

Public Schools

Increases and Enhancements

Initiative 732 Salary Increases – \$139.0 Million General Fund-State

Funding is included in the maintenance level budget for salary increases for school district employees of 1.2 percent in the 2005-06 school year and 1.7 percent in the 2006-07 school year, as required by Initiative 732.

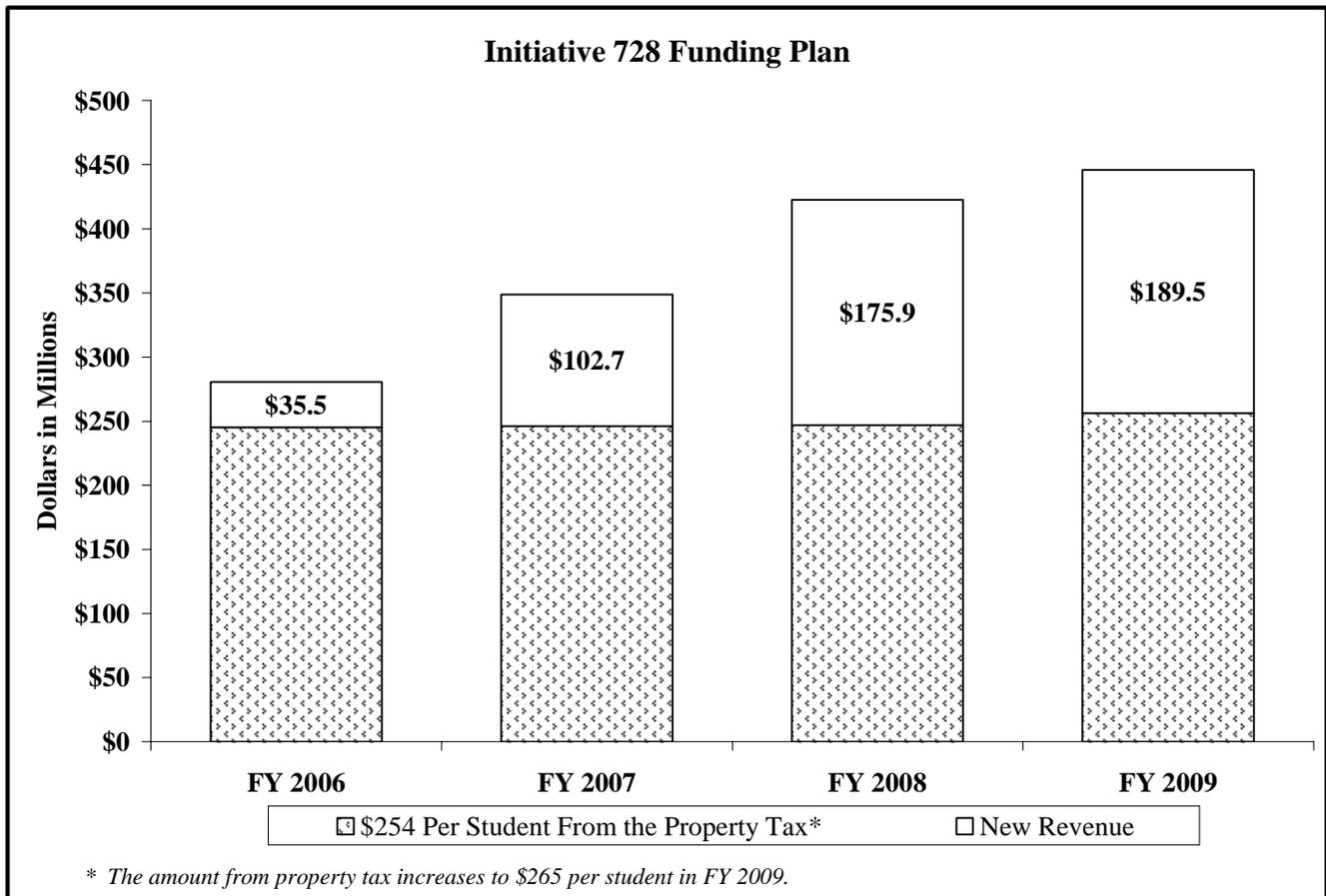
Health Benefits – \$126.2 Million General Fund-State

The monthly allocation for health benefits is increased from \$582.47 per full-time equivalent (FTE) staff in the 2004-05 school year to \$629.07 in the 2005-06 school year and to \$679.39 in the 2006-07 school year.

Initiative 728 Step Up – \$138.2 Million Student Achievement Fund-State

The Student Achievement Fund was authorized by voter approval of Initiative 728 in 2000. Districts use funds to lower class sizes, create extended learning opportunities for students, provide professional development for educators, and provide early childhood programs.

Under current law, the property tax transfers into the Student Achievement Fund will change from \$254 per student to \$300 per student in the 2005-06 school year and \$375 per student in the 2006-07 school year. Legislation passed in the 2005 legislative session maintains the property tax transfers into the Student Achievement Fund at \$254 per student but also dedicates a reconfigured estate tax and an increase in cigarette taxes to support the increased per student distributions.



Expand Learning Assistance Program – \$25.1 Million Education Legacy Trust Account-State

Using new revenue from the restoration of the reconfigured estate tax and an increase in cigarette taxes, funding for the Learning Assistance Program (LAP) is increased. In addition, the funding formula is changed from one that allocates funding based 90 percent on norm-referenced test scores and 10 percent on poverty to one that more fully recognizes the learning and instructional challenges created by poverty. Pursuant to Chapter 489, Laws of 2005 (HB 1066), all districts will receive funding based on the percentage of students eligible for free or reduced-price lunch, with additional funding going to districts with more than 40 percent of such students. Districts that receive increased funding under the new formula will use the new funds to serve high school students who have not met state standards on the 10th grade Washington Assessment of Student Learning (WASL). Districts with decreased funding under the new formula will be held harmless so that no district receives less than it received in the 2004-05 school year.

