

Public Schools

Increases

Health Benefits – \$116.0 Million General Fund-State

Funding is provided to increase the K-12 monthly benefit rate from \$457.07 per employee in the 2002-03 school year to \$481.31 in the 2003-04 school year and to \$570.74 in the 2004-05 school year.

Beginning Teacher Salary Increases – \$29.2 Million General Fund-State

Salary increases are provided for certificated instructional staff that are in their first seven years of teaching. Beginning in the 2004-05 school year, a beginning teacher with a Bachelor of Arts degree will earn an annual salary of at least \$30,023.

Truancy Petitions – \$3.0 Million Public Safety and Education Account

Funding is provided through the Office of the Administrator for the Courts to reimburse school districts for filing truancy petitions in juvenile court.

Focused Assistance to Schools – \$2.6 Million General Fund-State

Funding is provided for 30 additional low-performing schools to receive Focused Assistance, which increases total state funding for the program to \$6.1 million.

Digital Learning Commons – \$2.0 Million General Fund-State

The Digital Learning Commons will create, in collaboration with schools, a web-based portal where students, parents, and teachers from around the state will have access to digital curriculum resources, learning tools, and on-line classes. Funding is provided through the Department of Information Systems.

Washington Achievers Scholars – \$1.0 Million General Fund-State

Funding is provided for the Washington State Achievers Scholarship Program to support community involvement officers who recruit, train, and match community volunteer mentors with high school students selected as achiever scholars. After graduating from high school, the achiever scholars receive college scholarships funded through private grants.

Savings and Reductions

Student Achievement Fund Per Student Allocations – \$236.9 Million Student Achievement Fund-State Savings

Initiative 728 allocations to school districts will increase from \$211.67 in the 2003-04 school year to \$254.00 in the 2004-05 school year, rather than to \$450.00 as required under the original Initiative language. In addition, the distributions will be spread over 12 months rather than 10 months. The per student allocations will increase to \$300.00 in the 2005-06 school year, \$375.00 in the 2006-07 school year, \$450.00 in the 2007-08 school year, and will increase by inflation beginning in the 2008-09 school year.

Initiative 732 Cost-of-Living Adjustment – \$190.6 Million General Fund-State Savings

The salary increases provided to K-12 employees under Initiative 732 are suspended for the 2003-05 biennium.

Pension Funding Change – \$61.4 Million General Fund-State Savings

Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005.

State Flexible Education Funds – \$41.4 Million General Fund-State Savings

For the 2002-03 school year, the state allocated flexible education funds to school districts to supplement basic education. The funds were provided at a rate of \$21.55 per student, based on school districts' prior year FTE student enrollment. Beginning with the 2003-04 school year, the flexible education funds are eliminated.

Levy Equalization Allocations – \$17.3 Million General Fund-State Savings

State allocations for the Local Effort Assistance Program (levy equalization) are uniformly reduced by 6.3 percent.

Integrate Federal Funds – \$17.1 Million General Fund-State Savings

Federal funds to Washington State for special education will increase by \$20 million in the 2003-04 school year and an additional \$20 million in the 2004-05 school year. A portion of the federal fund increase is incorporated to pay for some of the increased costs of the Special Education Program.

Better Schools Class Size – \$13.9 Million General Fund-State Savings

The Better Schools K-4 enhanced staffing ratio is eliminated in the 2004-05 school year. This program provides 0.8 certificated instructional staff for every 1,000 students.

Transportation Depreciation Changes – \$10.7 Million General Fund-State Savings

To be eligible for state reimbursement, a school bus purchased on or after July 1, 2003, must be competitively bid based on the lowest solicited price quotes from bus dealers for school buses meeting state and local standards.

Educational Service Districts – \$2.0 Million General Fund-State Savings

State funding to Educational Service Districts (ESDs) is reduced. The State Board of Education is encouraged to reduce the number of ESDs from nine to seven through consolidation.

