S-3054.2

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**SENATE BILL 6104**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Senators Rolfes, Frockt, McAuliffe, Hargrove, Ranker, Nelson, Billig, and Conway

AN ACT Relating to improving education financing; amending RCW 28A.150.410, 28A.400.200, 28A.400.205, 83.100.230, and 28A.150.261; reenacting and amending RCW 84.52.0531; adding new sections to chapter 28A.150 RCW; adding a new section to chapter 28A.300 RCW; adding a new section to chapter 82.04 RCW; adding a new chapter to Title 82 RCW; creating new sections; prescribing penalties; providing an effective date; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  It is the intent of the legislature to provide a plan for phasing in the state's constitutional duties to fully fund basic education as required by the Washington state supreme court's order dated January 9, 2014.

 The legislature recognizes that Substitute House Bill No. 2776, chapter 236, Laws of 2010, was part one of a phase-in plan for meeting the state's constitutional obligations. That legislation established four initial funding priorities within the program of basic education as defined in Engrossed Substitute House Bill No. 2261, chapter 548, Laws of 2009, and provided the final 2018 enhanced values for those priorities. The legislature intends to evidence a portion of part two of the phase-in plan through the 2015-2016 omnibus operating appropriations act by providing half the funding necessary to meet the final 2018 values of the Substitute House Bill No. 2776 priorities. Funding shall be phased in for class size reductions in a manner that reduces class sizes for the same cohort of students as they progress through the educational system in order to provide stability for students and give the system time to plan for future investments.

In recognition of the court's statement that it is "deeply troubling" that the state has not offered any plan for meeting its compensation obligations, it is the intent of the legislature that phase two also include a phase-in plan for compensation and a state revenue source to support these increased state allocations. The legislature also recognizes that the court has repeatedly noted that shortfalls in state funding have forced districts to increasingly rely on local levies to fund the state's constitutional basic education obligations. The legislature finds that evidence suggests that much of the reliance on local levies is integrally tied to the compensation obligations and therefore intends to implement a process for determining how to reduce local levy reliance in a way that is coordinated with the increased state investment in educator compensation and in a way that does not create additional unintended financial burdens on school districts.

The legislature acknowledges that future legislatures may consider alternative schedules and plans to reflect different legislative priorities and new emerging research.

**PART I**

**PHASE-IN PLAN FOR EDUCATOR COMPENSATION AS REQUIRED BY THE SUPREME COURT'S *MCCLEARY* DECISION.**

NEW SECTION. **Sec.**  The legislature intends to implement a plan to phase-in a modified version of the compensation working group recommendations for a revised compensation system for all staff in order to attract and retain high quality educators to Washington schools through full funding of competitive salaries with state resources as required by the Washington state Constitution. The legislature intends to begin phase-in during the 2017-18 school year and complete the phase-in by the 2022-23 school year.

NEW SECTION. **Sec.**  A new section is added to chapter 28A.150 RCW to read as follows:

(1)(a) In order to eliminate grandfathered salary allocations, which means a state salary allocation rate for classified or certificated administrative staff provided to a school district that exceeds the standard salary allocation, beginning in the 2017-2019 biennium, the legislature shall provide sufficient funds for whichever is greater:

(i) The certificated administrative and classified salary allocation amounts shown on LEAP Document 2 for the 2017-18 school year; or

(ii) The average state salary allocation amounts for basic education state-funded certificated administrative staff and classified staff units per full-time equivalent as follows:

Certificated administrative staff $99,765

Classified staff $43,153

(b) The minimum allocations provided in (a) of this subsection shall be enhanced in a linear fashion to provide sufficient state funds for the average state salary allocations for basic education state-funded certificated administrative staff and classified staff units per full-time equivalent in the 2022-23 school year as follows:

Certificated administrative staff $105,158

Classified staff $ 45,486

(2) The allocations established in subsection (1) of this section shall be adjusted for initiative measure no. 732 cost-of-living increases as provided in the omnibus appropriations act.

(3) This section expires August 1, 2022.

**Sec.**  RCW 28A.150.410 and 2010 c 236 s 10 are each amended to read as follows:

(1) The legislature shall establish for each school year in the appropriations act a statewide salary allocation schedule, for allocation purposes only((~~, to be~~)) and used to distribute funds for basic education certificated instructional staff salaries under RCW 28A.150.260. For the purposes of this section, the staff allocations for classroom teachers, teacher librarians, guidance counselors, and student health services staff under RCW 28A.150.260 are considered allocations for certificated instructional staff.

(2) Salary allocations for state-funded basic education certificated instructional staff shall be calculated by the superintendent of public instruction by determining the district's average salary for certificated instructional staff, using the statewide salary allocation schedule and related documents, conditions, and limitations established by the omnibus appropriations act.

(3) Beginning January 1, 1992, no more than ninety college quarter-hour credits received by any employee after the baccalaureate degree may be used to determine compensation allocations under the state salary allocation schedule and LEAP documents referenced in the omnibus appropriations act, or any replacement schedules and documents, unless:

(a) The employee has a master's degree; or

(b) The credits were used in generating state salary allocations before January 1, 1992.

(4) For the 2017-18 school year through the 2022-23 school year, a revised statewide salary allocation schedule as provided in section 104 of this act shall be phased-in for certificated instructional staff.

(5)(a) Beginning in the 2023-24 school year and thereafter, a beginning certificated instructional staff with an entry-level residency certificate may remain on a residency certificate for up to nine years at the same salary allocation, although there are different levels of salary allocations for residency certificate holders who have a bachelor's degree and those who have an advanced degree. Allocations based on an advanced degree must be only for those degrees that are relevant to current or future assignments as locally determined by the relevant school district.

(b) For the school year immediately following a certificated instructional staff's attainment of a professional certificate or advanced degree, the salary allocated for that staff must increase to reflect the salaries for a professional or continuing certificate or advanced degree in the state salary allocation schedule. A minimum of three years of experience is required to make the progression from the residency certification to the professional certification and the corresponding step on the salary allocation model.

(c) For certificated instructional staff with a professional or continuing certificate, there are different levels of salary allocations for those who have a bachelor's degree and those who have an advanced degree. Allocations based on an advanced degree must be only for those degrees that are relevant to current or future assignments as locally determined by the relevant school district.

(d) After nine years of experience, inclusive of the years with an initial or residency certificate, an additional salary increase must be allocated for a certificated instructional staff member who has achieved and retained the professional or continuing certificate.

