

## 2019 Supplemental Budget Decision Package

**Agency:** 350 – Supt of Public Instruction

**DP code/title:** 2-digit RecSum code and short, descriptive title limited to 35 characters. This will appear on DP and RecSum reports. Pension Rates Correction

**Budget period:** 2019 Supp

**Budget level:** ML

**Agency RecSum text:** Brief description of your proposal. A cogent “elevator pitch” including a concise problem statement, proposed solution and outcomes affected by the proposal. Agencies should strive not to exceed 100 words. Summary text should not repeat references to cost or FTEs, displayed directly below in the fiscal detail.

The 2018 Supplemental Budget, Senate Bill 6032, included preliminary estimates in the rates for pension contributions used by the Department of Retirement Services (DRS) and those used to drive allocations of state funding to school districts. When final rates were approved by DRS in late summer 2018, there was a discrepancy between the preliminary and the final. This discrepancy has resulted in a shortfall of approximately \$14.1 million in the appropriation for the basic education apportionment for the 2019–21 biennium. This proposal seeks to correct this shortfall in carryforward budget for next two biennia.

**Fiscal detail:** To be completed by budget staff

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001-1	\$0	\$2,800,000	\$6,500,000	\$7,600,000
Total Expenditures	\$0	\$2,800,000	\$6,500,000	\$7,600,00
Biennial Totals	\$2,800,000		\$14,100,000	
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. N	\$0	\$2,800,000	\$6,500,000	\$7,600,000

### Package description

Your detailed package description should elaborate upon the RecSum description provided above. This detailed description should provide the Governor, OFM, the Legislature and the public an understanding of the problem you are addressing.

To thoroughly describe the package and its justification, agencies are strongly encouraged to use:

- High-quality narrative descriptions
- Informative tables
- Charts and graphs
- Logic models
- Timelines
- Flowcharts
- Maps or other graphics

This request seeks to reconcile this discrepancy between preliminary estimates for the retirement rates for K–12 allocations and the actual rates approved by DRS.

### **What is the problem, opportunity or priority you are addressing with the request?**

- Describe in detail the problem you propose to solve.
- What is the relevant history or context in which the DP request is made?
- Why is this the opportune time to address this problem?
- Have you previously proposed this request? If so, when and how was it received in the budgeting process at that time?

This request is aimed at aligning the pension contribution rates that are funded for school apportionment for basic education with those approved by DRS.

### **What is your proposed solution?**

- How do you propose to address this problem, opportunity or priority?
- Why is this proposed solution the best option?
- Identify who will be affected by this DP and how.
- How many clients will or will not be served? Served by whom?

The only viable solution is to adjust the preliminary rates to match the final approved rates.

### **What are you purchasing and how does it solve the problem?**

- What will this funding package actually buy?
- What services and/or materials will be provided, when and to whom?
- How will these purchases achieve the desired outputs, efficiencies and outcomes?

Funding this request will ensure OSPI has sufficient funds to pay school districts' entitlements to apportionment for basic education in future years.

### **What alternatives did you explore and why was this option chosen?**

- What are the consequences of not funding this proposal?
- Describe the pros/cons of alternatives. Explain why this request is the best option.
- What other options did you explore? For example, did you consider:
  - » Options with lower costs.

- » Services provided by other agency or unit of government.
- » Regulatory or statutory changes to streamline agency processes.
- » Redeployment of existing resources to maximize efficient use of current funding.
- » Option to maintain the status quo.

Not applicable.

#### Assumptions and calculations

You must clearly display the caseload/workload/service-level changes and cost/savings assumptions and calculations supporting expenditure and revenue changes proposed. Please attach an electronic version (Excel) of detailed fiscal models and/or fiscal backup information.

The intent here is not to repeat the fiscal detail summarized above, but to expand and provide all underlying assumptions and calculations associated with this proposal. All calculations must include impacts to the 2019-21 *and* 2021-23 biennia and must support the fiscal summary detail.