Enhance Special Education Safety Net – \$18.9 Million General Fund-State, \$3.0 Million General Fund-Federal

The budget increases funding for the special education safety net to reflect the impact of two rule changes: (1) the application threshold for individual high cost students, based on services identified in individual education plans, will increase to match the new federal definition of high cost; and (2) the current maintenance of local effort requirement will be eliminated in the school district application form documenting financial need. This change will provide greater equity among districts and allow more districts to access the safety net grant process.

Special Education Allocation – \$10.4 Million General Fund-State

State funding provided for special education students is increased by \$48 per student per year.

Fund Science Assessment – \$4.5 Million General Fund-State

In fiscal year 2006, there are insufficient federal funds to cover the federally-mandated reading and math assessments in grades three, five, six, and eight and to develop and implement a new science assessment, which will be required by the federal government in 2008. For this reason, the budget supports the costs to administer and score the WASL for science with state funding.

Assessment System Changes – \$3.2 Million General Fund-State

Chapter 19, Laws of 2004 (3ESHB 2195), while defining graduation requirements for 2008 to include demonstrated mastery of state standards, also provided policy support for multiple test re-take opportunities for students and the development of options for an objective alternative assessment. The budget provides funding for these next steps to fully implement the 2008 graduation requirement.

Focused Assistance Expansion – \$2.0 Million General Fund-State

The budget provides funding to expand the Focused Assistance program to high schools and districts. This funding must be matched by a private, nonprofit foundation.

Comprehensive Education Finance Study – \$1.7 Million General Fund-State

The budget provides funding for Chapter 496, Laws of 2005 (E2SSB 5441), the education study, which provides for comprehensive finance studies on early learning, K-12, and higher education. The legislation establishes a steering committee that will direct and coordinate the studies and develop recommendations. The steering committee is required to provide interim reports to the appropriate policy and fiscal committees of the Legislature by November 15, 2005, and June 16, 2006, and a final report and recommendations by November 15, 2006.

Student Transportation Funding Formula and Special Education Excess Cost Studies – \$140,000 General Fund-State

The Joint Legislative Audit and Review Committee (JLARC) will examine the student transportation funding formula and, together with the State Auditor's Office, review special education excess cost accounting methodology. These two studies will provide information and recommendations that may be considered by the Education Finance Steering Committee.

Other K-12 Enhancements and Increases – \$6.2 Million General Fund-State

The budget also provides funding for a variety of smaller K-12 increases, including the following: a new computer system for calculating state allocations to school districts (\$1.9 million); incentive grants to encourage school districts to enroll higher numbers of students in vocational Skills Centers (\$1.2 million); expansion of mentor opportunities for students at 16 high schools which are part of the Washington Achievers Scholars program (\$1 million); the implementation of the Lorraine Wojahn pilot dyslexia reading program (\$677,000); the establishment of an Early Reading Grant program for community-based initiatives that develop pre-reading and early reading skills (\$250,000); additional efforts at improving reading curriculum and instruction (\$250,000); and other small increases and enhancements.

Reductions and Savings

Pension Rate Savings – \$240.9 Million General Fund-State Savings

Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044), pertaining to pension funding methodology. The following are suspended for the 2005-07 biennium: (1) contributions towards the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during fiscal year 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS.

Levy Equalization Reduction – \$12.9 Million General Fund-State Savings

In the 2005-07 biennium, levy equalization payments to school districts will be prorated at 95.63 percent, resulting in a savings compared to funding the payments at 100 percent. Local Effort Assistance, or levy equalization, allocations to school districts are expected to increase by \$12.3 million from the 2004-05 school year to the 2005-06 school year and by another \$5.6 million from the 2005-06 school year to the 2006-07 school year.

School Bus Replacement – \$6.5 Million General Fund-State Savings

The final report on K-12 School Bus Bidding and Purchasing, issued by JLARC in February 2005, noted that the present method for reimbursing districts for school bus purchases results in wide annual fluctuations in state payments to districts. In consideration of this, school bus depreciation payments will be based on a 5-year average of prices for each bus category. In the final year on the depreciation schedule, the payment for a bus will be adjusted so that the total depreciation payments and assumed investment returns will be sufficient to replace the bus according to that year's low-bid price for that bus category. These changes are intended to provide additional stability and predictability for state expenditures and school district revenues and to maintain the current policy of providing the replacement value by the end of the depreciation payments.

Reduce Reading Corps – \$5.7 Million General Fund-State Savings

The budget reduces state funding for the Washington Reading Corps to \$1.7 million, which is sufficient for the state match needed to receive federal AmeriCorps funds. The program provides state grants to assist in the coordination of reading tutors and volunteers.

