

PUBLIC SCHOOLS

Maintenance Level Adjustments — \$126.3 Million General Fund-State

Enrollment and Workload Changes — \$105.3 Million General Fund-State

The February 2002 enrollment forecast from the Caseload Forecast Council increased K-12 enrollment by 8,827 full-time equivalent (FTE) students for the 2001-02 school year and 12,531 FTE students for the 2002-03 school year. Also included in workload changes are other adjustments including staff mix and local deductible revenues.

Levy Equalization Update — \$12.7 Million General Fund-State

Higher-than-expected assessed property values and local levy bases and increased voter approval of local levies increased the maintenance level amount for the Local Effort Assistance Program.

K-12 Inflation — \$6.2 Million General Fund-State Savings

Inflation adjustments are provided in the budget for K-12 basic education programs. The inflation forecast changed from 2.1 percent to 1.0 percent for fiscal year 2002 and from 2.3 percent to 1.7 percent for fiscal year 2003. Basic education budgets cannot be adjusted once school districts have set their budgets, so no changes are made for the 2001-02 school year. A budget adjustment is made for the 2002-03 school year taking into account the lower inflation in the previous year and the coming year. These adjustments result in a budgeted inflation rate of 1.01 percent for the 2002-03 school year.

Initiative 732 Cost-of-Living Adjustment (COLA) — \$14.5 Million General Fund-State

The 2001 calendar year Seattle Consumer Price Index (CPI) used for the 2002-03 school year K-12 COLA mandated by Initiative 732 is higher than the 3.1 percent anticipated in the original 2001-03 budget. The new CPI estimate is 3.6 percent and results in a \$14.5 million increase for COLAs for state-funded K-12 staff.

Savings and Reductions

Pension Rate Change — \$53.9 Million General Fund-State Savings

Chapter 7, Laws of 2002 (HB 2782), changes employer and employee pension contribution rates based on the 1995-2000 experience study and 2000 actuarial valuation of the retirement systems. The change in rates is effective April 1, 2002.

Better Schools Class Size — \$24.6 Million General Fund-State Savings

Beginning with the 2002-03 school year, the Better Schools K-4 staffing ratio enhancement is reduced from 2.2 certificated instructional staff per 1,000 students to 0.8 staff per 1,000 students.

Health Benefit Rate Changes — \$29.5 Million General Fund-State Savings

The monthly funding rate for health, life, and disability insurance benefits for state-funded K-12 staff will increase from \$455.27 per month for the 2001-02 school year to \$457.07 for the 2002-03 school year. The original 2001-03 biennial budget provided \$493.59 per month for the 2002-03 school year.

Integrating Federal Funds — \$24.1 Million General Fund-State Savings, \$50.4 Million Federal Funds

Federal funds are incorporated in the funding of three programs in the following amounts: Special Education (\$17.3 million); Learning Assistance (\$5.8 million); and the Washington Assessments of Student Learning (\$1.0 million).

Staff Mix Calculation Change — \$18.9 Million General Fund-State Savings

Staff mix refers to the experience and education of a school district's certificated instructional staff. It is one of the components used to determine state funding in the General Apportionment and Special Education Programs and

adjusts state funding based on the profile of a school district's staff in these two programs. Beginning with the 2002-03 school year, all of a district's certificated instructional staff are used to calculate staff mix.

Learning Improvement Days — \$12.1 Million General Fund-State Savings

Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, only two extra days are provided.

Transfer to State Flexible Education Funds — \$6.8 Million General Fund-State Savings

A “State Flexible Education Fund” is created and funds are transferred into the program from various sources including various statewide grant programs. After a reduction of 24.7 percent, the funds are combined to create a flexible pool of funds for school districts allocated at a rate of \$21.55 per FTE student. The funds may be expended for local program enhancements as determined by school districts to improve student learning, including all the programs that were transferred into the new fund. The funds may not be expended to increase salary or compensation for existing teaching duties. Programs transferred and the amounts transferred are listed below.

State Flexible Education Funds Program	
General Fund-State	
(Dollars in Thousands)	
Source of Amounts Transferred In	
Block Grant Program	14,193
School Safety Allocation	6,084
Mentor/Beginning Teacher Assist at 50 Percent	2,347
Educational Centers	1,349
Complex Needs	1,075
Truancy	750
Superintendent/Principal Internships at 50 Percent	705
Paraprofessional Training at 50 Percent	547
Principal Assessment and Mentorships at 50 Percent	313
Total Transferred Amount	27,363
24.7 Percent Reduction	-6,751
State Flexible Education Fund Amount	20,612
Rate Per FTE Student	\$21.55

Traffic Safety Education — \$2.3 Million General Fund-State Savings

The General Fund-State subsidy for this program is eliminated. The budget was based on the assumption that \$6.6 million in Public Safety Education Account funds would become available for the program from enactment of HB 2573. The bill was not enacted resulting in no subsidy for the program for the 2002-03 school year.

