CERTIFICATION OF ENROLLMENT

**ENGROSSED HOUSE BILL 2242**

Chapter 13, Laws of 2017

(partial veto)

65th Legislature
2017 3rd Special Session

BASIC EDUCATION FUNDING

EFFECTIVE DATE: PENDING

Passed by the House June 30, 2017
Yeas 67 Nays 26

FRANK CHOPP

**Speaker of the House of Representatives**

Passed by the Senate June 30, 2017
Yeas 32 Nays 17

CYRUS HABIB

**President of the Senate**

Approved July 6, 2017 2:26 PM with the exception of Sections 106, 607, 819 and 1003, which are vetoed.

JAY INSLEE

**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 2242** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

**Chief Clerk**

FILED

July 7, 2017

**Secretary of State**
**State of Washington**

# ENGROSSED HOUSE BILL 2242

Passed Legislature - 2017 3rd Special Session

**State of Washington 65th Legislature 2017 3rd Special Session**

**By** Representatives Sullivan, Harris, Lytton, and Taylor

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; amending RCW 28A.150.410, 28A.400.205, 28A.400.200, 84.52.053, 84.52.0531, 84.52.0531, 28A.500.010, 28A.500.050, 84.52.065, 84.55.010, 84.52.043, 84.52.043, 84.48.080, 84.52.070, 84.55.070, 84.69.020, 84.36.381, 84.36.630, 84.52.067, 84.52.825, 79.64.110, 28A.150.200, 28A.150.260, 28A.165.005, 28A.165.015, 28A.165.055, 28A.150.390, 28A.150.392, 28A.185.020, 28A.150.1981, 28A.150.220, 28A.320.330, 28A.505.140, 28A.505.100, 28A.505.040, 28A.505.050, 28A.505.060, 41.59.935, 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.545.030, 28A.545.070, and 28A.510.250; reenacting and amending RCW 84.48.110, 84.55.092, 41.05.011, and 41.05.120; adding new sections to chapter 28A.150 RCW; adding new sections to chapter 28A.415 RCW; adding a new section to chapter 28A.505 RCW; adding a new section to chapter 28A.500 RCW; adding new sections to chapter 28A.300 RCW; adding a new section to chapter 43.09 RCW; adding a new section to chapter 28A.320 RCW; adding new sections to chapter 28A.400 RCW; adding new sections to chapter 41.56 RCW; adding new sections to chapter 41.59 RCW; adding a new section to chapter 41.05 RCW; creating new sections; recodifying RCW 28A.300.600, 28A.300.602,

28A.300.604, and 28A.500.050; repealing RCW 28A.500.020, 28A.500.030, 28A.150.261, 28A.400.201, 28A.415.020, 28A.415.023, 28A.415.024, and 28A.415.025; repealing 2015 c 2 s 2; repealing 2015 3rd sp.s. c 38 ss 1, 3, and 4, and 2015 c 2 ss 1, 4, and 5 (uncodified); providing effective dates; providing expiration dates; and declaring an emergency.

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

NEW SECTION. **Sec. 1.** INTENT. The state must provide education funding that corresponds to the cost of providing all students with the opportunity to learn through the state's statutory program of basic education. In chapter 548, Laws of 2009 (Engrossed Substitute House Bill No. 2261) and chapter 236, Laws of 2010 (Substitute House Bill No. 2776), the state established a comprehensive plan for enhancing the state's program of basic education. With this act, the legislature intends to realize the promise of these reforms and to improve student outcomes by increasing state allocations for school staff salaries, by revising state and local education funding contributions, and by improving transparency and accountability of education funding.

## PART I
## SALARY ALLOCATIONS

**Sec. 101.** RCW 28A.150.410 and 2010 c 236 s 10 are each amended to read as follows:

SALARY ALLOCATION METHODOLOGY——REGULAR REALIGNMENT——ADJUSTMENTS FOR REGIONAL DIFFERENCES IN THE COST OF HIRING STAFF. (1) Through the 2017-18 school year, the legislature shall establish for each school year in the appropriations act a statewide salary allocation schedule, for allocation purposes only, to be used to distribute funds for basic education certificated instructional staff salaries under RCW 28A.150.260. For the purposes of this section, the staff allocations for classroom teachers, teacher librarians, guidance counselors, and student health services staff under RCW 28A.150.260 are considered allocations for certificated instructional staff.

(2) Through the 2017-18 school year, salary allocations for state-funded basic education certificated instructional staff shall be calculated by the superintendent of public instruction by

determining the district's average salary for certificated instructional staff, using the statewide salary allocation schedule and related documents, conditions, and limitations established by the omnibus appropriations act.

(3) ((~~Beginning January 1, 1992~~)) Through the 2017-18 school year, 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 and through the 2017-18 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.

(5) By the 2019-20 school year, the minimum state allocation for salaries for certificated instructional staff in the basic education program must be increased beginning in the 2018-19 school year to provide a statewide average allocation of sixty-four thousand dollars adjusted for inflation from the 2017-18 school year.

(6) By the 2019-20 school year, the minimum state allocation for salaries for certificated administrative staff in the basic education program must be increased beginning in the 2018-19 school year to provide a statewide average allocation of ninety-five thousand dollars adjusted for inflation from the 2017-18 school year.

(7) By the 2019-20 school year, the minimum state allocation for salaries for classified staff in the basic education program must be

increased beginning in the 2018-19 school year to provide a statewide average allocation of forty-five thousand nine hundred twelve dollars adjusted by inflation from the 2017-18 school year.

(8) To implement the new minimum salary allocations in subsections (5) through (7) of this section, the legislature must fund fifty percent of the increased salary allocation in the 2018-19 school year and the entire increased salary allocation in the 2019-20 school year. For school year 2018-19, a district's minimum state allocation for salaries is the greater of the district's 2017-18 state salary allocation, adjusted for inflation, or the district's allocation based on the state salary level specified in subsections (5) through (7) of this section, and as further specified in the omnibus appropriations act.

(9) Beginning with the 2018-19 school year, state allocations for salaries for certificated instructional staff, certificated administrative staff, and classified staff must be adjusted for regional differences in the cost of hiring staff. Adjustments for regional differences must be specified in the omnibus appropriations act for each school year through at least school year 2022-23. For school years 2018-19 through school year 2022-23, the school district regionalization factors are based on the median single-family residential value of each school district and proximate school district median single-family residential value as described in section 104 of this act.

(10) Beginning with the 2023-24 school year and every six years thereafter, the minimum state salary allocations and school district regionalization factors for certificated instructional staff, certificated administration staff, and classified staff must be reviewed and rebased, as provided under section 104 of this act, to ensure that state salary allocations continue to align with staffing costs for the state's program of basic education.

**Sec. 102.** RCW 28A.400.205 and 2013 2nd sp.s. c 5 s 1 are each amended to read as follows:

INFLATIONARY ADJUSTMENTS. (1) School district employees shall be provided an annual salary ((~~cost-of-living~~)) inflationary increase in accordance with this section.

(a) The ((~~cost-of-living~~)) inflationary increase shall be calculated by applying the rate of the yearly increase in the ((~~cost-of-living~~)) inflationary adjustment index to any state-funded salary

base used in state funding formulas for teachers and other school district employees. Beginning with the ((~~2001-02 school year, and for each subsequent school year, except for the 2013-14 and 2014-15 school years~~)) 2020-21 school year, each school district shall be provided ((~~a cost-of-living~~)) an inflationary adjustment allocation sufficient to grant this ((~~cost-of-living~~)) inflationary increase.

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

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

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

**Sec. 103.** RCW 28A.400.200 and 2010 c 235 s 401 are each amended to read as follows:

CERTIFICATED INSTRUCTIONAL STAFF SALARIES—SUPPLEMENTAL CONTRACTS. (1) Every school district board of directors shall fix, alter, allow,

and order paid salaries and compensation for all district employees in conformance with this section.

(2)(a) Through the 2017-18 school year, salaries for certificated instructional staff shall not be less than the salary provided in the appropriations act in the statewide salary allocation schedule for an employee with a baccalaureate degree and zero years of service; ((~~and~~))

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

(c) Beginning with the 2019-20 school year:

(i) Salaries for full-time certificated instructional staff must not be less than forty thousand dollars, to be adjusted for regional differences in the cost of hiring staff as specified in RCW 28A.150.410, and to be adjusted annually by the same inflationary measure as provided in RCW 28A.400.205;

(ii) Salaries for full-time certificated instructional staff with at least five years of experience must exceed by at least ten percent the value specified in (c)(i) of this subsection;

(iii) A district may not pay full-time certificated instructional staff a salary that exceeds ninety thousand dollars, subject to adjustment for regional differences in the cost of hiring staff as specified in RCW 28A.150.410. This maximum salary is adjusted annually by the inflationary measure in RCW 28A.400.205;

(iv) These minimum and maximum salaries apply to the services provided as part of the state's statutory program of basic education and exclude supplemental contracts for additional time, responsibility, or incentive pursuant to this section or for enrichment pursuant to section 501 of this act;

(v) A district may pay a salary that exceeds this maximum salary by up to ten percent for full-time certificated instructional staff: Who are educational staff associates; who teach in the subjects of science, technology, engineering, or math; or who teach in the transitional bilingual instruction or special education programs.

(3)(a)(i) Through the 2017-18 school year 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.

(ii) For the 2018-19 school year, salaries for certificated instructional staff are subject to the limitations in section 702 of this act.

(iii) Beginning with the 2019-20 school year, for purposes of subsection (4) of this section, section 501 of this act, and RCW 28A.505.100, each school district must annually identify the actual salary paid to each certificated instructional staff for services rendered as part of the state's program of basic education.

(b) Through the 2018-19 school year, fringe benefit contributions for certificated instructional staff shall be included as salary under (a)(i) of this subsection only to the extent that the district's actual average benefit contribution exceeds the amount of the insurance benefits allocation, less the amount remitted by districts to the health care authority for retiree subsidies, provided per certificated instructional staff unit in the state operating appropriations act in effect at the time the compensation is payable. For purposes of this section, fringe benefits shall not include payment for unused leave for illness or injury under RCW 28A.400.210; employer contributions for old age survivors insurance, workers' compensation, unemployment compensation, and retirement benefits under the Washington state retirement system; or employer contributions for health benefits in excess of the insurance benefits allocation provided per certificated instructional staff unit in the state operating appropriations act in effect at the time the compensation is payable. A school district may not use state funds to provide employer contributions for such excess health benefits.

(c) 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)(a) Salaries and benefits for certificated instructional staff may exceed the limitations in subsection (3) of this section only by separate contract for additional time, for additional responsibilities, or 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 must be accounted for by a school district when the district is developing its four-year budget plan under RCW 28A.505.040.

(b) 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~~)) 1 of the state Constitution and RCW 28A.150.220. Beginning September 1, 2019, supplemental contracts for certificated instructional staff are subject to the following additional restrictions: School districts may enter into supplemental contracts only for enrichment activities as defined in and subject to the limitations of section 501 of this act. The rate the district pays under a supplemental contract may not exceed the hourly rate provided to that same instructional staff for services under the basic education salary identified pursuant to subsection (3)(a)(iii) of this section.

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

NEW SECTION. **Sec. 104.** A new section is added to chapter 28A.150 RCW to read as follows:

PROCESS FOR REVIEWING AND REBASING SALARY ALLOCATIONS. (1) Beginning with the 2023 regular legislative session, and every six years thereafter, the legislature shall review and rebase state basic education compensation allocations compared to school district compensation data, regionalization factors, and other economic information. The legislature shall revise the minimum allocations and regionalization factors if necessary to ensure that state basic education allocations continue to provide market-rate salaries and that regionalization adjustments reflect actual economic differences between school districts.

(2)(a) For school districts with single-family residential values above the statewide median residential value, regionalization factors for school years 2018-19 through school year 2022-23 are as follows:

(i) For school districts in tercile 1, state salary allocations for school district employees are regionalized by six percent;

(ii) For school districts in tercile 2, state salary allocations for school district employees are regionalized by twelve percent; and

(iii) For school districts in tercile 3, state salary allocations for school district employees are regionalized by eighteen percent.

(b) Additional school district adjustments are identified in the omnibus appropriations act, and these adjustments are partially reduced or eliminated by the 2022-23 school year as follows:

(i) Adjustments that increase the regionalization factor to a value that is greater than the tercile 3 regionalization factor must be reduced by two percentage points each school year beginning with school year 2020-21, through 2022-23.

(ii) Adjustments that increase the regionalization factor to a value that is less than or equal to the tercile 3 regionalization factor must be reduced by one percentage point each school year beginning with school year 2020-21, through 2022-23.

