

# Legislative Update

Board Study Session

April 22, 2019

# Agenda



- Legislative Session Timeline
- Legislative Proposals

# Legislative Calendar

January 14, 2019	First day of session
March 13, 2019	Last day to pass bills in house of origin
April 17, 2019	Last day to pass opposite house bills (except matters necessary to implement the budget)
April 28, 2019	Last day for regular session

# Legislative Budgets

- ▶ House released budget proposal on March 25, 2019
- ▶ ESHB 1109
- ▶ Senate released budget proposal on March 29, 2019
- ▶ PSSB 5153

Both budgets have seen significant amendment activity revising the original bills

# Operational Levy Proposals

Current Law: Levy is the lessor of \$2,500 per pupil or \$1.50/\$1,000 AV

House (SHB2140)  
Levy at \$3,000 per pupil or \$1.50/\$1,000 AV OR  
20% of State and federal revenues

	2020	2022 Est
Maximum Lid	\$90.9M	\$97.0M
Amount Per pupil	\$3,000	\$3,000
Lid at 20%	\$72.7M	\$77.2M
Amount Per pupil	\$2,400	\$2,516
LWSD Voter Approved Amount	\$62.2M	\$67.7M
<b>Amount Per pupil</b>	<b>\$2,052</b>	<b>\$2,183</b>

Senate (SSSB5313)  
Levy at \$2,500 per pupil (or \$2.50/\$1,000 AV)

	2020	2022 Est
Maximum Lid	\$77.4M	\$82.5M
Amount Per pupil	\$2,500	\$2,500
LWSD Voter Approved Amount	\$62.2M	\$67.7M
<b>Amount Per pupil</b>	<b>\$2,052</b>	<b>\$2,183</b>

In February 2018, LWSD asked voters for less than the state authorized amount due to the additional revenue received from McCleary. LWSD would not benefit from any legislative changes until the Educational Programs and Operations Levy is renewed in February 2022 for collection beginning in 2023.

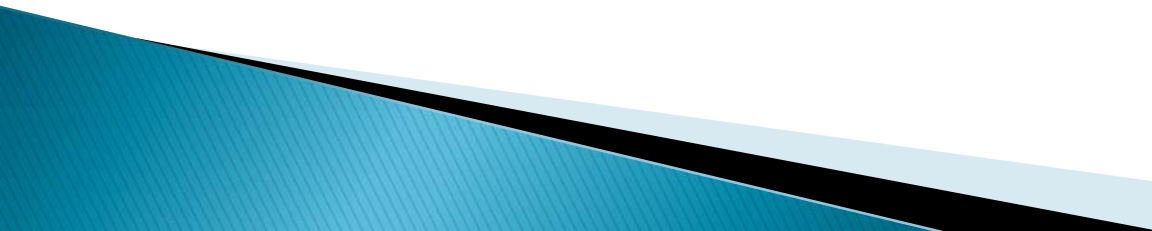
# Employee Compensation

- ▶ Both House and Senate include Implicit Price Deflator (IPD) adjustment of:
  - 2.0% – 2019–20
  - 2.1% – 2020–21
- ▶ Local unfunded impact:
  - \$1.9M – 2019–20
  - \$2.0M – 2020–21

# Employee Compensation – School Employee Benefits Board (SEBB)

- ▶ Both House and Senate provide funding to implement the SEBB effective January 1, 2020.
- ▶ Each proposal has lowered the statewide cost estimates from \$900 million to between \$425–\$507 million.
  - Lowered costs by using different assumptions regarding use of reserves, inflation, etc.
  - Concern that numbers have been lowered to ensure passage and then costs will significantly increase after first year.
- ▶ Estimated local unfunded impact= \$4.0 million

# Employee Compensation – School Employee Benefits Board (cont.)

- ▶ On April 13<sup>th</sup>, SB 6011 was introduced by Senator Mullet and Senator Braun.
  - ▶ Moves all school district employees to the Public Employees Benefits Board (PEBB) as of January 1, 2020.
  - ▶ The PEBB currently serves state employees
  - ▶ The bill eliminates the expanded eligibility for part-time employees and substitutes, which contributed to significant costs under SEBB.
- 




# Special Education

- ▶ Special Education is one of the programs that remains underfunded by the state.
- ▶ Both the House and Senate are proposing to increasing the funding “multiplier” in order to drive more funds to districts.
  - The House has a “two-tier” formula with a different rate for students spending 80% or more in a general education classroom vs. those spending less than 80% in a general education classroom
- ▶ Any new revenue will be needed to provide for actual costs that exceed current budget.

	Multiplier	New Revenue
Current	.9609	
House - Tier I (80% or more)	1.0000	\$0.8M
House - Tier II (less than 80%)	.9823	
Senate	1.0000	\$1.0M

# Special Education (cont.)

- ▶ The senate proposal removed federal funding from safety net which allows the threshold to access safety net to be lowered.
  - ▶ The senate proposal requires additional reporting requirements.
- 

# Paraeducator Training

- ▶ ESHB 1115 was adopted in July 2017.
  - Required additional training for all paraeducators (instructional assistants and special education paraeducators).
  - Requirements were subject to appropriations.
- ▶ Both the House and Senate budgets require training beginning in the 2019–20 school year.
  - Specific funding model is unknown
  - May be reimbursement basis at the end of the year

# Paraeducator Training (cont.)

- ▶ The House proposes 14 hours of training; Senate 28 hours.
- ▶ Training is required for all current and newly hired employees.
- ▶ Once initial training is completed, there are additional annual training requirements.
- ▶ Estimated local unfunded costs for this training is between \$600,000–\$900,000 annually.
  - Note: legislation provides equal or more training days than the two days teachers are currently funded for.

# Other

- ▶ Professional learning days – Included in both proposals is the planned increase from one to two professional learning days for teachers; the third day will be funded in 2020–21.
- ▶ EHB 1638 – Beginning Fall 2019 eliminates personal exemptions from MMR vaccines.
  - Potential impact to enrollment.

# Tax Package

## House Proposes changes to:

- Capital Gains Tax
- Real Estate Excise Tax
- Elimination of some B&O tax preferences
- Will raise \$979 million

## Senate Proposes changes to:

- Real Estate Excise Tax
- Change in B&O taxes
- Repeal of tax preference in various areas
- Will raise \$518 million

# Anticipated Budget Changes for 2019–20

»» • Legislative Impacts

# Anticipated Budget Changes for 2019–20

## Anticipated Legislative Impacts

- ▶ **McCleary**
  - ▶ Levy Reduction (2<sup>nd</sup> year)
  - ▶ Move to statewide employee benefits (SEBB) – January 1, 2020
  - ▶ Special Education
- ▶ **K–3 Staffing**
- ▶ **Inflationary adjustment**



# Anticipated Budget Changes for 2019–20

- ▶ While both proposals increase revenues, the required expenditures exceed the additional revenues.
  - ▶ As part of our long-term planning, the district reserved the additional funds received from McCleary in 2018–19 knowing that the levy revenue reduction would continue, and we would have these additional costs in the future.
  - ▶ In addition, there are unknown long-term impacts related to health benefits, increased pension obligations and other unforeseen events that could have a negative impact on the long-term outlook.
- 