Other Non-Basic Education Reductions – \$1.9 Million General Fund-State Savings

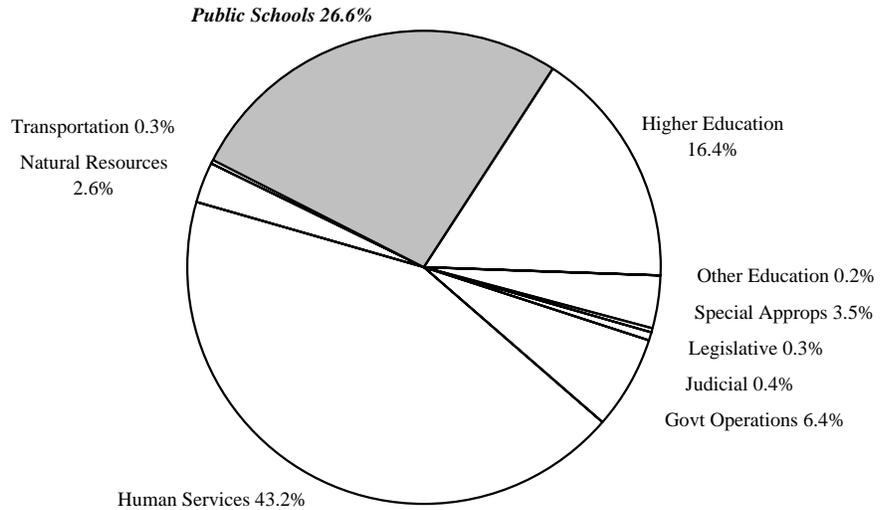
The budget makes a variety of reductions in non-basic education programs. These include: lowering the costs associated with the alternative certification routes which are alternatives to the traditional teacher preparation programs (\$1.1 million); eliminating funding for the Academic Achievement and Accountability Commission and associated staff positions (\$439,000), consistent with the provisions of Chapter 497, Laws of 2005 (ESSB 5732), pertaining to K-12 governance; and making administrative reductions in the Office of the Superintendent of Public Instruction (\$394,000).

2005-07 Washington State Operating Budget

Total Budgeted Funds

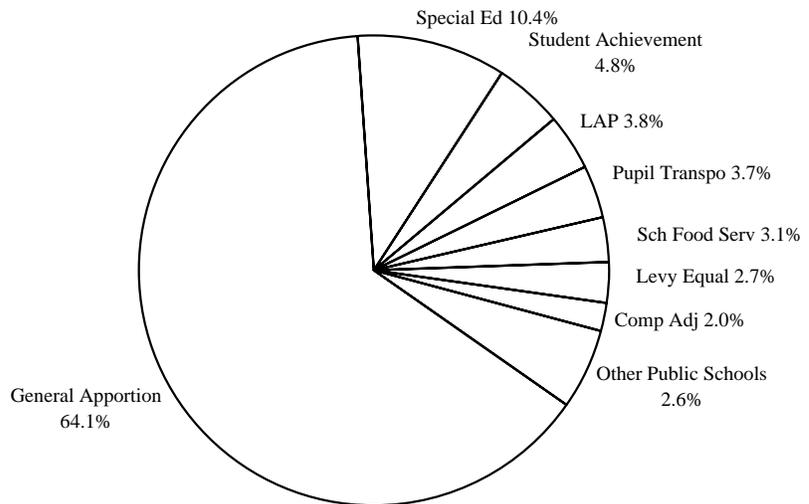
(Dollars in Thousands)

Legislative	148,103
Judicial	205,183
Governmental Operations	3,188,651
Human Services	21,370,163
Natural Resources	1,296,763
Transportation	145,790
Public Schools	13,147,661
Higher Education	8,105,412
Other Education	105,940
Special Appropriations	1,736,187
Statewide Total	49,449,853



Washington State

General Apportionment	8,423,967
Special Education	1,367,457
Student Achievement	629,356
Learning Assist Pgm (LAP)	498,633
Pupil Transportation	490,745
School Food Services	403,566
Levy Equalization	357,167
Compensation Adj	262,283
Other Public Schools	714,487
Public Schools	13,147,661



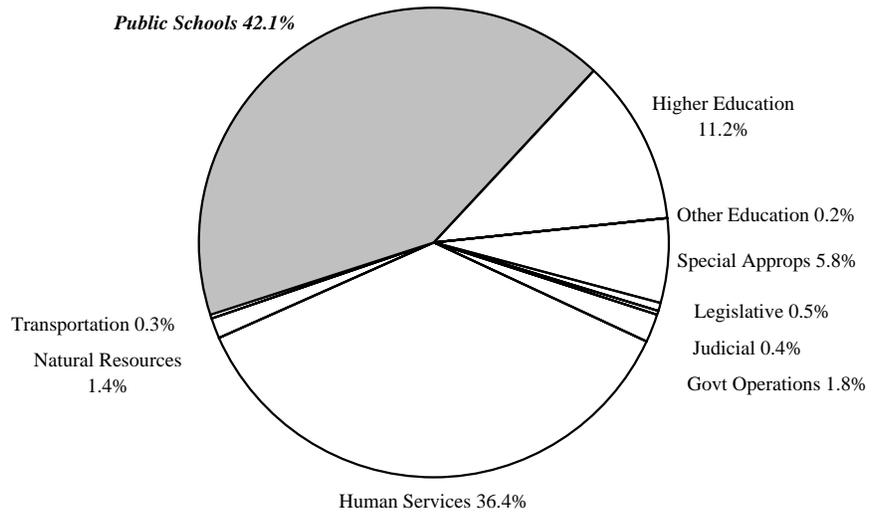
Public Schools

2005-07 Washington State Operating Budget

General Fund-State

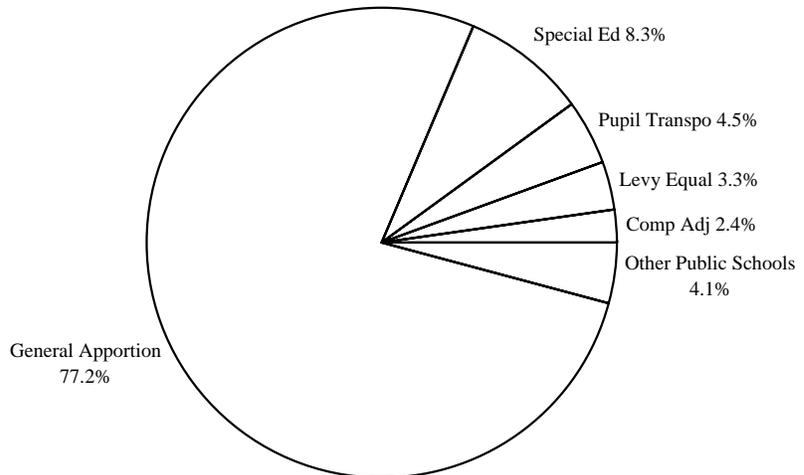
(Dollars in Thousands)