Levy Equalization — \$1.5 Million General Fund-State Savings

The fiscal year 2003 levy equalization amount is adjusted to reflect the various policy changes in the K-12 supplemental budget. The budget also changes the per pupil inflator from 3.3 percent to 2.9 percent to reflect the change in per pupil spending in the 2002 supplemental budget. The change in per pupil expenditures is calculated using General Fund-State, General Fund-Federal, and Student Achievement Fund appropriations in fiscal year 2002 and fiscal year 2003. In addition, calendar year 2003 levy equalization allocations are reduced 1 percent as authorized by Chapter 317, Laws of 2002 (EHB 3011 – Local Effort Assistance).

Efficiencies and Savings — \$1.4 Million General Fund-State Savings

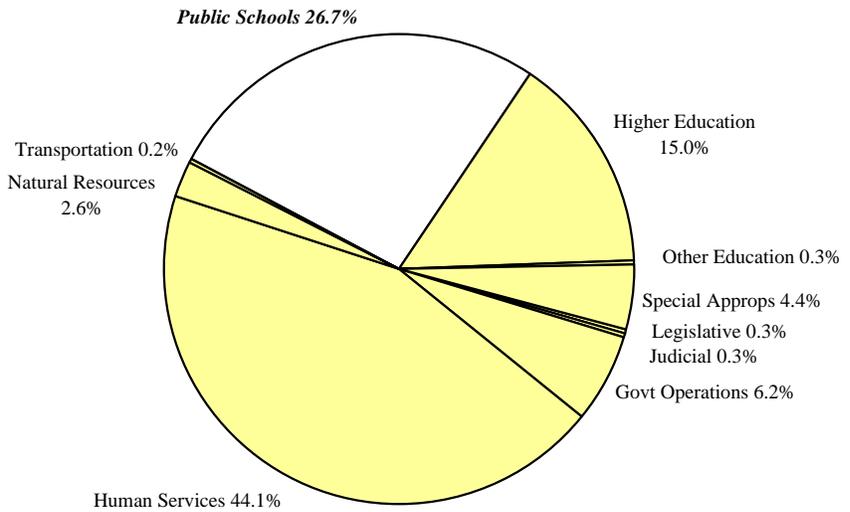
Most basic education programs not subject to transfer to the State Flexible Education Funds Program are reduced by 3.0 percent for fiscal year 2003. The major programs included in this reduction are: the Office of the Superintendent of Public Instruction; Educational Service Districts; Highly Capable; and summer Skills Center Programs.

Public Schools 2002 Supplemental Budget	
General Fund-State	
(Dollars in Thousands)	
2002 Maintenance Changes	126,324
2002 Policy Changes	
Pension Rate Change	-53,962
Health Benefit Changes	-29,509
Better Schools	-24,551
Integrating Federal Funds	-24,142
Staff Mix Calculation Change	-18,982
Learning Improvement Days	-12,109
Transfer to Flexible Education Fund	-6,751
Traffic Safety Education Allocation	-2,283
Efficiencies and Savings	-1,436
Levy Equalization	-1,472
Levy Equalization Task Force	49
National Board Certification	70
Total Policy Changes	-175,078
Net Policy and Maintenance Changes	-48,754

2001-03 Washington State Omnibus Operating Budget Total Budgeted Funds

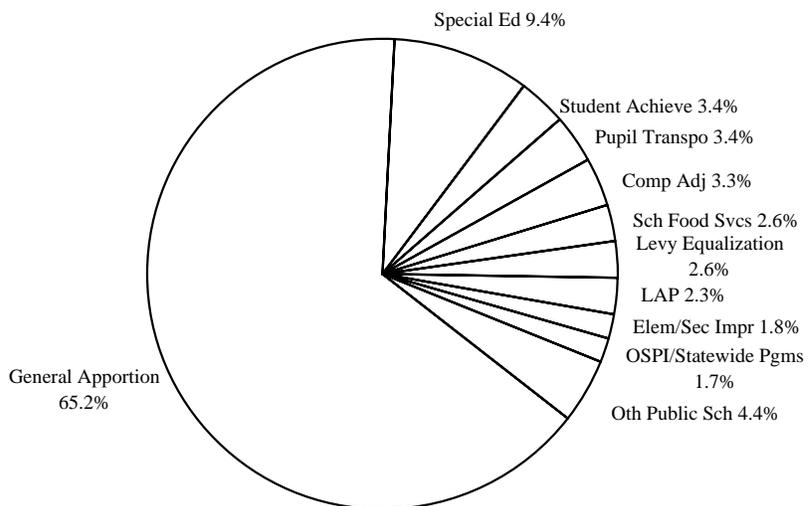
(Dollars in Thousands)

