S-3056.2

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**SENATE BILL 6109**

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

**By** Senators Dammeier, Litzow, Hill, Fain, Becker, Rivers, King, Braun, Honeyford, Schoesler, and Sheldon

AN ACT Relating to compliance with constitutional basic education requirements; amending RCW 28A.150.410, 28A.400.200, 28A.405.415, 28A.235.120, 28A.320.330, 28A.400.250, 28A.505.140, 28A.625.110, 28A.625.150, 41.59.020, 41.59.170, 41.05.011, 41.05.021, 41.05.022, 41.05.026, 41.05.050, 41.05.055, 41.05.075, 41.05.130, 41.05.143, 41.05.670, 28A.400.270, 28A.400.275, 28A.400.280, 28A.400.350, 41.56.500, 41.59.105, 48.02.210, 28A.500.020, 43.09.265, and 84.52.065; reenacting and amending RCW 41.05.120, 84.52.0531, 28A.500.030, 28A.500.030, and 84.52.0531; adding new sections to chapter 41.59 RCW; adding a new section to chapter 50.08 RCW; adding a new section to chapter 41.05 RCW; creating new sections; repealing RCW 44.28.157, 28A.340.040, 28A.400.201, 28A.400.205, 28A.400.206, 28A.405.200, and 41.59.940; providing effective dates; providing an expiration date; and declaring an emergency.

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

NEW SECTION. **Sec.**  The legislature finds that Article IX, section 1 of the Washington state Constitution provides, "It is the paramount duty of the state to make ample provision for the education of all children residing within its borders." The legislature acknowledges that for the last thirty years the education policies adopted by the legislature and the funding provided have not fulfilled this obligation. The legislature finds that this has resulted in the state allocation for educator salaries and benefits not reflecting the actual cost of recruiting and retaining competent teachers, which has caused school districts to subsidize salaries with local levy funds. The legislature recognizes that this result is unfair because it has created uneven access to a quality education across the state and has negatively impacted Washington's students.

The legislature intends to improve fairness for students, create greater stability for school districts and educators, and increase equity in state funding of basic education across the state, including reducing school levies, in a manner that fulfills the state's paramount constitutional duty. To accomplish these goals, the legislature intends to take the following actions, many of which implement or modify the recommendations of the compensation technical working group:

(1) Assume full responsibility for providing sufficient funds to attract and retain competent teachers by using the state common school levy and establishing a statewide salary schedule that school districts must use to distribute salaries to certificated instructional staff and educational staff associates;

(2) Phase in competitive wages for certificated instructional staff beginning in the 2017-18 school year that are aligned with state expectations for educator certification and recognize career progression and enable school districts to recruit and retain educators in the profession;

(3) Create a rational basis for the salary levels for educators based on comparable occupations with similar knowledge, skills, abilities, education, and training requirements;

(4) Maintain comparable wage levels for all state-funded K-12 administrative, instructional, and classified staff through the use of a Washington cost-of-living adjustment and periodic wage analysis of comparable occupations. If the analysis shows the salary is lower than the market rate then it is raised to market rate; if the salary is higher than the market rate then it remains level until the market catches up;

(5) Reduce the overreliance on local levy funding by decreasing the amount of levy funding school districts receive from their local voters, limiting the use of local levy funds to only nonbasic education enhancements, and enforcing the limitations for greater accountability by requiring a separate accounting of basic education and nonbasic education expenditures and detailed reviews of those expenditures through state audits; and

(6) Preserves local effort assistance through the phase in of the reduction to local levies and thereafter school districts will be equalized to one-half the statewide median per pupil levy rate;

(7) Establish a school employees' benefits board as part of a consolidated school district employees health benefits purchasing program in the health care authority.

**PART I**

**COMPENSATION**

**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 omnibus appropriations act a statewide salary ((~~allocation~~)) schedule((~~, for allocation purposes only,~~)) to be used by school districts to distribute state funds for basic education certificated instructional staff salaries under RCW 28A.150.260. For the purposes of this section, the staff ((~~allocations~~)) salaries for classroom teachers, teacher librarians, guidance counselors, and student health services staff under RCW 28A.150.260 are considered ((~~allocations~~)) salaries for certificated instructional staff.

(2) ((~~Salary allocations~~)) Salaries 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)~~)) 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.

(4)(a) Beginning in the 2017-18 school year through the 2018-19 school year, a statewide salary schedule shall be phased in for certificated instructional staff to be used thereafter as specified in the omnibus appropriations act and based on the following framework:

|  |  |  |
| --- | --- | --- |
| Years of Experience | Residency/Initial | Professional/Continuing |
|  | Bachelor's Degree | Advanced Degree | Bachelor's Degree | Advanced Degree |
| 0 |    1.0000 |   1.0800 |  |  |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| 4 |  |  |    1.2000 |   1.2960 |
| 5 |  |  |  |  |
| 6 |  |  |  |  |
| 7 |  |  |  |  |
| 8 |  |  |  |  |
| 9 or more |  |  |    1.4400 |   1.5520 |

(b) The state must provide sufficient funding for a beginning certificated instructional staff member with an entry-level residency certificate to remain on a residency certificate for up to nine years at the same salary, although there are different levels of salary for residency certificate holders who have a bachelor's degree and those who have an advanced degree. Salaries based on an advanced degree must be only for those degrees that are relevant to the individual's current or expected future assignments as locally determined by the relevant school district.

(c) The school year after a certificated instructional staff member obtains a professional certificate, the state must provide sufficient funding to provide a salary increase. A minimum of three years of experience is required to make the progression from the residency certification to the professional certification.

(d) The state must provide sufficient funding to provide an additional salary increase for a certificated instructional staff member after nine years of experience with retention of the professional/continuing certificate.

(e) The state must provide sufficient funding to provide a localization factor applied to the base salary amounts as identified in the omnibus appropriations act. The localization factor is calculated annually by the Washington state employment security department pursuant to this section.

(5) The office of the superintendent of public instruction and the professional educator standards board must adopt rules to implement the new statewide salary schedule.

(6) As the revised statewide salary allocation schedule in this section is phased in beginning in the 2017-18 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 member greater than the salary allocation schedule for the specified year in subsection (4) of this section, then the allocation for the certificated instructional staff member must be the allocation from the 2016-17 school year salary allocation schedule.

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

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

(2)(a) Salaries for all certificated instructional staff shall ((~~not~~)) be ((~~less than~~)) the salary provided in the omnibus 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) 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 to the health care authority pursuant to RCW 41.05.050 for basic benefits, nor payment for unused leave for illness or injury under RCW 28A.400.210; or 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) 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~~)) (3) School districts are authorized to use local funds for enhancements outside of the program of basic education, which may include providing an enhanced salary or benefit for certificated instructional staff ((~~may~~)) that exceeds 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)~~)) amounts provided under subsection (2) of this section but only if the following limitations and conditions on the use of funds are met:

(a) Must not be provided for any activity that is normally associated with the basic education program required by Article IX of the state Constitution, including any activity that supports students to earn course credits or grades;

(b) Must be provided solely for nonbasic education activities outside of the normal, regularly scheduled school day or year;

(c) Must be time-based and the individual's immediate supervisor must certify to the superintendent of the school district that the activity was done in the appropriate time and manner and was provided in compliance with the limitations in this subsection;

(d) Must not cause the state to incur any present or future funding obligation;

(e) Must not exceed one year and, if not renewed, must not constitute adverse change in accordance with RCW 28A.405.300 through 28A.405.380;

(f) Must be separately accounted for by the school districts;

(g) Must be audited as part of the regular financial audits of school districts by the state auditor's office to ensure compliance with the limitations and conditions of this subsection; and

(h) May be collectively bargained.

(4)(a) The district-wide total compensation for certificated administrative staff shall not exceed the total state allocation for certificated administrative staff multiplied by the localization factor calculated annually by the Washington state employment security department pursuant to section 113 of this act.

(b) As additional state salary allocations are phased in for classified administrative staff during the 2017-18 school year, school district allocations shall be provided the greater of the following:

(i) The increased statewide salary allocation as specified in the omnibus appropriations act for school year 2017-18; or

(ii) The school district's salary allocation as provided in the 2016-17 school year.

(5) The district-wide total compensation for classified staff shall not exceed the total state allocation for classified staff multiplied by the localization factor calculated annually by the Washington state employment security department pursuant to section 113 of this act.

(6) Employee benefit plans offered by any district shall comply with the requirements of chapter 41.05 RCW and RCW 28A.400.350 ((~~and~~)), 28A.400.275, and 28A.400.280.

**Sec.**  RCW 28A.405.415 and 2013 2nd sp.s. c 5 s 4 are each amended to read as follows:

(1) Certificated instructional staff who have attained certification from the national board for professional teaching standards shall receive a bonus each year in which they maintain the certification. The bonus shall be calculated as follows: The annual bonus shall be five thousand dollars in the 2007-08 school year. Thereafter, the annual bonus shall increase by inflation, except that the bonus shall not be increased during the 2013-14 and 2014-15 school years.

(2) Certificated instructional staff who have attained certification from the national board for professional teaching standards shall be eligible for bonuses in addition to that provided by subsection (1) of this section if the individual is in an instructional assignment in a school in which at least seventy percent of the students qualify for the free and reduced-price lunch program.

(3) The amount of the additional bonus under subsection (2) of this section for those meeting the qualifications of subsection (2) of this section is five thousand dollars.

(4) The bonuses provided under this section are in addition to compensation received under ((~~a district's~~)) the state's salary schedule adopted in accordance with RCW ((~~28A.405.200 and shall not be included in calculations of a district's average salary and associated salary limitations under RCW 28A.400.200.~~

~~(5) The bonuses provided under this section~~)) 28A.150.410 and shall be paid in a lump sum amount.

(5) The bonuses provided under this section shall not be considered part of the program of basic education or the funding necessary to comply with the state's Article IX constitutional duty.

**Sec.**  RCW 28A.235.120 and 2002 c 36 s 1 are each amended to read as follows:

The directors of any school district may establish, equip and operate meal programs in school buildings for pupils; certificated and classified employees; volunteers; public agencies, political subdivisions, or associations that serve public entities while using school facilities; other local, state, or federal child nutrition programs; and for school or employee functions: PROVIDED, That the expenditures for food supplies shall not exceed the estimated revenues from the sale of meals, federal aid, Indian education fund lunch aid, or other anticipated revenue, including donations, to be received for that purpose: PROVIDED FURTHER, That the directors of any school district may provide for the use of kitchens and lunchrooms or other facilities in school buildings to furnish meals to elderly persons at cost as provided in RCW 28A.623.020: PROVIDED, FURTHER, That the directors of any school district may provide for the use of kitchens and lunchrooms or other facilities in school buildings to furnish meals at cost as provided in RCW 28A.623.030 to children who are participating in educational or training or care programs or activities conducted by private, nonprofit organizations and entities and to students who are attending private elementary and secondary schools. Operation for the purposes of this section shall include the employment and discharge for sufficient cause of personnel necessary for preparation of food or supervision of students during lunch periods and ((~~fixing~~)) providing their compensation, payable from the district general fund, or entering into agreement with a private agency for the establishment, management, and/or operation of a food service program or any part thereof.

**Sec.**  RCW 28A.320.330 and 2009 c 460 s 1 are each amended to read as follows:

School districts shall establish the following funds in addition to those provided elsewhere by law:

(1) A general fund for maintenance and operation of the school district to account for all financial operations of the school district except those required to be accounted for in another fund.

(2) A capital projects fund shall be established for major capital purposes. All statutory references to a "building fund" shall mean the capital projects fund so established. Money to be deposited into the capital projects fund shall include, but not be limited to, bond proceeds, proceeds from excess levies authorized by RCW 84.52.053, state apportionment proceeds as authorized by RCW 28A.150.270, earnings from capital projects fund investments as authorized by RCW 28A.320.310 and 28A.320.320, and state forest revenues transferred pursuant to subsection (3) of this section.

Money derived from the sale of bonds, including interest earnings thereof, may only be used for those purposes described in RCW 28A.530.010, except that accrued interest paid for bonds shall be deposited in the debt service fund.

