, a dozen miles off the Columbia Gorge highway, timber used to rule. The lumber mill owned the town and kept its workforce busy. Today, the mill is long gone, and the nearby aluminum smelters have closed too, leaving

Klickitat with one of the highest unemployment rates in the state.

“Declining enrollment, which is linked to the economy, is one of our biggest issues,” says Superintendent Richard Wilde. Despite the joblessness and the fact that almost 60 percent of the students are eligible for the federal free or reduced-price lunch program, the district still managed to pass a levy by more than 67 percent two years ago. But, the rate of \$4.50 per \$1,000 valuation brings in a mere \$80,000 a year in this property-poor community.

To stretch the district’s funds and fulfill all the state and federal requirements, Wilde and his 25-member staff wear many hats. “We’re held accountable just the same as districts the size of Evergreen, but we don’t have all those support personnel,” says Kevin Davis, the junior/senior high school principal who considers himself a “youngster” because he’s only been here 20 years. Davis—who knows every kid’s name, plus the name of his dog—wonders how to get “48 hours out of a 24-hour day.”

Like Davis, Jim Reed finds his days jampacked. Reed teaches a different subject every period: geometry, trigonometry, biology, chemistry, algebra II, college-bound math, and junior class projects are all part of his daily load. The gregarious, long-haired Reed has the distinction of being one of 110 teachers to receive a Radio Shack National Teacher Award for his commitment to academic excellence in math, science, and technology.

Despite the laurels, Reed—and the rest of the instructional staff—

will have to prove they’re “highly qualified” to teach their courses in the coming years. Under the federal No Child Left Behind Act, schools must ensure that teachers of core academic subjects have either a college major, state certification, and/or demonstrated competency in each of those subjects. “That’s going to present a formidable problem when you have just four teachers in a high school covering all of your core classes,” sighs Superintendent Wilde. “The laws are written for urban areas without much consideration for small schools.”

The problem of fitting into a mold designed for a bigger-size district constantly resurfaces. But, the negative can also turn into a positive, as staff members are forced to stretch their skills. Instead of relying on curriculum specialists and data analysts, Klickitat teachers will return to school early next fall to sort through each student’s WASL scores themselves. They’ll design individualized learning plans to help all students improve their scores. “If I were in Vancouver, I couldn’t do that,” observes Davis.

This year, the staff took on the Herculean task of making the curriculum more relevant and prompting students to take responsibility for their own learning. With the help of a Gates grant, teachers researched project-based learning models and then completely redesigned how Klickitat’s ninth- through twelfth-graders spend their day. Mornings are devoted to core classes, while the afternoons focus on individual projects like producing a play, researching alcoholism, or even building an airplane. “We saw

light bulbs really coming on for kids and the staff,” says Wilde. “We’re instilling in students the desire to be lifelong learners.”

Of Klickitat’s 13 graduating seniors, half will matriculate to community colleges and universities. The rest of the class will join the military or hit the job market. They leave behind a school that innovates out of necessity. For example, all 172 of the district’s students cross the state highway each day to lunch at the River House restaurant. When the school was built in the mid-1950s, it had no cafeteria because students went home for their midday meal. Now, it’s more cost-effective for the district to contract with the town’s only restaurant rather than provide its own food service.

In a place where the school bulletin reminds children not to play with rattlesnakes and where the only campus lockdown in recent memory occurred when a black bear wandered onto the grounds, Klickitat stands a world apart from its urban peers. “There’s a big difference between a school district with 500 kids or 2,000 or 20,000,” says Superintendent Wilde. “A state legislator has to ask, ‘How much do you pay to educate one kid because of where his family chooses to live?’ In Seattle, it might cost you \$5,000 but in Klickitat, it costs \$10,000 for the same education. Where do you draw the line?”

Wilde admits it’s a tough question not only for legislators, but for school boards and administrators alike, as they try to determine equitable treatment for large and small systems in everything from facilities, staffing, required reporting, and data collection to meaningful student outcomes.



Steilacoom Historical School District #1

Grades served

Pre-K–12

Number of students

2,087 in seven schools

FY 2002–2003 Budget

\$14 million

Location

Southern tip of Puget Sound

Some of the line items on Superintendent Art Himmler’s budget might raise a few eyebrows, like the \$16,000 for ferry tickets each year. But, Steilacoom boasts one of the farthest-flung school districts, stretching over four different municipalities and encompassing two remote island schools.

The historic district, founded by fur trappers in 1854, is home to a nine-student elementary school on the grounds of a state corrections center as well as a more typical high school with 650 pupils. Classrooms are as likely to be filled with the offspring of Intel scientists as with the children of Ft. Lewis soldiers, McNeil Island prison guards, or Puget Sound loggers and orchard owners.

With so many different constituencies to serve, Himmler’s biggest challenge is cohesiveness. “It’s not like a contiguous town with a single culture,” he notes.

“It’s extraordinarily difficult to get consensus on issues.”

Himmler also struggles with running a small district stuck in the middle of big ones. Unlike neighbors such as Clover Park or Tacoma, Steilacoom doesn’t have the enrollment or the poverty levels to qualify for hefty federal funding and grants. Still, it faces the same pressure to boost student achievement.

One thing Steilacoom does have, in spades, is community involvement. “I’ve never seen the kind of volunteer spirit we have anywhere else,” says Himmler. At the red brick Pioneer Middle School, just on the edge of the old town center, volunteers completely refurbished a ball field, donating everything from fencing to dugouts. Community members also overhauled the rock-strewn playground at Anderson Island Elementary, where a dedicated group of retirees serves as reading buddies for the tiny school’s 44 children. And, one senior citizen makes an 80-minute round trip each day from her home in Eatonville to volunteer as the crossing guard at Chloe Clark Elementary in suburban Dupont.

Chloe Clark, with its multiage classes, is one of the shining stars of the Steilacoom system. Built just two years ago for kindergarten through fourth grade, the bright and airy facility exudes friendliness. “From the beginning, our building has had a wonderful feel: real warmth and acceptance,” brags Principal Gary Yoho. Each day begins with all 250 kids assembled in the gym for community time. It’s

a chance to celebrate birthdays, share poetry, and have emerging readers show off their new skills. Students regularly pop into Yoho's office to read books to him—an interruption that's welcome any time of day.

"I view our school as an idea factory," says Yoho. "Sometimes teachers come forward with an idea that may be dismissed as too unusual in some schools, but if it's good for kids, we may put it into practice." The ideas range from "Walk to School Day" to *The Dog Days of Dupont*, a student-produced arts' magazine that features stories about pupils' pets. "Pie in the Eye of the Principal" is a much-anticipated annual event where the class with the biggest increase in PTA membership earns the right to bombard Yoho with sticky desserts. "I wind up digging whipped cream out of my ears for weeks," he laughs. A more serious—and less messy—tradition is the attribute of the month. If students are "caught" displaying an attribute like kindness, endurance, or effort, they're invited to sign an impressive-looking clothbound book kept ready in Yoho's office.

That same kind of accessibility and warmth is evident at nearby Cherrydale Primary, which caters to 390 preschoolers through second-graders. With its cheerful cherry-printed curtains and bright colors, Cherrydale feels as comfortable and personal as your favorite aunt's home.

Like the other Steilacoom District schools, Cherrydale depends heavily on volunteers, who contribute as

many as 1,000 hours a month. "The fact that volunteers feel so connected becomes a stabilizing force for our students," says Penny Jackson, Pupil Services Director. "The kids see the same adult every Tuesday for a half-hour (of individualized reading help), and it gives them something that many don't have in their home life. Some of our children don't look forward to the summer break because we provide them with food, a predictable schedule, and a safe place."

Cherrydale's ebullient principal, Deva Ward, proudly shows off the tutoring room and the well-equipped science resource center that's staffed entirely by community members. The science center, with its sophisticated computers and microscope attachments, was outfitted through grants and donations. Funding for the reading room came piecemeal from a number of different programs.

"I've never been in a school that has had to be as creative with funds," says Ward. "We're kind of stuck in a middle class dilemma: we don't have a high enough degree of poverty to qualify for grants. And while we have the same problems as an urban district, we don't have enough of them to support ameliorative programs."

Complaints about the lack of sustainable, adequate funding echo throughout the district, even in the relatively privileged hallways of Chloe Clark Elementary. Superintendent Himmler bemoans the fact that legal fees, new technology, and soaring insurance premiums weren't part of the equation in

1977 when the Basic Education Act was constructed. "I get the same basic education dollars now that I got back then. That needs to be reexamined, in light of changing times," he asserts.

Cherrydale's Penny Jackson finds it ironic that small schools seem to be on the endangered species list at the same time that larger schools are trying to emulate them. "The trend seems to be for big districts to take over the smaller ones, but the research indicates that the best results are achieved at smaller schools," says Jackson. "We need to value small schools that create an environment that aids children's progress and that foster a sense of community ownership. When you lose the small school, you lose that community connectedness." ■



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February 17, 2016

To: Economic and Revenue Forecast Council
From: State Budget Outlook Work Group
Subject: Managed Care Expenditure Growth Rates

On January 27, the Economic and Revenue Forecast Council requested that the enacted K-12 expenditures be broken into discrete groupings and for more information on managed care expenditure growth rates and possible alternatives.

K-12

The attached Outlook shows the K-12 expenditures broken into discrete groupings.

Low-income health care

Generally for the purposes of the Outlook, budget expenditures are grouped and increased by the growth rates adopted by the Economic and Revenue Forecast Council (ERFC) in the fall of 2014. Low-income health care expenditures, which include not only managed care rates but caseloads, utilization, and other service related expenditures, are assumed to grow by 3.22 percent per year from FY 2017.

Managed Care

The enacted budget assumed a 2 percent increase in rates in each fiscal year. Starting on January 1, 2016, managed care rates increased between 3 and 22 percent for different population groups as shown below:

- Family - 3.3%
- SCHIP – 19.9%
- Blind Disabled – 13.0%
- COPES – 22.6%
- Newly Eligible – 2.8%

The ERFC questioned if the 3.22 growth rate for the low-income health care expenditures should be applied to the managed care rate increase. If the Council opted to not apply the 3.22 percent growth rate for managed care rates, the Outlook expenditures would be reduced by approximately \$13 million in the 2017-19 biennium.

Governor's Proposed Budget January 2016
(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
Beginning Balance	1,011	878	1,011	264	(388)	264
Current Revenues						
November 2015 Revenue Forecast	18,627	19,288	37,916	20,229	21,098	41,327
Additional Revenue Based on 4.5% Growth Rate Assumption	-	-	-	-	-	-
	18,627	19,288	37,916	20,229	21,098	41,327
Other Resource Changes						
Transfer to BSA	(184)	(190)	(373)	(199)	(207)	(406)
Extraordinary Revenue to BSA	-	(136)	(136)	-	(248)	(248)
Extraordinary Revenue from BSA to GF-S	-	136	136	-	248	248
Prior Period Adjustments	20	20	41	20	20	41
2015 Session Transfers and Other Resource Changes (Net)	96	82	178	51	51	101
Proposed Fund Transfers	22	20	42	-	-	-
Proposed Tax Changes (K-12 Recruit/Retention)	-	101	101	111	115	226
Total Revenues and Resources (Including Beginning Balance)	19,593	20,200	38,915	20,477	20,689	41,554
Enacted Appropriations	18,639	19,580	38,219	20,494	21,036	41,530
K-12 (excluding 2015 PL K-3 and All day K)	8,564	8,864	17,428	8,992	9,184	18,175
K-3 Class Size	83	268	350	524	590	1,114
All Day K	55	125	180	151	158	309
All Other Apporpiations	9,937	10,324	20,261	10,827	11,105	21,931
	-	-	-	-	-	-
2016 Supplemental Maintenance Level	250	270	520	223	214	437
K-12 Education	(6)	(10)	(16)	(9)	(9)	(18)
Local Effort Assistance	10	13	24	(6)	(22)	(29)
Higher Education	(0)	2	2	2	2	5
Dept of Early Learning	0	0	0	0	0	0
Mental Health/Dev. Disabilities/Long Term Care	6	44	50	44	46	90
IP Overtime and Informal Supports	14	40	53	31	32	63
Corrections/JRA/SCC	13	14	27	11	11	22
Children's/Economic Svcs	3	13	16	13	13	27
Low Income Health Care	9	0	9	0	0	0
Hepatitis C Treatment	(22)	5	(16)	(3)	(3)	(6)
Managed Care Rates	65	133	198	137	142	279
Debt Service	(8)	(8)	(15)	(8)	(8)	(17)
All Other	17	22	40	10	10	19
Fires	149	0	149	-	-	-
2016 Supplemental Policy Level	(88)	173	85	235	239	473
K-12 Education	-	2	2	2	2	3
McCleary Fines	16	-	16	-	-	-
Higher Education	-	1	1	1	1	2
Dept of Early Learning	-	5	5	5	5	10
Child Care CBA	-	14	14	14	14	28
Mental Health/Dev. Disabilities/Long Term Care	(13)	(2)	(15)	(0)	(0)	(0)
State Hospitals Enhancement	17	19	36	19	20	38
Community MH Enhancement	-	13	13	12	13	25
Corrections/JRA/SCC	2	3	5	2	2	4
Children's/Economic Svcs	(7)	(3)	(11)	5	5	11
Low Income Health Care	5	12	17	12	12	25
Healthier WA & Waiver Savings Restoration	20	40	59	41	42	83
All Other	5	7	13	5	5	11
Fires	(170)	(21)	(191)	-	-	-
Moore Settlement	36	-	36	-	-	-
Teacher Recruitment and Retention	-	85	85	117	118	234

Governor's Proposed Budget January 2016 (with HCA adjustment)

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
Beginning Balance	1,011	878	1,011	264	(384)	264
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	-	-	-	-	-	-
2016 Supplemental Policy Level	(88)	173	85	235	239	473
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Dept of Early Learning	-	5	5	5	5	10
Child Care CBA	-	14	14	14	14	28
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Low Income Health Care	5	12	17	12	12	25
Healthier WA & Waiver Savings Restoration	20	40	59	41	42	83
All Other	5	7	13	5	5	11
Fires	(170)	(21)	(191)	-	-	-
Moore Settlement	36	-	36	-	-	-
Teacher Recruitment and Retention	-	85	85	117	118	234

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THIRTEENTH DAY

MORNING SESSION

July 10, 2015

Senate Chamber, Olympia, Friday, July 10, 2015

The Senate was called to order at 10:30 a.m. by the President Pro Tempore, Senator Roach presiding. No roll call was taken.

MOTION

On motion of Senator Fain, the reading of the Journal of the previous day was dispensed with and it was approved.

MOTION

At 10:31 a.m., on motion of Senator Fain, the Senate was declared to be at ease subject to the call of the President Pro Tempore.

The Senate was called to order at 11:59 a.m. by the President Pro Tempore.

MOTION

On motion of Senator Fain, the Senate advanced to the fourth order of business.

MESSAGE FROM THE HOUSE

July 10, 2015

MR. PRESIDENT:
The Speaker has signed:
ENGROSSED SUBSTITUTE HOUSE BILL NO. 1166,
ENGROSSED HOUSE BILL NO. 2266,
and the same are herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

MESSAGE FROM THE HOUSE

July 10, 2015

MR. PRESIDENT:
The House has passed:
SENATE BILL NO. 6145,
and the same is herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

MESSAGE FROM THE HOUSE

July 10, 2015

MR. PRESIDENT:
The House has passed:
SECOND ENGROSSED SUBSTITUTE SENATE BILL
NO. 5988,
and the same is herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

MESSAGE FROM THE HOUSE

MR. PRESIDENT:
The House has passed:
ENGROSSED SUBSTITUTE SENATE BILL NO. 5989,
and the same is herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

MESSAGE FROM THE HOUSE

July 10, 2015

MR. PRESIDENT:
The House has adopted:
HOUSE CONCURRENT RESOLUTION NO. 4411,
HOUSE CONCURRENT RESOLUTION NO. 4412,
and the same are herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

SIGNED BY THE PRESIDENT PRO TEMPORE

Pursuant to Article 2, Section 32 of the State Constitution and Senate Rule 2(1), the President Pro Tempore announced the signing of and thereupon did sign in open session:
ENGROSSED SUBSTITUTE HOUSE BILL NO. 1166,
ENGROSSED HOUSE BILL NO. 2266.

SIGNED BY THE PRESIDENT PRO TEMPORE

Pursuant to Article 2, Section 32 of the State Constitution and Senate Rule 2(1), the President Pro Tempore announced the signing of and thereupon did sign in open session:
SECOND ENGROSSED SUBSTITUTE SENATE BILL
NO. 5988,
ENGROSSED SUBSTITUTE SENATE BILL NO. 5989,
SENATE BILL NO. 6145.

MOTION

On motion of Senator Fain, the Senate advanced to the fifth order of business.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

HCR 4411 by Representatives Sullivan and Kretz
Returning bills to their house of origin.

HCR 4412 by Representatives Sullivan and Kretz
Adjourning SINE DIE.

MOTION

On motion of Senator Fain, the rules were suspended and House Concurrent Resolution No. 4411 and House Concurrent Resolution No. 4412 were placed on the day's second reading calendar.

MOTION

On motion of Senator Fain and without objection, Senate Bill No. 6144 which had been held on first reading June 29, 2015 was referred to the Committee on Health Care.

MOTION

On motion of Senator Fain, the Senate advanced to the sixth order of business.

SECOND READING

HOUSE CONCURRENT RESOLUTION NO. 4411, by Representatives Sullivan and Kretz

Returning bills to their house of origin.

The measure was read the second time.

MOTION

On motion of Senator Fain, the rules were suspended, House Concurrent Resolution No. 4411 was advanced to third reading, the second reading considered the third and the resolution was placed on final passage.

The President Pro Tempore declared the question before the Senate to be the final passage of House Concurrent Resolution No. 4411.

HOUSE CONCURRENT RESOLUTION NO. 4411 having received a majority was adopted by voice vote.

SECOND READING

HOUSE CONCURRENT RESOLUTION NO. 4412, by Representatives Sullivan and Kretz

Adjourning SINE DIE.

The measure was read the second time.

MOTION

On motion of Senator Fain, the rules were suspended, House Concurrent Resolution No. 4412 was advanced to third reading, the second reading considered the third and the resolution was placed on final passage.

The President Pro Tempore declared the question before the Senate to be the final passage of House Concurrent Resolution No. 4412.

HOUSE CONCURRENT RESOLUTION NO. 4412 having received a majority was adopted by voice vote.

MOTION

On motion of Senator Fain and without objection, all measures on the second and third reading calendars and held at the desk were referred to the Committee on Rules.

PERSONAL PRIVILEGE

Senator Rolfes: "Thank you Madam President. I just want to before we adjourn today to say thank you to the members of the rostrum. Thank you to our security personnel and thank you to the legislative staff that stuck it out through half of the summer and to thank you for your unwavering service to the people of the state and to wish you all a great summer. Thank you."

PERSONAL PRIVILEGE

Senator Roach: "Well, I'll take the opportunity to say thank you also. I appreciated your lead. We've got some incredible staff and they've been here well into the summer like those of us that were elected to do this job for that long. But, doing a great job and I think the people of the state this year are going to be happy with some of the things that we've done. Hopefully that's the case. And also happy that we are finally going to be adjourning. With that I'm going to just wait a few minutes as documents are brought over from the House."

The President Pro Tempore invited staff and others to line the center aisle of the senate floor during the ceremonial closing activities.

Senator Roach: "As we get ready to close, this session is the longest in state history at one hundred and seventy-six days. So it's quite historic when you look at it that way which we do. ... We're just about ready. One hundred and sixty-three days is the previous record and our one seventy-six, the next single year, beats that so ... Senator Fain said, 'We're all very proud.'"

MOTION

On motion of Senator Fain, the Senate reverted to the fourth order of business.

MESSAGE FROM THE HOUSE

July 10, 2015

MR. PRESIDENT:

The Speaker has signed:

SECOND ENGROSSED SUBSTITUTE SENATE BILL NO. 5988.

and the same is herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

MESSAGE FROM THE HOUSE

July 10, 2015

MR. PRESIDENT:

The Speaker has signed:

ENGROSSED SUBSTITUTE SENATE BILL NO. 5989.

and the same is herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

MESSAGE FROM THE HOUSE

July 10, 2015

MR. PRESIDENT:

The Speaker has signed:

SENATE BILL NO. 6145.

and the same is herewith transmitted.

BERNARD DEAN, Deputy Chief Clerk

MESSAGE FROM THE HOUSE

July 10, 2015

THIRTEENTH DAY, JULY 10, 2015

2015 3RD SPECIAL SESSION

MR. PRESIDENT:

The Speaker has signed:

HOUSE CONCURRENT RESOLUTION NO. 4411,

HOUSE CONCURRENT RESOLUTION NO. 4412

and the same are herewith transmitted.

MESSAGE FROM THE HOUSE

July 10, 2015

BERNARD DEAN, Deputy Chief Clerk

SIGNED BY THE PRESIDENT PRO TEMPORE

Pursuant to Article 2, Section 32 of the State Constitution and Senate Rule 2(1), the President Pro Tempore announced the signing of and thereupon did sign in open session:

HOUSE CONCURRENT RESOLUTION NO. 4411,

HOUSE CONCURRENT RESOLUTION NO. 4412.

MOTION

On motion of Senator Fain, the reading of the Journal for the thirteenth day of the 2015 Third Special Session of the 64th legislature was dispensed with it was approved.

Under the provisions of HOUSE CONCURRENT RESOLUTION NO. 4411, the following House bills were returned to the House of Representatives:

SUBSTITUTE HOUSE BILL NO. 1037,

SUBSTITUTE HOUSE BILL NO. 1067,

ENGROSSED SUBSTITUTE HOUSE BILL NO. 1100,

ENGROSSED SECOND SUBSTITUTE HOUSE BILL NO.

1541,

SUBSTITUTE HOUSE BILL NO. 1725,

SECOND ENGROSSED SECOND SUBSTITUTE HOUSE

BILL NO. 1825,

ENGROSSED SUBSTITUTE HOUSE BILL NO. 2156,

SECOND ENGROSSED HOUSE BILL NO. 2214

MR. PRESIDENT:

Under the provisions of HOUSE CONCURRENT RESOLUTION NO. 4411, the following Senate bills are returned to the Senate:

ENGROSSED SUBSTITUTE SENATE BILL NO. 5113,

SENATE BILL NO. 5180,

ENGROSSED SENATE BILL NO. 5251,

SENATE BILL NO. 5272,

SENATE BILL NO. 5442,

ENGROSSED SUBSTITUTE SENATE BILL NO. 5575,

SENATE BILL NO. 5581,

FOURTH ENGROSSED SUBSTITUTE SENATE BILL NO. 5857,

SUBSTITUTE SENATE BILL NO. 6084,

SENATE BILL NO. 6141

and the same are herewith transmitted.

BARBARA BAKER, Chief Clerk

MOTION

At 12:24 p.m., on motion of Senator Fain, the 2015 Third Special Session of the Sixty-Fourth legislature adjourned SINE DIE.

BRAD OWEN, President of the Senate

HUNTER G. GOODMAN, Secretary of the Senate

THIRTEENTH DAY, JULY 10, 2015

2015 3RD SPECIAL SESSION

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Other Action.....		3	5251-E	Messages.....	3
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1166-SE			5857-SE4	Messages.....	3
President Pro Tempore Signed		1	5988-SE2	Messages.....	1
Speaker Signed.....		1	President Pro Tempore Signed.....		1
1541-S2E			Speaker Signed		2
Other Action.....		3	5989-SE	Messages.....	1
1725-S			President Pro Tempore Signed.....		1
Other Action.....		3	Speaker Signed		2
1825-S2E2			6084-S	Messages.....	3
Other Action.....		3	6141	Messages.....	3
2156-SE			6144	Other Action	1
Other Action.....		3	6145	Messages.....	1
2214-E2			President Pro Tempore Signed.....		1
Other Action.....		3	Speaker Signed		2
2266-E			PRESIDENT OF THE SENATE		
President Pro Tempore Signed		1	Remarks by the President Pro Tempore		2
Speaker Signed.....		1	WASHINGTON STATE SENATE		
4411			Personal Privilege, Senator Roach		2
Adopted		2	Personal Privilege, Senator Rolfes		2
Introduction & 1 st Reading		1			
Messages		1			
Other Action.....		1			
President Pro Tempore Signed		3			
Second Reading.....		2			
Speaker Signed.....		3			
4412					
Adopted		2			
Introduction & 1 st Reading		1			
Messages		1			
Other Action.....		1			
President Pro Tempore Signed		3			
Second Reading.....		2			
Speaker Signed.....		3			
5113-SE					

TAX STATISTICS

2015

Vikki Smith, Director
Washington State Department of Revenue

Compiled by Research and Fiscal Analysis
Kathy Oline, Assistant Director
Beth Leech and Diana Brown, Tax Policy Specialists



Tax Statistics can be found on the Internet at: <http://dor.wa.gov>.

Click on "Get Statistics and Reports" on the home page
Then find "Tax Statistics" listed under "General Tax Statistics"

Please address comments regarding this document to Research and Fiscal Analysis at:

dorstatistics@DOR.WA.GOV

PURPOSE OF THIS REPORT

This report provides historical tax collections and related statistics in Washington. It contains data on most state tax sources, as well as local government taxes in which the Department is involved. Most of the state and local sales tax information reflects revenue collections in Fiscal Year 2015, ending June 30, 2015.

The audience for this report includes, but is not limited to, the Governor's Office, members and staff of legislative fiscal committees, state and local agencies, and the media, as well as citizens and businesses that are interested in Washington taxes.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users, please call 1-800-451-7985.

Property Tax Statistics can be found at:

http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats_proptaxstats_report.aspx

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Table 1

SUMMARY OF WASHINGTON STATE TAX COLLECTIONS

Fiscal Years 2014 and 2015 (\$'000)

State Tax Source ¹	Fiscal Year 2014	Fiscal Year 2015	Percent Change
<u>Sales Taxes</u>			
Retail sales and use	\$8,285,823	\$8,847,989	6.8 %
Motor fuels	1,220,010	1,230,139	0.8
Alcoholic beverages	321,392	329,537	2.5
Cigarette and tobacco	438,760	445,341	1.5
Other	110,781	109,455	(1.2)
<u>Gross Receipts Taxes</u>			
Business and occupation	3,250,359	3,396,730	4.5
Public utility	413,682	400,482	(3.2)
Insurance premiums	467,871	555,976	18.8
Other	11,631	12,146	4.4
<u>Property & In-lieu Taxes</u>			
State property tax	1,974,125	2,019,486	2.3
Other	93,132	95,589	2.6
<u>Other State Taxes</u>			
Estate	156,019	154,040	(1.3)
Real estate excise	662,132	808,977	22.2
Hazardous substance	195,011	153,496	(21.3)
All other taxes	183,022	164,302	(10.2)
TOTAL STATE TAXES	\$17,783,750	\$18,723,684	5.3 %

¹Excludes local taxes; see Table 2 for detailed data.

Chart 1

MAJOR WASHINGTON STATE TAXES

Percentage Distribution - Fiscal Year 2015
(Does not include local government taxes)

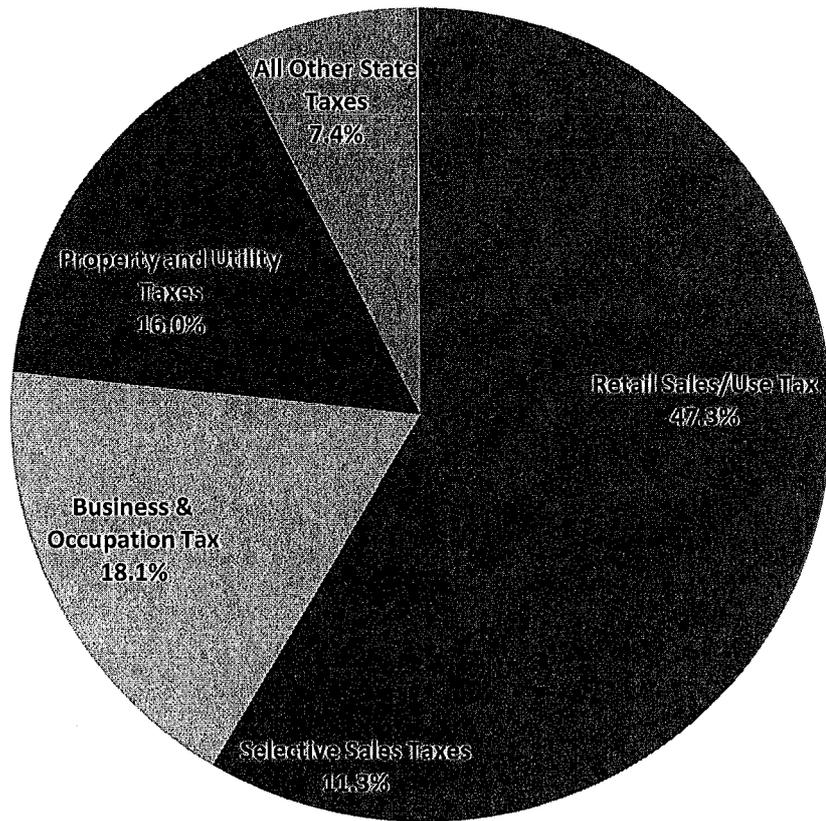


Table 2
NET WASHINGTON STATE TAX COLLECTIONS:
LATEST FIVE YEARS
Fiscal Years 2011 to 2015 (\$000)

Source	2011	2012	2013	2014	2015
ALL STATE TAXES	\$16,013,481	\$16,158,504	\$17,027,697	\$17,783,750	\$18,723,684
General & Selective Sales Taxes	9,335,206	9,327,885	9,812,069	10,376,766	10,962,460
Retail Sales	6,654,104	6,755,380	7,180,526	7,720,827	8,255,132
Use	539,911	486,305	524,101	564,996	592,857
Motor Fuels	1,207,447	1,176,823	1,198,204	1,220,010	1,230,139
Liquor Sales	102,158	108,465	126,539	127,826	132,646
Liquor Liter	125,256	133,250	138,635	139,549	142,137
Beer Excise	80,603	79,641	77,334	29,888	30,717
Wine Excise	22,970	23,400	23,846	24,129	24,037
Cigarette	432,823	424,815	406,914	392,291	398,823
Tobacco Products	46,392	46,569	43,337	46,469	46,517
Convention Center ¹	25,879	0	0	0	0
Solid Waste Collection	33,585	34,281	35,530	37,352	40,047
Wood Stove Fee	258	222	208	220	205
Brokered Natural Gas	29,011	23,800	21,992	34,412	28,076
Rental Car	23,044	23,672	23,039	26,826	29,218
Shared Tribal Cigarette Taxes	7,956	7,624	8,190	8,207	8,078
Replacement Vehicle Tire Fee	3,809	3,638	3,674	3,763	3,713
Derelict Vessel Fee	0	0	0	0	118
Gross Receipts Taxes	3,838,406	3,948,631	4,137,724	4,143,544	4,365,333
Business and Occupation	3,014,373	3,130,753	3,311,594	3,250,359	3,396,730
Public Utility	400,380	377,245	378,775	413,682	400,482
Litter	9,360	9,434	9,856	10,302	10,865
Insurance Premiums	413,097	430,052	436,118	467,871	555,976
Parl-mutuel	1,196	1,148	1,381	1,329	1,281
Property & In-lieu Excise Taxes	1,941,600	1,986,529	2,026,680	2,067,256	2,115,075
State Property Tax Levy	1,857,334	1,898,427	1,935,875	1,974,125	2,019,486
Watercraft/Aircraft Excises	13,909	12,719	12,774	13,366	13,995
PUD Privilege	39,710	44,815	47,816	49,342	50,924
Timber Excise	4,025	3,492	2,821	2,742	2,166
Leasehold Excise	26,622	27,077	27,394	27,682	28,504
Other State Taxes	898,269	895,458	1,051,223	1,196,184	1,280,816
Estate	112,928	114,828	104,449	156,019	154,040
Real Estate Excise	379,748	422,360	573,943	662,132	808,977
Fish	3,193	810	2,593	2,800	3,475
Hazardous Substance (incl. local)	175,500	197,604	198,464	195,011	153,496
Carbonated Beverage Syrup	16,041	2,855	8,575	7,636	6,847
Carbonated Beverage (Bottled)	12,239	0	0	0	0
Petroleum Products	2,680	217	1,001	-96	518
Oil Spill	3,828	3,571	3,918	3,641	3,184
Intermediate Care Facilities	8,842	7,858	7,851	8,708	7,978
Enhanced 911 Telephone (state)	21,158	23,850	26,332	25,599	22,747
Telephone Lines (WTAP & TRS)	10,818	8,024	7,574	1,175	-19
Nursing Home Quality Maint. Fee	-	0	0	0	0
Penalties and Interest	151,294	113,481	116,525	133,559	119,572

1 State convention center taxes in King County shifted to local PFD on November 30, 2010.

Source: Cash collections for most sources; Dept. of Revenue, Office of Financial Mgmt. and other tax-collecting agencies.