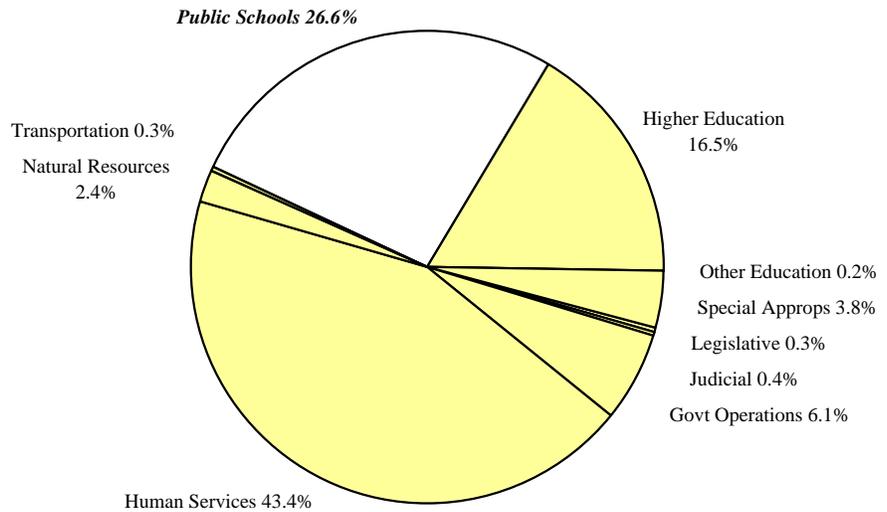
Other Non-Basic Education Reductions – \$6.5 Million General Fund-State Savings

A variety of reductions are made in non-basic education programs. Some examples include: assumed administrative efficiencies in the Office of Superintendent of Public Instruction; efficiencies and changes to the Alternative Routes to Certification Program; and reducing state funding for various K-12 training programs.

2003-05 Washington State Operating Budget Total Budgeted Funds

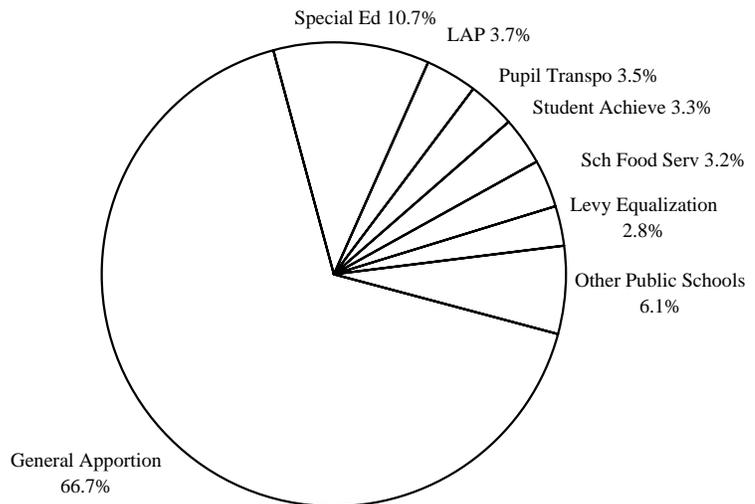
(Dollars in Thousands)

Legislative	136,394
Judicial	162,179
Governmental Operations	2,726,495
Human Services	19,457,885
Natural Resources	1,091,562
Transportation	123,957
Public Schools	11,906,608
Higher Education	7,400,500
Other Education	99,594
Special Appropriations	1,690,584
Statewide Total	44,795,758