(3) To aid the legislature in reviewing and rebasing regionalization factors, the department of revenue shall, by November 1, 2022, and by November 1st every six years thereafter, determine the median single-family residential value of each school district as well as the median value of proximate districts within fifteen miles of the boundary of the school district for which the median residential value is being calculated.

(4) No district may receive less state funding for the minimum state salary allocation as compared to its prior school year salary allocation as a result of adjustments that reflect updated regionalized salaries.

(5) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Median residential value of each school district" means the median value of all single-family residential parcels included within a school district and any other school district that is proximate to the school district.

(b) "Proximate to the school district" means within fifteen miles of the boundary of the school district for which the median residential value is being calculated.

(c) "School district employees" means state-funded certificated instructional staff, certificated administrative staff, and classified staff.

(d) "School districts in tercile 1" means school districts with median single-family residential values in the first tercile of districts with single-family residential values above the statewide median residential value.

(e) "School districts in tercile 2" means school districts with median single-family residential values in the second tercile of districts with single-family residential values above the statewide median residential value.

(f) "School districts in tercile 3" means school districts with median single-family residential values in the third tercile of districts with single-family residential values above the statewide median residential value.

(g) "Statewide median residential value" means the median value of single-family residential parcels located within all school districts, reduced by five percent.

NEW SECTION. **Sec. 105.** A new section is added to chapter 28A.150 RCW to read as follows:

PROFESSIONAL LEARNING DAYS. (1) Beginning with the 2018-19 school year, the legislature shall begin phasing in funding for professional learning days for certificated instructional staff. At a minimum, the state must allocate funding for:

(a) One professional learning day in the 2018-19 school year;

(b) Two professional learning days in the 2019-20 school year; and

(c) Three professional learning days in the 2020-21 school year.

(2) Nothing in this section entitles an individual certificated instructional staff to any particular number of professional learning days.

(3) The professional learning days must meet the definitions and standards provided in RCW 28A.300.600, 28A.300.602, and 28A.300.604 (as recodified by this act).

***NEW SECTION.** Sec. 106. A new section is added to chapter 28A.150 RCW to read as follows:*

***LATE START/EARLY RELEASE. Beginning in the 2019-20 school year, late start or early release of students resulting in partial days of***

***instruction shall be limited to no more than seven occurrences during the required minimum one hundred eighty-day school year, except as provided in RCW 28A.150.290 for unforeseen events.***

****Sec. 106 was vetoed. See message at end of chapter.***

NEW SECTION. **Sec. 107.** A new section is added to chapter 28A.150 RCW to read as follows:

MODEL SALARY GRID FOR CERTIFICATED INSTRUCTIONAL STAFF——WORK GROUP. (1) The superintendent of public instruction must convene and facilitate a stakeholder technical working group to develop a model salary grid for school district use in developing locally determined compensation plans for certificated instructional staff.

(2) The grid is intended to be used as a resource by school districts in determining local salaries in the collective bargaining process, and it is intended to provide guidance to districts in hiring staff based on the allocation methodology, regionalization adjustments, and compensation restrictions in chapter . . ., Laws of 2017 3rd sp. sess. (this act). However, districts are not required to use this grid in bargaining or determining actual salaries.

(3) Membership of the technical working group convened by the superintendent of public instruction may include, but is not limited to, one school district administrator each from an urban and a rural district east of the crest of the Cascade mountains and from an urban and a rural district west of the crest of the Cascade mountains, a representative of an organization representing school district certificated instructional staff, and a representative of an educational service district.

(4) The superintendent of public instruction must provide the initial model grid to the governor and the appropriate policy and fiscal committees of the legislature for their review by December 1, 2017. The superintendent of public instruction must post the model grid on the web site for the office of the superintendent of public instruction.

(5) The superintendent of public instruction may reconvene the technical working group to update the model grid based on future legislative changes to methodologies for allocating and regionalizing salaries for certificated instructional staff.

NEW SECTION. **Sec. 108.** RECODIFICATION OF PROFESSIONAL LEARNING STANDARDS. RCW 28A.300.600, 28A.300.602, and 28A.300.604 are each recodified as sections in chapter 28A.415 RCW.

## PART II
## ENRICHMENT LEVIES AND LOCAL EFFORT ASSISTANCE

**Sec. 201.** RCW 84.52.053 and 2012 c 186 s 18 are each amended to read as follows:

MAINTENANCE AND OPERATIONS LEVIES RENAMED "ENRICHMENT LEVIES"——MAY BE USED FOR ENRICHMENT ONLY. (1) The limitations imposed by RCW 84.52.050 through 84.52.056, and 84.52.043 shall not prevent the levy of taxes by school districts, when authorized so to do by the voters of such school district in the manner and for the purposes and number of years allowable under Article VII, section 2(a) and Article IX, section 1 of the Constitution of this state. Elections for such taxes shall be held in the year in which the levy is made or, in the case of propositions authorizing two-year through four-year levies for ((~~maintenance and operation support of~~)) enrichment funding for a school district, authorizing two-year levies for transportation vehicle funds established in RCW 28A.160.130 through calendar year 2019, authorizing two-year levies for transportation vehicle enrichment beginning with calendar year 2020, or authorizing two-year through six-year levies to support the construction, modernization, or remodeling of school facilities, which includes the purposes of RCW 28A.320.330(2) (f) and (g), in the year in which the first annual levy is made.

(2)(a) Once additional tax levies have been authorized for ((~~maintenance and operation support of~~)) enrichment funding for a school district for a two-year through four-year period as provided under subsection (1) of this section, no further additional tax levies for ((~~maintenance and operation support of~~)) enrichment funding for the district for that period may be authorized, except for additional levies to provide for subsequently enacted increases affecting the district's ((~~levy base or~~)) maximum levy ((~~percentage~~)).

(b) Notwithstanding (a) of this subsection, any school district that is required to annex or receive territory pursuant to a dissolution of a financially insolvent school district pursuant to

RCW 28A.315.225 may call either a replacement or supplemental levy election within the school district, including the territory annexed or transferred, as follows:

(i) An election for a proposition authorizing two-year through four-year levies for ((~~maintenance and operation support of~~)) enrichment funding for a school district may be called and held before the effective date of dissolution to replace existing ((~~maintenance and operation~~)) enrichment levies and to provide for increases due to the dissolution.

(ii) An election for a proposition authorizing additional tax levies may be called and held before the effective date of dissolution to provide for increases due to the dissolution.

(iii) In the event a replacement levy election under (b)(i) of this subsection is held but does not pass, the affected school district may subsequently hold a supplemental levy election pursuant to (b)(ii) of this subsection if the supplemental levy election is held before the effective date of dissolution. In the event a supplemental levy election is held under ((~~subsection~~)) (b)(ii) of this subsection but does not pass, the affected school district may subsequently hold a replacement levy election pursuant to (b)(i) of this subsection if the replacement levy election is held before the effective date of dissolution. Failure of a replacement levy or supplemental levy election does not affect any previously approved and existing ((~~maintenance and operation~~)) enrichment levy within the affected school district or districts.

(c) For the purpose of applying the limitation of this subsection (2), a two-year through six-year levy to support the construction, modernization, or remodeling of school facilities shall not be deemed to be a tax levy for ((~~maintenance and operation support of~~)) enrichment funding for a school district.

(3) A special election may be called and the time therefor fixed by the board of school directors, by giving notice thereof by publication in the manner provided by law for giving notices of general elections, at which special election the proposition authorizing such excess levy shall be submitted in such form as to enable the voters favoring the proposition to vote "yes" and those opposed thereto to vote "no."

(4)(a) Beginning September 1, 2019, school districts may use enrichment levies and transportation vehicle enrichment levies solely

to enrich the state's statutory program of basic education as authorized under section 501 of this act.

(b) Beginning with propositions for enrichment levies and transportation vehicle enrichment levies for collection in calendar year 2020 and thereafter, a district must receive approval of an enrichment levy expenditure plan from the superintendent of public instruction under section 204 of this act before submission of the proposition to the voters.

**Sec. 202.** RCW 84.52.0531 and 2017 c 6 s 2 are each amended to read as follows:

LEVY LIMITATIONS REVISED TO REFLECT FUTURE ENRICHMENT AND ACCOUNTING POLICIES. 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 subsections (3) and (4) of this section multiplied by the district's maximum levy percentage as defined in subsection (7) 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 (7) 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 2005 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 and the amounts determined under subsection (4) of this section, 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) For levy collections in calendar years 2005 through 2018, in addition to the allocations included under subsection (3)(a) through (c) of this section, a district's levy base shall also include the following:

(a)(i) For levy collections in calendar year 2010, the difference between the allocation the district would have received in the current school year had RCW 84.52.068 not been amended by chapter 19, Laws of 2003 1st sp. sess. and the allocation the district received in the current school year pursuant to RCW 28A.505.220;

(ii) For levy collections in calendar years 2011 through 2018, the allocation rate the district would have received in the prior school year using the Initiative 728 rate multiplied by the full-time equivalent student enrollment used to calculate the Initiative 728 allocation for the prior school year; and

(b) The difference between the allocations the district would have received the prior school year using the Initiative 732 base and the allocations the district actually received the prior school year pursuant to RCW 28A.400.205.

(5) For levy collections in calendar years 2011 through 2018, in addition to the allocations included under subsections (3)(a) through (c) and (4)(a) and (b) of this section, a district's levy base shall also include the difference between an allocation of fifty-three and two-tenths certificated instructional staff units per thousand full-time equivalent students in grades kindergarten through four enrolled in the prior school year and the allocation of certificated instructional staff units per thousand full-time equivalent students in grades kindergarten through four that the district actually received in the prior school year, except that the levy base for a school district whose allocation in the 2009-10 school year was less than fifty-three and two-tenths certificated instructional staff units per thousand full-time equivalent students in grades kindergarten through four shall include the difference between the allocation the district actually received in the 2009-10 school year and the allocation the district actually received in the prior school year.

(6) For levy collections beginning in calendar year 2014 and thereafter, in addition to the allocations included under subsections

(3)(a) through (c), (4)(a) and (b), and (5) of this section, a district's levy base shall also include the funds allocated by the superintendent of public instruction under RCW 28A.715.040 to a school that is the subject of a state-tribal education compact and that formerly contracted with the school district to provide educational services through an interlocal agreement and received funding from the district.

(7)(a) A district's maximum levy percentage shall be twenty-four percent in 2010 and twenty-eight percent in 2011 through 2018 ((~~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 2018, 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 (8) 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.

(8) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsections (3) and (4) 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.

(9) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.

(b) "Current school year" means the year immediately following the prior school year.

(c) "Initiative 728 rate" means the allocation rate at which the student achievement program would have been funded under chapter 3, Laws of 2001, if all annual adjustments to the initial 2001 allocation rate had been made in previous years and in each subsequent year as provided for under chapter 3, Laws of 2001.

(d) "Initiative 732 base" means the prior year's state allocation for annual salary cost-of-living increases for district employees in the state-funded salary base as it would have been calculated under chapter 4, Laws of 2001, if each annual cost-of-living increase allocation had been provided in previous years and in each subsequent year.

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

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

(12) For calendar year 2009, the office of the superintendent of public instruction shall recalculate school district levy authority to reflect levy rates certified by school districts for calendar year 2009.

((~~(13) For levies collected in calendar year 2018 and thereafter, levy collections must be deposited into a local revenue subfund of the general fund to enable a detailed accounting of the amount and object of expenditures from the levy collections. The office of the superintendent of public instruction must collaborate with the office of the state auditor to develop guidance for districts to carry out this requirement.~~

~~(14) To ensure that levies for maintenance and operation support under RCW 84.52.053 are not used for basic education programs, beginning with ballot propositions submitted to the voters in calendar year 2018, districts must provide a report to the office of the superintendent of public instruction detailing the programs and activities to be funded through a maintenance and operation levy. Enrichment beyond the state-provided funding in the omnibus appropriations act for the basic education program components under RCW 28A.150.260 is a permitted use of maintenance and operation~~

~~levies. The report required by this subsection must be submitted to, and approved by, the office of the superintendent of public instruction prior to the election for the proposition.~~))

**Sec. 203.** RCW 84.52.0531 and 2017 c 6 s 3 are each amended to read as follows:

ENRICHMENT LEVIES BEGINNING IN 2019. ((~~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 2018 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;~~

~~(ii) For 2011 through 2018, 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 2019 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)~~)) (1) Beginning with taxes levied for collection in 2019, the maximum dollar amount which may be levied by or for any school district for enrichment levies under RCW 84.52.053 is equal to the lesser of one dollar and fifty cents per thousand dollars of the assessed value of property in the school district or the maximum per-pupil limit.

(2) The definitions in this subsection apply to this section unless the context clearly requires otherwise.

(a) "Inflation" means inflation as defined in RCW 84.55.005.