Chart 2 NET WASHINGTON STATE TAXES

Annual Percentage Change in Total Collections Since 2000
Fiscal Years 2000-2015



Table 3

WASHINGTON STATE GENERAL FUND REVENUES

Fiscal Year 2014¹

Source	Amount (\$000) ²	% of State Sources
TAXES - Department of Revenue³	\$15,509,173	93.7 %
1935 Revenue Act Taxes	12,559,140	75.8
Retail sales	7,708,586	46.6
Use	566,883	3.4
Business and occupation	3,261,883	19.7
Public utility	397,422	2.4
Cigarette (Incl. tribal)	397,511	2.4
Liquor sales (percent)	93,057	0.6
Penalties and interest	133,797	0.8
Other General Fund Taxes	2,950,033	17.8
Tobacco products	45,674	0.3
Liquor sales (liter)	129,586	0.8
Liquor surtaxes	23,308	0.1
State property tax	1,974,354	11.9
PUD privilege	49,342	0.3
Leasehold excise	27,722	0.2
Real estate excise	608,790	3.7
Brokered natural gas	34,186	0.2
ICF tax	8,893	0.1
Solid waste collection	37,525	0.2
Carbonated Beverage Syrup	7,660	0.0
All other DOR G.F. taxes	2,994	0.0
TAXES - OTHER STATE AGENCIES	481,015	2.9
Watercraft excise	13,142	0.1
Insurance premiums	467,397	2.8
Other taxes	476	0.0
OTHER STATE REVENUE SOURCES	567,952	3.4
Dept. of Revenue non-tax revenues	29,234	0.2
Licenses, permits and fees	98,961	0.6
Contributions and grants	198,409	1.2
Interest income	2,771	0.0
Budget Stabilization transfers	144,514	0.9
Operating transfers (net)	135,131	0.8
Other miscellaneous revenue	(41,068)	(0.2)
SUBTOTAL - STATE SOURCES	\$16,558,140	100.0 %
FEDERAL GRANTS-IN-AID	10,232,921	
TOTAL GENERAL FUND REVENUES	\$26,791,061	

¹Data for fiscal year 2014 will be included in the 2015 Tax Statistics

²Net collections after credits. Excludes other sources such as operating transfers, e.g., lottery proceeds, liquor profits, etc. Several of these tax sources have nongeneral fund components.

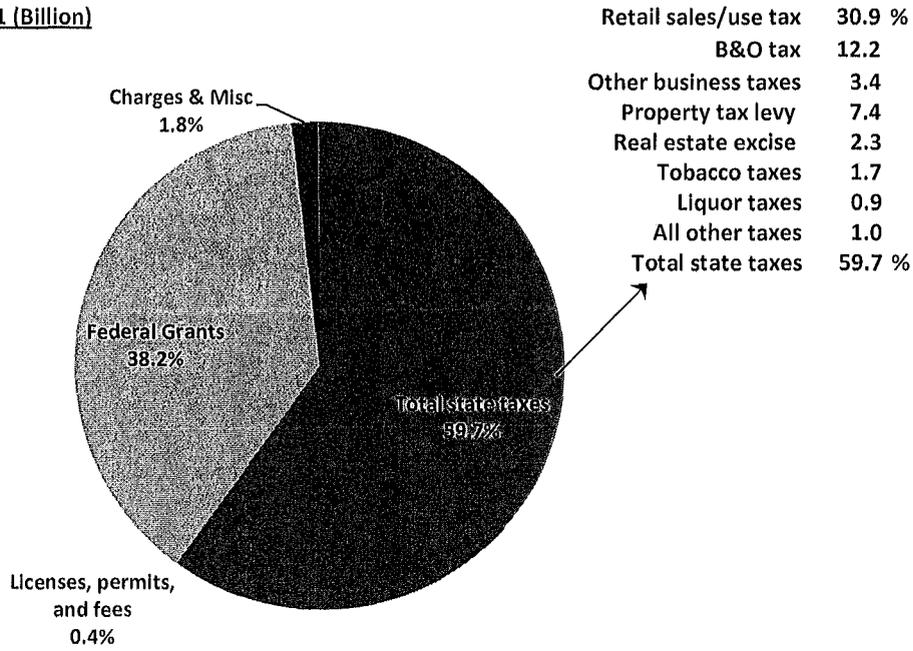
³These sources are the responsibility of DOR. However, liquor taxes, the state property tax and real estate excise tax are actually collected by other agencies, although DOR has administrative duties related to them.

Source: "2014 Comprehensive Annual Financial Report" (unpublished detail), OFM. GAAP basis; thus the figures may not agree with other tables in this report which generally reflect cash collections.

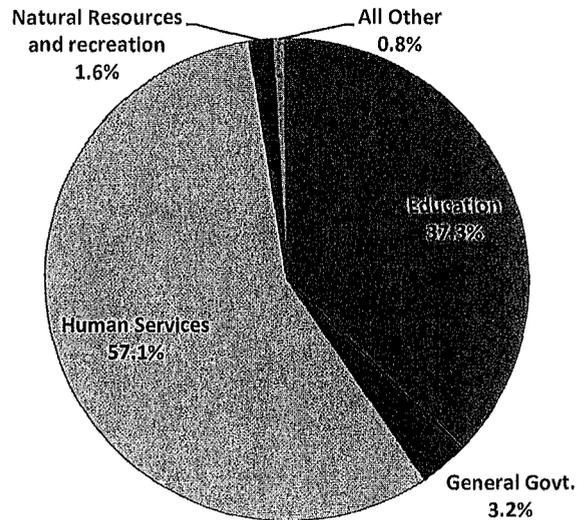
Chart 3

**WASHINGTON STATE GENERAL FUND
Fiscal Year 2014**

Revenue - \$26.791 (Billion)



Expenditures - \$26.134 (Billion)



Source: "2014 Comprehensive Annual Financial Report," Office of Financial Management.

Table 4

DEPARTMENT OF REVENUE COLLECTIONS			
Fiscal Years 2014 and 2015 (\$000)			
Source	Fiscal Year 2014	Fiscal Year 2015	Percent Change
STATE TAXES	\$16,027,158	\$16,869,950	5.3 %
1935 Revenue Act Taxes	12,603,540	13,296,242	5.5
Retail sales	7,720,827	8,255,132	6.9
Use	564,996	592,857	4.9
Business and occupation	3,250,359	3,396,730	4.5
Public utility	413,682	400,482	(3.2)
Cigarette	392,291	398,823	1.7
Liquor sales	127,826	132,646	3.8
Penalties and interest	133,559	119,572	(10.5)
Property and In-lieu Excises	2,053,891	2,101,080	2.3
State property tax	1,974,125	2,019,486	2.3
PUD privilege	49,342	50,924	3.2
Timber excise (state)	2,742	2,166	(21.0)
Leasehold excise (state)	27,682	28,504	3.0
Other State Taxes	1,369,727	1,472,628	7.5
Estate	156,019	154,040	(1.3)
Tobacco products	46,469	46,517	0.1
Liquor liter	139,549	142,137	1.9
Litter	10,302	10,865	5.5
Fish	2,800	3,475	24.1
Real estate excise	662,132	808,977	22.2
Solid waste collection	37,352	40,047	7.2
Wood stove fee	220	205	(6.7)
Hazardous substance (incl. local)	195,011	153,496	(21.3)
Carbonated beverage syrup	7,636	6,847	(10.3)
Petroleum products	(96)	518	(637.9)
Brokered natural gas	34,412	28,076	(18.4)
Oil spill tax	3,641	3,184	(12.6)
Intermediate Care Facilities tax	8,708	7,978	(8.4)
Rental car	26,826	29,218	8.9
Enhanced 911 telephone	25,599	25,158	(1.7)
Telephone assistance - WTAP	532	(12)	(102.3)
Telecomm. relay service - TRS	643	(7)	(101.0)
Replacement vehicle tire fee	3,763	3,713	(1.3)
Shared tribal cigarette tax	8,207	8,078	(1.6)
Derelict Vessel Fee	0	118	0.0
ADMINISTRATIVE COLLECTIONS	101,709	102,461	0.7
Escheats	56	393	598.4
Property tax exemption fees	73	72	(1.2)
Unclaimed property (G.F. & UCP Fund net)	64,082	61,503	(4.0)
Master Licensing Fees	8,539	9,241	8.2
City/county administration fee	12,990	14,003	7.8
Transit district administration fee	8,896	9,515	7.0
Other local tax administration fees	6,818	7,434	9.0
Vehicle excise taxes and penalties	123	80	(34.7)
Miscellaneous receipts	132	219	66.2

LOCAL TAX COLLECTIONS ¹	3,528,937	3,819,407	8.2
Local sales/use taxes:			
City/county (1.0%)	1,271,772	1,368,380	7.6
Transit district (0.1 - 0.9%)	867,834	942,107	8.6
Criminal justice (0.1%)	126,285	136,010	7.7
Public facilities (0.1 - 0.2%)	11,817	13,294	12.5
Correctional facilities (0.1%)	42,402	45,063	6.3
Regional transit (0.9%)	603,033	651,173	8.0
Rural counties sales/use (0.09%) ²	27,767	29,799	7.3
Regional centers & theaters (0.033%) ²	22,006	23,500	6.8
Pierce County zoo/aquarium (0.1%)	13,100	13,812	5.4
Emergency communications (0.1%)	39,281	41,654	6.0
Public safety (0.3%)	35,024	45,732	30.6
Mental health/chemical dependency (0.1%)	98,878	109,366	10.6
King County Stadium Taxes:			
Food & beverage (0.5%) ³	127	79	(37.6)
Baseball stadium sales/use (0.017%) ^{2,4}	0	0	0.0
Football stadium sales/use (0.016%) ²	11,796	12,536	6.3
Annexation services (0.1 - 0.85%) ²	15,288	16,334	6.8
Health sciences/services (0.02%) ²	1,635	1,751	7.1
LIFT & LRF; Hospital Benefit Zone	10,322	11,380	10.3
SUBTOTAL - Local sales/use taxes	3,198,364	3,461,970	8.2
City/county leasehold tax	23,896	24,571	2.8
County timber tax	36,640	39,328	7.3
County E-911 telephone tax	75,190	69,664	(7.3)
Master License Services - Partners	7,703	10,136	31.6
Local convention center taxes	77,397	89,409	15.5
Local hotel/motel taxes & daily room fees	84,362	95,829	13.6
Brokered natural gas	9,148	8,945	(2.2)
Rental car taxes:			
County (1.0%)	3,909	4,251	8.7
King County baseball stadium (2.0%) ⁵	4	0	
Regional transit (0.8%)	2,839	3,115	9.7
Local REET - controlling interest	8,540	11,555	35.3
REET \$5 fee - Prop Tax Admin Assistance	944	636	(32.6)
TOTAL DEPARTMENT COLLECTIONS	\$19,657,803	\$20,791,818	5.8 %

Note: Cash collections. Some taxes are actually collected by other agencies, e.g., state property tax levy, and real estate excise tax, although the Department has administrative functions related to these taxes.

- 1 Past reports showed local tax distributions instead of collections.
- 2 Local tax is credited against state retail sales/use tax - no additional tax for consumers.
- 3 King County Food and Beverage tax final distributions were in September of 2011.
King County state-shared Baseball Stadium tax final distributions were in August of 2011. Because this was a state-shared tax, the revenues now return to the state.
- 4
- 5 King County rental car tax final distributions were in September 2011.

Table 5

DEPARTMENT OF REVENUE COLLECTIONS		
Net State Tax Collections by Tax and Fund		
Fiscal Years 2014 and 2015 (\$000)		
Tax Source and Fund	Fiscal Year 2014	Fiscal Year 2015
Retail Sales Tax		
General Fund	\$7,678,575	\$8,207,801
Advanced Environmental Mitigation Account	44	44
Multimodal Transportation Account	31,010	34,063
Performance Audits of Government Account	11,197	13,224
TOTAL	7,720,827	8,255,132
Use Tax		
General Fund	558,264	585,439
Advanced Environmental Mitigation Acct.	-2	0
Multimodal Transportation Account	5,917	6,463
Performance Audits of Government Account	817	955
TOTAL	564,996	592,857
Business and Occupation Tax		
General Fund	3,246,443	3,391,489
Problem Gambling Account	387	401
Forest & Fish Support Account	3,529	4,839
TOTAL	3,250,359	3,396,730
Public Utility Tax		
General Fund	395,937	383,061
Public Works Assistance Account ¹	275	-64
Education Legacy Trust Account	17,470	17,485
TOTAL	413,682	400,482
Cigarette Tax		
General Fund	392,291	398,823
TOTAL	392,291	398,823
Liquor Sales Tax		
General Fund	106,790	110,813
Liquor Excise Tax Account ²	21,035	21,833
TOTAL	127,826	132,646
Penalties and Interest		
General Fund - TOTAL	133,559	119,572
State Property Tax Levy		
General Fund - TOTAL	1,974,125	2,019,486
PUD Privilege Tax (incl. distributions to local govt.)		
General Fund - TOTAL	49,342	50,924
Timber Excise Tax (ex. distributions to local govt.)		
General Fund - TOTAL	2,742	2,166

Leasehold Excise Tax (ex. distributions to local govt.)		
General Fund - TOTAL	27,682	28,504
Estate Tax		
General Fund (Previous)	474	-810
Education Legacy Trust Account (New in 2013)	155,545	154,850
TOTAL	156,019	154,040
Tobacco Products Tax		
General Fund - TOTAL	46,469	46,517
Liquor Liter Tax		
General Fund - TOTAL	139,549	142,137
Food Fish/Shellfish Tax		
General Fund	2,757	3,472
State Wildlife Account	-1	3
Sea Cucumber Dive Fishery Account	37	0
Sea Urchin Dive Fishery Account	8	0
TOTAL	2,800	3,475
Carbonated Beverage Syrup Tax		
General Fund - TOTAL	7,636	6,847
Real Estate Excise Tax		
General Fund	615,615	741,236
Public Works Assistance Account ¹	11,905	17,345
Washington Housing Trust Account	657	790
City/County Assistance	9,529	13,915
Education Legacy Trust Account	24,425	35,691
TOTAL	662,132	808,977
Litter Tax		
Litter Control Account - TOTAL	10,302	10,865
Solid Waste Collection Tax		
General Fund - TOTAL	37,352	40,047
Wood Stove Fee		
Wood Stove Education & Enforcement Acct. - TOTAL	220	205
Hazardous Substance Tax - State Tax		
State Toxics Control Account	78,400	78,400
Local Toxics Control Account	61,600	61,600
Environmental Legacy Stewardship Account	55,011	13,496
TOTAL	195,011	153,496
Petroleum Products Tax (tax reactivated 7/1/2009)		
Pollution Liability Insurance Trust Acct. - TOTAL	-96	518
Brokered Natural Gas Use Tax		
General Fund - TOTAL	34,412	28,076
Oil Spill Tax		
General Fund	69	30
Oil Spill Response Account	52	93
Oil Spill Prevention (Admin.) Account	3,520	3,061

TOTAL	3,641	3,184
ICF (Intermediate Care Facilities) Tax		
General Fund - TOTAL	8,708	7,978
State Rental Car Tax		
Multimodal Transportation Account - TOTAL	26,826	29,218
Enhanced 911 Telephone Tax		
Enhanced 911 Account - TOTAL	25,599	22,747
Telephone Line Tax (WTAP)		
General Fund	0	-12
Telephone Assistance Account - TOTAL	532	0
TOTAL	532	-12
Telephone Line Tax (TRS)		
General Fund	0	-7
Telecommunications Relay Service Account - TOTAL	643	0
TOTAL	643	-7
Replacement Vehicle Tire Fee		
Waste Tire Removal Account - TOTAL	3,763	3,713
Tribal Cigarette Taxes		
General Fund - Puyallup Tribe - TOTAL	8,207	8,078
Derelict Vessel Fee		
Performance Audits of Government Account - TOTAL	0	118
	<hr/>	<hr/>
SUBTOTAL - General Fund Taxes	15,467,000	16,321,667
SUBTOTAL - All Other Taxes	560,157	545,873
	<hr/>	<hr/>
GRAND TOTAL - Dept. of Revenue State Tax Collections	\$ 16,027,158	\$ 16,867,539

NOTE: A zero entry indicates that the tax was not levied that year or the receipts rounded to < \$1,000.

- 1 Funds redirected to the general fund during Fiscal Year 2012.
- 2 During Fiscal Year 2013 all funds collected were deposited into the state general fund.

Table 6

DEPARTMENT OF REVENUE COLLECTIONS		
Net State Tax Collections by Fund and Tax - FY 2014 and 2015 (\$000)		
Fund and Tax Source	Fiscal Year 2014	Fiscal Year 2015
GENERAL FUND (001)		
Retail Sales Tax	\$7,678,575	\$8,207,801
Use Tax	558,264	585,439
Business and Occupation Tax	3,246,443	3,391,489
Public Utility Tax	395,937	383,061
Cigarette Tax	392,291	398,823
Liquor Sales Tax	106,790	110,813
State Property Tax Levy	1,974,125	2,019,486
PUD Privilege Tax (incl. local distributions)	49,342	50,924
Timber Excise Tax (ex. local distributions)	2,742	2,166
Leasehold Excise tax (ex. local distributions)	27,682	28,504
Estate Tax (pre-2005)	474	-810
Tobacco Products Tax	46,469	46,517
Liquor Liter Tax	139,549	142,137
Foodfish/Shellfish Tax	2,757	3,472
Real Estate Excise Tax	615,615	741,236
Carbonated Beverage Syrup Tax	7,636	6,847
Brokered Natural Gas Use Tax	34,412	28,076
ICF Tax	8,708	7,978
Tribal Cigarette Tax (Puyallup)	8,207	8,078
Solid Waste Collection Tax	37,352	40,047
Oil Spill Tax	69	30
Penalties & Interest	133,559	119,572
Telephone Line Tax (WTAP)	0	-12
Telephone Line Tax (TRS)	0	-7
SUBTOTAL - General Fund	15,467,000	16,321,667
ADVANCED ENVIRONMENTAL MITIGATION ACCOUNT (789)		
Retail Sales Tax	44	44
Use Tax	-2	0
SUBTOTAL	43	44
MULTIMODAL TRANSPORTATION ACCOUNT (218)		
Retail Sales Tax	31,010	34,063
Use Tax	5,917	6,463
Rental Car Tax	26,826	29,218
SUBTOTAL	63,754	69,744
PERFORMANCE AUDITS OF GOVERNMENT ACCOUNT (553)		
Retail Sales Tax	11,197	13,224
Use Tax	817	955
Derelict Vessel Fee		118
SUBTOTAL	12,014	14,297
PROBLEM GAMBLING ACCOUNT (08K)		
Business and Occupation Tax	387	401

FOREST AND FISH SUPPORT ACCOUNT (11H)		
Business and Occupation Tax	3,529	4,839
PUBLIC WORKS ASSISTANCE ACCOUNT (058) ¹		
Public Utility Tax	275	-64
Real Estate Excise Tax	11,905	17,345
Solid Waste Collection Tax	0	0
SUBTOTAL	12,180	17,281
EDUCATION LEGACY TRUST ACCOUNT (08A)		
Estate Tax	155,545	154,850
Public Utility Tax	17,470	17,485
Real Estate Excise Tax	24,425	35,691
SUBTOTAL	197,440	208,027
LIQUOR EXCISE TAX ACCOUNT (107)		
Liquor Sales Tax	21,035	21,833
STATE WILDLIFE ACCOUNT (104)		
Foodfish/Shellfish Tax	-1	3
SEA CUCUMBER DIVE FISHERY ACCOUNT (294)		
Foodfish/Shellfish Tax	37	0
SEA URCHIN DIVE FISHERY ACCOUNT (295)		
Foodfish/Shellfish Tax	8	0
WASHINGTON HOUSING TRUST ACCOUNT (532)		
Real Estate Excise Tax (penalties)	657	790
CITY/COUNTY ASSISTANCE (09P)		
Real Estate Excise Tax	9,529	13,915
WASTE RED., RECYCLING & LITTER CONT. ACCT. (044)		
Litter Tax	10,302	10,865
WOOD STOVE EDUCATION/ENFORCEMENT ACCT. (160)		
Wood Stove Fee	220	205
WASTE TIRE REMOVAL ACCOUNT (08R)		
Replacement Vehicle Tire Fee	3,763	3,713
STATE TOXICS ACCOUNT (173)		
Hazardous Substance Tax	78,400	78,400
LOCAL TOXICS ACCOUNT (174)		
Hazardous Substance Tax	61,600	61,600
POLLUTION LIABILITY INSURANCE ACCOUNT (544)		
Petroleum Products Tax	-96	518
OIL SPILL PREVENTION ACCOUNT(217)		
Oil Spill Tax	3,520	3,061
OIL SPILL RESPONSE ACCOUNT (223) ²		

Oil Spill Tax	52	93
ENHANCED 911 ACCOUNT (03F)		
Enhanced 911 Telephone Tax	25,599	25,158
TELEPHONE ASSISTANCE ACCOUNT (539)		
Telephone Assistance Tax - WTAP	532	0
TELECOMMUNICATIONS DEVICES ACCOUNT (540)		
Telephone Relay Service Tax - TRS	643	0
ENVIRONMENTAL LEGACY STEWARDSHIP ACCOUNT (19G)	55,011	13,496
	<hr/>	<hr/>
GRAND TOTAL - ALL ACCOUNTS	\$16,027,158	16,869,950
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SESSION DATES
of the
WASHINGTON STATE LEGISLATURE

Legislative Session			Convened	Adjourned	Session Length	Total
1st	1889	Regular	November 6, 1889	March 28, 1890	143	152 Days
	1890	Ex. Session	September 3, 1890	September 11, 1890	9	
2nd	1891	Regular	January 7, 1891	March 7, 1891	60	
3rd	1893	Regular	January 9, 1893	March 9, 1893	60	
4th	1895	Regular	January 14, 1895	March 14, 1895	60	
5th	1897	Regular	January 11, 1897	March 11, 1897	60	
6th	1899	Regular	January 9, 1899	March 9, 1899	60	
		Ex. Session	June 11, 1901	June 12, 1901	2	
7th	1901	Regular	January 14, 1901	March 14, 1901	60	62 Days
		Ex. Session	June 11, 1901	June 12, 1901	2	
8th	1903	Regular	January 12, 1903	March 12, 1903	60	
9th	1905	Regular	January 9, 1905	March 9, 1905	60	
10th	1907	Regular	January 14, 1907	March 14, 1907	60	
11th	1909	Regular	January 11, 1909	March 11, 1909	60	120 Days
		Ex. Session	June 23, 1909	August 21, 1909	60	
12th	1911	Regular	January 9, 1911	March 9, 1911	60	
13th	1913	Regular	January 13, 1913	March 13, 1913	60	
14th	1915	Regular	January 11, 1915	March 11, 1915	60	
15th	1917	Regular	January 8, 1917	March 8, 1917	60	
16th	1919	Regular	January 13, 1919	March 13, 1919	60	62 Days
	1920	Ex. Session	March 22, 1920	March 23, 1920	2	
17th	1921	Regular	January 10, 1921	March 10, 1921	60	
18th	1923	Regular	January 8, 1923	March 8, 1923	60	
19th	1925	Regular	January 12, 1925	February 13, 1925	33	93 Days
		Ex. Session	November 9, 1925	January 7, 1926	60	
20th	1927	Regular	January 10, 1927	March 10, 1927	60	
21st	1929	Regular	January 14, 1929	March 14, 1929	60	
22nd	1931	Regular	January 12, 1931	March 12, 1931	60	
		Ex. Session	December 4, 1933	January 12, 1934	40	
23rd	1933	Regular	January 9, 1933	March 9, 1933	60	100 Days
24th	1935	Regular	January 14, 1935	March 14, 1935	60	
25th	1937	Regular	January 11, 1937	March 11, 1937	60	
26th	1939	Regular	January 9, 1939	March 9, 1939	60	
27th	1941	Regular	January 13, 1941	March 13, 1941	60	
28th	1943	Regular	January 11, 1943	March 11, 1943	60	66 Days
	1944	Ex. Session	February 28, 1944	March 4, 1944	6	
29th	1945	Regular	January 8, 1945	March 8, 1945	60	
30th	1947	Regular	January 13, 1947	March 13, 1947	60	
31st	1949	Regular	January 10, 1949	March 10, 1949	60	65 Days
	1950	Ex. Session	July 17, 1950	July 21, 1950	5	
32nd	1951	Regular	January 8, 1951	March 8, 1951	60	79 Days
		Ex. Session	March 27, 1951	April 5, 1951	10	
		2nd Ex. Session	August 24, 1951	September 1, 1951	9	

SESSION DATES OF THE WASHINGTON STATE LEGISLATURE

Legislative Session		Convened	Adjourned	Session Length	Total	
33rd	1953	Regular	January 12, 1953	March 12, 1953	60	68 Days
		Ex. Session	March 13, 1953	March 20, 1953	8	
34th	1955	Regular	January 10, 1955	March 10, 1955	60	74 Days
		Ex. Session	March 11, 1955	March 24, 1955	14	
35th	1957	Regular	January 14, 1957	March 14, 1957	60	
36th	1959	Regular	January 12, 1959	March 12, 1959	60	75 Days
		Ex. Session	March 13, 1959	March 27, 1959	15	
37th	1961	Regular	January 9, 1961	March 9, 1961	60	82 Days
		Ex. Session	March 10, 1961	March 31, 1961	22	
38th	1963	Regular	January 14, 1963	March 14, 1963	60	83 Days
		Ex. Session	March 15, 1963	April 6, 1963	23	
39th	1965	Regular	January 11, 1965	March 11, 1965	60	114 Days
		Ex. Session	March 15, 1965	May 7, 1965	54	
40th	1967	Regular	January 9, 1967	March 9, 1967	60	112 Days
		Ex. Session	March 10, 1967	April 30, 1967	52	
41st	1969	Regular	January 13, 1969	March 13, 1969	60	152 Days
		Ex. Session	March 14, 1969	May 12, 1969	60	
	1970	2nd Ex. Session	January 12, 1970	February 12, 1970	32	
42nd	1971	Regular	January 11, 1971	March 11, 1971	60	164 Days
		Ex. Session	March 12, 1971	May 10, 1971	60	
	1972	2nd Ex. Session	January 10, 1972	February 22, 1972	44	
43rd	1973	Regular	January 8, 1973	March 8, 1973	60	147 Days
		Ex. Session	March 9, 1973	April 15, 1973	38	
		2nd Ex. Session	September 8, 1973	September 15, 1973	8	
	1974	3rd Ex. Session	January 14, 1974	February 13, 1974*	31	
		Reconvened	April 15, 1974	April 24, 1974	10	
44th	1975	Regular	January 13, 1975	March 13, 1975	60	229 Days
		Ex. Session	March 14, 1975	June 9, 1975	88	
		2nd Ex. Session	July 18, 1975	July 20, 1975*	3	
		Reconvened	August 9, 1975	August 9, 1975*	1	
		Reconvened	September 5, 1975	September 6, 1975*	2	
	1976	Reconvened	January 12, 1976	March 26, 1976	75	
45th	1977	Regular	January 10, 1977	March 10, 1977	60	164 Days
		Ex. Session	March 11, 1977	June 22, 1977	104	
46th	1979	Regular	January 8, 1979	March 8, 1979	60	122 Days
		Ex. Session	March 21, 1979	May 12, 1979*	53	
		Reconvened	May 15, 1979	May 15, 1979*	1	
		Reconvened	May 18, 1979	May 18, 1979*	1	
		Reconvened	May 21, 1979	May 21, 1979*	1	
		Reconvened	May 24, 1979	May 24, 1979*	1	
		Reconvened	May 25, 1979	May 25, 1979*	1	
		Reconvened	May 29, 1979	June 1, 1979	4	

SESSION DATES OF THE WASHINGTON STATE LEGISLATURE

Legislative Session	Convened	Adjourned	Session Length	Total
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Approved by the voters November 6, 1979, annual sessions convened pursuant to SHB 1126 and SSJR 110; 105 days in odd number years; 60 in even number years.

46 th (cont)	1980	Regular	January 14, 1980	March 13, 1980	60	
47 th	1981	Regular	January 12, 1981	April 26, 1981	105	130 Days
		Ex. Session	April 28, 1981	April 28, 1981	1	
		2nd Ex. Session	November 9, 1981	December 2, 1981	24	
47 th	1982	Regular	January 11, 1982	March 11, 1982	60	97 Days
		Ex. Session	March 12, 1982	April 10, 1982	30	
		2nd Ex. Session	June 26, 1982	July 2, 1982	7	
48 th	1983	Regular	January 10, 1983	April 24, 1983	105	137 Days
		Ex. Session	April 25, 1983	May 24, 1983	30	
		2nd Ex. Session	May 25, 1983	May 25, 1983	1	
		3rd Ex. Session	September 10, 1983	September 10, 1983	1	
49 th	1984	Regular	January 9, 1984	March 8, 1984	60	107 Days
		Ex. Session	January 14, 1985	April 28, 1985	105	
49 th	1985	Regular	January 14, 1985	April 28, 1985	105	60 Days
		Ex. Session	June 10, 1985	June 11, 1985	2	
50 th	1986	Regular	January 13, 1986	March 12, 1986	59	132 Days
		Ex. Session	August 1, 1986	August 1, 1986	1	
		2nd Ex. Session	August 10, 1987	August 10, 1987	1	
		3rd Ex. Session	October 10, 1987	October 10, 1987	1	
50 th	1987	Regular	January 12, 1987	April 26, 1987	105	62 Days
		Ex. Session	April 27, 1987	May 21, 1987	25	
51 st	1988	Regular	January 11, 1988	March 10, 1988	60	126 Days
		Ex. Session	March 11, 1988	March 12, 1988	2	
		2nd Ex. Session	June 5, 1990	June 5, 1990	1	
	1989	Regular	January 9, 1989	April 23, 1989	105	
		Ex. Session	April 24, 1989	May 10, 1989	17	
51 st	1990	Regular	January 8, 1990	March 8, 1990	60	85 Days
		Ex. Session	March 9, 1990	April 1, 1990	24	
52 nd	1991	Regular	January 14, 1991	April 28, 1991	105	126 Days
		Ex. Session	June 10, 1991	June 30, 1991	21	
53 rd	1992	Regular	January 13, 1992	March 12, 1992	60	116 Days
		Regular	January 11, 1993	April 25, 1993	105	
		Ex. Session	April 26, 1993	May 6, 1993	11	
53 rd	1994	Regular	January 10, 1994	March 10, 1994	60	64 Days
		Ex. Session	March 11, 1994	March 14, 1994	4	
54 th	1995	Regular	January 9, 1995	April 23, 1995	105	140 Days
		Ex. Session	April 24, 1995	May 23, 1995	30	
		2nd Ex. Session	May 24, 1995	May 25, 1995	2	
		3rd Ex. Session	October 12, 1995	October 14, 1995	3	
55 th	1996	Regular	January 8, 1996	March 7, 1996	60	106 Days
		Regular	January 13, 1997	April 27, 1997	105	
55 th	1997	Regular	January 13, 1997	April 27, 1997	105	60
		Ex. Session	September 17, 1997	September 17, 1997	1	
	1998	Regular	January 12, 1998	March 12, 1998	60	

SESSION DATES OF THE WASHINGTON STATE LEGISLATURE

Legislative Session		Convened	Adjourned	Session Length	Total	
56th	1999	Regular	January 11, 1999	April 25, 1999	105	108 Days
		Ex. Session	May 17, 1999	May 19, 1999	3	
57th	2000	Regular	January 10, 2000	March 9, 2000	60	93 Days
		Ex. Session	March 10, 2000	April 7, 2000	29	
	2001	2nd Ex. Session	April 24, 2000	April 27, 2000	4	
		Regular	January 8, 2001	April 22, 2001	105	
		Ex. Session	April 25, 2001	May 24, 2001	30	
		2nd Ex. Session	June 4, 2001	June 21, 2001	18	
		3rd Ex. Session	July 16, 2001	July 25, 2001	10	
2002	Regular	January 14, 2002	March 14, 2002	60	60 Days	
58th	2003	Regular	January 13, 2003	April 27, 2003	105	137 Days
		Ex. Session	May 12, 2003	June 10, 2003	30	
		2nd Ex. Session	June 11, 2003	June 11, 2003	1	
		3rd Ex. Session	December 5, 2003	December 5, 2003	1	
2004	Regular	January 12, 2004	March 11, 2004	60	60 Days	
59th	2005	Regular	January 10, 2005	April 24, 2005	105	105 Days
	2006	Regular	January 9, 2006	March 8, 2006	59	59 Days
60th	2007	Regular	January 8, 2007	April 22, 2007	105	106 Days
		Ex. Session	November 29, 2007	November 29, 2007	1	
	2008	Regular	January 14, 2008	March 13, 2008	60	
61st	2009	Regular	January 12, 2009	April 26, 2009	105	105 Days
	2010	Regular	January 11, 2010	March 11, 2010	60	90 Days
		Ex. Session	March 15, 2010	April 12, 2010	29	
		2nd Ex. Session	December 11, 2010	December 11, 2010	1	
62nd	2011	Regular	January 10, 2011	April 22, 2011	103	
		Ex. Session	April 26, 2011	May 25, 2011	30	
		2nd Ex. Session	November 28, 2011	December 14, 2011	17	
	2012	Regular	January 9, 2012	March 8, 2012	60	91 Days
		Ex. Session	March 12, 2012	April 10, 2012	30	
		2nd Ex. Session	April 11, 2012	April 11, 2012	1	
63rd	2013	Regular	January 14, 2013	April 28, 2013	105	156 Days
		Ex. Session	May 13, 2013	June 11, 2013	30	
		2nd Ex. Session	June 12, 2013	June 29, 2013	18	
		3rd Ex. Session	November 7, 2013	November 9, 2013	3	
	2014	Regular	January 13, 2014	March 13, 2014	60	
64th	2015	Regular	January 12, 2015	April 24, 2015	103	176
		Ex. Session	April 29, 2015	May 28, 2015	30	
		2nd Ex. Session	May 29, 2015	June 27, 2015	30	
		3rd Ex. Session	June 28, 2015	July 10, 2015	13	



A GUIDE TO THE WASHINGTON STATE BUDGET PROCESS

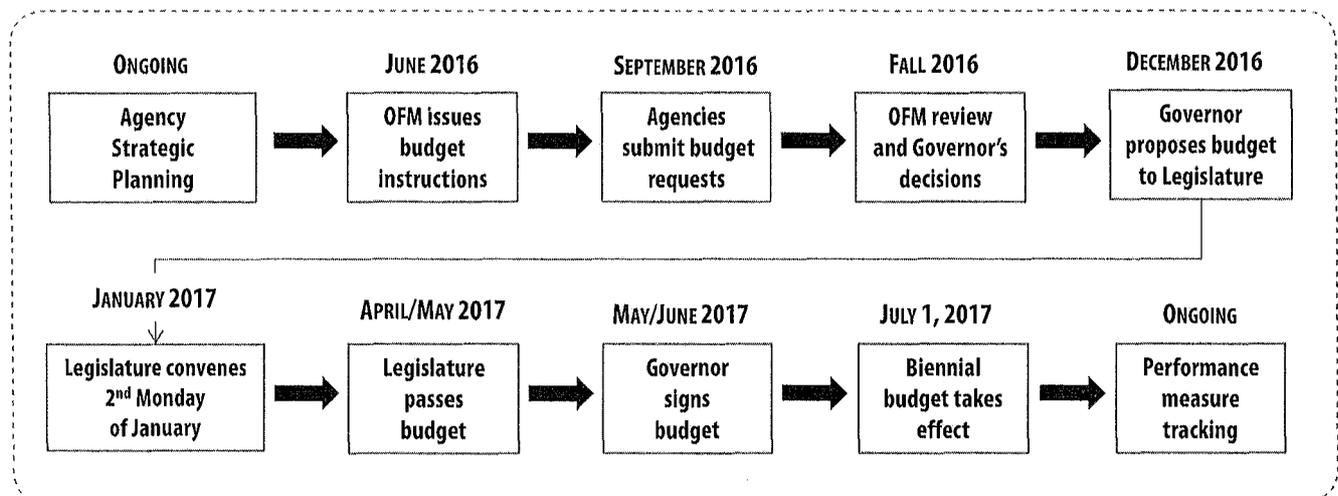
October 2015

This guide contains information on:

- The Biennial Budget Cycle
- Roles and Responsibilities in the Budget Process
- Budget Development Approach
- Budget and Accounting Structure
- Source of State Revenue
- Size and Distribution of the State Budget
- The General Fund-State Operating Budget
- State Staffing Levels
- Budget Drivers
- State Spending Limit
- The Debt Limit
- The Budget Stabilization Account
- Glossary of Budget-Related Terms

The Biennial Budget Cycle

Washington enacts budgets on a two-year cycle, beginning on July 1 of each odd-numbered year. The budget approved for the 2015–17 biennium remains in effect from July 1, 2015 through June 30, 2017. By law, the Governor must propose a biennial budget in December, the month before the Legislature convenes in regular session. The biennial budget enacted by the Legislature can be modified in any legislative session through changes to the original appropriations. Since the inception of annual legislative sessions in 1979, it has become common for the Legislature to enact annual revisions to the state’s biennial budget. These revisions are referred to as supplemental budgets.