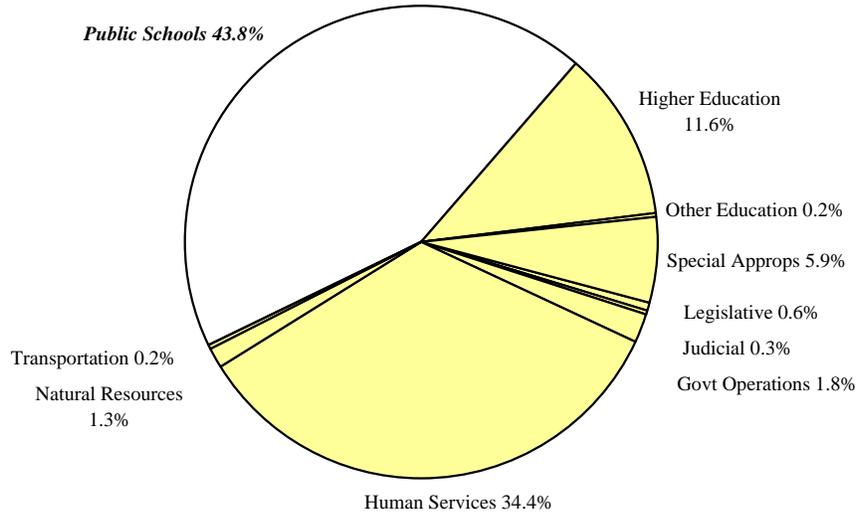
Washington State

General Apportionment	7,945,276
Special Education	1,270,835
Learning Assist Pgm	436,614
Pupil Transportation	411,917
Student Achievement	398,203
School Food Services	383,061
Levy Equalization	329,309
Other Public Schools	731,393
Public Schools	11,906,608



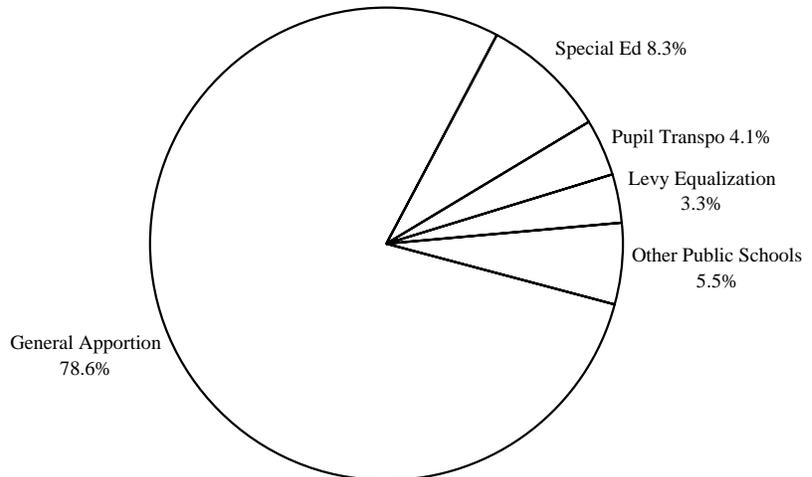
2003-05 Washington State Operating Budget
General Fund-State
(Dollars in Thousands)

Legislative	129,628
Judicial	78,492
Governmental Operations	411,360
Human Services	7,933,222
Natural Resources	297,097
Transportation	48,834
Public Schools	10,104,649
Higher Education	2,667,195
Other Education	39,932
Special Appropriations	1,370,972
Statewide Total	23,081,381



Washington State

General Apportionment	7,945,276
Special Education	861,198
Pupil Transportation	411,917
Levy Equalization	329,309
Other Public Schools	556,949
Public Schools	10,104,649



Public Schools

WORKLOAD HISTORY

By School Year

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	<u>Estimated</u>	
									2003-04	2004-05
General Apportionment										
FTE Enrollment	904,288	923,467	936,435	946,385	948,485	951,033	956,567	959,234	960,201	960,795
% Change from prior year		2.1%	1.4%	1.1%	0.2%	0.3%	0.6%	0.3%	0.1%	0.1%
Special Education										
Funded Enrollment ⁽¹⁾	108,185	109,149	111,257	113,249	115,257	116,709	118,519	120,832	121,094	121,411
% Change from prior year		0.9%	1.9%	1.8%	1.8%	1.3%	1.6%	2.0%	0.2%	0.3%
Bilingual Education										
Headcount Enrollment	42,981	46,029	47,975	52,040	55,656	59,514	62,522	66,058	69,273	72,356
% Change from prior year		7.1%	4.2%	8.5%	6.9%	6.9%	5.1%	5.7%	4.9%	4.4%
Learning Assistance Program										
Entitlement Units ⁽¹⁾	154,867	157,482	159,556	159,481	184,804	177,763	174,275	170,157	165,191	162,377
% Change from prior year		1.7%	1.3%	0.0%	15.9%	-3.8%	-2.0%	-2.4%	-2.9%	-1.7%

(1) Beginning in 2002-03, the workload indicators include incorporation of federal funds.

Data Sources :

1995-96 through 1998-99 amounts from SPI/OFM and Caseload Forecast Council.

2001-02 through 2004-05 estimates from Caseload Forecast Council and legislative 2003-05 budget.

