

# HOUSE BILL REPORT

## EHB 2242

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**As Passed House:**  
June 30, 2017

**Title:** An act relating to funding fully the state's program of basic education by providing equitable education opportunities through reform of state and local education contributions.

**Brief Description:** Funding fully the state's program of basic education by providing equitable education opportunities through reform of state and local education contributions.

**Sponsors:** Representatives Sullivan, Harris, Lytton and Taylor.

**Brief History:**

**Committee Activity:**

None.

**Second Special Session**

**Floor Activity:**

Passed House: 6/30/17, 67-26.

### Brief Summary of Engrossed Bill

- Increases and revises state allocations for K-12 basic education salaries, beginning in school year 2018-19 and implemented fully in school year 2019-20.
- Replaces the K-12 salary allocation model, increases minimum salary allocations, establishes maximum salaries and other salary limitations, and adjusts state allocations for inflation and regional differences in the cost of hiring staff.
- Adds a state allocation for professional learning days.
- Enhances state basic education funding under the prototypical school model through increases to special education, vocational education, highly capable, and transitional bilingual programs, all beginning in the 2017-18 school year.
- Creates a new learning assistance allocation for high-poverty schools, beginning in the 2017-18 school year.
- Requires the Superintendent of Public Instruction to publish per-pupil funding rates for each school district for general apportionment and specified categorical programs.

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

- Codifies into the Basic Education Act allocation requirements for services and staffing previously funded in the budget.
- Reestablishes certain increases to class size ratios and other school staffing ratios as enrichments that may become part of the basic education program if funded in the future.
- Establishes a new state property tax for common schools, beginning in calendar year 2018, for a total rate of \$2.70 per \$1,000 of assessed value when combined with the existing state property tax.
- Establishes a new school district levy lid capped at the lesser of \$2,500 per student or \$1.50 per \$1,000 of assessed property value, effective calendar year 2019.
- Provides local effort assistance in proportion to a school district's actual levy compared to the maximum levy, up to a combined total of \$1,500 per student, effective calendar year 2019.
- Limits use of school district levies and local effort assistance to enrichment and defines permitted forms of enrichment, beginning with the 2019-20 school year.
- Requires pre-ballot approval of enrichment expenditures from school district levy revenues beginning calendar year 2020.
- Revises school district accounting, auditing, and budgeting practices.
- Establishes a School Employees Benefits Board to procure health care and other benefits for school district employees statewide, beginning January 1, 2020.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Staff:** Kristen Fraser (786-7148), Jessica Harrell (786-7349), David Pringle (786-7310), and Richelle Geiger (786-7139).

### **Background:**

The Washington 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 Washington Supreme Court has interpreted this to mean that the Legislature must define an instructional program of basic education for public schools and amply fund it from regular and dependable sources, that state funding should reflect the actual costs of providing the legislatively defined program of basic education, and that local levies may be used for enrichment only. To implement the paramount duty, the Legislature has enacted the Basic Education Act (BEA) to establish the state's program of basic education and to determine funding allocations for it. In the 2012 *McCleary* decision, the state Supreme Court ruled that insufficient state funding for basic education unconstitutionally caused districts to rely on local levy funding to support the costs of implementing the state's program.

### **Basic Education Funding Formulas: Prototypical School Formula.**

Legislation enacted in 2009 and 2010 amended the BEA to redefine basic education and to restructure K-12 funding formulas. Engrossed Substitute House Bill (ESHB) 2261 (Chapter 548, Laws of 2009) expanded the definition of basic education and established the framework for a new K-12 funding allocation formula based on prototypical schools. Substitute House Bill (SHB) 2776 (Chapter 236, Laws of 2010), enacted the new prototypical school allocation formulas at funding levels that represented the 2009-10 school year state spending on basic education. Additionally, SHB 2776 required phased-in implementation of specified enhancements to the basic education program. Of these enhancements, transportation, all-day kindergarten, and materials, supplies and operating costs (MSOC) have been fully funded, and the final increment of K-3 class size reduction must be funded in the 2017-18 school year.

*General Apportionment.* The prototypical school funding model for basic education took effect September 1, 2011. This model allocates general apportionment funding to school districts based on assumed levels of staff and other resources necessary to support "prototypical" elementary, middle, and high schools. The state generates funding allocations for each school district through salary assumptions for different staff types, as well as for non-staff costs known as materials, supplies, and operating costs (MSOC). The state allocates state funding to districts monthly according to a statutory apportionment schedule. The funding provided to school districts through the prototypical school formulas is for allocation purposes only, and districts have discretion over how the money is spent, subject to some limits.