Legislative	136,110
Judicial	140,864
Governmental Operations	2,649,413
Human Services	18,976,685
Natural Resources	1,102,464
Transportation	105,690
Public Schools	11,503,685
Higher Education	6,439,607
Other Education	110,984
Special Appropriations	1,904,368
Statewide Total	43,069,870



Washington State

General Apportionment	7,498,021
Special Education	1,085,333
Student Achievement	391,149
Pupil Transportation	385,695
Compensation Adj	381,004
School Food Services	296,387
Levy Equalization	295,863
Learning Assist Pgm (LAP)	266,587
Elem/Second Sch Improve	201,737
OSPI & Statewide Pgms	192,176
Other Public Schools	509,733
Public Schools	11,503,685

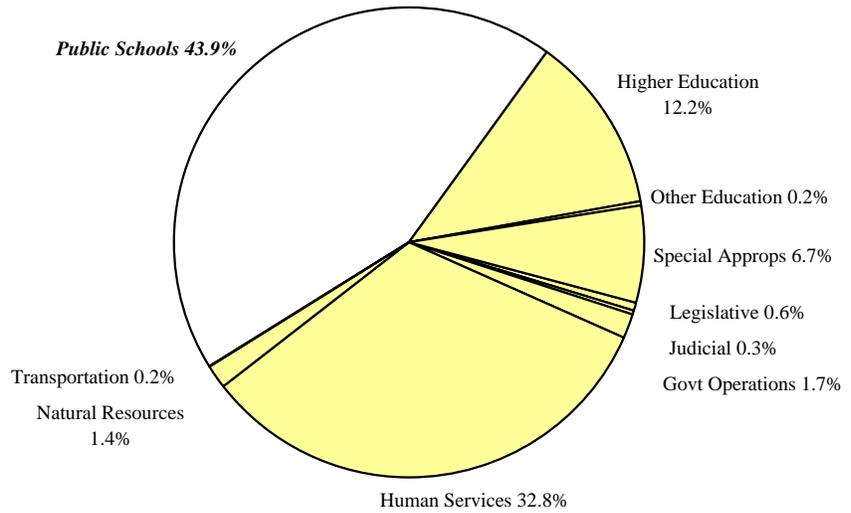


Public Schools

2001-03 Washington State Omnibus Operating Budget General Fund-State

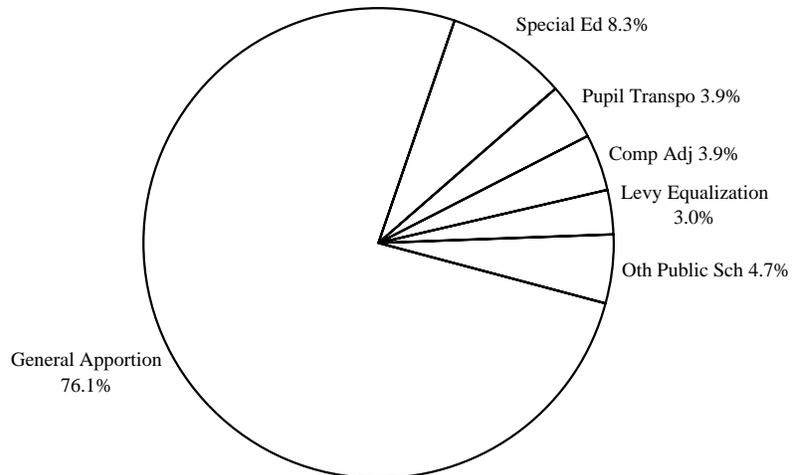
(Dollars in Thousands)

Legislative	129,818
Judicial	73,294
Governmental Operations	383,769
Human Services	7,361,197
Natural Resources	315,637
Transportation	40,166
Public Schools	9,854,332
Higher Education	2,731,564
Other Education	54,473
Special Appropriations	1,506,941
Statewide Total	22,451,191



Washington State

General Apportionment	7,498,021
Special Education	828,926
Pupil Transportation	385,695
Compensation Adj	380,813
Levy Equalization	295,863
Other Public Schools	465,014
Public Schools	9,854,332



Public Schools

Public Schools

WORKLOAD HISTORY By School Year

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	<u>Estimated</u>		
								2001-02	2002-03	
General Apportionment										
FTE Enrollment	886,247	904,288	923,467	936,435	946,385	948,485	951,033	956,639	958,563	
% Change from prior year		2.0%	2.1%	1.4%	1.1%	0.2%	0.3%	0.6%	0.2%	
Special Education										
Funded Enrollment ⁽¹⁾	107,232	108,185	109,149	111,257	113,249	115,257	116,709	118,511	120,638	
% Change from prior year		0.9%	0.9%	1.9%	1.8%	1.8%	1.3%	1.5%	1.8%	
Bilingual Education										
Headcount Enrollment	39,888	42,981	46,029	47,975	52,040	55,656	59,514	62,889	66,866	
% Change from prior year		7.8%	7.1%	4.2%	8.5%	6.9%	6.9%	5.7%	6.3%	
Learning Assistance Program										
Entitlement Units ⁽²⁾	117,112	154,867	157,482	159,556	159,481	184,804	177,763	174,275	172,316	
% Change from prior year		32.2%	1.7%	1.3%	0.0%	15.9%	-3.8%	-2.0%	-1.1%	