(e) The following minimum salary allocations are provided in the 2023-24 school year, after which the allocations shall be adjusted annually for the cost-of-living increase as specified in RCW 28A.400.205:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Service | BA - Initial/ Residency | BA - Prof. / Cont. | MA+ - Initial / Residency | MA+ - Prof. / Cont. |
| 0 | $48,000  | $N/A | $52,800  | $N/A |
| 1 | 48,000  | N/A | 52,800 |  N/A |
| 2 | 48,000  | N/A | 52,800 | N/A |
| 3 | 48,000  | N/A | 52,800 | N/A |
| 4 | 48,000 | 58,000 | 52,800 | 62,800 |
| 5 | 48,000 | 58,000 | 52,800 | 62,800 |
| 6 | 48,000 | 58,000 | 52,800 | 62,800 |
| 7 | 48,000 | 58,000 | 52,800 | 62,800 |
| 8 | 48,000 | 58,000 | 52,800 | 62,800 |
| 9 | 48,000 | 58,000 | 52,800 | 62,800 |
| 10+ | N/A | 70,000 | 52,800 | 77,000 |

(6) Beginning in the 2023-24 school year and thereafter, the state salary allocation schedule shall be specified in the omnibus appropriations act and shall be no less than the salary allocation schedule framework established in subsection (5)(e) of this section and annually adjusted for the cost-of-living increase under RCW 28A.400.205.

(7) The office of the superintendent of public instruction and the professional educator standards board shall make rules to implement this section.

(8) Beginning in the 2007-08 school year, the calculation of years of service for occupational therapists, physical therapists, speech-language pathologists, audiologists, nurses, social workers, counselors, and psychologists regulated under Title 18 RCW may include experience in schools and other nonschool positions as occupational therapists, physical therapists, speech-language pathologists, audiologists, nurses, social workers, counselors, or psychologists. The calculation shall be that one year of service in a nonschool position counts as one year of service for purposes of this chapter, up to a limit of two years of nonschool service. Nonschool years of service included in calculations under this subsection shall not be applied to service credit totals for purposes of any retirement benefit under chapter 41.32, 41.35, or 41.40 RCW, or any other state retirement system benefits.

NEW SECTION. **Sec.**  A new section is added to chapter 28A.150 RCW to read as follows:

(1)(a) In the 2017-18 school year, except as provided in subsection (2) of this section, the minimum state salary allocation shall be as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Service | BA + 0 | BA + 15 | BA + 30 | BA + 45 | BA + 90 | BA + 135 | MA | MA + 45 | PhD |
| 0 | $38,000 | $38,000 | $38,000 | $38,000 | $41,000 | $43,000 | $47,000 | $47,000 | $47,000 |
| 1 | 38,000 | 38,000 | 38,000 | 38,000 | 41,000 | 43,000 | 47,000 | 47,000 | 47,000 |
| 2 | 38,000 | 38,000 | 38,000 | 38,000 | 41,259 | 43,275 | 47,000 | 47,000 | 47,000 |
| 3 | 38,000 | 38,000 | 38,000 | 38,437 | 41,518 | 43,549 | 47,000 | 47,000 | 47,724 |
| 4 | 38,000 | 45,600 | 38,000 | 38,964 | 42,064 | 44,110 | 47,000 | 47,000 | 48,447 |
| 5 | 38,000 | 45,600 | 38,385 | 39,498 | 42,586 | 44,673 | 47,000 | 47,000 | 49,171 |
| 6 | 38,000 | 45,600 | 38,769 | 40,039 | 43,113 | 45,211 | 47,000 | 47,000 | 49,894 |
| 7 | 38,000 | 45,600 | 39,621 | 40,960 | 44,079 | 46,235 | 47,000 | 48,159 | 50,618 |
| 8 | 38,787 | 45,600 | 40,905 | 42,355 | 45,516 | 47,751 | 47,000 | 49,318 | 51,341 |
| 9 | 38,787 | 45,600 | 42,262 | 43,765 | 46,999 | 49,310 | 47,241 | 50,477 | 52,788 |
| 10 | 38,787 | 45,600 | 43,635 | 45,247 | 48,524 | 50,913 | 50,249 | 52,003 | 54,390 |
| 11 | 38,787 | 45,600 | 43,635 | 46,772 | 50,121 | 52,557 | 51,835 | 53,599 | 56,034 |
| 12 | 38,787 | 45,600 | 43,635 | 48,249 | 51,761 | 54,269 | 53,476 | 55,238 | 57,748 |
| 13 | 38,787 | 45,600 | 43,635 | 48,249 | 53,440 | 56,024 | 55,165 | 56,918 | 59,501 |
| 14 | 38,787 | 45,600 | 43,635 | 48,249 | 55,128 | 57,844 | 68,750 | 58,716 | 61,322 |
| 15 | 38,787 | 45,600 | 43,635 | 48,249 | 62,500 | 62,500 | 68,750 | 68,750 | 68,750 |
| 16+ | 38,787 | 45,600 | 43,635 | 48,249 | 62,500 | 62,500 | 68,750 | 68,750 | 68,750 |

(b) In the 2018-19 school year, except as provided in subsection (2) of this section, the minimum state salary allocation shall be as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Service | BA + 0 | BA + 15 | BA + 30 | BA + 45 | BA + 90 | BA + 135 | MA | MA + 45 | PhD |
| 0 | $42,000 | $42,000 | $42,000 | $42,000 | $42,000 | $44,000 | $48,500 | $48,500 | $48,500 |
| 1 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 44,000 | 48,500 | 48,500 | 48,500 |
| 2 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 44,000 | 48,500 | 48,500 | 48,500 |
| 3 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 44,000 | 48,500 | 48,500 | 48,500 |
| 4 | 42,000 | 42,000 | 42,000 | 42,000 | 42,064 | 44,110 | 48,500 | 48,500 | 48,500 |
| 5 | 42,000 | 42,000 | 42,000 | 42,000 | 42,586 | 44,673 | 48,500 | 48,500 | 48,500 |
| 6 | 42,000 | 42,000 | 42,000 | 42,000 | 43,113 | 45,211 | 48,500 | 48,500 | 49,678 |
| 7 | 42,000 | 42,000 | 42,000 | 42,000 | 44,079 | 46,235 | 48,500 | 48,500 | 50,856 |
| 8 | 42,000 | 42,000 | 42,000 | 42,355 | 45,516 | 47,751 | 48,500 | 49,667 | 52,034 |
| 9 | 42,000 | 42,135 | 42,262 | 43,765 | 46,999 | 49,310 | 48,500 | 50,834 | 53,212 |
| 10 | 42,000 | 42,135 | 43,635 | 45,247 | 48,524 | 50,913 | 48,724 | 52,003 | 54,390 |
| 11 | 42,000 | 42,135 | 43,635 | 46,772 | 50,121 | 52,557 | 50,249 | 53,599 | 56,034 |
| 12 | 42,000 | 42,135 | 43,635 | 48,249 | 51,761 | 54,269 | 51,835 | 55,238 | 57,748 |
| 13 | 42,000 | 42,135 | 43,635 | 48,249 | 53,440 | 56,024 | 53,476 | 56,918 | 59,501 |
| 14 | 42,000 | 42,135 | 43,635 | 48,249 | 64,000 | 64,000 | 70,400 | 70,400 | 70,400 |
| 15 | 42,000 | 42,135 | 43,635 | 48,249 | 64,000 | 64,000 | 70,400 | 70,400 | 70,400 |
| 16+ | 42,000 | 42,135 | 43,635 | 48,249 | 64,000 | 64,000 | 70,400 | 70,400 | 70,400 |

