



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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December 17, 2021

Dr. Miguel A. Cardona, Secretary
U.S. Department of Education
400 Maryland Avenue SW
Washington, D.C. 20202

Re: Waiver Request for the State of Washington from Maintenance of Effort Requirements

Dear Secretary Cardona:

On January 21, 2020, the first known COVID-19 case in the United States was reported in Washington state. As the virus quickly spread, Washington faced budget challenges and fiscal burdens as we ramped up our response to the pandemic. Almost two years later, the state and country are still dealing with high numbers of COVID cases, a stressed health care system and economic uncertainty.

Washington's enacted 2021–23 operating budget protected and increased K-12 and higher education state funds; however, it did not meet the federal maintenance of effort requirement to maintain the *proportion* of K-12 and higher education funding overall in state fiscal years 2022 and 2023.

Washington state requests a waiver from the maintenance of effort requirements for:

- State Fiscal Years (SFY) 2022 and 2023 for elementary and secondary education under section 317(a) of the Coronavirus Response and Relief Supplemental Appropriations Act and section 2004(a) of the American Rescue Plan Act; and
- SFY 2022 and SFY 2023 for higher education under section 317(a) of CRSSAA and section 2004(a) of ARPA.

A maintenance of effort request form, Appendix C, and additional submission responses are attached to this letter. Please let us know if you have additional questions.

Sincerely,

(b) (6)

David Schumacher
Director

cc: Darienne Feres-Merchant, Management and Program Analyst, U.S. Department of Education
Jamie Langford, Chief Financial Officer, Office of Financial Management
Cheri Keller, Senior Budget Assistant, Office of Financial Management
Val Terre, Budget Assistant, Office of Financial Management
Ramona Nabors, Budget Assistant, Office of Financial Management

MAINTENANCE OF EFFORT – WAIVER DRAFT

REQUEST FOR WAIVER – SUPPLEMENTAL MATERIALS

The following are responses to the questions from the MOE Waiver Request, Appendix C.

1. A description of the extent to which the State experienced fiscal burdens in preventing, preparing for, and responding to the coronavirus and an explanation of how those fiscal burdens affected the State’s ability to maintain fiscal effort (e.g., the status of and any changes to the State’s rainy-day fund, whether the State experienced a decline in revenues, or an increase in other emergency expenses resulting from the pandemic, such as expenses related to health care, unemployment insurance, or support for small businesses);

In Washington state, the COVID-19 pandemic resulted in unprecedented unemployment in 2020, decreased state revenue in 2020, and required the use of reserve funds. It also created an urgent need for increased spending on public health, housing and rental assistance, health care, and other COVID response activities. The current enacted budget continues to protect and increase K-12 and higher education state spending, while also appropriating funds for other essential and emergent health and economic needs.

On March 23, 2020, in an effort to flatten the curve of the COVID-19 cases, Gov. Jay Inslee issued a “Stay Home, Stay Healthy” order that required most Washingtonians to stay home. This forced the closure of all businesses, except those deemed ‘essential’ to protect communities and ensure public health, safety, and economic and national security.

At around the same time, due to significant uncertainty about impacts of the pandemic, Gov. Inslee vetoed \$445 million in new spending approved by the Legislature in the 2020 supplemental operating budget. This left \$1.679 billion in state reserves.

While the stay home order helped lesson the spread of COVID-19, safety precautions had an immediate effect on the state economy. In April 2020, Washington’s unemployment rate peaked at 16.3 percent, an all-time high. The number of initial unemployment claims for first time unemployment filers increased from 14,154 the week of March 14, 2020 to a peak of 181,975 the week of March 28, 2020. During the stay-at-home order, Washington’s total weekly unemployment claims peaked the week of May 16, 2020, totaling 565,764 claims. By comparison, the number of claims paid during the week of March 7, 2020 — prior to the shutdown — was 46,529. As of late November 2021, unemployment claims are comparable to pre-pandemic levels.