(1) 1995-96 through 2002-03 represent headcount enrollments funded through the main funding formula and do not include additional enrollment funded through the Special Education Safety Net.

(2) Formula changed in 1995 – entitlement units used for allocation purposes only. Actual students served may vary. Allocation formula changed in 1999-00 school year to include 10th and 11th grades.

Data Sources :

1994-95 through 1998-99 amounts from SPI/OFM and Caseload Forecast Council.

2001-02 through 2002-03 estimates from Caseload Forecast Council and Legislative 2002 Supplemental Budget.

**Public Schools
OSPI & Statewide Programs**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	61,304	238,025	299,329
Total Maintenance Changes	62	-97,329	-97,267
Policy Changes			
1. Efficiencies & Savings	-677	0	-677
2. Levy Equalization Task Force	49	0	49
3. Transfer to State Flexible Ed Fund	-9,258	0	-9,258
4. Technology Task Force	92	0	92
5. Governor Veto	-92	0	-92
Total Policy Changes	-9,886	0	-9,886
2001-03 Revised Appropriations	51,480	140,696	192,176
Fiscal Year 2002 Total	29,582	109,740	139,322
Fiscal Year 2003 Total	21,898	30,956	52,854

Comments:

- 1. Efficiencies & Savings** - The agency shall take actions consistent with their mission, goals, and objectives to reduce operating costs. The agency should give strong consideration to the Best Practice proposals put forth by Office of Financial Management (OFM) and the Department of Information Services. Such action, to the extent possible, should maintain client services and state revenues. Actions may also include hiring freezes, employee furloughs both voluntary and mandatory, restricted travel and training, and reduced equipment and personal service contracts. The agency, with OFM approval, can use FY 2002 savings to offset the FY 2003 reduction.
- 2. Levy Equalization Task Force** - One-time funding is provided to support the work of the Local Effort Assistance Task Force created by Chapter 317, Laws of 2002 (HB 3011 - Local Effort Assistance).
- 3. Transfer to State Flexible Ed Fund** - A "State Flexible Education Fund" is created and funds are transferred into the program from various sources including various statewide grant programs. After a reduction of 24.7 percent, the funds are combined to create a flexible pool of funds for school districts allocated at a rate of \$21.55 per full time equivalent (FTE) student. Programs transferred from this budget program to the State Flexible Education Funds program are: Truancy, Complex Needs, Educational Centers, and the School Safety Allocation.
- 4. Technology Task Force** - Funds are provided for the formation of the Technology Task Force to study the technology currently available in schools, the training in technology, how technology is currently funded, and recommendations for the future. The task force consists of 19 members, and the study is to be completed by November 1, 2002.
- 5. Governor Veto** - The Governor vetoed Section 501(2)(b)(iii) of Chapter 371, Laws of 2002, Partial Veto (ESSB 6387), which provided funding for a study of technology in public schools. Therefore, funding in the amount of \$92,000 lapses.

**Public Schools
General Apportionment**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	7,512,176	0	7,512,176
Total Maintenance Changes	78,318	0	78,318
Policy Changes			
1. Efficiencies & Savings	-78	0	-78
2. Pension Rate Change	-43,707	0	-43,707
3. Better Schools	-22,938	0	-22,938
4. Staff Mix Calculation Change	-15,913	0	-15,913
5. Learning Improvement Days	-9,837	0	-9,837
Total Policy Changes	-92,473	0	-92,473
2001-03 Revised Appropriations	7,498,021	0	7,498,021
Fiscal Year 2002 Total	3,786,124	0	3,786,124
Fiscal Year 2003 Total	3,711,897	0	3,711,897

Comments:

1. **Efficiencies & Savings** - The agency shall take actions consistent with their mission, goals, and objectives to reduce operating costs. The agency should give strong consideration to the Best Practice proposals put forth by Office of Financial Management (OFM) and the Department of Information Services. Such action, to the extent possible, should maintain client services and state revenues. Actions may also include hiring freezes, employee furloughs both voluntary and mandatory, restricted travel and training, and reduced equipment and personal service contracts. The agency, with OFM approval, can use FY 2002 savings to offset the FY 2003 reduction.