**Public Schools
OSPI & Statewide Programs**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	51,480	140,696	192,176
2003 Supplemental *	0	17,195	17,195
Total 2001-03 Biennium	51,480	157,891	209,371
2003-05 Maintenance Level	44,632	87,811	132,443
Policy Changes			
1. Alternative Certification Routes	-2,314	0	-2,314
2. Anti-Bullying/Harassment Training	-486	0	-486
3. Sexual Abstinence Program	-388	0	-388
4. General Inflation	-37	-159	-196
5. 2SHB 2012 Pilot Projects	995	0	995
6. Pension Funding Change	-144	0	-144
7. Washington Achievers Scholars	1,000	0	1,000
8. World War II Oral History Project	-292	0	-292
9. Charter Schools	306	0	306
10. Revolving Funds	-110	0	-110
11. Staff Reduc. & Oper. Efficiencies	-1,318	0	-1,318
12. Lapse	-306	0	-306
Total 2003-05 Biennium	41,538	87,652	129,190
Fiscal Year 2004 Total	20,581	37,770	58,351
Fiscal Year 2005 Total	20,957	49,882	70,839

Comments:

- Alternative Certification Routes** - Alternative certification routes are teacher-training programs that serve as an alternative to traditional teacher preparation programs. The alternative route programs are developed as partnerships between school districts and higher education teacher preparation programs. Chapter 410, Laws of 2003 (SB 6052 - Alternative Route Teacher Certification), eliminates the stipend for interns in the program, decreases the stipend for mentors in the program, and increases the conditional scholarship from \$4,000 per year to \$8,000 per year. The net effect of these changes and the savings taken here is that the number of state-funded interns in the program can increase from about 60 to about 90.
- Anti-Bullying/Harassment Training** - The Office of Superintendent of Public Instruction (OSPI) has developed a model bullying and harassment prevention policy and has created training materials for use by school and educational service districts. Since the development of the policy and materials has been completed, state funding for this activity is eliminated.
- Sexual Abstinence Program** - State funding for the design of media and community campaigns promoting sexual abstinence is eliminated.
- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal)
- 2SHB 2012 Pilot Projects** - Under Chapter 133, Laws of 2003 (2SHB 2012 - Special Services Pilot Program), two districts will be selected to provide early intensive reading and language assistance to students who are struggling academically. To the extent that the pilot projects are successful in reducing the number of students in special education and therefore reducing state special education expenditures, funding is provided for the pilot projects.
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005.
- Washington Achievers Scholars** - Funding is provided for the Washington State Achievers Scholarship Program. The funds will be used to support community involvement officers who recruit, train, and match community volunteer mentors with high school students selected as achiever scholars. After graduating from high school, achiever scholars receive college scholarships funded through private grants.

Public Schools OSPI & Statewide Programs

8. **World War II Oral History Project** - State funding for this program is eliminated.
9. **Charter Schools** - Funding is provided to implement 2ESSB 5012 (Charter Schools), which provides for the establishment of a limited number of charter schools. Most of the fiscal impact comes from an anticipated increase in funded enrollment due to home-schooled and private school students switching to public charter schools. See item 12.
10. **Revolving Funds** - Funding levels for services provided by other state agencies, such as the Office of the Attorney General, are adjusted to reflect what those agencies are expected to bill for their services.
11. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs.
12. **Lapse** - Funding was provided to implement 2ESSB 5012 (Charter Schools) contingent on enactment of the bill by June 30, 2003. Because the bill was not passed by the Legislature, the appropriation lapsed.

* Please see the 2003 Supplemental Operating Budget Section for additional information.

Governor's Vetoes:

The Governor vetoed Section 501(2)(a)(iv) of Chapter 25, Laws of 2003, 1st sp.s., Partial Veto (ESSB 5404), Transfer of Federal Funds for Teen Aware, which directed the Department of Health to transfer \$400,000 to OSPI for the continuation of the Teen Aware Program. The Governor vetoed the proviso because state funding for the program, which OSPI has used to administer the program and to provide matching funds, was eliminated.