Roles and Responsibilities in the Budget Process

State agencies are responsible for developing budget estimates and submitting budget proposals to the Governor. Once the budget is enacted by the Legislature and approved by the Governor, agencies implement approved policies and programs within the budgetary limits imposed by legislation. Under Washington's budget and accounting statutes, individual agency directors are accountable for carrying out the legal intent of appropriations.

The **Governor** recommends a budget to the Legislature consistent with executive policy priorities. Appropriation bills, like other legislation, are subject to gubernatorial veto authority and may be rejected in part or in their entirety within a defined number of days after legislative passage. After a budget is enacted, the Governor's general administrative duties include monitoring agency expenditures and helping to implement legislative policy directives.

The **Office of Financial Management (OFM)** coordinates the submittal of agency budget requests and prepares the Governor's budget recommendation to the Legislature. Budget staff from OFM work closely with state agencies to explain and justify planned expenditures. Analysts evaluate all budget requests for consistency with executive policy priorities and to ensure that proposed expenditures match fiscal constraints. OFM also is responsible for maintaining the state's central accounting system and developing certain population and demographic forecasts.

Through appropriations bills, the **Washington State Legislature** mandates the amount of money each state agency can spend and, in varying degrees of detail, directs agencies where and how to spend it. Washington's bicameral legislature consists of 49 members

in the Senate and 98 members in the House of Representatives. Specific fiscal committees have primary responsibility for preparation of the legislative budget. These include the Appropriations, Capital Budget, and Transportation committees in the House; and the Ways and Means and Transportation committees in the Senate.

The House and Senate employ staff analysts to help review and evaluate the state budget and to prepare appropriation bills. As with other legislation, if the two houses cannot agree on a budget or revenue proposal to implement the budget, a conference committee of legislators may be convened to reconcile the differences.

Beginning with the 2013–15 biennium, the Legislature must enact a budget that leaves a positive ending fund balance in the General Fund-State and related funds.

The **Economic and Revenue Forecast Council (ERFC)** is composed of representatives from both the legislative and executive branches. Each fiscal quarter, the council adopts an official forecast of General Fund-State (GF-S) revenues for the current and (at some point) the ensuing biennia. These forecasts, together with any reserves left over from previous biennia, determine the financial resources available to support estimated expenditures.

Beginning in 2012, the ERFC also became responsible for overseeing preparation of General Fund-State expenditure outlooks for future biennia. With the technical assistance of a State Budget Outlook Work Group consisting of legislative and executive staff, expenditure outlooks are published in November, January (for the Governor's budget proposal), and within 30 days of enactment of the operating budget.

The **Caseload Forecast Council** was created by the 1997 Legislature and began operations in the 1997–99 biennium. The council consists of two members appointed by the Governor and four appointed by the legislative political caucuses. The council prepares official caseload forecasts for state entitlement programs, including public schools, long-term care, medical assistance, foster care, adoption support, adult and juvenile offender institutions, and others.

The **State Expenditure Limit Committee**, consisting of legislators and representatives of the Governor and Attorney General, was established in 2000 to determine the state General Fund expenditure limit created by Initiative 601.

Budget Development Approach

In general, Washington state's budget process cannot be characterized by any single budget decision model. Elements of program, target, and the traditional line item budgeting associated with objects of expenditure (e.g., salaries, equipment) are all used along with a performance budgeting approach in decision-making.

For the 2015–17 biennial budget, agencies were required to re-base state program budgets to a level below the maintenance level budget request for programs not protected from reduction by either state constitutional provisions or by federal law. Agencies with protected programs and activities must continuously evaluate these services for improvements that can be achieved within current funding. But OFM asked all agencies to identify, describe and prioritize budget reductions equal to **15 percent** of unprotected Near General Fund-State (GF-S) maintenance level budgets. Options describing these reductions were the first step in a two-step agency budget process.

Prioritized budget reductions were also required from central service provider agencies and from agencies whose dedicated revenue is derived from, subsidized from, affects or interacts with the General Fund.

Budget reductions identified in the first step of the agency reduction process resulted in a re-based Near GF-S budget, below the levels necessary to sustain currently-authorized services and programs as they were currently delivered.

Agencies were then asked to submit budget requests for funding building off of this lower budget base. Decision packages requesting incremental funding above the new base budget level were submitted in ranked priority order, including both proposals to restore identified reductions necessary to achieve the lower base budget, as well as any new funding requests for services or enhancements not currently provided.

Budget and Accounting Structure

State government is organized into 114 agencies, boards, and commissions representing a wide range of services. While many state agencies report directly to the Governor, others are managed by statewide elected officials or independent boards appointed by the Governor. Most agencies receive their expenditure authority from legislative appropriations that impose a legal limit on operating and capital expenditures. Appropriations are authorized for a single account, although individual agencies frequently receive appropriations from more than one account.

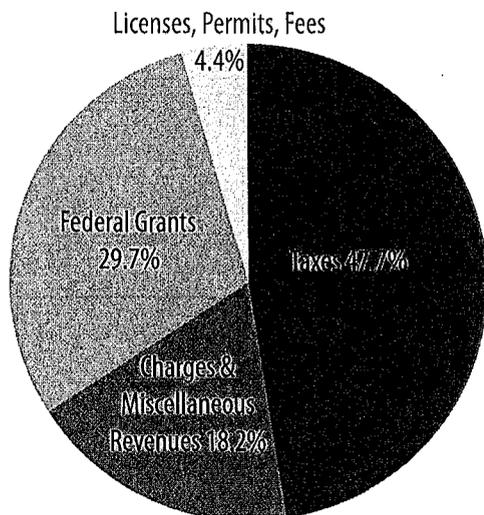
A few agencies are “nonappropriated,” meaning that they operate from an account that is legally exempt from appropriation. Expenditures by these agencies are usually monitored through a biennial allotment plan. There is no dollar limit as long as expenditures remain within available revenues and are consistent with the statutory purpose of the agency.

The state’s budget and accounting system includes more than 640 discrete accounts, which operate much like individual bank accounts with specific sources of revenue. The largest single account is the state General Fund. State collections of retail sales, business, property, and other taxes are deposited into this account. Expenditures from the state General Fund can be made for any authorized state activity subject to legislative appropriation limits.

Other accounts are less flexible. Certain revenues (for example, the motor vehicle fuel tax or hunting license fees) are deposited into accounts that can only be spent for the purpose established in state law. In budget terms, these are referred to as “dedicated accounts.”

Sources of State Revenue

Washington receives most of its revenue from taxes, licenses, permits and fees, and federal grants. Each individual revenue source is designated by law for deposit into specific accounts used to support state operating or capital expenditures.



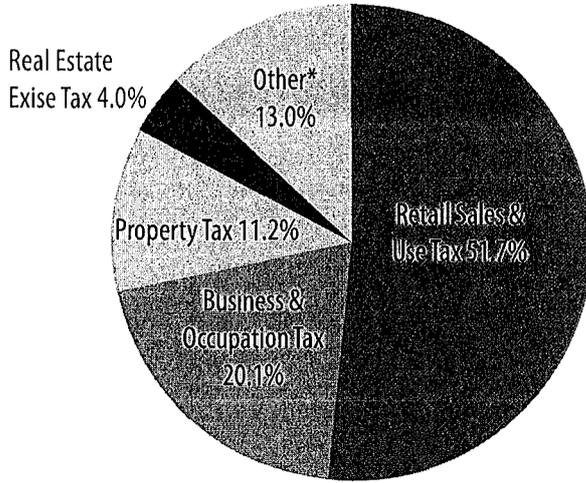
Sources of State Revenues – All Governmental Funds
2015–17 Biennium Estimates

Category	\$\$ in Millions
Taxes	\$39,854
Charges & Miscellaneous Revenues	15,239
Federal Grants	24,782
Licenses, Permits, Fees	3,650
Total	\$83,516

Source: 2015–17 Office of Financial Management budget database

Office of Financial Management, October 2015

The chart below displays the major revenue sources for General Fund-State expenditures in the current biennium. The Department of Revenue collects most of these revenues.



Sources of General Fund –State Revenue
2015–17 Biennium Estimates

Category	\$\$ in Millions
Retail Sales & Use Tax	\$19,167
Business & Occupation Tax	7,475
Property Tax	4,139
Real Estate Excise Tax	1,470
Other*	4,840
Total	\$37,091

*Other includes revenue from liquor sales, tobacco taxes, insurance premiums, etc.

Note: This chart reflects forecasted revenues only. Additional resources, such as prior biennium balances or transfers from other funds, may be included in the budgetary balance sheet.

Office of Financial Management, October 2015

Size and Distribution of the State Budget

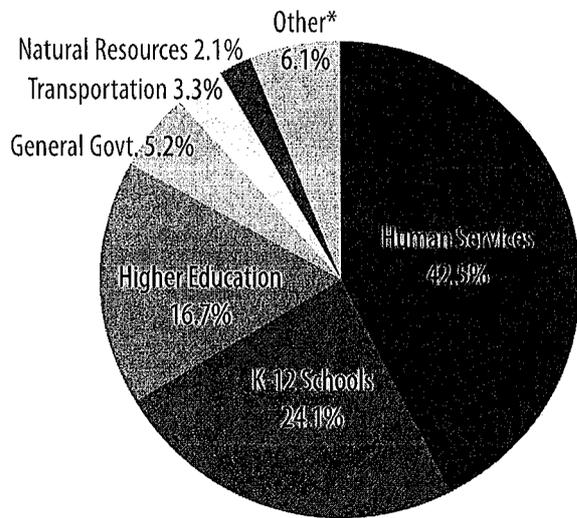
The state’s current operating budget for the 2015–17 biennium (from all fund sources) is \$82.9 billion. A separate capital budget finances major building, renovation, and land acquisition projects. The 2015–17 (non-transportation) capital budget for new projects is \$3.7 billion. An additional \$2.9 billion is available in reappropriated funds to allow the completion of capital construction projects authorized in previous biennia. Roads, bridges, and other transportation capital projects are budgeted at \$4.2 billion. (Total operating/capital budget = \$93.7 billion.)

Operating expenditures are supported by general state tax revenues, federal funds, dedicated tax and fee revenues, and other miscellaneous sources, such as earned interest and lottery receipts. The capital budget is primarily funded through general obligation bonds (\$3.5 billion in 2015–17) and cash revenues from dedicated accounts. The debt service on non-transportation general obligation bonds is paid by General Fund-State resources in the operating budget.

State operating expenditures can be grouped into seven broad categories of services:

- » Human Services, such as mental health and other institutions, public assistance, health care, and correctional facilities.
- » Public Schools, which represents state support for kindergarten through grade 12 (K-12) education.
- » Higher Education in public universities, community colleges, and technical schools.
- » Natural Resources include expenditures for environmental protection and recreation.
- » Transportation, which includes highway maintenance, state ferry operations, and the Washington State Patrol.
- » General Government, including the administrative, judicial, and legislative agencies.
- » Other (miscellaneous) expenses, such as the payment of debt service and pension contributions for local law enforcement, firefighters, and judges.

The chart below shows the distribution of operating expenditures from all funds for the 2015–17 biennium.



Distribution of 2015–17 State Operating Expenditures All Funds

Category	\$\$ in Millions
Human Services	\$35,266
K-12 Schools	20,008
Higher Education	13,827
Other*	5,095
General Government	4,311
Transportation	2,705
Natural Resources	1,715
Total	\$82,927

*Other includes debt service, pension contributions to Law Enforcement Officers and Fire Fighters (LEOFF) and Judges, other education agencies and special appropriators

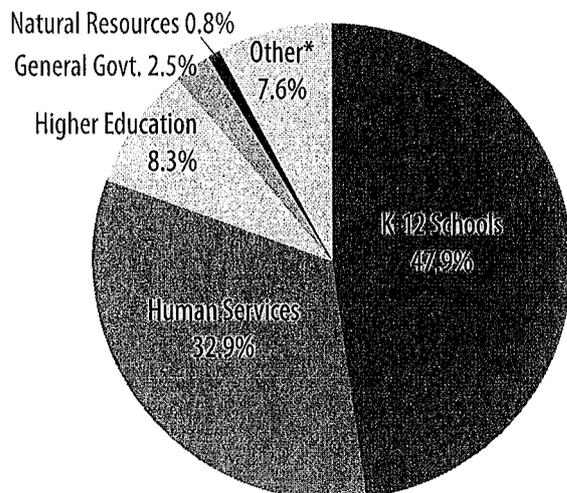
Source: 2015–17 operating budget database

Office of Financial Management, October 2015

The General Fund-State Operating Budget

Approximately \$37.5 billion of the state operating budget for 2015–17 is supported by General Fund-State (GF-S) tax and fee revenues and reserves. Because the Governor and Legislature have the greatest discretion over how these state revenues are spent, programs supported by GF-S receive substantial attention during budget deliberations.

The following chart shows the distribution of estimated General Fund-State expenditures for the 2015–17 operating budget. The majority of the state General Fund is spent on education, which includes the state share of funding for public schools (K-12), four-year colleges and universities, and two-year community and technical colleges.



Distribution of 2015–17 State Operating Expenditures State General Fund

Category	\$\$ in Millions
K-12 Schools	\$17,975
Human Services	12,334
Higher Education	3,103
Other*	2,855
General Government	931
Natural Resources	309
Total	\$37,507

*Other includes debt service, pension contributions to Law Enforcement Officers and Fire Fighters (LEOFF) and Judges, other education agencies, transportation and special appropriators

Source: 2015–17 operating budget database, does not reflect \$173 million in assumed underexpenditures

Office of Financial Management, October 2015

General Fund-State Expenditure Trends 1991–93 to 2015–17*

BIENNIUM	DOLLARS IN MILLIONS	CHANGE IN MILLIONS
1991–93	\$15,179.9	\$2,357.6
1993–95	16,315.1	1,135.2
1995–97	17,732.4	1,417.3
1997–99	19,157.8	1,425.4
1999–01	21,046.4	1,888.6
2001–03	22,548.8	1,502.4
2003–05	23,671.7	1,122.9
2005–07	27,766.1	4,094.4
2007–09	29,233.1	1,467.0
2009–11	29,858.7	625.6
2011–13*	30,758.5	899.8
2013–15	32,750.3	1,991.8
2015–17	37,507.3	4,757.0

**The 2015–17 biennial amount is based on appropriations as of June 2015. The 2015–17 amount does not reflect \$173 million in assumed underexpenditures. Dollars have not been adjusted for inflation.*

Legislation passed in 2009 merged six accounts into General Fund-State (Public Safety and Education, Equal Justice, Water Quality, Violence Reduction and Drug Enforcement, Student Achievement, and Health Services Accounts). Dollars in biennia prior to 2009-11 have not been adjusted for this merger.

State Staffing Levels

For budget purposes, the number of state employees is measured in Full Time Equivalent (FTE) staff years (i.e., one person working 40 hours a week for a full year is counted as one FTE staff year). Two persons working half-time also count as one FTE. Although the state provides funding for compensation for local school teachers, this support is in the form of grants. Therefore, K-12 teachers are not considered state employees in statewide FTE counts.

The current state budget assumes approximately 111,030 FTEs (Fiscal Year 2016) on an annual basis, with the largest number of people employed in higher education institutions, correctional facilities, state social service and health agencies, and transportation agencies.

Budget Drivers

In addition to new policies adopted by the Governor, Legislature, or federal government, the state budget can also be significantly influenced by demographic and economic factors. Differences in these “budget drivers” affect the cost of services or number of persons requiring services. An example of the demographic connection appears in K-12 education, where expenditures for the state’s constitutionally mandated responsibilities for basic education are closely tied to the number of school-age children in the state. Higher-than-average inflationary costs – such as those for medical expenses – also affect expenditures in the state budget.

State Spending Limitations

State expenditures are restricted to available revenues, and governed by the General Fund-State expenditure limit (Initiative 601) and balanced budget requirements.

Expenditure Limit (Initiative 601):

Annual expenditures from General Fund-State are restricted by the expenditure limit.

Generally speaking, the expenditure limit is the actual spending level from the prior year multiplied by the fiscal growth factor, plus or minus any adjustments required by statute.

The fiscal growth factor is the average growth in state personal income for the prior ten fiscal years. Each November, the State Expenditure Limit Committee adjusts the limit for the

previous and current fiscal year, and projects a limit for the following two years. Temporary expenditures above the limit are allowed after declaration of an emergency and a law passed by two-thirds vote of the Legislature and signed by the Governor.

Balanced Budget Requirement:

Beginning in 2013-15, the Legislature is required by law to adopt an operating appropriations bill that leaves a positive ending balance in the General Fund and related accounts. Furthermore, the projected maintenance cost of the budget must not exceed available fiscal resources in the next biennium.

The Debt Limit

With certain exceptions noted below, the amount of state general obligation debt that may be incurred is limited by the Washington State Constitution. The constitutional debt limitation prohibits the issuance of new debt if the aggregate debt contracted by the state would exceed the amount for which payments of principal and interest in any fiscal year would require the state to expend more than 9 percent of the arithmetic mean of general state revenues for the three immediately preceding fiscal years. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.

Under the constitution, "general state revenues" includes all state money received in the state treasury, with certain **exceptions**, including:

- » fees and revenues derived from the operation of any undertaking, facility, or project;
- » moneys received as gifts, grants, donations, aid, or assistance when the terms require the

application of such moneys otherwise than for general purposes of the state;

- » retirement system moneys and performance bonds and deposits;
- » trust fund money, including money received from taxes levied for specific purposes; and
- » proceeds from sale of bonds or other indebtedness.

In November 2012, voters approved an amendment to the constitutional limit specifying that (1) beginning July 1, 2014, general state revenues will be averaged over the six immediately preceding fiscal years; (2) for the purpose of the calculation, the definition of general state revenue will be expanded to include property taxes received by the state; and (3) the 9 percent constitutional limit on debt service will be reduced to 8 percent by July 1, 2034 (in downward steps to 8.5 percent starting July 1, 2014, to 8.25 percent starting July 1, 2026, and finally to 8.0 percent starting July 1, 2034). The amendment was intended to stabilize

The Debt Limit

and smooth the state's ability to borrow, gradually reduce the state's long-term debt burden, and lower the share of the operating budget used to pay principal and interest on debt. In some years, the new constitutional limits are anticipated to be more restrictive than the previously approved statutory working debt limits.

The amount of new bonded capital program affordable under the debt limit can change depending upon:

- » the amount of previously-approved projects carried forward in the capital budget,
- » changes in revenue forecasts that increase or decrease general state revenues,
- » changes in the make-up of funds included in general stat revenues,
- » changes in the interest rates at which bonds are sold.

The Budget Stabilization Account

ESSJR 8206, passed by the voters in November 2007, established the Budget Stabilization Account, also referred to as the "Rainy Day Fund."

By June 30th of each fiscal year, the State Treasurer transfers an amount equal to one percent of the general state revenues deposited into the General Fund for that fiscal year to the Budget Stabilization Account.

Moneys may be appropriated from the Budget Stabilization Account by a majority vote of each house of the Legislature if: (1) forecasted state employment growth for any fiscal year is less than 1 percent; or (2) the Governor declares an emergency resulting from a catastrophic event that requires government action to protect life or public safety. Other withdrawals from the Budget Stabilization Account may be made only by a three-fifths vote of the Legislature.

Glossary of Budget-Related Terms

Account — An independent budget and accounting entity with a self-balancing set of accounts representing all related resources, obligations and reserves. Most accounts are set up in state law to isolate specific activities.

Allotment — An agency's plan of estimated expenditures and revenues for each month of the biennium.

Appropriation — The legislative authorization to make expenditures and incur obligations from a particular account. Appropriations typically limit expenditures to a specific amount and purpose within a fiscal year or biennial timeframe.

Biennium — A two-year fiscal period. The biennium in Washington State runs from July 1 of an odd-numbered year to June 30 of the next odd-numbered year.

Bow Wave — Any additional cost (or savings) that occurs in the future because a budget item in the current biennium is not fully implemented. Example: A program started in the last six months of this biennium might cost \$100,000. If that program operates for a full 24 months next biennium, costing \$400,000, then the current biennium budget decision is said to have a bow wave of \$300,000.

Budget Drivers — Economic or demographic factors that have a significant effect on the state budget. Examples: inflation rate changes or state population in certain age groups.

Budget Notes — A legislative fiscal staff publication that summarizes the budget passed by the state Legislature. This publication is usually distributed a few months after the end of the legislative session. Budget notes provide guidance but do not have the same legal implications as appropriation bill language.

Capital Budget and Ten-Year Capital Plan —

The long-term financing and expenditure plan for acquisition, construction or improvement of fixed assets such as land and buildings.

Debt Limit — Washington State’s legal restriction (RCW 39.42.130) on the amount that can be paid for debt service on bonds, notes or other borrowed money. The Washington State Constitution (Article 8, Section 1(b)) mandates that payments of principal and interest in any fiscal year cannot exceed 9 percent of the arithmetic mean of general state revenues for the three preceding fiscal years. This debt limit of 9 percent of revenues is to be reduced in downward steps to 8 percent by July 1, 2034.

Dedicated Accounts — Accounts set up by law to receive revenue from a specific source and to be spent for a specific purpose.

Entitlement — A service or grant that, under state or federal law, must be provided to all eligible applicants.

Fiscal Note — A statement of the estimated fiscal impact of proposed legislation. This cost estimate is usually developed by the state agencies affected by the bill, and then approved and communicated to the Legislature by the Office of Financial Management.

Fiscal Year — A 12-month period used for budget and accounting purposes. The state fiscal year runs from July 1 through June 30 of the following year, and is named for the calendar year in which it ends (e.g., July 1, 2012 through June 30, 2013 is state Fiscal Year 2013). The federal fiscal year runs October 1 through September 30.

Full-Time Equivalent (FTE) — As a unit of measure of state employees: refers to the equivalent of one person working full-time for one year (approximately 2,088 hours of paid staff time). Two persons working half-time also count as one FTE. As a unit of measure of students in K-12 or higher education facilities: refers to the equivalent of one student attending class full-time for one school year (based on fixed hours of attendance, depending on grade).

General Fund-State — The general fund represents all financial resources and transactions not required by law to be accounted for in other accounts. General Fund-State (GF-S) refers to the basic account that receives revenue from Washington’s sales, property, business and occupation, and other general taxes, and is spent for operations such as public schools, social services and corrections.

General Obligation Bonds — Bonds whose repayment is guaranteed by the “full faith and credit” of the state.

GMAP — Government Management, Accountability, and Performance was a management initiative focused on improving the results of state government. Agency directors reported in regular meetings with the Governor on the most important management and policy challenges. Reports focused on performance in measurable terms. GMAP was closed out April 24, 2013 to transition to Results Washington.

Incremental Budgeting — Any budget development approach that focuses on incremental changes to a previous spending level or other defined expenditure base.

Initiative 601 — A law on state budget restrictions approved by voters in the November 1993 general election. Its primary requirements are: an expenditure limit based on inflation and population growth (applicable to state General Fund expenditures only); an emergency reserve account for any GF-S revenues above the expenditure limit; a percentage limit on how much state fees can be raised without legislative approval; and a two-thirds legislative vote requirement on certain state tax increases.

Lean — Lean is a systematic approach to improving value to customers by eliminating waste. The focus is on the customer and the work steps (or “value stream”) that create products or services for customers. Lean thinking, tools, and techniques offer an opportunity to streamline business processes to save time, effort and money that can be better used on what customers value most.

Maintenance Level — A projected expenditure level representing the estimated cost of providing currently authorized services in the ensuing biennium. It is calculated using current appropriations, the bow wave of legislative intentions assumed in existing appropriations (costs or savings), and adjustments for trends in entitlement caseload/enrollment and other mandatory expenses. This number establishes a theoretical base from which changes are made to create a new budget.

Nonappropriated Funds — Moneys that can be expended without legislative appropriation. Only funds in accounts specifically established in state law as being exempt from appropriation fall into this category.

Operating Budget — A biennial plan for the revenues and expenditures necessary to support the administrative and service functions of state government.

Performance Measure — A quantitative indicator of how programs or services are directly contributing to the achievement of an agency's objectives. These indicators may include measures of inputs, outputs, outcomes, productivity, and/or quality.

Priorities of Government (POG) — Washington's adaptation of the "Price of Government" budget approach first developed by Peter Hutchinson and David Osborne. This form of budgeting focuses on statewide results and strategies as the criteria for purchasing decisions.

Proviso — Language in budget bills that places conditions and limitations on the use of appropriations. Example: "Up to \$500,000 of the General Fund-State appropriation is provided solely for five additional inspectors in the food safety program."

RCW — The Revised Code of Washington (RCW) is the compilation of all permanent state laws now in effect. It is a collection of session laws (enacted by the Legislature and signed by the Governor, or enacted via the initiative process), arranged by topic, with amendments added and repealed laws removed. It does not include temporary laws such as appropriations acts.

Reappropriation — Capital budget appropriation that reauthorizes the unexpended portion of previously appropriated funds. Capital projects often overlap fiscal periods and it is necessary to reauthorize some expenditure authority to ensure project completion.

Reserve or Fund Balance — In budget terminology, the difference between budgeted resources and expenditures.

Results Washington — Results Washington combines the best aspects of previous performance management and performance budgeting efforts such as Government Management Accountability and Performance (GMAP) and Priorities of Government (POG) with a significantly expanded Lean initiative that will involve all state agencies.

Reversion — Unused appropriation authority. If an agency does not spend all its appropriation in the timeframe specified by the budget, the authorization to spend that dollar amount expires.

Supplemental Budget — Any legislative change to the original budget appropriations.

Fully Funding Basic Education AA

Agency: 350 Office of Superintendent of Public Instruction
Budget Period: 2015-17

Recommendation Summary Text:

Superintendent Dorn believes that to meet the state’s “paramount duty,” a significant step must be made towards fully funding basic education. This step is part of a five year plan to meet our state’s responsibilities and constitutes additional funding in state fiscal year 2017 of approximately \$172.8 million. As part of this plan, the state must “do no harm” when providing these increases to districts. Currently the compensation levels funded by state dollars pay about 80% of the actual cost of each teacher. Levy funds make up the difference and reliance on levies grows with each new state funded teacher.

Fiscal Detail

Operating Expenditures		FY 2016	FY 2017	Total
General Fund	001-01	\$0	\$172,879,000	\$172,879,000
Total Cost		\$0	\$172,879,000	\$172,879,000

Staffing	FY 2016	FY 2017	Annual Avg.
Total FTEs Requested	0.0	0.0	0.0

Package Description:

Background

Education: The Paramount Duty

“It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex.”

– Article IX, Washington State Constitution

This provision of our constitution seems perfectly clear, but for most of our state’s history, we have struggled to implement it.

In 1978, a state Supreme Court decision reiterated the state’s constitutional obligation to pay for basic education, and that court decision resulted in the creation of the funding formulas and levy laws now in the Revised Code of Washington (RCW).

In 1991 Governor Gardner created the Governor’s Council on Education Reform and Funding (GCERF), which led to the creation of the Commission on Student Learning.

This resulted in the state’s 1993 school reform legislation, which established the learning goals now in the RCW. The 1993 law recognized that dramatic changes in our economy and technology had raised the bar for students, and that higher levels of skill and knowledge would be required for meaningful participation in the emerging knowledge-driven world.

Fully Funding Basic Education AA

In 2006, Washington Learns—a Governor-led study of Washington's cradle-to-career education system—called for raising the educational attainment of citizens even further.

Following the work of Washington Learns, the Joint Task Force on Basic Education Finance (Task Force) was commissioned to (1) review the current definition of basic education and the associated funding formulas, (2) develop options for a new funding model, and (3) propose a new definition of basic education.

In the years after the Supreme Court's *Seattle School District* ruling the legislature has conducted over 17 studies (not including research for specific legislation or projects) to address the school financing concerns for public schools.

These studies and others over the last 30 years have all come to the same conclusion; basic education in Washington State is not fully funded.

The Washington Supreme Court ruled in *McCleary vs. State* that the state has not complied with its Article IX, Section 1 duty to make ample provision for the education of all children in Washington. The court references a promising reform package under ESSB 2261 (2009), which includes fully funding full day kindergarten, reducing class sizes, increasing allocations for other school and district based staffing, and funding MSOC at the level adopted by the Quality Education Council.

Additionally the Court has identified salaries as a significant area of underfunding by the State, in fact noting that the use of levy funds for basic education compensation is unconstitutional.

Current Situation

While the legislature has increased state funding for K-12 education by about \$982.2 million in the 2013-15 biennium and by about \$1.44 billion in the 2015-17 biennium, substantial investments are still required in order to comply with the Supreme Court decision.

The funding provided in the 2013-15 biennium included fully funding the transportation formula in school year 2014-15.

The funding provided in the 2015-17 biennium included full funding of MSOC values in the school year 2015-16, a reduction of class sizes for grades Kindergarten through third grade (K-3) and All-day Kindergarten is fully implemented at 100 percent of Kindergarten enrollment by the 2016-17 school year.

Proposed Solution

Superintendent Dorn confirms the need for education to be fully funded, and puts forth this budget package as a means of achieving full compliance with Article IX, section 1

Fully Funding Basic Education AA

by 2020-21. This proposal phases in the full funding values over the next five school years in order to comply with the 2020-21 school year timeline.

OFM reports that over 7,000 teachers will be needed to meet the original HB 2776 class size requirements. Some of this commitment has been met by the beginning implementation of state-funded all-day kindergarten. In addition, some of this total may be currently being met by teachers funded by local levies. However, the delay in implementing the class size reduction requirements of HB 2776 until the 2015-17 biennium clearly raises into question the capacity of the current teacher pipeline and justifies an extension of the timeline outlined in this proposal.

In addition, a fundamental school finance principle must be to do no more harm to the magnitude of underfunding for basic education when implementing current or new legislative programs and initiatives. Because the state only pays a portion of the true compensation cost for each teacher, implementing new policies such as class size reduction and full day kindergarten increase districts reliance on local levies. Many districts pay 20%-30% in additional compensation for every teacher out of local levy dollars. More teachers equal a higher reliance on levy funds. This issue is directly related to the state underfunding compensation for each and every state funded FTE.

Contact person

- Michelle Matakas – (360) 725-6019 (calculations)
- JoLynn Berge – (360) 725-6292 (policy)

Narrative Justification and Impact Statement:

What specific performance outcomes does the agency expect?

More students participating in full-day kindergarten and lower class sizes will result in increased student achievement. This is limited to situations in which FDK and lower class sizes are not already provided through local levy funds.

