

## Capitol News Special Session Report

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Last Friday, the House and Senate approved a \$43.7 billion state operating budget for the 2017-19 biennium. Governor Inslee signed it into law about one hour before the midnight deadline, thus averting a partial government shutdown. This agreement was reached after several months of negotiations through one regular session and three special sessions. This budget contains an historic investment of \$7.3 billion for K-12 funding over the next four years. Of this, approximately \$6 billion goes to compensation, with the remainder funding enhancements to the categorical programs and funding other K-12 budget items. Lawmakers have grappled with this issue for years now, in an attempt to comply with the state Supreme Court's order in the McCleary decision to amply fund basic education. This spending is achieved through an increase in the statewide property tax of 81 cents per \$1000 assessed value, with a corresponding cap on local levies. Along with this major K-12 investment, lawmakers passed HB 2242, the corresponding K-12 policy bill to meet the McCleary court decision. Negotiators worked for months to come to a bipartisan agreement. Here is a brief summary of the legislation that passed:

- Increases and revises state allocations for K-12 basic education salaries, beginning in school year 2018-19 and implemented fully in school year 2019-20.
- Replaces the K-12 salary allocation model, increases minimum salary allocations, establishes maximum salaries and other salary limitations, and adjusts state allocations for inflation and regional differences in the cost of hiring staff.
- Enhances state basic education funding under the prototypical school model through increases to special education, vocational education, highly capable, and transitional bilingual programs, all beginning in the 2017-18 school year.
- Creates a new learning assistance allocation for high-poverty schools, beginning in the 2017-18 school year.

Unfortunately, the elimination of the salary allocation model means that our effort to increase the number of years of service to be applied toward educational staff associate (ESA) salaries was not included in HB 2242 or in the operating budget. However, HB 2242 does allow ESAs to bargain for up to 10% above the maximum salary, beginning in the 2019-2020 school year. While this is not the solution we were looking for, it is a step toward solving the ESA recruitment and retention challenges that school districts face. HB 2242 does continue the current two years of experience for the 2017-18 school year. The state budget also made significant investments in mental health, developmental disabilities, early childhood education, and long-term care. To pay for these investments, the Legislature approved a controversial revenue package. This package includes a tax on all internet sales and bottled water.

The following are budget items of interest to WSLHA:

- Funding is provided for the Health Care Authority to procure and implement a new Uniform Medical Plan (UMP) third party administrator (TPA) vendor. The effective date of the contract will be January 1, 2018, and administrative services will begin on January 1, 2020.
- The Office of State Auditor (SAO) will conduct a performance audit for the Department of Health (DOH), which will be focused on the fee setting process for each health profession licensed by DOH. The performance audit must include, but is not limited to: 1) a review of each health profession's process for setting fees; 2) a review of the costs of running each health profession program or board; 3) an analysis of how any monies collected as indirect charges levied on a health profession are used by the department;

and 4) a review of any department policies or procedures that have been adopted in an attempt to reduce fee levels of any of the health professions.

- Funding is reduced to reflect the elimination of 6.0 percent of management positions at all state agencies.

Unfortunately, the Legislature's work is not finished. The capital budget remains in the balance, being tied to an unrelated bill on water rights. The Legislature did pass a maintenance level capital budget to keep current construction projects funded, but that's simply a short-term solution. And there are still several bills that are related to the budget that could be acted upon during this third special session. HB 2143, the bill expanding the Opportunity Scholarship Program to graduate level health care professions, is one. So what happens next? The Legislature has until the end of the third special session on July 20th to wrap up their business. Lawmakers may return to Olympia the week of July 10th, but at this point, it's anyone's guess.