The need for services did not decline and many needs increased dramatically. Schools were closed to in-person learning and teachers and parents shifted to virtual education. In addition, the need for food, rent and medical assistance increased as Washington families struggled to make ends meet. The state’s caseload for federal basic food assistance increased by 16 percent, with 76,525 cases attributable to the pandemic, according to the Department of Social and Health Services’ statewide basic food caseload summary. In June 2020, [survey data from the Census Bureau](#) indicated that 900,497 Washington households could not pay rent. Meanwhile, more Washingtonians qualified for medical assistance, with [324,000 new clients between March 2020 and December 2021](#) — compared to just 2,800 new clients over the previous year.

Decreased economic activity resulted in declines in actual and forecasted state revenue collections, resulting in a significant revenue decline in the 2019-21 biennium. The June 2020 economic revenue forecast projected a decrease of \$9 billion in state Near General Fund revenues for the 2019-21 and 2021-23 biennia. Washington state’s Near General Fund includes General Fund-State, Education Legacy Trust Account, Washington Opportunity Pathways Account, Workforce Education Investment Account, and Fair Start for Kids Account.

As a result of the revenue decline in state fiscal year 2020, Gov. Inslee issued directives to achieve savings through spending reductions, including a freeze on hiring and equipment purchases, employee furloughs and rescission of a scheduled general wage increase for certain employees. (See [May 13, 2020 Memo](#) – Hiring Freeze; [See June 24, 2020 memo](#) – Employee Furloughs).

MAINTENANCE OF EFFORT – WAIVER DRAFT

Although revenue forecasts improved in the fall of 2020, projections remained below the pre-pandemic amounts by about \$5.2 billion. To present a balanced budget, which is a legal requirement, the governor’s proposed 2021 supplemental and 2021–23 operating budgets reflected the savings mentioned above, additional reductions, transfer of funds from the state’s Budget Stabilization Account (BSA), also known as the rainy day fund, to the general fund, as well as the use of other reserves and new revenue.

The 2021 supplemental budget enacted in May 2021 reflected much of the governor’s proposal, but also benefited from an improved revenue forecast and additional federal funds. Additionally, two early action bills appropriated federal funds and the state’s rainy day fund for COVID-19 response activities. [Chapter 3, Laws of 2021](#) appropriated \$164.3 million from the BSA to support activities related to COVID-19 response in aging and adult services and the developmental disabilities program.

While the state did not increase education funding specifically to meet the proportional maintenance of effort, the funding was maintained and increased to address educational challenges posed by the pandemic.

MAINTENANCE OF EFFORT – WAIVER DRAFT

2. Documentation and data supporting the description of the State’s fiscal burdens (e.g., revenue data, appropriation tables, unemployment statistics, etc.) including any State action that impacted State revenue (e.g., tax increases or decreases).