Legislative	140,970
Judicial	95,869
Governmental Operations	460,076
Human Services	9,458,768
Natural Resources	366,902
Transportation	70,464
Public Schools	10,914,763
Higher Education	2,900,607
Other Education	43,974
Special Appropriations	1,500,021
Statewide Total	25,952,414



Washington State

General Apportionment	8,423,967
Special Education	931,993
Pupil Transportation	490,745
Levy Equalization	357,167
Compensation Adj	260,949
Other Public Schools	449,942
Public Schools	10,914,763



Public Schools

Public Schools

WORKLOAD HISTORY By School Year

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Estimated		
								2004-05	2005-06	2006-07
General Apportionment										
FTE Enrollment	936,435	946,385	948,485	951,033	956,567	958,846	962,342	965,905	969,234	972,226
% Change from prior year	1.4%	1.1%	0.2%	0.3%	0.6%	0.2%	0.4%	0.4%	0.3%	0.3%
Special Education										
Funded Enrollment ⁽¹⁾	111,257	113,249	115,257	116,709	118,519	120,677	121,467	121,551	122,296	123,193
% Change from prior year	1.9%	1.8%	1.8%	1.3%	1.6%	1.8%	0.7%	0.1%	0.6%	0.7%
Bilingual Education										
Headcount Enrollment	47,975	52,040	55,656	59,514	62,522	66,258	70,884	75,278	79,749	84,153
% Change from prior year	4.2%	8.5%	6.9%	6.9%	5.1%	6.0%	7.0%	6.2%	5.9%	5.5%
Learning Assistance Program										
Entitlement Units ⁽¹⁾	159,556	159,481	184,804	177,763	174,275	170,157	161,864	159,457	N/A	N/A
Funded Students ⁽²⁾	N/A	415,339	426,417							
% Change from prior year	1.3%	0.0%	15.9%	-3.8%	-2.0%	-2.4%	-4.9%	-1.5%		2.7%

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

⁽²⁾ In the 2005 legislative session, the Legislature made significant changes to the allocation formula for the Learning Assistance Program. For this reason, the workload amounts for the 2005-07 biennium are not comparable to prior years.

Data Sources:

1997-98 through 2003-04 amounts from the Office of the Superintendent of Public Instruction, the Office of Financial Management, and the Caseload Forecast Council.

2004-05 through 2006-07 estimates from the Caseload Forecast Council March 2005 forecast and legislative budgets from the 2005 session.

**Public Schools
OSPI & Statewide Programs**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2003-05 Expenditure Authority	42,022	93,950	135,972
2005 Supplemental *	165	3,405	3,570
Total 2003-05 Biennium	42,187	97,355	139,542
2005-07 Maintenance Level	44,115	79,739	123,854
Policy Changes			
1. Special Education Lawsuit	100	0	100
2. Responsibilities of K-12 Boards	181	0	181
3. Washington Achievers Scholars	1,000	0	1,000
4. Middle Management Reduction	-185	-18	-203
5. COLA-Non-Represented	623	571	1,194
6. Non-Represented Health Benefit Chg	192	170	362
7. Salary Survey-Non-Rep Staff	115	65	180
8. General Inflation	-136	-165	-301
9. Assessment System Improvements	-1,290	0	-1,290
10. Apportionment and Financial Systems	1,900	0	1,900
11. Alternative Routes to Teaching	-1,096	0	-1,096
12. School Nurse Work Group	45	0	45
13. Pension Rate for Gain Sharing	-104	-104	-208
14. Suspend Unfunded Liability Contribs	-320	-293	-613
15. Environmental Ed Coordination	156	0	156
16. Dyslexia Pilot Program	677	0	677
17. Women's Role in World War II	150	0	150
18. Internet Safety	40	0	40
Total 2005-07 Biennium	46,163	79,965	126,128
Fiscal Year 2006 Total	23,138	39,818	62,956
Fiscal Year 2007 Total	23,025	40,147	63,172

Comments:

- Special Education Lawsuit** - Eleven school districts have filed a lawsuit in Thurston County Superior Court claiming that the state has underfunded special education based on an unconstitutional funding system. Funding is provided for additional services from the Attorney General's Office (AGO) which will be required by the lawsuit. The AGO will bill the Office of the Superintendent of Public Instruction.
- Responsibilities of K-12 Boards** - One staff position is added to the Professional Educator Standards Board to support the board in fulfilling its increased responsibilities related to educator certification under Chapter XX, Laws of 2005 (ESSB 5732).
- Washington Achievers Scholars** - The Washington Achievers Scholars program administered by the Washington Education Foundation provides mentorship and college scholarship opportunities to students in 16 high poverty, ethnically diverse high schools. The Foundation utilizes state and private funding sources to support this program. State funding is provided to hire additional Community Involvement Officers, who recruit, train, support, and match Hometown Mentors with students in these schools.
- Middle Management Reduction** - The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.
- COLA-Non-Represented** - Funding is provided to give cost-of-living adjustments (COLAs) of 3.2 percent on September 1, 2005, and 1.6 percent on September 1, 2006, to non-represented employees. (General Fund-State, various other funds)
- Non-Represented Health Benefit Chg** - Funding is provided for the current health benefit package and level of cost sharing during the 2005-07 biennium for both represented and non-represented employees. More detailed information about this item is provided in the general comments for "State Employee Compensation." (General Fund-State, General Fund-Federal, Federal Food Service-Non-Appropriated)
- Salary Survey-Non-Rep Staff** - Funding is provided for salary increases for non-represented employees in job classifications identified as being compensated more than 25 percent lower than the market rate in the Department of Personnel's 2002 Salary Survey. (General Fund-State, General Fund-Federal, Federal Food Service-Non-Appropriated)