Initially OSPI expects that this funding will help to reduce school districts' reliance on local levy funds to support the program of basic education, especially in the area of compensation. In the long term OSPI expects that this additional funding will provide districts with the tools they need to continue to improve the quality of instruction they provide to students and will ultimately increase student achievement.

Performance Measure Detail

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Superintendent Dorn's top priority since being elected to the position is to fully fund basic education.

Reason for change:

Fully Funding Basic Education AA

Does this decision package provide essential support to one of the Governor's priorities?

This decision package supports fully funding basic education, a top priority of the Governor.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, describe.

Full funding supports Goal 1: World-class education.

What are the other important connections or impacts related to this proposal?

This decision package implements progression towards full funding education values as proposed by the technical work groups created under HB2261.

Impact on Other State Programs

What alternatives were explored by the agency, and why was this alternative chosen?

N/A

What are the consequences of not funding this package?

The Supreme Court could pursue additional legal action to force the state to comply with its constitutional requirement to fully fund basic education.

What is the relationship, if any, to the state's capital budget?

The reduction of high poverty class sizes and expanding full day kindergarten funding will create capacity needs for some school districts.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

Staffing values in RCW 28A.150.260 would need to be amended.

Expenditure and revenue calculations and assumptions:

Revenue Calculations and Assumptions:

N/A

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Expenditure Calculations and Assumptions:

School year expenditure calculations are based on anticipated SY 2015-16 enrollment as projected forecast council. Inflation assumed for new units only. Models used to derive calculated values are

The following table shows the proposed funding drivers contributing to the cost of this request.

Full Day Kindergarten

School Year	Current Year 2015-16	2016-17	2017-18	2018-19
Percentage of Students Served	71.88	81.30	100.00	100.00

Class Sizes

Kindergarten Class Size	22:1	21.75:1	20:1	20:1
Kindergarten Class Size Poverty	18:1	18:1	17:1	17:1
Grades 1-3 Class Size	23/24/25:1	23.14:1	22.09:1	21.05:1
Grade 1 High Poverty	19:1	18.98:1	18.32:1	17.66:1
Grades 2-3 High Poverty	22/24:1	21.26:1	19.84:1	18.42:1
Grades 4-6 Class Size	27:1	27:1	27:1	26:1
Grades 7-12 Class Size	28.74:1	28.74:1	28.74:1	28.74:1
Grades 7-12 CTE Class Size	26.57:1	26.57:1	19:1	19:1
Grades 9-12 Skill Center	22.76:1	22.76:1	16:1	16:1
Lab Science Class Size	19.98:1	19.98:1	19:1	19:1

School Level and Districtwide Support Staff

School Year	Current Year 2015-16	2016-17	2017-18	2018-19	2019-20
Principals (Elem/Mid/High)	1.253 / 1.353 / 1.880	1.253 / 1.353 / 1.880	1.265 / 1.365 / 1.885	1.277 / 1.377 / 1.890	1.288 / 1.388 / 1.895
Librarian	0.663 / 0.519 / 0.523	0.663 / 0.519 / 0.523	0.747 / 0.639 / 0.642	0.832 / 0.760 / 0.762	0.916 / 0.844 / 0.844
Guidance Counselor	0.493 / 1.216 / 2.539	0.493 / 1.216 / 2.539	0.495 / 1.412 / 2.779	0.497 / 1.608 / 3.020	0.499 / 1.796 / 3.265

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Health/Social Services	0.135 / 0.068 / 0.118	0.135 / 0.068 / 0.118	0.351 / 0.301 / 0.339	0.568 / 0.534 / 0.559	0.78
Teaching Assistant	0.936 / 0.700 / 0.652	0.936 / 0.700 / 0.652	1.001 / 0.849 / 0.769	1.066 / 0.998 / 0.887	1.13
Office Support	2.012 / 2.325 / 3.269	2.012 / 2.325 / 3.269	2.314 / 2.501 / 3.297	2.616 / 2.677 / 3.326	2.91
Custodian	1.657 / 1.942 / 2.965	1.657 / 1.942 / 2.965	2.124 / 2.320 / 3.352	2.591 / 2.698 / 3.739	3.05
Student & Staff Safety	0.079 / 0.092 / 0.141	0.079 / 0.092 / 0.141	0.084 / 0.196 / 0.287	0.089 / 0.299 / 0.432	0.09
Family Engagement	0.083 / 0.000 / 0.000	0.083 / 0.000 / 0.000	0.231 / 0.169 / 0.169	0.380 / 0.338 / 0.338	0.52
District Technology Staff	0.628	0.628	0.974	1.319	
Facilities, Maint & Grounds	1.813	1.813	2.540	3.266	
Warehouse, Laborers, & Mech	0.332	0.332	0.392	0.452	

Categorical Program Hours Per Week

School Year	Current Year 2015-16	2016-17	2017-18	2018-19	
Highly Capable (Grades K-6 / Grades 7-12)	2.1590 / 2.1590	3.0272 / 2.3472	3.8954 / 2.5354	4.7636 / 2.7236	5.6
Learning Assistance Program (Grades K-6 / 7-12)	2.3975 / 2.3975	2.6680 / 2.9180	2.9385 / 3.4385	3.2090 / 3.9590	3.4
Learning Assistance Program Class Size (K-6 / 7-12)	15.0 / 15.0	13.2 / 15.0	11.4 / 15.0	9.6 / 15.0	
Transitional Bilingual Program (Grades 7-8 / 7-12)	4.7780 / 4.7780	5.0224 / 5.4224	5.2668 / 6.0668	5.5112 / 6.7112	5.7

Fully Funding Basic Education AA

Professional Development

School Year	Current Year 2015-16	2016-17	2017-18	2018-19	
New Teacher Training Mentors (hours per week: 1yr / 2yr / 3yr)	0.00 / 0.00 / 0.00	0.50 / 0.38 / 0.25	1.00 / 0.75 / 0.50	1.50 / 1.13 / 0.75	2
Professional Development Days for CIS Staff	0.0	2.5	5.0	7.5	

Compensation

Increased Funded Salary Levels for Certificated Instructional Staff	\$34,457	\$34,663	\$36,887	\$39,620	
Increased Funded Salary Levels for Certificated Administrative Staff	\$58,682	\$77,412	\$94,870	\$112,328	
Increased Funded Salary Levels for Classified Staff	\$32,247	\$35,866	\$39,403	\$42,941	
Do No Harm Certificated Instructional Salary*	\$41,956	\$41,956	\$41,956	\$41,956	
Do No Harm Certificated Administrative Salary*	\$112,985	\$112,985	\$112,985	\$112,985	
Do No Harm Classified Salary*	\$42,923	\$42,923	\$42,923	\$42,923	

*3% Increase to S275 SY 2014-15 District Average salary assumed

Fully Funding Basic Education AA

Total Cost by School Year is found in the chart below:

Expenditure Category	2015-16	2016-17	2017-18	2018-19	2019-20
Early Elementary Class Sizes	\$0	(\$201,578,000)	(\$313,256,000)	(\$239,882,000)	(\$150,000,000)
<i>Do No Harm to Local Levy</i>	\$0	\$13,570,921	\$21,188,376	\$23,490,338	\$26,000,000
Later Grade Class Sizes	\$0	\$0	\$109,525,000	\$149,127,000	\$220,000,000
<i>Do No Harm to Local Levy</i>	\$0	\$0	\$2,819,902	\$4,113,401	\$7,000,000
School/District Support Staff		\$0	\$303,667,000	\$617,602,000	\$940,000,000
<i>Do No Harm to Local Levy</i>		\$0	\$23,766,737	\$47,548,419	\$71,000,000
Program Hours	\$0	\$49,680,000	\$107,091,000	\$175,632,000	\$250,000,000
<i>Do No Harm to Local Levy</i>	\$0	\$8,603,690	\$18,629,136	\$30,839,634	\$46,000,000
Professional Development	\$0	\$64,207,701	\$136,120,629	\$210,808,293	\$290,000,000
<i>Do No Harm to Local Levy</i>	\$0	\$4,728,733	\$10,024,936	\$15,525,492	\$21,000,000
Compensation	\$0	\$200,610,821	\$714,927,970	\$1,310,953,641	\$1,670,000,000
<i>COLA Do No Harm to Local Levy</i>		\$76,274,685	\$124,582,371	\$177,974,816	\$230,000,000
LEA	\$0	\$0	\$10,081,000	\$31,980,000	\$67,000,000
Grand Total	\$0	\$216,098,551	\$1,269,168,058	\$2,555,713,034	\$3,700,000,000

Fully Funding Basic Education AA

Object Detail

		FY 2016	FY 2017	Total
A	Salary and Wages	\$0	\$0	\$0
B	Employee Benefits	\$0	\$0	\$0
C	Contracts	\$0	\$0	\$0
E	Goods/Services	\$0	\$0	\$0
G	Travel	\$0	\$0	\$0
J	Equipment	\$0	\$0	\$0
N	Grants	\$0	\$0	\$0
	Interagency Reimbursement	\$0	\$0	\$0
	Other	\$0	\$172,879,000	\$172,879,000
Total Objects		\$0	\$172,879,000	\$172,879,000

Expenditures & FTEs by Program

Activity Inventory Item	Prog	Staffing			Operating Expenditures		
		FY 2016	FY 2017	Avg	FY 2016	FY 2017	Total
A038-Basic Education	021				\$0	\$126,252,000	\$126,252,000
A039 Highly Capable Program	045				\$0	\$2,480,000	\$2,480,000
A005 Migrant and Bilingual Education	060				\$0	\$2,503,000	\$2,503,000
A016 Academic Support For Struggling Students	061				\$0	\$41,644,000	\$41,644,000
Total Activities					\$0	\$172,879,000	\$172,879,000

Six-Year Expenditure Estimates

Fund	15-17 Total	17-19 Total	19-21 Total
General Fund 001-1	\$172,879,000	\$3,356,959,000	\$7,754,765,000
Expenditure Total	\$172,879,000	\$3,356,959,000	\$7,754,765,000
FTEs	0.00	0.00	0.00

Fully Funding Basic Education AA

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

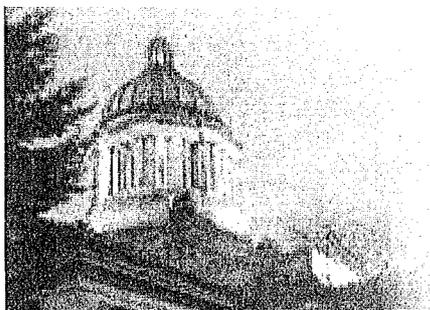
Costs are all ongoing.

Comparison between Estimated Levy & LEA with and without Cliff Dropoff in 2018
00000 - State Totals

	Estimated Levy & LEA based on current law with 2015-17 Budget				Estimated Levy & LEA based on 2%	
	2016	2017	2018	2019	2016	2017
Levy Base	\$ 9,871,799,704	\$ 10,746,893,431	\$ 9,115,193,931	\$ 9,317,931,999	\$ 9,871,799,704	\$ 10,746,893,431
Per Pupil Inflation	4.27%	1.09%	2.20%	2.81%	4.27%	1.09%
Levy Base with PPI	\$ 10,638,210,332	\$ 10,959,422,208	\$ 9,478,982,308	\$ 9,793,048,184	\$ 10,638,210,332	\$ 10,959,422,208
Levy Authority Percentage	29.34%	29.34%	25.35%	25.35%	29.34%	29.34%
Levy Authority after Transfers	\$ 3,121,474,514	\$ 3,215,578,266	\$ 2,402,939,835	\$ 2,483,101,806	\$ 3,121,474,514	\$ 3,215,578,266
Percent Levy Equalization (LEA)	14%	14%	12%	12%	14%	14%
Max LEA	\$ 386,789,366	\$ 399,434,113	\$ 299,377,721	\$ 306,864,824	\$ 386,789,366	\$ 399,434,113
Estimated Levy Revenue	\$ 2,374,187,976	\$ 2,389,203,378	\$ 1,997,029,701	\$ 2,059,065,590	\$ 2,374,187,976	\$ 2,389,203,378
Estimated LEA	\$ 384,232,562	\$ 396,108,724	\$ 298,683,402	\$ 306,105,848	\$ 384,232,562	\$ 396,108,724
Estimated District Levy + LEA	\$ 2,758,420,538	\$ 2,785,312,102	\$ 2,295,713,103	\$ 2,365,171,438	\$ 2,758,420,538	\$ 2,785,312,102
Estimated District Levy Gain / (Loss)	\$ -	\$ -	\$ (389,999,500)	\$ (337,535,438)	\$ -	\$ -
Estimated District LEA Gain / (Loss)	\$ -	\$ -	\$ (90,546,148)	\$ (92,035,412)	\$ -	\$ -
Estimated District Levy + LEA Gain / (Loss)	\$ -	\$ -	\$ (480,545,648)	\$ (429,570,850)	\$ -	\$ -

Summary of Losing Districts with 2018 Cliff

Number of 2016 LEA Districts	211
Number of Districts who will Lose LEA completely with 2% drop	3
Number of Districts at or close to max who will lose levy dollars	146
LEA districts that are also losing Levy dollars	91



TWIO

This Week In Olympia

January 11, 2016

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- Charter Schools

About TWIO

***This Week in Olympia* is emailed to active WASA and AEA members each Friday during the Legislative Session and is posted on WASA's website at www.wasa-oly.org/TWIO.**

Join us at the 2016 WASA/WSSDA/WASBO Legislative Conference, Jan. 31–Feb. 1. Register now at www.wasa-oly.org/Leg16

Opening Day Special Edition

2016 Session Preview

On Monday, January 11, 2016, the Legislature convened its second year of the 64th Biennial Session. During the “short” session, limited to 60 days, policymakers traditionally focus on policy issues while the two-year budget is fine-tuned. There appears to be little appetite among legislators to advance any major initiatives—either budget- or policy-related—this year. In terms of the budget, there is little available revenue to play with. The **four-year budget outlook**, adopted by the Economic & Revenue Forecast Council in November, projects just \$359 million in the Ending Fund Balance (not counting another \$891 million in the difficult-to-access Budget Stabilization Account). And much of that available revenue is already spoken for. Just two examples of required funding will gobble up the majority of the available Ending Fund Balance: approximately \$150 million to pay for last summer's worst-ever fire season; and \$180 million to cover rising Medicaid caseloads and other health care costs. This does not account for any additional *McCleary*-related spending or spending on other priorities of the Legislature. Because 2016 is an election year—with all 98 seats in the House and half (25 of 49) the Senate seats on the ballot in November—there will also be little willingness to expand available revenues.

On the policy front, the Legislature continues to have divided control, with Democrats holding the majority in the House and Republicans in charge of the Senate. Knowing that many policy issues will advance in one house only to be scuttled in the opposite house, will surely limit attempts to make major policy changes. However, given a presumed stalemate between the houses on policy legislation there is every reason to believe that there will be behind-the-scenes horse trading of bills and potentially hostage taking in an effort to force bills through the process. Charter schools legislation appears to be one of those issues that will be used as leverage this session—more on that later.

Even though the 2016 Session could very well end up being like 60 days on a rocking horse—a lot of motion, but no progress—school administrators must not sit on their hands. There are multiple, pressing priority education issues that need to be addressed by the Legislature, including: action on a “full and complete plan” to fully fund basic education; implementing and funding an updated educator compensation system; and implementing a funding solution that lessens local school districts' overreliance on levies. While legislators appear reticent to act on these issues anytime soon, it remains incumbent upon administrators to remain engaged. Our efforts may not be successful; however, not participating in the legislative process will ensure our failure.

Opening Day Special Edition:
continued

Use *TWIO* and other WASA legislative resources to engage with your local representatives. Continue to build relationships with your local legislators so they know that you are the “go to” person when education issues are being discussed in the Legislature. Tell your “story” and remind legislators of your schools’ needs. Keep the pressure on by reminding legislators about their funding obligations under the constitution and under the Supreme Court’s Orders in the *McCleary v. State* education funding case; however, remind them upholding their constitutional duty is not simply an obligation—it is the right thing to do. And remind them that K–12 education is not just another budget expenditure, it is a wise and sound investment in the state’s future.

For a more in-depth review of the 2016 Legislative Session, please see **WASA’s 2016 Session Preview** (PowerPoint presentation).

WASA 2016 Legislative Platform

The core of WASA’s advocacy in 2016 continues to focus largely on education funding. Aligning with WASA’s goals, the centerpiece of the **2016 Legislative Platform**—as recommended by the WASA Legislation & Finance Committee and adopted by the WASA Board of Directors— is the ongoing effort to hold the Legislature accountable for delivering on the state’s “paramount duty,” complying with the Supreme Court’s orders in the *McCleary* education funding decision. Although the Legislature provided basic education enhancements in 2013, 2014, and 2015, those payments were substantially less than the state promised during the *McCleary* trial. As the 2018 deadline for full compliance rapidly approaches, the Legislature must significantly ramp up its investment in the paramount duty.

Since the current two-year budget was adopted, revenues have increased moderately beyond forecasted expectations, about \$245 million more than predicted in June. This is more evidence the state’s economy is beginning to rebound. Unfortunately, increases in state expenses continue to outpace growth in revenue. Since June, state costs (mandatory maintenance level increases and unanticipated expenses) have grown more than \$700 million. Washington’s four-year “balanced budget” is now on track to be almost \$500 million in the hole in 2017–19. The current state budget structure simply cannot accommodate the required increases in basic education or meet other state needs. The second point of the 2016 Platform specifically requests the enhancement of state revenues to ensure the Legislature is able to fully comply with its paramount duty to fully fund basic education and also prevent drastic reductions of other necessary government services. “Fully funding” basic education would be meaningless if services our students and families rely on in non-education budgets are slashed.

The third point of the platform centers on educator compensation. The failure of the Legislature to meet its constitutional obligation to adequately fund educator salaries continues to force an unconstitutional overreliance on local levies. We will continue to urge the Legislature to fully fund a restructured and competitive compensation system—and fund those basic education labor costs first, before any potential reduction of local levies.

The 2016 Platform’s final point addresses school construction. We will be urging the Legislature to: (1) provide a significant enhancement in school construction funding to ensure the state is amply funding the actual cost of constructing facilities necessary to fully implement the required reduction of class sizes and full-day kindergarten; and (2) advance a constitutional amendment to the people to authorize school district bond issues to be approved with a simple majority vote.

Levy Cliff

Opening Day Special Edition:
continued

In the midst of the “Great Recession,” legislators were cutting state funding for numerous state programs. K–12 education was not immune from those budget cutting exercises. In an effort to offset state funding cuts to education, legislation was adopted in 2010 to expand school district levy capacity. The bill (**SHB 2893**) increased levy lids by four percent and increased state funding for Local Effort Assistance (LEA or levy equalization) by two percent. Because education finance reform had been adopted in 2009 with an expected full funding and implementation by 2018, the bill made the levy and LEA increases temporary with a sunset date of January 1, 2018.

WASA has been strongly advocating for the state to fulfill its constitutional obligation to fully fund basic education salary costs. Unfortunately, it has become very clear legislators will likely not even make much of an effort (other than a lot of talking) to solve the problem this session. Even legislators who are our strongest advocates have publicly stated there will not be enough time, energy or political will to solve the compensation/levy reform conundrum in 2016. In the absence of any legislative fix addressing compensation and levy reform, school districts across the state are scheduled to collectively lose almost a **half billion dollars** in local levy capacity and LEA funding beginning in the 2017–18 school year. School districts will have difficulty meeting financial obligations, forcing deep budget cuts, and substantial employee layoffs.

Anticipating the lack of action on compensation/levy reform, WASA has turned its attention to protecting districts from the detrimental impacts of the oncoming “levy cliff.” While we will still push for short-term and long-term solutions to the compensation and levy question, WASA (along with WASBO and other education associations) will be encouraging legislators to temporarily extend the sunset of the levy lid and LEA or other provisions that will hold school district budgets harmless until the Legislature meets the full cost of basic education employee compensation and addresses levy reform. (This issue was addressed by the **WASA Board of Directors** after the 2016 Legislative Platform has already been adopted.) A growing number of legislators are beginning to understand the impact of the levy cliff; however, most believe this issue can be addressed in 2017. Because of the **timing of school districts’ budgeting processes**, the 2017 Session is too late to fix this problem.

Two bills have already been introduced to deal with this issue. **SB 6183**, sponsored by Sen. Rosemary McAuliffe (D-Bothell), would continue the current levy rules (that is, 28 percent levy authority and 14 percent LEA) through 2020. Between 2021 and 2024, the levy lid would be phased down by one percent per year (to 24 percent) and LEA would be phased down by 0.5 percent per year (to 12 percent). The second bill, **HB 2361**, sponsored by Rep. Kris Lytton (D-Anacortes), would extend the current statutory policies on local levy lids and LEA for two years, through calendar year 2019—with the idea the Legislature is still on schedule to implement full funding of basic education by 2018. That may be a stretch; however, it seems clear Rep. Lytton does not want to relieve any pressure on the Legislature to comply with *McCleary* by the Supreme Court’s ordered deadline.

McCleary v. State Update

Speaking of *McCleary*, the Legislature continues to be in Contempt of Court and the \$100,000 per day sanctions remain in place because there has yet to be action to adopt “a complete plan for fully implementing its program of basic education.” Last fall, Governor Inslee convened a *McCleary* Workgroup, comprised of two members of each of the four political caucuses, and charged them with coming up with a plan. The group met several times, but it appeared they were going nowhere fast. Late last week, however, **Inslee announced** they had agreed upon “next steps” for K–12 funding reforms. He

Opening Day Special Edition:
continued

noted that the group was “able to find common ground and develop a good foundation for answering the very difficult questions related to our next steps for financing K–12 education.” One of the Workgroup members, Rep. Lytton, stated, “A bipartisan group of legislators were tasked with answering the Supreme Court’s request for a plan to meet our responsibility of fully funding basic education. Today we have a plan that moves us forward.”

After no action and no perceived motions for months, it was a positive sign that there was agreement among a disparate group of legislators. Some of that positive emotion was quelled however when the legislation containing the proposed “plan” was released. **HB 2366** and its identical companion **SB 6195**, prime sponsored by Rep. Lytton and Sen. Ann Rivers (R-La Center), respectively, is more of a study than a plan. **The Olympian Editorial Board** noted appropriately, “In a new definition of what passes for progress, Washington lawmakers are working on a plan to fix the state school funding problem. More accurately, we might call it a plan to have a plan.” Rather than providing a required “complete plan” to fully fund basic education, both bills establish (yet another) Education Funding Task Force to further study the problem at hand. A consultant must be hired to collect and analyze various K–12 data and then the Task Force is required to “review the data and analysis...and make recommendations to the Legislature on implementing the program of basic education as defined in statute.” How this plan (perhaps it should be called “further delay”) will appease the Court is unclear.

It appears there is at least general agreement among the four caucuses to move forward with this plan. SB 6195 is expected to be heard by the Senate Early Learning & K–12 Education Committee on Monday, January 18. It is anticipated that the bill will be fast-tracked through the process.

Charter Schools

Initiative 1240, a citizen initiative to establish “public charter schools” in Washington was adopted by the voters in November 2012. A coalition of groups, including WASA, filed a lawsuit seeking to overturn the new law because it diverted public funding to private organizations not subject to oversight by voters. In December 2013, King County Superior Court Judge Jean Rietschel upheld the new charter schools law, but found that the Initiative unconstitutionally designated charter schools as “common schools.” The Judge found these provisions to be severable from the rest of the Initiative and ruled the remaining provisions could be implemented.

The lower court decision was appealed to the State Supreme Court and on September 4, 2015, they struck down Initiative 1240 in its entirety. The Court, in a 6–3 decision affirmed the lower court’s ruling that the newly established charter schools cannot qualify as “common schools” because they are run by an appointed board or nonprofit organization and are not subject to local voter control (that is, via a locally elected school board). The Supreme Court, however, determined that the Initiative’s invalid provisions were not severable and, therefore, the entire Initiative was ruled unconstitutional.

The State Attorney General and charter advocates filed briefs requesting the Court reconsider its decision. On November 19, however, the Court announced it would not reconsider its decision, which was set to go into effect in early-December. When the ruling became effective, the state funding tap would be sealed. This set off a scramble among the state’s already established nine charter schools to determine how to operate without state funding. Private fundraising began, but charter advocates found another short-term solution. Using existing laws, eight of the nine charter schools became affiliated with Mary Walker School District (outside of Spokane) as an Alternative Learning Experience (ALE). ALEs allow for off-campus instruction and the charter schools report to the school district, putting them in line with state requirements.

Opening Day Special Edition:
continued

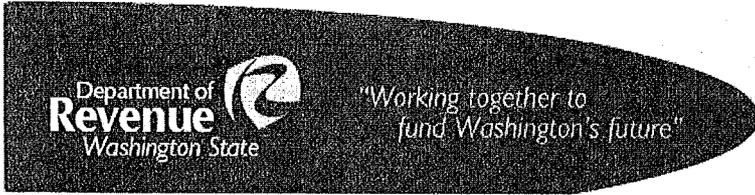
The ALE route is a short-term solution while legislation is attempted to fix a supposed “glitch” in the charter school law. Two bills have already been filed that attempt to make the charter schools constitutional. The first, **SB 6163**, sponsored by **Sen. Andy Billig** (D-Spokane) would make charter schools accountable to locally elected school boards, making them constitutional and able to continue to receive funding. Under the bill, a charter option for local school districts would be created but a district would not be required to create a district charter school.

The second bill, **SB 6194**, sponsored by **Sen. Steve Litzow** (R-Mercer Island), would make a series of “updates” to the charter school law, including directing charter school funding to come from the state’s Opportunity Pathways Account, which is funded by state lottery revenues. It seems this would also be unconstitutional because the established charter schools would receive state funding (albeit from a narrow revenue source), but would not be under the control of locally elected school boards.

Other bills are expected, but these two bills were pre-filed before session and have already been scheduled for public hearing tomorrow, January 12, in the Senate Early Learning & K–12 Education Committee. While both bills will be heard, it is likely only SB 6194 will move. It is anticipated it will be acted on in executive session on Thursday—and it is anticipated to be fast-tracked through the Senate. Sen. Litzow, Chair of the Committee, has indicated this bill is his priority this session and has threatened to block any other education policy bills from being acted upon in his Committee until the House acts on the charter bill. It is unclear if he will follow through with his threat; however, last year he closed down his Committee when the House failed to act on one of his pet projects. This could be a “fun” session.



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FIND TAXES & RATES > RETAIL SALES TAX

Retail sales tax

- What is retail sales tax?
- What exemptions are available?
- Are sales to tribal members subject to retail sales tax?
- How can I tell if I'm considered a Washington resident?
- What is destination-based sales tax?

What is retail sales tax?

Retail sales tax is Washington's principal tax source. Businesses making retail sales in Washington collect sales tax from their customer.

Here is some more helpful information

Generally, a retail sale is the sale of tangible personal property. It is also the sale of services such as installation, repair, cleaning, altering, improving, construction, and decorating. Other services include improving real or personal property, amusement and recreational activities, lawn maintenance, and physical fitness activities. See Services Subject to Sales Tax for examples of retail services. Further, sales of digital products to consumers are retail sales.

Retail sales tax includes the state and local components of the tax. Sales tax amounts collected are considered trust funds and must be remitted to the Department of Revenue.

The seller is liable to the Department of Revenue for sales tax, whether or not it is collected.

Use tax is paid by the consumer when the retail sales tax was not collected by the seller/service provider.

Businesses that make a purchase for resale must provide a reseller permit to the seller. If not, the seller must charge the buyer retail sales tax on the total purchase.

Businesses also pay the retail sales tax on purchases of items for their own use (such as supplies or equipment) that will not be resold in the regular course of business.

Similarly, when a business purchases a retailing service for its own use, it must pay sales tax on the purchase.

What exemptions are available?

Common exemptions include:

- Food
- Prescription Drugs
- Sales to Nonresidents
- Federal Government Sales
- Interstate and Foreign Sales
- Manufacturers' Machinery and Equipment Exemption
- Sales to Indians or Indian Tribes
- Newspapers

For a complete list of exemptions, see our list of retail sales and use tax exemptions.

Are sales to tribal members subject to retail sales tax?

Retail sales tax is not imposed on sales to Indians if the tangible personal property is delivered to the member or tribe in Indian Country or if the sale takes place in Indian Country. See our Indian Tax Guide for more information.

How can I tell if I'm considered a Washington resident?

Persons are considered residents of this state for sales and use tax purposes if they take actions which indicate that they intend to live in this state on more than a temporary or transient basis.

A person may be considered a resident of this state even though the person is a resident of another state.

More information

- Information for consumers
- Indian issues
- Industry specific guides
- Reseller permits
- Residency definition
- Sales to nonresidents
- Tax incentives
- Tax Rate Lookup Tool

Forms & publications (pdf)

- Destination-based Sales Tax
- List of Sales and Use Tax Rates
- QuickBooks Quarterly Tax Rate Tables
- Local Sales and Use Tax Addendum

References

- WAC 458-20-145



The Department of Revenue presumes that a person is a resident of this state if he or she does any of the following:

- Maintains a residence in Washington for personal use;
- Lives in a motor home or vessel which is not permanently attached to any property if the person previously lived in this state and does not have a permanent residence in any other state;
- Is registered to vote in this state;
- Receives benefits under one of Washington's public assistance programs;
- Has a state professional or business license in this state;
- Is attending school in this state and paying tuition as a Washington resident or is a custodial parent with a child attending a public school in this state;
- Uses a Washington address for federal or state taxes;
- Has a Washington State driver's license; or
- Claims Washington as a residence for obtaining a hunting or fishing license, eligibility to hold public office or for judicial actions.

Persons may rebut the presumption of residency if they provide other facts which show that they do not intend to reside in this state on either a temporary or permanent basis. A Washington resident who intends to move at a future date, however, will be considered a Washington resident.

What is destination-based sales tax?

Effective July 1, 2008, retailers must collect local sales tax based on the destination of the shipment or delivery – "destination-based sales tax."

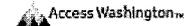
Read more about destination-based sales tax

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[Bill Information](#) > [SB 6195 - 2015-16](#)

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SB 6195 - 2015-16 [\(What is this?\)](#)

[Comment on this bill](#) [\(What is this?\)](#)

Concerning basic education obligations.

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History of the Bill

as of Tuesday, March 1, 2016 5:50 PM

Sponsors: Senators [Rivers](#), [Rolfes](#), [Litzow](#), [Billig](#)

Companion Bill: [HB 2366](#)

2016 REGULAR SESSION

- Jan 8 Prefiled for introduction.
- Jan 11 First reading, referred to Early Learning & K-12 Education. [\(View Original Bill\)](#)
- Jan 18 Public hearing in the Senate Committee on Early Learning & K-12 Education at 1:30 PM. [\(Committee Materials\)](#)
- Jan 28 Executive action taken in the Senate Committee on Early Learning & K-12 Education at 8:00 AM. [\(Committee Materials\)](#)
EDU - Majority; 1st substitute bill be substituted, do pass.
[\(View 1st Substitute\)](#) [\(Majority Report\)](#)
 And refer to Ways & Means.
 Minority; do not pass. [\(Minority Report\)](#)
- Jan 29 Referred to Ways & Means.
- Feb 3 Public hearing in the Senate Committee on Ways & Means at 3:30 PM. [\(Committee Materials\)](#)
- Feb 9 Executive action taken in the Senate Committee on Ways & Means at 1:30 PM. [\(Committee Materials\)](#)
WM - Majority; 2nd substitute bill be substituted, do pass.
[\(View 2nd Substitute\)](#) [\(Majority Report\)](#)
 Minority; do not pass. [\(Minority Report\)](#)
Passed to Rules Committee for second reading.
- Feb 12 Placed on second reading by Rules Committee.
- Feb 16 **2nd substitute bill substituted (WM 16).** [\(View 2nd Substitute\)](#)
 Floor amendment(s) adopted.
 Rules suspended. Placed on Third Reading.
 Third reading, passed; yeas, 26; nays, 23; absent, 0; excused, 0.
[\(View Roll Calls\)](#) [\(View 1st Engrossed\)](#)

IN THE HOUSE

Feb 18 Read first time, rules suspended, and placed on second reading calendar.
 Rules suspended. Placed on Third Reading.
 Third reading, passed; yeas, 66; nays, 31; absent, 0; excused, 1.
[\(View Roll Calls\)](#)

IN THE SENATE

Feb 23 President signed.

IN THE HOUSE

Speaker signed.

OTHER THAN LEGISLATIVE ACTION

Feb 24 Delivered to Governor. [\(View Bill as Passed Legislature\)](#)

Feb 29 Governor signed.

Chapter 3, 2016 Laws.

Effective date 2/29/2016.

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Available Documents

Bill Documents	Bill Digests	Bill Reports
Original Bill	Bill Digest	Senate Bill Report (Orig.)
Substitute Bill (EDU 16)	Substitute Bill Digest	Senate Bill Report
Second Substitute (WM 16)	Second Substitute Bill Digest	Engrossed Second Substitute Senate Bill Report
Engrossed Second Substitute		Engrossed Second Substitute House Bill Report
Bill as Passed Legislature		

Amendments

Amendment Name	Num	Sponsor	Type	Description	Action
6195-S2 AMS RIVE S4767.1	625	Rivers	Floor	Striker	ADOPTED 02/16/2016

Fiscal Note (Available)

[Get Fiscal Note](#)

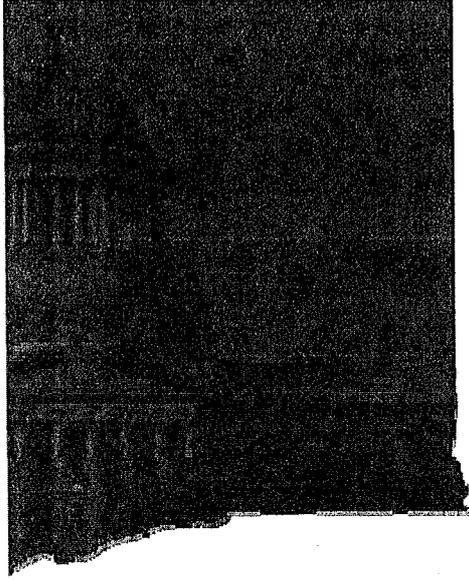
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Available Videos (Video links take you to the TVW website)

Live video is available at the stated time. Archived video becomes available approximately two hours after the close of the hearing or floor session.