Money to be deposited into the capital projects fund shall include but not be limited to rental and lease proceeds as authorized by RCW 28A.335.060, and proceeds from the sale of real property as authorized by RCW 28A.335.130.

Money legally deposited into the capital projects fund from other sources may be used for the purposes described in RCW 28A.530.010, and for the purposes of:

(a) Major renovation and replacement of facilities and systems where periodical repairs are no longer economical or extend the useful life of the facility or system beyond its original planned useful life. Such renovation and replacement shall include, but shall not be limited to, major repairs, exterior painting of facilities, replacement and refurbishment of roofing, exterior walls, windows, heating and ventilating systems, floor covering in classrooms and public or common areas, and electrical and plumbing systems.

(b) Renovation and rehabilitation of playfields, athletic fields, and other district real property.

(c) The conduct of preliminary energy audits and energy audits of school district buildings. For the purpose of this section:

(i) "Preliminary energy audits" means a determination of the energy consumption characteristics of a building, including the size, type, rate of energy consumption, and major energy using systems of the building.

(ii) "Energy audit" means a survey of a building or complex which identifies the type, size, energy use level, and major energy using systems; which determines appropriate energy conservation maintenance or operating procedures and assesses any need for the acquisition and installation of energy conservation measures, including solar energy and renewable resource measures.

(iii) "Energy capital improvement" means the installation, or modification of the installation, of energy conservation measures in a building which measures are primarily intended to reduce energy consumption or allow the use of an alternative energy source.

(d) Those energy capital improvements which are identified as being cost-effective in the audits authorized by this section.

(e) Purchase or installation of additional major items of equipment and furniture: PROVIDED, That vehicles shall not be purchased with capital projects fund money.

(f)(i) Costs associated with implementing technology systems, facilities, and projects, including acquiring hardware, licensing software, and online applications and training related to the installation of the foregoing. However, the software or applications must be an integral part of the district's technology systems, facilities, or projects.

(ii) Costs associated with the application and modernization of technology systems for operations and instruction including, but not limited to, the ongoing fees for online applications, subscriptions, or software licenses, including upgrades and incidental services, and ongoing training related to the installation and integration of these products and services. However, to the extent the funds are used for the purpose under this subsection (2)(f)(ii), the school district shall transfer to the district's general fund the portion of the capital projects fund used for this purpose. The office of the superintendent of public instruction shall develop accounting guidelines for these transfers in accordance with internal revenue service regulations.

(g) Major equipment repair, painting of facilities, and other major preventative maintenance purposes. However, to the extent the funds are used for the purpose under this subsection (2)(g), the school district shall transfer to the district's general fund the portion of the capital projects fund used for this purpose. The office of the superintendent of public instruction shall develop accounting guidelines for these transfers in accordance with internal revenue service regulations. Based on the district's most recent two-year history of general fund maintenance expenditures, funds used for this purpose may not replace routine annual preventive maintenance expenditures made from the district's general fund.

(3) A debt service fund to provide for tax proceeds, other revenues, and disbursements as authorized in chapter 39.44 RCW. State forest land revenues that are deposited in a school district's debt service fund pursuant to RCW 79.64.110 and to the extent not necessary for payment of debt service on school district bonds may be transferred by the school district into the district's capital projects fund.

(4) An associated student body fund as authorized by RCW 28A.325.030.

(5) Advance refunding bond funds and refunded bond funds to provide for the proceeds and disbursements as authorized in chapter 39.53 RCW.

(6) A local revenue fund shall be established for the purpose of accounting for the financial operations of a school district that are paid for from local revenue. Money deposited into the local revenue fund shall include, but not be limited to, proceeds from maintenance and operations levies as authorized by RCW 84.52.053, and local effort assistance payments from the state as authorized by RCW 84.52.0531. Expenditures from this fund shall be tracked separately to account for the usage of local funds within a school district.

**Sec.**  RCW 28A.400.250 and 2010 c 41 s 1 are each amended to read as follows:

(1) The board of directors of any school district, the Washington state teachers' retirement system, the superintendent of public instruction, and educational service district superintendents are authorized to provide and pay for tax deferred annuities or regulated company stock held in a custodial account for their respective employees in lieu of a portion of salary or wages as authorized under the provisions of 26 U.S.C. section 403(b), as amended by Public Law 87-370, 75 Stat. 796, as now or hereafter amended. As of the effective date of this section, school districts are not authorized to make, and must not make, employer contributions to plans authorized by this section. The superintendent of public instruction and educational service district superintendents, if eligible, may also be provided with such options.

(2) At the request of at least five employees, the employees' employer shall arrange for the:

(a) Purchase of tax deferred annuity contracts which meet the requirements of 26 U.S.C. section 403(b), as now or hereafter amended, for the employees from any company the employees may choose that is authorized to do business in this state through a Washington-licensed insurance agent that the employees may select; or

(b) Payment to a custodial account for investment in the stock of a regulated investment company as defined in 26 U.S.C. section 403(b)(7)(c).

(3) Payroll deductions shall be made in accordance with the arrangements for the purpose of paying the entire premium due and to become due under the contracts. Employees' rights under the annuity contract are nonforfeitable except for the failure to pay premiums.

(4) The board of directors of any school district, the Washington state teachers' retirement system, the superintendent of public instruction, and educational service district superintendents shall not restrict, except as provided in this section, employees' right to select the tax deferred annuity of their choice, the regulated company stock held in a custodial account, or the agent, broker, or company licensed by the state of Washington through which the tax deferred annuity or regulated company stock is placed or purchased, and shall not place limitations on the time or place that the employees make the selection.

(5) The board of directors of any school district, the Washington state teachers' retirement system, the superintendent of public instruction, and educational service district superintendents may each adopt rules regulating the sale of tax deferred annuities or regulated company stock held in a custodial account which: (a) Prohibit solicitation of employees for the purposes of selling tax deferred annuities or regulated company stock held in a custodial account on school premises during normal school hours; (b) only permit the solicitation of tax deferred annuities or regulated company stock held in a custodial account by agents, brokers, and companies licensed by the state of Washington; and (c) require participating companies to execute reasonable agreements protecting the respective employers from any liability attendant to procuring tax deferred annuities or regulated company stock held in a custodial account.

**Sec.**  RCW 28A.505.140 and 2006 c 263 s 202 are each amended to read as follows:

(1) Notwithstanding any other provision of law, the superintendent of public instruction shall adopt such rules as will ensure proper budgetary procedures and practices, including monthly financial statements consistent with the provisions of RCW 43.09.200, and this chapter. The rules shall require school districts to provide separate accounting of state, federal, and local revenues and expenditures, and also separate accounting of basic education and nonbasic education expenditures.

(2) If the superintendent of public instruction determines upon a review of the budget of any district that said budget does not comply with the budget procedures established by this chapter or by rules adopted by the superintendent of public instruction, or the provisions of RCW 43.09.200, the superintendent shall give written notice of this determination to the board of directors of the local school district.

(3) The local school district, notwithstanding any other provision of law, shall, within thirty days from the date the superintendent of public instruction issues a notice pursuant to subsection (2) of this section, submit a revised budget which meets the requirements of RCW 43.09.200, this chapter, and the rules of the superintendent of public instruction.

**Sec.**  RCW 28A.625.110 and 1990 c 33 s 519 are each amended to read as follows:

The board of directors of the school district shall make the final determination as to whether an employee suggestion award will be made and shall determine the nature and extent of the award. The award shall not be a regular or supplemental compensation program for all employees and the suggestion must, in fact, result in actual savings greater than the award amount. Any moneys which may be awarded to an employee as part of an employee suggestion program shall not be considered salary or compensation for the purposes of RCW 28A.150.410 or 28A.400.200, or chapter 41.40 RCW.

**Sec.**  RCW 28A.625.150 and 1990 c 33 s 520 are each amended to read as follows:

The board of directors of any school district may establish a commendable employee service and recognition award program for certificated and classified school employees. The program shall be designed to recognize exemplary service, special achievements, or outstanding contributions by an individual in the performance of his or her duties as an employee of the school district. The board of directors of the school district shall determine the extent and type of any nonmonetary award. The value of any nonmonetary award shall not be deemed salary or compensation for the purposes of RCW 28A.150.410 or 28A.400.200, or chapter 41.32 RCW.

**Sec.**  RCW 41.59.020 and 1989 c 11 s 11 are each amended to read as follows:

As used in this chapter:

(1) The term "employee organization" means any organization, union, association, agency, committee, council, or group of any kind in which employees participate, and which exists for the purpose, in whole or in part, of collective bargaining with employers.

(2) The term "collective bargaining" or "bargaining" means the performance of the mutual obligation of the representatives of the employer and the exclusive bargaining representative to meet at reasonable times in light of the time limitations of the budget-making process, and to bargain in good faith in an effort to reach agreement with respect to the ((~~wages~~)) local funds used to provide enhanced salaries or benefits in compliance with RCW 28A.400.200, hours, and terms and conditions of employment: PROVIDED, That prior law, practice or interpretation shall be neither restrictive, expansive, nor determinative with respect to the scope of bargaining. A written contract incorporating any agreements reached shall be executed if requested by either party. The obligation to bargain does not compel either party to agree to a proposal or to make a concession.

In the event of a dispute between an employer and an exclusive bargaining representative over the matters that are terms and conditions of employment, the commission shall decide which item(s) are mandatory subjects for bargaining and which item(s) are nonmandatory.

(3) The term "commission" means the public employment relations commission established by RCW 41.58.010.

(4) The terms "employee" and "educational employee" means any certificated employee of a school district, except:

(a) The chief executive officer of the employer.

(b) The chief administrative officers of the employer, which shall mean the superintendent of the district, deputy superintendents, administrative assistants to the superintendent, assistant superintendents, and business manager. Title variation from all positions enumerated in this subsection (b) may be appealed to the commission for determination of inclusion in, or exclusion from, the term "educational employee".

(c) Confidential employees, which shall mean:

(i) Any person who participates directly on behalf of an employer in the formulation of labor relations policy, the preparation for or conduct of collective bargaining, or the administration of collective bargaining agreements, except that the role of such person is not merely routine or clerical in nature but calls for the consistent exercise of independent judgment; and

(ii) Any person who assists and acts in a confidential capacity to such person.

(d) Unless included within a bargaining unit pursuant to RCW 41.59.080, any supervisor, which means any employee having authority, in the interest of an employer, to hire, assign, promote, transfer, layoff, recall, suspend, discipline, or discharge other employees, or to adjust their grievances, or to recommend effectively such action, if in connection with the foregoing the exercise of such authority is not merely routine or clerical in nature but calls for the consistent exercise of independent judgment, and shall not include any persons solely by reason of their membership on a faculty tenure or other governance committee or body. The term "supervisor" shall include only those employees who perform a preponderance of the above-specified acts of authority.

(e) Unless included within a bargaining unit pursuant to RCW 41.59.080, principals and assistant principals in school districts.

(5) The term "employer" means any school district.

(6) The term "exclusive bargaining representative" means any employee organization which has:

(a) Been selected or designated pursuant to the provisions of this chapter as the representative of the employees in an appropriate collective bargaining unit; or

(b) Prior to January 1, 1976, been recognized under a predecessor statute as the representative of the employees in an appropriate collective bargaining or negotiations unit.

(7) The term "person" means one or more individuals, organizations, unions, associations, partnerships, corporations, boards, committees, commissions, agencies, or other entities, or their representatives.

(8) The term "nonsupervisory employee" means all educational employees other than principals, assistant principals and supervisors.

**Sec.**  RCW 41.59.170 and 1975 1st ex.s. c 288 s 18 are each amended to read as follows:

(1) Whenever a collective bargaining agreement between an employer and an exclusive bargaining representative is concluded after the termination date of the previous collective bargaining agreement between the employer and an employee organization representing the same employees, the effective date of such collective bargaining agreement may be the day after the termination date of the previous collective bargaining agreement and all benefits included in the new collective bargaining agreement, including ((~~wage or salary increases~~)) locally funded salary and benefit enhancements in compliance with RCW 28A.400.200, may accrue beginning with such effective date as established by this subsection, and may also accrue beginning with the effective date of any individual employee contracts affected thereby.