*Additional School District Staffing.* The voters approved Initiative 1351 at the 2014 general election. Beyond the class size reductions specified in SHB 2776, the initiative required the state to fund increased school district staffing to reduce class size and to enhance other staffing ratios. The initiative required implementation over two biennia, with funding completed in the 2018-19 school year. Legislation enacted in 2015 delayed the phase-in and full implementation dates for four years.

### **Basic Education Funding Formulas: Categorical Programs.**

In addition to the staffing levels and compensation allocated in general apportionment through the prototypical school model, the state's funding formulas also include allocations for additional support and instruction time through funding for specialized education services often referred to as "categorical" programs. Funding levels are based on allocation of staff salaries and other costs sufficient to provide specified levels of instruction time and services.

*Learning Assistance Program.* The Learning Assistance Program (LAP) provides instructional support for students who are performing below grade level in reading, writing, and mathematics. The funding allocation is based on poverty as measured by the percentage of students in the school district who are eligible for free and reduced-price meals, but school districts must use the LAP allocations to provide supplemental instruction for the students with the greatest academic deficits, regardless of whether they are low-income.

*Special Education Program and Safety Net.* The state allocates funding for a program of special education for students with disabilities. Special education is funded on an excess cost formula for up to 12.7 percent of a district's students. Beyond these allocations, the

Superintendent of Public Instruction (SPI) may provide safety net funding if a district has one or more high-cost students, or if a district is in a community that draws a larger number of families with children in need of special education, such as a community with group homes or military bases.

*Vocational Education.* In addition to allocations generated by the apportionment formula for general education, districts receive additional funding for career and technical education (CTE) and skills center programs. Allocations are provided for smaller class sizes, additional school staff, and higher MSOC.

*Highly Capable Program.* The Highly Capable Program provides access to accelerated learning and enhanced instruction for school districts' most highly capable students. The state allocates funding for supplemental instruction based on 2.314 percent of each school district's enrollment.

*Transitional Bilingual Instructional Program.* The Transitional Bilingual Instructional Program (TBIP) provides supplemental instruction and services for students whose primary language is other than English and for additional supports for students who transition out of the program once they have demonstrated language proficiency.

#### **Basic Education Funding Formulas: School District Employee Compensation.**

*State Allocations.* To fund staff units in the prototypical school formula, the state allocates funding for certificated instructional staff (CIS) salaries based on a "grid" which provides salary values that increase based on educational credit and years of service. Each district's CIS allocation is based on its "staff mix," that is, the distribution on the state salary grid of the CIS hired by the district. Funding to support salaries for the classified staff (CLS) and administrative staff (CAS) in the prototypical school funding formula is specified in the budget bill as a salary rate per state-funded staff person. Engrossed Substitute House Bill 2261 expressed intent to enhance allocations for school district employee compensation by 2018.

*State Restrictions on CIS Salaries.* In general, state salary funding is for allocation purposes only, and school districts are not required to hire staff according to the prototypical school staffing formula, nor are they required to pay CIS salaries according to the state CIS salary grid. Instead, actual salaries are determined by each district's collective bargaining agreements.

However, the state places some restrictions on actual salaries districts may pay for CIS, such as minimum salaries and a requirement that CIS salaries may exceed stated limits only by separate contract for additional time, responsibility, incentive, or innovation (TRII). Under the TRII restrictions, districts may not use supplemental contracts to pay for services that are part of the state's program of basic education.

*Cost-of-Living Adjustments (Initiative 732).* The voters approved Initiative 732 (I-732) at the November 2000 general election. Initiative 732 requires the state to provide an annual cost-of-living adjustment (COLA) for K-12 teachers and other public school employees. The COLA is based on the Seattle-area Consumer Price Index.

*Teacher and Principal Evaluation Program.* Teachers and principals in Washington are subject to a level-four rating evaluation system referred to as the Teacher/Principal Evaluation Program (TPEP). Teachers and principals receive an annual evaluation that focuses on one of eight specified criteria. Every four years, the evaluation must be comprehensive and use all eight criteria. A teacher or principal may be transferred from a focused evaluation to a comprehensive summative evaluation at the request of the teacher or principal, or at the direction of the teacher's or principal's evaluator.