Public Schools OSPI & Statewide Programs

8. **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 mission.
9. **Assessment System Improvements** - Pursuant to Chapter 217, Laws of 2005 (EHB 1068), school district participation in national norm-referenced tests (e.g., Iowa Test of Basic Skills, Iowa Test of Educational Development) will no longer be mandatory. The nationally-normed tests will remain available to districts that choose to offer the tests at their own expense. Washington will continue to participate in the National Assessment of Educational Progress (NAEP), which will provide a comparison of Washington student achievement relative to the rest of the nation.
10. **Apportionment and Financial Systems** - The current K-12 state funding system, providing over \$5 billion in state funds to 296 school districts, is dependent upon a COBOL program operating on a VAX platform. Also operating on this system are processes that collect school district budget and expenditure information, staffing characteristics, and the student enrollments that drive the funding process. The VAX and COBOL systems are no longer supported by software and equipment manufacturers and are considered to be operating beyond their useful life cycle. The apportionment system will be replaced by the end of FY 2008.
11. **Alternative Routes to Teaching** - Alternative certification routes are teacher-training programs that serve as alternatives to traditional teacher preparation programs. Approximately half of the state funding for the alternative route programs is eliminated. In implementing this reduction, the Professional Educator Standards Board will look for ways to achieve efficiency in program delivery and maintain the number of interns involved in the programs.
12. **School Nurse Work Group** - Funding is provided for a school nurse work group to review school nurse services in class I school districts.
13. **Pension Rate for Gain Sharing** - Contributions toward the future costs of gain sharing are suspended for the 2005-07 biennium, consistent with Chapter 370, Laws of 2005 (ESHB 1044). (General Fund-State, General Fund-Federal, Federal Food Service-Non-Appropriated)
14. **Suspend Unfunded Liability Contribs** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with ESHB 1044 (Pension Funding Methodology). For employers and members of retirement plans unaffected by ESHB 1044, funding levels are provided consistent with the contribution rates recommended by the Pension Funding Council. Additional detail on pension contribution rates is provided in the general comments for "State Employee Compensation." (General Fund-State, General Fund-Federal, various other funds)
15. **Environmental Ed Coordination** - Funding is provided for coordination and direct services to support schools in instruction about conservation, natural resources, sustainability, and human adaptation to the environment. Integration between these subject matters and science, math, social sciences, and career and technical education, particularly agricultural and natural sciences education, is to be a major element.
16. **Dyslexia Pilot Program** - Funding is provided for the implementation of a pilot project to initiate research-based dyslexia instruction programs. The pilot is limited to five school districts geographically representative of the state.
17. **Women's Role in World War II** - Funding is provided to develop and disseminate curriculum and other materials documenting women's role in World War II.
18. **Internet Safety** - Funding is provided for the Safety Center Advisory Committee to develop and distribute a pamphlet to promote Internet safety for children particularly in grades seven through twelve. The pamphlet will be posted on the superintendent of public instruction's web site. To the extent possible, the pamphlet shall be distributed in schools throughout the state and in other areas accessible to youth including but not limited to libraries and community centers.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

**Public Schools
General Apportionment**

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	7,965,156	0	7,965,156
2005 Supplemental *	-1,323	0	-1,323
Total 2003-05 Biennium	7,963,833	0	7,963,833
2005-07 Maintenance Level	8,621,481	0	8,621,481
Policy Changes			
1. Pension Method Change	-198,822	0	-198,822
2. CAS Minimum Salary Allocation \$45K	127	0	127
3. Skills Center Incentive Grants	1,181	0	1,181
Total 2005-07 Biennium	8,423,967	0	8,423,967
Fiscal Year 2006 Total	4,180,957	0	4,180,957
Fiscal Year 2007 Total	4,243,010	0	4,243,010

Comments:

- Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.
- CAS Minimum Salary Allocation \$45K** - The basis for state allocations for certificated administrative staff (CAS) salaries are base salaries identified in a LEAP document referenced in the operating budget bill. The base salaries are unique to each district and range from about \$30,000 for each state-funded CAS full-time-equivalent (FTE) to about \$75,000 for each state-funded CAS FTE. Consistent with the recommendations of the House Subcommittee on Education Finance Structures, funding is provided to establish a minimum base salary allocation of \$45,000 in the 2006-07 school year, which will increase the allocations to 23 school districts. The minimum allocation will increase each year by state-funded salary increase percentages.
- Skills Center Incentive Grants** - Funding is provided for an incentive program to encourage school districts to provide students greater access to the ten Skills Centers.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