(2) Except as provided in section 114 of this act and RCW 28A.400.200, any collective bargaining agreement may provide for the increase of any wages, salaries and other benefits during the term of such agreement or the term of any individual employee contracts concerned, in the event that the employer receives by increased appropriation or from other sources, additional moneys for such purposes.

NEW SECTION. **Sec.**  A new section is added to chapter 41.59 RCW to read as follows:

(1) After a tentative collective bargaining agreement between an employer and an exclusive bargaining representative is achieved, the agreement must be submitted to the Washington state auditor's office. The state auditor must review the agreement and the school district's financial statements to determine whether any local levy funds will be expended for basic education purposes in violation of RCW 28A.400.200 or Article IX of the state Constitution. The agreement shall be implemented only if the state auditor certifies that the contract complies with the requirements of RCW 28A.400.200 and Article IX of the state Constitution.

(2) The state auditor's regular financial audits of school districts must include a review of the expenditure of local levy funds to ensure they are not being expended for basic education purposes. If the state auditor makes a finding that for two consecutive financial audits a school district has used local funds for basic education purposes then the district shall repay an equal amount back to the state using the current year local levy revenue. The school district may take no longer than five school years to fully pay back the full amount to the state.

NEW SECTION. **Sec.**  A new section is added to chapter 50.08 RCW to read as follows:

(1) The legislature intends to ensure that statewide K-12 salaries keep pace with the wages of comparable occupations by requiring that a comparable wage analysis be conducted every six years by the Washington state employment security department. The first analysis, including any recommendations for salary adjustments based on the analysis, must be submitted to the governor and the legislature by September 1, 2020. Subsequent reports shall be submitted by July 1st every six years thereafter.

(2) The Washington state employment security department shall annually submit to the governor and the appropriate legislative committees a comparison of the comparable occupations by staffing type and metropolitan statistical area. The data provided by this report will be the basis for the localization factor provided in RCW 28A.150.410.

NEW SECTION. **Sec.**  A new section is added to chapter 41.59 RCW to read as follows:

(1) This act does not affect or impair any collective bargaining agreements in effect on the effective date of this section between an employer and an educational employee or employee organization under this chapter.

(2) Any collective bargaining agreement entered into, modified, reopened, or renewed after the effective date of this section shall not provide an increase in salary or other compensation during the 2015-2017 biennium unless the additional compensation is expressly provided by the legislature in the omnibus appropriations act.

(3) Any collective bargaining agreement entered into, modified, reopened, or renewed after the effective date of this section shall be consistent with sections 101 and 102 of this act.

NEW SECTION. **Sec.**  The legislature finds that:

(1) Each year, nearly one billion dollars in public funds are spent on the purchase of employee insurance benefits for more than two hundred thousand public school employees and their dependents;

(2) The purchase of such benefits is fragmented among two hundred ninety-five local school districts and nine educational services districts. Each district combines state funds received with local levy moneys, federal funds, and other revenue sources to provide insurance benefits either directly or through more than seven hundred health plans offered by insurance carriers. This approach results in expensive inefficiencies due to duplication of effort, fragmentation of pools, and reduced market leverage for purchasing such benefits;

(3) There is a lack of transparency on how funds appropriated for school employee benefits are used. The legislature is unable to exercise appropriate oversight over the disposition of state funds due to this lack of transparency; and

(4) Despite the past legislature's intent that school districts pool state benefit allocations for the purpose of eliminating major differences in out-of-pocket premium expenses for employees who do and do not need coverage for dependents, current practices are inconsistent with the stated intent. School districts and collective bargaining agreements often place an unfair burden on employees with dependents by requiring them to pay very large premium costs for dependent coverage while imposing little or no premium charges on employees purchasing employee-only coverage.

NEW SECTION. **Sec.**  The legislature intends to establish a consolidated system for purchasing insurance benefits for school employees and their dependents that:

(1) Assures equitable access to quality and affordable health benefits for all eligible employees and their eligible dependents by reducing variation in premium expenses for employees who do and do not need coverage for dependents;

(2) Improves transparency of financial data to assure prudent and efficient use of taxpayers' funds;

(3) Assures cost-effectiveness through pooling of small groups, leveraged purchasing, administrative simplification, and efficient utilization of resources to minimize duplication and rework;

(4) Ensures accountability to the taxpayers through timely use of a competitive bidding process, consistent with procurement requirements for the state, for the purchase of benefit plans from the private insurance market;

(5) Enables shared responsibility through state, school district, and employee participation in purchasing system governance and statewide collective bargaining; and

(6) Retains local collective bargaining for benefits not otherwise addressed in statewide collective bargaining or through the board which includes representatives of school employee unions.

NEW SECTION. **Sec.**  A new section is added to chapter 41.05 RCW to read as follows:

(1) The school employees' benefits board is created within the authority. The function of the board is to design and approve insurance benefit plans for school employees and to establish eligibility criteria for participation in insurance benefit plans.

(2) By September 30, 2015, the governor shall appoint the following voting members to the board as follows:

(a) Two members from associations representing certificated employees;

(b) Two members from associations representing classified employees;

(c) Four members with expertise in employee health benefits policy and administration, one of which is nominated by an association representing school business officials; and

(d) The director of the authority or his or her designee.

(3) Initial members of the board shall serve staggered terms not to exceed four years. Members appointed thereafter shall serve two-year terms.

(4) Members of the board must be compensated in accordance with RCW 43.03.250 and must be reimbursed for their travel expenses while on official business in accordance with RCW 43.03.050 and 43.03.060.

(5) The director of the authority or his or her designee shall be the chair and another member shall be selected by the board as vice chair. The chair shall conduct meetings of the board. The vice chair shall preside over meetings in the absence of the chair. The board shall develop bylaws for the conduct of its business.

(6) The board shall:

(a) Study all matters connected with the provision of health benefit plan coverage for eligible employees and their dependents on the best basis possible with regard to the welfare of the employees;

(b) Develop employee benefit plans that include comprehensive, evidence-based health care benefits for employees. In developing these plans, the board shall consider the following elements:

(i) Methods of maximizing cost containment while ensuring access to quality health care;

(ii) Development of provider arrangements that encourage cost containment and ensure access to quality care, including, but not limited to, prepaid delivery systems and prospective payment methods;

(iii) Wellness, preventive care, chronic disease management, and other incentives that focus on proven strategies;

(iv) Utilization review procedures to support cost-effective benefits delivery;

(v) Ways to leverage efficient purchasing by coordinating with the public employees' benefits board;

(vi) Effective coordination of benefits; and

(vii) Minimum standards for insuring entities;

(c) Authorize premium contributions for an employee and the employee's dependents in a manner that encourages the use of cost-efficient health care systems.

(i) For full-time employees, the required employee contribution for family coverage under a plan may not exceed three times the required employee contribution for employee-only coverage.

(ii) Employer contributions for health benefits coverage for part-time employees shall be pro-rated based on the percentage of a full-time equivalent position worked by the employee;

(d) Determine the terms and conditions of employee and dependent eligibility criteria, enrollment policies, and scope of coverage. At a minimum, the eligibility criteria established by the board shall address the following:

(i) The effective date of coverage following hire;

(ii) An employee must work at least one-half of a full-time equivalent position to qualify for coverage; and

(iii) Coverage for dependents, including criteria for legal spouses; children up to age twenty-six; children of any age with disabilities, mental illness, or intellectual or other developmental disabilities; and state registered domestic partners, as defined in RCW 26.60.020, and others authorized by the legislature;

(e) Determine the terms and conditions of purchasing system participation, consistent with this act, including establishment of criteria for employing agencies and individual employees;

(f) Establish penalties to be imposed when the employing agency fails to comply with established participation criteria; and

(g) Participate with the authority in the preparation of specifications and selection of carriers contracted for health and dental benefit plan coverage of eligible employees in accordance with the criteria set forth in rules. To the extent possible, the board shall leverage efficient purchasing by coordinating with the public employees' benefits board.

(7) In carrying out its duties under subsection (6)(b) through (g) of this section, the goal of the school employees' benefits board is to provide high quality health, dental, and other benefit plans for eligible employees and their eligible dependents at a cost affordable to the districts, the employees, and the taxpayers of Washington.

(8) The school employees' benefits board may establish standing committees and ad hoc work groups to conduct research, engage stakeholders, and make recommendations that support the work of the board.

(9) By November 30, 2020, the authority shall review the benefit plans provided through the school employees' benefits board, complete an analysis of the benefits provided and the administration of the benefits plans, and determine whether provisions in this act have resulted in cost savings to the state. The authority shall submit a report to the relevant legislative policy and fiscal committees summarizing the results of the review and analysis.

**Sec.**  RCW 41.05.011 and 2013 c 2 s 306 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Authority" means the Washington state health care authority.

(2) "Board" means the public employees' benefits board established under RCW 41.05.055.

(3) "Dependent care assistance program" means a benefit plan whereby state ((~~and public~~)) employees may pay for certain employment related dependent care with pretax dollars as provided in the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or other sections of the internal revenue code.

(4) "Director" means the director of the authority.

(5) "Emergency service personnel killed in the line of duty" means law enforcement officers and firefighters as defined in RCW 41.26.030, members of the Washington state patrol retirement fund as defined in RCW 43.43.120, and reserve officers and firefighters as defined in RCW 41.24.010 who die as a result of injuries sustained in the course of employment as determined consistent with Title 51 RCW by the department of labor and industries.

(6)(a) "Employee" for the public employees' benefits board program includes all employees of the state, whether or not covered by civil service; elected and appointed officials of the executive branch of government, including full-time members of boards, commissions, or committees; justices of the supreme court and judges of the court of appeals and the superior courts; and members of the state legislature. Pursuant to contractual agreement with the authority, "employee" may also include: ((~~(a)~~)) (i) Employees of a county, municipality, or other political subdivision of the state and members of the legislative authority of any county, city, or town who are elected to office after February 20, 1970, if the legislative authority of the county, municipality, or other political subdivision of the state seeks and receives the approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.04.205 and 41.05.021(1)(g); ((~~(b)~~)) (ii) employees of employee organizations representing state civil service employees, at the option of each such employee organization((~~, and, effective October 1, 1995, employees of employee organizations currently pooled with employees of school districts for the purpose of purchasing insurance benefits, at the option of each such employee organization; (c)~~)); (iii) through December 31, 2016, employees of a school district if the authority agrees to provide any of the school districts' insurance programs by contract with the authority as provided in RCW 28A.400.350; ((~~(d)~~)) (iv) employees of a tribal government, if the governing body of the tribal government seeks and receives the approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (f) and (g); ((~~(e)~~)) (v) employees of the Washington health benefit exchange if the governing board of the exchange established in RCW 43.71.020 seeks and receives approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (g) and (n); and ((~~(f)~~)) (vi) employees of a charter school established under chapter 28A.710 RCW. "Employee" does not include: Adult family homeowners; unpaid volunteers; patients of state hospitals; inmates; employees of the Washington state convention and trade center as provided in RCW 41.05.110; students of institutions of higher education as determined by their institution; and any others not expressly defined as employees under this chapter or by the authority under this chapter.

(b) Effective January 1, 2017, "employee" for the school employees' benefits board program includes all employees of school districts and educational service districts.

(7) "Employee group" means employees of a similar employment type, such as administrative, represented classified, nonrepresented classified, confidential, represented certificated, or nonrepresented certificated, within a school district.

(8)(a) "Employer" for the public employees' benefits board program means the state of Washington.

(b) "Employer" for the school employees' benefits board program means school districts and educational service districts.

((~~(8)~~)) (9)(a) "Employing agency" for the public employees' benefits board program means a division, department, or separate agency of state government, including an institution of higher education; a county, municipality, ((~~school district, educational service district,~~)) or other political subdivision; charter school; and a tribal government covered by this chapter.

((~~(9)~~)) (b) "Employing agency" for the school employees' benefits board program means school districts and educational service districts.

 (10) "Faculty" means an academic employee of an institution of higher education whose workload is not defined by work hours but whose appointment, workload, and duties directly serve the institution's academic mission, as determined under the authority of its enabling statutes, its governing body, and any applicable collective bargaining agreement.