### **School District Employee Benefits.**

The state allocates money to each school district for employee fringe benefits such as health care and for the cost to districts of covering retiree health care for state-funded staff units. Although the state allocates the funding, each district purchases health benefits separately and bargains locally with its employees regarding the specific benefits package. Employee and employer contributions vary by district, and by bargaining units within districts, and there is also variation in the share of the costs paid by employees who insure only themselves versus those who also insure their family members. Retirees are eligible for coverage from the state through the Public Employees' Benefits Board.

Health benefits for state agency and higher education employees, state and K–12 retirees, and some local government and school district employees are provided through the Public Employees Benefits (PEB) program, which is administered by the Health Care Authority (HCA). The Public Employees Benefits Board (PEBB) adopts the benefit plans to be offered and establishes the premium rates.

Legislation enacted in 2012 required school district employee health benefits to promote several goals, including minimum employee premium contributions, requiring higher premiums for richer benefit plans, offering high deductible health plans and health savings accounts, and moving toward employee premiums for full family coverage that are not more than three times larger than the premiums for employee-only coverage. The Legislature directed the Office of the Insurance Commissioner (OIC) to collect extensive data on the plans and costs of health benefits provided to school district employees. The HCA was directed to develop a plan to implement a consolidated health benefits system for K–12 employees. The Joint Legislative Audit and Review Committee was charged with evaluating both the OIC data and the HCA consolidation, and in 2016 concluded that equity and affordability of full-family coverage was not achieved, and that consolidation and other options may improve equity and affordability.

### **State and Local School Property Taxes.**

*State Property Tax.* The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value [AV]). The state levies a regular property tax for common schools at a statutory rate of \$3.60 per \$1,000 AV. In addition to the 1 percent constitutional rate cap, regular property taxes are subject to a growth limit based on the lesser of inflation or 1 percent. Under the 1 percent growth restriction, the estimated effective rate of the state property tax for calendar year 2018 is \$1.86 per \$1,000 AV.

*Maintenance and Operations Levies.* Upon voter approval, school districts are authorized to collect excess levies above the 1 percent constitutional property tax limit. School district

voters may approve maintenance and operations (M&O) levies for up to four years, transportation vehicle levies for up to two years, capital levies for up to six years, and bond levies for the life of the bonds. Since passage of the Levy Lid Act of 1977, the Legislature has limited the amount school districts may collect through their M&O levies. A school district's maximum M&O levy amount is determined by the district's levy base and levy percentage, also referred to as a "lid."

Generally speaking, a district's annual levy base is the total of its state and federal funding for the prior school year, adjusted for inflation, and additionally calculated amounts that were added to the levy base in 2010, sometimes referred to as "ghost money." The levy lid is the maximum allowable percentage of the levy base that a school district may collect. The levy lid for most school districts is 28 percent, which means that each calendar year districts may collect up to 28 percent of their levy base. (Some districts are "grandfathered" at a higher levy percentage.) Under Chapter 6, Laws of 2017 (ESB 5023), the 28 percent lid extends through calendar year 2019, but thereafter the levy lid decreases to 24 percent, or for districts grandfathered at a higher levy percentage, decreases by 4 percentage points, and the ghost money is removed from the levy base.

*Local Effort Assistance.* The Local Effort Assistance program (LEA), also known as levy equalization, was created in 1987. Under the state's LEA program, the state provides additional funding to school districts that are at a relative disadvantage in raising M&O levies due to relatively low property values. School districts are eligible for LEA if they have a higher than average levy rate and if the district has certified a local excess levy. Levies are equalized up to 14 percent of the levy base, half of the 28 percent levy lid that is applied to the majority of districts. When the levy lid decreases in 2019, equalization will reduce to 12 percent, maintaining the one-half policy.

Local Effort Assistance is expressly excluded from the state's program of basic education. In calendar year 2016, 217 districts were eligible to receive LEA, of which 212 districts received the assistance.

### **School District Accounting and Budgeting.**

School district accounting is organized and operated on a fund basis. Most revenues of a school district, including state basic education allocations and M&O levies, are deposited in the district's general fund. School district budgets must set out specified fiscal information, and districts must comply with required procedures when developing and adopting a budget. In addition, the State Auditor's Office (SAO) conducts financial audits of school districts.

### **Summary of Engrossed Bill:**

#### **Basic Education Funding Formulas: School District Employee Compensation.**

Salary allocations sufficient to hire and retain qualified staff for the state's statutory program are expressly included as an element of the basic education program deemed by the Legislature to comply with the paramount duty. State funding allocations to school districts continue to be based on staffing ratios in the prototypical school model and categorical programs. However, the method for allocating state salary funding is revised.