**Public Schools
General Apportionment**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	7,498,021	0	7,498,021
2003 Supplemental *	16,692	0	16,692
Total 2001-03 Biennium	7,514,713	0	7,514,713
2003-05 Maintenance Level	8,011,027	0	8,011,027
Policy Changes			
1. Pension Funding Change	-51,877	0	-51,877
2. Better Schools	-13,874	0	-13,874
3. Charter Schools	1,340	0	1,340
4. Lapse	-1,340	0	-1,340
Total 2003-05 Biennium	7,945,276	0	7,945,276
Fiscal Year 2004 Total	3,969,248	0	3,969,248
Fiscal Year 2005 Total	3,976,028	0	3,976,028

Comments:

- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).
- Better Schools** - Beginning with the 2004-05 school year, the Better Schools K-4 staffing ratio enhancement is eliminated. The enhancement provides 0.8 certificated instructional staff per 1,000 students enrolled in kindergarten through fourth grade.
- Charter Schools** - Funding is provided to implement 2ESSB 5012 (Charter Schools), which provides for the establishment of a limited number of charter schools. Most of the fiscal impact comes from an anticipated increase in funded enrollment due to home-schooled and private school students switching to public charter schools. Because the bill was not enacted by June 30, 2003, the funding lapsed. See item 4.
- Lapse** - Funding was provided to implement 2ESSB 5012 (Charter Schools) contingent on enactment of the bill by June 30, 2003. Because the bill was not passed by the Legislature, the appropriation lapsed.

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
Compensation Adjustments**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	380,813	191	381,004
2003 Supplemental *	899	55	954
Total 2001-03 Biennium	381,712	246	381,958
2003-05 Maintenance Level	190,563	208	190,771
Policy Changes			
1. Cost-of-Living Increases	-190,563	-208	-190,771
2. Health Benefits	116,030	453	116,483
3. Beginning Teacher Salary Increase	29,151	106	29,257
Total 2003-05 Biennium	145,181	559	145,740
Fiscal Year 2004 Total	28,511	59	28,570
Fiscal Year 2005 Total	116,670	500	117,170

Comments:

1. **Cost-of-Living Increases** - The salary increases provided by Initiative 732 are suspended for the 2003-04 and 2004-05 school years, consistent with Chapter 20, Laws of 2003, 1st sp.s. (SB 6059, Teachers' Cost-of-Living Increases). (General Fund-State, General Fund-Federal)
2. **Health Benefits** - Funding is provided to increase the K-12 monthly benefit rate from \$457.07 per employee in the 2002-03 school year to \$481.31 in the 2003-04 school year and to \$570.74 in the 2004-2005 school year. This increases the K-12 funding rates by the same amount as the state employer rates. (General Fund-State, General Fund-Federal)
3. **Beginning Teacher Salary Increase** - The state uses a salary schedule to allocate funds to school districts for certificated instructional staff salaries. This schedule provides increments for additional experience and education. For the 2002-03 school year, the state-funded annual salary for a beginning teacher was \$28,300. In the 2003-04 school year, funding is provided to increase beginning teacher and second year teacher salaries by an average of 3 percent, 2.5 percent for third year teachers, 1.5 percent for fourth year teachers, 1 percent for fifth year teachers, and 0.5 percent for sixth and seventh year teachers. In the 2004-05 school year, additional salary increases of the same percentages are provided. An estimated 32 percent of teachers will receive salary increases as a result of these salary schedule adjustments. By the second year of the biennium, the annual salary for a beginning teacher with a Bachelor of Arts degree will be at least \$30,023. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 Pupil Transportation**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	385,695	0	385,695
2003 Supplemental *	18,726	0	18,726
Total 2001-03 Biennium	404,421	0	404,421
2003-05 Maintenance Level	424,148	0	424,148
Policy Changes			
1. Pension Funding Change	-1,531	0	-1,531
2. Depreciation Changes	-10,700	0	-10,700
Total 2003-05 Biennium	411,917	0	411,917
Fiscal Year 2004 Total	201,638	0	201,638
Fiscal Year 2005 Total	210,279	0	210,279

Comments:

1. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).
2. **Depreciation Changes** - To be eligible for state reimbursement, a school bus purchased on or after July 1, 2003, must be competitively bid based on the lowest-solicited price quotes from bus dealers for school buses meeting state and local standards. As a result of these changes, it is assumed that state depreciation payments will be reduced by \$10.7 million in the 2003-05 biennium.