#### Expansion or alteration of a current program or service

If this proposal is an expansion or alteration of a current program or service, provide detailed historical financial information for the prior two biennia (2015-17 and 2017-19).

Not applicable.

#### Detailed assumptions and calculations

- Provide detailed caseload/workload and cost information associated with adopting this proposal.
- Identify discrete expenditure/revenue calculations. Many DPs contain multiple components to achieve a desired outcome. If this package contains discrete funding proposals, the fiscal models or details must break out the complete costs/savings of each component part.
- Clearly explain all one-time expenditure or revenue components.

The table below shows the current rates as approved in the 2018 Supplemental Budget, the rates approved by DRS, and the projected cost of aligning the rates for future school years.

	Current	Maintenance Level	SY 2018–19	SY 2019–20
TRS Employer Rate	15.18%	15.23%	\$3.5 million	\$7.4 million
PERS Employer Rate	12.59%	12.65%		
SERS Employer Rate	13.37%	13.40%		

#### Workforce assumptions

Include FTE information by job classification, including salary and benefits costs. Work with budget staff to prepare this information.

Not applicable.

#### Strategic and performance outcomes

##### Strategic framework

- How does this package relate and contribute to the Governor's Results Washington goal areas and statewide priorities? [Link to results.wa.gov](http://results.wa.gov)
- How does the package relate to the agency's strategic plan?
- Identify how this proposal affects agency activity funding by amount and fund source.

Not applicable.

#### **Performance outcomes**

- Describe and quantify the specific performance outcomes you expect from this funding change.
- What outcomes and results will occur? What undesired results are reduced, eliminated or mitigated?
- Explain how efficiencies are optimized.
- Identify all Lean initiatives and their expected outcomes.
- Include incremental performance metrics.

Not applicable.

#### **Other collateral connections**

##### **Intergovernmental**

Describe in detail any impacts to tribal, regional, county or city governments or any political subdivision of the state. Provide anticipated support or opposition. Impacts to other state agencies must be described in detail.

This request will ensure the appropriation for school apportionment for basic education is sufficient to cover pension contribution rates.

##### **Stakeholder response**

Agencies must identify non-governmental stakeholders impacted by this proposal. Provide anticipated support or opposition.

Not applicable.

##### **Legal or administrative mandates**

Describe in detail if this proposal is in response to litigation, an audit finding, executive order or task force recommendations.

This funding request changes the preliminary DRS rates to the final approved rates. This is needed to ensure ample funding within the appropriation for basic education apportionment.

##### **Changes from current law**

Describe in detail any necessary changes to existing statutes, rules or contracts. Where changes in statute are required, cabinet agencies must provide agency request legislation as an attachment to this DP and submit it through BATS.

Not applicable.

##### **State workforce impacts**

Describe in detail all impacts to existing collective bargaining agreements, compensation or benefits.

Not applicable.

**State facilities impacts**

Describe in detail all impacts to facilities and workplace needs (See Chapter 9 - Leases and Maintenance). Describe in detail all impacts to capital budget requests.

Not applicable.

**Puget Sound recovery**

If this request is related to Puget Sound recovery efforts, see Chapter 12 of the budget instructions for additional instructions. **(Not applicable to OSPI)**

**Other supporting materials**

Attach or reference any other supporting materials or information that will help analysts, policymakers and the public understand and prioritize your request.

[Click here to enter text.](#)

**Information technology (IT)**

ABS will pose the question below for *each* DP. If the answer is yes, you will be prompted to attach an IT addendum. (See Chapter 10 of the budget instructions for additional requirements.)

**Information Technology**

Does this DP include funding for any IT-related costs, including hardware, software (including cloud-based services), contracts or IT staff?

☒ No

☐ Yes

Please download the **IT-addendum** and follow the directions on the bottom of the addendum to meet requirements for OCIO review. After completing the IT addendum, please upload the document to continue.