(c) In the 2019-20 school year, except as provided in subsection (2) of this section, the minimum state salary allocation shall be as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Service | BA + 0 | BA + 15 | BA + 30 | BA + 45 | BA + 90 | BA + 135 | MA | MA + 45 | PhD |
| 0 | $44,000 | $44,000 | $44,000 | $44,000 | $44,000 | $46,000 | $50,000 | $50,000 | $50,000 |
| 1 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 46,000 | 50,000 | 50,000 | 50,000 |
| 2 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 46,000 | 50,000 | 50,000 | 50,000 |
| 3 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 46,000 | 50,000 | 50,000 | 50,000 |
| 4 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 46,000 | 50,000 | 50,000 | 50,000 |
| 5 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 46,000 | 50,000 | 50,000 | 50,000 |
| 6 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 46,000 | 50,000 | 50,000 | 50,000 |
| 7 | 44,000 | 44,000 | 44,000 | 44,000 | 44,079 | 46,325 | 50,000 | 50,000 | 50,856 |
| 8 | 44,000 | 44,000 | 44,000 | 44,000 | 45,516 | 47,751 | 50,000 | 50,000 | 52,034 |
| 9 | 44,000 | 44,000 | 44,000 | 44,000 | 46,999 | 49,310 | 50,000 | 50,834 | 53,212 |
| 10 | 44,000 | 44,000 | 44,000 | 45,247 | 48,524 | 50,913 | 50,125 | 52,003 | 54,390 |
| 11 | 44,000 | 44,000 | 44,000 | 46,772 | 50,121 | 52,557 | 50,249 | 53,599 | 56,034 |
| 12 | 44,000 | 44,000 | 44,000 | 48,249 | 51,761 | 54,269 | 51,835 | 55,238 | 57,748 |
| 13 | 44,000 | 44,000 | 44,000 | 48,249 | 65,500 | 65,500 | 72,050 | 72,050 | 72,050 |
| 14 | 44,000 | 44,000 | 44,000 | 48,249 | 65,500 | 65,500 | 72,050 | 72,050 | 72,050 |
| 15 | 44,000 | 44,000 | 44,000 | 48,249 | 65,500 | 65,500 | 72,050 | 72,050 | 72,050 |
| 16+ | 44,000 | 44,000 | 44,000 | 48,249 | 65,500 | 65,500 | 72,050 | 72,050 | 72,050 |

(d) In the 2020-21 school year, except as provided in subsection (2) of this section, the minimum state salary allocation shall be as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Service | BA + 0 | BA + 15 | BA + 30 | BA + 45 | BA + 90 | BA + 135 | MA | MA + 45 | PhD |
| 0 | $48,000 | $48,000 | $48,000 | $48,000 | $48,000 | $48,000 | $52,800 | $52,800 | $52,800 |
| 1 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 2 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 3 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 4 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 5 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 6 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 7 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 8 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 9 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 49,310 | 52,800 | 52,800 | 53,212 |
| 10 | 48,000 | 48,000 | 48,000 | 48,000 | 48,524 | 50,913 | 52,800 | 52,800 | 54,390 |
| 11 | 48,000 | 48,000 | 48,000 | 48,000 | 50,121 | 52,557 | 52,800 | 53,599 | 56,034 |
| 12 | 48,000 | 48,000 | 48,000 | 67,000 | 67,000 | 67,000 | 73,700 | 73,700 | 73,700 |
| 13 | 48,000 | 48,000 | 48,000 | 67,000 | 67,000 | 67,000 | 73,700 | 73,700 | 73,700 |
| 14 | 48,000 | 48,000 | 48,000 | 67,000 | 67,000 | 67,000 | 73,700 | 73,700 | 73,700 |
| 15 | 48,000 | 48,000 | 48,000 | 67,000 | 67,000 | 67,000 | 73,700 | 73,700 | 73,700 |
| 16+ | 48,000 | 48,000 | 48,000 | 67,000 | 67,000 | 67,000 | 73,700 | 73,700 | 73,700 |

(e) In the 2021-22 school year, except as provided in subsection (2) of this section, the minimum state salary allocation shall be as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Service | BA + 0 | BA + 15 | BA + 30 | BA + 45 | BA + 90 | BA + 135 | MA | MA + 45 | PhD |
| 0 | $48,000 | $48,000 | $48,000 | $48,000 | $48,000 | $48,000 | $52,800 | $52,800 | $52,800 |
| 1 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 2 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 3 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 52,800 | 52,800 | 52,800 |
| 4 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,367 | 52,800 | 52,800 | 52,800 |
| 5 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,984 | 52,800 | 52,800 | 52,913 |
| 6 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 49,574 | 52,800 | 52,800 | 53,425 |
| 7 | 48,000 | 48,000 | 48,000 | 48,000 | 48,333 | 50,697 | 52,800 | 52,800 | 54,511 |
| 8 | 48,000 | 48,000 | 48,000 | 48,000 | 49,909 | 52,359 | 52,800 | 53,722 | 56,172 |
| 9 | 48,000 | 48,000 | 48,000 | 48,000 | 51,535 | 54,069 | 52,800 | 55,349 | 57,883 |
| 10 | 48,000 | 48,000 | 48,000 | 49,614 | 53,207 | 55,826 | 55,826 | 57,021 | 59,693 |
| 11 | 48,000 | 48,000 | 48,000 | 68,500 | 68,500 | 68,500 | 75,350 | 75,350 | 75,350 |
| 12 | 48,000 | 48,000 | 48,000 | 68,500 | 68,500 | 68,500 | 75,350 | 75,350 | 75,350 |
| 13 | 48,000 | 48,000 | 48,000 | 68,500 | 68,500 | 68,500 | 75,350 | 75,350 | 75,350 |
| 14 | 48,000 | 48,000 | 48,000 | 68,500 | 68,500 | 68,500 | 75,350 | 75,350 | 75,350 |
| 15 | 48,000 | 48,000 | 48,000 | 68,500 | 68,500 | 68,500 | 75,350 | 75,350 | 75,350 |
| 16+ | 48,000 | 48,000 | 48,000 | 68,500 | 68,500 | 68,500 | 75,350 | 75,350 | 75,350 |