(b) "Maximum per-pupil limit" means two thousand five hundred dollars, multiplied by the number of average annual resident full-time equivalent students enrolled in the school district in the prior school year. Beginning with property taxes levied for collection in 2020, the maximum per-pupil limit shall be increased by inflation.

(c) "Prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.

(3) Beginning with propositions for enrichment levies for collection in calendar year 2020 and thereafter, a district must receive approval of an enrichment levy expenditure plan under section 204 of this act before submission of the proposition to the voters.

(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.

((~~(10) For levies collected in calendar year 2018 and thereafter, levy collections must be deposited into a local revenue subfund of the general fund to enable a detailed accounting of the amount and object of expenditures from the levy collections. The office of the superintendent of public instruction must collaborate with the office of the state auditor to develop guidance for districts to carry out this requirement.~~

~~(11) To ensure that levies for maintenance and operation support under RCW 84.52.053 are not used for basic education programs, beginning with ballot propositions submitted to the voters in~~

~~calendar year 2018, districts must provide a report to the office of the superintendent of public instruction detailing the programs and activities to be funded through a maintenance and operation levy. Enrichment beyond the state-provided funding in the omnibus appropriations act for the basic education program components under RCW 28A.150.260 is a permitted use of maintenance and operation levies. The report required by this subsection must be submitted to, and approved by, the office of the superintendent of public instruction prior to the election for the proposition.~~))

(5) Beginning with taxes levied for collection in 2020, enrichment levy revenues must be deposited in a separate subfund of the school district's general fund pursuant to RCW 28A.320.330, and are subject to the restrictions of section 501 of this act and the audit requirements of section 503 of this act.

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

NEW SECTION. **Sec. 204.** A new section is added to chapter 28A.505 RCW to read as follows:

PREBALLOT APPROVAL OF ENRICHMENT LEVY EXPENDITURE PLANS. (1) As required by RCW 84.52.053(4), before a school district may submit an enrichment levy, including a transportation vehicle enrichment levy, under RCW 84.52.053 to the voters, it must have received approval from the office of the superintendent of public instruction of an expenditure plan for the district's enrichment levy and other local revenues as defined in section 501 of this act. Within thirty days after receiving the plan the office of the superintendent of public instruction must notify the school district whether the spending plan is approved. If the office of the superintendent of public instruction rejects a district's proposed spending plan, then the district may submit a revised spending plan, and the superintendent must approve or reject the revised submission within thirty days. The office of the superintendent of public instruction may approve a spending plan only if it determines that the enrichment levy and other local revenues as defined in section 501(1) of this act will be used solely for permitted enrichment activities as provided in section 501(2) of this act.

(2)(a) Except as provided in (b) of this subsection, after a school district has received voter approval for a levy for an enrichment levy under RCW 84.52.053, a school district may change its

spending plan for the voter-approved levy by submitting a revised spending plan to the office of the superintendent of public instruction for review and approval. To revise a previously approved spending plan, the district must provide notice and an opportunity for review and comment at an open meeting of the school board, and the board must adopt the revised spending plan by resolution. The board must then submit the plan to the office of the superintendent of public instruction. Within thirty days after receiving the revised spending plan the office must notify the school district whether the revised spending plan is approved. The office of the superintendent of public instruction may approve a revised spending plan only if it determines that the enrichment levy and other local revenues as defined in section 501(1) of this act will be used solely for permitted enrichment activities as provided in section 501(2) of this act.

(b) If the superintendent has approved expenditures for specific purposes under (a) of this subsection, a district may change the relative amounts to be spent for those respective purposes for the same levy in subsequent years without having to first receive approval for the change from the office of the superintendent of public instruction if the district adopts the change as part of its annual budget proposal after a public hearing under RCW 28A.505.060.

(3) This section applies to taxes levied for collection beginning in calendar year 2020 and thereafter.

**Sec. 205.** RCW 28A.500.010 and 1999 c 317 s 1 are each amended to read as follows:

STATE LOCAL EFFORT ASSISTANCE FUNDING MAY BE USED FOR ENRICHMENT ONLY. ((~~Commencing with calendar year 2000, in addition to a school district's other general fund allocations, each eligible district shall be provided local effort assistance funds.~~)) <u>The legislature intends to continue providing local effort assistance funding to school districts. Local effort assistance provides schools in property-poor districts with funding for locally determined activities that enrich the state's program of basic education, thereby enhancing equity in students' access to extracurricular activities and similar enrichments.</u> The purpose of these funds is to mitigate the effect that above average property tax rates might have on the ability of a school district to raise local revenues to supplement the state's basic program of education. These funds serve

to equalize the property tax rates that individual taxpayers would pay for such levies and to provide tax relief to taxpayers in high tax rate school districts. ((~~Such funds are not part of the district's basic education allocation.~~))

Local effort assistance funding is not part of the state's statutory program of basic education, nor are allocations for it part of the district's basic education allocation. Beginning September 1, 2019, and subject to section 501 of this act, districts may use local effort assistance funding only to enrich the state's statutory program of basic education.

NEW SECTION. **Sec. 206.** A new section is added to chapter 28A.500 RCW to read as follows:

NEW FORMULA FOR LOCAL EFFORT ASSISTANCE. (1) Beginning in calendar year 2019 and each calendar year thereafter, the state must provide state local effort assistance funding to supplement school district enrichment levies as provided in this section.

(2) For an eligible school district, annual local effort assistance funding is equal to the school district's maximum local effort assistance multiplied by a fraction equal to the school district's actual enrichment levy divided by the school district's maximum allowable enrichment levy.

(3) The state local effort assistance funding provided under this section is not part of the state's program of basic education deemed by the legislature to comply with the requirements of Article IX, section 1 of the state Constitution.

(4) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Eligible school district" means a school district whose maximum allowable enrichment levy divided by the school district's total student enrollment in the prior school year is less than the state local effort assistance threshold.

(b) "Inflation" means inflation as defined in RCW 84.55.005.

(c) "Maximum allowable enrichment levy" means the maximum levy permitted by RCW 84.52.0531.

(d) "Maximum local effort assistance" means the school district's student enrollment in the prior school year multiplied by the difference of the state local effort assistance threshold and a school district's maximum allowable enrichment levy divided by the school district's student enrollment in the prior school year.

(e) "Prior school year" means the most recent school year completed prior to the year in which the state local effort assistance funding is to be distributed.

(f) "State local effort assistance threshold" means one thousand five hundred dollars per student, adjusted for inflation beginning in calendar year 2020.

(g) "Student enrollment" means the average annual resident full-time equivalent student enrollment.

NEW SECTION. **Sec. 207.** The following acts or parts of acts are each repealed:

REPEALERS. (1) RCW 28A.500.020 (Definitions) and 2013 2nd sp.s. c 4 s 957, 2010 c 237 s 5, 2004 c 21 s 1, & 1999 c 317 s 2; and

(2) RCW 28A.500.030 (Allocation of state matching funds——Determination) and 2010 c 237 s 6, 2006 c 372 s 904, 2006 c 119 s 1, 2005 c 518 s 914, 2003 1st sp.s. c 25 s 912, 2002 c 317 s 4, & 1999 c 317 s 3.

**Sec. 208.** RCW 28A.500.050 and 2009 c 548 s 301 are each amended to read as follows:

INTENT LANGUAGE REGARDING LOCAL INVESTMENTS——DECLARED NOT TO BE PART OF BASIC EDUCATION PROGRAM——TO BE RECODIFIED IN CHAPTER 28A.150 RCW (BEA). (1) The legislature finds that while the state has the responsibility to provide for a general and uniform system of public schools, there is also a need for some diversity in the public school system. A successful system of public education must permit some variation among school districts outside the basic education provided for by the state to respond to and reflect the unique desires of local communities. The opportunity for local communities to invest in enriched education programs promotes support for local public schools. Further, the ability of local school districts to experiment with enriched programs can inform the legislature's long-term evolution of the definition of basic education. Therefore, local levy authority remains an important component of the overall finance system in support of the public schools even though it is outside the state's obligation for basic education <u>and, after September 1, 2019, is restricted to enrichment purposes under section 501 of this act</u>.

(2) However, the value of permitting local levies must be balanced with the value of equity and fairness to students and to

taxpayers, neither of whom should be unduly disadvantaged due to differences in the tax bases used to support local levies. Equity and fairness require both an equitable basis for supplemental funding outside basic education and a mechanism for property tax-poor school districts to fairly access supplemental funding. As such, local effort assistance, while also outside the state's obligation for basic education, is another important component of school finance.

NEW SECTION. **Sec. 209.** Section 202 of this act expires January 1, 2019.

NEW SECTION. **Sec. 210.** Sections 201, 203, 206, and 207 of this act take effect January 1, 2019.

NEW SECTION. **Sec. 211.** RCW 28A.500.050 is recodified as a section in chapter 28A.150 RCW.

NEW SECTION. **Sec. 212.** Section 202 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.

## PART III
## STATE PROPERTY TAX REVISIONS

**Sec. 301.** RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each amended to read as follows:

STATE PROPERTY TAX. (1) Except as otherwise provided in this section, 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) In addition to the tax authorized under subsection (1) of this section, the state must levy an additional property tax for the support of common schools of the state.

(i) For taxes levied for collection in calendar years 2018 through 2021, the rate of tax is the rate necessary to bring the

aggregate rate for state property tax levies levied under this subsection and subsection (1) of this section to a combined rate of two dollars and seventy 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.

(ii) For taxes levied for collection in calendar year 2022 and thereafter, the tax authorized under this subsection (2) is subject to the limitations of chapter 84.55 RCW.

(b) Taxes collected under this subsection (2) must be deposited into the state general fund.

(3) For taxes levied for collection in calendar years 2019 through 2021, the state property taxes levied under subsections (1) and (2) of this section are not subject to the limitations in chapter 84.55 RCW.

(4) For taxes levied for collection in calendar year 2022 and thereafter, the aggregate rate limit for state property taxes levied under subsections (1) and (2) of this section is 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.

(5) For property taxes levied for collection in calendar years 2019 through 2021, the rate of tax levied under subsection (1) of this section is the actual rate that was levied for collection in calendar year 2018 under subsection (1) of this section.

(6) 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.

**Sec. 302.** RCW 84.55.010 and 2014 c 4 s 1 are each amended to read as follows:

STATE PROPERTY TAX AND GROWTH LIMIT. (1) Except as provided in this chapter, the levy for a taxing district in any year must be set so that the regular property taxes payable in the following year ((~~does [do]~~)) do not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the regular property tax levy rate of that district

for the preceding year by the increase in assessed value in that district resulting from:

((~~(1)~~)) (a) New construction;

((~~(2)~~)) (b) Increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, if such facilities generate electricity and the property is not included elsewhere under this section for purposes of providing an additional dollar amount. The property may be classified as real or personal property;

((~~(3)~~)) (c) Improvements to property; and

((~~(4)~~)) (d) Any increase in the assessed value of state-assessed property.

(2) The requirements of this section do not apply to:

(a) State property taxes levied under RCW 84.52.065(1) for collection in calendar years 2019 through 2021; and

(b) State property taxes levied under RCW 84.52.065(2) for collection in calendar years 2018 through 2021.

**Sec. 303.** RCW 84.52.043 and 2017 c 196 s 11 are each amended to read as follows:

CONFORMING AMENDMENT. Within and subject to the limitations imposed by RCW 84.52.050 as amended, the regular ad valorem tax levies upon real and personal property by the taxing districts hereafter named are as follows:

(1) Levies of the senior taxing districts are as follows: (a) The ((~~levy~~)) levies by the state may not exceed ((~~three dollars and sixty cents per thousand dollars of assessed value~~)) the applicable aggregate rate limit specified in RCW 84.52.065 (2) or (4) adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue to be used exclusively for the support of the common schools; (b) the levy by any county may not exceed one dollar and eighty cents per thousand dollars of assessed value; (c) the levy by any road district may not exceed two dollars and twenty-five cents per thousand dollars of assessed value; and (d) the levy by any city or town may not exceed three dollars and thirty-seven and one-half cents per thousand dollars of assessed value. However any county is hereby authorized to increase its levy from one dollar and eighty cents to a rate not to exceed two dollars and forty-seven and one-half cents per thousand dollars of assessed value for general county purposes if the total levies for both the county

and any road district within the county do not exceed four dollars and five cents per thousand dollars of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy.