Public Schools Compensation Adjustments

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	160,806	663	161,469
2005 Supplemental *	30	-8	22
Total 2003-05 Biennium	160,836	655	161,491
2005-07 Maintenance Level	138,975	606	139,581
Policy Changes			
1. Health Benefit Changes	126,196	418	126,614
2. Pension Method Change	-4,378	-7	-4,385
3. Special Education Funding	153	-153	0
4. Expand Learning Assistance Pgm	0	470	470
5. CAS Minimum Salary Allocation \$45K	3	0	3
Total 2005-07 Biennium	260,949	1,334	262,283
Fiscal Year 2006 Total	73,981	361	74,342
Fiscal Year 2007 Total	186,968	973	187,941

Comments:

1. **Health Benefit Changes** - Continued increases in health care costs are expected over the 2005-07 biennium. The monthly allocation for health benefits is increased from \$582.47 per FTE staff in the 2004-05 school year to \$629.07 in the 2005-06 school year and to \$679.39 in the 2006-07 school year. (General Fund-State, General Fund-Federal)
2. **Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.
3. **Special Education Funding** - Changes in the Special Education formula result in more state-funded staff salaries allocated to districts, which increases the cost of providing compensation changes.
4. **Expand Learning Assistance Pgm** - Changes in the Learning Assistance Program (LAP) formula result in more state-funded staff salaries allocated to districts through LAP, which increases the cost of providing compensation changes.
5. **CAS Minimum Salary Allocation \$45K** - The basis for state allocations for certificated administrative staff (CAS) salaries are base salaries identified in a LEAP document referenced in the operating budget bill. The base salaries are unique to each district and range from about \$30,000 for each state-funded CAS full-time-equivalent (FTE) to about \$75,000 for each state-funded CAS FTE. Consistent with the recommendations of the House Subcommittee on Education Finance Structures, funding is provided to establish a minimum base salary allocation of \$45,000 in the 2006-07 school year, which will increase the cost of providing salary increase allocations.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

**Public Schools
Pupil Transportation**

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	435,353	0	435,353
2005 Supplemental *	12,396	0	12,396
Total 2003-05 Biennium	447,749	0	447,749
2005-07 Maintenance Level	503,981	0	503,981
Policy Changes			
1. School Bus Depreciation	-6,482	0	-6,482
2. Pension Method Change	-6,754	0	-6,754
Total 2005-07 Biennium	490,745	0	490,745
Fiscal Year 2006 Total	242,170	0	242,170
Fiscal Year 2007 Total	248,575	0	248,575

Comments:

1. **School Bus Depreciation** - In its February 2005 report on K-12 School Bus Bidding and Purchasing, the Joint Legislative Audit and Review Committee noted that the present method for reimbursing districts for school bus purchases results in wide annual fluctuations in state payments to districts. To address this issue, school bus depreciation payments will be based on a five-year average of prices for each bus category. In the final year on the depreciation schedule, the payment for a bus will be adjusted so that the total depreciation payments and assumed investment returns will be sufficient to replace the bus according to that year's low bid price for that bus category. These changes provide additional stability and predictability for state expenditures and school district revenues, and the current policy of providing the replacement value by the end of the depreciation payments is maintained.

2. **Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.

* Please see the 2005 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>
2003-05 Expenditure Authority	6,200	356,920	363,120
2005 Supplemental *	0	16,165	16,165
Total 2003-05 Biennium	6,200	373,085	379,285
2005-07 Maintenance Level	6,200	395,889	402,089
Policy Changes			
1. School Breakfast Programs (HB 1771)	106	1,371	1,477
Total 2005-07 Biennium	6,306	397,260	403,566
Fiscal Year 2006 Total	3,147	196,082	199,229
Fiscal Year 2007 Total	3,159	201,178	204,337

Comments:

- School Breakfast Programs (HB 1771)** - Under Chapter 287, Laws of 2005 (HB 1771), school districts will be required to provide school breakfast programs in schools in which more than 40 percent of the students qualify for free or reduced-price meals. Funding is provided to reimburse school districts for these breakfasts. (General Fund-State, General Fund-Federal)

* Please see the 2005 Supplemental Operating Budget Section for additional information.

**Public Schools
 Special Education**

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	861,863	426,450	1,288,313
2005 Supplemental *	3,198	-232	2,966
Total 2003-05 Biennium	865,061	426,218	1,291,279
2005-07 Maintenance Level	925,238	432,758	1,357,996
Policy Changes			
1. Special Education Safety Net	18,940	2,952	21,892
2. Pension Method Change	-22,397	-247	-22,644
3. Special Education Funding	10,197	0	10,197
4. CAS Minimum Salary Allocation \$45K	15	1	16
Total 2005-07 Biennium	931,993	435,464	1,367,457
Fiscal Year 2006 Total	460,032	207,361	667,393
Fiscal Year 2007 Total	471,961	228,103	700,064

Comments:

1. **Special Education Safety Net** - Funding for the special education safety net is increased to reflect the net impact of two rule changes: (1) the application threshold for individual high cost students, based on services provided in their individual education plan (IEP), is increased to match the new federal definition for high cost; and (2) the current maintenance of local effort requirement is eliminated in the school district application form documenting financial need. This change will provide greater equity among districts and allow more districts to access the safety net grant process. (General Fund-State, General Fund-Federal)

district and range from about \$30,000 for each state-funded CAS full-time-equivalent (FTE) to about \$75,000 for each state-funded CAS FTE. Consistent with the recommendations of the House Subcommittee on Education Finance Structures, funding is provided to establish a minimum base salary allocation of \$45,000 in the 2006-07 school year, which will increase the allocations to 23 school districts. The minimum allocation will increase each year by state-funded salary increase percentages.

2. **Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

3. **Special Education Funding** - State allocations for special education students are increased by \$48 per student.