(f) In the 2022-23 school year, except as provided in subsection (2) of this section, the minimum state salary allocation shall be as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Service | BA + 0 | BA + 15 | BA + 30 | BA + 45 | BA + 90 | BA + 135 | MA | MA + 45 | PhD |
| 0 | $48,000 | $48,000 | $48,000 | $48,000 | $48,000 | $49,298 | $52,800 | $52,800 | $53,941 |
| 1 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 49,941 | 52,800 | 52,800 | 54,496 |
| 2 | 48,000 | 48,000 | 48,000 | 48,000 | 48,249 | 50,581 | 52,800 | 52,800 | 55,049 |
| 3 | 48,000 | 48,000 | 48,000 | 48,000 | 48,834 | 51,223 | 52,800 | 53,216 | 55,606 |
| 4 | 48,000 | 48,000 | 48,000 | 48,000 | 58,000 | 58,000 | 52,800 | 53,774 | 56,181 |
| 5 | 48,000 | 48,000 | 48,000 | 48,000 | 58,000 | 58,000 | 62,800 | 62,800 | 62,800 |
| 6 | 48,000 | 48,000 | 48,000 | 48,000 | 58,000 | 58,000 | 62,800 | 62,800 | 62,800 |
| 7 | 48,000 | 48,000 | 48,000 | 48,178 | 58,000 | 58,000 | 62,800 | 62,800 | 62,800 |
| 8 | 48,000 | 48,000 | 48,112 | 49,818 | 58,000 | 58,000 | 62,800 | 62,800 | 62,800 |
| 9 | 48,000 | 48,000 | 49,709 | 51,476 | 58,000 | 58,000 | 62,800 | 62,800 | 62,800 |
| 10 | 48,000 | 48,000 | 70,000 | 70,000 | 70,000 | 70,000 | 77,000 | 77,000 | 77,000 |
| 11 | 48,000 | 48,000 | 70,000 | 70,000 | 70,000 | 70,000 | 77,000 | 77,000 | 77,000 |
| 12 | 48,000 | 48,000 | 70,000 | 70,000 | 70,000 | 70,000 | 77,000 | 77,000 | 77,000 |
| 13 | 48,000 | 48,000 | 70,000 | 70,000 | 70,000 | 70,000 | 77,000 | 77,000 | 77,000 |
| 14 | 48,000 | 48,000 | 70,000 | 70,000 | 70,000 | 70,000 | 77,000 | 77,000 | 77,000 |
| 15 | 48,000 | 48,000 | 70,000 | 70,000 | 70,000 | 70,000 | 77,000 | 77,000 | 77,000 |
| 16+ | 48,000 | 48,000 | 70,000 | 70,000 | 70,000 | 71,202 | 77,000 | 77,000 | 77,000 |

(2) As the revised statewide salary allocation schedule in this section is phased-in beginning in the 2017-18 school year through the 2022-23 school year, if the salary allocation schedule in effect for the 2016-17 school year would provide a salary allocation for an individual certificated instructional staff greater than the salary allocation schedule for the specified year in subsection (1) of this section, then the allocation for the certificated instructional staff must be the allocation from the 2016-17 school year salary allocation schedule. Beginning with the 2017-18 school year through the 2022-23 school year, if an individual certificated instructional staff does not receive a salary increase under the revised state salary allocation schedules in this section, then the certificated instructional staff shall receive a cost-of-living adjustment in accordance with RCW 28A.400.205.

(3) This section expires September 1, 2024.

NEW SECTION. **Sec.**  A new section is added to chapter 28A.300 RCW to read as follows:

(1) The legislature intends to ensure that K-12 salary allocations keep pace with the wages of comparable occupations by requiring a comparable wage analysis be conducted every four years.

(2) By July 1, 2027, and every four years thereafter, the superintendent of public instruction shall conduct or contract for a comparative labor market analysis of the salaries and other compensation for school district employees. The first analysis, including any recommendations for salary adjustments based on the analysis, must be submitted to the governor and the legislature by July 1, 2028. Subsequent reports shall be submitted by July 1st every four years thereafter.

**Sec.**  RCW 28A.400.200 and 2010 c 235 s 401 are each amended to read as follows:

(1) The legislature finds that the state is responsible for fully funding salaries of staff performing basic education activities. The legislature further finds that the compensation technical working group created in chapter 548, Laws of 2009 in its June 30, 2012, final report affirmed that average comparable wages are sufficient to recruit and retain high quality staff. However, the legislature further finds that the compensation technical working group recommended that districts be allowed to provide locally funded salary enhancements for nonbasic education functions. The legislature intends to implement the recommendation of the working group and authorize school districts to use local funds to provide salary enhancements for nonbasic education functions. The legislature further intends to ensure equity around the state by limiting the locally funded enhancements to ten percent above the state basic education allocation to the district once the state is fully funding basic education salaries at comparable wages.

(2) Every school district board of directors shall fix, alter, allow, and order paid salaries and compensation for all district employees in conformance with this section.

((~~(2)~~)) (3)(a) Salaries for certificated instructional staff shall not be less than the salary provided in the appropriations act in the statewide salary allocation schedule for an employee with a baccalaureate degree and zero years of service; and

(b) Salaries for certificated instructional staff with a master's degree shall not be less than the salary provided in the appropriations act in the statewide salary allocation schedule for an employee with a master's degree and zero years of service.

((~~(3)(a) The actual average salary paid to certificated instructional staff shall not exceed the district's average certificated instructional staff salary used for the state basic education allocations for that school year as determined pursuant to RCW 28A.150.410.~~

~~(b)~~)) (4) Fringe benefit contributions for certificated instructional staff shall be included as salary ((~~under (a) of this subsection~~)) only to the extent that the district's actual average benefit contribution exceeds the amount of the insurance benefits allocation provided per certificated instructional staff unit in the state operating appropriations act in effect at the time the compensation is payable. For purposes of this section, fringe benefits shall not include payment for unused leave for illness or injury under RCW 28A.400.210; employer contributions for old age survivors insurance, workers' compensation, unemployment compensation, and retirement benefits under the Washington state retirement system; or employer contributions for health benefits in excess of the insurance benefits allocation provided per certificated instructional staff unit in the state operating appropriations act in effect at the time the compensation is payable. A school district may not use state funds to provide employer contributions for such excess health benefits.

((~~(c)~~)) (5)(a) Except as provided in (b) of this subsection, school districts are authorized to use local funds for salaries of certificated instructional staff up to but not exceeding ten percent of the state basic education allocation to the district. The use of the local funds will be defined at the school district level and will provide for locally funded salary enhancements for nonbasic education functions.

(b) As the state phases-in a new state salary allocation schedule in section 104 of this act, for the school years 2017-18 through 2022-23, school districts are authorized to provide ten percent of the amount of state basic education funding that the school district would receive under the 2023-24 school year state salary allocation schedule contained in RCW 28A.150.410.