There are no videos available for this bill at this time.

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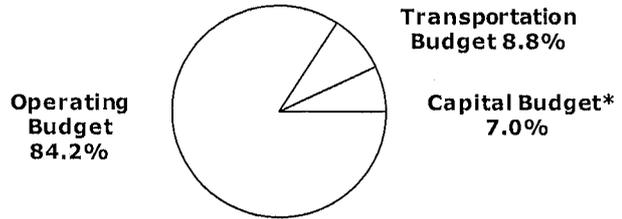
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HOW BIG IS THE STATE BUDGET?

As of the 2016 Legislative Session, the State of Washington will spend a total of \$93.7 billion for the 2015-17 biennium (or about \$128 million per day on average during the two-year spending period). This \$93.7 billion includes amounts from three different budgets, which are plans of how the state will spend the money. The relative size of each of the three state budgets is shown in the following chart:



2015-17 State Budgets
(Dollars in Billions)

Operating Budget	\$78.9
Transportation Budget	\$8.3
Capital Budget*	\$6.6
Total	\$93.7

*Includes Capital Re-appropriations.

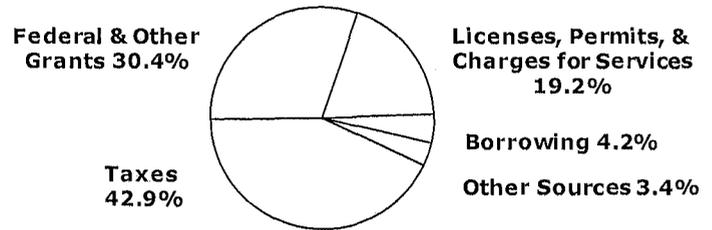
Sources: Winsum and Bulldsum budget development systems for the 2015 Session.

- The budget that pays for the day-to-day operations of state government (including federal funds and dedicated funds) is called the **Operating Budget (\$78.9 billion)**.
- The budget that pays for transportation activities, such as designing and maintaining roads and public transit, is called the **Transportation Budget (\$8.3 billion)**. This budget includes amounts for both transportation operating activities (\$4 billion) and transportation capital activities (\$4.2 billion).
- The budget to acquire and maintain state buildings, public schools, higher education facilities, public lands, parks, and other assets is called the **Capital Budget (\$6.6 billion)**.

Budget-related materials frequently refer to the “Near GF-S & Opportunity Pathways Account” which make up the largest state fund group; they represent nearly half of the \$78.9 billion operating budget. A

WHERE DOES THIS MONEY COME FROM?

To pay for its activities in 2015-17, the state will tax citizens and businesses \$40.2 billion; receive federal and other grants of \$28.5 billion; collect fees and assess charges for licenses and permits of \$18 billion; and borrow \$3.9 billion. Other sources, including transfers, account for \$3.2 billion. The relative size of each of these sources is shown in the following chart:



2015-17 Sources of Revenue
(Dollars in Billions)

Taxes	\$40.2
Federal & Other Grants	\$28.5
Licenses, Permits, & Charges for Services	\$18.0
Borrowing	\$3.9
Other Sources (including Transfers)	\$3.2
Total 2015-17 Sources of Revenue	\$93.8

Source: OFM Revsum database for 2015-17 as of January 2016, adjusted by legislative staff.

Most of the money the state uses to pay for services comes from state taxes. Washington's major tax sources include the sales tax, the property tax, and a rather unique tax called the Business and Occupation (B&O) tax, which is a tax on gross receipts rather than on profit or income. Washington is one of seven states that does not levy a personal income tax.

BUDGET BY FUNCTION?

of the \$93.7 billion 2015-17 total funds



Budgeted Expenditures* (in Billions)

	\$35.5
	\$21.3
	\$14.9
	\$6.9
	\$5.9
	\$4.1
	\$5.1
Total	\$93.7

Higher Education accounts for 16% of total budgeted spending. Higher education includes support for state four-year schools and community and technical colleges.

Nearly \$7 billion is planned to be spent for **Transportation** services and construction in the 2015-17 biennium. These services and construction include highways, state ferries, and other transportation programs in the Washington State Department of Transportation (DOT); the Washington State Patrol (WSP); and the Department of Licensing (DOL), to name the three largest. Of that \$6.9 billion, transportation operating activities account for more than \$2.5 billion (2.7% of statewide spending), and transportation capital activities account for \$4.2 billion (4.5% of total spending).

Other major spending categories include **Natural Resources** (agencies for environmental protection, management, and recreation); **Governmental Operations** (administrative, judicial, and legislative agencies); and other expenditures, such as the payment of **Debt Service** (the interest and principle costs of facilities and services funded through general obligation bonds).

development systems for the 2015 Session.

cal and public assistance, long-term represents 38% of total budgeted programs are partnerships between t, with the federal government and the state providing the rest. The e out of every three citizens, on children residing in Washington. of kindergarten through twelfth grade largest category of total budgeted presents the majority of the state

EXPENDITURE BY OBJECT?

ending is to identify what the state spends on contractors and vendors for services for K-12 education; salaries and benefits for buildings and lands, and other services are called "objects" of expenditure. The objects of expenditure for a single fiscal year for which complete object data



Expenditures by Object*

Object Category	Amount (in Billions)
Salaries & Benefits	\$24.1
Goods & Services	\$8.8
Capital Outlays	\$4.3
All Other	\$2.2
Debt Service	\$2.4
Total	\$41.8

*Operating, Transportation, and Capital Budgets. Accounting system.

Half of state spending (58%) is for Salaries & Benefits. Spending on this object occurs primarily in the Office of the Superintendent of Public Instruction and grants to K-12 school districts; the Health Care Authority (HCA), as payments for medical assistance; and \$4.6 billion to the Department of Social and Health Services (DSHS), as for long-term care service payments. Many other expenditures in grants, benefits,

The \$8.8 billion **Salaries and Benefits** expenditure provided compensation to the 110,500+ full-time equivalent (FTE) staff that the state directly employed in FY2015. In addition to salaries and wages, this amount includes health, life, and disability insurance; Old Age and Survivors Insurance (OASI is sometimes referred to as "Social Security"); retirement and pensions; and other employee benefits.

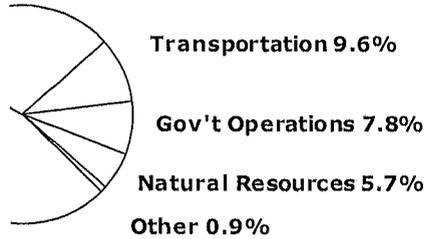
The \$4.3 billion **Goods and Services** expenditure in FY2015 paid for things like supplies, medications at state-operated hospitals, food at colleges and universities, and small equipment (valued at under \$5,000 per item), as well as services such as data processing, security, rentals and leases, communications, utilities, printing, insurance, training, and vehicle maintenance.

The \$2.2 billion **Capital Outlays** expenditure in FY2015 paid for highway construction (\$1 billion), buildings (\$316 million), and architectural & engineering services (\$263 million), among others. The Washington State Department of Transportation (DOT) accounted for nearly two-thirds (64%) of these expenditures (\$1.4 billion), while higher education--the four-year institutions and the community and technical colleges--accounted for 20% (\$455 million).

The **All Other** category of objects includes debt service, personal service contracts, travel, and transfers that total \$2.4 billion.

YEES ARE THERE?

counts its employees in terms of full-TE equals 2,088 paid hours per fiscal t of as one full-time position, although le part-time positions. As the -17 biennium, the state's budgets nual FTEs.



TE Staff for 2015-17

50,555
34,270
10,764
8,759
6,381
1,044

111,773

, Transportation, and Capital Budgets.
development systems for the 2015 Session.

he largest category of state
iversity of Washington includes nearly
e than 16,000 FTE staff in the budget
lleges.

Services. More than 17,600 FTE
nt of Social and Health Services and
he Department of Corrections.
ion employ 99% of the staff in this
ton State Department of

Transportation (6,900 budgeted FTEs), Washington State Patrol (2,400), and the Department of Licensing (1,300).

Similarly, in **Natural Resources**, the largest employers are the Departments of Ecology (1,680 budgeted FTEs), Fish and Wildlife (1,600), and Natural Resources (1,500).

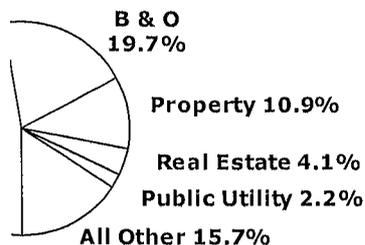
In the preceding chart, **Other** includes the Office of the Superintendent of Public Instruction (OSPI) with 390 budgeted FTEs and the Department of Early Learning with 271 budgeted FTEs. They are the only agencies in this category with budgets that exceed 150 FTEs.

Of the nearly 111,800 budgeted FTEs, the Near General Fund- State will pay for approximately 35%. Higher Education non-appropriated funds will pay for nearly 33%, federal funds will pay for nearly 11%, and numerous dedicated funds will pay the remaining 22%.

Nearly 107,000+ FTEs work in K-12 local school districts. These employees are not included in the FTEs that the state directly employs.

OPPORTUNITY PATHWAYS?

gislature primarily focuses on as part
 it process. These funds are: (1) the
 gacy Trust Account; (3) Pension
 . (4) Opportunity Pathways Account.
 Near GF-S & Opportunity Pathways
 ; chart:



Sources of Opportunity Pathways Revenue in Billions)

	\$18.0
B & O)	\$7.5
	\$4.1
	\$1.6
	\$0.8
	\$6.0
	\$37.9

ast, November 2015 (Cash Basis).

the Near GF-S and Opportunity
 in revenues. Nearly half of that
 tax. The second largest tax is the
 x, which accounts for 20%. The third
 which accounts for nearly 11% of the

x, and the state property tax account
 nity Pathways revenues. In addition,
 e taxes, use taxes, a public utility tax,
 nber of other smaller taxes. (For a

description of these and other state taxes, refer to the Washington State Department of Revenue web site at <http://dor.wa.gov>.)

The major difference between the Near GF-S and Opportunity Pathways revenues (\$37.9 billion) and the total of all budgeted funds revenues (\$93.8 billion) is the dedication of revenue sources to specific uses. Most of the difference can be attributed to four types of funds:

- Federal funds for specific federal programs (\$24.8 billion)
- Higher Education-specific funds such as the Grants and Contracts Account, Higher Education Dedicated Local Accounts, the Tuition and Fees Account, and the University of Washington Hospital Account (\$10.7. billion)
- Bonds for capital purposes (\$3.9 billion)
- Gas taxes for transportation purposes (\$3.1 billion)

These four sources account for more than 76% of the difference between revenues available for all state government budgets and the Near GF-S and Opportunity Pathways budget.

OPPORTUNITY PATHWAYS

sources, the Near GF-S and gives the most attention during the 2015-17 biennium, the state will spend about \$52 million per day on Opportunity Pathways. The following chart shows the breakdown of Opportunity Pathways Account



State & Opportunity Pathways

(in Billions)

\$18.2
\$12.3
\$3.5
\$0.9
\$0.3
\$3.0
\$38.2

system for the 2015 Session.

Public Schools, which includes state schools account for 22.7% of total state spending. This percentage will increase to 45.7% when state and pathways. In the 2015-17 biennium, the state will spend more than \$10 billion on public education funding for more than

consists primarily of the operating budget for Health Services, the State's umbrella program for income assistance to citizens in need, and the State's Medicaid program which provides medical assistance

to citizens in need. It also includes spending for the Department of Corrections and the Department of Health.

Higher Education spending includes funding for six public universities, and thirty-four community colleges and technical schools serving more than 233,000 FTE students. It also includes state financial aid to approximately 70,100 students attending both state supported and private colleges and universities. Expenditures for higher education represent 15.9% of all budgeted funds and 9.2% of the Near GF-S and Opportunity Pathways. In addition to money from Near GF-S and Opportunity Pathways, higher education receives \$10.7 billion of dedicated revenues, principally grants and contracts, and tuition and fees.

Other Near GF-S and Opportunity Pathways spending categories include **Natural Resources, Governmental Operations, Other Education, Transportation** and other expenditures such as the payment of **Debt Service**.

HO UP YEAR AFTER YEAR?

because there are either more citizens and/or because citizens may request education may be the easiest example

Washington State Constitution declares, "the state to make ample provision for the living within its borders ..." The cost of education takes nearly half of the state budget. There were approximately 800,000 K-12 public schools. In 2015-17, the state has more than 1,000,000 children. The cost of education for 10,000 children costs billions of dollars. The population of the state increased by more than 1 million people. There are more taxpayers to shoulder these

costs for equipment, and energy cost more in the overall cost of educating each

In 2010, the Legislature passed new legislation. Referred to as "education reform," it continues to change the cost of education. The budget to increase.

TED?

The Legislature and the Governor decide on the budget. State agencies, the Governor, the Legislature, and the public are all involved in this process. The budget is adopted on a two-year (biennial) basis, beginning on July 1. For example, the current budget is for the period from June 30, 2016 to June 30, 2017. In the 2016 legislative session, the Legislature will adopt a supplemental budget, which is a budget for the 2015-17 biennium from July 1 to June 30, 2017.

In the summer and early fall of each even-numbered year, the Legislature submits budget requests to the Office of Management and Enterprise Services. The Governor reviews the requests and submits her budget proposal.

The Governor's Budget - By law, as the chief executive officer of the state, the Governor must propose a biennial budget in December of even-numbered years, the month before the Legislature convenes in its regular session. The Governor's budget is his or her proposed spending and taxation plan for the biennium.

The Legislative Budget Process - After receiving the Governor's budget proposal, the Legislature reviews it and formulates its own budget during the legislative session which begins in January. The chairs of the Senate Ways and Means Committee and House Appropriations Committee work with their respective members and staffs to analyze the Governor's budget and develop recommendations and alternative proposals. The transportation portions of the budget are developed by separate committees in the House and Senate. By tradition, the initiation of the budget alternates between chambers each biennium.

After each chamber has passed its version of the budget, the differences between the two must be reconciled in the budget conference process. Generally, six fiscal leaders representing both chambers and both political parties meet as a conference committee to prepare one legislative budget that is submitted to the full Legislature for final passage and then ultimately delivered to the Governor for his or her signature.

The Governor may veto all or part of the budget, thereby eliminating funding for certain activities; however, the Governor cannot add money for an activity for which the Legislature provided no funding. Only after the Legislature passes a budget and the Governor signs it has the state created a real budget.

Supplemental Budgets - Each year, the Legislature considers changes to the biennial budget in what is called a Supplemental Budget. Generally, such changes represent mid-course corrections to the two-year spending plans to account for changes in school enrollments, prison populations, public assistance caseloads, or significant changes in the economy of the state.

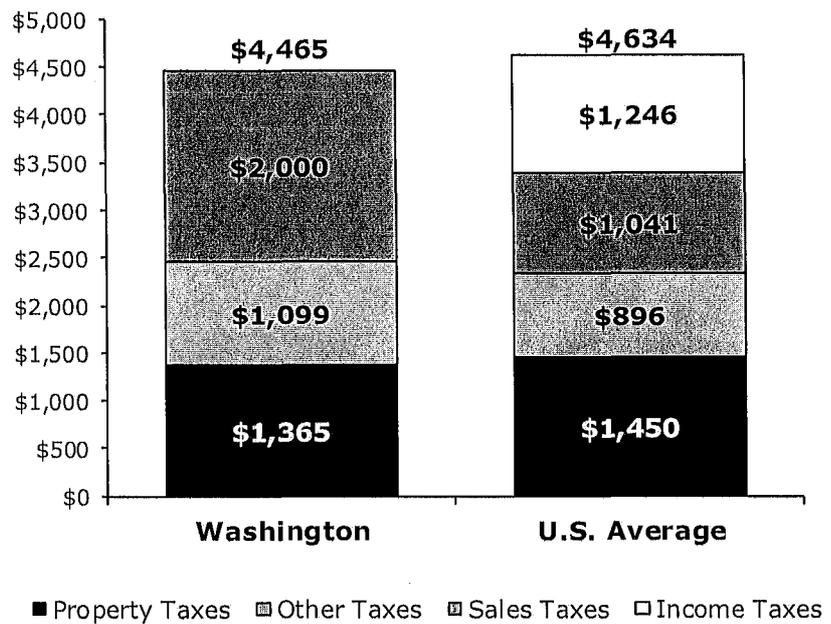
of Budget Decisions (-17 Biennium)	
agencies prepare requests and submit to the Office of Management	July 2014 - December 2014
governor reviews the requests and makes decisions about what goes in the governor's proposed budget.	
Legislature reviews the governor's proposed budget, approves its own budgets, and passes revenue bills. Budget is signed or vetoed by the Governor.	January 2015 - April 2015
July 2015	
enacted budget.	July 1, 2015 - June 30, 2017
17 biennial budget is adjusted in the 2016 and 2017 Legislative Sessions.	January 2016 - March 2016 January 2017 - April 2017

HOW DOES WASHINGTON'S TAX BURDEN COMPARE TO OTHER STATES?

Analysis of state and local taxes per capita provides one comparison of tax burdens among the states. As the following chart shows, for FY2013 (the most recent year for which all data are available), the amount for state and local taxes per capita for Washington State is \$4,465, which is approximately 3.6% lower than the national average of \$4,634.

The components of the tax structure of Washington State differ noticeably from national averages. Washington is one of only seven states that does not impose a personal or corporate income tax; at the same time, Washington has relatively high sales taxes. According to the Washington State Department of Revenue, in FY2013 Washington ranked 23rd in the nation with property taxes per capita of approximately \$1,365 (the national average was \$1,450).

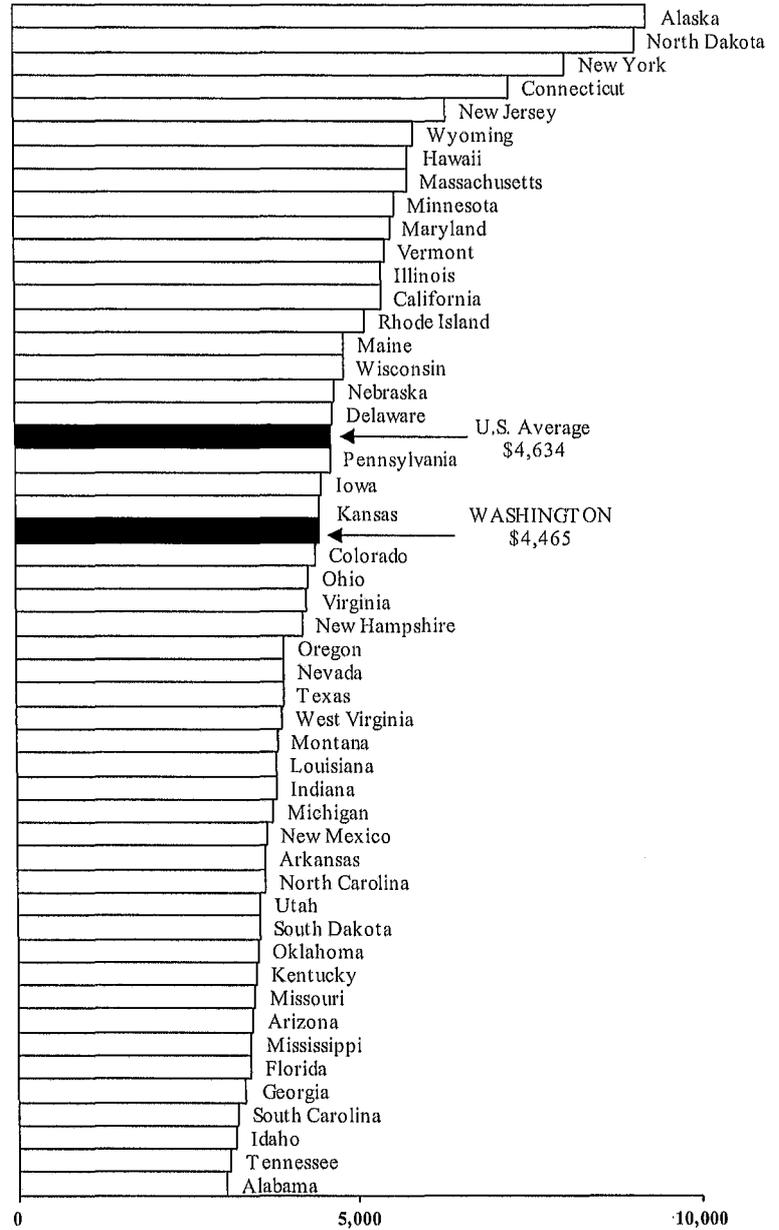
FY 2013 Per Capita State and Local Taxes



Source US Census Bureau Data @ <http://dor.wa.gov>

total state and local taxes per capita for 49 states and to the U.S. average. ranks 22nd in state and local taxes per capita, below the U.S. average of \$4,634. In 2011, with income, it should be possible to take account of the increase among states when comparing tax burdens. The incredible increase in state and local taxes due in large part to the explosion of income taxes in the 1990s and 2000s, distorted this measure and increased the overall tax burden.

**FY 2013 State and Local Taxes
(Dollars per Capita)**



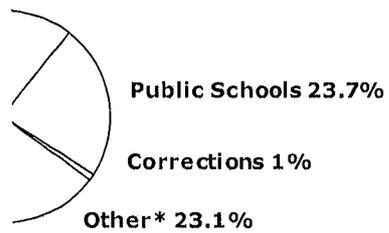
Source: Department of Revenue Research, Table 7 from <http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/2013/Compare13/default.aspx>

HOW MUCH MONEY TO PAY FOR

ed money to fund projects that benefit benefits of a new higher education e. Financing that facility with bonds e cost over the life of the building and m it.

Money Spent?

of the 2015-17 total funds capital



Budget, Total Funds in Millions)

\$787
\$1,144
\$876
\$36
\$856
\$3,700

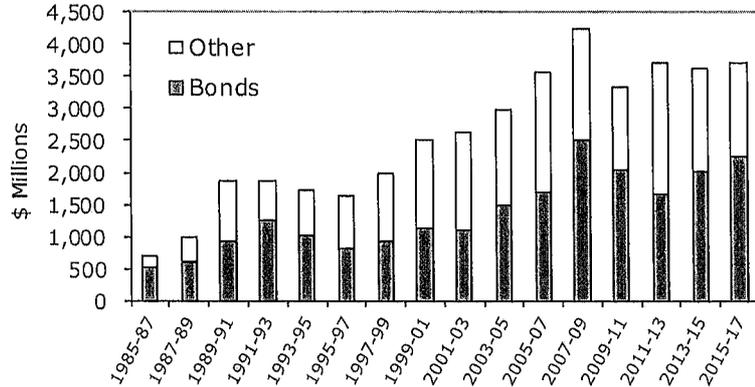
development systems for the 2015 Session. ations, Human Services (excluding Corrections), on capital projects.

uction and maintenance of state facilities and prisons, provides grants d new schools, and pays for lic lands, parks and other assets. The and loans to local governments and s projects such as water and sewer ch as toxic waste clean-up and salmon

habitat restoration, and for cultural and recreational projects such as youth athletic fields and community service projects.

Where Does Capital Budget Money Come From?

The following chart shows the history of the size of the capital budget for bonds and the total appropriation:



Capital Budget & Bonds (Dollars in Millions)

Biennium	Bonds	Total
1985-87	518	695
1987-89	604	988
1989-91	923	1,858
1991-93	1,260	1,885
1993-95	1,011	1,712
1995-97	809	1,627
1997-99	929	1,974
1999-01	1,143	2,508
2001-03	1,102	2,641
2003-05	1,491	2,977
2005-07	1,701	3,554
2007-09	2,518	4,254
2009-11	2,034	3,330
2011-13	1,664	3,704
2013-15	2,025	3,611
2015-17	2,245	3,700

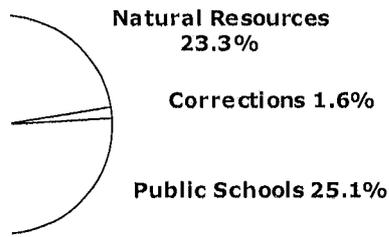
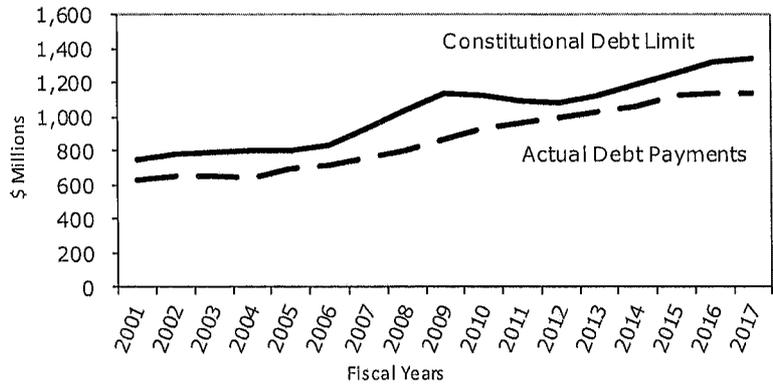
Source: Buldsum budget development system for the 2015 session.

riated in the capital budget comes
 Treasurer is responsible for selling and
 pay the debt on these bonds is
 it and these debt service payments are
 ended capital projects authorized in a
 paid for with taxes appropriated in
 ds in the capital budget include
 i, such as the public works assistance
 control revolving account; and trust land
 higher education facilities.
 dget are more or less dependent on
 nt of capital projects for higher
 r Corrections are funded with bonds.
 budget is paid for with bonds. The
 rts of the state bond portion of the

What is the Debt Limit and How Does it Control the Capital Budget?

The Washington State Constitution indirectly limits the amount of debt the state can incur. Taxes and fees for specific purposes, such as the gas tax and property tax, are excluded from the definition of general state revenues.

The following chart show the constitutional debt limits and the actual debt service payments.



Budget, State Bonds (in Millions)

\$540
\$524
\$36
\$563
\$580
\$2,244

system for the 2015 Session.
 ations, Human Services (excluding Corrections),
 on capital projects.

Debt Limit vs Debt Service Payments Subject to the Limit (Dollars in Millions)

Fiscal Year	Constitutional Limit	Actual Payments
2001	748	630
2002	779	648
2003	794	650
2004	799	643
2005	807	695
2006	839	721
2007	928	761
2008	1,037	806
2009	1,136	869
2010	1,130	930
2011	1,096	967
2012	1,087	993
2013	1,128	1,024
2014	1,192	1,057
2015	1,257	1,123
2016	1,317	1,134
2017	1,344	1,138

Amounts from debt models from the State Treasurer's Office.

REQUIRED TO RAISE

proved initiatives, a supermajority vote
raise taxes during various periods
decision of the state Supreme Court

oters in 1993, required a two-thirds
ire for any action that raised state
d in 2007, reinstated this
tax increases not approved by
the Legislature suspended until July
ment for state tax increases. Initiative
s at the 2010 general election,
o-thirds majority is required to raise
roved by the voters in November
ermajority vote of the Legislature for
ok effect on December 6, 2012. The
the supermajority vote requirement to

ie requirement for tax increases was
lecision by the state Supreme Court
Education Voters v. State (176 Wn.2d

action or combination of actions
any state fund or account, including:

ample, sales tax on legal services)
existing tax preferences (credits,

legislation:

bill which "raises taxes" or imposes

bill sponsorship, and committee
course of the legislative process
; fees

MUST THE STATE HAVE A BALANCED BUDGET?

Prior to 2012, neither state law nor the state Constitution required the state budget to be balanced. In 2012, the Legislature enacted a law requiring the state Operating Budget to be balanced for the current two-year fiscal period. The law also requires the projected state Operating Budget to be balanced for the following two-year period, based on current estimates for state revenues and the projected cost of maintaining the current level of state programs and services. Together, these two requirements are often referred to as the "Four-Year Balanced Budget."

See <http://www.erfc.wa.gov/forecast/budgetOutlook.shtml> for more information on this requirement.

USED BUDGET TERMS

Authorization for an agency or other entity to incur obligations: (1) for specific purposes, and (3) during a specified time period.

Period from July 1st of odd-numbered years to June 30th of the following year, such as the 2015-17 biennium which runs from July 1, 2015, to June 30, 2017.

Capital spending is used to pay for the construction and renovation of buildings, bridges, roads, airports, prisons, state hospitals, higher education facilities, and other physical assets. Revenues to support capital spending come from various sources, including state lottery accounts.

Direct costs are the principal costs of facilities and services provided.

Reserving certain tax revenues for a specific purpose, any fund other than the general fund or special fund. There are literally hundreds of such funds. Two of the largest are the Motor Vehicle Fund, which is restricted to roads and bridges, and the Lottery Fund, which accounts for revenues from the state lottery operations and prizes.

Programs funded by the federal government to support state activities. Federal programs include Medicaid and Medicare.

Period from July 1st to June 30th, the fiscal year. For example, the 2014 fiscal year runs from July 1, 2013, until June 30, 2014.

FTE (Full-Time Equivalent) staff is a way to measure the size of a workforce. It is equivalent to 2,088 hours worked per year, or 1.0 FTE. Total FTE staff does not necessarily equal the number of employees because some staff work part-time or on a seasonal basis.

Functional area of state spending which includes various agencies, such as the departments of Education, Health Services, Revenue, etc., as well as the State Board of Education.

Area of state spending that includes the cost of workforce training provided through the state's workforce development board, four regional universities, and two private universities.

Area of state spending which comprises the Department of Social and Health Services, the Health Care Authority, and the Department of Health Services.

Natural Resources - A functional area of state spending that includes the state's natural resource agencies such as the departments of Ecology, Fish and Wildlife, Natural Resources, and the State Parks and Recreation Commission.

Near General Fund & Opportunity Pathways Account - These are the funds and accounts that the Legislature primarily focuses on as part of the operating budget development process. These funds are: (1) the state general fund; (2) Education Legacy Trust Account; (3) Pension Funding Stabilization Account; and (4) Opportunity Pathways Account. The largest of these is the state general fund, which is the fund in which most of the general revenues are deposited. The other funds have more specific purposes.

Object - A state accounting classification used to categorize expenditures. Objects of expenditure in the state operating and capital budgets include: Salaries and Wages; Employment Benefits; Personal Service Contracts; Goods and Services; Travel; Capital Outlays; Grants, Benefits, and Client Services; Debt Service; and various transfer objects.

Operating Budget - The budget which pays for most of the day-to-day operations of state government and constitutes the majority of all state spending. It is referred to as the operating budget. Revenue to support this budget comes from a variety of taxes and fees that are deposited into more than 200 separate funds and accounts, the largest of which is the state general fund.

Other Education - A functional area of state spending that includes the cost of providing specialized education services at the Schools for the Deaf and the Blind, arts and cultural services provided through the Arts Commission and the two state Historical Societies, and cost of the state Work Force Training, and Education Coordinating Board.

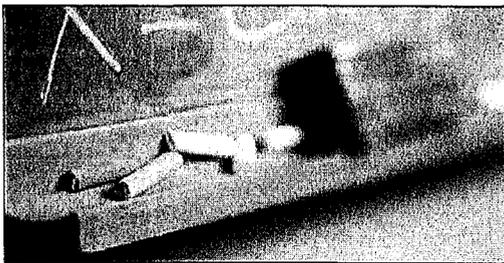
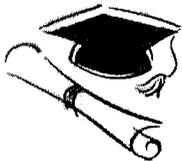
Public Schools - A functional area of state spending that includes the cost of educating the state's children from grades kindergarten through high school. It also includes the funding for other activities of the public school system. The Superintendent of Public Instruction allocates these funds to 295 school districts, nine educational service districts and other contractors who provide education services.

State General Fund - Often referred to as General Fund-State (GF-S), this fund serves as the principal state fund supporting the operation of state government. All major state tax revenues (sales, business and occupation, property tax, and others) are deposited into this fund.

Transportation Budget - The budget which pays for both the day-to-day operation of state transportation agencies and the construction and preservation of state highways and roads, is called the transportation budget. Most of the revenue that supports the transportation budget comes from the state gas tax.

A Citizen's Guide to
Washington State

K-12 Finance



2015

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Introduction

The 2015 Citizen's Guide to K-12 Finance is offered to provide a clear and simple overview of K-12 financial issues. It provides general information on K-12 finance by answering frequently asked questions. For more in-depth information of K-12 finance, see *Organization and Financing of Washington Public Schools* published by the Office of Superintendent of Public Instruction. It is available at the following: <http://www.k12.wa.us/safs/PIJB/ORGI/Org.asp>. The information presented in this document is based on statewide data. For information on a specific school district, inquire with that school district. Detailed K-12 fiscal data, on both statewide and district-specific levels, are also reported on the Washington State fiscal transparency website at: <http://fiscal.wa.gov/k12.aspx>.

The 2015 Citizen's Guide to K-12 Finance was prepared by staff of the Senate Ways and Means Committee and the Senate Early Learning & K-12 Committee (within Senate Committee Services) with the assistance of staff of the Legislative Evaluation and Accountability Program (LEAP) Committee.