Beginning with the 2002-03 school year, all of a district's certificated instructional staff are used to calculate staff mix.
2. **Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
3. **Better Schools** - Beginning with the 2002-03 school year, the Better Schools K-4 staffing ratio enhancement is reduced from 2.2 certificated instructional staff per 1,000 students to 0.8 staff per 1,000 students.
4. **Staff Mix Calculation Change** - Staff mix refers to the experience and education of a school district's certificated instructional staff. It is one of the components used to determine state funding in the apportionment and special education programs and adjusts state funding based on the profile of a school district's staff in these two programs.
5. **Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.

**Public Schools
Compensation Adjustments**

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Original Appropriations	398,659	0	398,659
Total Maintenance Changes	19,310	0	19,310
Policy Changes			
1. Health Benefit Changes	-29,509	0	-29,509
2. Efficiencies & Savings	-10	0	-10
3. Pension Rate Change	-3,243	0	-3,243
4. Better Schools	-1,613	0	-1,613
5. Staff Mix Calculation Change	-1,307	0	-1,307
6. Learning Improvement Days	-833	0	-833
7. Integrating Federal Funds	-641	191	-450
Total Policy Changes	-37,156	191	-36,965
2001-03 Revised Appropriations	380,813	191	381,004
Fiscal Year 2002 Total	124,903	0	124,903
Fiscal Year 2003 Total	255,910	191	256,101

Comments:

1. **Health Benefit Changes** - The monthly funding rate for health, life, and disability insurance benefits for state-funded K-12 staff will increase from \$455.27 per month in the 2001-02 school year to \$457.07 in the 2002-03 school year. The original 2001-03 biennial budget provided \$493.59 per month for the 2002-03 school year.
2. **Efficiencies & Savings** - The agency shall take actions consistent with their mission, goals, and objectives to reduce operating costs. The agency should give strong consideration to the Best Practice proposals put forth by Office of Financial Management (OFM) and the Department of Information Services. Such action, to the extent possible, should maintain client services and state revenues. Actions may also include hiring freezes, employee furloughs both voluntary and mandatory, restricted travel and training, and reduced equipment and personal service contracts. The agency, with OFM approval, can use FY 2002 savings to offset the FY 2003 reduction.
3. **Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
4. **Better Schools** - Beginning with the 2002-03 school year, the Better Schools K-4 staffing ratio enhancement is reduced from 2.2 certificated instructional staff per 1,000 students to 0.8 staff per 1,000 students.
5. **Staff Mix Calculation Change** - Staff mix refers to the experience and education of a school district's certificated instructional staff. It is one of the components used to determine state funding in the apportionment and special education programs and adjusts state funding based on the profile of a school district's staff in these two programs. Beginning with the 2002-03 school year, all of a district's certificated instructional staff are used to calculate staff mix.
6. **Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.
7. **Integrating Federal Funds** - Integrating federal funds to fund a portion of the Special Education and Learning Assistance Programs reduces the amount needed for General Fund-State funded compensation increases by \$641,000.

**Public Schools
 Pupil Transportation**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	387,491	0	387,491
Total Maintenance Changes	-1,212	0	-1,212
Policy Changes			
1. Efficiencies & Savings	-24	0	-24
2. Pension Rate Change	-560	0	-560
Total Policy Changes	-584	0	-584
2001-03 Revised Appropriations	385,695	0	385,695
Fiscal Year 2002 Total	192,402	0	192,402
Fiscal Year 2003 Total	193,293	0	193,293

Comments:

1. **Efficiencies & Savings** - The agency shall take actions consistent with their mission, goals, and objectives to reduce operating costs. The agency should give strong consideration to the Best Practice proposals put forth by Office of Financial Management (OFM) and the Department of Information Services. Such action, to the extent possible, should maintain client services and state revenues. Actions may also include hiring freezes, employee furloughs both voluntary and mandatory, restricted travel and training, and reduced equipment and personal service contracts. The agency, with OFM approval, can use FY 2002 savings to offset the FY 2003 reduction.
2. **Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.

**Public Schools
Special Education**

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Original Appropriations	839,908	256,092	1,096,000
Total Maintenance Changes	13,779	-14,686	-907
Policy Changes			
1. Pension Rate Change	-4,851	0	-4,851
2. Staff Mix Calculation Change	-1,762	0	-1,762
3. Learning Improvement Days	-1,089	0	-1,089
4. Integrating Federal Funds	-17,059	15,001	-2,058
Total Policy Changes	-24,761	15,001	-9,760
2001-03 Revised Appropriations	828,926	256,407	1,085,333
Fiscal Year 2002 Total	420,165	112,780	532,945
Fiscal Year 2003 Total	408,761	143,627	552,388

Comments:

1. **Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
2. **Staff Mix Calculation Change** - Staff mix refers to the experience and education of a school district's certificated instructional staff. It is one of the components used to determine state funding in the apportionment and special education programs and adjusts state funding based on the profile of a school district's staff in these two programs. Beginning with the 2002-03 school year, all of a district's certificated instructional staff are used to calculate staff mix.
3. **Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.
4. **Integrating Federal Funds** - Federal funds to Washington State for special education will increase by \$24 million for the 2002-03 school year. The budget incorporates a portion of the increase to fund the special education safety net and to increase the maximum percentage of a district's enrollment funded under special education from the current 12.7 percent to 13.0 percent. (General Fund-State, General Fund-Federal)

**Public Schools
 Traffic Safety Education**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	6,183	0	6,183
Total Maintenance Changes	377	0	377
Policy Changes			
1. Traffic Safety Education Allocation	-2,283	6,567	4,284
2. Lapse	0	-6,567	-6,567
Total Policy Changes	-2,283	0	-2,283
2001-03 Revised Appropriations	4,277	0	4,277
Fiscal Year 2002 Total	3,765	0	3,765
Fiscal Year 2003 Total	512	0	512

Comments:

1. **Traffic Safety Education Allocation** - The remaining General Fund-State subsidy for traffic safety education is eliminated beginning with the 2002-03 school year. The budget was based on the assumption that \$6.6 million in Public Safety Education Account funds would become available for the program from the enactment of EHB 2573. The bill was not enacted resulting in no subsidy for the program for the 2002-03 school year. (General Fund-State, Public Safety Education Account)
2. **Lapse** - Traffic Safety Education Allocation - The budget was based on the assumption that \$6.6 million in Public Safety and Education Account (PSEA) funds would become available for the program from enactment of HB 2573. The bill was not enacted resulting in the lapse of the PSEA funding.

**Public Schools
 Educational Service Districts**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	9,536	0	9,536
Policy Changes			
1. Efficiencies & Savings	-156	0	-156
2. Pension Rate Change	-47	0	-47
3. Learning Improvement Days	-5	0	-5
Total Policy Changes	-208	0	-208
2001-03 Revised Appropriations	9,328	0	9,328
Fiscal Year 2002 Total	4,757	0	4,757
Fiscal Year 2003 Total	4,571	0	4,571

Comments:

- 1. Efficiencies & Savings** - The agency shall take actions consistent with their mission, goals, and objectives to reduce operating costs. The agency should give strong consideration to the Best Practice proposals put forth by Office of Financial Management (OFM) and the Department of Information Services. Such action, to the extent possible, should maintain client services and state revenues. Actions may also include hiring freezes, employee furloughs both voluntary and mandatory, restricted travel and training, and reduced equipment and personal service contracts. The agency, with OFM approval, can use FY 2002 savings to offset the FY 2003 reduction.
- 2. Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
- 3. Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.

**Public Schools
 Levy Equalization**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	284,644	0	284,644
Total Maintenance Changes	12,691	0	12,691
Policy Changes			
1. Levy Equalization Update	-583	0	-583
2. Levy Equalization Policy	-889	0	-889
Total Policy Changes	-1,472	0	-1,472
2001-03 Revised Appropriations	295,863	0	295,863
Fiscal Year 2002 Total	140,932	0	140,932
Fiscal Year 2003 Total	154,931	0	154,931

Comments:

1. **Levy Equalization Update** - The various adjustments in the K-12 budget for school year 2002-03 reduce the amount needed for levy equalization by \$583,000.
2. **Levy Equalization Policy** - Calendar year 2003 levy equalization allocations are reduced 1 percent as authorized by Chapter 317, Laws of 2002 (HB 3011 - Local Effort Assistance).

**Public Schools
 Institutional Education**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	38,248	8,548	46,796
Total Maintenance Changes	-231	0	-231
Policy Changes			
1. Pension Rate Change	-233	0	-233
2. Learning Improvement Days	-53	0	-53
Total Policy Changes	-286	0	-286
2001-03 Revised Appropriations	37,731	8,548	46,279
Fiscal Year 2002 Total	19,073	4,274	23,347
Fiscal Year 2003 Total	18,658	4,274	22,932

Comments:

1. **Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
2. **Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.

Public Schools
Education of Highly Capable Students

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	12,840	0	12,840
Total Maintenance Changes	119	0	119
Policy Changes			
1. Efficiencies & Savings	-166	0	-166
2. Pension Rate Change	-76	0	-76
3. Learning Improvement Days	-18	0	-18
Total Policy Changes	-260	0	-260
2001-03 Revised Appropriations	12,699	0	12,699
Fiscal Year 2002 Total	6,470	0	6,470
Fiscal Year 2003 Total	6,229	0	6,229

Comments:

1. **Efficiencies & Savings** - The agency shall take actions consistent with their mission, goals, and objectives to reduce operating costs. The agency should give strong consideration to the Best Practice proposals put forth by Office of Financial Management (OFM) and the Department of Information Services. Such action, to the extent possible, should maintain client services and state revenues. Actions may also include hiring freezes, employee furloughs both voluntary and mandatory, restricted travel and training, and reduced equipment and personal service contracts. The agency, with OFM approval, can use FY 2002 savings to offset the FY 2003 reduction.
2. **Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
3. **Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.