((~~(10)~~)) (11) "Flexible benefit plan" means a benefit plan that allows employees to choose the level of health care coverage provided and the amount of employee contributions from among a range of choices offered by the authority.

((~~(11)~~)) (12) "Insuring entity" means an insurer as defined in chapter 48.01 RCW, a health care service contractor as defined in chapter 48.44 RCW, or a health maintenance organization as defined in chapter 48.46 RCW.

((~~(12)~~)) (13) "Medical flexible spending arrangement" means a benefit plan whereby state ((~~and public~~)) employees may reduce their salary before taxes to pay for medical expenses not reimbursed by insurance as provided in the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

((~~(13)~~)) (14) "Participant" means an individual who fulfills the eligibility and enrollment requirements under the salary reduction plan.

((~~(14)~~)) (15) "Plan year" means the time period established by the authority.

((~~(15)~~)) (16) "Premium payment plan" means a benefit plan whereby state and public employees may pay their share of group health plan premiums with pretax dollars as provided in the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

((~~(16)~~)) (17) "Retired or disabled school employee" means:

(a) Persons who separated from employment with a school district or educational service district and are receiving a retirement allowance under chapter 41.32 or 41.40 RCW as of September 30, 1993;

(b) Persons who separate from employment with a school district, educational service district, or charter school on or after October 1, 1993, and immediately upon separation receive a retirement allowance under chapter 41.32, 41.35, or 41.40 RCW;

(c) Persons who separate from employment with a school district, educational service district, or charter school due to a total and permanent disability, and are eligible to receive a deferred retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

((~~(17)~~)) (18) "Salary" means a state employee's monthly salary or wages.

((~~(18)~~)) (19) "Salary reduction plan" means a benefit plan whereby state and public employees may agree to a reduction of salary on a pretax basis to participate in the dependent care assistance program, medical flexible spending arrangement, or premium payment plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

((~~(19)~~)) (20) "School employees' benefits board" means the board established in section 117 of this act.

(21) "School employees' benefits board participating organization" means a public school district or educational service district that participates in benefit plans provided by the school employees' benefits board.

(22) "Seasonal employee" means ((~~an~~)) a state employee hired to work during a recurring, annual season with a duration of three months or more, and anticipated to return each season to perform similar work.

((~~(20)~~)) (23) "Separated employees" means persons who separate from employment with an employer as defined in:

(a) RCW 41.32.010(17) on or after July 1, 1996; or

(b) RCW 41.35.010 on or after September 1, 2000; or

(c) RCW 41.40.010 on or after March 1, 2002;

and who are at least age fifty-five and have at least ten years of service under the teachers' retirement system plan 3 as defined in RCW 41.32.010(33), the Washington school employees' retirement system plan 3 as defined in RCW 41.35.010, or the public employees' retirement system plan 3 as defined in RCW 41.40.010.

((~~(21)~~)) (24) "State purchased health care" or "health care" means medical and health care, pharmaceuticals, and medical equipment purchased with state and federal funds by the department of social and health services, the department of health, the basic health plan, the state health care authority, the department of labor and industries, the department of corrections, the department of veterans affairs, and local school districts.

((~~(22)~~)) (25) "Tribal government" means an Indian tribal government as defined in section 3(32) of the employee retirement income security act of 1974, as amended, or an agency or instrumentality of the tribal government, that has government offices principally located in this state.

**Sec.**  RCW 41.05.021 and 2012 c 87 s 23 are each amended to read as follows:

(1) The Washington state health care authority is created within the executive branch. The authority shall have a director appointed by the governor, with the consent of the senate. The director shall serve at the pleasure of the governor. The director may employ a deputy director, and such assistant directors and special assistants as may be needed to administer the authority, who shall be exempt from chapter 41.06 RCW, and any additional staff members as are necessary to administer this chapter. The director may delegate any power or duty vested in him or her by law, including authority to make final decisions and enter final orders in hearings conducted under chapter 34.05 RCW. The primary duties of the authority shall be to: Administer ((~~state employees'~~)) insurance benefits ((~~and~~)) for state employees, retired or disabled state and school employees, and subject to school employees' benefits board direction, school employees((~~' insurance benefits~~)); administer the basic health plan pursuant to chapter 70.47 RCW; administer the children's health program pursuant to chapter 74.09 RCW; study state purchased health care programs in order to maximize cost containment in these programs while ensuring access to quality health care; implement state initiatives, joint purchasing strategies, and techniques for efficient administration that have potential application to all state-purchased health services; and administer grants that further the mission and goals of the authority. The authority's duties include, but are not limited to, the following:

(a) To administer health care benefit programs for state employees ((~~and~~)), retired or disabled state and school employees, and subject to school employees' benefits board direction, school employees as specifically authorized in RCW 41.05.065 and section 117 of this act and in accordance with the methods described in RCW 41.05.075, 41.05.140, and other provisions of this chapter;

(b) To analyze state purchased health care programs and to explore options for cost containment and delivery alternatives for those programs that are consistent with the purposes of those programs, including, but not limited to:

(i) Creation of economic incentives for the persons for whom the state purchases health care to appropriately utilize and purchase health care services, including the development of flexible benefit plans to offset increases in individual financial responsibility;

(ii) Utilization of provider arrangements that encourage cost containment, including but not limited to prepaid delivery systems, utilization review, and prospective payment methods, and that ensure access to quality care, including assuring reasonable access to local providers, especially for employees residing in rural areas;

(iii) Coordination of state agency efforts to purchase drugs effectively as provided in RCW 70.14.050;

(iv) Development of recommendations and methods for purchasing medical equipment and supporting services on a volume discount basis;

(v) Development of data systems to obtain utilization data from state purchased health care programs in order to identify cost centers, utilization patterns, provider and hospital practice patterns, and procedure costs, utilizing the information obtained pursuant to RCW 41.05.031; and

(vi) In collaboration with other state agencies that administer state purchased health care programs, private health care purchasers, health care facilities, providers, and carriers:

(A) Use evidence-based medicine principles to develop common performance measures and implement financial incentives in contracts with insuring entities, health care facilities, and providers that:

(I) Reward improvements in health outcomes for individuals with chronic diseases, increased utilization of appropriate preventive health services, and reductions in medical errors; and

(II) Increase, through appropriate incentives to insuring entities, health care facilities, and providers, the adoption and use of information technology that contributes to improved health outcomes, better coordination of care, and decreased medical errors;

(B) Through state health purchasing, reimbursement, or pilot strategies, promote and increase the adoption of health information technology systems, including electronic medical records, by hospitals as defined in RCW 70.41.020(4), integrated delivery systems, and providers that:

(I) Facilitate diagnosis or treatment;

(II) Reduce unnecessary duplication of medical tests;

(III) Promote efficient electronic physician order entry;

(IV) Increase access to health information for consumers and their providers; and

(V) Improve health outcomes;

(C) Coordinate a strategy for the adoption of health information technology systems using the final health information technology report and recommendations developed under chapter 261, Laws of 2005;

(c) To analyze areas of public and private health care interaction;

(d) To provide information and technical and administrative assistance to the board and the school employees' benefits board;

(e) To review and approve or deny applications from counties, municipalities, and other political subdivisions of the state to provide state-sponsored insurance or self-insurance programs to their employees in accordance with the provisions of RCW 41.04.205 and (g) of this subsection, setting the premium contribution for approved groups as outlined in RCW 41.05.050;

(f) To review and approve or deny the application when the governing body of a tribal government applies to transfer their employees to an insurance or self‑insurance program administered under this chapter. In the event of an employee transfer pursuant to this subsection (1)(f), members of the governing body are eligible to be included in such a transfer if the members are authorized by the tribal government to participate in the insurance program being transferred from and subject to payment by the members of all costs of insurance for the members. The authority shall: (i) Establish the conditions for participation; (ii) have the sole right to reject the application; and (iii) set the premium contribution for approved groups as outlined in RCW 41.05.050. Approval of the application by the authority transfers the employees and dependents involved to the insurance, self‑insurance, or health care program approved by the authority;

(g) To ensure the continued status of the employee insurance or self-insurance programs administered under this chapter as a governmental plan under section 3(32) of the employee retirement income security act of 1974, as amended, the authority shall limit the participation of employees of a county, municipal, school district, educational service district, or other political subdivision, the Washington health benefit exchange, or a tribal government, including providing for the participation of those employees whose services are substantially all in the performance of essential governmental functions, but not in the performance of commercial activities;

(h) To establish billing procedures and collect funds from school districts in a way that minimizes the administrative burden on districts;

(i) Through December 31, 2016, to publish and distribute to nonparticipating school districts and educational service districts by October 1st of each year a description of health care benefit plans available through the authority and the estimated cost if school districts and educational service district employees were enrolled;

(j) To apply for, receive, and accept grants, gifts, and other payments, including property and service, from any governmental or other public or private entity or person, and make arrangements as to the use of these receipts to implement initiatives and strategies developed under this section;

(k) To issue, distribute, and administer grants that further the mission and goals of the authority;

(l) To adopt rules consistent with this chapter as described in RCW 41.05.160 including, but not limited to:

(i) Setting forth the criteria established by the board under RCW 41.05.065, and by the school employees' benefits board under section 117 of this act, for determining whether an employee is eligible for benefits;

(ii) Establishing an appeal process in accordance with chapter 34.05 RCW by which an employee may appeal an eligibility determination;

(iii) Establishing a process to assure that the eligibility determinations of an employing agency comply with the criteria under this chapter, including the imposition of penalties as may be authorized by the board or the school employees' benefits board;

(m)(i) To administer the medical services programs established under chapter 74.09 RCW as the designated single state agency for purposes of Title XIX of the federal social security act;

(ii) To administer the state children's health insurance program under chapter 74.09 RCW for purposes of Title XXI of the federal social security act;

(iii) To enter into agreements with the department of social and health services for administration of medical care services programs under Titles XIX and XXI of the social security act. The agreements shall establish the division of responsibilities between the authority and the department with respect to mental health, chemical dependency, and long-term care services, including services for persons with developmental disabilities. The agreements shall be revised as necessary, to comply with the final implementation plan adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

(iv) To adopt rules to carry out the purposes of chapter 74.09 RCW;

(v) To appoint such advisory committees or councils as may be required by any federal statute or regulation as a condition to the receipt of federal funds by the authority. The director may appoint statewide committees or councils in the following subject areas: (A) Health facilities; (B) children and youth services; (C) blind services; (D) medical and health care; (E) drug abuse and alcoholism; (F) rehabilitative services; and (G) such other subject matters as are or come within the authority's responsibilities. The statewide councils shall have representation from both major political parties and shall have substantial consumer representation. Such committees or councils shall be constituted as required by federal law or as the director in his or her discretion may determine. The members of the committees or councils shall hold office for three years except in the case of a vacancy, in which event appointment shall be only for the remainder of the unexpired term for which the vacancy occurs. No member shall serve more than two consecutive terms. Members of such state advisory committees or councils may be paid their travel expenses in accordance with RCW 43.03.050 and 43.03.060 as now existing or hereafter amended;

(n) To review and approve or deny the application from the governing board of the Washington health benefit exchange to provide state-sponsored insurance or self-insurance programs to employees of the exchange. The authority shall (i) establish the conditions for participation; (ii) have the sole right to reject an application; and (iii) set the premium contribution for approved groups as outlined in RCW 41.05.050.

(2) On and after January 1, 1996, the public employees' benefits board and the school employees' benefits board beginning October 1, 2015, may implement strategies to promote managed competition among employee health benefit plans. Strategies may include but are not limited to:

(a) Standardizing the benefit package;

(b) Soliciting competitive bids for the benefit package;

(c) Limiting the state's contribution to a percent of the lowest priced qualified plan within a geographical area;

(d) Monitoring the impact of the approach under this subsection with regards to: Efficiencies in health service delivery, cost shifts to subscribers, access to and choice of managed care plans statewide, and quality of health services. The health care authority shall also advise on the value of administering a benchmark employer-managed plan to promote competition among managed care plans.

**Sec.**  RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each amended to read as follows:

(1) The health care authority is hereby designated as the single state agent for purchasing health services.