Questions regarding the guide or requests for additional copies should be addressed to:

Senate Ways and Means Committee

311 John A. Cherberg
Olympia, Washington 98504-0482
Telephone: 360-786-7715
Fax: 360-786-7615

<http://www.leg.wa.gov/Senate/Committees/WM/Pages/default.aspx>

How does recent legislation affect K-12 instructional funding of basic education?

In the 2009-11 biennium, two pieces of legislation were enacted to redefine the program of basic education and restructure K-12 allocation formulas. The first was ESHB 2261 (Chapter 548, which expanded the definition of basic education—to include instructional hours, an opportunity to complete 24 credits for graduation, full-day kindergarten, a program for highly capable student transportation to and from school. The bill also created a framework for a new distribution formula for the basic education instructional funding allocation based on prototypical schools funding formula for student transportation. The changes took effect September 1, 2011 and most of the enhancements are to be phased in by 2018 on a schedule set by the Legislature. The Legislature also amended the program of basic education to include special education students with disabilities; The Transitional Bilingual Instructional the Learning Assistance Program, which provides remedial education of students in residential programs, juvenile delinquency and adult correctional facilities.

The second bill, SHB 2776 (Chapter 236, Laws of 2010), amended the statute the funding formula values for the new prototypical school levels that represented what the state was spending on basic education. It set targets and established a timeline for phasing-in of the funding and instructional program of basic education, including class size reduction to 17 students per teacher and increased funding for materials, supplies and operating costs.

The new funding model is intended to provide greater transparency about how state funds for K-12 are allocated to school districts and also require school-district reporting of actual staffing and expenditures compared to the funding provided in the prototypical model. Comparisons are to be available on a public website of the Office of Superintendent of Public Instruction (<http://k12.wa.us/safs/INS/2776/Portal.asp>).

How many students attend K-12 schools in the state?

In the 2013-14 school year, over 1,040,800 students were enrolled at 2,393 public schools across the state. In addition, it is estimated that about 81,574 students attended private schools and 18,218 students received home-based instruction during the 2013-14 school year.

How are public schools in Washington organized?

The public school system in the state of Washington involves various entities at both the state and local levels, including the Legislature, the Governor, the State Board of Education, the Office of the Superintendent of Public Instruction, the federal Department of Education, the State Auditor's Office, the Professional Educator Standards Board, Educational Service Districts, the Washington State Charter School Commission, and local school districts. Each of these entities plays a role in establishing educational policies, implementing these policies, or providing administrative and financial oversight of the public school system.

Washington is largely considered a "local control" state. Each school district is governed by a locally-elected school board whose members serve staggered four-year terms. Local school district boards have broad discretionary power to determine and adopt policies not in conflict with other law that provide for the development and implementation of instructional programs, activities, services, or practices that the school district board of directors determine will promote education or effective management and operation of the school district. Currently, there are a total of 295 school districts. Each school board hires a Superintendent who oversees the day-to-day operation of the school district.

What does the Washington State Constitution provide regarding K-12 public schools?

"It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste or sex."

—Washington Constitution, article IX, section 1

This constitutional provision is unique to Washington. While other states have constitutional provisions related to education, no other state makes K-12 education the "paramount duty" of the state.

How has this been interpreted in the state courts?

There have been a handful of Washington Supreme Court cases that have addressed basic education under Article IX of the Washington Constitution. The most recent in 2012 is *McCleary v. State*, 193 Wn.2d 227, 383 P.3d 227. The Court has interpreted Article IX, section 1 to mean that the state must define a "program of basic education," within the guidelines of the Court, distinguished by the Court, and amply fund it from a reliable and dependable source that cannot be dependent on local tax levies.

The Court has found that this paramount duty is superior to all other state obligations. Neither fiscal crisis nor financial burden can excuse the Legislature's constitutional duty. The state has no duty to fund enrichment programs and programmatic activities outside the definition of "basic education." School districts may use property tax levies to fund enrichment programs and programmatic activities, but the use of such levies cannot reduce the state's obligation to fund basic education.

The Court does not require the state to provide a total educational program of all knowledge, programs, subjects or services; however, the duty goes beyond mere reading, writing, and arithmetic. The Court noted that a basic education also "embraces educational opportunities needed in the contemporary setting for children for their role as citizens and as potential competitors in the marketplace of ideas." Additionally, the Court found that the education required by the constitution does not result in a guaranteed educational outcome.

The Court acknowledged that the Legislature has an obligation to review the definition of a basic education program as the needs and demands of society evolve. But any reduction from the current education program must be accompanied by an educational program and not for reasons unrelated to educational policy.

When the state courts originally addressed these issues, they considered the state definition of "basic education," so the courts considered the definitions, and the cost of each, to determine whether the state had sufficient funds to implement a basic education program. The Court found that, in terms of "quantitative inputs," staffing ratios (the ratio of staff to students) and staff salaries are the most significant factors in the cost of education.

In January 2012, in *McCleary v. State*, the Washington Supreme Court found that the State had failed to meet its paramount constitutional duty to amply fund a program of basic education. The Court acknowledged that the Legislature had promised reforms in ESHB 2261 (Chapter 548, Laws of 2009) that would remedy deficiencies in the K-12 funding.

Court retained jurisdiction to help facilitate the Legislature's compliance with its constitutional duty. In the 2012 legislative session, the Legislature created the Joint Select Committee on Article IX Litigation (Committee) to facilitate communication with the Washington Supreme Court on school funding. In July 2012, the Court ordered the Committee to annually report on legislative actions taken to amply fund a program of basic education. The reports can be found at: www.leg.wa.gov/jointcommittees/AIXLJSC/Pages/default.aspx. In January 2014, the Court declared the State was not on target to meet its 2018 constitutional funding obligations. The Court directed the State to submit, no later than April 30, 2014, a complete plan for fully implementing its program of basic education for each school year up to the 2017-18 school year. In April 2014, the Committee submitted its third report to the Court which concluded that there was no agreement reached on the full implementation plan. The Court subsequently found the State in contempt for failing to comply with the Court's order to submit a plan but did not impose sanctions. The Court ordered that the State must purge its contempt by adjournment of the 2015 session or the Court will reconvene and impose sanctions or other remedial measures.

How has the State implemented the Program of Basic Education?

In order to carry out its constitutional responsibility, the Legislature passed the Basic Education Act of 1977 (BEA), which defined a "basic education" by establishing goals, minimum program hours, teacher contact hours, and a mix of course offerings for a school district to provide.

Currently, at least some portion of the seven programs (general apportionment; the special education program for students with disabilities; some pupil transportation; the Learning Assistance Program for remediation assistance; the Transitional Bilingual Education program; the highly capable program; and educational programs in juvenile detention centers and state institutions) fall within the Legislature's definition of basic education.

The Legislature is also proceeding with implementing the reform package under Chapter 548, Laws of 2009 by putting into place the new funding formulas and phasing in funding enhancements in specified programs.

General Apportionment - Foundational state funding to school districts is provided through the General Apportionment formula and funds basic education as well as a number of non-basic education adjustments. The amount received by each school district varies based on certain characteristics — such as teacher experience and education level, and historical salary levels. On average, the statewide allocation through the

General Apportionment formula is estimated at approximately \$1,000 per student in the 2013-14 school year.

General Apportionment formula:

Under the new funding structure, which was effective September 1, 2011, the general apportionment formula follows the prototypical model. Prototypes illustrate a level of resources to operate a school of a particular size with particular types and grade levels of students. School district allocations are based on actual full-time equivalent (FTE) enrollment in each grade in the district, adjusted for small schools reflecting other factors in the state's biennial budget. Under S (Chapter 236, Laws of 2010), the Legislature designed a fund that allocates funding in three primary groups: schools, district and central administration.

The prototypical model applies staff ratios and an assumed average class size for each school type: elementary, middle, and high school. Each theoretical number of students and designated levels of staff are used to calculate funding to each district is scaled according to actual enrollment in the grade ranges. For example, an elementary school is assumed to have 800 elementary students in the prototypical model. If a district has 800 elementary students, it will receive funding for double the number of staff shown in Table 2, below. The class sizes represent the levels associated with assumed ratios of students to teachers, given assumptions about the length of a teacher's day and the amount reserved for planning. Funding is for allocation purposes only and is not categorical, or dedicated, programs) and it is up to the school district to allocate the funds at the local level. Beginning with the 2011-12 school year, the Office of Superintendent of Public Instruction (OSPI) began to help school districts are deploying those same resources to allocate staff and other resources to school buildings, so able to compare the state assumptions to district allocation of resources to local school building. The information, by school building, is available on an internet portal hosted by the Office of the Superintendent of Public Instruction at: <http://k12.wa.us/safs/INS/2776/Portal.asp>.

One of four funding enhancements included in SHB 2777 (Laws of 2010) requires average class size for grades K-3 to be reduced from 25 to 20 beginning in the 2011-13 biennium and beginning with school year 2013-14 for the highest percent of low-income students, until the class size in the 2017-18 school year is 17.0 students per class.

¹ Other required enhancements include: phased in funding for full-day kindergarten statewide implementation is achieved in the 2017-18 school year; and for materials, supplies, and operating costs (MSOC) until a specified level in the 2015-16 school year; and enhanced funding for pupil transportation.

The 2013-15 state budget included funding to reduce kindergarten and first grade class size from 24.10 full time equivalent students to 20.85 in the 2013-14 school year and 20.30 in school year 2014-15 for schools with poverty rates higher than 50 percent at a cost of \$53.7 million and \$66.1 million respectively. Funding in 2014-15 for these reduced class sizes is contingent upon, and proportional to, the school's documented average class size. State funded class size reductions for second and third grade in high poverty schools is maintained at 24.10 full time equivalent students.

Grade	Class Size
Grades K-1 (High poverty schools)	20.30
Grades 2-3 (High poverty schools)	24.10
Grades K-3 (Non-poverty schools)	25.23
Grade 4	27.00
Grades 5-6	27.00
Grades 7-8	28.53
Grades 9-12	28.74
Career & Tech. Ed (CTE) 7-8	26.57
CTE 9-12	26.57
Skills Centers	22.76
Lab Science	19.98
Advanced Placement	As above
International Baccalaureate	As above
<i>Length of teacher day is assumed to be 5.6 hours in elementary school and 6.0 hours in middle and high school. Planning time is assumed to be 45 minutes per day in elementary school and 60 minutes in high school.</i>	

The 2013-15 state budget includes funding enhancements for guidance counselors in middle and high school and parent involvement coordinators in elementary schools at a cost of \$13.6 million and \$13.8 million for the 2013-14 and 2014-15 school years, respectively. The 2014 supplemental state budget redirected \$97 million dollars previously provided for adding 2,222 instructional hours for middle and high schools students to implementing a high school lab science class size ratio, additional high school guidance counselors and an additional allocation for high school lab science MSOC in the funding formula.

Elementary School	Middle School
<i>Prototypical school size:</i>	
Number of students	400
<i>Staff per-school:</i>	
Principals/administrators	1.2530
Librarian/media specialist	0.6630
School nurses	0.0760
Social workers	0.0420
Psychologists	0.0170
Guidance counselors	0.4930
Instructional aides	0.9360
Office support & non-instructional aides	2.0120
Custodians	1.6570
Classified staff for student & staff safety	0.0790
Parent involvement coordinators	0.0825

District-wide support is funded, under the prototypical in addition to staffing levels presumed to be needed for individual buildings, since these services need to be provided across the district. Funding will be based on overall student enrollment levels.

Elementary School	Middle School
Number of students	1,000
Classified Staff	Per 1,000 Students
Technology	0.1
Facilities, Maintenance, Grounds	1.1
Warehouse, Laborers, Mechanics	0.1

Under the new formula, administration costs directly associated with prototypical schools are included in those staffing levels — the number of principals and level of office support needed for elementary school, middle school, and high school. Central administrative support will be funded as an additional 5.3 percent of other staffing units by the formula. These general staffing units on which the 5.3 percent is calculated include K-12 teachers, school-level staffing, and district support; it does not include additional staffing for skills center enhancements for poverty, specialized classes, or categorical programs as highly capable, special education, or the learning assistance program.

For Career and Technical Education (CTE) and skills center funding, in addition to the class sizes designated in Table 1 on page 7, (Chapter 236, Laws of 2010) states that staffing allocations for

administrative and other school-level certificated staff will be specified in the omnibus appropriations act (budget bill).

Finally, the new prototypical funding formula for General Apportionment included an allocation for Materials, Supplies, and Operating Costs (MSOC), formerly known as non-employee related costs. Initially established based on district information from the 2007-08 school year, the formula will provide the following funding, which will be adjusted annually for inflation, once the 2015-16 school year levels are reached.

The 2013-15 budget includes funding increases to \$737.02 for school year 2013-14 and \$848.04 for school year 2014-15 at a cost of \$190.1 million and \$287.8 million for the respective school years.

Table 4: SY 2014-2015 Materials, Supplies, and Operating Costs (MSOC)

MSOC Component	Per Student Allocation SY 2014-15	Per-Student SY 2015-16 (at 2008 Values)
Technology	\$89.13	\$113.80
Utilities and insurance	242.18	309.21
Curriculum and textbooks	95.69	122.17
Other supplies and library materials	203.16	259.39
Instructional professional development for certified and classified staff	14.80	18.89
Facilities' maintenance	119.97	153.18
Security and central office	83.12	106.12
Total	\$848.04	\$1,082.76

Special Education - The state funding formula for Special Education, which was implemented in 1995 and does not change under the new prototypical funding formula, is based on the additional "excess costs" of educating students receiving special education services. The amount is provided for three categories of students.

For birth through five-year olds, the special education allocation is 115 percent of the district's average per-student General Apportionment allocation. For five to 21-year olds, the state Special Education allocation is 93 percent of the district's average per-student General Apportionment allocation. For birth through two-year olds, districts must provide — or contract for — early-intervention services for eligible children with disabilities, and school districts are required to ensure an appropriate educational opportunity for children ages three through 21 with disabilities.

In addition to the per-student Special Education allocation, the special education funding structure includes a safety net for districts that can show extraordinary special education program costs beyond state and federal resources. For the 2014-15 school year, the statewide average allocation per birth-to-five-year old special education student is estimated at \$6,499 and

the statewide average allocation per five to 21-year old special education student is estimated at \$5,236 per year. For five to 21-year olds is in addition to the General Apportionment allocations described.

Pupil Transportation - The new transportation formula was implemented on September 1, 2011, and phases in funding the transportation cost "from school" as part basic education. The new formula requires funding to be calculated using a regression analysis of major transportation costs, including the count of basic and special-student ridership area (geography), roadway miles, the average distance to school, and statistically-significant coefficients.

Funding in the 2013-15 budget completed the phase-in of the new transportation formula. Funding in school year 2013-14 provides 100 percent or \$42.8 million of the enhancement needed for full funding in school year 2014-15 provides 100 percent of the enhancement. \$109.7 million to complete the phase-in of the new transportation formula.

In addition, the state provides funding for school bus replacement using a depreciation schedule. Annual payments are made to the year a bus is purchased until it reaches the end of its scheduled life. State allocations are deposited into the district's Transportation Fund to be used only for the purchase of new buses or for major repairs.

Learning Assistance Program - The Learning Assistance Program provides remediation assistance to students scoring below grade level in reading, math and language arts. Districts receive LAP allocation based on the number of students in poverty, as measured by eligibility for reduced-price lunch.

As with other categorical programs, the new funding formula provides a designated number of hours of instruction per week. (A "categorical" program is one in which funds may be used for only the designated purpose and may not be re-allocated for use elsewhere in the school district.) The new law provides 2,397.5 hours of LAP instruction per-week, or 15 students per certificated instructional staff. The formula provides additional funding of approximately \$463 per eligible student in the 2015 school year.

Transitional Bilingual Education - The statewide Transitional Bilingual Instruction Program (TBIP) was created by the Legislature in 1995. TBIP funding supports school staff and training intended to transition students to a second language to students in the public K-12 school system.

As with other categorical programs, the funding formula provides a designated number of hours of instruction. Assuming class sizes of 25 students per certificated instructional staff, the formula provides 150 hours of bilingual instruction per week. The formula translates

funding of approximately \$923 per eligible student in the 2014-15 school year.

New funding for transitional support for up to two years after a student has exited the TBIP is provided to assist students who have met the proficiency standards. In school year 2013-14, 3.0 hours of additional instruction were provided for students who exited the program the immediate prior year at a cost of \$580 per eligible student. Beginning in school year 2014-15, 3.0 hours of additional instruction are provided for students who exited the program in the immediate prior two years.

Institutional Education Programs - The state funds a 220-day educational program for children in certain institutions. Institutional education moneys are allocated to the school districts, educational service districts, or others that provide the educational programs. While the amounts vary based on the type and size of program, the current institutional education allocation is projected to be approximately \$12,070 per student in the 2014-15 school year. The formula for Institutional Education has not changed under the new funding structure.

Highly Capable Program - The Highly Capable, or gifted, program is funded under basic education statutes for up to 2.314 percent of enrollment and, as is the case with other categorical programs, the allocation cannot be used for other programs. This translates to additional funding of approximately \$417 per eligible student in the 2014-15 school year.

As with other categorical programs, the new funding formula for the Highly Capable Program provides a designated number of hours of instruction per week, in this case 2.1590, assuming class sizes of 15 students per certificated instructional staff.

Full-Day Kindergarten - The definition of basic education provides half-day instruction for kindergarten students (180 half days, or equivalent, and 450 hours of instruction — compared to 180 full days and 1,000 hours of instruction for grades 1 through 12), to be increased to 1,000 hours of instruction for all kindergarten students. The increase is to be phased-in on a schedule set by the Legislature, and beginning with schools with the highest percentage of low-income students, until full statewide implementation of full-day kindergarten is achieved in the 2017-18 school year. Once fully implemented, full-day kindergarten will be part of the program of basic education.

Funding in the 2013-15 budget increased the state funded full-day kindergarten from approximately 22 percent in the 2012-13 school year to 43.75 percent in the 2013-14 and 2014-15 school years at a cost of \$49.3 million and \$50.6 million, respectively. The additional state funds are targeted to those schools with the highest percentage of poverty as measured by the rate of eligibility for free or reduced-price lunch.

A list of schools eligible for state funding for full-day kindergarten published by the Office of Superintendent of Public Instruction can be found at the following site:

<http://www.k12.wa.us/EarlyLearning/FullDayKindergartenRe>

The Legislature also funds a variety of programs and activities outside of its definition of basic education. The chart below reflects the 2013-15 biennium (fiscal years 2014 and 2015) for the state currently defined as "basic education" as well as the funding programs and activities funded by the state.

2013-15 Operating Budget BASIC EDUCATION PROGRAMS (Dollars in Millions)	
General Apportionment (RCW 28A.150.260)	\$11,000
Special Education (RCW 28A.150.370)	1,400
Transportation (RCW 28A.160.150)	700
Learning Assistance Program (RCW 28A.165)	400
Bilingual (RCW 28A.180)	200
Highly Capable Program (RCW 28A.185)	
Institutions (RCW 28A.190)	
Sub-Total: Basic Education Programs	\$13,500
2013-15 Operating Budget NON-BASIC EDUCATION PROGRAMS (Dollars in Millions)	
Initiative 732 COLA & Other Compensation Increases	
Local Effort Assistance (Levy Equalization)	600
Full-Day Kindergarten*	200
K-3 Enhanced Staffing Ratio*	100
Education Reform	200
State Office and Education Agencies	
Statewide Programs and Allocations	
Educational Service Districts	
Food Service	
Summer Vocational and Other Skills Centers	
Pupil Transportation Coordinators	
Sub-Total: Non-Basic Education Programs	\$1,200
TOTAL - STATE FUNDS**	\$15,200

* Full-day kindergarten is being phased in as part of the definition of basic education and will be fully implemented by the 2017-18 school year.

** "State Funds" include the General Fund-State and the Education Levy Account, together known as Near General Fund-State

What is the levy lid act and why was it passed?

In a 1978 decision (*Seattle School District No. 1 v. State*, 585 P.2d 71, 978) interpreting constitutional provisions related to education, among other things, the Washington State Supreme Court found that school districts may use local tax levies to fund enrichment programs and programs outside the legislative definition of “basic education.” However, the use of local levies cannot reduce the state’s obligation to fund basic education.

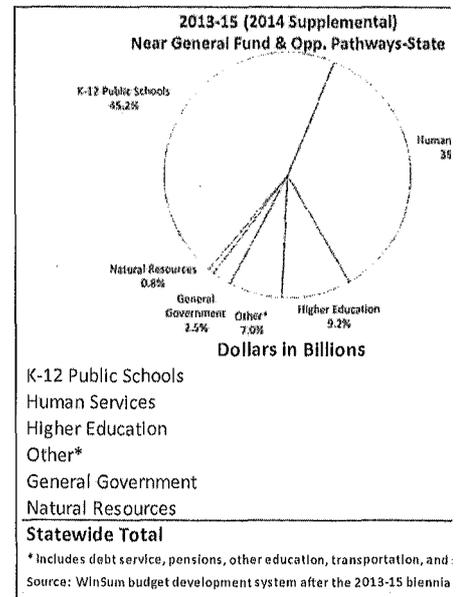
The Legislature responded to the Court by defining and taking responsibility for fully funding a basic education program and passing the Levy Lid Act. The act limits the amount of revenue that a school district can raise through maintenance and operation (M & O) levies. While local levy revenues made up 32 percent of total school district revenues prior to the levy failures of 1975 that precipitated the 1977 school funding lawsuit, they fell to less than 10 percent of total school district revenues after the enactment of the Levy Lid Act.

Since that time, the Legislature has made various changes to the Levy Lid Act, ultimately increasing school districts’ ability to raise levy revenues. Currently, 205 of the 295 school districts have a levy lid of 28 percent, which was increased in the 2010 Legislative session from 24 percent. This means that revenue raised from local tax levies cannot exceed 28 percent² of the district’s state and federal revenues (with other technical adjustments to that base). The other 90 school districts have a levy lid ranging from 28.01 percent to 37.90 percent. These 90 districts have higher levy lid authority because, at the time the Levy Lid Act was passed, these districts raised a higher amount of their revenues through M & O levies. (A list of these districts and their current levy lid rates is included in appendix A.)

² In addition to increasing the levy lid from 24 percent to 28 percent, the Legislature amended the levy lid statute to increase a district’s levy base by including certain non-basic education revenues formerly allocated by the state in addition to the revenues the district actually receives from state and federal sources. RCW 84.52.013 (Laws of 2010, ch. 237). These increases expire effective with levies for calendar year 2018. At that time the levy lid will return to 24 percent and the formally allocated revenues will be removed from the levy base.

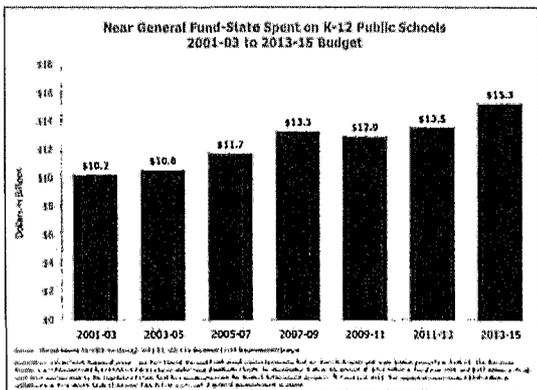
How much of the state near-general fund is spent on K-12 public schools?

The state general fund is the largest single fund within the state. It is the principal fund supporting the operation of state government. Because the purposes are similar and fund transfers between funds are common, the education legacy trust account is often discussed in combination with the state general fund; together, they are referred to as the state near-general fund. In the 2013-15 biennium (fiscal years 2013 and 2014), the Legislature appropriated \$15.4 billion, or 45 percent of the state near-general fund for the support and operation of K-12 public schools. The following chart shows how the state near-general fund budget is allocated:



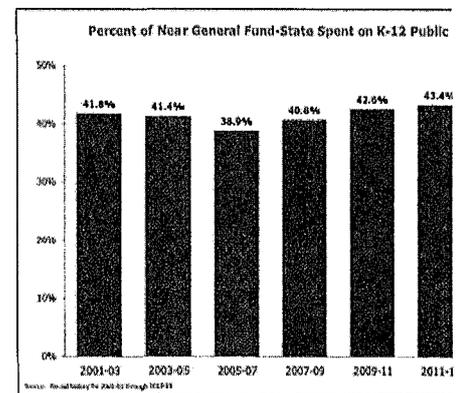
How has the amount of the near-general fund support of K-12 public schools changed since 2001?

As depicted on the following chart, the amount of state near-general funds spent for K-12 public schools has increased from \$10.2 billion to \$15.4 billion per biennium since 2001. This represents approximately a 51 percent increase in state support.



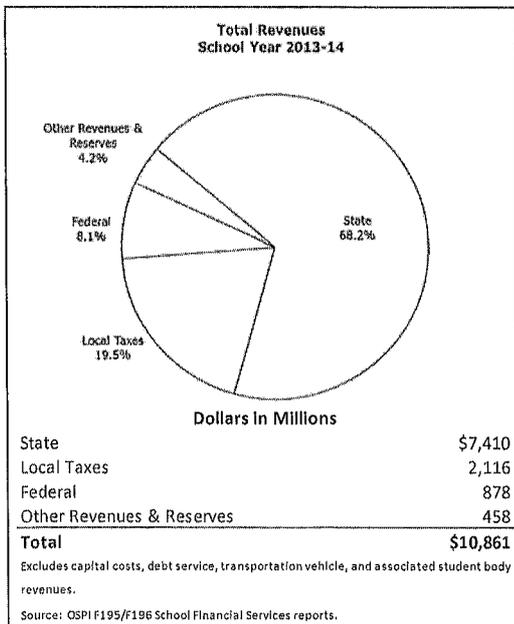
The chart on the next page shows state near-general fund expenditures for K-12 public schools as a percent of the statewide total have varied over the biennia, with a low of approximately 39 percent in 2005-07 to a high of approximately 45 percent today. Increases in the share for K-12 funding can be related to increased K-12 funding, decreased funding for other programs, or both.

Factors contributing to the decline in the 2005-07 biennium slowing of the growth in overall K-12 enrollment, compared to the rate in the early 1990s, and fairly rapid growth in other areas of the budget, particularly health care, human services, and corrections.



What are other sources of funding used by school districts?

In addition to state funding, school districts receive funding from the federal government, local taxes, and other miscellaneous sources. The sources of funding budgeted by school districts for operating costs for the 2013-14 school year are described below.



State — Approximately 68 percent of budgeted school district the last school year were from state sources. This amount covers for the seven categorical programs currently defined as “basic (general apportionment; the special education program for students with disabilities; some pupil transportation; the Learning Assistant remediation assistance; the Transitional Bilingual Instruction; Highly Capable program; and educational programs in juvenile centers and state institutions) as well as a variety of other grants and items funded from the state general fund and the education account.

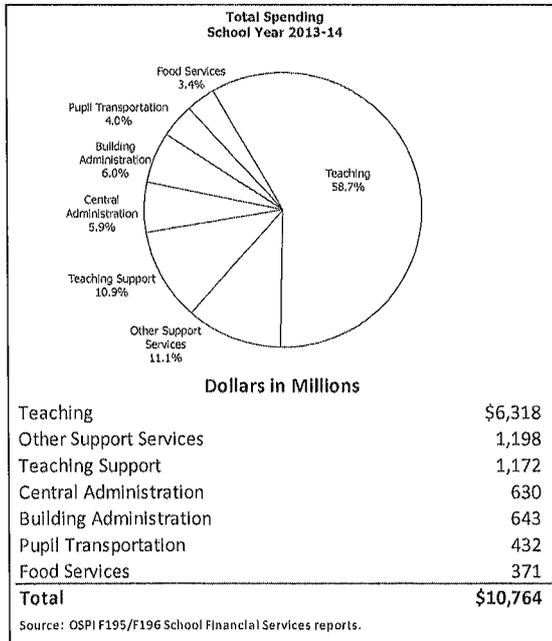
Local Taxes — Approximately, \$2.1 billion, or 20 percent of amount spent, is from local taxes. This is primarily local property taxes which are often referred to as maintenance and operations levies.

Federal — School districts spent about \$878 million from federal for the 2013-14 school year. This represented about 8 percent of total spending. This includes funding for the implementation of the Individuals with Disabilities Education Act; instructional assistance; other strategies aimed at improving student achievement in high schools; a variety of professional development activities; the and other nutrition programs; financial assistance to compensate districts as the result of federal land ownership; and a variety of allocations and grants.

Other Revenue & Reserves— This category, totaling \$458 million, or four percent of total funding, includes a variety of miscellaneous such as charges and fees for non-basic education programs, services charges, revenue from other school districts, rental income, and the use of reserves or fund balance.

How are these funds spent by school districts?

Another way to examine school spending is to identify how school districts spend the money received from state, federal, local, and other sources. School districts report detailed data to the Office of Superintendent of Public Instruction, including the "activities" on which they spend money. The amounts spent on each activity for the 2013-14 school year are depicted below.



Teaching — For the 2013-14 school year, school districts spent approximately \$6.3 billion (59 percent of the total) for teaching. This includes payments for salaries and benefits for classroom direct classroom instruction, extracurricular activities, and paid districts for educational services.

Teaching Support — School districts spent \$1.1 billion on teaching support activities in the 2013-14 school year. This represents approximately 10 percent of total school district spending. This includes guidance, library services, audio-visual functions, psychological services, and other services that support the delivery of educational services.

Other Support Activities — After teaching, the largest activity for school district spending is utilities, grounds care, plant operation and maintenance, insurance, information systems, and other support functions. In the 2013-14 school year, school districts spent approximately \$1.2 billion, or 11 percent, of their total spending, on these activities.

Central Administration — Approximately \$630 million or six percent of total school district spending is for central administration. This includes school board functions, the superintendents' offices, business operations, human resources, centralized programs, and other district-level administrative functions.

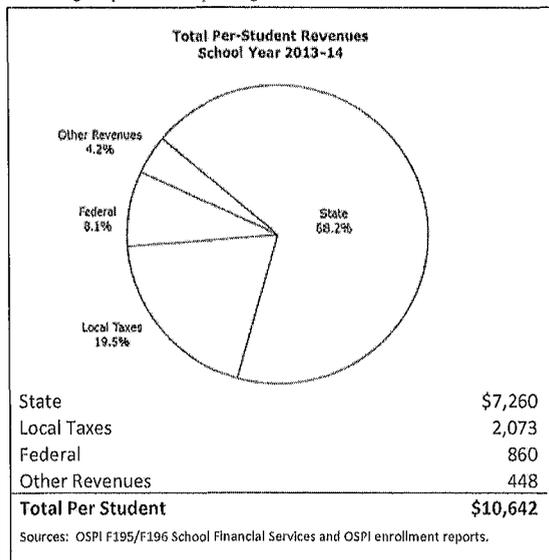
Building Administration — In the 2013-14 school year, school districts spent \$643 million, or six percent, on building administration. This includes expenditures for principals and other building-level administrative functions.

Pupil Transportation — School districts spent \$432 million on pupil transportation in the 2013-14 school year. This includes other vehicle operating costs, related maintenance, and program support.

Food Services — Approximately \$371 million, or four percent, is spent for food-operation functions, including program support and federal-nutrition programs, in the 2013-14 school year.

How much is spent per student?

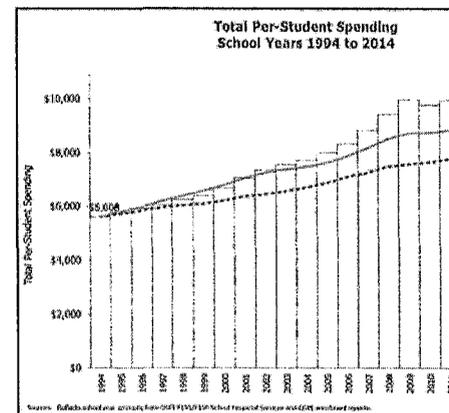
In the 2013-14 school year, on a statewide basis, school districts spent \$10,642 per student. The following chart depicts a breakdown of the sources of funding for per student spending:



Of the \$10,642 spent by school districts in per-student resources, \$7,260 or 68 percent of the funding is from state sources, \$2,073 or 20 percent is from local taxes, \$860 or 8 percent is from federal sources, and \$448 or 4 percent came from other revenue. For more detail on these sources, please see "What are other sources of funding used by schools districts?" on page 17.

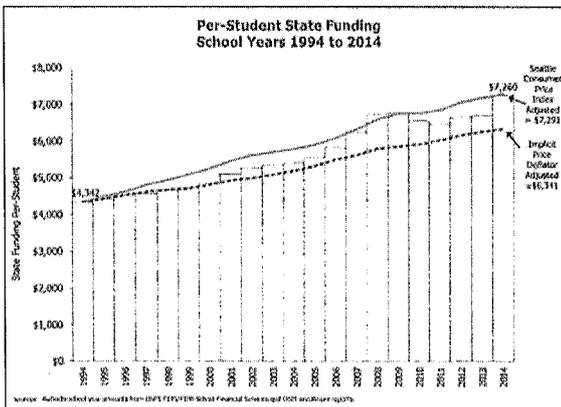
How has total per-student spending changed 1994?

As can be seen from the following chart, total (from state and other sources) per-student spending has increased from \$5,604 in 1994 to \$10,547 in 2014. This represents an increase of approximately 87 percent over this period. The growth rate of total per-student spending, the Seattle Consumer Price Index (CPI) and Implicit Price Deflator are two commonly used measures of inflation.



How has state per-student funding changed since 1994?