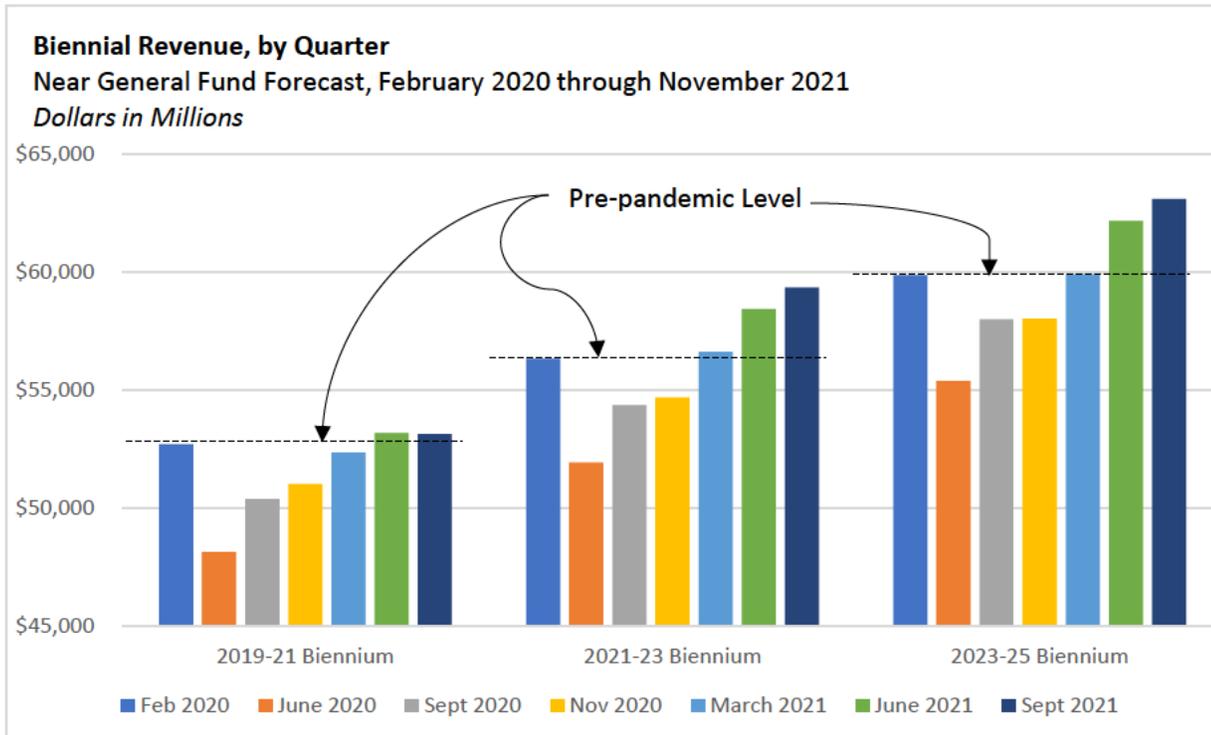
Revenue Data

The following table and chart demonstrate the effect of business closures and decreased economic activity that resulted in declines in actual and forecasted revenue collections in state fiscal year 2020. This was the context for the 2019-21 biennial budget and used by legislative and executive branch decision makers to inform budget decisions.

The June 2020 revenue forecast showed a decrease of \$4.6 billion in Near General Fund revenues and a \$4.4 billion reduction in the forecast for the 2021-23 biennium.

Revenue Forecasts, by quarter			
Near General Fund-State Total of GF-S, Education Legacy, Opportunity Pathways and Workforce Education Investment Account Dollars in millions Source: Economic and Revenue Forecast Council (various forecasts)			
	2019-21	2021-23	2023-25
February 2020	\$52,690	\$56,317	\$59,843
June 2020	\$48,122	\$51,919	\$55,367
September 2020	\$50,361	\$54,338	\$57,979
November 2020	\$50,995	\$54,666	\$58,007
March 2021	\$52,334	\$56,615	\$59,906
June 2021	\$53,172	\$58,413	\$62,151
September 2021	\$53,132	\$59,341	\$63,082

This chart shows that biennial revenue projections by quarter remained below pre-pandemic levels by about \$5.2 billion.



MAINTENANCE OF EFFORT – WAIVER DRAFT

Appropriations

This table demonstrates that current funding for K-12 and higher education increased by six percent and 14 percent.

Comparison of 2019-21 to 2021-23 biennial budget

Dollars in Thousands

Funds subject to outlook (GF-S, Op Path, Ed Legacy, WEIA)