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 School Food Services**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	6,200	290,187	296,387
2003 Supplemental *	0	10,805	10,805
Total 2001-03 Biennium	6,200	300,992	307,192
2003-05 Maintenance Level	6,200	376,861	383,061
Total 2003-05 Biennium	6,200	376,861	383,061
Fiscal Year 2004 Total	3,100	177,705	180,805
Fiscal Year 2005 Total	3,100	199,156	202,256

Comments:

There were no policy level changes.

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
Special Education**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	828,926	256,407	1,085,333
2003 Supplemental *	1,502	38,608	40,110
Total 2001-03 Biennium	830,428	295,015	1,125,443
2003-05 Maintenance Level	885,131	409,959	1,295,090
Policy Changes			
1. Federal Funding Adjustment	0	-17,374	-17,374
2. 2SHB 2012 Pilot Projects	-995	0	-995
3. Pension Funding Change	-5,819	-67	-5,886
4. Integrating Federal Funds	-17,119	17,119	0
Total 2003-05 Biennium	861,198	409,637	1,270,835
Fiscal Year 2004 Total	433,984	193,958	627,942
Fiscal Year 2005 Total	427,214	215,679	642,893

Comments:

1. **Federal Funding Adjustment** - Due to the integration of federal funds to fund a portion of the increased costs of the Special Education Program (see item 4), federal spending authority is reduced to reflect estimated federal special education award amounts for the 2003-05 biennium. (General Fund-Federal)
2. **2SHB 2012 Pilot Projects** - Under Chapter 133, Laws of 2003 (2SHB 2012 - Special Services Pilot Program), two districts will be selected to provide early intensive reading and language assistance to students who are struggling academically. To the extent that the pilot projects are successful in reducing the number of students in special education and therefore reducing state special education expenditures, funding is provided for the pilot projects.
3. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).
4. **Integrating Federal Funds** - Federal funds to Washington State for special education will increase by \$20 million in the 2003-04 school year and an additional \$20 million in the 2004-05 school year. The budget incorporates a portion of the federal funds to pay for some of the increased costs of the Special Education Program. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 Educational Service Districts**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	9,328	0	9,328
2003-05 Maintenance Level	10,132	0	10,132
Policy Changes			
1. Educational Service Districts	-2,021	0	-2,021
2. Teacher Training Coord (ESDs)	-486	0	-486
3. Student Teacher Centers (ESDs)	-486	0	-486
4. Pension Funding Change	-64	0	-64
Total 2003-05 Biennium	7,075	0	7,075
Fiscal Year 2004 Total	3,538	0	3,538
Fiscal Year 2005 Total	3,537	0	3,537

Comments:

- Educational Service Districts** - State funding for the nine regional Educational Service Districts (ESDs) is reduced. The State Board of Education has the authority to establish the number and boundaries of the ESDs. The Board is encouraged to consider options to reduce the number of ESDs to seven through consolidation.
- Teacher Training Coord (ESDs)** - State funding for teacher training coordination at the ESDs is eliminated.
- Student Teacher Centers (ESDs)** - State funding for student teacher centers at the ESDs is eliminated.
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).

**Public Schools
 Levy Equalization**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	295,863	0	295,863
2003 Supplemental *	857	0	857
Total 2001-03 Biennium	296,720	0	296,720
2003-05 Maintenance Level	346,564	0	346,564
Policy Changes			
1. Levy Equalization	-17,255	0	-17,255
Total 2003-05 Biennium	329,309	0	329,309
Fiscal Year 2004 Total	162,236	0	162,236
Fiscal Year 2005 Total	167,073	0	167,073

Comments:

- Levy Equalization** - For calendar years 2004 and 2005, state local effort assistance (levy equalization) allocations are reduced by 6.3 percent. This change results in a 5 percent reduction of levy equalization funding for the biennium.

