

# Fiscal Advisory Council

## Meeting 3

Legislative Outcomes, Budget Development

April 16, 2025



# Schedule

## Meeting 1 – January 9

- Introductions, overview, school budget basics

## Meeting 2 – February 12

- Enrollment projections, budget assumptions, legislative updates

## Meeting 3 – April 16

- Legislative outcomes, budget development

## Meeting 4 – May 22

- Review budget prior to board adoption



**School board updates throughout the year**





# Legislative Updates





## Legislative calendar

- January 13 – First day of session
- March 12 – Last day to adopt bills in house of origin
- April 16 – Last day to adopt bills from opposite house
- April 27 – Last day of session



## Legislative activity

- Over 1,900 bills introduced
- 450 bills still active
- Governor released budget proposals
- House and Senate released budget proposals March 24



## State Operating Budget

- Passed both the Senate and the House
- Senate requested a Conference Committee, which intends to establish official negotiated differences between bills - including budgets
- Several pending items impact K-12 funding

## State Transportation Budget

- Passed both the Senate and House
- Still pending revenue plan associated with the budget
- Minor impacts to K-12

## State Capital Budget

- Passed the Senate and is waiting for the House to approve their budget
- Pending items impact K-12 construction
- School Construction Assistance Program (SCAP) funding and other construction grant opportunities



# State Funding Shortfall

- Governor Inslee projection: \$16.0 Billion (4-year)
- Governor Ferguson projection: \$15.0 Billion (4-year)
- House Democratic Caucus: \$12.0 Billion (4-year)
- Office of Program Research: \$6.7 Billion (4-year)
- Revenue proposals are being considered in both the Senate and the House



## House Revenue Proposals

- **HB 2049:** Increases 1.0% cap on annual growth of property taxes and increases school district levy capacity
- **HB 2046:** Taxes on select financial intangible assets to fund education, address shortfalls
- **HB 2045:** Restructures the business and occupation tax on high grossing businesses and financial institutions

## Senate Revenue Proposals

- **SB 5797:** Taxes, stocks, bonds, and other financial intangible assets
- **SB 5796:** Excise tax on large employers on the amount of payroll expenses above the social security wage threshold to fund programs and services to benefit Washingtonians (we continue to watch this one closely, as it appears many school districts will be responsible for paying this tax if enacted)
- **SB 5798:** Concerning property tax reform (lifting the 101% annual property tax growth)
- **SB 5794:** Adopting recommendations from the tax preference performance review process, eliminating obsolete tax preferences (or tax exemptions), clarifying legislative intent, and addressing changes in constitutional law
- **SB 5795:** Reducing the state Sales and Use Tax rate (moving the state rate from 6.5% to 6.0%)



# Special Education

- **SB 5263**
  - Eliminates the 16.0% enrollment cap
  - Increases funding multipliers
  - Decreases the minimum expenditure threshold for SafetyNet Awards
  - Distributes certain SafetyNet eligible awards quarterly
- **HB 1357**
  - Increases funding multipliers
  - Distributes certain SafetyNet eligible awards quarterly





# Materials, Supplies and Operating Costs (MSOC) Funding

- **SB 5192**
  - Increases K-12 MSOC allocations
  - Increases 9-12 MSOC enhancement allocations
    - Increased allocations are required to be used for MSOCs
  - MSOC Calculation:
    - Enrollment - total annual average FTE enrollment for the district's prior three years
    - Inflation - IPD (previous calendar year)
  - Reporting:
    - Annual report of expenditures to OSPI, using 10 new categories



## Other Live Bills

- **HB 2012:** Transition to Kindergarten
  - Addresses 2024-25 funding shortfall
  - Implements an enrollment cap
- **HB 1543:** Increases compliance pathways for the Clean Buildings Performance Standard, 5-year waiver for K-12
- **SB 5009:** Requires district-owned cars to be included in transportation funding formulas
- **HB 2050:** Shifts apportionment payments and does not save any money; the state is still obligated to provide those funds. The “savings” comes from moving this obligation into a new biennium.
- **SB 5735:** Reduces employer normal cost contribution rates for retirement system in 2026
- **SB 5041:** Unemployment Insurance for striking workers



## Other Live Bills

- **HB 1308:** Concerning access to personnel records
- **HB 1524:** Concerning workplace standards and requirements applicable to employers of isolated employees
- **HB 1622:** Allowing bargaining over matters related to the use of artificial intelligence
- **HB 1788:** Concerning workers' compensation benefits
- **SB 5101:** Expanding access to leave and safety accommodations to include workers who are victims of hate crimes or bias incidents
- **SB 5291:** Implementing the recommendations of the Long-Term Services and Supports Trust Commission



# Discussion

- What clarifying questions do you have about the current legislative bills that may still impact K-12 funding?