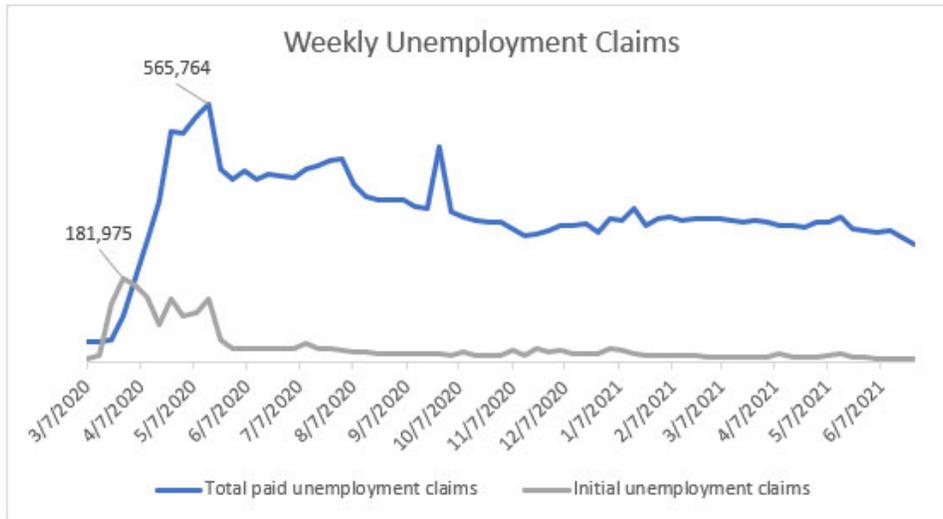
	2019-21	2021-23	2019-21	2021-23	Increase over prior biennia	
	Enacted Budget	Enacted Budget	% of Budget	% of Budget	%	In Thousands
Public Schools	\$26,720,082	\$28,260,228	51%	48%	6%	\$ 1,540,146
Other Human Services	\$10,283,863	\$11,479,475	20%	19%	12%	\$ 1,195,612
Dept of Social & Health Services	\$6,160,239	\$7,225,230	12%	12%	17%	\$ 1,064,991
Higher Education	\$4,393,803	\$4,992,622	8%	8%	14%	\$ 598,819
Special Appropriations	\$2,985,496	\$4,300,010	6%	7%	44%	\$ 1,314,514
Governmental Operations	\$760,997	\$1,193,693	1%	2%	57%	\$ 432,696
Natural Resources	\$534,700	\$697,195	1%	1%	30%	\$ 162,495
Judicial	\$340,217	\$505,367	1%	1%	49%	\$ 165,150
Legislative	\$190,788	\$213,088	0%	0%	12%	\$ 22,300
Transportation	\$122,828	\$126,050	0%	0%	3%	\$ 3,222
Other Education	\$68,987	\$73,637	0%	0%	7%	\$ 4,650
Total Budget Bill	\$52,562,000	\$59,066,595	100%	100%	12%	\$ 6,504,595

Source: 2019-2021 Enacted Budget (2021 Supplemental) and 2021-23 Enacted Budget (Biennial).

Notes: Includes other legislation within functional area groups.

Unemployment Statistics

As previously stated, unemployment claims increased significantly since March 2020.



Source: Employment Security Department, Total Initial UI Claims by Week

Tax Increases

In the spring of 2021, the Washington State Legislature passed ESSB 5096, which imposes an excise tax on the sale or exchange of long-term capital assets. The first \$500 million of capital gains tax revenues collected in a fiscal year is deposited into the Education Legacy Trust Account (ELTA). Any remaining funds are deposited into the Common School Construction Account. This new capital gains tax is intended to fund K-12 education, early learning, and childcare programs, in addition to addressing Washington’s regressive tax system.

MAINTENANCE OF EFFORT – WAIVER DRAFT

3. In addition, in its waiver request, a State should submit information on the relevant factors listed below to support its request. The Secretary may ask States for additional information after States submit the MOE waiver request form.

1. Has total state funding for K-12 and higher education increased from the prior fiscal year (calculated separately)?
 - a. Yes, for K-12, the total State funding for education increased from fiscal year 2021 to fiscal year 2022 by four percent, for a total of \$485,140,962. See Table 1a below.

Table 1a. WA State Fiscal Year Expenditures for K-12 Education				
	FY 2021	FY 2022	% Increase	Dollar Increase
Total K-12 Expenditures	\$13,407,084,738	\$13,892,225,700	4%	\$485,140,962

- b. Yes. State funding for public higher education institutions increased by two percent from fiscal year 2021 to fiscal year 2022, for a total of \$36,050,319. However, total higher education funding, including financial aid, increased by four percent from fiscal year 2021 to fiscal year 2022. This is an increase of \$81,089,598. See Table 1b below.

Table 1b. WA State Fiscal Year Expenditures for Higher Education				
	FY 2021	FY 2022	% Increase	Dollar Increase
Higher Education Institutions Expenditures	\$1,815,573,249	\$1,851,623,568	2%	\$36,050,319
Total, includes need-based financial aid	\$2,285,509,752	\$2,366,599,349	4%	\$81,089,597

2. Has total state funding for K-12 education and higher education increased over time (calculated separately, from the baseline years)
 - a. Yes, for K-12, the total State funding for education continues to increase over time, from \$10.3 billion in fiscal year 2018 to \$13.36 billion in fiscal year 2021. The allotted amount for fiscal year 2023 is \$14.4 billion in FY2023. See Table 2a below.