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 Institutional Education**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	37,731	8,548	46,279
2003 Supplemental *	-814	0	-814
Total 2001-03 Biennium	36,917	8,548	45,465
2003-05 Maintenance Level	37,949	0	37,949
Policy Changes			
1. Pension Funding Change	-261	0	-261
Total 2003-05 Biennium	37,688	0	37,688
Fiscal Year 2004 Total	18,596	0	18,596
Fiscal Year 2005 Total	19,092	0	19,092

Comments:

1. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 Education of Highly Capable Students**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	12,699	0	12,699
2003 Supplemental *	17	0	17
Total 2001-03 Biennium	12,716	0	12,716
2003-05 Maintenance Level	13,291	0	13,291
Policy Changes			
1. Pension Funding Change	-80	0	-80
Total 2003-05 Biennium	13,211	0	13,211
Fiscal Year 2004 Total	6,597	0	6,597
Fiscal Year 2005 Total	6,614	0	6,614

Comments:

1. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 Elementary & Secondary School Improvement**

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Expenditure Authority	0	201,737	201,737
2003 Supplemental *	0	-2,077	-2,077
Total 2001-03 Biennium	0	199,660	199,660
2003-05 Maintenance Level	0	46,198	46,198
Total 2003-05 Biennium	0	46,198	46,198
Fiscal Year 2004 Total	0	27,435	27,435
Fiscal Year 2005 Total	0	18,763	18,763

Comments:

There were no policy level changes.

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
Education Reform**

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Expenditure Authority	67,030	61,071	128,101
2003 Supplemental *	119	0	119
Total 2001-03 Biennium	67,149	61,071	128,220
2003-05 Maintenance Level	75,021	128,902	203,923
Policy Changes			
1. Focused Assistance - Schools	2,600	0	2,600
2. National Board Certification Bonus	405	0	405
3. Summer Institutes	-460	460	0
4. General Inflation	-128	0	-128
5. Re-Takes for 10th Grade WASLs	466	0	466
6. Align & Review WASLs	300	0	300
7. Change Goal 2 WASLs	-2,005	0	-2,005
8. Eliminate Listening WASL	-388	0	-388
9. Develop Alternative Assessments	75	0	75
10. Pension Funding Change	-38	0	-38
11. Staff Reduc. & Oper. Efficiencies	-240	0	-240
12. Lapse	-841	0	-841
Total 2003-05 Biennium	74,767	129,362	204,129
Fiscal Year 2004 Total	38,510	61,616	100,126
Fiscal Year 2005 Total	36,257	67,746	104,003

Comments:

- Focused Assistance - Schools** - This program combines federal Title I School Improvement funds and state Focused Assistance funds in a collaborative effort with participating districts, schools, and communities to develop long-term capacity for improving student learning. Low-performing schools are eligible to apply for grants and assistance. Each participating school is assigned a facilitator to work with a school improvement team consisting of district and school staff, parents, and community members to develop and implement a school improvement plan and a two-year performance agreement based on both an educational audit and input from staff, parents, and the community. Thirty-eight schools participated in the school improvement process during the 2001-03 biennium using state and federal funds. State funding is provided to assist an additional 30 schools during the 2003-05 biennium.
- National Board Certification Bonus** - The certification process by the National Board for Professional Teaching Standards (NBPTS) requires an educator to demonstrate teaching practices that meet high and rigorous standards. Washington State supports this effort by providing annual bonuses of \$3,500 for four years to more than 400 national board certified teachers. Increased funding is provided to allow all teachers with a National Board certificate in the 2003-04 and 2004-05 school years to receive the bonus.
- Summer Institutes** - A portion of the state funding for Summer Institutes is eliminated. The program provides a series of three-day regional meetings focused on school improvement planning, tools, resources, and staff necessary to improve student achievement. It is assumed that the program will be more self-sustaining through program registration fees. (General Fund-State, Center for the Improvement of Student Learning Account-Non-Appropriated)
- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions.
- Re-Takes for 10th Grade WASLs** - Under 2ESHB 2195 (State Academic Standards), high school students who are not successful in one or more content areas of the Washington Assessment of Student Learning (WASL) will have the opportunity to retake the test at no cost to the student, beginning in the fall of 2005. Funding was provided to develop the necessary test items, but because the bill was not enacted by June 30, 2003, the funding lapsed. See item 12.
- Align & Review WASLs** - Funding was provided for independent research on the alignment and technical review of the reading, writing, and science content areas of the WASL, as provided by 2ESHB 2195. Because the bill was not enacted by June 30, 2003, the funding lapsed. See item 12.
- Change Goal 2 WASLs** - Under 2ESHB 2195, the social studies, arts, and health and fitness portions of the WASL are eliminated pending a report from the Superintendent of Public

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Instruction in August 2004 that will recommend options to ensure that students learn the essential academic learning requirements in these subjects. Funding is reduced to reflect savings in test development and scoring.