(c) The use of local funds for salary enhancements under this section:

(i) Shall not cause the state to incur any present or future funding obligation; and

(ii) Is subject to the collective bargaining provisions of chapter 41.59 RCW and the provisions of RCW 28A.405.240, shall not exceed one year, and, if not renewed, shall not constitute adverse change in accordance with RCW 28A.405.300 through 28A.405.380.

(d) No district may use local funds under the authorization of this subsection (5) for the provision of services that are a part of the basic education program required by Article IX, section 3 of the state Constitution.

(6) Salary and benefits for certificated instructional staff in programs other than basic education shall be consistent with the salary and benefits paid to certificated instructional staff in the basic education program.

((~~(4) Salaries and benefits for certificated instructional staff may exceed the limitations in subsection (3) of this section only by separate contract for additional time, for additional responsibilities, for incentives, or for implementing specific measurable innovative activities, including professional development, specified by the school district to: (a) Close one or more achievement gaps, (b) focus on development of science, technology, engineering, and mathematics (STEM) learning opportunities, or (c) provide arts education. Beginning September 1, 2011, school districts shall annually provide a brief description of the innovative activities included in any supplemental contract to the office of the superintendent of public instruction. The office of the superintendent of public instruction shall summarize the district information and submit an annual report to the education committees of the house of representatives and the senate. Supplemental contracts shall not cause the state to incur any present or future funding obligation. Supplemental contracts shall be subject to the collective bargaining provisions of chapter 41.59 RCW and the provisions of RCW 28A.405.240, shall not exceed one year, and if not renewed shall not constitute adverse change in accordance with RCW 28A.405.300 through 28A.405.380. No district may enter into a supplemental contract under this subsection for the provision of services which are a part of the basic education program required by Article IX, section 3 of the state Constitution.~~

~~(5)~~)) (7) Employee benefit plans offered by any district shall comply with RCW 28A.400.350 ((~~and~~)), 28A.400.275, and 28A.400.280.

**Sec.**  RCW 28A.400.205 and 2013 2nd sp.s. c 5 s 1 are each amended to read as follows:

(1) Except as provided in subsection (3) of this section, school district employees shall be provided an annual salary cost-of-living increase in accordance with this section.

(a) The cost-of-living increase shall be calculated by applying the rate of the yearly increase in the cost-of-living index to any state-funded salary base used in state funding formulas for teachers and other school district employees. Beginning with the 2001-02 school year, and for each subsequent school year, except for the 2013-14 and 2014-15 school years, each school district shall be provided a cost-of-living allocation sufficient to grant this cost-of-living increase, except as provided in subsection (3) of this section.

(b) A school district shall distribute its cost-of-living allocation for salaries and salary-related benefits in accordance with the district's salary schedules, collective bargaining agreements, and compensation policies. No later than the end of the school year, each school district shall certify to the superintendent of public instruction that it has spent funds provided for cost-of-living increases on salaries and salary-related benefits.

(c) Any funded cost-of-living increase shall be included in the salary base used to determine cost-of-living increases for school employees in subsequent years. For teachers and other certificated instructional staff, the rate of the annual cost-of-living increase funded for certificated instructional staff shall be applied to the base salary used with the statewide salary allocation schedule established under RCW 28A.150.410 and to any other salary models used to recognize school district personnel costs.

(2) For the purposes of this section, "cost-of-living index" means, for any school year, the previous calendar year's annual average consumer price index, using the official current base, compiled by the bureau of labor statistics, United States department of labor for the state of Washington. If the bureau of labor statistics develops more than one consumer price index for areas within the state, the index covering the greatest number of people, covering areas exclusively within the boundaries of the state, and including all items shall be used for the cost-of-living index in this section.

(3) As the state phases-in a revised statewide salary allocation schedule, beginning in the 2015-16 school year and through the 2020-21 school year certificated instructional staff for whom the allocation provided by the state is in accordance with section 104(2) of this act shall be the only certificated instructional staff who are eligible to receive a cost-of-living increase under this section.

**Sec.**  RCW 84.52.0531 and 2010 c 237 s 2 and 2010 c 99 s 11 are each reenacted and amended to read as follows:

The maximum dollar amount which may be levied by or for any school district for maintenance and operation support under the provisions of RCW 84.52.053 shall be determined as follows:

(1) For excess levies for collection in calendar year 1997, the maximum dollar amount shall be calculated pursuant to the laws and rules in effect in November 1996.

(2) For excess levies for collection in calendar year 1998 and thereafter, the maximum dollar amount shall be the sum of (a) plus or minus (b), (c), and (d) of this subsection minus (e) of this subsection:

(a) The district's levy base as defined in subsection (3) of this section multiplied by the district's maximum levy percentage as defined in subsection (4) of this section;

(b) For districts in a high/nonhigh relationship, the high school district's maximum levy amount shall be reduced and the nonhigh school district's maximum levy amount shall be increased by an amount equal to the estimated amount of the nonhigh payment due to the high school district under RCW 28A.545.030(3) and 28A.545.050 for the school year commencing the year of the levy;

(c) Except for nonhigh districts under (d) of this subsection, for districts in an interdistrict cooperative agreement, the nonresident school district's maximum levy amount shall be reduced and the resident school district's maximum levy amount shall be increased by an amount equal to the per pupil basic education allocation included in the nonresident district's levy base under subsection (3) of this section multiplied by:

(i) The number of full-time equivalent students served from the resident district in the prior school year; multiplied by:

(ii) The serving district's maximum levy percentage determined under subsection (4) of this section; increased by:

(iii) The percent increase per full-time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year divided by fifty-five percent;

(d) The levy bases of nonhigh districts participating in an innovation academy cooperative established under RCW 28A.340.080 shall be adjusted by the office of the superintendent of public instruction to reflect each district's proportional share of student enrollment in the cooperative;

(e) The district's maximum levy amount shall be reduced by the maximum amount of state matching funds for which the district is eligible under RCW 28A.500.010.

(3) For excess levies for collection in calendar year 1998 and thereafter, a district's levy base shall be the sum of allocations in (a) through (c) of this subsection received by the district for the prior school year, including allocations for compensation increases, plus the sum of such allocations multiplied by the percent increase per full time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year and divided by fifty-five percent. A district's levy base shall not include local school district property tax levies or other local revenues, or state and federal allocations not identified in (a) through (c) of this subsection.

(a) The district's basic education allocation as determined pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

(b) State and federal categorical allocations for the following programs:

(i) Pupil transportation;

(ii) Special education;

(iii) Education of highly capable students;

(iv) Compensatory education, including but not limited to learning assistance, migrant education, Indian education, refugee programs, and bilingual education;

(v) Food services; and

(vi) Statewide block grant programs; and

(c) Any other federal allocations for elementary and secondary school programs, including direct grants, other than federal impact aid funds and allocations in lieu of taxes.

