# HOUSE BILL REPORT
# HB 1732

**As Reported by House Committee On:**
Appropriations

**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:** Representatives Bergquist, Stonier, Ormsby and Macri.

**Brief History:**

**Committee Activity:**

Appropriations: 2/9/23, 2/20/23 [DPS].


**Brief Summary of Substitute Bill**

- Changes the inflationary adjustment index for state salary allocations.


## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Chopp, Davis, Fitzgibbon, Hansen, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Steele, Stonier and Tharinger.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Stokesbary, Ranking Minority Member; Corry, Assistant Ranking Minority Member; Chandler, Connors, Couture and Dye.

**Staff:** James Mackison (786-7104).

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**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 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 (i.e. 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.

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**Summary of Substitute Bill:**

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

- 3.8 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 that 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.

**Substitute Bill Compared to Original Bill:**

The substitute bill adds an intent section.

Also, a null and void clause was added, making the bill null and void unless funded in the budget.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:**

(In support) This policy will give the Legislature and schools a better idea of what needs to be budgeted rather than estimating projected inflation, which is often wrong. This bill rolls back inflation to the prior year so budgets are trued up before being enacted rather than needing to revise after the fact.

Associations representing educators and Classified Staff support the bill. This policy uses the inflation methodology in place prior to the McCleary implementation in Initiative 732, which was based on the prior calendar year. It gives budget writers a known inflation number and districts predictability in their planning. Annual inflation adjustments are critical for support employees struggling to make ends meet. This eliminates confusion for districts based on shifting numbers. The Legislature should consider increasing salary allocations for Classified Staff to address shortages and help with recruitment and retention.

(Opposed) None.

(Other) Shoreline is in support of staff receiving inflationary increases to match the cost of living. This bill does not fully fund all staff needed to run schools, and districts will need to fund the increases for staff that the state does not provide. The district must fund the rest of the mandated IPD with reserves or local levies. Barely more than one-half of a psychologist is provided for a district of 9,000 students. Invest significantly in transportation, special education, and regionalization this year to ease the burden on districts.

**Persons Testifying:** (In support) Representative Steve Bergquist, prime sponsor; Julie Salvi, Washington Education Association; and Rick Chisa, Public School Employees of Washington.

(Other) Sara Betnel, Shoreline Public Schools.

**Persons Signed In To Testify But Not Testifying:** None.