(2) The aggregate levies of junior taxing districts and senior taxing districts, other than the state, may not exceed five dollars and ninety cents per thousand dollars of assessed valuation. The term "junior taxing districts" includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The limitations provided in this subsection do not apply to: (a) Levies at the rates provided by existing law by or for any port or public utility district; (b) excess property tax levies authorized in Article VII, section 2 of the state Constitution; (c) levies for acquiring conservation futures as authorized under RCW 84.34.230; (d) levies for emergency medical care or emergency medical services imposed under RCW 84.52.069; (e) levies to finance affordable housing for very low-income housing imposed under RCW 84.52.105; (f) the portions of levies by metropolitan park districts that are protected under RCW 84.52.120; (g) levies imposed by ferry districts under RCW 36.54.130; (h) levies for criminal justice purposes under RCW 84.52.135; (i) the portions of levies by fire protection districts and regional fire protection service authorities that are protected under RCW 84.52.125; (j) levies by counties for transit-related purposes under RCW 84.52.140; (k) the protected portion of the levies imposed under RCW 86.15.160 by flood control zone districts in a county with a population of seven hundred seventy-five thousand or more that are coextensive with a county; and (l) levies imposed by a regional transit authority under RCW 81.104.175.

**Sec. 304.** RCW 84.52.043 and 2017 c 196 s 12 are each amended to read as follows:

CONFORMING AMENDMENT. Within and subject to the limitations imposed by RCW 84.52.050 as amended, the regular ad valorem tax levies upon real and personal property by the taxing districts hereafter named are as follows:

(1) Levies of the senior taxing districts are as follows: (a) The ((~~levy~~)) levies by the state may not exceed ((~~three dollars and sixty cents per thousand dollars of assessed value~~)) the applicable aggregate rate limit specified in RCW 84.52.065 (2) or (4) adjusted

to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue to be used exclusively for the support of the common schools; (b) the levy by any county may not exceed one dollar and eighty cents per thousand dollars of assessed value; (c) the levy by any road district may not exceed two dollars and twenty-five cents per thousand dollars of assessed value; and (d) the levy by any city or town may not exceed three dollars and thirty-seven and one-half cents per thousand dollars of assessed value. However any county is hereby authorized to increase its levy from one dollar and eighty cents to a rate not to exceed two dollars and forty-seven and one-half cents per thousand dollars of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed four dollars and five cents per thousand dollars of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy.

(2) The aggregate levies of junior taxing districts and senior taxing districts, other than the state, may not exceed five dollars and ninety cents per thousand dollars of assessed valuation. The term "junior taxing districts" includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The limitations provided in this subsection do not apply to: (a) Levies at the rates provided by existing law by or for any port or public utility district; (b) excess property tax levies authorized in Article VII, section 2 of the state Constitution; (c) levies for acquiring conservation futures as authorized under RCW 84.34.230; (d) levies for emergency medical care or emergency medical services imposed under RCW 84.52.069; (e) levies to finance affordable housing for very low-income housing imposed under RCW 84.52.105; (f) the portions of levies by metropolitan park districts that are protected under RCW 84.52.120; (g) levies imposed by ferry districts under RCW 36.54.130; (h) levies for criminal justice purposes under RCW 84.52.135; (i) the portions of levies by fire protection districts and regional fire protection service authorities that are protected under RCW 84.52.125; (j) levies by counties for transit-related purposes under RCW 84.52.140; (k) the portion of the levy by flood control zone districts that are protected under RCW 84.52.816; and (l) levies imposed by a regional transit authority under RCW 81.104.175.

**Sec. 305.** RCW 84.48.080 and 2008 c 86 s 502 are each amended to read as follows:

CONFORMING AMENDMENT. (1) Annually during the months of September and October, the department of revenue shall examine and compare the returns of the assessment of the property in the several counties of the state, and the assessment of the property of railroad and other companies assessed by the department, and proceed to equalize the same, so that each county in the state shall pay its due and just proportion of the taxes for state purposes for such assessment year, according to the ratio the valuation of the property in each county bears to the total valuation of all property in the state.

(a) The department shall classify all property, real and personal, and shall raise and lower the valuation of any class of property in any county to a value that shall be equal, so far as possible, to the true and fair value of such class as of January 1st of the current year for the purpose of ascertaining the just amount of tax due from each county for state purposes. In equalizing personal property as of January 1st of the current year, the department shall use valuation data with respect to personal property from the three years immediately preceding the current assessment year in a manner it deems appropriate. Such classification may be on the basis of types of property, geographical areas, or both. For purposes of this section, for each county that has not provided the department with an assessment return by December 1st, the department shall proceed, using facts and information and in a manner it deems appropriate, to estimate the value of each class of property in the county.

(b) The department shall keep a full record of its proceedings and the same shall be published annually by the department.

(2) The department shall levy the state taxes authorized by law. The amount levied in any one year for general state purposes shall not exceed the lawful dollar rate on the dollar of the assessed value of the property of the entire state, which assessed value shall be one hundred percent of the true and fair value of the property in money.

(a) The department shall apportion the amount of tax for state purposes levied under RCW 84.52.065 (1) and (2) by the department, among the several counties, in proportion to the valuation of the taxable property of the county for the year as equalized by the department((~~: PROVIDED, That~~)); however, for purposes of this

apportionment, the department shall recompute the previous year's ((~~levy~~)) levies imposed under RCW 84.52.065 (1) and (2) and the apportionment thereof to correct for changes and errors in taxable values reported to the department after October 1 of the preceding year and shall adjust the apportioned amount of the current year's state levy under RCW 84.52.065 (1) and (2) for each county by the difference between the apportioned amounts established by the original and revised levy computations for the previous ((~~year~~)) year's levies under RCW 84.52.065 (1) and (2).

(b) For purposes of this section, changes in taxable values mean a final adjustment made by a county board of equalization, the state board of tax appeals, or a court of competent jurisdiction and shall include additions of omitted property, other additions or deletions from the assessment or tax rolls, any assessment return provided by a county to the department subsequent to December 1st, or a change in the indicated ratio of a county. Errors in taxable values mean errors corrected by a final reviewing body.

(3) The department ((~~shall have~~)) has authority to adopt rules and regulations to enforce obedience to its orders in all matters in relation to the returns of county assessments, the equalization of values, and the apportionment of the state levy by the department.

(4) After the completion of the duties prescribed in this section, the director of the department shall certify the record of the proceedings of the department under this section, the tax levies made for state purposes and the apportionment thereof among the counties, and the certification shall be available for public inspection.

**Sec. 306.** RCW 84.48.110 and 1994 c 301 s 44 and 1994 c 124 s 32 are each reenacted and amended to read as follows:

CONFORMING AMENDMENT. After certifying the record of the proceedings of the department in accordance with RCW 84.48.080, the department shall transmit to each county assessor a copy of the record of the proceedings of the department, specifying the amount to be levied and collected for state purposes for such year, and in addition thereto it shall certify to each county assessor the amount due to each state fund and unpaid from such county for the fifth preceding year, and such delinquent state taxes shall be added to the amount levied for the current year. The department shall close the account of each county for the fifth preceding year and charge the

amount of such delinquency to the tax ((~~levy~~)) levies of the current year. These delinquent taxes ((~~shall not be~~)) are not subject to chapter 84.55 RCW. All taxes collected on and after the first day of July last preceding such certificate, on account of delinquent state taxes for the fifth preceding year shall belong to the county and by the county treasurer be credited to the current expense fund of the county in which collected.

**Sec. 307.** RCW 84.52.070 and 2010 c 106 s 313 are each amended to read as follows:

CONFORMING AMENDMENT. (1) It is the duty of the county legislative authority of each county, on or before the thirtieth day of November in each year, to certify to the county assessor the amount of taxes levied upon the property in the county for county purposes, and the respective amounts of taxes levied by the board for each taxing district, within or coextensive with the county, for district purposes.

(2) It is the duty of the council of each city having a population of three hundred thousand or more, and of the council of each town, and of all officials or boards of taxing districts within or coextensive with the county, authorized by law to levy taxes directly and not through the county legislative authority, on or before the thirtieth day of November in each year, to certify to the county assessor the amount of taxes levied upon the property within the city, town, or district for city, town, or district purposes.

(3) If a levy amount is certified to the county assessor after the thirtieth day of November, the county assessor may use no more than the certified levy amount for the previous year for the taxing district. This subsection (3) does not apply to ((~~the~~)) state ((~~levy~~)) levies or when the assessor has not certified assessed values as required by RCW 84.48.130 at least twelve working days before November 30th.

**Sec. 308.** RCW 84.55.070 and 2009 c 350 s 11 are each amended to read as follows:

CONFORMING AMENDMENT. The provisions of this chapter do not apply to a levy, including ((~~the~~)) any state levy, or that portion of a levy, made by or for a taxing district:

(1) For the purpose of funding a property tax refund paid under the provisions of chapter 84.68 RCW;

(2) Under RCW 84.69.180; or

(3) Attributable to amounts of state taxes withheld under RCW 84.56.290 or the provisions of chapter 84.69 RCW, or otherwise attributable to state taxes lawfully owing by reason of adjustments made under RCW 84.48.080.

**Sec. 309.** RCW 84.55.092 and 2017 c 328 s 3 and 2017 c 196 s 3 are each reenacted and amended to read as follows:

CONFORMING AMENDMENT. (1) The regular property tax levy for each taxing district other than the ((~~state~~)) state's levies may be set at the amount which would be allowed otherwise under this chapter if the regular property tax levy for the district for taxes due in prior years beginning with 1986 had been set at the full amount allowed under this chapter including any levy authorized under RCW 52.16.160 or 52.26.140(1)(c) that would have been imposed but for the limitation in RCW 52.18.065 or 52.26.240, applicable upon imposition of the benefit charge under chapter 52.18 or 52.26 RCW.

(2) The purpose of subsection (1) of this section is to remove the incentive for a taxing district to maintain its tax levy at the maximum level permitted under this chapter, and to protect the future levy capacity of a taxing district that reduces its tax levy below the level that it otherwise could impose under this chapter, by removing the adverse consequences to future levy capacities resulting from such levy reductions.

(3) Subsection (1) of this section does not apply to any portion of a city or town's regular property tax levy that has been reduced as part of the formation of a fire protection district under RCW 52.02.--- (section 1, chapter 328, Laws of 2017).

**Sec. 310.** RCW 84.69.020 and 2005 c 502 s 9 are each amended to read as follows:

CONFORMING AMENDMENT. On the order of the county treasurer, ad valorem taxes paid before or after delinquency ((~~shall~~)) must be refunded if they were:

(1) Paid more than once;

(2) Paid as a result of manifest error in description;

(3) Paid as a result of a clerical error in extending the tax rolls;

(4) Paid as a result of other clerical errors in listing property;

(5) Paid with respect to improvements which did not exist on assessment date;

(6) Paid under levies or statutes adjudicated to be illegal or unconstitutional;

(7) Paid as a result of mistake, inadvertence, or lack of knowledge by any person exempted from paying real property taxes or a portion thereof pursuant to RCW 84.36.381 through 84.36.389, as now or hereafter amended;

(8) Paid as a result of mistake, inadvertence, or lack of knowledge by either a public official or employee or by any person with respect to real property in which the person paying the same has no legal interest;

(9) Paid on the basis of an assessed valuation which was appealed to the county board of equalization and ordered reduced by the board;

(10) Paid on the basis of an assessed valuation which was appealed to the state board of tax appeals and ordered reduced by the board: PROVIDED, That the amount refunded under subsections (9) and (10) of this section shall only be for the difference between the tax paid on the basis of the appealed valuation and the tax payable on the valuation adjusted in accordance with the board's order;

(11) Paid as a state property tax levied upon property, the assessed value of which has been established by the state board of tax appeals for the year of such levy: PROVIDED, HOWEVER, That the amount refunded shall only be for the difference between the state property tax paid and the amount of state property tax which would, when added to all other property taxes within the one percent limitation of Article VII, section 2 of the state Constitution equal one percent of the assessed value established by the board;

(12) Paid on the basis of an assessed valuation which was adjudicated to be unlawful or excessive: PROVIDED, That the amount refunded shall be for the difference between the amount of tax which was paid on the basis of the valuation adjudged unlawful or excessive and the amount of tax payable on the basis of the assessed valuation determined as a result of the proceeding;

(13) Paid on property acquired under RCW 84.60.050, and canceled under RCW 84.60.050(2);

(14) Paid on the basis of an assessed valuation that was reduced under RCW 84.48.065;

(15) Paid on the basis of an assessed valuation that was reduced under RCW 84.40.039; or

(16) Abated under RCW 84.70.010.

No refunds under the provisions of this section shall be made because of any error in determining the valuation of property, except as authorized in subsections (9), (10), (11), and (12) of this section nor may any refunds be made if a bona fide purchaser has acquired rights that would preclude the assessment and collection of the refunded tax from the property that should properly have been charged with the tax. Any refunds made on delinquent taxes ((~~shall~~)) must include the proportionate amount of interest and penalties paid. However, no refunds as a result of an incorrect payment authorized under subsection (8) of this section made by a third party payee shall be granted. The county treasurer may deduct from moneys collected for the benefit of the state's ((~~levy~~)) levies, refunds of the ((~~state levy~~)) state's levies including interest on the ((~~levy~~)) levies as provided by this section and chapter 84.68 RCW.