Table 2a. WA State K-12 Funding Since Fiscal Year 2017						Allotments	
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
K-12 Funding	\$9,402,361,968	\$10,308,221,242	\$12,453,976,334	\$13,215,010,353	\$13,407,084,738	\$13,892,225,700	\$14,368,002,300

- b. Yes. State funding for public higher education institutions has increased over time. From fiscal year 2017 to fiscal year 2023, funding has increased by 32 percent, for a total of \$463,140,765. Including need-based financial aid, total higher education funding increased by 39 percent, for a total of \$682,351,523. See Table 2b below.

Table 2b. WA State Fiscal Year Expenditures for Higher Education							
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
IHEs	\$1,439,763,528	\$1,479,557,707	\$1,537,600,120	\$1,669,621,291	\$1,815,573,249	\$1,851,623,568	\$1,902,904,293
Total	\$1,756,155,450	\$1,811,880,880	\$1,894,377,203	\$2,079,425,978	\$2,285,509,752	\$2,366,599,349	\$2,438,506,973

MAINTENANCE OF EFFORT – WAIVER DRAFT

3. Has per-pupil State funding for K-12 education and higher education increased from the prior fiscal year?
- a. Yes. For K-12 education, State funding increased by \$240 per pupil from FY 2020 to FY 2021.
 - b. Yes. For higher education, State funding increased by \$910 per pupil over the per pupil funding in fiscal year 2020.

4. Has per-pupil State funding for K-12 education and higher education increased over time?

- a. K-12 per-pupil State funding continues to increase over time. See Table 4a below.

Table 4a. K-12 Dollars per FTE Enrollment by State School Year					
	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021
Total State General Fund per Pupil	\$8,682	\$9,544	\$11,754	\$12,277	\$12,517

- b. Higher education per-pupil funding continues to increase over time. See table 4b below.

Table 4b. Higher Education Dollars per FTE Enrollment by Academic Year					
	AY 2017	AY 2018	AY 2019	AY 2020	AY 2021
Total State General Fund per Pupil	\$7,523	\$7,538	\$7,882	\$8,704	\$9,614

5. Has the State appropriated an increase in state funding for K-12 education and higher education for future fiscal years?
- a. Yes, for K-12, the State has appropriated an increase in state funding for K-12 education for future fiscal years. FY 2022 increased to \$13,892,225,700 and FY 2024 increased to \$14,368,002,300.
 - b. Yes, for higher education, the 2021-23 biennial budget appropriated an increase in state funding. For fiscal year 2022, total state funds increased to \$2,366,599,349 and for fiscal year 2023, total state funds increased to \$2,438,506,973.

6. Are there exceptional circumstances that caused the State to be unable to maintain support for education?

- a. Washington state not only maintained support for education, but increased funding at a time when there was great demand on other state resources.

7. Are there specific severe effects of the COVID-19 pandemic on the State’s economy that necessitated reductions in support for elementary and secondary education and for higher education?

- a. No.

8. What steps did the State take to avoid and/or minimize such reductions?

- a. For fiscal year 2021, the State funded an additional \$100 million in K-12 enrollment stabilization and \$117 million for Pupil Transportation Stabilization to offset shortfalls in enrollment and pupil transportation due to the effects of COVID-19.

MAINTENANCE OF EFFORT – WAIVER DRAFT

9. Did the State use Coronavirus State and Local Fiscal Recovery Funds awarded by the U.S. Department of the Treasury under section 9901 of the ARP Act to support elementary and secondary education and higher education?
 - a. The state did not use Coronavirus State and Local Fiscal Recovery Funds awarded by the U.S. Department of the Treasury under section 9901 of the ARP Act to support elementary and secondary education.
10. How did reductions in support for elementary and secondary education and for higher education compare to other budget categories?
 - a. There were no policy reductions in support for elementary and secondary education or for higher education.
11. Did the State take steps that reduced, or will it take steps to proactively reduce its financial resources in a way that impacted or will impact its ability to meet MOE requirements (e.g., tax changes (and in what context), additional contributions to rainy day funds)? If so, what was the impact of the reduction (e.g., to what extent were its resources reduced or will its resources be reduced)?
 - a. No.
12. Has the State used, or will it use ESSER, GEER, or Higher Education Emergency Relief (HEER) funding to replace State funding for education?
 - a. No. The State has not used ESSER, GEER, or HEER funding to replace State funding for education.