**Public Schools
 Elementary & Secondary School Improvement**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	0	288,166	288,166
Total Maintenance Changes	0	-86,429	-86,429
2001-03 Revised Appropriations	0	201,737	201,737
Fiscal Year 2002 Total	0	142,639	142,639
Fiscal Year 2003 Total	0	59,098	59,098

Comments:

The recently enacted federal "No Child Left Behind Act" replaces the Elementary and Secondary Improvement Act. The \$86.4 million change in this program is not due to a reduction in federal funds, but rather to realignment of the federal funds to state programs with similar purposes, such as the Learning Assistance Program, the Bilingual Program, and the Education Reform Program.

**Public Schools
Education Reform**

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Original Appropriations	72,245	3,233	75,478
Total Maintenance Changes	-48	3,858	3,810
Policy Changes			
1. National Board Certification	70	0	70
2. Efficiencies & Savings	-325	0	-325
3. Transfer to State Flexible Ed Fund	-3,912	0	-3,912
4. Improving Teacher Quality	0	46,553	46,553
5. Integrating Federal Funds	-1,000	7,427	6,427
Total Policy Changes	-5,167	53,980	48,813
2001-03 Revised Appropriations	67,030	61,071	128,101
Fiscal Year 2002 Total	36,880	1,250	38,130
Fiscal Year 2003 Total	30,150	59,821	89,971

Comments:

1. **National Board Certification** - Currently, bonuses for attainment of national board certification for teachers are limited to three years. The budget extends the total bonus payments to four years.
2. **Efficiencies & Savings** - The agency shall take actions consistent with their mission, goals, and objectives to reduce operating costs. The agency should give strong consideration to the Best Practice proposals put forth by Office of Financial Management (OFM) and the Department of Information Services. Such action, to the extent possible, should maintain client services and state revenues. Actions may also include hiring freezes, employee furloughs both voluntary and mandatory, restricted travel and training, and reduced equipment and personal service contracts. The agency, with OFM approval, can use FY 2002 savings to offset the FY 2003 reduction.
3. **Transfer to State Flexible Ed Fund** - A "State Flexible Education Fund" is created and funds are transferred into the program from various sources including a portion of the Education Reform Program. After a reduction of 24.7 percent, the funds are combined to create a flexible pool of funds for school districts and are allocated at a rate of \$21.55 per full-time equivalent (FTE) student. Fifty percent of the the following Education Reform programs are transferred: Mentor/Beginning Teacher Assistance, Paraprofessional Training, Principal Assessment and Mentorships, and Superintendent/Principal Internships.
4. **Improving Teacher Quality** - The recently enacted "No Child Left Behind Act" will provide \$44.2 million in federal funds allocated to school districts for improving teacher quality in the 2002-03 school year. Permissible uses of the funds include: 1) class size reduction in early grades; 2) programs to assist schools in retaining and recruiting teachers; 3) professional development activities for teachers, principals, and paraprofessionals; and 4) teacher mentoring. Prior to the 2002-03 school year, this same amount of federal funds was provided for class size reduction, grants to improve the teaching of science, and school building renovation. (General Fund-Federal)
5. **Integrating Federal Funds** - Under the "No Child Left Behind Act" of 2001, Washington will receive \$7.4 million to create reading, math, and science assessments for grades 3 through 8. The original budget assumption that \$3.0 million of federal funds would be available for this purpose is increased to \$4.0 million. (General Fund-Federal)

**Public Schools
 Transitional Bilingual Instruction**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	88,215	0	88,215
Total Maintenance Changes	132	20,280	20,412
Policy Changes			
1. Pension Rate Change	-680	0	-680
2. Learning Improvement Days	-166	0	-166
Total Policy Changes	-846	0	-846
2001-03 Revised Appropriations	87,501	20,280	107,781
Fiscal Year 2002 Total	42,767	0	42,767
Fiscal Year 2003 Total	44,734	20,280	65,014

Comments:

The maintenance level budget contains an increase of \$20.3 million in federal funds. Rather than being an increase, this is a realignment of federal funds which were previously appropriated in another section of the budget. The \$20.3 million consists of federal language acquisition state grants and migrant education funds provided under the "No Child Left Behind Act."

- 1. Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
- 2. Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.