As can be seen from the following chart, state funding per student has increased from \$4,342 in 1994 to \$7,260 in 2014. This represents approximately a 67 percent increase over this period. The growth rate of state funding per student spending exceeds the Implicit Price Deflator (IPD) but not the Seattle Consumer Price Index (CPI).



How is the salary level for teachers determined?

State funding—The Legislature allocates money to each district for state-funded employee salaries and associated fringe benefits. In the case of certificated instructional staff (CIS)—teachers, counselors, librarians, and other instructional staff requiring certification—the state funding is provided based on a state-salary allocation schedule. An individual’s education level and teaching experience determines the allocation for base salary. Additional funds (a one- to three-percent increase) are provided for each additional year of experience up to 16 years. Additional funds (a three- to 20-percent increase) are also provided for additional credits of approved education acquired up to a Ph.D. (See appendix B for the state allocation schedule for certificated instructional staff for the 2014-15 school year.)

In the 2011-13 biennium, the Legislature made a one-time reduction in certificated instructional and classified staff salaries by 1.9% and certificated administrative salaries by 3.0% for school years 2011-12 and 2012-13.

The state does not require school districts to pay certificated instructional staff in accordance with the state-salary allocation schedule. However, most school districts have adopted a salary schedule or similar to, the state allocation schedule. Some of the state’s districts receive higher salary allocations for certificated instructional staff.

The primary reason for this higher allocation is that these districts are paying their certificated instructional staff higher salaries when the Legislature took on responsibility for fully funding basic education in the late 1970s. In the 2007-09 budget, the Legislature took steps to reduce the number of grandfathered salary districts. (See appendix A for a list of these districts and their allocation rate for school year 2007-08. Additionally, the Legislature limits a school district’s authorized salaries for certificated instructional staff by setting a minimum average salary level.

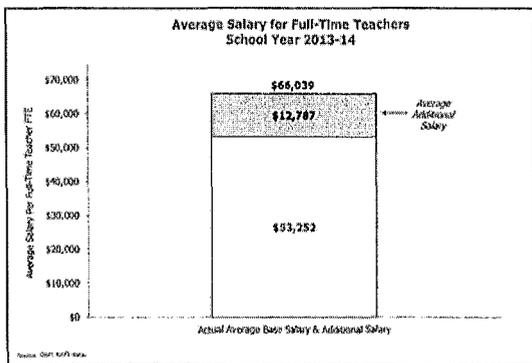
- **Minimum salary** – The actual minimum salaries in a district cannot be less than the minimum on the state-salary allocation schedule for a certificated instructional staff member or MA with no years of experience. The rationale for this limitation is to ensure a minimum salary for beginning certificated instructional staff.
- **Average salary** – The actual average salary in a district cannot exceed the average salary calculated based on the state salary schedule. A rationale for this limitation is to prevent paying a few certificated instructional staff a very large salary while the rest are at the minimum.

The state funding provided to school districts for certificated instructional staff salaries is subject to collective bargaining within the state.

Supplemental Pay – School districts may provide supplemental pay for additional time, responsibilities, and incentives (also known as “add-ons”) beyond that provided by the state. The vast majority of supplemental pay contracts are paid from local revenue. State law provides that supplemental pay contracts must not create any present- or future-funding obligations for the state.

What is the average salary level for teachers?

In the 2013-14 school year, the statewide average annual base salary for full time teachers was \$53,252. In addition, the average additional salary was \$12,787. This means that the total average annual was \$66,039.



How is the salary level of administrators and classified staff determined?

The Legislature allocates money to each district for employee salaries and associated fringe benefits. In the case of administrators and classified staff (such as bus drivers, food service workers, custodial staff, classroom aides), there is not a state-salary allocation schedule. However, each district receives an allocation for these staff based on historical salary allocations adjusted for any cost-of-living increases. This means that there are variations in the salary levels used for allocating administrator and classified staff position from district to district. In the 2007-09 budget, the Legislature provided additional funding to reduce the variation and increase the salary amounts for districts that have historically received lower funding. However, variations in the salary amounts continue to exist.

The actual salary levels for administrators and classified staff are determined through the local collective-bargaining process. There are no state limitations with respect to salary levels of administrators or classified staff.

How does Washington compare to other states

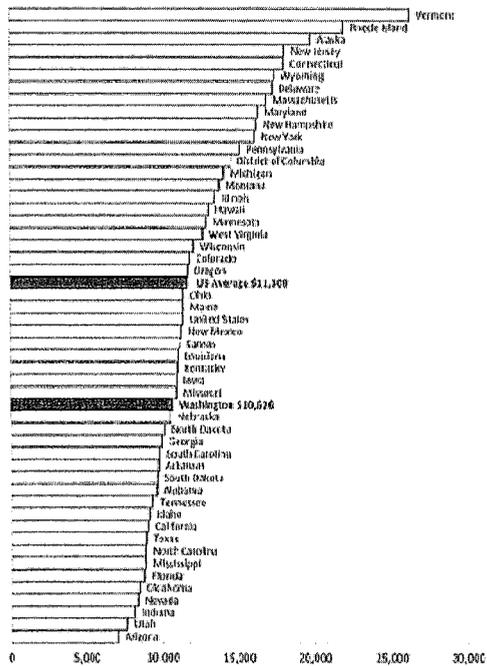
National information is often used to compare different a finance. On the following three pages are charts comparing p spending, students enrolled per teacher, and teacher average s Washington and other states. It should be noted that comparis states, while interesting, often do not lend themselves to any c conclusions regarding each state's K-12 finance system, due t in reporting practices, demographics, and public-school fundi

Per-Student Spending — As depicted on the chart on page 7 Washington's total per-student spending of \$10,626 ranks 32i the other states in the 2012-13 school year. The national aver: \$11,308. Compared to other states in the western region, Was student spending was \$944 below Oregon (\$11,570), \$1,613 : California (\$9,013) and \$1,513 above Idaho (\$9,113).

Students Enrolled Per Teacher — The chart on page 28 cor enrolled per teacher in the 2012-13 school year. Washington' students per teacher makes it the fourth highest in the nation. average was 15.9. Compared to other states in the western reg Washington's number of enrolled students per teacher was be (24.9) and Oregon (21.8) but above Idaho (18.3). For a variet this measure of students to teachers does not translate into the size" in any given school, district, or state.

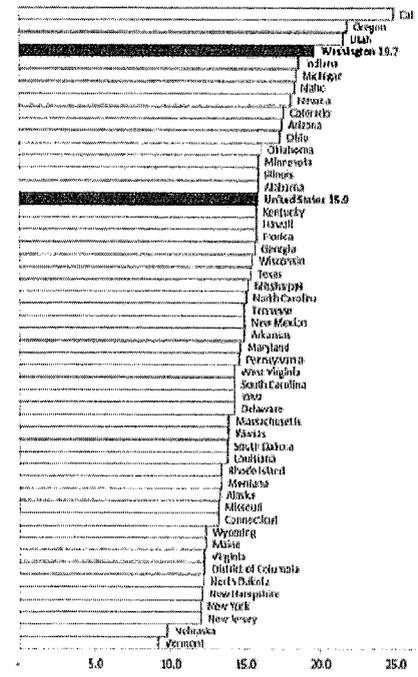
Teacher Average Salary Levels — The chart on page 29 pre comparison of average salary levels for teachers. In the 2012- Washington's reported teacher average salary of \$52,234 mac highest in the nation. The national average was \$56,103. Cor states in the western region, Washington's average teacher sa \$17,090 below California (\$69,324), \$5,378 below Oregon (\$ \$2,500 above Idaho (\$49,734). The average salary levels dep chart do not include supplemental pay. Since data related to : pay in other states is not available, it is unknown how this mi, rankings.

Public School Current Expenditure Per Student
School Year 2012-13

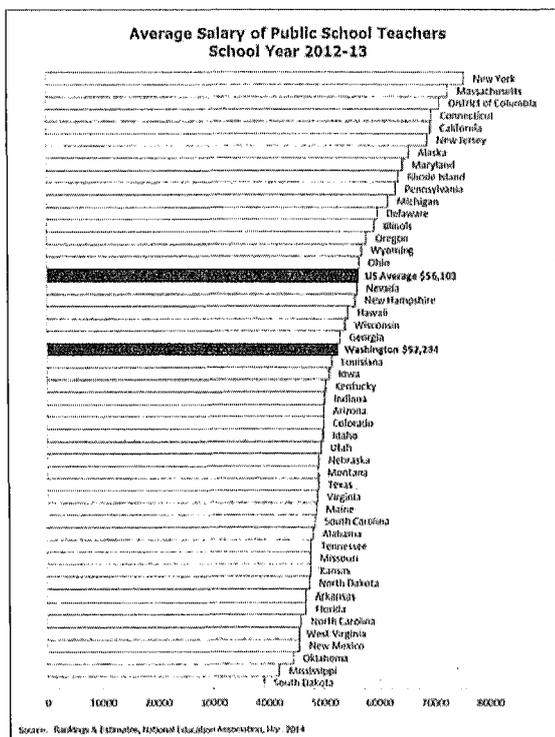


Source: Rankings & Estimates, National Education Association, Nov. 2014

Students Enrolled Per Teacher In K-12
Public Schools, Fall 2012



Source: Rankings & Estimates, National Education Association, Nov. 2014



How does the state lottery support public sch

When the state lottery was established in 1982, the state's economic recession. The Legislature deposited the lottery revenue into the state general fund, which supports K-12 public schools, higher education, human services, natural resources, and other state programs. In the actual creation of the lottery, there were various proposals to use lottery proceeds to the developmentally disabled, public schools, and other institutions. While none of these proposals were actually enacted, they are probably the source of the popular misconception that the lottery had been entirely dedicated to K-12 education.

As a result of the passage of Initiative 728 in 2000, all lottery revenues were, in fact, dedicated for educational purposes (with the exception of about 10 percent, which was dedicated by previous legislation to service on the stadiums in Seattle). For fiscal years 2001-2009, lottery revenues were distributed to school districts to allow for improvements, such as reducing class sizes, extending learning opportunities, and expanding professional development and education programs. The remainder was deposited into the Education Construction Account, which is used to fund a portion of the funds for K-12 public school and higher education construction. In year 2005 through 2009, all lottery revenues were deposited into the Education Construction Account. In 2009, the Legislature redirected dollars to the state general fund to support a range of state programs including education, for fiscal year 2010. K-12 school construction were covered with additional general obligation bonds. Also, the Legislature approved the sale of the multi-state game Powerball. The Legislature approved the sale of the multi-state game Powerball education construction fund previously has been lottery's largest source of revenue. The legislation has been directed by the Legislature to make construction funding and problem gambling prevention and treatment. The Legislature repealed I-728 during the 2012 Legislative session (Chapter 10, Laws of 2012).

It should be noted that while Initiative 728 dedicated lottery revenues to educational purposes, the Legislature passed legislation in 2000 that authorized a new lottery game that is not subject to the distribution for educational purposes. The legislation authorized participating state lottery (now named "Mega Millions") with the profits going to the state general fund. The legislation had provisions that were intended to address public concern that some people might play the new multi-state lottery and, therefore, diminish the base revenue for educational purposes. For this reason, the legislation required annual transfers to make the educational-related accounts "whole" by distributing any excess profits to the general fund. In other words, the legislature intended that the educational related activities would receive the same amount as they would have without the multi-state lottery.

In 2010, the Legislature created the Washington Opportunity Pathways Account. Beginning in fiscal year 2011, all net revenues from in-state lottery games not otherwise dedicated to debt service on the Safeco Stadium and Qwest (Century Link) Field and Exhibition Center were dedicated to the new account. All net income from the multi-state lottery games, other than those dedicated to the Problem Gambling Account, were deposited into the Washington Opportunity Pathways Account rather than into the state general fund and used for specified early-learning, higher-education, and economic-development programs. A provision of the legislation creating the Washington Opportunity Pathways Account requires a transfer of \$102 million per year from the state general fund to the Education Construction Account to maintain the same level of support for education construction. Pursuant to 2012 legislation, the \$102 million annual transfer is suspended through fiscal year 2015. 2013 legislation repealed the annual transfer of the \$102 million and backfilled this transfer with state general obligation bonds.

What is the role of the federal government in elementary and secondary education?

Public K-12 education is primarily a state and local responsibility. However, the federal role in education has been evolving and changing over time. Although the federal Constitution, which gives the federal government authority to act, is silent on the subject of education, Article I of the U.S. Constitution provides that Congress has the power to provide funding for the general welfare of the United States. Congress has provided this provision when enacting federal assistance programs in education, including the education of students with disabilities (Individuals with Disabilities Education Act – IDEA), and the education of students with disabilities (Individuals with Disabilities Education Act – IDEA), and the education of students with disabilities (Individuals with Disabilities Education Act – IDEA) and the education of students with disabilities (Individuals with Disabilities Education Act – IDEA). State participation in these programs is voluntary; if the state accepts the federal funds then the state must comply with federal program requirements. Federal funds comprise approximately 10 percent of the total of Washington K-12 funding. Additionally, federal funding is subject to process and equal protection clauses of the U.S. Constitution and basis for the anti-discrimination laws (Title VI, Title VII, and Title IX) enacted by Congress. The federal courts have also had a significant impact on public education, especially in the areas of racial segregation, due process rights of students and employees, and education programs for students who have limited English proficiency and for students with disabilities.

The No Child Left Behind Act of 2001 (NCLB) and the Elementary and Secondary Education Act of 1965 (ESEA) have greatly expanded the federal role in public education. NCLB requires students to meet state proficiency on the statewide reading and mathematics assessments by 2014. Schools and school districts that receive federal funding and fail to meet this proficiency target are subject to federal intervention, including that parents must be notified by letter that the school is not meeting their adequate yearly progress goals, and 20 percent of Title I funds must be set aside to provide transportation to transfer from failing school into a passing school and to provide education services to students, such as tutoring programs.

Most recently, part of the American Recovery and Reinvestment Act of 2009 included \$4.35 billion for the Race to the Top Fund. The intent was to provide competitive grants to encourage states to implement education reform in the following four areas: adopting standards-based assessments; building data systems; recruiting and retaining effective teachers and principals; and turning around low-achieving schools. Awards were announced in 2010 for 12 states. Washington State was a successful contender for the award.

In 2011, the federal Department of Education (DOE) granted Washington, and 42 other states, a waiver from these provisions of the NCLB. In August 2013, the DOE designated Washington's waiver to be at "high risk" until the state's teacher/principal evaluation statutes could be amended to require the use of the federally-required statewide assessment results as one of multiple measures of student growth for evaluating teacher and principal performance. Current state law requires school districts to use multiple measures to determine student growth, which may include classroom-based, school-based, or district-based and state-based assessments.

The 2014 Legislature did not make the changes to the statute as directed by the DOE. In April 2014, OSPI received a letter from the DOE formally denying Washington's request to extend its NCLB waiver into the 2014-15 school year. As a result, Washington schools failing to meet the NCLB requirement for *all* students to meet proficiency targets in the 2013-14 school year--almost every school in the state--were subject to the sanctions.

In August 2014, the DOE announced that waiver states could delay the use of test results in teacher performance ratings by one school year to provide more time to adjust to new student standards and assessments, however Washington was informed that the delay would not allow the state to re-obtain a waiver as it had already been lost for the upcoming school year.

What are other types of dedicated funding utilized by school districts?

Over three-fourths of a typical school district's expenditures are for the day-to-day operation of the school district and are funded in the school district's general fund. For this reason, this document primarily focuses on these expenditures. However, it should be noted that school districts also use other funds including: Capital Project Funds, which are used for some facility construction and remodeling costs; Debt Service Funds, which are used for the repayment of bond debt; Associated Student Body Funds, which are used for student activities; and Transportation Vehicle Funds, which are used for purchasing school buses.

How is school construction funded in the state?

In each biennial capital budget, the state provides financial assistance to school districts for constructing new, and remodeling existing, school buildings. The state-assistance program is based on two principles: (a) state and local school districts share the responsibility for the provision of school facilities; and (b) there is an equalization of burden among school districts to provide school facilities regardless of the wealth of the districts.

To be eligible for state funding, a school district must have a space or remodeling need and must secure voter approval of a bond levy or other funding for the local share of a school project. Once the local share is secured, the state money is allocated to districts based on a formula

comprised primarily of a set of space and cost standards/allocating a matching ratio based on the relative wealth of the district.

The state program does not reimburse all costs related to not eligible for reimbursement include site-acquisition costs; buildings; stadiums/grandstands; most bus garages; and local Construction-related costs that are eligible include eligible cost-per-square-foot; architectural and engineering fees; construction management; value-engineering studies; furniture and equipment conservation reports; and inspection and testing.

In the 2013-15 biennium (fiscal years 2014 and 2015), the state appropriated approximately \$495 million in new funds for the associated with school-construction projects beginning in the

What is Initiative 1351?

Initiative 1351 (I-1351), approved by state voters in November 2014, changes the staffing values in the public school basic education funding allocation statute, which specifies minimum allocations for K-12 class sizes and school staff. The new values will lower class size, which increases the number of teachers for which state funds are allocated and, in general, increases the other school staff. The new values have a delayed effective date and do not take effect until September 1, 2018, which is the beginning of the 2018-19 school year.

The initiative directs the Legislature to increase state funding for public schools in the 2015-2017 biennium to provide no less than 50 percent of the difference between the funding necessary to support the values under the funding statute in 2013 and the funding necessary to support the reduced class sizes and increased staffing values of the Initiative at full implementation. It requires full funding of the reduced class sizes and staffing values in the initiative by the end of the 2017-2019 biennium.

The Office of Financial Management estimates the initiative will increase state expenditures \$4.7 billion through fiscal year 2019. At full implementation, in school year 2018-19, the estimated annual state expenditure is \$1.9 billion.

What is Initiative 732?

Initiative 732 (I-732), approved by state voters in November 2000, required the state to provide an annual cost-of-living salary adjustment (COLA) for K-12 teachers and other public school employees and certain community and technical college staff, beginning in school year 2002. Each school district must distribute the cost-of-living COLA in accordance with the district's salary schedules, collective-bargaining agreements, and compensation policies, and certify that the district spent the funds for COLAs.

In 2003, the Legislature suspended the COLA requirement for the 2003-05 biennium (school years 2004 and 2005), and no COLA was provided with the exception of a few targeted salary increases for beginning teachers and classified staff. Additionally, the Legislature modified the COLA provisions for K-12 employees so that the state is required to fund only costs associated with providing the COLA to state-funded employees. Since all employees receive the COLA, this means that the costs associated with providing a COLA for locally- and federally-funded staff has to come from those sources.

The Legislature suspended the COLA requirement for the 2009-11 (school years 2010 and 2011), 2011-13 (school years 2012 and 2013) and the 2013-15 (school years 2014 and 2015) biennia.

What is Initiative 728?

Initiative 728 (I-728), was approved by state voters in November 2009 and repealed during the 2012 Legislative session as part of HJR 1000 (Chapter 10, Laws of 2012).

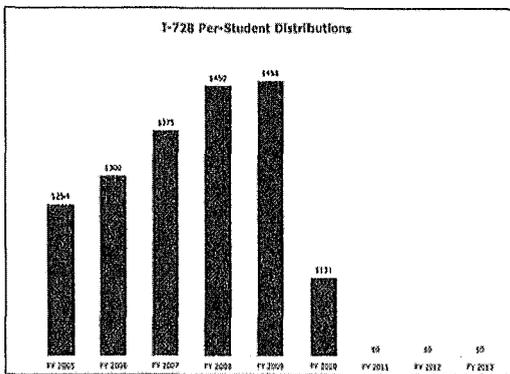
The Initiative transferred a portion of the state property tax to the state general fund to the Student Achievement Fund (SAF). The SAF distributed a per-pupil allocation to school districts to use for reduction, extended learning opportunities for students, professional development for educators, early-childhood programs, and new building improvements to support class-size reductions or extended learning opportunities. The initiative provided school districts \$184 per equivalent (FTE) student in the 2001-02 school year, \$208 per FTE student in the 2002-03 school year, \$212 per FTE student in the 2003-04 school year, and \$450 per FTE student in the 2004-05 school year. In 2005, the amount would increase by inflation.

As depicted on the following chart, in 2003, the Legislature distributed the I-728 funds so that school districts received \$184 per FTE student in the 2004-05 school year; \$300 per FTE student in the 2005-06 school year; \$375 per FTE student in the 2006-07 school year; \$458 per FTE student in the 2007-08 school year; and \$458 per FTE student in the 2008-09 school year, which reflected an inflationary increase from the 2004-05 school year.

In 2009, the Student Achievement Fund was consolidated into the state general fund, along with five other funds with purposes similar to the SAF. The accounts were subject to the state expenditure limit and were previously categorized as "Near General Fund." Advocates of the consolidation believed the change would improve transparency by simplifying the budget process and reducing frequent and numerous fund shifts in the state budget.

For the 2009-10 school year, I-728 per-student distribution was reduced to \$131 per FTE student and was eliminated for school years 2011 through 2012-13 as the Legislature balanced a series of budgets through the closure of multi-billion dollar budget deficits. One-time funds from the American Recovery and Reinvestment Act (ARRA) were used for a portion of the I-728 funding for the 2008-09 and 2009-10 school years.

In the 2012 Legislative session, the Student Achievement Fund statutes were repealed as preparations were made for funding definition of basic education and enhancements to be phased in. Recognition that basic education funding, rather than supplemental basic education programs, would be the Legislature's focus.



Appendix A
Maximum Levy Authority: Districts Grandfathered ,
Sorted by County

Rank	County	School District	Max Pe
Highest = 1			
58	Adams	Lind	
40	Adams	Ritzville	
81	Chelan	Cashmere	
12	Clark	Green Mountain	
11	Columbia	Starbuck	
27	Cowlitz	Toutle Lake	
86	Cowlitz	Kalama	
16	Douglas	Orondo	
90	Douglas	Bridgeport	
5	Douglas	Pallades	
41	Douglas	Mansfield	
24	Douglas	Wanville	
25	Franklin	North Franklin	
1	Franklin	Kahlotus	
8	Grant	Wahluke	
53	Grant	Quincy	
51	Grant	Coulee/Hartline	
19	Grays Harbor	Cosmopolis	
43	Jefferson	Brinnon	
22	King	Seattle	
68	King	Federal Way	
75	King	Enumclaw	
9	King	Mercer Island	
64	King	Highline	
75	King	Vashon Island	
65	King	Renton	
57	King	Skykomish	
28	King	Bellvue	
13	King	Tukwila	
85	King	RiverView	
68	King	Auburn	
71	King	Tahoma	
80	King	Snoqualmie Valley	
61	King	Issaquah	
42	King	Shoreline	
71	King	Lake Washington	
71	King	Kent	
68	King	Northshore	
60	Kitsap	Bainbridge	
17	Kittitas	Damman	
6	Klickitat	Centerville	
89	Klickitat	Roosevelt	
20	Lewis	Evadne	
58	Lewis	Boisfort	
31	Lewis	White Pass	

Appendix A (continued)
Maximum Levy Authority: Districts Grandfathered Above 28%
Sorted by County

Rank Highest = 1	County	School District	Max Levy Percent
3	Lincoln	Sprague	37.77%
55	Lincoln	Reardan	30.02%
30	Lincoln	Creston	34.42%
9	Lincoln	Odessa	37.67%
21	Lincoln	Harrington	37.01%
38	Lincoln	Davenport	32.21%
43	Okanogan	Pateros	31.50%
58	Pend Oreille	Selikirk	29.47%
65	Pierce	Steilacoom Hist.	28.93%
78	Pierce	Puyallup	28.87%
26	Pierce	Tacoma	35.47%
14	Pierce	Carbonado	37.52%
38	Pierce	University Place	32.29%
79	Pierce	Sumner	28.86%
33	Pierce	Dieringer	32.85%
83	Pierce	Orling	28.78%
52	Pierce	Clover Park	30.76%
67	Pierce	Peninsula	28.91%
81	Pierce	Franklin Pierce	28.97%
71	Pierce	Bathel	28.89%
61	Pierce	Eatonville	28.97%
84	Pierce	White River	28.77%
81	Pierce	Fife	28.82%
2	San Juan	Shaw	37.82%
29	Skagit	Anacortes	34.54%
32	Skagit	Conway	33.15%
16	Skamania	Mount Pleasant	37.46%
88	Spokane	Spokane	28.18%
39	Spokane	West Valley (Spokane)	32.20%
50	Stevens	Valley	30.91%
49	Stevens	Loon Lake	31.01%
86	Thurston	Olympia	28.34%
7	Walla Walla	Dixie	37.70%
18	Walla Walla	College Place	37.43%
48	Walla Walla	Columbia (Walla Walla)	31.07%
54	Whitcom	Bellingham	30.35%
35	Whitcom	Blaine	32.51%
34	Whitman	Lacrosse Joint	32.75%
75	Whitman	Lamont	28.88%
89	Whitman	Tekoa	28.14%
47	Whitman	Pulman	31.27%
37	Whitman	Palouse	32.27%
4	Whitman	Garfield	37.78%
23	Whitman	Step toe	36.42%
45	Whitman	Colton	31.35%

Appendix B

Years of Service	K-12 Allocation Schedule for Certificated Instructional Staff For School Year 2013-14												
	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90	OR	Ph.D.	MA+90	
0	33,401	34,303	35,238	36,175	39,180	41,116	40,045	43,051	44,989				
1	33,851	34,765	35,712	36,690	39,727	41,652	40,490	43,527	45,452				
2	34,279	35,202	36,159	37,121	40,241	42,186	40,938	43,966	45,912				
3	34,720	35,653	36,620	37,706	40,729	42,722	41,363	44,384	46,377				
4	35,153	36,127	37,099	38,224	41,264	43,271	41,808	44,849	46,857				
5	35,600	36,578	37,561	38,748	41,777	43,824	42,261	45,291	47,339				
6	36,060	37,017	38,032	39,279	42,293	44,352	42,725	45,740	47,797				
7	36,868	37,839	38,868	40,182	43,241	45,356	43,594	46,652	48,768				
8	38,050	39,074	40,127	41,550	44,651	46,844	44,961	48,063	50,254				
9		40,353	41,459	42,933	46,106	48,373	46,343	49,518	51,785				
10			42,806	44,387	47,602	49,945	47,798	51,014	53,356				
11				45,883	49,169	51,558	49,295	52,581	54,969				
12				47,332	50,777	53,238	50,850	54,188	56,650				

Appendix C

Base Salaries for School Year 2013-14

Grandfathered Districts Compared to All Other Districts

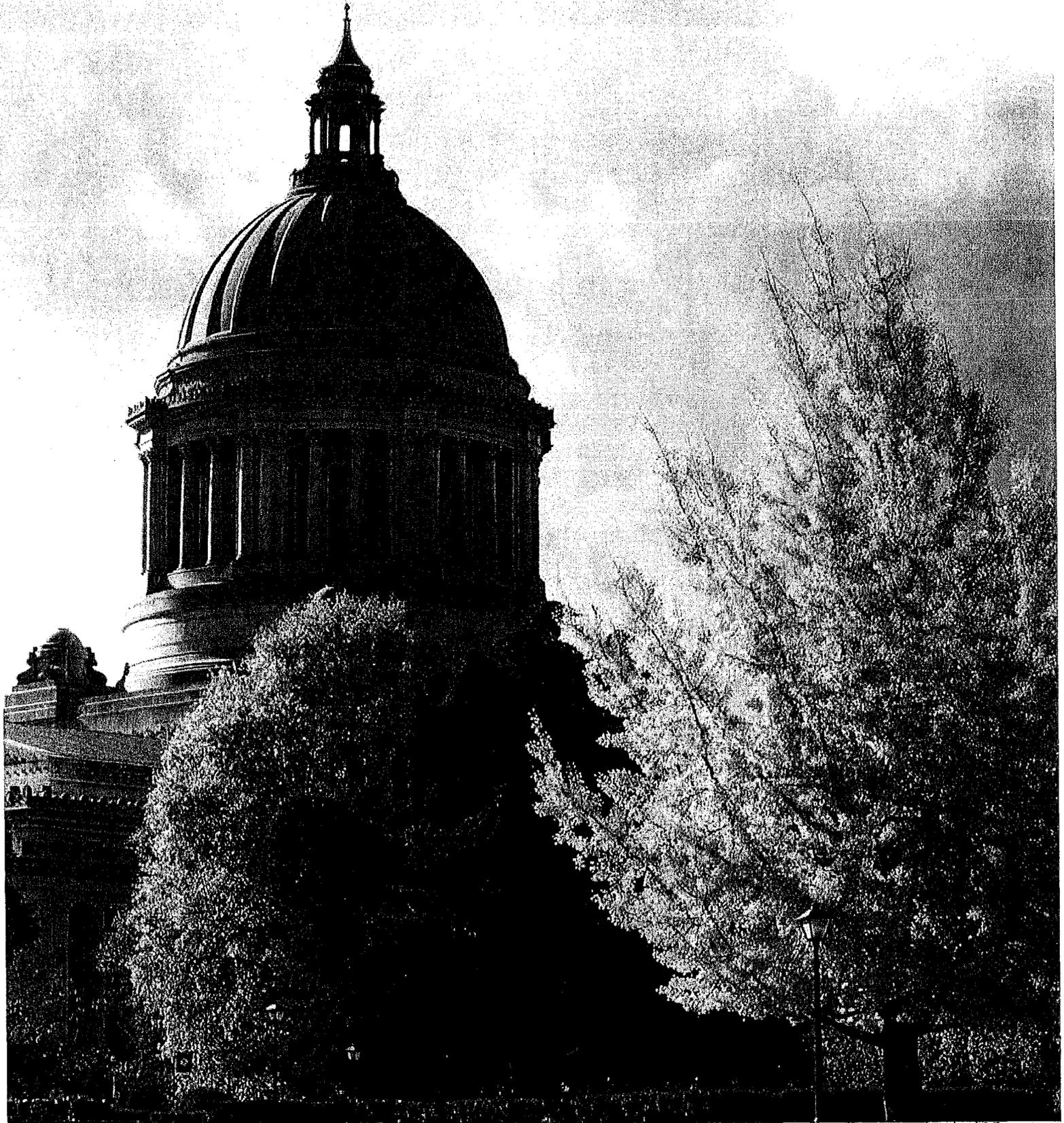
	Total Base Salaries	% Over "All Other"
1 Everett	35,058	5.0%
2 Orondo	34,990	4.8%
3 Northshore	34,788	4.2%
4 Marysville	34,687	3.8%
5 Puyallup	34,073	2.0%
6 Shaw Island	34,038	1.9%
7 Southside	33,904	1.5%
8 Lake Chelan	33,892	1.5%
9 Mukilteo	33,799	1.2%
10 Lopez Island	33,763	1.1%
11 Seattle	33,626	0.7%
12 Oak Harbor	33,618	0.6%
All Other Districts:	33,401	

Note: Salaries are for certificated-instructional staff (CIS).

State of Washington

LEGISLATIVE BUDGET NOTES

2015-17 Biennium & 2015 Supplemental



State of Washington
LEGISLATIVE BUDGET NOTES
2015-17 Biennium and 2015 Supplemental

(published October, 2015)

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Electronic access to this document is available at: <http://leap.leg.wa.gov/leap/budget/lbns/2015toc.asp>

The Legislative Budget Notes are a publication of the following fiscal committees with the assistance of the Legislative Evaluation and Accountability Program (LEAP) Committee staff.

Senate Ways and Means Committee

<http://www1.leg.wa.gov/Senate/Committees/WM/>
360-786-7715

Senate Transportation Committee

<http://www1.leg.wa.gov/Senate/Committees/TRAN/>
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House Appropriations Committee

<http://www1.leg.wa.gov/House/Committees/APP/>
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House Transportation Committee

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360-786-7183

For additional budget information or questions regarding the content of this document, please contact the fiscal committees listed above.

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2015-17 BUDGET OVERVIEW

Washington State biennial budgets authorized by the Legislature in the 2015 session total \$93.7 billion. The omnibus operating budget accounts for \$78.9 billion. The transportation budget and the omnibus capital budget account for \$8.3 billion and \$6.6 billion, respectively.

Separate overviews are included for each of the budgets. The overview for the omnibus operating budget can be found on page O-10, the overview for the transportation budget is on page T-3, and the overview for the omnibus capital budget is on page C-1.

Omnibus operating budget statewide reports in this publication reference NGF-P and total budgeted funds. NGF-P is the total of the state general fund, Education Legacy Trust Account and the Opportunity Pathways Account.