(2) On and after January 1, 1995, at least the following state-purchased health services programs shall be merged into a single, community-rated risk pool: Health benefits for groups of employees of school districts and educational service districts that voluntarily purchase health benefits as provided in RCW 41.05.011 through December 31, 2016; health benefits for state employees; health benefits for eligible retired or disabled school employees not eligible for parts A and B of medicare; and health benefits for eligible state retirees not eligible for parts A and B of medicare.

(3) On and after January 1, 2017, health benefits for groups of employees of school districts and educational service districts shall be merged into a single, community-rated risk pool separate and distinct from the pool described in subsection (2) of this section.

(4) By December 15, 2015, the health care authority, in consultation with the public employees' benefits board and the school employees' benefits board, shall submit to the appropriate committees of the legislature a complete analysis of the most appropriate risk pool for the retired and disabled school employees, to include at a minimum an analysis of the size of the nonmedicare and medicare retiree enrollment pools, the impacts on cost for state and school district retirees of moving retirees from one pool to another, the need for and the amount of an ongoing retiree subsidy allocation from the active school employees, and the timing and suggested approach for a transition from one risk pool to another.

(5) At a minimum, and regardless of other legislative enactments, the state health services purchasing agent shall:

(a) Require that a public agency that provides subsidies for a substantial portion of services now covered under the basic health plan use uniform eligibility processes, insofar as may be possible, and ensure that multiple eligibility determinations are not required;

(b) Require that a health care provider or a health care facility that receives funds from a public program provide care to state residents receiving a state subsidy who may wish to receive care from them, and that an insuring entity that receives funds from a public program accept enrollment from state residents receiving a state subsidy who may wish to enroll with them;

(c) Strive to integrate purchasing for all publicly sponsored health services in order to maximize the cost control potential and promote the most efficient methods of financing and coordinating services;

(d) Consult regularly with the governor, the legislature, and state agency directors whose operations are affected by the implementation of this section; and

(e) Ensure the control of benefit costs under managed competition by adopting rules to prevent employers from entering into an agreement with employees or employee organizations when the agreement would result in increased utilization in public employees' benefits board or school employee benefits board plans or reduce the expected savings of managed competition.

**Sec.**  RCW 41.05.026 and 2005 c 274 s 277 are each amended to read as follows:

(1) When soliciting proposals for the purpose of awarding contracts for goods or services, the ((~~administrator~~)) director shall, upon written request by the bidder, exempt from public inspection and copying such proprietary data, trade secrets, or other information contained in the bidder's proposal that relate to the bidder's unique methods of conducting business or of determining prices or premium rates to be charged for services under terms of the proposal.

(2) When soliciting information for the development, acquisition, or implementation of state purchased health care services, the ((~~administrator~~)) director shall, upon written request by the respondent, exempt from public inspection and copying such proprietary data, trade secrets, or other information submitted by the respondent that relate to the respondent's unique methods of conducting business, data unique to the product or services of the respondent, or to determining prices or rates to be charged for services.

(3) Actuarial formulas, statistics, cost and utilization data, or other proprietary information submitted upon request of the ((~~administrator~~)) director, board, school employees' benefits board, or a technical review committee created to facilitate the development, acquisition, or implementation of state purchased health care under this chapter by a contracting insurer, health care service contractor, health maintenance organization, vendor, or other health services organization may be withheld at any time from public inspection when necessary to preserve trade secrets or prevent unfair competition.

(4) The board, school employees' benefits board, or a technical review committee created to facilitate the development, acquisition, or implementation of state purchased health care under this chapter, may hold an executive session in accordance with chapter 42.30 RCW during any regular or special meeting to discuss information submitted in accordance with subsections (1) through (3) of this section.

(5) A person who challenges a request for or designation of information as exempt under this section is entitled to seek judicial review pursuant to chapter 42.56 RCW.

**Sec.**  RCW 41.05.050 and 2009 c 537 s 5 are each amended to read as follows:

(1) Every: (a) Department, division, or separate agency of state government; (b) county, municipal, school district, educational service district, or other political subdivisions; and (c) tribal governments as are covered by this chapter, shall provide contributions to insurance and health care plans for its employees and their dependents, the content of such plans to be determined by the authority. Contributions, paid by the county, the municipality, other political subdivision, or a tribal government for their employees, shall include an amount determined by the authority to pay such administrative expenses of the authority as are necessary to administer the plans for employees of those groups, except as provided in subsection (4) of this section.

(2) If the authority at any time determines that the participation of a county, municipal, other political subdivision, or a tribal government covered under this chapter adversely impacts insurance rates for state employees, the authority shall implement limitations on the participation of additional county, municipal, other political subdivisions, or a tribal government.

(3) The contributions of any: (a) Department, division, or separate agency of the state government; (b) county, municipal, or other political subdivisions; ((~~and~~)) (c) any tribal government as are covered by this chapter; and (d) school districts and educational service districts, shall be set by the authority, subject to the approval of the governor for availability of funds as specifically appropriated by the legislature for that purpose. Insurance and health care contributions for ferry employees shall be governed by RCW 47.64.270.

(4)(a) Until January 1, 2017, the authority shall collect from each participating school district and educational service district an amount equal to the composite rate charged to state agencies, plus an amount equal to the employee premiums by plan and family size as would be charged to state employees, for groups of district employees enrolled in authority plans. The authority may collect these amounts in accordance with the district fiscal year, as described in RCW 28A.505.030.

(b) For all groups of district employees enrolling in authority plans for the first time after September 1, 2003, and until January 1, 2017, the authority shall collect from each participating school district an amount equal to the composite rate charged to state agencies, plus an amount equal to the employee premiums by plan and by family size as would be charged to state employees, only if the authority determines that this method of billing the districts will not result in a material difference between revenues from districts and expenditures made by the authority on behalf of districts and their employees. The authority may collect these amounts in accordance with the district fiscal year, as described in RCW 28A.505.030.

(c) If the authority determines at any time that the conditions in (b) of this subsection cannot be met, the authority shall offer enrollment to additional groups of district employees on a tiered rate structure until such time as the authority determines there would be no material difference between revenues and expenditures under a composite rate structure for all district employees enrolled in authority plans.

(d) ((~~The authority may charge districts a one-time set-up fee for employee groups enrolling in authority plans for the first time.~~

~~(e)~~)) Beginning January 1, 2017, all school districts and educational service districts shall commence participation in the school employees' benefits board program established under section 117 of this act. All school districts and educational service districts, and all district employee groups participating in the public employees' benefits board plans before January 1, 2017, shall thereafter participate in the school employees' benefits board program administered by the authority.

(e) For the purposes of this subsection:

(i) "District" means school district and educational service district; and

(ii) "Tiered rates" means the amounts the authority must pay to insuring entities by plan and by family size.

(f) Notwithstanding this subsection and RCW 41.05.065(4), the authority may allow districts enrolled on a tiered rate structure prior to September 1, 2002, and until January 1, 2017, to continue participation based on the same rate structure and under the same conditions and eligibility criteria.

(5) The authority shall transmit a recommendation for the amount of the employer contribution to the governor and the director of financial management for inclusion in the proposed budgets submitted to the legislature.

**Sec.**  RCW 41.05.055 and 2009 c 537 s 6 are each amended to read as follows:

(1) The public employees' benefits board is created within the authority. The function of the board is to design and approve insurance benefit plans for employees and to establish eligibility criteria for participation in insurance benefit plans.

(2) The board shall be composed of nine members through December 31, 2016, and of eight members thereafter, appointed by the governor as follows:

(a) Two representatives of state employees, one of whom shall represent an employee union certified as exclusive representative of at least one bargaining unit of classified employees, and one of whom is retired, is covered by a program under the jurisdiction of the board, and represents an organized group of retired public employees;

(b) Through December 31, 2016, two representatives of school district employees, one of whom shall represent an association of school employees as a nonvoting member, and one of whom is retired, and represents an organized group of retired school employees. Thereafter, and only while retired school employees are served by the board, only the retired representative shall serve on the board;

(c) Four members with experience in health benefit management and cost containment, one of whom shall be a nonvoting member; and

(d) The ((~~administrator~~)) director.

(3) ((~~The member who represents an association of school employees and one member appointed pursuant to subsection (2)(c) of this section shall be nonvoting members until such time that there are no less than twelve thousand school district employee subscribers enrolled with the authority for health care coverage.~~

~~(4)~~)) The governor shall appoint the initial members of the board to staggered terms not to exceed four years. Members appointed thereafter shall serve two-year terms. Members of the board shall be compensated in accordance with RCW 43.03.250 and shall be reimbursed for their travel expenses while on official business in accordance with RCW 43.03.050 and 43.03.060. The board shall prescribe rules for the conduct of its business. The ((~~administrator~~)) director shall serve as chair of the board. Meetings of the board shall be at the call of the chair.

**Sec.**  RCW 41.05.075 and 2007 c 259 s 34 are each amended to read as follows:

(1) The ((~~administrator~~)) director shall provide benefit plans designed by the board and the school employees' benefits board through a contract or contracts with insuring entities, through self-funding, self-insurance, or other methods of providing insurance coverage authorized by RCW 41.05.140. The process of contracting for plans offered by the school employees' benefits board is subject to oversight and direction by the school employees' benefits board.

(2) The ((~~administrator~~)) director, subject to school employees' benefits board direction for plans offered to school employees, shall establish a contract bidding process that:

(a) Encourages competition among insuring entities;

(b) Maintains an equitable relationship between premiums charged for similar benefits and between risk pools including premiums charged for retired state and school district employees under the separate risk pools established by RCW 41.05.022 and 41.05.080 such that insuring entities may not avoid risk when establishing the premium rates for retirees eligible for medicare;

(c) Is timely to the state budgetary process; and

(d) Sets conditions for awarding contracts to any insuring entity.

(3) School districts directly providing medical and dental benefits plans and contracted insuring entities providing medical and dental benefits plans to school districts on December 31, 2014, shall provide the school employees' benefits board and authority specified data by April 1, 2016, to support an initial benefits plans procurement. At a minimum, the data must cover the period January 1, 2012, through October 31, 2015, and include:

(a) A summary of the benefit packages offered to each group of district employees, including covered benefits, point-of-service cost-sharing, member count, and the group policy number;

(b) Aggregated subscriber and member demographic information, including age band and gender, by insurance tier by month and by benefit packages;

(c) Monthly total by benefit package, including premiums paid, inpatient facility claims paid, outpatient facility claims paid, physician claims paid, pharmacy claims paid, capitation amounts paid, and other claims paid;

(d) A listing for calendar year 2014 of large claims defined as annual amounts paid in excess of one hundred thousand dollars including the amount paid, the member enrollment status, and the primary diagnosis; and

(e) A listing of calendar year 2014 allowed claims by provider entity.

Any data that may be confidential and contain personal health information may be protected in accordance with a data-sharing agreement.

(4) The ((~~administrator~~)) director shall establish a requirement for review of utilization and financial data from participating insuring entities on a quarterly basis.

((~~(4)~~)) (5) The ((~~administrator~~)) director shall centralize the enrollment files for all employee and retired or disabled school employee health plans offered under chapter 41.05 RCW and develop enrollment demographics on a plan-specific basis.

((~~(5)~~)) (6) All claims data shall be the property of the state. The ((~~administrator~~)) director may require of any insuring entity that submits a bid to contract for coverage all information deemed necessary including:

(a) Subscriber or member demographic and claims data necessary for risk assessment and adjustment calculations in order to fulfill the ((~~administrator's~~)) director's duties as set forth in this chapter; and

(b) Subscriber or member demographic and claims data necessary to implement performance measures or financial incentives related to performance under subsection ((~~(7)~~)) (8) of this section.