Beginning with the 2018-19 school year, the state will cease using the state salary schedule to allocate CIS salaries for school districts, thus eliminating use of a district's "staff mix" of CIS education and years of experience. Instead, the state will allocate salary funding to school districts based on minimum statewide average salaries for each of the three school staffing categories. Beginning in school year 2018-19, the minimum allocated salaries must be increased in equal increments to the following amounts for school year 2019-20, adjusted for inflation from the 2017-18 school year:

- CIS: An average salary of \$64,000.
- CAS: An average salary of \$95,000.
- CLS: An average salary of \$45,912.
- The minimum allocated salaries are regionalized to reflect regional differences in the cost to recruit and retain staff and are annually adjusted for inflation.

Additional requirements are established for CIS salaries. Districts may not pay CIS less than \$40,000, or more than \$90,000, and salaries for CIS with five years' experience must be at least 10 percent more than the minimum salary. These restrictions apply to salaries for the basic education program, and exclude supplemental contracts. Districts may exceed the caps for specified hard-to-staff positions. Each of the minimum and maximum salaries is adjusted by inflation and by a district's regionalization factor. Additionally, although the state will no longer use a "grid" to allocate salaries, the Superintendent of Public Instruction (SPI) must convene a technical working group to develop a model grid for optional use by school districts.

During the 2018-19 transitional period for the new salary allocations, a school district's collective bargaining agreement with CIS or CLS may not provide for a total salary increase, including supplemental contracts, with a percentage increase that exceeds the Seattle Consumer Price Index (CPI). This restriction applies to collective bargaining agreements that are in effect for the 2018-19 school year and that are entered into or modified after the restriction becomes law. A similar limit applies to salaries for CAS.

Nothing in the legislation is intended to impair or alter collective bargaining agreements currently in effect; however, any collective bargaining agreement entered into or modified after the bill becomes law must comply with the bill's requirements.

*Regionalization; Rebasings Review.* Beginning with the 2018-19 school year, the state must adjust its salary allocations to reflect regional differences in the cost of hiring staff. The regionalization factor for each school district is based on differences in the median residential value of each school district and its nearby districts, with adjustments of 6, 12, or 18 percent. Further regionalization adjustments are identified in the budget bill and must be reduced on a specified schedule through the 2022-23 school year. Under a hold-harmless requirement, no school district will receive less state salary funding from one year to the next as a result of the regional adjustment.

Beginning with the 2023-24 school year, and every six years thereafter, the Legislature must review and rebase salary allocations to ensure that salary allocations reflect market rates and that regionalization reflects actual economic differences among districts.

*Inflationary Adjustment.* State salary allocations must provide an inflationary adjustment based on the Implicit Price Deflator, rather than a COLA based on the Seattle CPI. For school years 2017-18 through 2019-20, the inflationary adjustment is built into the incremental phase-in of the specified minimum average salaries.

*CIS Supplemental Contracts.* Districts may pay CIS salaries that exceed the specified amounts only by separate contract for additional time, responsibility, or incentive; the "innovation" category is eliminated. Beginning with the 2019-20 school year, a district may enter supplemental contracts only for activities that meet the new definition of enrichment, and the hourly rate under a supplemental contract may not exceed the CIS employee's hourly basic education salary.

*Professional Learning.* Beginning with the 2018-19 school year, the state must phase in allocations for a total of three professional learning days for CIS. The learning days must meet the definitions and standards for professional learning, and do not create an entitlement for an individual CIS to receive any particular number of learning days. Beginning in the 2019-20 school year, late start and early release days are limited to no more than seven days during the 180-day school year, with an exception for unforeseen events.

### **Basic Education Funding Formulas: General Apportionment and Categorical Programs.**

Enhancements are made to specific elements of the prototypical school funding model and to categorical programs as follows, effective with the 2017-18 school year:

- Learning Assistance Program: A new LAP allocation is provided to fund an additional 1.1 hours of instruction per week for students in high-poverty schools. In addition, enhanced LAP instructional hours currently funded in the budget are codified in the Basic Education Act. Terminology in the LAP program is revised to refer to "students who are not meeting standards."
- Special Education: The funded enrollment percentage is increased from 12.7 percent to 13.5 percent. In addition, the SPI must review special education safety net rules and make recommendations on providing new access to safety net funding.
- Career and technical education (CTE) and skill centers: CTE class sizes are reduced to 23 students, and skills center class sizes are reduced to 20 students. Districts may spend the portion of CTE funding that exceeds general education funding only on CTE, and permitted uses of this funding for CTE are specified. The SPI must establish a grant program to assist districts with the purchase of CTE equipment. In addition, the SPI must establish methodologies for implementing CTE course equivalency crediting on a broader scale.
- Highly Capable Program: The funded enrollment percentage is increased from 2.314 to 5.
- Transitional Bilingual Instruction Program: For students in middle and high school, the funded instructional hours are increased by 2 hours to 6.778 hours. In addition, instructional hours for exited students that are currently specified and funded in the budget are codified in the Basic Education Act.
- Funding for guidance counselors and parent involvement coordinators that is currently provided in the budget is codified as part of the Basic Education Act, and MSOC values are updated.

To promote transparency, for each school district the SPI must report per-pupil allocations for general apportionment and specified categorical programs in a user-friendly format on the main page of the SPI's website. School district websites must link to this information. In addition, legislative budget documents must report statewide average per-pupil funding levels for the same programs.

The monthly schedule used for apportioning state funding to school districts is revised effective July 1, 2018.

Funding allocations for smaller class sizes in grades K-3 are limited to the actual demonstrated class sizes in each school district, effective September 1, 2018.

**State Property Tax, Enrichment Levies and Local Effort Assistance.**

*State Property Tax.* A new state property tax is levied for the support of the common schools. For taxes levied for collection in calendar year 2018 through 2021, the aggregate rate for both the current state levy and the new state levy is \$2.70 per \$1,000 AV. The new tax is deposited in the State General Fund. The revenue growth limit does not apply to the state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both state levies. Participants in the senior citizen property tax exemption program are fully exempt from the new state levy.

*Enrichment Levy Lid.* Beginning with calendar year 2019, school districts may collect enrichment levies based on a new levy lid. A district's maximum enrichment levy is the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1000 of assessed value. Effective with taxes levied for collection in calendar year 2020, new limitations on enrichment expenditures apply to enrichment levies.

*Local Effort Assistance.* Local Effort Assistance allocations are provided in proportion to the ratio of a school district's actual enrichment levy compared to the maximum enrichment levy. To qualify for LEA, a school district must have a maximum enrichment levy that is less than \$1,500 per pupil. Local Effort Assistance is provided on a per-pupil allocation basis so that the sum of levy funding and LEA for a qualifying district levying the maximum rate is \$1,500 per pupil. Effective with the 2019-20 school year, new limitations on enrichment apply to districts' LEA expenditures.

Both the per-pupil enrichment levy lid and LEA are adjusted annually for inflation.

*Enrichment Limitations.* Beginning with the 2019-20 school year, districts may spend enrichment levies (including transportation vehicle enrichment levies), LEA, and other local revenues only for documented and demonstrated enrichment of the state's program of basic education. To constitute enrichment, a school district expenditure must supplement state minimum instructional offerings, staffing ratios, program components, or professional learning allocations. Permitted forms of enrichment consist of extracurricular activities, extended school days or school years, additional course offerings, early learning, administration of enrichment activities, and additional activities approved by the SPI through the pre-ballot review process. The SPI may report to the Legislature on expanding the list of specifically permitted enrichment activities.

Beginning with enrichment levies for collection in calendar year 2020, a district must receive approval by the SPI of an enrichment expenditure plan before it may submit an enrichment levy proposition to the voters. Processes are established for the SPI pre-ballot review of proposed enrichment expenditures, including limitations on changes to pre-approved uses.

### **School District Auditing, Accounting, and Transparency.**

Beginning with the 2019-20 school year, the State Auditor's regular financial audits must include a review of school district enrichment levies, including use of supplemental contracts. School districts must hold hearings on any audit findings.

Beginning with the 2019-20 school year, school districts must establish a local revenue fund in which to deposit revenues from enrichment levies (including transportation vehicle levies), LEA, and other local revenues. Also beginning with the 2019-20 school year, districts must use revenue-to-expenditure accounting to separately document expenditures from the respective sources.

Additional planning requirements apply to the school district budgeting process. Beginning in 2018, school districts must develop four-year budget plans that include enrollment projections and future cost estimates, including supplemental contracts. Beginning with budgets for the 2019-20 school year, school district budgets must set forth specific information about amounts and sources of each employee's salary. School board budget hearings must address these four-year plans, as well as any request for a change in use to a previously approved plan for enrichment expenditures. School districts must annually report to the SPI about supplemental contracts.