The county treasurer of each county ((~~shall~~)) must make all refunds determined to be authorized by this section, and by the first Monday in February of each year, report to the county legislative authority a list of all refunds made under this section during the previous year. The list is to include the name of the person receiving the refund, the amount of the refund, and the reason for the refund.

**Sec. 311.** RCW 84.36.381 and 2015 3rd sp.s. c 30 s 2 are each amended to read as follows:

SENIOR CITIZEN PROPERTY TAX RELIEF PROGRAM. A person is exempt from any legal obligation to pay all or a portion of the amount of excess and regular real property taxes due and payable in the year following the year in which a claim is filed, and thereafter, in accordance with the following:

(1) The property taxes must have been imposed upon a residence which was occupied by the person claiming the exemption as a principal place of residence as of the time of filing. However, any person who sells, transfers, or is displaced from his or her residence may transfer his or her exemption status to a replacement residence, but no claimant may receive an exemption on more than one residence in any year. Moreover, confinement of the person to a hospital, nursing home, assisted living facility, or adult family home does not disqualify the claim of exemption if:

(a) The residence is temporarily unoccupied;

(b) The residence is occupied by a spouse or a domestic partner and/or a person financially dependent on the claimant for support; or

(c) The residence is rented for the purpose of paying nursing home, hospital, assisted living facility, or adult family home costs;

(2) The person claiming the exemption must have owned, at the time of filing, in fee, as a life estate, or by contract purchase, the residence on which the property taxes have been imposed or if the person claiming the exemption lives in a cooperative housing association, corporation, or partnership, such person must own a share therein representing the unit or portion of the structure in which he or she resides. For purposes of this subsection, a residence owned by a marital community or state registered domestic partnership or owned by cotenants is deemed to be owned by each spouse or each domestic partner or each cotenant, and any lease for life is deemed a life estate;

(3)(a) The person claiming the exemption must be:

(i) Sixty-one years of age or older on December 31st of the year in which the exemption claim is filed, or must have been, at the time of filing, retired from regular gainful employment by reason of disability; or

(ii) A veteran of the armed forces of the United States entitled to and receiving compensation from the United States department of veterans affairs at a total disability rating for a service-connected disability.

(b) However, any surviving spouse or surviving domestic partner of a person who was receiving an exemption at the time of the person's death will qualify if the surviving spouse or surviving domestic partner is fifty-seven years of age or older and otherwise meets the requirements of this section;

(4) The amount that the person is exempt from an obligation to pay is calculated on the basis of combined disposable income, as defined in RCW 84.36.383. If the person claiming the exemption was retired for two months or more of the assessment year, the combined disposable income of such person must be calculated by multiplying the average monthly combined disposable income of such person during the months such person was retired by twelve. If the income of the person claiming exemption is reduced for two or more months of the assessment year by reason of the death of the person's spouse or the person's domestic partner, or when other substantial changes occur in disposable income that are likely to continue for an indefinite

period of time, the combined disposable income of such person must be calculated by multiplying the average monthly combined disposable income of such person after such occurrences by twelve. If it is necessary to estimate income to comply with this subsection, the assessor may require confirming documentation of such income prior to May 31 of the year following application;

(5)(a) A person who otherwise qualifies under this section and has a combined disposable income of forty thousand dollars or less is exempt from all excess property taxes <u>and the additional state property tax imposed under RCW 84.52.065(2)</u>; and

(b)(i) A person who otherwise qualifies under this section and has a combined disposable income of thirty-five thousand dollars or less but greater than thirty thousand dollars is exempt from all regular property taxes on the greater of fifty thousand dollars or thirty-five percent of the valuation of his or her residence, but not to exceed seventy thousand dollars of the valuation of his or her residence; or

(ii) A person who otherwise qualifies under this section and has a combined disposable income of thirty thousand dollars or less is exempt from all regular property taxes on the greater of sixty thousand dollars or sixty percent of the valuation of his or her residence;

(6)(a) For a person who otherwise qualifies under this section and has a combined disposable income of forty thousand dollars or less, the valuation of the residence is the assessed value of the residence on the later of January 1, 1995, or January 1st of the assessment year the person first qualifies under this section. If the person subsequently fails to qualify under this section only for one year because of high income, this same valuation must be used upon requalification. If the person fails to qualify for more than one year in succession because of high income or fails to qualify for any other reason, the valuation upon requalification is the assessed value on January 1st of the assessment year in which the person requalifies. If the person transfers the exemption under this section to a different residence, the valuation of the different residence is the assessed value of the different residence on January 1st of the assessment year in which the person transfers the exemption.

(b) In no event may the valuation under this subsection be greater than the true and fair value of the residence on January 1st of the assessment year.

(c) This subsection does not apply to subsequent improvements to the property in the year in which the improvements are made. Subsequent improvements to the property must be added to the value otherwise determined under this subsection at their true and fair value in the year in which they are made.

**Sec. 312.** RCW 84.36.630 and 2014 c 140 s 28 are each amended to read as follows:

FARM MACHINERY AND EQUIPMENT EXEMPTION. (1) All machinery and equipment owned by a farmer that is personal property is exempt from property taxes levied for any state purpose, including the additional state property tax imposed under RCW 84.52.065(2), if it is used exclusively in growing and producing agricultural products during the calendar year for which the claim for exemption is made.

(2) "Farmer" and "agricultural product" have the same meaning as defined in RCW 82.04.213.

(3) A claim for exemption under this section must be filed with the county assessor together with the statement required under RCW 84.40.190, for exemption from taxes payable the following year. The claim must be made solely upon forms as prescribed and furnished by the department of revenue.

**Sec. 313.** RCW 84.52.067 and 2009 c 479 s 73 are each amended to read as follows:

((~~All~~)) Property taxes levied by the state under RCW 84.52.065(1) for the support of common schools ((~~shall~~)) must be paid into the general fund of the state treasury as provided in RCW 84.56.280. Property taxes levied by the state under RCW 84.52.065(2) for the support of common schools shall be paid into the state general fund in the state treasury as provided in RCW 84.52.065(2) of this act.

**Sec. 314.** RCW 84.52.825 and 2013 2nd sp.s. c 13 s 1721 are each amended to read as follows:

(1) See RCW 82.32.805 for the expiration date of new tax preferences for the ((~~tax~~)) taxes imposed under RCW 84.52.065.

(2) See RCW 82.32.808 for reporting requirements for any new tax preference for the ((~~tax~~)) taxes imposed under RCW 84.52.065.

**Sec. 315.** RCW 79.64.110 and 2017 c 248 s 6 are each amended to read as follows:

(1) Any moneys derived from the lease of state forestlands or from the sale of valuable materials, oils, gases, coal, minerals, or fossils from those lands, except as provided in RCW 79.64.--- (section 3, chapter 248, Laws of 2017), or the appraised value of these resources when transferred to a public agency under RCW 79.22.060, except as provided in RCW 79.22.060(4), must be distributed as follows:

(a) For state forestlands acquired through RCW 79.22.040 or by exchange for lands acquired through RCW 79.22.040:

(i) The expense incurred by the state for administration, reforestation, and protection, not to exceed twenty-five percent, which rate of percentage shall be determined by the board, must be returned to the forest development account created in RCW 79.64.100. During the 2015-2017 fiscal biennium, the board may increase the twenty-five percent limitation up to twenty-seven percent.

(ii) Any balance remaining must be paid to the county in which the land is located or, for counties participating in a land pool created under RCW 79.22.140, to each participating county proportionate to its contribution of asset value to the land pool as determined by the board. Payments made under this subsection are to be paid, distributed, and prorated, except as otherwise provided in this section, to the various funds in the same manner as general taxes are paid and distributed during the year of payment.

(iii) Any balance remaining, paid to a county with a population of less than sixteen thousand, must first be applied to the reduction of any indebtedness existing in the current expense fund of the county during the year of payment.

(iv) With regard to moneys remaining under this subsection (1)(a), within seven working days of receipt of these moneys, the department shall certify to the state treasurer the amounts to be distributed to the counties. The state treasurer shall distribute funds to the counties four times per month, with no more than ten days between each payment date.

(b) For state forestlands acquired through RCW 79.22.010 or by exchange for lands acquired through RCW 79.22.010, except as provided in RCW 79.64.120:

(i) Fifty percent shall be placed in the forest development account.

(ii) Fifty percent shall be prorated and distributed to the state general fund, to be dedicated for the benefit of the public schools,

to the county in which the land is located or, for counties participating in a land pool created under RCW 79.22.140, to each participating county proportionate to its contribution of asset value to the land pool as determined by the board, and according to the relative proportions of tax levies of all taxing districts in the county. The portion to be distributed to the state general fund shall be based on the regular school levy rate under RCW 84.52.065 (1) and (2) and the levy rate for any maintenance and operation special school levies. With regard to the portion to be distributed to the counties, the department shall certify to the state treasurer the amounts to be distributed within seven working days of receipt of the money. The state treasurer shall distribute funds to the counties four times per month, with no more than ten days between each payment date. The money distributed to the county must be paid, distributed, and prorated to the various other funds in the same manner as general taxes are paid and distributed during the year of payment.

(2) A school district may transfer amounts deposited in its debt service fund pursuant to this section into its capital projects fund as authorized in RCW 28A.320.330.

NEW SECTION. **Sec. 316.** APPLICATION OF RCW 82.32.805 AND 82.32.808. RCW 82.32.805 and 82.32.808 do not apply to sections 301 through 314, chapter . . ., Laws of 2017 3rd sp. sess. (sections 301 through 314 of this act).

NEW SECTION. **Sec. 317.** Sections 301 through 314 of this act apply beginning with taxes levied for collection in 2018 and thereafter.

NEW SECTION. **Sec. 318.** Section 303 of this act expires January 1, 2018.

NEW SECTION. **Sec. 319.** Section 304 of this act takes effect January 1, 2018.

## PART IV
## PROGRAM OF BASIC EDUCATION

**Sec. 401.** RCW 28A.150.200 and 2009 c 548 s 101 are each amended to read as follows:

FUNDING ELEMENTS OF THE BASIC EDUCATION PROGRAM. (1) The program of basic education established under this chapter is deemed by the legislature to comply with the requirements of Article IX, section 1 of the state Constitution, which states that "It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex," and is adopted pursuant to Article IX, section 2 of the state Constitution, which states that "The legislature shall provide for a general and uniform system of public schools."

(2) The legislature defines the program of basic education under this chapter as that which is necessary to provide the opportunity to develop the knowledge and skills necessary to meet the state-established high school graduation requirements that are intended to allow students to have the opportunity to graduate with a meaningful diploma that prepares them for postsecondary education, gainful employment, and citizenship. Basic education by necessity is an evolving program of instruction intended to reflect the changing educational opportunities that are needed to equip students for their role as productive citizens and includes the following:

(a) The instructional program of basic education the minimum components of which are described in RCW 28A.150.220;

(b) The program of education provided by chapter 28A.190 RCW for students in residential schools as defined by RCW 28A.190.020 and for juveniles in detention facilities as identified by RCW 28A.190.010;

(c) The program of education provided by chapter 28A.193 RCW for individuals under the age of eighteen who are incarcerated in adult correctional facilities; ((~~and~~))

(d) Transportation and transportation services to and from school for eligible students as provided under RCW 28A.160.150 through 28A.160.180; and

(e) Statewide salary allocations necessary to hire and retain qualified staff for the state's statutory program of basic education.

**Sec. 402.** RCW 28A.150.260 and 2014 c 217 s 206 are each amended to read as follows:

PROTOTYPICAL SCHOOL MODEL——ENHANCEMENTS TO CATEGORICAL PROGRAMS AND CTE——PER-PUPIL FUNDING REPORTS REQUIRED. The purpose of this section is to provide for the allocation of state funding that the legislature deems necessary to support school districts in offering

the minimum instructional program of basic education under RCW 28A.150.220. The allocation shall be determined as follows:

(1) The governor shall and the superintendent of public instruction may recommend to the legislature a formula for the distribution of a basic education instructional allocation for each common school district.

(2)(a) The distribution formula under this section shall be for allocation purposes only. Except as may be required under subsections (4)(b) and (c) and (9) of this section, chapter 28A.155, 28A.165, 28A.180, or 28A.185 RCW, or federal laws and regulations, nothing in this section requires school districts to use basic education instructional funds to implement a particular instructional approach or service. Nothing in this section requires school districts to maintain a particular classroom teacher-to-student ratio or other staff-to-student ratio or to use allocated funds to pay for particular types or classifications of staff. Nothing in this section entitles an individual teacher to a particular teacher planning period.