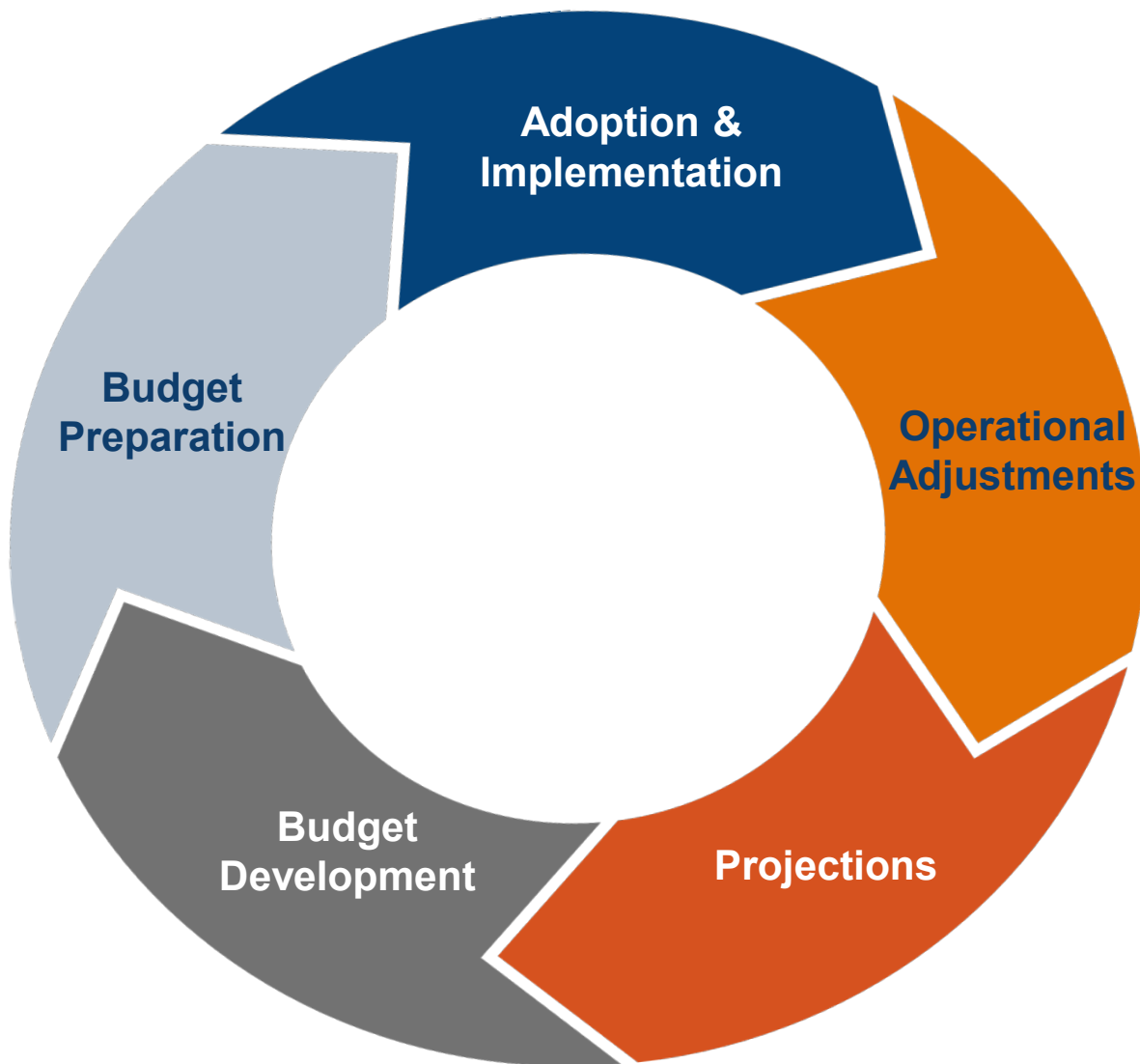






# Fiscal Outlook & Budget Development





### **Adoption & Implementation** (*Summer*)

- Budget adoption hearing and the final adoption sets expenditure capacity by fund
- Summer implementation for school year

### **Operational Adjustments** (*Fall*)

- Actual student enrollment
- Actual staffing alignment
- State and federal updates
- Local commitments

### **Projections** (*Winter*)

- Local revenue and expenditure changes
- State & federal program changes
- Governor's budget guides FAC target