((~~(6)~~)) (7) All contracts with insuring entities for the provision of health care benefits shall provide that the beneficiaries of such benefit plans may use on an equal participation basis the services of practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered nurses and advanced registered nurse practitioners. However, nothing in this subsection may preclude the ((~~administrator~~)) director from establishing appropriate utilization controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

((~~(7)~~)) (8) The ((~~administrator~~)) director shall, in collaboration with other state agencies that administer state purchased health care programs, private health care purchasers, health care facilities, providers, and carriers:

(a) Use evidence-based medicine principles to develop common performance measures and implement financial incentives in contracts with insuring entities, health care facilities, and providers that:

(i) Reward improvements in health outcomes for individuals with chronic diseases, increased utilization of appropriate preventive health services, and reductions in medical errors; and

(ii) Increase, through appropriate incentives to insuring entities, health care facilities, and providers, the adoption and use of information technology that contributes to improved health outcomes, better coordination of care, and decreased medical errors;

(b) Through state health purchasing, reimbursement, or pilot strategies, promote and increase the adoption of health information technology systems, including electronic medical records, by hospitals as defined in RCW 70.41.020(4), integrated delivery systems, and providers that:

(i) Facilitate diagnosis or treatment;

(ii) Reduce unnecessary duplication of medical tests;

(iii) Promote efficient electronic physician order entry;

(iv) Increase access to health information for consumers and their providers; and

(v) Improve health outcomes;

(c) Coordinate a strategy for the adoption of health information technology systems using the final health information technology report and recommendations developed under chapter 261, Laws of 2005.

((~~(8)~~)) The ((~~administrator~~)) director may permit the Washington state health insurance pool to contract to utilize any network maintained by the authority or any network under contract with the authority.

**Sec.**  RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are each reenacted and amended to read as follows:

(1) The public employees' and retirees' insurance account is hereby established in the custody of the state treasurer, to be used by the ((~~administrator~~)) director for the deposit of contributions, the remittance paid by school districts and educational service districts under RCW 28A.400.410, reserves, dividends, and refunds, for payment of premiums for employee and retiree insurance benefit contracts and subsidy amounts provided under RCW 41.05.085, and transfers from the ((~~medical~~)) flexible spending administrative account as authorized in RCW 41.05.123. Moneys from the account shall be disbursed by the state treasurer by warrants on vouchers duly authorized by the ((~~administrator~~)) director. Moneys from the account may be transferred to the ((~~medical~~)) flexible spending administrative account to provide reserves and start-up costs for the operation of the ((~~medical~~)) flexible spending administrative account program.

(2) The state treasurer and the state investment board may invest moneys in the public employees' and retirees' insurance account. All such investments shall be in accordance with RCW 43.84.080 or 43.84.150, whichever is applicable. The ((~~administrator~~)) director shall determine whether the state treasurer or the state investment board or both shall invest moneys in the public employees' ((~~[and retirees']~~)) and retirees' insurance account.

(3) ((~~During the 2005-07 fiscal biennium, the legislature may transfer from the public employees' and retirees' insurance account such amounts as reflect the excess fund balance of the fund.~~)) The school employees' insurance account is hereby established in the custody of the state treasurer, to be used by the director for the deposit of contributions, reserves, dividends, and refunds, for payment of premiums for school employee insurance benefit contracts. Moneys from the account shall be disbursed by the state treasurer by warrants on vouchers duly authorized by the director.

(4) The state treasurer and the state investment board may invest moneys in the school employees' insurance account. These investments must be in accordance with RCW 43.84.080 or 43.84.150, whichever is applicable. The director shall determine whether the state treasurer or the state investment board or both shall invest moneys in the school employees' insurance account.

**Sec.**  RCW 41.05.130 and 2014 c 221 s 914 are each amended to read as follows:

(1) The state health care authority administrative account is hereby created in the state treasury. Moneys in the account, including unanticipated revenues under RCW 43.79.270, may be spent only after appropriation by statute, and may be used only for operating expenses of the authority, and during the 2013-2015 fiscal biennium, for health care related analysis provided to the legislature by the office of the state actuary.

(2) The school employees' insurance administrative account is hereby created in the state treasury. Moneys in the account may be used for operating, contracting, and other administrative expenses of the authority in administration of the school employees insurance program.

**Sec.**  RCW 41.05.143 and 2007 c 507 s 1 are each amended to read as follows:

(1) The uniform medical plan benefits administration account is created in the custody of the state treasurer. Only the ((~~administrator~~)) director or the ((~~administrator's~~)) director's designee may authorize expenditures from the account. Moneys in the account shall be used exclusively for contracted expenditures for uniform medical plan claims administration, data analysis, utilization management, preferred provider administration, and activities related to benefits administration where the level of services provided pursuant to a contract fluctuate as a direct result of changes in uniform medical plan enrollment. Moneys in the account may also be used for administrative activities required to respond to new and unforeseen conditions that impact the uniform medical plan, but only when the authority and the office of financial management jointly agree that such activities must be initiated prior to the next legislative session.

(2) Receipts from amounts due from or on behalf of uniform medical plan enrollees for expenditures related to benefits administration, including moneys disbursed from the public employees' and retirees' insurance account, shall be deposited into the account. The account is subject to allotment procedures under chapter 43.88 RCW, but no appropriation is required for expenditures. All proposals for allotment increases shall be provided to the house of representatives appropriations committee and to the senate ways and means committee at the same time as they are provided to the office of financial management.

(3) The uniform dental plan benefits administration account is created in the custody of the state treasurer. Only the ((~~administrator~~)) director or the ((~~administrator's~~)) director's designee may authorize expenditures from the account. Moneys in the account shall be used exclusively for contracted expenditures related to benefits administration for the uniform dental plan as established under RCW 41.05.140. Receipts from amounts due from or on behalf of uniform dental plan enrollees for expenditures related to benefits administration, including moneys disbursed from the public employees' and retirees' insurance account, shall be deposited into the account. The account is subject to allotment procedures under chapter 43.88 RCW, but no appropriation is required for expenditures.

(4) The public employees' benefits board medical benefits administration account is created in the custody of the state treasurer. Only the ((~~administrator~~)) director or the ((~~administrator's~~)) director's designee may authorize expenditures from the account. Moneys in the account shall be used exclusively for contracted expenditures related to claims administration, data analysis, utilization management, preferred provider administration, and other activities related to benefits administration for self-insured medical plans other than the uniform medical plan. Receipts from amounts due from or on behalf of enrollees for expenditures related to benefits administration, including moneys disbursed from the public employees' and retirees' insurance account, shall be deposited into the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

(5) The school employees' benefits board medical benefits administration account is created in the custody of the state treasurer. Only the director or the director's designee may authorize expenditures from the account. Moneys in the account shall be used exclusively for contracted expenditures related to claims administration, data analysis, utilization management, preferred provider administration, and other activities related to benefits administration for self-insured medical plans other than the uniform medical plan. Receipts from amounts due from or on behalf of enrollees for expenditures related to benefits administration, including moneys disbursed from the school employees' insurance account, shall be deposited into the account. The account is subject to allotment procedures under chapter 43.88 RCW, but no appropriation is required for expenditures.

(6) A self-insured dental plan benefits administration account is created in the custody of the state treasurer. Only the director or the director's designee may authorize expenditures from the account. Moneys in the account shall be used exclusively for contracted expenditures related to benefits administration for a self-insured dental plan as established under RCW 41.05.140. Receipts from amounts due from or on behalf of a self-insured dental plan enrollees for expenditures related to benefits administration, including moneys disbursed from the school employees' insurance account, shall be deposited into the account. The account is subject to allotment procedures under chapter 43.88 RCW, but no appropriation is required for expenditures.

**Sec.**  RCW 41.05.670 and 2011 c 316 s 6 are each amended to read as follows:

(1) Effective January 1, 2013, the authority must contract with all of the public employees' benefits board managed care plans and the self-insured plan or plans to include provider reimbursement methods that incentivize chronic care management within health homes resulting in reduced emergency department and inpatient use.

(2) Health home services contracted for under this section may be prioritized to enrollees with complex, high cost, or multiple chronic conditions.

(3) For the purposes of this section, "chronic care management((~~,~~))" and "health home" have the same meaning as in RCW 74.09.010.

(4) Contracts with fully insured plans and with any third-party administrator for the self-funded plan that include the items in subsection (1) of this section must be funded within the resources provided by employer funding rates provided for employee health benefits in the omnibus appropriations act.

(5) Nothing in this section shall require contracted third-party health plans administering the self-insured contract to expend resources to implement items in subsection (1) of this section beyond the resources provided by employer funding rates provided for employee health benefits in the omnibus appropriations act or from other sources in the absence of these provisions.

(6) The school employees' benefits board, under section 117 of this act, shall implement the provisions of this section, effective January 1, 2017.

**Sec.**  RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout RCW 28A.400.275 and 28A.400.280.

(1) "School district employee benefit plan" means the overall plan used by the district for distributing fringe benefit subsidies to employees, including the method of determining employee coverage ((~~and the amount of employer contributions, as well as the characteristics of benefit providers and the specific benefits or coverage offered~~)). It shall not include coverage offered to district employees for which there is no contribution from public funds.

(2) "Fringe benefit" does not include liability coverage, old-age survivors' insurance, workers' compensation, unemployment compensation, retirement benefits under the Washington state retirement system, or payment for unused leave for illness or injury under RCW 28A.400.210.

(3) "Basic benefits" ((~~are determined through local bargaining and~~)) are limited to medical, dental, vision, group term life, and group long-term disability insurance coverage.

(4) "Benefit providers" include insurers, third party claims administrators, direct providers of employee fringe benefits, health maintenance organizations, health care service contractors, and the Washington state health care authority or any plan offered by the authority.

(5) "Group term life insurance coverage" means term life insurance coverage provided for, at a minimum, all full-time employees in a bargaining unit or all full-time nonbargaining group employees.

(6) "Group long-term disability insurance coverage" means long-term disability insurance coverage provided for, at a minimum, all full-time employees in a bargaining unit or all full-time nonbargaining group employees.

**Sec.**  RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each amended to read as follows:

(1) Any contract or agreement for employee benefits executed after April 13, 1990, between a school district and a benefit provider or employee bargaining unit is null and void unless it contains an agreement to abide by state laws relating to school district employee benefits. The term of the contract or agreement may not exceed one year.

(2) Through December 31, 2015, school districts and their benefit providers shall annually submit, by a date determined by the office of the insurance commissioner, the following information and data for the prior calendar year to the office of the insurance commissioner:

(a) Progress by the district and its benefit providers toward greater affordability for full family coverage, health care cost savings, and significantly reduced administrative costs;

(b) Compliance with the requirement to provide a high deductible health plan option with a health savings account;

(c) An overall plan summary including the following:

(i) The financial plan structure and overall performance of each health plan including:

(A) Total premium expenses;

(B) Total claims expenses;

(C) Claims reserves; and

(D) Plan administration expenses, including compensation paid to brokers;

(ii) A description of the plan's use of innovative health plan features designed to reduce health benefit premium growth and reduce utilization of unnecessary health services including but not limited to the use of enrollee health assessments or health coach services, care management for high cost or high-risk enrollees, medical or health home payment mechanisms, and plan features designed to create incentives for improved personal health behaviors;

(iii) Data to provide an understanding of employee health benefit plan coverage and costs, including: The total number of employees and, for each employee, the employee's full-time equivalent status, types of coverage or benefits received including numbers of covered dependents, the number of eligible dependents, the amount of the district's contribution to premium, additional premium costs paid by the employee through payroll deductions, and the age and sex of the employee and each dependent;

(iv) Data necessary for school districts to more effectively and competitively manage and procure health insurance plans for employees. The data must include, but not be limited to, the following:

(A) A summary of the benefit packages offered to each group of district employees, including covered benefits, employee deductibles, coinsurance, and copayments, and the number of employees and their dependents in each benefit package;

(B) Aggregated employee and dependent demographic information, including age band and gender, by insurance tier and by benefit package;

(C) Total claim payments by benefit package, including premiums paid, inpatient facility claims paid, outpatient facility claims paid, physician claims paid, pharmacy claims paid, capitation amounts paid, and other claims paid;

(D) Total premiums paid by benefit package;

(E) A listing of large claims defined as annual amounts paid in excess of one hundred thousand dollars including the amount paid, the member enrollment status, and the primary diagnosis;

(F) After December 31, 2015, school districts shall submit such data as required by the school employees' benefits board to administer the consolidated purchasing of health services.

(3) ((~~Annually~~)) Through December 31, 2015, school districts and their benefit providers shall jointly report to the office of the insurance commissioner on their health insurance-related efforts and achievements to:

(a) Significantly reduce administrative costs for school districts;

(b) Improve customer service;

(c) Reduce differential plan premium rates between employee only and family health benefit premiums;

(d) Protect access to coverage for part-time K-12 employees.