(b) To promote transparency in state funding allocations, the superintendent of public instruction must report state per-pupil allocations for each school district for the general apportionment, special education, learning assistance, transitional bilingual, highly capable, and career and technical education programs. The superintendent must also report state general apportionment per-pupil allocations by grade for each school district. The superintendent must report this information in a user-friendly format on the main page of the office's web site and on school district apportionment reports. School districts must include a link to the superintendent's per-pupil allocations report on the main page of the school district's web site. In addition, the budget documents published by the legislature for the enacted omnibus operating appropriations act must report statewide average per-pupil allocations for general apportionment and the categorical programs listed in this subsection.

(3)(a) To the extent the technical details of the formula have been adopted by the legislature and except when specifically provided as a school district allocation, the distribution formula for the basic education instructional allocation shall be based on minimum staffing and nonstaff costs the legislature deems necessary to support instruction and operations in prototypical schools serving high, middle, and elementary school students as provided in this

section. The use of prototypical schools for the distribution formula does not constitute legislative intent that schools should be operated or structured in a similar fashion as the prototypes. Prototypical schools illustrate the level of resources needed to operate a school of a particular size with particular types and grade levels of students using commonly understood terms and inputs, such as class size, hours of instruction, and various categories of school staff. It is the intent that the funding allocations to school districts be adjusted from the school prototypes based on the actual number of annual average full-time equivalent students in each grade level at each school in the district and not based on the grade-level configuration of the school to the extent that data is available. The allocations shall be further adjusted from the school prototypes with minimum allocations for small schools and to reflect other factors identified in the omnibus appropriations act.

(b) For the purposes of this section, prototypical schools are defined as follows:

(i) A prototypical high school has six hundred average annual full-time equivalent students in grades nine through twelve;

(ii) A prototypical middle school has four hundred thirty-two average annual full-time equivalent students in grades seven and eight; and

(iii) A prototypical elementary school has four hundred average annual full-time equivalent students in grades kindergarten through six.

(4)(a)(i) The minimum allocation for each level of prototypical school shall be based on the number of full-time equivalent classroom teachers needed to provide instruction over the minimum required annual instructional hours under RCW 28A.150.220 and provide at least one teacher planning period per school day, and based on the following general education average class size of full-time equivalent students per teacher:

| | General education average class size |
|---|---|
| Grades K-3 | ((~~25.23~~)) <u>17.00</u> |
| Grade 4 | 27.00 |
| Grades 5-6 | 27.00 |
| Grades 7-8 | 28.53 |
| Grades 9-12 | 28.74 |

(ii) The minimum class size allocation for each prototypical high school shall also provide for enhanced funding for class size reduction for two laboratory science classes within grades nine through twelve per full-time equivalent high school student multiplied by a laboratory science course factor of 0.0833, based on the number of full-time equivalent classroom teachers needed to provide instruction over the minimum required annual instructional hours in RCW 28A.150.220, and providing at least one teacher planning period per school day:

| | Laboratory science average class size |
|---|---|
| Grades 9-12. . . . . | 19.98 |

(b) ((~~During the 2011-2013 biennium and beginning with schools with the highest percentage of students eligible for free and reduced-price meals in the prior school year, the general education average class size for grades K-3 shall be reduced until the average class size funded under this subsection (4) is no more than 17.0 full-time equivalent students per teacher beginning in the 2017-18 school year.~~)) (i) Beginning September 1, 2018, funding for average K-3 class sizes in this subsection (4) may be provided only to the extent of, and proportionate to, the school district's demonstrated actual class size in grades K-3, up to the funded class sizes.

(ii) The office of the superintendent of public instruction shall develop rules to implement this subsection (4)(b).

(c)(i) The minimum allocation for each prototypical middle and high school shall also provide for full-time equivalent classroom teachers based on the following number of full-time equivalent students per teacher in career and technical education:

| | Career and technical education average class size |
|---|---|
| Approved career and technical education offered at the middle school and high school level. . . . . | ((~~26.57~~)) 23.00 |
| Skill center programs meeting the standards established by the office of the superintendent of public instruction. . . . . | ((~~22.76~~)) 20.00 |

(ii) Funding allocated under this subsection (4)(c) is subject to section 409 of this act.

(d) In addition, the omnibus appropriations act shall at a minimum specify:

(i) A high-poverty average class size in schools where more than fifty percent of the students are eligible for free and reduced-price meals; and

(ii) A specialty average class size for advanced placement and international baccalaureate courses.

(5) The minimum allocation for each level of prototypical school shall include allocations for the following types of staff in addition to classroom teachers:

| | Elementary School | Middle School | High School |
|---|---|---|---|
| Principals, assistant principals, and other certificated building-level administrators | 1.253 | 1.353 | 1.880 |
| Teacher librarians, a function that includes information literacy, technology, and media to support school library media programs | 0.663 | 0.519 | 0.523 |
| Health and social services: | | | |
| School nurses | 0.076 | 0.060 | 0.096 |
| Social workers | 0.042 | 0.006 | 0.015 |
| Psychologists | 0.017 | 0.002 | 0.007 |
| Guidance counselors, a function that includes parent outreach and graduation advising | 0.493 | ((~~1.116~~)) 1.216 | 2.539 |
| Teaching assistance, including any aspect of educational instructional services provided by classified employees | 0.936 | 0.700 | 0.652 |
| Office support and other noninstructional aides | 2.012 | 2.325 | 3.269 |
| Custodians | 1.657 | 1.942 | 2.965 |
| Classified staff providing student and staff safety | 0.079 | 0.092 | 0.141 |
| Parent involvement coordinators | ((~~0.00~~)) 0.0825 | 0.00 | 0.00 |

(6)(a) The minimum staffing allocation for each school district to provide district-wide support services shall be allocated per one thousand annual average full-time equivalent students in grades K-12 as follows:

Staff per 1,000
K-12 students

Technology. . . . . 0.628
Facilities, maintenance, and grounds. . . . . 1.813
Warehouse, laborers, and mechanics. . . . . 0.332

(b) The minimum allocation of staff units for each school district to support certificated and classified staffing of central administration shall be 5.30 percent of the staff units generated under subsections (4)(a) ((~~and (b)~~)) and (5) of this section and (a) of this subsection.

(7) The distribution formula shall include staffing allocations to school districts for career and technical education and skill center administrative and other school-level certificated staff, as specified in the omnibus appropriations act.

(8)(a) Except as provided in (b) ((~~and (c)~~)) of this subsection, the minimum allocation for each school district shall include allocations per annual average full-time equivalent student for the following materials, supplies, and operating costs((~~, to be adjusted for inflation from the 2008-09 school year:~~

~~Per annual average full-time equivalent student in grades K-12~~

~~Technology. . . . . $54.43~~
~~Utilities and insurance. . . . . $147.90~~
~~Curriculum and textbooks. . . . . $58.44~~
~~Other supplies and library materials. . . . . $124.07~~
~~Instructional professional development for certified and classified staff. . . . . $9.04~~
~~Facilities maintenance. . . . . $73.27~~
~~Security and central office. . . . . $50.76~~

~~(b) During the 2011-2013 biennium, the minimum allocation for maintenance, supplies, and operating costs shall be increased as specified in the omnibus appropriations act. The following allocations, adjusted for inflation from the 2007-08 school year, are~~)) as provided in the ((~~2015-16~~)) 2017-18 school year, after which the allocations shall be adjusted annually for inflation as specified in the omnibus appropriations act:

Per annual average full-time equivalent student in grades K-12

Technology. . . . . ((~~$113.80~~)) $130.76
Utilities and insurance. . . . . ((~~$309.21~~)) $355.30
Curriculum and textbooks. . . . . ((~~$122.17~~)) $140.39
Other supplies and library materials. . . . . ((~~$259.39~~)) $298.05
Instructional professional development for certificated and classified staff. . . . . ((~~$18.89~~)) $21.71
Facilities maintenance. . . . . ((~~$153.18~~)) $176.01
Security and central office administration. . . . ((~~$106.12~~)) $121.94

((~~(c)~~)) (b) In addition to the amounts provided in (a) ((~~and (b)~~)) of this subsection, beginning in the 2014-15 school year, the omnibus appropriations act shall provide the following minimum allocation for each annual average full-time equivalent student in grades nine through twelve for the following materials, supplies, and operating costs, to be adjusted annually for inflation:

| | Per annual average full-time equivalent student in grades 9-12 |
|---|---|
| Technology. . . . . | $36.35 |
| Curriculum and textbooks. . . . . | $39.02 |
| Other supplies and library materials. . . . . | $82.84 |
| Instructional professional development for certificated and classified staff. . . . . | $6.04 |

(9) In addition to the amounts provided in subsection (8) of this section and subject to section 409 of this act, the omnibus appropriations act shall provide an amount based on full-time equivalent student enrollment in each of the following:

(a) Exploratory career and technical education courses for students in grades seven through twelve;

(b) Preparatory career and technical education courses for students in grades nine through twelve offered in a high school; and

(c) Preparatory career and technical education courses for students in grades eleven and twelve offered through a skill center.

(10) In addition to the allocations otherwise provided under this section, amounts shall be provided to support the following programs and services:

(a)(i) To provide supplemental instruction and services for ((~~underachieving~~)) students who are not meeting academic standards through the learning assistance program under RCW 28A.165.005 through 28A.165.065, allocations shall be based on the district percentage of

students in grades K-12 who were eligible for free or reduced-price meals in the prior school year. The minimum allocation for the program shall provide for each level of prototypical school resources to provide, on a statewide average, ((~~1.5156~~)) 2.3975 hours per week in extra instruction with a class size of fifteen learning assistance program students per teacher.

(ii) In addition to funding allocated under (a)(i) of this subsection, to provide supplemental instruction and services for students who are not meeting academic standards in schools where at least fifty percent of students are eligible for free and reduced-price meals. The minimum allocation for this additional high poverty-based allocation must provide for each level of prototypical school resources to provide, on a statewide average, 1.1 hours per week in extra instruction with a class size of fifteen learning assistance program students per teacher, under RCW 28A.165.055, school districts must distribute the high poverty-based allocation to the schools that generated the funding allocation.

(b)(i) To provide supplemental instruction and services for students whose primary language is other than English, allocations shall be based on the head count number of students in each school who are eligible for and enrolled in the transitional bilingual instruction program under RCW 28A.180.010 through 28A.180.080. The minimum allocation for each level of prototypical school shall provide resources to provide, on a statewide average, 4.7780 hours per week in extra instruction for students in grades kindergarten through six and 6.7780 hours per week in extra instruction for students in grades seven through twelve, with fifteen transitional bilingual instruction program students per teacher. Notwithstanding other provisions of this subsection (10), the actual per-student allocation may be scaled to provide a larger allocation for students needing more intensive intervention and a commensurate reduced allocation for students needing less intensive intervention, as detailed in the omnibus appropriations act.

(ii) To provide supplemental instruction and services for students who have exited the transitional bilingual program, allocations shall be based on the head count number of students in each school who have exited the transitional bilingual program within the previous two years based on their performance on the English proficiency assessment and are eligible for and enrolled in the transitional bilingual instruction program under RCW

28A.180.040(1)(g). The minimum allocation for each prototypical school shall provide resources to provide, on a statewide average, 3.0 hours per week in extra instruction with fifteen exited students per teacher.

(c) To provide additional allocations to support programs for highly capable students under RCW 28A.185.010 through 28A.185.030, allocations shall be based on ((~~two and three hundred fourteen one-thousandths~~)) 5.0 percent of each school district's full-time equivalent basic education enrollment. The minimum allocation for the programs shall provide resources to provide, on a statewide average, 2.1590 hours per week in extra instruction with fifteen highly capable program students per teacher.

(11) The allocations under subsections (4)(a) ((~~and (b)~~)), (5), (6), and (8) of this section shall be enhanced as provided under RCW 28A.150.390 on an excess cost basis to provide supplemental instructional resources for students with disabilities.

(12)(a) For the purposes of allocations for prototypical high schools and middle schools under subsections (4) and (10) of this section that are based on the percent of students in the school who are eligible for free and reduced-price meals, the actual percent of such students in a school shall be adjusted by a factor identified in the omnibus appropriations act to reflect underreporting of free and reduced-price meal eligibility among middle and high school students.

(b) Allocations or enhancements provided under subsections (4), (7), and (9) of this section for exploratory and preparatory career and technical education courses shall be provided only for courses approved by the office of the superintendent of public instruction under chapter 28A.700 RCW.

(13)(a) This formula for distribution of basic education funds shall be reviewed biennially by the superintendent and governor. The recommended formula shall be subject to approval, amendment or rejection by the legislature.

(b) In the event the legislature rejects the distribution formula recommended by the governor, without adopting a new distribution formula, the distribution formula for the previous school year shall remain in effect.