2015-17 Washington State Budget
Total Budgeted Funds
TOTAL STATE
(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
Legislative	173,930	2,290	0	450	0	75	0	176,745
Judicial	337,921	0	0	0	0	0	0	337,921
Governmental Operations	3,792,924	3,358	0	0	0	713,177	878,353	5,387,812
Human Services	35,266,422	0	0	0	0	161,636	100,165	35,528,223
Natural Resources	1,713,043	2,198	0	0	0	1,144,489	1,258,936	4,118,666
Transportation	195,359	2,462,633	3,764,853	46,922	461,125	1,300	200	6,932,392
Public Schools	20,008,166	0	0	0	0	875,808	369,325	21,253,299
Higher Education	13,826,980	0	0	0	0	786,662	250,559	14,864,201
Other Education	736,946	0	0	0	0	16,462	6,470	759,878
Special Appropriations	2,836,614	1,521,033	0	0	0	0	0	4,357,647
Total Budget Bill	78,888,305	3,991,512	3,764,853	47,372	461,125	3,699,609	2,864,008	93,716,784

2015-17 Washington State Budget
Total Budgeted Funds
LEGISLATIVE AND JUDICIAL
(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
House of Representatives	70,356	0	0	0	0	75	0	70,431
Senate	50,516	0	0	0	0	0	0	50,516
Joint Transportation Committee	0	1,727	0	450	0	0	0	2,177
Jt Leg Audit & Review Committee	6,711	0	0	0	0	0	0	6,711
LEAP Committee	3,658	563	0	0	0	0	0	4,221
Office of the State Actuary	5,617	0	0	0	0	0	0	5,617
Office of Legislative Support Svcs	8,278	0	0	0	0	0	0	8,278
Joint Legislative Systems Comm	19,006	0	0	0	0	0	0	19,006
Statute Law Committee	9,788	0	0	0	0	0	0	9,788
Total Legislative	173,930	2,290	0	450	0	75	0	176,745
Supreme Court	15,085	0	0	0	0	0	0	15,085
State Law Library	3,147	0	0	0	0	0	0	3,147
Court of Appeals	34,158	0	0	0	0	0	0	34,158
Commission on Judicial Conduct	2,210	0	0	0	0	0	0	2,210
Administrative Office of the Courts	178,222	0	0	0	0	0	0	178,222
Office of Public Defense	78,108	0	0	0	0	0	0	78,108
Office of Civil Legal Aid	26,991	0	0	0	0	0	0	26,991
Total Judicial	337,921	0	0	0	0	0	0	337,921
Total Legislative/Judicial	511,851	2,290	0	450	0	75	0	514,666

2015-17 Washington State Budget
Total Budgeted Funds
GOVERNMENTAL OPERATIONS
(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
Office of the Governor	14,813	0	0	0	0	0	0	14,813
Office of the Lieutenant Governor	1,365	0	0	0	0	0	0	1,365
Public Disclosure Commission	4,747	0	0	0	0	0	0	4,747
Office of the Secretary of State	99,819	0	0	0	0	1,407	0	101,226
Governor's Office of Indian Affairs	537	0	0	0	0	0	0	537
Asian-Pacific-American Affrs	450	0	0	0	0	0	0	450
Office of the State Treasurer	16,753	0	0	0	0	0	0	16,753
Office of the State Auditor	72,677	0	0	0	0	0	0	72,677
Comm Salaries for Elected Officials	331	0	0	0	0	0	0	331
Office of the Attorney General	265,955	0	0	0	0	0	0	265,955
Caseload Forecast Council	2,832	0	0	0	0	0	0	2,832
Dept of Financial Institutions	51,960	0	0	0	0	0	0	51,960
Department of Commerce	488,382	0	0	0	0	513,180	799,198	1,800,760
Economic & Revenue Forecast Council	1,722	0	0	0	0	0	0	1,722
Office of Financial Management	136,004	2,378	0	0	0	82,680	19,327	240,389
Office of Administrative Hearings	38,508	0	0	0	0	0	0	38,508
State Lottery Commisssion	946,373	0	0	0	0	0	0	946,373
Washington State Gambling Comm	30,548	0	0	0	0	0	0	30,548
WA State Comm on Hispanic Affairs	505	0	0	0	0	0	0	505
African-American Affairs Comm	502	0	0	0	0	0	0	502
Department of Retirement Systems	62,244	0	0	0	0	0	0	62,244
State Investment Board	42,452	0	0	0	0	0	0	42,452
Department of Revenue	285,139	0	0	0	0	0	0	285,139
Board of Tax Appeals	2,555	0	0	0	0	0	0	2,555
Minority & Women's Business Enterp	4,730	0	0	0	0	0	0	4,730
Office of Insurance Commissioner	59,514	0	0	0	0	0	0	59,514
Consolidated Technology Services	353,968	0	0	0	0	0	0	353,968
State Board of Accountancy	6,095	0	0	0	0	0	0	6,095
Forensic Investigations Council	500	0	0	0	0	0	0	500
Dept of Enterprise Services	326,294	0	0	0	0	30,801	13,941	371,036
Washington Horse Racing Commission	5,826	0	0	0	0	0	0	5,826
Liquor and Cannabls Board	82,925	0	0	0	0	0	0	82,925
Utilities and Transportation Comm	65,478	504	0	0	0	0	0	65,982
Board for Volunteer Firefighters	1,013	0	0	0	0	0	0	1,013
Military Department	303,233	0	0	0	0	81,554	43,935	428,722
Public Employment Relations Comm	8,509	0	0	0	0	0	0	8,509
LEOFF 2 Retirement Board	2,350	0	0	0	0	0	0	2,350
Archaeology & Historic Preservation	5,316	476	0	0	0	3,555	1,952	11,299
Total Governmental Operations	3,792,924	3,358	0	0	0	713,177	878,353	5,387,812

2015-17 Washington State Budget
Total Budgeted Funds
HUMAN SERVICES
(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
WA State Health Care Authority	16,723,288	0	0	0	0	0	0	16,723,288
Human Rights Commission	6,476	0	0	0	0	0	0	6,476
Bd of Industrial Insurance Appeals	41,724	0	0	0	0	0	0	41,724
Criminal Justice Training Comm	49,067	0	0	0	0	456	0	49,523
Department of Labor and Industries	704,104	0	0	0	0	0	0	704,104
Dept of Social and Health Services	13,932,885	0	0	0	0	75,884	7,703	14,016,472
Department of Health	1,122,550	0	0	0	0	42,789	24,653	1,189,992
Department of Veterans' Affairs	135,268	0	0	0	0	6,012	39,032	180,312
Department of Corrections	1,871,417	0	0	0	0	36,495	28,777	1,936,689
Dept of Services for the Blind	29,783	0	0	0	0	0	0	29,783
Employment Security Department	649,860	0	0	0	0	0	0	649,860
Total Human Services	35,266,422	0	0	0	0	161,636	100,165	35,528,223

2015-17 Washington State Budget
Total Budgeted Funds
NATURAL RESOURCES
(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
Columbia River Gorge Commission	1,856	0	0	0	0	0	0	1,856
Department of Ecology	475,200	0	0	0	0	536,036	955,829	1,967,065
WA Pollution Liab Insurance Program	1,866	0	0	0	0	1,800	0	3,666
State Parks and Recreation Comm	156,347	986	0	0	0	59,096	8,196	224,625
Rec and Conservation Funding Board	10,174	0	0	0	0	266,483	207,319	483,976
Environ & Land Use Hearings Office	4,287	0	0	0	0	0	0	4,287
State Conservation Commission	24,486	0	0	0	0	55,373	3,700	83,559
Dept of Fish and Wildlife	403,339	0	0	0	0	88,222	74,370	565,931
Puget Sound Partnership	17,362	0	0	0	0	0	1,575	18,937
Department of Natural Resources	449,410	0	0	0	0	135,479	7,698	592,587
Department of Agriculture	168,716	1,212	0	0	0	2,000	249	172,177
Total Natural Resources	1,713,043	2,198	0	0	0	1,144,489	1,258,936	4,118,666

2015-17 Washington State Budget
Total Budgeted Funds
TRANSPORTATION
(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
Board of Pilotage Commissioners	0	1,663	0	0	0	0	0	1,663
Washington State Patrol	149,192	426,936	5,310	0	0	1,300	200	582,938
WA Traffic Safety Commission	0	31,505	0	0	0	0	0	31,505
Department of Licensing	46,167	295,373	0	4,000	0	0	0	345,540
Department of Transportation	0	1,694,965	3,452,512	42,922	449,592	0	0	5,639,991
County Road Administration Board	0	4,733	87,956	0	2,188	0	0	94,877
Transportation Improvement Board	0	3,915	193,383	0	5,501	0	0	202,799
Transportation Commission	0	2,564	0	0	0	0	0	2,564
Freight Mobility Strategic Invest	0	979	25,692	0	3,844	0	0	30,515
Total Transportation	195,359	2,462,633	3,764,853	46,922	461,125	1,300	200	6,932,392

2015-17 Washington State Budget

Total Budgeted Funds

EDUCATION

(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
Superintendent of Public Instruction	20,006,603	0	0	0	0	875,808	369,325	21,251,736
Washington Charter School Comm	1,563	0	0	0	0	0	0	1,563
Total Public Schools	20,008,166	0	0	0	0	875,808	369,325	21,253,299
Student Achievement Council	760,655	0	0	0	0	0	0	760,655
University of Washington	7,534,038	0	0	0	0	146,333	32,800	7,713,171
Washington State University	1,530,269	0	0	0	0	132,510	15,620	1,678,399
Eastern Washington University	320,363	0	0	0	0	30,474	8,126	358,963
Central Washington University	321,147	0	0	0	0	95,252	45,530	461,929
The Evergreen State College	137,671	0	0	0	0	32,245	2,500	172,416
Western Washington University	365,714	0	0	0	0	76,072	4,260	446,046
Community/Technical College System	2,857,123	0	0	0	0	273,776	141,723	3,272,622
Total Higher Education	13,826,980	0	0	0	0	786,662	250,559	14,864,201
State School for the Blind	17,162	0	0	0	0	640	100	17,902
Childhood Deafness & Hearing Loss	21,145	0	0	0	0	500	0	21,645
Workforce Trng & Educ Coord Board	59,049	0	0	0	0	100	0	59,149
Department of Early Learning	621,955	0	0	0	0	0	0	621,955
Washington State Arts Commission	4,384	0	0	0	0	0	0	4,384
Washington State Historical Society	7,154	0	0	0	0	14,320	6,370	27,844
East Wash State Historical Society	6,097	0	0	0	0	902	0	6,999
Total Other Education	736,946	0	0	0	0	16,462	6,470	759,878
Total Education	34,572,092	0	0	0	0	1,678,932	626,354	36,877,378

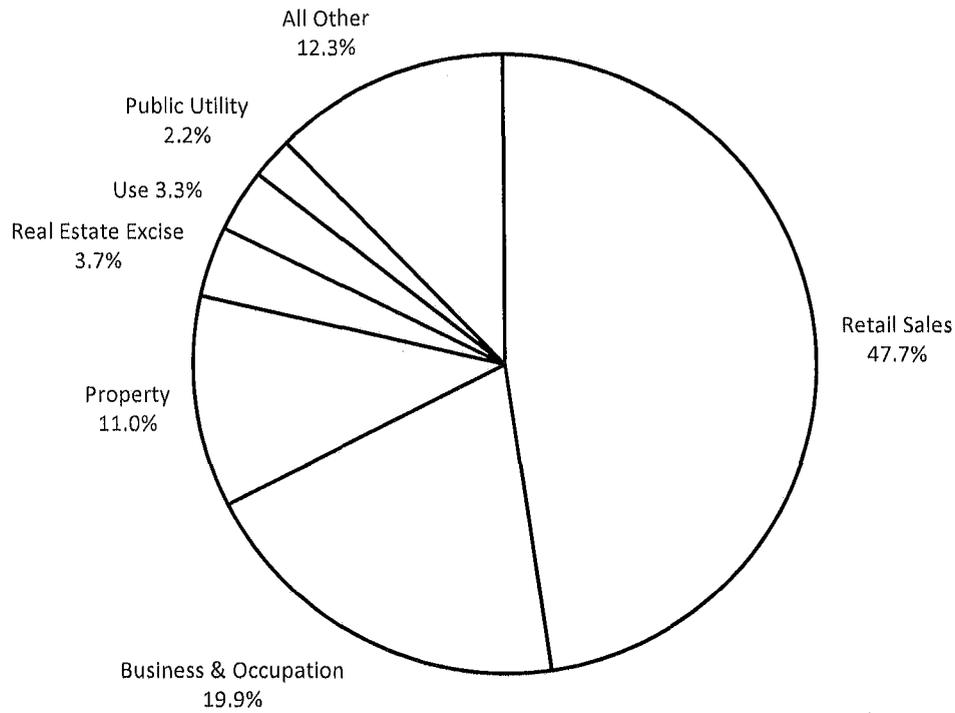
2015-17 Washington State Budget
Total Budgeted Funds
SPECIAL APPROPRIATIONS
(Dollars in Thousands)

	Omnibus	Transportation Current Law Budget		Transportation New Law Budget		Omnibus Capital		Total
	Operating	Operating	Capital	Operating	Capital	Approps	Reapprops	
Bond Retirement and Interest	2,427,080	1,521,033	0	0	0	0	0	3,948,113
Special Approps to the Governor	223,375	0	0	0	0	0	0	223,375
State Employee Compensation Adjust	32,559	0	0	0	0	0	0	32,559
Contributions to Retirement Systems	153,600	0	0	0	0	0	0	153,600
Total Special Appropriations	2,836,614	1,521,033	0	0	0	0	0	4,357,647

Washington State Revenue Forecast - May 2015
2015-17 Near General Fund-State + Opportunity Pathways Account

REVENUES BY SOURCE

(Dollars in Millions)



Revenue Sources

Retail Sales	17,867.2
Business & Occupation	7,436.0
Property	4,129.4
Real Estate Excise	1,372.1
Use	1,227.0
Public Utility	811.0
All Other	4,608.4
Total *	37,451.1

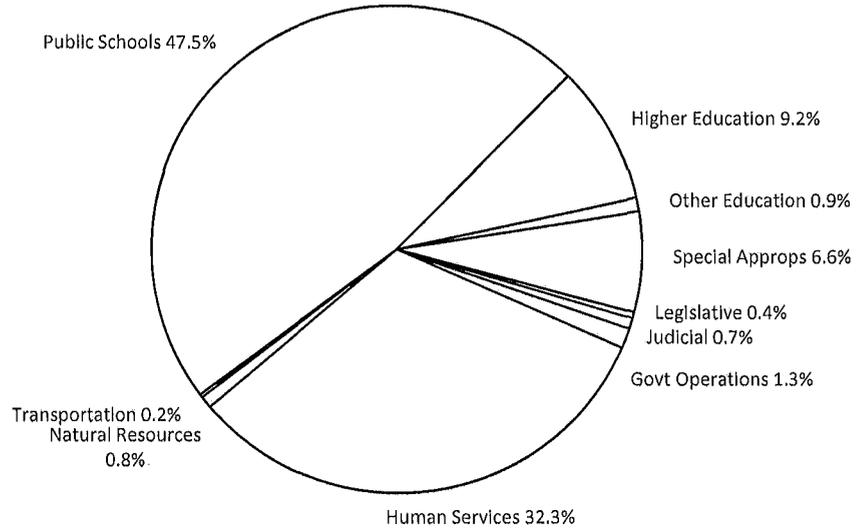
* Reflects the May 2015 Revenue Forecast

2015-17 Omnibus Operating Budget Comparisons

(Dollars in Thousands)

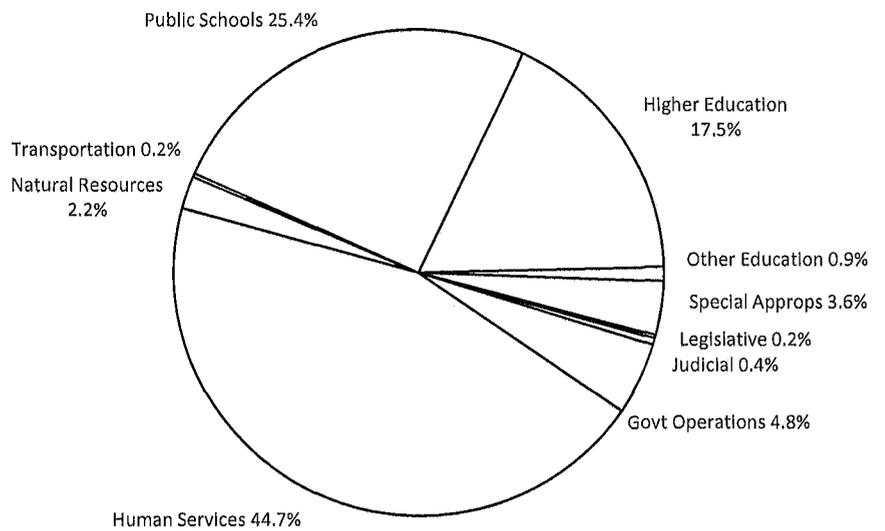
NGF-S + Opportunity Pathways

Legislative	153,796
Judicial	267,132
Governmental Operations	510,107
Human Services	12,333,779
Natural Resources	308,873
Transportation	80,612
Public Schools	18,156,830
Higher Education	3,525,134
Other Education	347,928
Special Appropriations	2,534,988
Statewide Total	38,219,179



Total All Funds

Legislative	173,930
Judicial	337,921
Governmental Operations	3,792,924
Human Services	35,266,422
Natural Resources	1,713,043
Transportation	195,359
Public Schools	20,008,166
Higher Education	13,826,980
Other Education	736,946
Special Appropriations	2,836,614
Statewide Total	78,888,305



Washington State Omnibus Operating Budget
2013-15 Budget vs. 2015-17 Budget

PUBLIC SCHOOLS

(Dollars in Thousands)

	NGF-S + Opportunity Pathways			Total All Funds		
	2013-15	2015-17	Difference	2013-15	2015-17	Difference
OSPI & Statewide Programs	54,296	77,072	22,776	135,723	157,910	22,187
General Apportionment	11,368,324	13,242,915	1,874,591	11,368,324	13,242,915	1,874,591
Pupil Transportation	810,419	927,123	116,704	810,419	927,123	116,704
School Food Services	14,222	14,222	0	672,560	685,566	13,006
Special Education	1,475,976	1,733,950	257,974	1,952,098	2,210,489	258,391
Educational Service Districts	16,226	16,424	198	16,226	16,424	198
Levy Equalization	656,787	742,844	86,057	656,787	742,844	86,057
Elementary/Secondary School Improv	0	0	0	4,302	4,302	0
Institutional Education	27,599	27,970	371	27,599	27,970	371
Ed of Highly Capable Students	19,346	20,191	845	19,346	20,191	845
Education Reform	234,312	243,925	9,613	458,420	340,826	-117,594
Transitional Bilingual Instruction	207,584	239,926	32,342	279,700	312,133	32,433
Learning Assistance Program (LAP)	412,156	450,930	38,774	862,690	899,398	36,708
Compensation Adjustments	0	418,512	418,512	0	418,512	418,512
Washington Charter School Comm	1,025	826	-199	1,054	1,563	509
Total Public Schools	15,298,272	18,156,830	2,858,558	17,265,248	20,008,166	2,742,918

Legislature and Government

Teacher and Substitute Shortage in Washington State

Many Washington public schools are facing a crisis in finding qualified teachers. According to a survey of principals conducted in November 2015, 45% of them were not able to employ all of their needed classroom teachers with fully certified teachers who met the job qualifications. More than 80% were required to employ individuals as classroom teachers with emergency certificates or as long-term substitutes. Ninety-three percent indicated that they were "struggling" or in a "crisis" mode in finding qualified candidates.

The areas with the greatest shortages include elementary, special education, mathematics, science and career and technical education teachers.

Finding substitutes also is extremely difficult. Ninety-eight percent of principals indicated that they were "struggling" or in a "crisis" mode in finding substitutes. A total of 75% of principals reported that they had to personally cover a class in the past five school days because substitutes were not available. In addition, the number of "Emergency Substitute Certificates" that OSPI is projected to issue this school year is more than five times higher than in the 2011-12 school year. The only state-required qualification to be an Emergency Substitute is to pass a fingerprint check and a character and fitness questionnaire.

The teacher and substitute shortage is being experienced in all regions and types of schools. However, it is especially problematic in lower-income schools and the Central Region of our state.

Information documenting the shortages includes:

- [Principal Teacher/Substitute Shortage Survey Summary Report](#)
- [Two-page analysis of the Teacher Shortage](#)
- [Two-page analysis of the Substitute Shortage](#)
- [Issuance of Emergency Substitute Certificates](#)

The [Budget and Policy Request](#) from Superintendent Dorn addresses this shortage.

- [Read the Summary](#)

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Washington ranks 40th in education spending per student (2012).*

	Education spending per student, adjusted for regional cost differences (2012)	
	State average	Rank
Vermont	\$18,882	1
Alaska	\$18,113	2
Wyoming	\$17,758	3
New York	\$17,326	4
New Jersey	\$16,421	5
Connecticut	\$15,172	6
Maine	\$14,613	7
New Hampshire	\$14,561	8
District of Columbia	\$13,917	9
Delaware	\$13,902	10
Rhode Island	\$13,814	11
Pennsylvania	\$13,653	12
Nebraska	\$13,457	13
North Dakota	\$13,443	14
West Virginia	\$13,227	15
Montana	\$13,224	16
Massachusetts	\$13,157	17
Hawaii	\$12,727	18
Maryland	\$12,435	19
Louisiana	\$12,375	20
Michigan	\$12,038	21
Ohio	\$12,010	22
Wisconsin	\$11,968	23
Iowa	\$11,929	24
United States	\$11,735	
Illinois	\$11,730	25
Minnesota	\$11,547	26
Kansas	\$11,399	27
Indiana	\$11,230	28
Arkansas	\$11,224	29
Missouri	\$10,798	30
South Dakota	\$10,742	31
Kentucky	\$10,713	32
Oregon	\$10,415	33
South Carolina	\$10,141	34
Virginia	\$9,784	35
New Mexico	\$9,736	36
Mississippi	\$9,587	37
Alabama	\$9,563	38
Georgia	\$9,394	39
Washington	\$9,346	40
Florida	\$9,120	41
Tennessee	\$9,113	42
Colorado	\$9,020	43
North Carolina	\$8,670	44
Oklahoma	\$8,624	45
California	\$8,308	46
Nevada	\$8,141	47
Idaho	\$8,123	48
Texas	\$8,113	49
Arizona	\$8,101	50
Utah	\$6,688	51



* Education spending per student has been adjusted for regional cost differences.

Source: Education Week, January 2015. Data from Education Week Research Center, 2015. Figures adjusted using NCES Geographic Cost of Education Index.



Governor Inslee proposes modest adjustments to 2015–17 budget

Six months ago, Governor Jay Inslee and the Legislature approved the 2015–17 state budget that made big strides in addressing pent-up demands and a backlog of problems that crept up due to years of squeezing budgets and cutting services during Washington’s slow recovery from the Great Recession.

Among other actions, the \$38 billion biennial operating budget took another big step toward meeting our constitutional basic education obligations. We invested another \$1.3 billion to reduce elementary school class sizes, fund full-day kindergarten statewide and fully fund the state’s obligation to cover local district costs for materials, supplies and operations.

The 2015–17 budget also made major investments in early learning, eased the tuition burden at the public colleges and universities, restored funding to some of the health and human services hit hardest during the

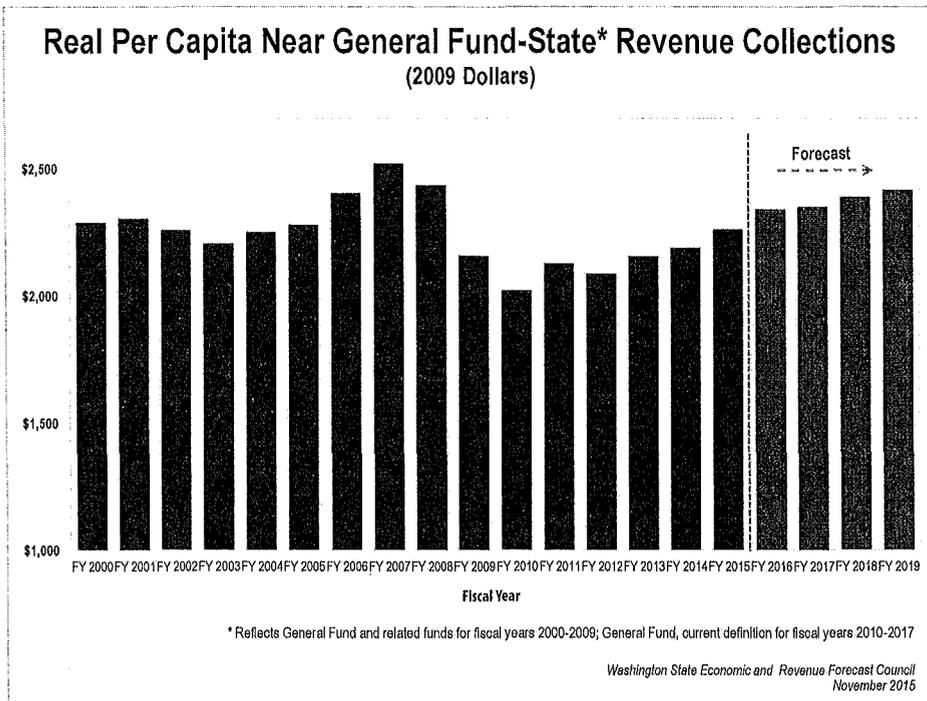
recession, provided sorely needed support to our State Parks and gave teachers their first cost-of-living raises and state employees their first general wage increases since 2008.

Washington’s economy and state revenue collections continue to recover. But that growth is slow, and state economic forecasters are concerned another recession may be ahead. What’s more, the state faces enormous financial obligations in the next biennium, most notably to meet the state Supreme Court’s McCleary order on funding for K-12 education.

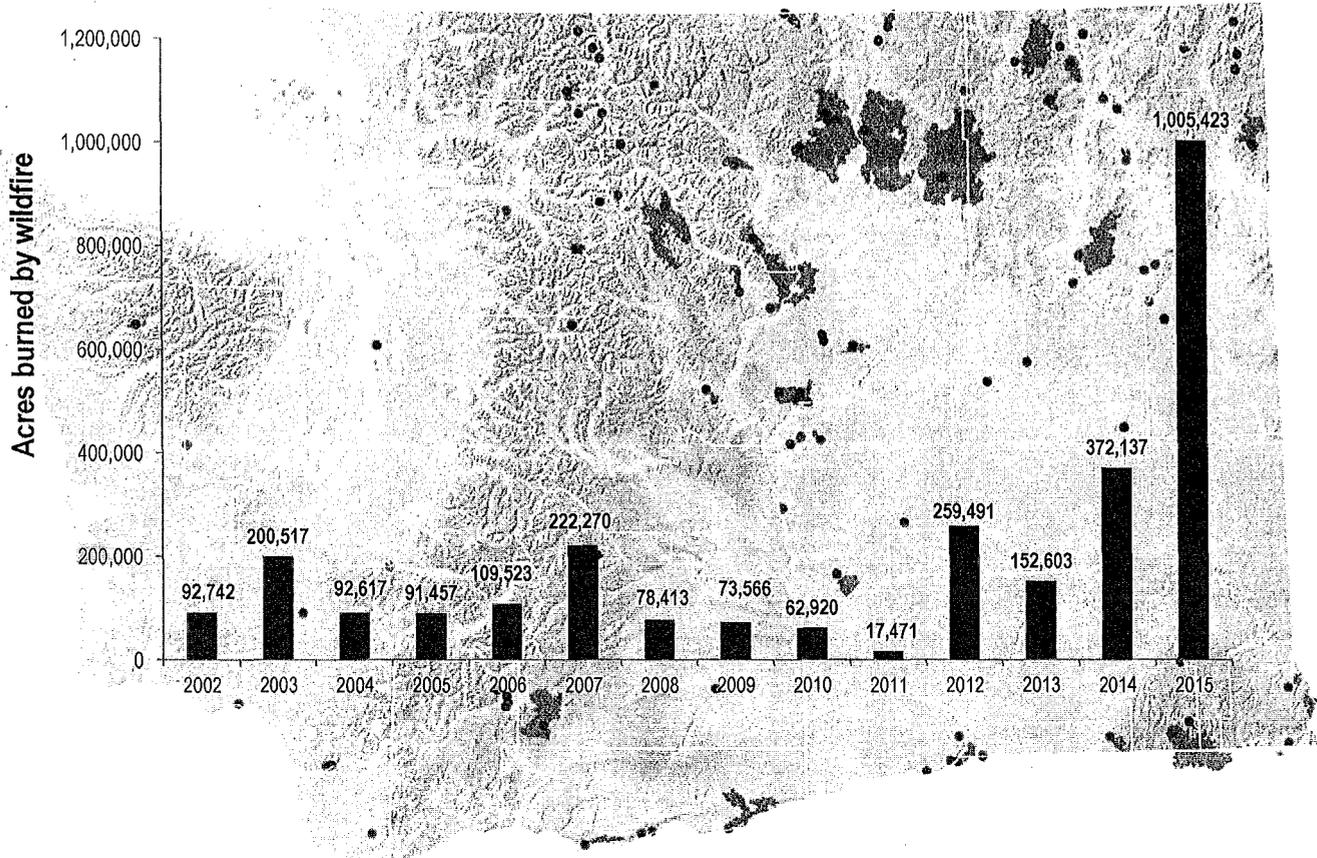
Against this backdrop, Governor Inslee is proposing modest adjustments to the 2015–17 budget. The primary focus of his 2016 supplemental budget is to cover spending increases needed to continue delivering services at current levels, cover caseload and enrollment increases, and pay for emergencies

and other costs not anticipated when the budget was approved in June. Beyond that, his budget meets a handful of high-priority needs, especially for vital mental health services.

In addition to these spending adjustments, state agencies this year requested hundreds of millions of dollars more in budget enhancements. While many of these are good ideas that would benefit our citizens and Washington, most are items the state simply cannot afford at this time.



2015 Was A Record Year For Wildfires In Washington



Source: Department of Natural Resources
November 2015

Revenue not keeping pace with costs

Since the 2015–17 budget was enacted, Washington’s economic revenue forecast for the biennium has been increased by about \$245 million. That added revenue, however, will only partly cover cost increases and unanticipated expenses that have accrued the past six months. In fact, the state’s costs have grown by more than \$700 million since June.

Fortunately, the budget approved by Governor Inslee and the Legislature left sufficient reserves to help meet the added spending pressures.

There is no better illustration of those new spending pressures than the fiscal repercussions from last summer’s wildfire season. By far the worst fire season in state history, more than 1 million acres were scorched and more than 300 homes destroyed. It cost

the state nearly \$178 million — almost \$150 million more than what was provided in the current budget — to battle these blazes. Besides providing extra funding to cover this year’s wildfire costs, Governor Inslee’s operating and capital budgets will help communities recover from the fires and help the state prevent and prepare for new ones.

The state will need about \$180 million to cover rising Medicaid caseloads and health care costs. The number of Medicaid-eligible low-income children has increased by 39,000 since last spring, and we are seeing spikes in per-capita health care costs for some of the state’s most vulnerable populations — individuals who are aged, blind or disabled. Swelling health care costs are being driven largely by higher pharmaceutical expenses, especially for new specialty medications.

The cost of maintaining important services we now offer has gone up in a number of other areas. For example, Washington's prison system costs have grown by about \$23 million, mostly due to more offenders under community supervision. Meanwhile, caseload and other maintenance-level increases — primarily in human service programs such as long-term care, welfare and child care — total about \$63 million.

Besides addressing these new costs, Governor Inslee's budget includes more funding to cover other state obligations and high-priority needs. For example, legal judgments and settlements continue to drive up costs. His budget includes funding for major staffing and safety issues at the public psychiatric hospitals and for more Child Protective Services staff to respond to reports of child abuse and neglect. And the Governor proposes patching several holes in the 2015–17 budget, largely to compensate for assumed health care savings that are not occurring as expected.

To cover this year's wildfire costs and help prepare for future fire seasons, Governor Inslee proposes using

Washington's Disaster Response Account and the Budget Stabilization Account. Under his budget, the state would have a projected \$961 million in total reserves at the end of this biennium.

The Governor's supplemental transportation budget focuses on successfully implementing the \$16 billion Connecting Washington transportation package approved by the Legislature earlier this year. It makes targeted investments in additional electric vehicle incentives, faster clearing of traffic incidents, highway preservation, ferry maintenance and removal of fish passage barriers. His budget also provides funds to handle greater citizen demand for enhanced driver's licenses.

Within a limited funding capacity, the Governor's supplemental capital budget focuses on maintaining and repairing state facilities, including those that serve our vulnerable citizens. His budget also includes funding to cover higher school construction matching costs, help reduce homelessness and clean up polluted sites around the state.

Governor's supplemental budget strengthens vital mental health services

In just three years, we have invested more than \$700 million in the state's mental health system, largely the result of offering mental health services to newly eligible adult populations through expansion of the federal Patient Protection and Affordable Care Act. But we also made significant investments to expand community mental health bed capacity to prevent inappropriate boarding of patients at medical hospitals. And we increased funding for forensic beds at the state psychiatric hospitals so people don't have to stay in jail as long awaiting competency evaluations and restoration services.

Despite these and other investments since 2012, we still have critical mental health needs that must be addressed. The Governor's supplemental budget does just that. More than \$137 million — including \$44 million General Fund-State — is strategically invested to ensure that we effectively meet our duty to provide treatment to individuals now experiencing mental health crisis and to improve long-term outcomes.

The Governor's budget makes significant investments to improve safety and boost staffing levels at the state psychiatric hospitals. All told, the budget funds about 62 additional positions — including 51 registered nurses — and makes investments to improve hospital staff recruitment and retention rates.

It also invests in community-based services to treat individuals in acute mental health crisis, minimize the need for hospitalization in a state psychiatric hospital and help individuals successfully transition from state psychiatric hospitals to the community.

Lastly, the Governor's budget makes investments in independent consultation and oversight to help the state move to a system that has stability, is efficient and can effectively meet not only the needs of individuals in mental health crisis, but of those who care for them.

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Subject: RE: Lee v. State; 92708-1, Amicus Brief of Association of Washington School Principals

Received 3-2-16

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To: OFFICE RECEPTIONIST, CLERK <SUPREME@COURTS.WA.GOV>
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Subject: Lee v. State; 92708-1, Amicus Brief of Association of Washington School Principals

Dear Clerk,

Please find attached the Association of Washington School Principals' (1) Motion for Leave to File Brief of Amicus Curiae, (2) Amicus Brief, and (3) Appendix to the Amicus Brief.

Thank you,

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