(4)(a) A district's maximum levy percentage shall be twenty-four percent in 2010 and twenty-eight percent in 2011 through 2017 and twenty-four percent every year thereafter;

(b) For qualifying districts, in addition to the percentage in (a) of this subsection the grandfathered percentage determined as follows:

(i) For 1997, the difference between the district's 1993 maximum levy percentage and twenty percent; ((~~and~~))

(ii) For 2011 through 2017, the percentage calculated as follows:

(A) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;

(B) Reduce the result of (b)(ii)(A) of this subsection by any levy reduction funds as defined in subsection (5) of this section that are to be allocated to the district for the current school year;

(C) Divide the result of (b)(ii)(B) of this subsection by the district's levy base; and

(D) Take the greater of zero or the percentage calculated in (b)(ii)(C) of this subsection;

(iii) For 2018 and thereafter, the percentage shall be calculated as follows:

(A) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;

(B) Reduce the result of (b)(iii)(A) of this subsection by any levy reduction funds as defined in subsection (5) of this section that are to be allocated to the district for the current school year;

(C) Divide the result of (b)(iii)(B) of this subsection by the district's levy base; and

(D) Take the greater of zero or the percentage calculated in (b)(iii)(C) of this subsection.

(5)(a) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsection (3) of this section: ((~~(a)~~)) (i) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and ((~~(b)~~)) (ii) that are or were specifically identified as levy reduction funds in the appropriations act. If levy reduction funds are dependent on formula factors which would not be finalized until after the start of the current school year, the superintendent of public instruction shall estimate the total amount of levy reduction funds by using prior school year data in place of current school year data. Levy reduction funds shall not include moneys received by school districts from cities or counties.

(b) The increased salary allocations under the revised salary allocation schedule in RCW 28A.150.410 for the 2017-18 school year through the 2022-23 school year shall be deemed levy reduction funds for those school districts that have been grandfathered at a greater levy authority than the maximum levy percentage provided in subsection (4)(a) of this section.

(6) For the purposes of this section, "prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.

(7) For the purposes of this section, "current school year" means the year immediately following the prior school year.

(8) Funds collected from transportation vehicle fund tax levies shall not be subject to the levy limitations in this section.

(9) The superintendent of public instruction shall develop rules and regulations and inform school districts of the pertinent data necessary to carry out the provisions of this section.

**PART II**

**REDUCING RELIANCE ON LOCAL LEVIES**

NEW SECTION. **Sec.**  The legislature finds that the Washington supreme court in the *McCleary* decisionfound that "the shortfall in state funding forced school districts to increasingly rely on local levies to meet the actual costs of the basic education programs" and that the increase in "levy capacity over the years reflects the growing need to fill the gap between state allocations and the actual cost of providing the program of basic education." The legislature further finds that evidence presented during the *McCleary* case indicated that a significant portion of the basic education obligations being paid out of local levies are related to the school districts' need to supplement the state compensation allocations in order to attract and retain quality educational staff. As the legislature phases in full funding of the program of basic education including the compensation necessary to attract and retain quality staff under the provisions of this act, it is the intent of the legislature to also reduce school district reliance on local levies.

The legislature recognizes that reductions to local levy authority and the elimination of grandfathering is a constitutional necessity but that it must be done in a way that is balanced and coordinated with the phasing in of increased funding so as to not negatively or inequitably impact the ability of school districts to provide instructional supports for their students. The legislature also recognizes that there is value in allowing local communities to invest and experiment in the development of enriched educational programs outside the program of basic education through the use of local levies. Therefore, the legislature intends to both support local levy authority as an important component of the overall finance system for public schools while also ensuring local levy funds are not being used for the state's basic education obligations.

NEW SECTION. **Sec.**  (1) Beginning July 1, 2015, the office of financial management, with assistance and support from the office of the superintendent of public instruction, shall convene a local levy reduction technical working group to develop a phase-in plan for reducing the local authority for school districts and eliminating grandfathered levy authority.

(2) The working group's authority is restricted to the following:

(a) To recommend a new, reduced local levy authority. The reduced levy authority may be through modifications to the levy base calculations, reductions to the levy percentages as are established in RCW 84.52.0531, or a combination of the two; and

(b) To develop a phase-in plan for reducing local levy authority. In developing the plan, the working group shall consider and coordinate the levy authority reductions with the phase-in plans for increasing overall school district basic education revenues as established under this act. The phase-in plan shall be developed in a way that no school district suffers a decrease in overall state, local, and federal funding from one school year to the next due to the reductions in local levy authority.

(3)(a) The working group shall be composed of:

(i) Representatives from the department of revenue;

(ii) One representative from each of the following: The treasurer's office, the legislative evaluation and accountability program committee, school district and educational service district financial managers, the Washington association of school business officers, the Washington education association, the Washington association of school administrators, the association of Washington school principals, the Washington state school directors' association, the public school employees of Washington; and

(iii) Other interested stakeholders with expertise in education finance.

(b) The working group may convene advisory subgroups on specific topics as necessary to assure participation and input from a broad array of diverse stakeholders.

(4) The working group shall be monitored and overseen by the legislature. The working group shall make a final report to the legislature and the governor by October 1, 2016.

**PART III**

**PROVIDING NEW REVENUE TO SUPPORT MEETING THE STATE'S ARTICLE IX CONSTITUTIONAL DUTY TO FUND EDUCATOR COMPENSATION**

NEW SECTION. **Sec.**  (1) Washington's economy is dependent on a thriving middle class, and the prosperity of the middle class depends on children's access to, and ability to benefit from, high quality education at all levels. The state must provide funding for education and it must also take action so that students receive high quality education to support their personal and economic success.

(2) Therefore, this act implements an excise tax on capital gains to provide an ongoing state source of funding to support the compensation component within the program of basic education. As the supreme court in the *McCleary* decisions has noted, quality educators and administrators are the heart of Washington's education system and nothing is more basic than adequate pay. This new revenue source will have a direct and positive impact on the social and economic success of the state by enabling every school to attract and retain the high quality educational staff that we need to teach our children and provide each child with the opportunity to succeed.

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Adjusted capital gain" means federal net long-term capital gain:

(a) Plus any loss from a sale or exchange that is exempt from the tax imposed in this chapter, to the extent such loss was included in calculating federal net long-term capital gain; and

(b) Less any gain from a sale or exchange that is exempt from the tax imposed in this chapter, to the extent such gain was included in calculating federal net long-term capital gain.

(2) "Capital asset" has the same meaning as provided by section 1221 of the internal revenue code and also includes any other property if the sale or exchange of the property results in a gain that is treated as a long-term capital gain under section 1231 or any other provision of the internal revenue code.

(3) "Department" means the department of revenue.

(4) "Federal net long-term capital gain" means the net long-term capital gain reportable for federal income tax purposes.

(5) "Individual" means a natural person.

(6) "Internal revenue code" means the United States internal revenue code of 1986 as amended as of the effective date of this section, or such subsequent date as the department may provide by rule consistent with the purpose of this chapter.