(c) The enrollment of any district shall be the annual average number of full-time equivalent students and part-time students as provided in RCW 28A.150.350, enrolled on the first school day of each month, including students who are in attendance pursuant to RCW

28A.335.160 and 28A.225.250 who do not reside within the servicing school district. The definition of full-time equivalent student shall be determined by rules of the superintendent of public instruction and shall be included as part of the superintendent's biennial budget request. The definition shall be based on the minimum instructional hour offerings required under RCW 28A.150.220. Any revision of the present definition shall not take effect until approved by the house ways and means committee and the senate ways and means committee.

(d) The office of financial management shall make a monthly review of the superintendent's reported full-time equivalent students in the common schools in conjunction with RCW 43.62.050.

**Sec. 403.** RCW 28A.165.005 and 2013 2nd sp.s. c 18 s 201 are each amended to read as follows:

LEARNING ASSISTANCE PROGRAM. (1) This chapter is designed to: (a) Promote the use of data when developing programs to assist ((~~underachieving~~)) students <u>who are not meeting academic standards</u> and reduce disruptive behaviors in the classroom; and (b) guide school districts in providing the most effective and efficient practices when implementing supplemental instruction and services to assist ((~~underachieving~~)) students <u>who are not meeting academic standards</u> and reduce disruptive behaviors in the classroom.

(2) School districts implementing a learning assistance program shall focus first on addressing the needs of students in grades kindergarten through four who are deficient in reading or reading readiness skills to improve reading literacy.

**Sec. 404.** RCW 28A.165.015 and 2013 2nd sp.s. c 18 s 202 are each amended to read as follows:

LAP DEFINITIONS. Unless the context clearly indicates otherwise the definitions in this section apply throughout this chapter.

(1) "Basic skills areas" means reading, writing, and mathematics as well as readiness associated with these skills.

(2) "Participating student" means a student in kindergarten through grade twelve who scores below standard for his or her grade level using multiple measures of performance, including on the statewide student assessments or other assessments and performance measurement tools administered by the school or district and who is identified by the district to receive services.

(3) "Statewide student assessments" means one or more of the assessments administered by school districts as required under RCW 28A.655.070.

(4) ((~~"Underachieving students"~~)) "Students who are not meeting academic standards" means students with the greatest academic deficits in basic skills as identified by statewide, school, or district assessments or other performance measurement tools.

**Sec. 405.** RCW 28A.165.055 and 2013 2nd sp.s. c 18 s 205 are each amended to read as follows:

HIGH POVERTY-BASED LAP ALLOCATION. (1) The funds for the learning assistance program shall be appropriated in accordance with RCW 28A.150.260 and the omnibus appropriations act. The distribution formula is for school district allocation purposes only, except as provided in RCW 28A.150.260(10)(a)(ii), but all funds appropriated for the learning assistance program must be expended for the purposes of RCW 28A.165.005 through 28A.165.065 ((~~and 28A.655.235~~)).

(2) A district's high poverty-based allocation is generated by its qualifying school buildings and must be expended by the district for those buildings. This funding must supplement and not supplant the district's expenditures under this chapter for those school buildings.

**Sec. 406.** RCW 28A.150.390 and 2010 c 236 s 3 are each amended to read as follows:

SPECIAL EDUCATION FUNDED PERCENTAGE. (1) The superintendent of public instruction shall submit to each regular session of the legislature during an odd-numbered year a programmed budget request for special education programs for students with disabilities. Funding for programs operated by local school districts shall be on an excess cost basis from appropriations provided by the legislature for special education programs for students with disabilities and shall take account of state funds accruing through RCW 28A.150.260 (4)(a) ((~~and (b)~~)), (5), (6), and (8).

(2) The excess cost allocation to school districts shall be based on the following:

(a) A district's annual average headcount enrollment of students ages birth through four and those five year olds not yet enrolled in kindergarten who are eligible for and enrolled in special education,

multiplied by the district's base allocation per full-time equivalent student, multiplied by 1.15; and

(b) A district's annual average full-time equivalent basic education enrollment, multiplied by the district's funded enrollment percent, multiplied by the district's base allocation per full-time equivalent student, multiplied by 0.9309.

(3) As used in this section:

(a) "Base allocation" means the total state allocation to all schools in the district generated by the distribution formula under RCW 28A.150.260 (4)(a) ((~~and (b)~~)), (5), (6), and (8), to be divided by the district's full-time equivalent enrollment.

(b) "Basic education enrollment" means enrollment of resident students including nonresident students enrolled under RCW 28A.225.225 and students from nonhigh districts enrolled under RCW 28A.225.210 and excluding students residing in another district enrolled as part of an interdistrict cooperative program under RCW 28A.225.250.

(c) "Enrollment percent" means the district's resident special education annual average enrollment, excluding students ages birth through four and those five year olds not yet enrolled in kindergarten, as a percent of the district's annual average full-time equivalent basic education enrollment.

(d) "Funded enrollment percent" means the lesser of the district's actual enrollment percent or ((~~twelve and seven-tenths~~)) thirteen and five-tenths percent.

**Sec. 407.** RCW 28A.150.392 and 2009 c 548 s 109 are each amended to read as follows:

SAFETY NET RULES REVIEW FOR FULL IMPLEMENTATION. (1)(a) To the extent necessary, funds shall be made available for safety net awards for districts with demonstrated needs for special education funding beyond the amounts provided through the special education funding formula under RCW 28A.150.390.

(b) If the federal safety net awards based on the federal eligibility threshold exceed the federal appropriation in any fiscal year, then the superintendent shall expend all available federal discretionary funds necessary to meet this need.

(2) Safety net funds shall be awarded by the state safety net oversight committee subject to the following conditions and limitations:

(a) The committee shall ((~~consider~~)) award additional funds for districts that can convincingly demonstrate that all legitimate expenditures for special education exceed all available revenues from state funding formulas.

(b) In the determination of need, the committee shall ((~~also~~)) consider additional available revenues from federal sources.

(c) Differences in program costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards.

(d) In the determination of need, the committee shall require that districts demonstrate that they are maximizing their eligibility for all state revenues related to services for special education-eligible students and all federal revenues from federal impact aid, medicaid, and the individuals with disabilities education act-Part B and appropriate special projects. Awards associated with ((~~(b)~~)) (e) and ((~~(c)~~)) (f) of this subsection shall not exceed the total of a district's specific determination of need.

((~~(b)~~)) (e) The committee shall then consider the extraordinary high cost needs of one or more individual special education students. Differences in costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards.

((~~(c)~~)) (f) Using criteria developed by the committee, the committee shall then consider extraordinary costs associated with communities that draw a larger number of families with children in need of special education services, which may include consideration of proximity to group homes, military bases, and regional hospitals. Safety net awards under this subsection ((~~(1)(c)~~)) (2)(f) shall be adjusted to reflect amounts awarded under ((~~(b)~~)) (e) of this subsection.

((~~(d)~~)) (g) The maximum allowable indirect cost for calculating safety net eligibility may not exceed the federal restricted indirect cost rate for the district plus one percent.

((~~(e)~~)) (h) Safety net awards shall be adjusted based on the percent of potential medicaid eligible students billed as calculated by the superintendent of public instruction in accordance with chapter 318, Laws of 1999.

((~~(f)~~)) (i) Safety net awards must be adjusted for any audit findings or exceptions related to special education funding.

((~~(2)~~)) (3) The superintendent of public instruction ((~~may~~)) shall adopt such rules and procedures as are necessary to administer the special education funding and safety net award process. By September 1, 2019, the superintendent shall review and revise the rules to achieve full and complete implementation of the requirements of this subsection and subsection (4) of this section. Before revising any standards, procedures, or rules, the superintendent shall consult with the office of financial management and the fiscal committees of the legislature. In adopting and revising the rules, the superintendent shall ensure the application process to access safety net funding is streamlined, timelines for submission are not in conflict, feedback to school districts is timely and provides sufficient information to allow school districts to understand how to correct any deficiencies in a safety net application, and that there is consistency between awards approved by school district and by application period. The office of the superintendent of public instruction shall also provide technical assistance to school districts in preparing and submitting special education safety net applications.

((~~(3)~~)) (4) On an annual basis, the superintendent shall survey districts regarding their satisfaction with the safety net process and consider feedback from districts to improve the safety net process. Each year by December 1st, the superintendent shall prepare and submit a report to the office of financial management and the appropriate policy and fiscal committees of the legislature that summarizes the survey results and those changes made to the safety net process as a result of the school district feedback.

((~~(4)~~)) (5) The safety net oversight committee appointed by the superintendent of public instruction shall consist of:

(a) One staff member from the office of the superintendent of public instruction;

(b) Staff of the office of the state auditor who shall be nonvoting members of the committee; and

(c) One or more representatives from school districts or educational service districts knowledgeable of special education programs and funding.

NEW SECTION. **Sec. 408.** SPECIAL EDUCATION SAFETY NET STUDY. (1) To ensure that the special education safety net process results in sufficient funding for school districts with demonstrated needs for

funding in excess of state and federal funding otherwise provided, the superintendent of public instruction shall review the current safety net process. The superintendent must make recommendations on possible adjustments to improve the safety net process and to evaluate the appropriate funding level to meet the safety net's purpose.

(2) The superintendent of public instruction must consider and make recommendations on the following:

(a) Whether fiscal components in addition to or in place of the fiscal components of community impact and high need students should be considered by the safety net committee when making safety net awards, including:

(i) Should a school district be able to access the safety net when a school district's enrollment of students with disabilities exceeds the statutory limit of thirteen and five-tenths percent;

(ii) Should the definition and the limitation on the amount provided for high need students be adjusted; and

(iii) Should a district have access to the safety net when it has disproportionate concentrations of students with higher than statewide average costs, but the students do not meet the threshold for high need awards; and

(b) How the process can be improved, including how the superintendent can best provide technical assistance to school districts that file incomplete applications, and how the timeline can be changed to provide sufficient time for a district to resubmit an incomplete application.

(3) The superintendent of public instruction may consider other topics deemed relevant by the superintendent that achieve the goals of subsection (1) of this section.

(4) The superintendent of public instruction must submit the recommendations to the governor, and the legislative education and operating budget committees by November 1, 2018.

(5) This section expires August 1, 2019.

NEW SECTION. **Sec. 409.** A new section is added to chapter 28A.150 RCW to read as follows:

CTE FUNDING USES. (1) To the extent that career and technical education funding allocations under RCW 28A.150.260 (4)(c) and (9) exceed general education funding allocations under RCW 28A.150.260,

school districts may use the difference only for the career and technical education purposes, defined as follows:

(a) Staff salaries and benefits for career and technical education program delivery;

(b) Materials, supplies, and operating costs;

(c) Smaller class sizes;

(d) Work-based learning programs such as internships and preapprenticeship programs, including coordination tied to career and technical education coursework;

(e) New high quality career and technical education and expanded learning program development in high-demand fields;

(f) Certificated work-based learning coordinators and career guidance advisors;

(g) School expenses associated with career and technical education community partnerships with a career discovery focus including research or evidence-based mentoring programs and expanded learning opportunities in school, before or after school, and during the summer, and career-focused education programs with private and public K-12 schools and colleges, community-based organizations and nonprofit organizations, industry partners, tribal governments, and workforce development entities;

(h) Student fees for national and state industry-recognized certifications; and

(i) Course equivalency development to integrate core learning standards into career and technical education courses.

(2) A school district's maximum allowable indirect cost charges for approved career and technical education programs funded by the state may not exceed the lower of five percent or the cap established in federal law for federal career and technical education funding provided to school districts, as the federal law existed on the effective date of this section.

NEW SECTION. **Sec. 410.** A new section is added to chapter 28A.300 RCW to read as follows:

METHODOLOGIES FOR IMPLEMENTING CTE COURSE EQUIVALENCY. (1) Subject to the availability of amounts appropriated for this specific purpose, the office of the superintendent of public instruction must create methodologies for implementing equivalency crediting on a broader scale across the state and facilitate its implementation including, but not limited to, the following:

(a) Implementing statewide career and technical education course equivalency frameworks authorized under RCW 28A.700.070 for high schools and skill centers in science, technology, engineering, and mathematics. This may include development of additional equivalency course frameworks in core subject areas, course performance assessments, and development and delivery of professional development for districts and skill centers implementing the career and technical education frameworks; and

(b) Providing competitive grant funds to school districts to increase the integration and rigor of academic instruction in career and technical education equivalency courses. The grant funds must be used to support teams of general education and career and technical education teachers to convene and design course performance assessments, deepen the understanding of integrating academic and career and technical education in student instruction, and develop professional learning modules for school districts to plan implementation of equivalency crediting.

(2) Beginning in the 2017-18 school year, school districts shall annually report to the office of the superintendent of public instruction the following information:

(a) The annual number of students participating in state-approved equivalency courses; and

(b) The annual number of state approved equivalency credit courses offered in school districts and skill centers.