### **Budget Development** (*Winter/Spring*)

- Fiscal Advisory Council (FAC) process
- Budget parameters defined
- Assess additions and/or reductions

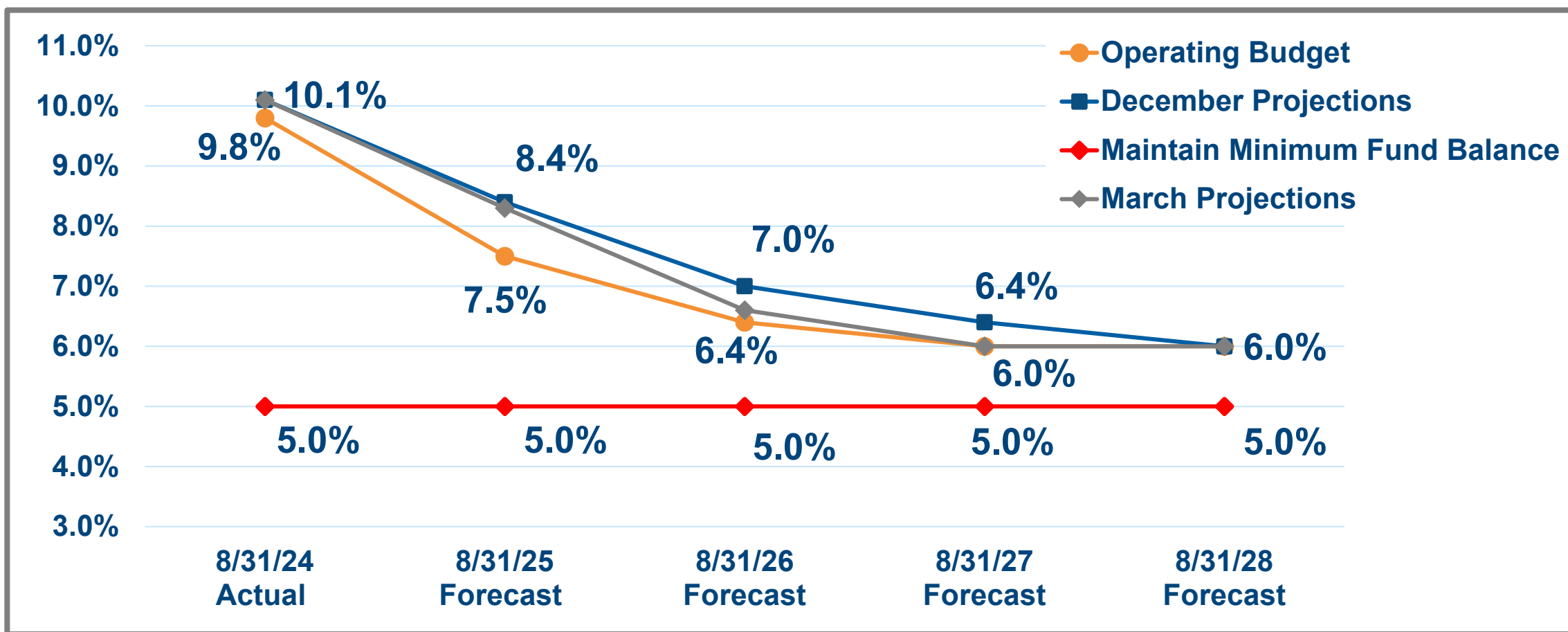
### **Budget Preparation** (*Spring*)

- Incorporate defined reductions/additions
- State Form F-195 formatting adjustments



# Fiscal Outlook, No Legislative Changes

- Assumes no major legislative outcomes
- Updated the Implicit Price Deflator (cost of living factor)
- Using the medium enrollment projections
- Assumes reductions for the 2026-27 fiscal year







## Scenario 1 – No significant legislative changes to funding:

- Hold and continue to evaluate possible reductions through attrition throughout the current year
- 2026-27 fiscal year budget development will include a reduction process



## Scenario 2 – Moderate legislative changes to funding:

- Evaluate one-time investments
- Evaluate possible recurring investments



# Resource Allocation Roadmap



## Table Group Discussions

- If additional resources become available, please prioritize possible **recurring** enhancements for consideration in the 2025-26 operating budget.
- If additional resources become available, please prioritize possible **one-time** enhancements for consideration in the 2025-26 operating budget.



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**School board updates throughout the year**





A group of students in a school hallway, possibly a choir or a group of students participating in a presentation. They are holding papers and looking towards the right side of the frame. The image has a blue tint and a vertical orange line on the left side.

***Thank You!***