(7) "Long-term capital asset" means a capital asset that is held for more than one year.

(8)(a) "Resident" means an individual:

(i) Who is domiciled in this state during the taxable year, unless the individual (A) maintained no permanent place of abode in this state during the entire taxable year, (B) maintained a permanent place of abode outside of this state during the entire taxable year, and spent in the aggregate not more than thirty days of the taxable year in this state; or

(ii) Who is not domiciled in this state during the taxable year but maintained a place of abode and was physically present in this state for more than one hundred eighty-three days during the taxable year.

(b) For purposes of this subsection, "day" includes any portion of a day, except that a continuous period of twenty-four hours or less may not constitute more than one day.

(c) An individual who is a resident under (a) of this subsection is a resident for that portion of a taxable year in which the individual was domiciled in this state or maintained a place of abode in this state.

(9) "Taxable year" means the taxpayer's taxable year as determined under the internal revenue code.

(10) "Taxpayer" means an individual subject to tax under this chapter.

(11) "Washington capital gains" means an individual's adjusted capital gains allocated to this state as provided in section 307 of this act, less:

(a) Two hundred fifty thousand dollars; or

(b) Five hundred thousand dollars for individuals filing joint returns under this chapter.

NEW SECTION. **Sec.**  (1) Beginning January 1, 2016, a tax is imposed on all individuals for the privilege of selling or exchanging long-term capital assets, or of receiving Washington capital gains. The tax equals seven percent multiplied by the individual's Washington capital gains. The tax is measured by the individual's Washington capital gains multiplied by the rate of seven percent.

(2) If an individual's Washington capital gains are less than zero for a taxable year, no tax is due under this section. No such losses may be carried back or carried forward to another taxable year.

(3)(a) The tax imposed in this section applies to the sale or exchange of long-term capital assets owned by the taxpayer, whether the taxpayer was the legal or a beneficial owner at the time of the sale or exchange.

(b) For purposes of this chapter, an individual is a beneficial owner of long-term capital assets held by an entity that is a pass-through or disregarded entity for federal tax purposes, such as a partnership, limited liability company, S-corporation, or trust, to the extent of the individual's ownership interest in the entity as reported for federal income tax purposes.

NEW SECTION. **Sec.**  This chapter does not apply to the sale or exchange of:

(1) Residential real property. "Residential real property" means property consisting solely of a single-family residence, a residential condominium unit, or a residential cooperative unit;

(2) Assets held under a retirement savings account under section 401(k) of the internal revenue code, a tax-sheltered annuity or a custodial account described in section 403(b) of the internal revenue code, a deferred compensation plan under section 457(b) of the internal revenue code, an individual retirement account or an individual retirement annuity described in section 408 of the internal revenue code, a Roth individual retirement account described in section 408A of the internal revenue code, an employee defined contribution program, an employee defined benefit plan, or similar retirement savings vehicle;

(3) Assets pursuant to or under imminent threat of condemnation proceedings by the United States, the state or any of its political subdivisions, or a municipal corporation;

(4) Cattle, horses, or breeding livestock held for more than twelve months if for the taxable year of the sale or exchange, more than fifty percent of the taxpayer's gross income for the taxable year, including from the sale or exchange of capital assets, is from farming or ranching;

(5) Agricultural or timber land by an individual who has regular, continuous, and substantial involvement in the operation of the land that meets the criteria for material participation in an activity under section 469(h) of the internal revenue code for the ten years prior to the date of the sale or exchange of the agricultural or timber land;

(6) Property used in the trade or business of the taxpayer if the property qualifies for an income tax deduction under sections 167 or 179 of the internal revenue code; and

(7) Timber for which the taxpayer makes an election under section 631 (a) or (b) of the internal revenue code to treat the cutting of such timber as a sale or exchange.

NEW SECTION. **Sec.**  The tax imposed under this chapter is in addition to any other taxes imposed by the state or any of its political subdivisions, or a municipal corporation, with respect to the same sale or exchange, including the taxes imposed in or under the authority of chapters 82.04, 82.08, 82.12, 82.14, 82.45, or 82.46 RCW.

NEW SECTION. **Sec.**  In computing tax there may be deducted from the measure of tax amounts that the state is prohibited from taxing under the Constitution of this state or the Constitution or laws of the United States.

NEW SECTION. **Sec.**  (1) For purposes of the tax imposed under this chapter, adjusted capital gains are allocated as follows:

(a) Adjusted capital gains from the sale or exchange of real property are allocated to this state if the real property is located in this state or a majority of the fair market value of the real property is located in this state.

(b) Adjusted capital gains from the sale or exchange of tangible personal property are allocated to this state if the property was located in this state at the time of the sale or exchange. Adjusted capital gains from the sale or exchange of tangible personal property are also allocated to this state even though the property was not located in this state at the time of the sale or exchange if:

(i) The property was located in the state at any time during the taxable year in which the sale or exchange occurred or the immediately preceding taxable year;

(ii) The taxpayer was a resident at the time the sale or exchange occurred; and

(iii) The taxpayer is not subject to the payment of an income or excise tax legally imposed on the adjusted capital gain by another taxing jurisdiction.

(c) Adjusted capital gains from the sale or exchange of intangible personal property are allocated to this state if the taxpayer was domiciled in this state at the time the sale or exchange occurred.

(2)(a) A credit is allowed against the tax imposed in section 303 of this act equal to the amount of any legally imposed income or excise tax paid by the taxpayer to another taxing jurisdiction on capital gains derived from capital assets within the other taxing jurisdiction to the extent such capital gains are included in the taxpayer's Washington capital gains. The amount of credit under this subsection may not exceed the total amount of tax due under this chapter, and there is no carryback or carryforward of any unused credits.

(b) As used in this section, "taxing jurisdiction" means a state of the United States other than the state of Washington, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any foreign country or political subdivision of a foreign country.

NEW SECTION. **Sec.**  (1) Except as otherwise provided in this section or RCW 82.32.080, taxpayers owing tax under this chapter must file, on forms prescribed by the department, a return with the department on or before the date the taxpayer's federal income tax return for the taxable year is required to be filed.

(2) Each taxpayer required to file a return under this section must, without assessment, notice, or demand, pay any tax due thereon to the department on or before the date fixed for the filing of the return, not including any filing extension. If any tax due under this chapter is not paid by the due date, interest and penalties as provided in chapter 82.32 RCW apply to the deficiency.

(3) The department may by rule require that certain individuals and other persons file, at times and on forms prescribed by the department, informational returns for any period.

(4) If a taxpayer has obtained an extension of time for filing the federal income tax return for the taxable year, the taxpayer is entitled to the same extension of time for filing the return required under this section if the taxpayer provides the department, before the due date provided in subsection (1) of this section, the extension confirmation number or other evidence satisfactory to the department confirming the federal extension. An extension under this subsection for the filing of a return under this chapter is not an extension of time to pay the tax due under this chapter.