Note: Savings were taken assuming the enactment of 2ESHB 2195, which was not subsequently passed by the Legislature.

8. **Eliminate Listening WASL** - As provided in 2ESHB 2195, the listening portion of the fourth, seventh, and tenth grade assessments is eliminated.

Note: Savings were taken assuming the enactment of 2ESHB 2195, which was not subsequently passed by the Legislature.

9. **Develop Alternative Assessments** - Funding was provided to the Office of the Superintendent of Public Instruction to develop alternative means of assessing high school students who are not successful in one or more areas of the WASL as required by 2ESHB 2195. Because the bill was not enacted by June 30, 2003, the funding lapsed. See item 12.
10. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005.
11. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs.
12. **Lapse** - Funding was provided to implement several provisions of 2ESHB 2195 (State Academic Standards) contingent on enactment of the bill by June 30, 2003. Because the bill was not passed by the Legislature, the appropriations for the following items lapsed: Re-Takes for 10th Grade WASLs (\$466,000), Align & Review WASLs (\$300,000), and Develop Alternative Assessments (\$75,000).

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 Transitional Bilingual Instruction**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	87,501	20,280	107,781
2003 Supplemental *	-592	-525	-1,117
Total 2001-03 Biennium	86,909	19,755	106,664
2003-05 Maintenance Level	102,645	46,309	148,954
Policy Changes			
1. Pension Funding Change	-792	0	-792
Total 2003-05 Biennium	101,853	46,309	148,162
Fiscal Year 2004 Total	49,791	22,633	72,424
Fiscal Year 2005 Total	52,062	23,676	75,738

Comments:

1. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).

* Please see the 2003 Supplemental Operating Budget Section for additional information.

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

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	135,956	130,631	266,587
2003 Supplemental *	-633	0	-633
Total 2001-03 Biennium	135,323	130,631	265,954
2003-05 Maintenance Level	130,200	307,178	437,378
Policy Changes			
1. Pension Funding Change	-764	0	-764
Total 2003-05 Biennium	129,436	307,178	436,614
Fiscal Year 2004 Total	65,385	151,880	217,265
Fiscal Year 2005 Total	64,051	155,298	219,349

Comments:

1. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made towards the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. The SERS employer contribution rate includes an increase of 0.01 percent due to the enactment of Chapter 402, Laws of 2003 (HB 1207 - Public Employee Death Benefits).

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 Student Achievement Program**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	0	391,149	391,149
2003 Supplemental *	0	64	64
Total 2001-03 Biennium	0	391,213	391,213
2003-05 Maintenance Level	0	635,142	635,142
Policy Changes			
1. Student Achievement Fund	0	-236,939	-236,939
Total 2003-05 Biennium	0	398,203	398,203
Fiscal Year 2004 Total	0	203,123	203,123
Fiscal Year 2005 Total	0	195,080	195,080

Comments:

1. **Student Achievement Fund** - Under Initiative 728, per student allocations from the Student Achievement Fund to school districts were scheduled to increase from \$211.67 in the 2003-04 school year to \$450.00 in the 2004-05 school year. In accordance with the provisions of Chapter 19, Laws of 2003, 1st sp.s. (ESSB 6058 - State Property Taxes), the per student allocation in the 2004-05 school year will be \$254.00 and will be distributed to school districts based on the apportionment distribution schedule. (Student Achievement Fund-State)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Public Schools
 State Flexible Education Funds**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	20,612	0	20,612
2003-05 Maintenance Level	41,369	0	41,369
Policy Changes			
1. State Flexible Education Funds	-41,369	0	-41,369
Total 2003-05 Biennium	0	0	0
Fiscal Year 2004 Total	0	0	0
Fiscal Year 2005 Total	0	0	0

Comments:

- State Flexible Education Funds** - For the 2002-03 school year, the state allocated flexible education funds to school districts to supplement basic education. The funds were provided at a rate of \$21.55 per student, based on school districts' prior year FTE student enrollment. Beginning with the 2003-04 school year, the flexible education funds are eliminated.