(4) The information and data shall be submitted in a format and according to a schedule established by the office of the insurance commissioner under RCW 48.02.210 to enable the commissioner to meet the reporting obligations under that section.

(5) Through December 31, 2015, any benefit provider offering a benefit plan by contract or agreement with a school district under subsection (1) of this section shall make available to the school district the benefit plan descriptions and, where available, the demographic information on plan subscribers that the district and benefit provider are required to report to the office of the insurance commissioner under this section. After December 31, 2015, a benefit provider shall submit such data to the school employees' benefits board.

(6) ((~~This section shall not apply to benefit plans offered in the 1989-90 school year.~~)) Each school district shall:

(a) Carry out all actions required by the school employees' benefits board and the health care authority under chapter 41.05 RCW including, but not limited to, those necessary for the operation of benefit plans, education of employees, claims administration, and appeals process; and

(b) Report all data relating to employees eligible to participate in benefits or plans administered by the school employees' benefits board and the health care authority in a format designed and communicated by the school employees' benefits board and the health care authority.

**Sec.**  RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each amended to read as follows:

(1) Except as provided in subsection (2) of this section, school districts may provide employer fringe benefit contributions after October 1, 1990, only for basic benefits. However, school districts may continue payments under contracts with employees or benefit providers in effect on April 13, 1990, until the contract expires.

(2) School districts may provide employer contributions after October 1, 1990, for optional benefit plans, in addition to basic benefits((~~, only for employees included in pooling arrangements under this subsection~~)). Optional benefits may include direct agreements as defined in chapter 48.150 RCW, ((~~but~~)) and may ((~~not~~)) include employee beneficiary accounts that can be liquidated by the employee on termination of employment. Optional benefit plans may be offered only if:

(a) ((~~The school district pools benefit allocations among employees using a pooling arrangement that includes at least one employee bargaining unit and/or all nonbargaining group employees;~~

~~(b) Each full-time employee included in the pooling arrangement is offered basic benefits, including coverage for dependents;~~

~~(c) Each employee included in the pooling arrangement who elects medical benefit coverage pays a minimum premium charge subject to collective bargaining under chapter 41.59 or 41.56 RCW;~~

~~(d) The employee premiums are structured to ensure employees selecting richer benefit plans pay the higher premium;~~

~~(e)~~)) Each full-time employee ((~~included in the pooling arrangement~~)), regardless of the number of dependents receiving basic coverage, receives the same additional employer contribution for other coverage or optional benefits; and

((~~(f)~~)) (b) For part-time employees ((~~included in the pooling arrangement~~)), participation in optional benefit plans shall be governed by the same eligibility criteria and/or proration of employer contributions used for allocations for basic benefits.

(3) ((~~Savings accruing to school districts due to limitations on benefit options under this section shall be pooled and made available by the districts to reduce out-of-pocket premium expenses for employees needing basic coverage for dependents.~~)) School districts are not intended to divert state basic benefit allocations for other purposes.

**Sec.**  RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each amended to read as follows:

(1) The board of directors of any of the state's school districts or educational service districts may make available medical, dental, vision, liability, life, ((~~health, health care,~~)) accident, disability, and salary protection or insurance, direct agreements as defined in chapter 48.150 RCW, or any one of, or a combination of the types of employee benefits enumerated in this subsection, or any other type of insurance or protection, for the members of the boards of directors, the students, and employees of the school district or educational service district, and their dependents. Except as provided in subsection (6) of this section, such coverage may be provided by contracts or agreements with private carriers, with the state health care authority ((~~after July 1, 1990, pursuant to the approval of the authority administrator~~)), or through self-insurance or self-funding pursuant to chapter 48.62 RCW, or in any other manner authorized by law. Any direct agreement must comply with RCW 48.150.050.

(2)(a) Whenever funds are available for these purposes the board of directors of the school district or educational service district may contribute all or a part of the cost of such protection or insurance for the employees of their respective school districts or educational service districts and their dependents. The premiums on such liability insurance shall be borne by the school district or educational service district.

(b) After October 1, 1990, school districts may not contribute to any employee protection or insurance other than liability insurance unless the district's employee benefit plan conforms to RCW 28A.400.275 and 28A.400.280.

(c) After December 31, 2016, school district contributions to any employee insurance that is purchased through the health care authority must conform to the requirements established by chapter 41.05 RCW and the school employees' benefits board.

(3) For school board members, educational service district board members, and students, the premiums due on such protection or insurance shall be borne by the assenting school board member, educational service district board member, or student. The school district or educational service district may contribute all or part of the costs, including the premiums, of life, health, health care, accident or disability insurance which shall be offered to all students participating in interschool activities on the behalf of or as representative of their school, school district, or educational service district. The school district board of directors and the educational service district board may require any student participating in extracurricular interschool activities to, as a condition of participation, document evidence of insurance or purchase insurance that will provide adequate coverage, as determined by the school district board of directors or the educational service district board, for medical expenses incurred as a result of injury sustained while participating in the extracurricular activity. In establishing such a requirement, the district shall adopt regulations for waiving or reducing the premiums of such coverage as may be offered through the school district or educational service district to students participating in extracurricular activities, for those students whose families, by reason of their low income, would have difficulty paying the entire amount of such insurance premiums. The district board shall adopt regulations for waiving or reducing the insurance coverage requirements for low-income students in order to assure such students are not prohibited from participating in extracurricular interschool activities.

(4) All contracts or agreements for insurance or protection written to take advantage of the provisions of this section shall provide that the beneficiaries of such contracts may utilize on an equal participation basis the services of those practitioners licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

(5)(a) Until the creation of the school employees' benefits board under section 117 of this act, school districts offering medical, vision, and dental benefits shall:

((~~(a)~~)) (i) Offer a high deductible health plan option with a health savings account that conforms to section 223, part VII of subchapter 1 of the internal revenue code of 1986. School districts shall comply with all applicable federal standards related to the establishment of health savings accounts;

((~~(b)~~)) (ii) Make progress toward employee premiums that are established to ensure that full family coverage premiums are not more than three times the premiums for employees purchasing single coverage for the same coverage plan, unless a subsequent premium differential target is defined as a result of the review and subsequent actions described in RCW 41.05.655;

((~~(c)~~)) (iii) Offer employees at least one health benefit plan that is not a high deductible health plan offered in conjunction with a health savings account in which the employee share of the premium cost for a full-time employee, regardless of whether the employee chooses employee-only coverage or coverage that includes dependents, does not exceed the share of premium cost paid by state employees during the state employee benefits year that started immediately prior to the school year.

((~~(6)~~)) (b) All contracts or agreements for employee benefits must be held to responsible contracting standards, meaning a fair, prudent, and accountable competitive procedure for procuring services that includes an open competitive process, except where an open process would compromise cost-effective purchasing, with documentation justifying the approach.

((~~(7)~~)) (c) School districts offering medical, vision, and dental benefits shall also make progress on promoting health care innovations and cost savings and significantly reduce administrative costs.

((~~(8)~~)) (d) All contracts or agreements for insurance or protection described in this section shall be in compliance with chapter 3, Laws of 2012 2nd sp. sess.

((~~(9)~~)) (e) Upon notification from the office of the insurance commissioner of a school district's substantial noncompliance with the data reporting requirements of RCW 28A.400.275, and the failure is due to the action or inaction of the school district, and if the noncompliance has occurred for two reporting periods, the superintendent is authorized and required to limit the school district's authority provided in subsection (1) of this section regarding employee health benefits to the provision of health benefit coverage provided by the state health care authority.

(6) The authority to make available basic benefits to school employees under this section expires December 31, 2016. Beginning January 1, 2017, school districts and educational service districts shall make available basic benefits through plans offered by the health care authority and the school employees' benefits board.

**Sec.**  RCW 41.56.500 and 2010 c 235 s 802 are each amended to read as follows:

(1) All collective bargaining agreements entered into between a school district employer and school district employees under this chapter after June 10, 2010, as well as bargaining agreements existing on June 10, 2010, but renewed or extended after June 10, 2010, shall be consistent with RCW 28A.657.050.

(2) All collective bargaining agreements entered into between a school district employer and school district employees under this chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

(3) Employee bargaining shall be initiated after April 1, 2016, over the dollar amount to be contributed for school employee health benefits beginning July 1, 2017, on behalf of each employee for health care benefits. Bargaining must be conducted in even-numbered years between the governor or governor's designee and one coalition of all the exclusive bargaining representatives impacted by benefit purchasing with the school employees' benefits board established in section 117 of this act, consistent with RCW 28A.400.280 and 28A.400.350. The coalition bargaining must follow the model initially established for state employees in RCW 41.80.020. Any such provision agreed to by the employer and the coalition must be included in all master collective bargaining agreements negotiated by the parties.

(4) The governor shall submit a request for funds necessary to implement the master collective bargaining agreement for the dollar amount to be expended for school employee health benefits, or for legislation necessary to implement the agreement. A request for funds shall not be submitted to the legislature by the governor unless such request:

(a) Has been submitted to the director of the office of financial management by October 1st prior to the legislative session at which the request is to be considered; and

(b) Has been certified by the director of the office of financial management as being feasible financially for the state.

The legislature shall approve or reject the submission of the request for funds as a whole. The legislature shall not consider a request for funds to implement a master collective bargaining agreement unless the request is transmitted to the legislature as part of the governor's budget document submitted under RCW 43.88.030 and 43.88.060.

If the legislature rejects or fails to act on the submission, either party may reopen all or part of the agreement. However, if the director of the office of financial management does not certify a request under this section as being feasible financially for the state, the parties shall enter into collective bargaining solely for the purpose of reaching a mutually agreed upon modification of the agreement necessary to address the absence of those requested funds. The legislature may act upon the health care benefit provisions of the modified collective bargaining agreement if those provisions are agreed upon and submitted to the office of financial management and legislative budget committees before final legislative action on the biennial or supplemental operating budget. If the legislature rejects or fails to act on the submission, either party may reopen all or part of the agreement.

**Sec.**  RCW 41.59.105 and 2010 c 235 s 803 are each amended to read as follows:

(1) All collective bargaining agreements entered into between a school district employer and school district employees under this chapter after June 10, 2010, as well as bargaining agreements existing on June 10, 2010, but renewed or extended after June 10, 2010, shall be consistent with RCW 28A.657.050.

(2) All collective bargaining agreements entered into between a school district employer and school district employees under this chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

(3) Employee bargaining shall be initiated after April 1, 2016, over the dollar amount to be contributed beginning July 1, 2017, on behalf of each employee for health care benefits. Bargaining must be conducted in even-numbered years between the governor or governor's designee and one coalition of all the exclusive bargaining representatives impacted by benefit purchasing with the school employees' benefits board established in section 117 of this act, consistent with RCW 28A.400.280 and 28A.400.350. The coalition bargaining must follow the model initially established for state employees in RCW 41.80.020. Any such provision agreed to by the employer and the coalition must be included in all master collective bargaining agreements negotiated by the parties.

(4) The governor shall submit a request for funds necessary to implement the master collective bargaining agreement for the dollar amount to be expended for school employee health benefits, or for legislation necessary to implement the agreement. A request for funds shall not be submitted to the legislature by the governor unless such request:

(a) Has been submitted to the director of the office of financial management by October 1st prior to the legislative session at which the request is to be considered; and

(b) Has been certified by the director of the office of financial management as being feasible financially for the state.

The legislature shall approve or reject the submission of the request for funds as a whole. The legislature shall not consider a request for funds to implement a master collective bargaining agreement unless the request is transmitted to the legislature as part of the governor's budget document submitted under RCW 43.88.030 and 43.88.060.

If the legislature rejects or fails to act on the submission, either party may reopen all or part of the agreement. However, if the director of the office of financial management does not certify a request under this section as being feasible financially for the state, the parties shall enter into collective bargaining solely for the purpose of reaching a mutually agreed upon modification of the agreement necessary to address the absence of those requested funds. The legislature may act upon the health care benefit provisions of the modified collective bargaining agreement if those provisions are agreed upon and submitted to the office of financial management and legislative budget committees before final legislative action on the biennial or supplemental operating budget. If the legislature rejects or fails to act on the submission, either party may reopen all or part of the agreement.