**Public Schools
 Learning Assistance Program (LAP)**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	139,410	0	139,410
Total Maintenance Changes	2,661	125,189	127,850
Policy Changes			
1. Pension Rate Change	-565	0	-565
2. Learning Improvement Days	-108	0	-108
3. Integrating Federal Funds	-5,442	5,442	0
Total Policy Changes	-6,115	5,442	-673
2001-03 Revised Appropriations	135,956	130,631	266,587
Fiscal Year 2002 Total	71,342	0	71,342
Fiscal Year 2003 Total	64,614	130,631	195,245

Comments:

- 1. Pension Rate Change** - Employer and employee contribution rates are changed in accordance with Chapter 7, Laws of 2002 (HB 2782 - Actuarial Experience Study), which implements the 1995-2000 experience study and the 2000 actuarial valuation of the retirement systems. The Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent; the School Employees' Retirement System (SERS) employer contribution rate is reduced from 1.54 percent to 0.96 percent; and the Teachers' Retirement System (TRS) employer rate is reduced from 2.75 percent to 1.05 percent.
- 2. Learning Improvement Days** - Since 1993, the Legislature has provided funding for student learning improvement days to implement education reform. The allocation of funds for this has changed over the years. The latest change was in 1999 when the Legislature added three learning improvement days to the state salary allocation schedule for certificated instructional staff. Starting in the 2002-03 school year, the number of state-funded learning improvement days is reduced from three to two.
- 3. Integrating Federal Funds** - The formula for allocation of Learning Assistance Program funds is changed for the 2002-03 school year to incorporate increases in federal funds. Districts not receiving an increase of at least 3 percent in federal funds are held harmless.

NOTE: This section contains an increase of \$130.6 million in federal funds. Rather than being an increase, this is a realignment of federal funds which were previously appropriated in another section of the budget. The \$130.6 million consists of federal Title I basic grants to school districts which under the "No Child Left Behind Act" are very similar in purpose to the state Learning Assistance Program.

**Public Schools
 Block Grants**

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Original Appropriations	37,031	0	37,031
Total Maintenance Changes	366	0	366
Policy Changes			
1. Transfer to State Flexible Ed Fund	-14,193	0	-14,193
Total Policy Changes	-14,193	0	-14,193
2001-03 Revised Appropriations	23,204	0	23,204
Fiscal Year 2002 Total	19,663	0	19,663
Fiscal Year 2003 Total	3,541	0	3,541

Comments:

- 1. Transfer to State Flexible Ed Fund** - Starting with the 2002-03 school year, \$14.1 million in block grant funds are transferred to the State Flexible Education Fund.

Public Schools
State Flexible Education Funds

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	0	0	0
Policy Changes			
1. Transfer to State Flexible Ed Fund	20,612	0	20,612
Total Policy Changes	20,612	0	20,612
2001-03 Revised Appropriations	20,612	0	20,612
Fiscal Year 2002 Total	0	0	0
Fiscal Year 2003 Total	20,612	0	20,612

Comments:

- 1. Transfer to State Flexible Ed Fund** - A State Flexible Education Funds Program is created for the 2002-03 school year to be allocated at a rate of \$21.55 per full-time equivalent (FTE) student. The fund is created from transfers of funds previously provided for various statewide grant programs, education reform programs, and the block grant program. The amount transferred to this program is \$27.4 million and it is reduced by \$6.8 million, or 24.7 percent. School districts may prioritize use of the funds to improve student learning among all the various original purposes of the moneys. The moneys may not be used to increase salaries or compensation for existing teaching duties.

**Public Schools
 Student Achievement Program**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	0	393,300	393,300
Total Maintenance Changes	0	-2,151	-2,151
2001-03 Revised Appropriations	0	391,149	391,149
Fiscal Year 2002 Total	0	180,837	180,837
Fiscal Year 2003 Total	0	210,312	210,312

Comments:

Initiative 728, which created the Student Achievement Fund, requires that a portion of lottery revenues and \$140 per FTE student from state property taxes be placed in the fund for the 2001-02 and 2002-03 school years. Enrollment increases require an additional \$1.3 million diversion of state property taxes to this fund. This is offset by a reduction in the forecast for lottery revenues of \$3.5 million for FY 2002.

The lower lottery revenues reduce the allocation per student from \$193.92 to \$190.19 for school year 2001-02 and from \$220.59 to \$219.84 for the 2002-03 school year.

Public Schools
Common School Construction

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	0	191,220	191,220
Total Maintenance Changes	0	-64	-64
Policy Changes			
1. Education Construction Acct	0	-42,700	-42,700
Total Policy Changes	0	-42,700	-42,700
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2001-03 Revised Appropriations	0	148,456	148,456
Fiscal Year 2002 Total	0	129,736	129,736
Fiscal Year 2003 Total	0	18,720	18,720

Comments:

- Education Construction Acct** - The Education Construction Account transfer to the Common School Construction Account is adjusted consistent with the requirements of the 2002 Supplemental Capital Budget.