NEW SECTION. **Sec.**  (1) If the federal income tax liabilities of both spouses are determined on a joint federal return for the taxable year, they must file a joint return under this chapter.

(2) Except as otherwise provided in this subsection, if the federal income tax liability of either spouse is determined on a separate federal return for the taxable year, they must file separate returns under this chapter. State registered domestic partners and spouses of the same sex may file a joint return under this chapter even if they filed separate federal returns for the taxable year.

(3) In any case in which a joint return is filed under this section, the liability of each spouse or state registered domestic partner is joint and several, unless:

(a) The spouse is relieved of liability for federal tax purposes as provided under 26 U.S.C. Sec. 6015 of the internal revenue code; or

(b) The department determines that the domestic partner qualifies for relief as provided by rule of the department. Such rule, to the extent possible without being inconsistent with this chapter, must follow 26 U.S.C. Sec. 6015.

NEW SECTION. **Sec.**  To the extent not inconsistent with the provisions of this chapter, the following sections apply to the administration of taxes imposed under this chapter: RCW 82.32.050, 82.32.055, 82.32.060, 82.32.070, 82.32.080, 82.32.085, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.117, 82.32.120, 82.32.130, 82.32.135, 82.32.150, 82.32.160, 82.32.170, 82.32.180, 82.32.190, 82.32.200, 82.32.210, 82.32.212, 82.32.220, 82.32.230, 82.32.235, 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310, 82.32.320, 82.32.330, 82.32.340, 82.32.350, 82.32.360, 82.32.380, and 82.32.410.

NEW SECTION. **Sec.**  (1) Any taxpayer who knowingly attempts to evade payment of the tax imposed under this chapter is guilty of a class C felony as provided in chapter 9A.20 RCW.

(2) Any taxpayer who knowingly fails to pay tax, make returns, keep records, or supply information, as required under this title, is guilty of a gross misdemeanor as provided in chapter 9A.20 RCW.

NEW SECTION. **Sec.**  RCW 82.32.805 and 82.32.808 apply only with respect to new tax preferences under chapter 82.--- RCW (the new chapter created in section 502 of this act), as defined in RCW 82.32.805, enacted after the effective date of this section.

NEW SECTION. **Sec.**  All revenue collected under this chapter must be deposited in the education legacy trust account created in RCW 83.100.230.

**Sec.**  RCW 83.100.230 and 2012 1st sp.s. c 10 s 7 are each amended to read as follows:

The education legacy trust account is created in the state treasury. Money in the account may be spent only after appropriation. Expenditures from the account may be used only for support of the common schools, and for expanding access to higher education through funding for new enrollments and financial aid, and other educational improvement efforts. Funds deposited in this account from section 313 of this act may only be spent on the program of basic education.

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) A deduction is allowed against a person's gross income of the business to the extent necessary to avoid taxing the same amounts under this chapter and section 303 of this act.

(2) This section is not subject to RCW 82.32.805 and 82.32.808(1) through (5).

**PART IV**

**ESTABLISHING A PHASE-IN PLAN FOR MEETING OUR BASIC EDUCATION OBLIGATIONS TO REDUCE CLASS SIZES THROUGHOUT THE K-12 SYSTEM**

NEW SECTION. **Sec.**  The legislature recognizes that a second set of basic education priorities was established by the citizens of Washington in November 2014 through the passage of Initiative Measure No. 1351. By providing final enhanced funding values for the remaining components of the program of basic education as defined in Engrossed Substitute House Bill No. 2261, chapter 548, Laws of 2009, the initiative expanded the state's basic education obligations. The legislature notes that the initial four funding priorities established by Substitute House Bill No. 2776, chapter 236, Laws of 2010, were chosen based on research showing that class size reductions at the lower grade levels have a greater positive impact on student achievement than class size reductions at the higher grade levels. In light of this research, the legislature intends to complete the full phase in of the priorities established in Substitute House Bill No. 2776 before beginning the phase in of the investments required by Initiative Measure No. 1351.

The legislature also recognizes that evidence suggests a lack of capacity within the educational system to provide the staffing necessary to support increased staffing ratios necessary to fully implement the requirements of Initiative Measure No. 1351 now. A later phase-in date is therefore appropriate in order to allow the higher education system time to produce additional teachers to meet the increased future demands.

Based on this current lack of system capacity to produce increased numbers of staff and the research related to the impact of class size reductions, the legislature therefore intends to provide the funding for the requirements of Initiative Measure No. 1351 as part three of the state's basic education phase-in plan beginning in 2018 and phase in funding for the increased staffing by following the grade cohort of students.

**Sec.**  RCW 28A.150.261 and 2015 c 2 s 3 (Initiative Measure No. 1351) are each amended to read as follows:

In order to make measurable progress toward implementing the provisions of section 2, chapter 2, Laws of 2015 by September 1, ((~~2017~~)) 2023, the legislature shall increase state funding allocations under RCW 28A.150.260 according to the following schedule:

(1) For the ((~~2015-2017~~)) 2017-2019 biennium, funding allocations shall be no less than ((~~fifty percent~~)) one-third of the difference between the funding necessary to support the numerical values under RCW 28A.150.260 as of September 1, 2013, and the funding necessary to support the numerical values under section 2, chapter 2, Laws of 2015, with ((~~priority for additional funding provided during this biennium for the highest poverty schools and school districts~~)) funding first provided to support the numerical values at the elementary school level in order to build upon the prior class size improvements in kindergarten through third grade and continue to have funding enhancements follow the grade cohort of students with added focus on highest poverty schools and school districts;

(2) For the 2019-2021 biennium, funding allocations shall be no less than two-thirds of the difference between the funding necessary to support the numerical values under RCW 28A.150.260 as of September 1, 2013, and the funding necessary to support the numerical values under section 2, chapter 2, Laws of 2015, with funding first provided to support the numerical values at the elementary and middle school level in order to build upon the prior biennium's class size improvements and continue to have funding enhancements follow the grade cohort of students with added focus on highest poverty schools and school districts;

(3) By the end of the ((~~2017-2019~~)) 2021-2023 biennium and thereafter, funding allocations shall be no less than the funding necessary to support the numerical values under section 2, chapter 2, Laws of 2015.

**PART V**

**MISCELLANEOUS PROVISIONS**

NEW SECTION. **Sec.**  Section 108 of this act takes effect January 1, 2018.

NEW SECTION. **Sec.**  Sections 301 through 313 of this act constitute a new chapter in Title 82 RCW.

NEW SECTION. **Sec.**  Notwithstanding any common law rule of strict construction of statutes imposing taxes, this act, being necessary for the welfare of the state and its inhabitants, must be liberally construed in support of the tax.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

**--- END ---**