**Sec.**  RCW 48.02.210 and 2012 2nd sp.s. c 3 s 5 are each amended to read as follows:

(1) For purposes of this section, "benefit provider" has the same meaning as provided in RCW 28A.400.270.

(2)(a) By December 1, 2013, and December 1st of each year thereafter through December 1, 2015, the commissioner shall submit a report to the governor, the health care authority, and the legislature on school district health insurance benefits. The report shall be available to the public on the commissioner's web site. The confidentiality of personally identifiable district employee data shall be safeguarded consistent with the provisions of RCW 42.56.400(21).

(b) The report shall include a summary of each school district's health insurance benefit plans and each district's aggregated financial data and other information as required in RCW 28A.400.275.

(3) The commissioner shall collect data from school districts or their benefit providers through December 1, 2015, as needed to fulfill the requirements of this section. The commissioner may adopt rules necessary to implement the data submission requirements under this section and RCW 28A.400.275, including, but not limited to, the format, timing of data reporting, data elements, data standards, instructions, definitions, and data sources.

(4) In fulfilling the duties under chapter 3, Laws of 2012 2nd sp. sess., the commissioner shall consult with school district representatives to ensure that the data and reports from benefit providers will give individual school districts sufficient information to enhance districts' ability to understand, manage, and seek competitive alternatives for health insurance coverage for their employees.

(5) If the commissioner determines that a school district has not substantially complied with the reporting requirements of RCW 28A.400.275, and the failure is due to the action or inaction of the school district, the commissioner will inform the superintendent of public instruction of the noncompliance.

(6) Data, information, and documents, other than those described in subsection (2) of this section, that are provided by a school district or an entity providing coverage pursuant to this section are exempt from public inspection and copying under chapter 3, Laws of 2012 2nd sp. sess. and chapters 42.17A and 42.56 RCW.

(7) If a school district or benefit provider does not comply with the data reporting requirements of this section or RCW 28A.400.275, and the failure is due to the actions of an entity providing coverage authorized under this title ((~~48 RCW~~)), the commissioner may take enforcement actions under this chapter.

(8) The commissioner may enter into one or more personal services contracts with third-party contractors to provide services necessary to accomplish the commissioner's responsibilities under chapter 3, Laws of 2012 2nd sp. sess.

**PART II**

**SCHOOL DISTRICT EXCESS LEVIES AND LEVY EQUALIZATION**

**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) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsection (3) of this section: (a) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and (b) 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.

(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.

(10)(a) The superintendent of public instruction shall calculate each school district's maximum levy revenue by calendar year. The maximum levy revenue shall be reduced by the following:

(i) In calendar year 2018, budgeted allocations for K-12 salary enhancements provided after August 31, 2017;

(ii) Beginning in calendar year 2019 and each year thereafter, prior school year allocations for K-12 salary enhancements provided after August 31, 2017.

(b) The reductions provided in this subsection (10) should only be applied until a school district's levy rate reaches one dollar and twenty-five cents.

(11) For purposes of this section, "maximum levy revenue" means the lesser of a school district's voter-approved levy or maximum levy authority calculated pursuant to this section.

**Sec.**  RCW 28A.500.030 and 2006 c 372 s 904 and 2006 c 119 s 1 are each reenacted and amended to read as follows:

Allocation of state matching funds to eligible districts for local effort assistance shall be determined as follows:

(1) Funds raised by the district through maintenance and operation levies shall be matched with state funds using the following ratio of state funds to levy funds:

(a) The difference between the district's twelve percent levy rate and the statewide average twelve percent levy rate; to

(b) The statewide average twelve percent levy rate.

(2) The maximum amount of state matching funds for districts eligible for local effort assistance shall be the district's twelve percent levy amount, multiplied by the following percentage:

(a) The difference between the district's twelve percent levy rate and the statewide average twelve percent levy rate; divided by

(b) The district's twelve percent levy rate.

(3) Calendar year 2003 allocations and maximum eligibility under this chapter shall be multiplied by 0.99.

(4) From January 1, 2004, to December 31, 2005, allocations and maximum eligibility under this chapter shall be multiplied by 0.937.

(5) From January 1, 2006, to December 31, 2006, allocations and maximum eligibility under this chapter shall be multiplied by 0.9563. Beginning with calendar year 2007, allocations and maximum eligibility under this chapter shall be fully funded at one hundred percent and shall not be reduced.

(6) For calendar years 2018 and 2019, as increased salary enhancements are phased in, school districts shall receive the allocation provided in calendar year 2017, instead of the calculations provided in this section.

**Sec.**  RCW 28A.500.020 and 1999 c 317 s 2 are each amended to read as follows:

(1) Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(a) ((~~"Prior tax collection year" means the year immediately preceding the year in which the local effort assistance shall be allocated~~)) "School district's prior school year's resident full-time equivalent student enrollment" means the K-12 full-time equivalent student enrollment of the students residing in the school district as reported by the office of the superintendent of public instruction in the prior school year to include resident charter school full-time equivalent student enrollments for charter schools situated in the district.

(b) "Statewide ((~~average twelve percent~~)) median per pupil levy rate" means ((~~twelve percent of~~)) the total levy ((~~bases as defined in RCW 84.52.0531(3)~~)) at one dollar and twenty-five cents per thousand dollars of the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the department of revenue summed for all school districts, and divided by the ((~~total assessed valuation for excess levy purposes in the prior tax collection year for all districts as adjusted to one hundred percent by the county indicated ratio established in RCW 84.48.075~~)) prior school year's statewide K-12 full-time equivalent student enrollment as reported by the office of the superintendent of public instruction.

(c) ((~~The "district's twelve percent levy amount" means the school district's maximum levy authority after transfers determined under RCW 84.52.0531(2) (a) through (c) divided by the district's maximum levy percentage determined under RCW 84.52.0531(4) multiplied by twelve percent.~~

~~(d)~~)) The "district's ((~~twelve percent~~)) per pupil levy rate" means the district's ((~~twelve percent~~)) total levy amount at one dollar and twenty-five cents per thousand dollars of the assessed valuation of all taxable property within the school district adjusted to the state equalized value in accordance with the indicated ratio fixed by the department of revenue divided by the school district's ((~~assessed valuation for excess levy purposes for the prior tax collection year as adjusted to one hundred percent by the county indicated ratio~~)) prior school year's resident full-time equivalent student enrollment.

((~~(e)~~)) (d) "Districts eligible for local effort assistance" means those districts levying one dollar and twenty-five cents per one thousand dollars assessed value with a ((~~twelve percent~~)) per pupil levy rate that ((~~exceeds~~)) is less than the statewide ((~~average twelve percent~~)) median per pupil levy rate.

(2) Unless otherwise stated all rates((~~, percents,~~)) and amounts are for the calendar year for which local effort assistance is being calculated under this chapter.

**Sec.**  RCW 28A.500.030 and 2006 c 372 s 904 and 2006 c 119 s 1 are each reenacted and amended to read as follows:

Allocation of state matching funds to eligible districts for local effort assistance shall be determined as follows:

(1) Funds raised by ((~~the~~)) eligible school districts through maintenance and operation levies shall be matched with state funds ((~~using~~)) by calculating the following ((~~ratio of state funds to levy funds~~)):

((~~(a)~~)) The difference between the district's ((~~twelve percent~~)) per pupil levy rate and the statewide ((~~average twelve percent levy rate; to~~

~~(b) The statewide average twelve percent levy rate~~)) median per pupil levy rate, which is then multiplied by the prior year's resident full-time equivalent enrollment.

(2) The maximum amount of state matching funds for districts eligible for local effort assistance shall be ((~~the district's twelve percent levy amount, multiplied by the following percentage:~~

~~(a) The difference between the district's twelve percent levy rate and the statewide average twelve percent levy rate; divided by~~

~~(b) The district's twelve percent levy rate.~~

~~(3) Calendar year 2003 allocations and maximum eligibility under this chapter shall be multiplied by 0.99.~~

~~(4) From January 1, 2004, to December 31, 2005, allocations and maximum eligibility under this chapter shall be multiplied by 0.937.~~

~~(5) From January 1, 2006, to December 31, 2006, allocations and maximum eligibility under this chapter shall be multiplied by 0.9563. Beginning with calendar year 2007, allocations and maximum eligibility under this chapter shall be fully funded at one hundred percent and shall not be reduced~~)) no more than the amount calculated in subsection (1) of 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:

(1) 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 beginning in calendar year 2020 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) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsection (3) of this section: (a) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and (b) 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.~~

~~(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~~)) no more than one dollar and twenty-five cents per thousand dollars of assessed value of all taxable property adjusted to the state equalized value in accordance with the indicated ratio fixed by the department.

(2) Levy funds collected in subsection (1) of this section must be used only for enhancement outside the program of basic education as defined in RCW 28A.150.220.

((~~(8)~~)) (3) Funds collected from transportation vehicle fund tax levies shall not be subject to the levy limitations in this section.

((~~(9)~~)) (4) 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.

**Sec.**  RCW 43.09.265 and 1995 c 301 s 16 are each amended to read as follows:

(1) The state auditor shall review the tax levies of all local governments in the regular examinations under RCW 43.09.260.

(2) The state auditor shall report to the office of the superintendent of public instruction and the education and finance committees of the legislature any findings of local school district noncompliance with RCW 84.52.0531(2) within ninety days.

**PART III**

**STATE PROPERTY TAX OFFSET**

**Sec.**  RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each amended to read as follows:

(1) Subject to the limitations in RCW 84.55.010, in each year the state shall levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(2)(a) The state must levy for collection for the support of common schools of the state a tax of:

(i) Two dollars and seventy cents in collection year 2018;

(ii) Three dollars and fifty cents in collection year 2019; and

(iii) Three dollars and sixty cents in collection year 2020.

(b) The rates in (a) of this subsection apply to the assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the department. The levies under (a) of this subsection are not subject to RCW 84.55.010.

(3) As used in this section, "the support of common schools" includes the payment of the principal and interest on bonds issued for capital construction projects for the common schools.

**PART IV**

**REPEALERS**

NEW SECTION. **Sec.**  RCW 44.28.157 (School district health benefits—Review—Recommendations—Performance grants—Report) and 2012 2nd sp.s. c 3 s 7 are each repealed.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1)RCW 28A.340.040 (Adoption of salary schedules—Computation of fringe benefits) and 1990 c 33 s 369 & 1988 c 268 s 5;

(2)RCW 28A.400.201 (Enhanced salary allocation model for educator development and certification—Technical working group—Report and recommendation) and 2011 1st sp.s. c 43 s 468, 2010 c 236 s 7, & 2009 c 548 s 601;

(3)RCW 28A.400.205 (Cost-of-living increases for employees) and 2013 2nd sp.s. c 5 s 1, 2011 1st sp.s. c 18 s 1, 2009 c 573 s 1, 2003 1st sp.s. c 20 s 1, & 2001 c 4 s 2;

(4)RCW 28A.400.206 (Cost-of-living increases—Duty of state) and 2003 1st sp.s. c 20 s 2 & 2001 c 4 s 1;

(5)RCW 28A.405.200 (Annual salary schedules as basis for salaries of certificated employees) and 1969 ex.s. c 283 s 1; and

(6)RCW 41.59.940 (Effective date—1975 1st ex.s. c 288) and 1990 c 33 s 572 & 1975 1st ex.s. c 288 s 26.

**PART V**

**MISCELLANEOUS PROVISIONS**

NEW SECTION. **Sec.**  Sections 115 through 135 and 401 of this act take effect January 1, 2017.

NEW SECTION. **Sec.**  Sections 101 through 113 and 402 of this act take effect September 1, 2017.

NEW SECTION. **Sec.**  Sections 201, 202, 206, and 301 of this act take effect January 1, 2018.

NEW SECTION. **Sec.**  Sections 203 through 205 of this act take effect January 1, 2020.

NEW SECTION. **Sec.**  Sections 201 and 202 of this act expire January 1, 2020.

NEW SECTION. **Sec.**  Section 114 of this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

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 ---**