### **Other Education Provisions.**

*Absenteeism.* The Legislature declares its intent to address chronic student absenteeism with funding in the budget, including funding to facilitate a statewide accountability system to improve graduation rates by, among other things, providing districts with assistance in addressing chronic absenteeism.

*Teacher and Principal Evaluation Program.* By November 2017, the SPI must provide an update to the Legislature on implementation of TPEP, including an overview of the evaluation process and survey information on the number of educators in each of the performance rating categories.

*Additional School District Staffing.* The increased school staffing ratios in Initiative 1351 (I-1351) are re-established as potential future enrichments outside the program of basic education. If and to the extent that the Legislature specifically funds any of the enriched staffing ratios in the future, the funded units become part of the prototypical school formula and part of the state's program of basic education. The I-1351 implementation schedule is repealed. The SPI must convene a work group to recommend a phase-in plan for the enrichments that prioritizes implementation of research or evidence-based strategies.

### **School Employees' Benefits Board.**

A nine-member School Employees' Benefits Board (SEBB) is established as part of a consolidated school district employees health benefits purchasing program in the HCA. By September 30, 2017, the Governor must appoint eight members to the board including four

representing certificated and classified employees and four with expertise in employee health benefits policy and administration. The HCA director or designee is chair of the SEBB.

The SEBB responsibilities include the following:

- developing school employee benefit plans that include comprehensive, evidence-based health care benefits;
- authorizing premium contributions, including employee share of the cost for family coverage that does not exceed the required employee share of the cost for employee-only coverage;
- determining the terms of employee and dependent eligibility criteria and enrollment policies, subject to the condition that employees must work at least 630 hours per year to qualify for coverage;
- determining the terms for participation in the SEBB plans, and the penalties for failing to comply with participation criteria;
- participating with the HCA and in coordination with the PEBB in the selection of carriers to provide health and dental plans; and
- reporting to legislative policy and fiscal committees by November 30, 2021, regarding whether the provisions of the act have resulted in cost savings to the state.

The HCA duties are expanded to include administering health care benefit programs for school employees. Beginning January 1, 2020, all school districts must participate in the SEBB program including districts and employees currently participating in the PEBB program, and health benefits for all school district and educational service district employees are merged into a single, community-rated risk pool separate from the risk pool for PEBB health benefits. School retirees and state retirees continue to participate in PEBB health plans. By December 15, 2018, the HCA, in consultation with the PEBB and the SEBB, must complete an analysis of the most appropriate risk pool for retired school employees. A non-voting position on the PEBB that represents school employees is eliminated effective December 31, 2019.

The current exemptions from public disclosure that are provided for proprietary data, actuarial formulas, and similar information solicited for the Public Employees Benefits program are extended also to information solicited for the SEBB program. Provisions requiring the HCA to contract with PEBB managed care plans for chronic care management within health homes are extended to SEBB plans. Separate SEBB program accounts, similar to accounts currently used for the PEBB program, are established in the custody of the State Treasurer.

Health insurers that provide medical and dental plans to school districts as of December 31, 2017, and districts that have self-funded plans, must provide the HCA with specified data by January 1, 2018, to support the initial procurement of plans for the SEBB program. The required data is similar to the data insurers and districts report to the OIC through December 31, 2019. Thereafter, the school districts must submit data required by the SEBB program to administer the consolidated purchasing of health services and the OIC will no longer submit annual data reports to the Legislature.

The scope of the medical, dental, vision, and other basic and optional insurance benefits provided for school employees is removed from local bargaining. Current provisions dealing

with school district pooling arrangements established by bargaining units are abolished. Beginning January 1, 2020, school district contributions to employee insurance purchased through the HCA must conform to requirements established by HCA statutes and the SEBB.

All collective bargaining agreements entered into between school districts and organizations representing certificated or classified school district employees must be consistent with the changes made by the bill. Employee bargaining over the dollar amount expended for school employee health care benefits beginning January 1, 2020, must be conducted between the Governor or the Governor's designee and one coalition of all the exclusive bargaining representatives impacted by benefit purchasing with the SEBB. Bargaining must be initiated after July 1, 2018. The coalition bargaining must follow the model initially established for state employees in RCW 41.80.020. After receiving a finding from the Director of the Office of Financial Management that the agreement is feasible financially for the state, the Governor may request funds and legislation to implement the agreement along with the Governor's budget. The Legislature shall approve or reject the request for funds.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill contains multiple effective dates. Please see the bill.

**Staff Summary of Public Testimony:**

(In support) None.

(Opposed) None.

**Persons Testifying:** None.

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