4. **CAS Minimum Salary Allocation \$45K** - The basis for state allocations for certificated administrative staff (CAS) salaries are base salaries identified in a LEAP document referenced in the operating budget bill. The base salaries are unique to each

**Public Schools
 Educational Service Districts**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2003-05 Expenditure Authority	7,076	0	7,076
2005 Supplemental *	-1	0	-1
Total 2003-05 Biennium	7,075	0	7,075
2005-07 Maintenance Level	7,608	0	7,608
Policy Changes			
1. Pension Method Change	-191	0	-191
2. CAS Minimum Salary Allocation \$45K	1	0	1
Total 2005-07 Biennium	7,418	0	7,418
Fiscal Year 2006 Total	3,694	0	3,694
Fiscal Year 2007 Total	3,724	0	3,724

Comments:

- 1. Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.
- 2. CAS Minimum Salary Allocation \$45K** - The basis for state allocations for certificated administrative staff (CAS) salaries are base salaries identified in a LEAP document referenced in the operating budget bill. The base salaries are unique to each district and range from about \$30,000 for each state-funded CAS full-time-equivalent (FTE) to about \$75,000 for each state-funded CAS FTE. Consistent with the recommendations of the House Subcommittee on Education Finance Structures, funding is provided to establish a minimum base salary allocation of \$45,000 in the 2006-07 school year, which will increase the allocations to 23 school districts. The minimum allocation will increase each year by state-funded salary increase percentages.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

**Public Schools
 Levy Equalization**

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	328,627	0	328,627
2005 Supplemental *	-718	0	-718
Total 2003-05 Biennium	327,909	0	327,909
2005-07 Maintenance Level	370,089	0	370,089
Policy Changes			
1. Levy Equalization	-12,922	0	-12,922
Total 2005-07 Biennium	357,167	0	357,167
Fiscal Year 2006 Total	174,465	0	174,465
Fiscal Year 2007 Total	182,702	0	182,702

Comments:

- Levy Equalization** - In the 2005-07 biennium, levy equalization payments to school districts will be prorated at 95.63 percent, resulting in a savings compared to funding the payments at 100 percent. Local Effort Assistance, or levy equalization, allocations to school districts are expected to increase by \$12.3 million from the 2004-05 school year to the 2005-06 school year and by another \$5.6 million from the 2005-06 year to the 2006-07 school year.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

**Public Schools
Institutional Education**

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	36,383	0	36,383
2005 Supplemental *	137	0	137
Total 2003-05 Biennium	36,520	0	36,520
2005-07 Maintenance Level	39,732	0	39,732
Policy Changes			
1. Pension Method Change	-975	0	-975
Total 2005-07 Biennium	38,757	0	38,757
Fiscal Year 2006 Total	19,084	0	19,084
Fiscal Year 2007 Total	19,673	0	19,673

Comments:

1. **Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.

* Please see the 2005 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>
2003-05 Expenditure Authority	13,252	0	13,252
2005 Supplemental *	51	0	51
Total 2003-05 Biennium	13,303	0	13,303
2005-07 Maintenance Level	14,083	0	14,083
Policy Changes			
1. Pension Method Change	-297	0	-297
Total 2005-07 Biennium	13,786	0	13,786
Fiscal Year 2006 Total	6,860	0	6,860
Fiscal Year 2007 Total	6,926	0	6,926

Comments:

1. **Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

Public Schools
Elementary & Secondary School Improvement

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2003-05 Expenditure Authority	0	42,817	42,817
2005-07 Maintenance Level	0	22,084	22,084
Total 2005-07 Biennium	0	22,084	22,084
Fiscal Year 2006 Total	0	12,143	12,143
Fiscal Year 2007 Total	0	9,941	9,941

Comments:

There were no policy level changes.

**Public Schools
Education Reform**

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	76,126	127,126	203,252
2005 Supplemental *	-439	2,740	2,301
Total 2003-05 Biennium	75,687	129,866	205,553
2005-07 Maintenance Level	78,320	124,286	202,606
Policy Changes			
1. Responsibilities of K-12 Boards	-620	0	-620
2. Science WASL	4,471	0	4,471
3. Middle Management Reduction	-26	-4	-30
4. Reading Corps	-5,726	0	-5,726
5. COLA-Non-Represented	207	87	294
6. Non-Represented Health Benefit Chg	56	22	78
7. Salary Survey-Non-Rep Staff	20	10	30
8. General Inflation	-47	-46	-93
9. Principal Support Program	50	0	50
10. Assessment System Improvements	4,445	0	4,445
11. Early Reading Grant Program	250	0	250
12. Reading Model Implementation	250	0	250
13. Focused Asst to High Sch and Dists	2,000	0	2,000
14. Pension Rate for Gain Sharing	-40	-12	-52
15. Suspend Unfunded Liability Contribs	-107	-38	-145
Total 2005-07 Biennium	83,503	124,305	207,808
Fiscal Year 2006 Total	43,076	60,952	104,028
Fiscal Year 2007 Total	40,427	63,353	103,780

Comments:

- Responsibilities of K-12 Boards** - Consistent with Chapter 497, Laws of 2005 (ESSB 5732 - Education Boards), funding for the Academic Achievement and Accountability Commission is eliminated.
- Science WASL** - In FY 2006, there are insufficient federal funds to cover the federally-mandated reading and math assessments in grades 3, 5, 6, and 8 and the development and implementation of a new science assessment which will be required by the federal government in 2008. For this reason, the costs to administer and score the Washington Assessment of Student Learning (WASL) for science are supported with state funding.
- Middle Management Reduction** - The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.
- Reading Corps** - State funding for the Reading Corps Program is reduced.
- COLA-Non-Represented** - Funding is provided to give cost-of-living adjustments (COLAs) of 3.2 percent on September 1, 2005, and 1.6 percent on September 1, 2006, to non-represented employees. (General Fund-State, General Fund-Federal)
- Non-Represented Health Benefit Chg** - Funding is provided for the current health benefit package and level of cost sharing during the 2005-07 biennium for both represented and non-represented employees. More detailed information about this item is provided in the general comments for "State Employee Compensation." (General Fund-State, General Fund-Federal)
- Salary Survey-Non-Rep Staff** - Funding is provided for salary increases for non-represented employees in job classifications identified as being compensated more than 25 percent lower than the market rate in the Department of Personnel's 2002 Salary Survey. (General Fund-State, General Fund-Federal)
- 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 mission.
- Principal Support Program** - The Principal Support Program provides assistance, assessment, and mentoring to improve the skills of principals. Additional principals will be served through the program in the 2005-07 biennium. The additional funding is provided to serve middle and high school principals.
- Assessment System Improvements** - The 2004 Legislature, while defining the graduation requirements for 2008 to include demonstrated mastery of state standards, also provided policy support for multiple retake opportunities for students and the

Public Schools Education Reform

development of options for an objective alternative assessment. Funding is provided for the development of options for an objective alternative assessment and for school districts to offer a late August or fall re-take opportunity.

11. **Early Reading Grant Program** - Funding is provided for an Early Reading Grant Program for community-based initiatives that develop pre-reading and early reading skills through parental and community involvement, public awareness, coordination of resources, and partnerships with local school districts.
12. **Reading Model Implementation** - The Superintendent will provide to school districts reviews of reading curriculum programs and information and training on reading diagnostic assessments.
13. **Focused Asst to High Sch and Dists** - Funding is provided to expand the Focused Assistance Program to high schools and districts. This funding will be matched by a private, nonprofit foundation.
14. **Pension Rate for Gain Sharing** - Contributions toward the future costs of gain sharing are suspended for the 2005-07 biennium, consistent with Chapter 370, Laws of 2005 (ESHB 1044). (General Fund-State, General Fund-Federal)
15. **Suspend Unfunded Liability Contribs** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with ESHB 1044 (Pension Funding Methodology). For employers and members of retirement plans unaffected by ESHB 1044, funding levels are provided consistent with the contribution rates recommended by the Pension Funding Council. Additional detail on pension contribution rates is provided in the general comments for "State Employee Compensation." (General Fund-State, General Fund-Federal)

* Please see the 2005 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>
2003-05 Expenditure Authority	104,728	44,544	149,272
2005 Supplemental *	88	0	88
Total 2003-05 Biennium	104,816	44,544	149,360
2005-07 Maintenance Level	126,603	45,561	172,164
Policy Changes			
1. Pension Method Change	-3,397	0	-3,397
2. CAS Minimum Salary Allocation \$45K	2	0	2
Total 2005-07 Biennium	123,208	45,561	168,769
Fiscal Year 2006 Total	59,673	22,751	82,424
Fiscal Year 2007 Total	63,535	22,810	86,345

Comments:

- Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.
- CAS Minimum Salary Allocation \$45K** - The basis for state allocations for certificated administrative staff (CAS) salaries are base salaries identified in a LEAP document referenced in the operating budget bill. The base salaries are unique to each district and range from about \$30,000 for each state-funded CAS full-time-equivalent (FTE) to about \$75,000 for each state-funded CAS FTE. Consistent with the recommendations of the House Subcommittee on Education Finance Structures, funding is provided to establish a minimum base salary allocation of \$45,000 in the 2006-07 school year, which will increase the allocations to 23 school districts. The minimum allocation will increase each year by state-funded salary increase percentages.

* Please see the 2005 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>
2003-05 Expenditure Authority	127,295	301,322	428,617
2005 Supplemental *	37	8,992	9,029
Total 2003-05 Biennium	127,332	310,314	437,646
2005-07 Maintenance Level	134,530	343,227	477,757
Policy Changes			
1. Pension Method Change	-3,729	0	-3,729
2. Expand Learning Assistance Pgm	0	24,605	24,605
Total 2005-07 Biennium	130,801	367,832	498,633
Fiscal Year 2006 Total	65,434	179,538	244,972
Fiscal Year 2007 Total	65,367	188,294	253,661

Comments:

- 1. Pension Method Change** - Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology). The following are suspended for the 2005-07 biennium: (1) contributions toward the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during FY 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.
- 2. Expand Learning Assistance Pgm** - Funding for the Learning Assistance Program (LAP) is increased. In addition, pursuant to Chapter 489, Laws of 2005 (HB 1066), the LAP funding formula is changed from one that allocates funding based 90 percent on norm-referenced test scores and 10 percent on poverty to recognize the learning and instructional challenges in different districts by using poverty as a proxy measure. All districts will receive funding based on the percentage of students eligible for free or reduced-price lunch, with additional funding going to districts with more than 40 percent of such students. Districts that receive increased funding under the new formula will use the new funds to serve high school students who have not met state standards on the 10th grade WASL. Districts with decreased funding under the new formula will be held harmless so that no district receives less than it received in the 2004-05 school year.

* Please see the 2005 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>
2003-05 Expenditure Authority	0	409,642	409,642
2005 Supplemental *	0	-23	-23
Total 2003-05 Biennium	0	409,619	409,619
2005-07 Maintenance Level	0	629,356	629,356
Total 2005-07 Biennium	0	629,356	629,356
Fiscal Year 2006 Total	0	280,669	280,669
Fiscal Year 2007 Total	0	348,687	348,687

Comments:

There were no policy level changes.

* Please see the 2005 Supplemental Operating Budget Section for additional information.