

SENATE BILL REPORT

ESHB 1732

As of March 13, 2023

Title: An act relating to changing the inflation adjustment index for state salary allocations to schools.

Brief Description: Changing the inflation adjustment index for state salary allocations to schools.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Bergquist, Stonier, Ormsby and Macri).

Brief History: Passed House: 3/1/23, 66-30.

Committee Activity: Ways & Means: 3/13/23.

Brief Summary of Bill

- Changes the inflationary adjustment index for state salary allocations.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Kayla Hammer (786-7305)

Background: State Salary Allocations. The state's statutory program of basic education includes statewide salary allocations necessary to hire and retain qualified staff. To allocate salaries, the Legislature defines salary allocations for certificated instructional staff, certificated administrative staff, and classified staff generated by state prototypical school funding formulas.

Annually, an inflationary adjustment is applied to state salary allocations. Inflation for a school year is defined as the Implicit Price Deflator (IPD) for that fiscal year, which is published by the United States Department of Commerce's Bureau of Economic Analysis. The IPD is a commonly used measure of inflation, another being the Consumer Price Index (CPI) published by the United States Bureau of Labor Statistics. Inflation can be measured

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over multiple time periods, and in the case of the CPI, over multiple geographic areas.

Funded inflationary increases are included in the salary base to determine inflationary increases in subsequent years. In the operating budget, funded increases are based on a projected IPD. For example, the projected IPD for fiscal year 2020 was budgeted for the 2020, that is the 2019-20 school year. The 2022 supplemental operating budget provided a rebased inflationary adjustment of 5.5 percent for salary allocations and operating costs in the 2022-23 school year, which was higher than the IPD for fiscal year 2023.

Summary of Bill: The inflationary adjustment index used for state salary allocations has changed. The new adjustments are:

- 3.7 percent in the 2023-24 school year; and
- beginning in the 2024-25 school year, the IPD for the calendar year prior to the beginning of the school year.

An intent section states the change in methodology for determining the inflation adjustment index was made to add predictability and certainty to school district planning budgets, and to better reflect changing costs in salary allocations.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: We are in favor of the policy as prior calendar year inflation is a known number and using estimates have proved volatile. Makes budgeting work easier and removes challenges with shifting inflation.

Annual inflationary increases are important for hourly employees.

Persons Testifying: PRO: Julie Salvi, Washington Education Association; Rick Chisa, Public School Employees of Washington (PSE).

Persons Signed In To Testify But Not Testifying: No one.