(3) Beginning December 1, 2017, and every December 1st thereafter, the office of the superintendent of public instruction shall annually submit a summary of the school district information reported under subsection (2) of this section to the office of the governor and the appropriate committees of the legislature.

NEW SECTION. **Sec. 411.** A new section is added to chapter 28A.300 RCW to read as follows:

GRANT PROGRAM FOR CTE EQUIPMENT. (1) The office of the superintendent of public instruction shall establish a competitive grant process for school districts to apply for grants for the purpose of purchasing career and technical education equipment.

(2) The office of the superintendent of public instruction may adopt rules for the grant program established under this section.

(3) Competitive grants awarded under this section are subject to the availability of amounts appropriated by the state for this specific purpose.

**Sec. 412.** RCW 28A.185.020 and 2009 c 548 s 708 are each amended to read as follows:

HIGHLY CAPABLE FUNDING PERCENTAGE. (1) The legislature finds that, for highly capable students, access to accelerated learning and enhanced instruction is access to a basic education. There are multiple definitions of highly capable, from intellectual to academic to artistic. The research literature strongly supports using multiple criteria to identify highly capable students, and therefore, the legislature does not intend to prescribe a single method. Instead, the legislature intends to allocate funding based on ((~~two and three hundred fourteen one-thousandths~~)) 5.0 percent of each school district's population and authorize school districts to identify through the use of multiple, objective criteria those students most highly capable and eligible to receive accelerated learning and enhanced instruction in the program offered by the district. District practices for identifying the most highly capable students must prioritize equitable identification of low-income students. Access to accelerated learning and enhanced instruction through the program for highly capable students does not constitute an individual entitlement for any particular student.

(2) Supplementary funds provided by the state for the program for highly capable students under RCW 28A.150.260 shall be categorical funding to provide services to highly capable students as determined by a school district under RCW 28A.185.030.

**Sec. 413.** RCW 28A.150.1981 and 2009 c 548 s 2 are each amended to read as follows:

INTENT—BASIC EDUCATION. It is the intent of the legislature that specified policies and allocation formulas adopted under this ((~~act~~)) chapter will constitute the legislature's definition of basic education under Article IX of the state Constitution once fully implemented. The legislature intends, however, to continue to review and revise the formulas and schedules and may make additional revisions, including revisions for technical purposes and consistency in the event of mathematical or other technical errors.

NEW SECTION. **Sec. 414.** Sections 401 through 413 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect September 1, 2017.

## PART V
## LOCAL ENRICHMENT AND ACCOUNTABILITY

NEW SECTION. **Sec. 501.** A new section is added to chapter 28A.150 RCW to read as follows:

BASIC EDUCATION ACT AMENDED TO LIMIT USE OF SCHOOL DISTRICT LOCAL REVENUES TO ENRICHMENT ONLY. (1)(a) Beginning September 1, 2019, school districts may use local revenues only for documented and demonstrated enrichment of the state's statutory program of basic education as authorized in subsection (2) of this section.

(b) Nothing in this section revises the definition of the program of basic education under RCW 28A.150.220 and 28A.150.260.

(c) For purposes of this section, "local revenues" means enrichment levies collected under RCW 84.52.053, transportation vehicle enrichment levies, local effort assistance funding received under chapter 28A.500 RCW, and other school district local revenues including, but not limited to, grants, donations, and state and federal payments in lieu of taxes, except that "local revenues" does not include other federal revenues, or local revenues that operate as an offset to the district's basic education allocation under RCW 28A.150.250.

(2)(a) Enrichment activities are permitted under this section if they provide supplementation beyond the state:

(i) Minimum instructional offerings of RCW 28A.150.220 or 28A.150.260;

(ii) Staffing ratios or program components of RCW 28A.150.260, including providing additional staff for class size reduction beyond class sizes allocated in the prototypical school model and additional staff beyond the staffing ratios allocated in the prototypical school formula;

(iii) Program components of RCW 28A.150.200, 28A.150.220, or 28A.150.260; or

(iv) Program of professional learning as defined by RCW 28A.300.600 (as recodified by this act) beyond that allocated pursuant to section 105 of this act.

(b) Permitted enrichment activities consist of:

(i) Extracurricular activities, extended school days, or an extended school year;

(ii) Additional course offerings beyond the minimum instructional program established in the state's statutory program of basic education;

(iii) Activities associated with early learning programs;

(iv) Any additional salary costs attributable to the provision or administration of the enrichment activities allowed under this subsection; and

(v) Additional activities or enhancements that the office of the superintendent of public instruction determines to be a documented and demonstrated enrichment of the state's statutory program of basic education under (a) of this subsection and for which the superintendent approves proposed expenditures during the preballot approval process required by RCW 84.52.053 and section 204 of this act.

(3) In addition to the limitations of subsections (1) and (2) of this section and of RCW 28A.400.200, permitted enrichment activities are subject to the following conditions and limitations:

(a) If a school district spends local revenues for salary costs attributable to the administration of enrichment programs, the portion of administrator salaries attributable to that purpose may not exceed the proportion of the district's local revenues to its other revenues; and

(b) Supplemental contracts under RCW 28A.400.200 are subject to the limitations of this section.

(4) The superintendent of public instruction must adopt rules to implement this section.

NEW SECTION. **Sec. 502.** PROCESS FOR RECOMMENDATIONS ON LEGISLATIVE DEFINITIONS OF ADDITIONAL PERMITTED ENRICHMENTS. (1) The superintendent of public instruction may develop recommendations for expanding the nonexhaustive list of specifically permitted activities in section 501(2) of this act to include additional discrete forms of local enrichment that otherwise comply with section 501 of this act. The recommendations may consider, but are not limited to, existing school district enrichment activities to the extent that those activities are consistent with those requirements.

(2) In the 2018 legislative session, the legislature must review and consider the recommendations of the superintendent of public instruction, and may enact legislation to expand the list of permitted enrichment activities in section 501(2) of this act by codifying additional, specific examples of enrichment activities that may be provided with local revenues under the terms of section 501 of this act.

(3) This section expires July 1, 2018.

NEW SECTION. **Sec. 503.** A new section is added to chapter 43.09 RCW to read as follows:

AUDITOR REVIEWS OF USE OF LOCAL REVENUES FOR COMPLIANCE WITH ENRICHMENT REQUIREMENTS. (1) Beginning with the 2019-20 school year, to ensure that school district local revenues are used solely for purposes of enriching the state's statutory program of basic education, the state auditor's regular financial audits of school districts must include a review of the expenditure of school district local revenues for compliance with section 501 of this act, including the spending plan approved by the superintendent of public instruction under section 204 of this act and its implementation, and any supplemental contracts entered into under RCW 28A.400.200.

(2) If an audit results in findings that a school district has failed to comply with these requirements, then within ninety days of completing the audit the auditor must report the findings to the superintendent of public instruction, the office of financial management, and the education and operating budget committees of the legislature.

NEW SECTION. **Sec. 504.** A new section is added to chapter 28A.320 RCW to read as follows:

SCHOOL BOARD HEARING ON ANY AUDIT FINDINGS UNDER ENRICHMENT RESTRICTIONS. Before the beginning of the 2019-20 school year, each school district board of directors must adopt a policy for responding to any audit findings resulting from the audits conducted by the state auditor on the use of local revenues by the school district in accordance with sections 501 and 503 of this act. The policy must require a public hearing by the school district board of directors of the findings of the state auditor within thirty days of the issuance of the findings; and may include progressive disciplinary actions for

the district superintendent, which may be implemented by the school district board of directors.

NEW SECTION. **Sec. 505.** A new section is added to chapter 28A.400 RCW to read as follows:

SCHOOL DISTRICT REPORTS TO THE OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION ON SUPPLEMENTAL CONTRACTS. Beginning September 1, 2017, school districts must annually report to the superintendent of public instruction on supplemental contracts entered into subject to RCW 28A.400.200(4) for additional time, responsibility, or incentive. The office of the superintendent of public instruction shall summarize the district information and submit an annual report to the education and appropriate fiscal committees of the house of representatives and the senate.

**Sec. 506.** RCW 28A.150.220 and 2014 c 217 s 201 are each amended to read as follows:

CONFORMING AMENDMENT ON ENRICHMENT. (1) In order for students to have the opportunity to develop the basic education knowledge and skills under RCW 28A.150.210, school districts must provide instruction of sufficient quantity and quality and give students the opportunity to complete graduation requirements that are intended to prepare them for postsecondary education, gainful employment, and citizenship. The program established under this section shall be the minimum instructional program of basic education offered by school districts.

(2) Each school district shall make available to students the following minimum instructional offering each school year:

(a) For students enrolled in grades one through twelve, at least a district-wide annual average of one thousand hours, which shall be increased beginning in the 2015-16 school year to at least one thousand eighty instructional hours for students enrolled in grades nine through twelve and at least one thousand instructional hours for students in grades one through eight, all of which may be calculated by a school district using a district-wide annual average of instructional hours over grades one through twelve; and

(b) For students enrolled in kindergarten, at least four hundred fifty instructional hours, which shall be increased to at least one thousand instructional hours according to the implementation schedule under RCW 28A.150.315.

(3) The instructional program of basic education provided by each school district shall include:

(a) Instruction in the essential academic learning requirements under RCW 28A.655.070;

(b) Instruction that provides students the opportunity to complete twenty-four credits for high school graduation, beginning with the graduating class of 2019 or as otherwise provided in RCW 28A.230.090. Course distribution requirements may be established by the state board of education under RCW 28A.230.090;

(c) If the essential academic learning requirements include a requirement of languages other than English, the requirement may be met by students receiving instruction in one or more American Indian languages;

(d) Supplemental instruction and services for ((~~underachieving~~)) students <u>who are not meeting academic standards</u> through the learning assistance program under RCW 28A.165.005 through 28A.165.065;

(e) Supplemental instruction and services for eligible and enrolled students and exited students whose primary language is other than English through the transitional bilingual instruction program under RCW 28A.180.010 through 28A.180.080;

(f) The opportunity for an appropriate education at public expense as defined by RCW 28A.155.020 for all eligible students with disabilities as defined in RCW 28A.155.020; and

(g) Programs for highly capable students under RCW 28A.185.010 through 28A.185.030.

(4) Nothing contained in this section shall be construed to require individual students to attend school for any particular number of hours per day or to take any particular courses.

(5)(a) Each school district's kindergarten through twelfth grade basic educational program shall be accessible to all students who are five years of age, as provided by RCW 28A.225.160, and less than twenty-one years of age and shall consist of a minimum of one hundred eighty school days per school year in such grades as are conducted by a school district, and one hundred eighty half-days of instruction, or equivalent, in kindergarten, to be increased to a minimum of one hundred eighty school days per school year according to the implementation schedule under RCW 28A.150.315.

(b) Schools administering the Washington kindergarten inventory of developing skills may use up to three school days at the beginning

of the school year to meet with parents and families as required in the parent involvement component of the inventory.

(c) In the case of students who are graduating from high school, a school district may schedule the last five school days of the one hundred eighty day school year for noninstructional purposes including, but not limited to, the observance of graduation and early release from school upon the request of a student. All such students may be claimed as a full-time equivalent student to the extent they could otherwise have been so claimed for the purposes of RCW 28A.150.250 and 28A.150.260. Any hours scheduled by a school district for noninstructional purposes during the last five school days for such students shall count toward the instructional hours requirement in subsection (2)(a) of this section.

(6) Subject to section 501 of this act, nothing in this section precludes a school district from enriching the instructional program of basic education, such as offering additional instruction or providing additional services, programs, or activities that the school district determines to be appropriate for the education of the school district's students.

(7) The state board of education shall adopt rules to implement and ensure compliance with the program requirements imposed by this section, RCW 28A.150.250 and 28A.150.260, and such related supplemental program approval requirements as the state board may establish.

## PART VI
## REPORTING, ACCOUNTING, AND TRANSPARENCY

**Sec. 601.** RCW 28A.320.330 and 2009 c 460 s 1 are each amended to read as follows:

SCHOOL DISTRICT SUBACCOUNT FOR LOCAL REVENUES. School districts shall establish the following funds in addition to those provided elsewhere by law:

(1)(a) 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.

(b) By the 2019-20 school year, a local revenue subfund of its general fund to account for the financial operations of a school district that are paid from local revenues. The local revenues that must be deposited in the local revenue subfund are enrichment levies

and transportation vehicle enrichment levies collected under RCW 84.52.053, local effort assistance funding received under chapter 28A.500 RCW, and other school district local revenues including, but not limited to, grants, donations, and state and federal payments in lieu of taxes, but do not include other federal revenues, or local revenues that operate as an offset to the district's basic education allocation under RCW 28A.150.250. School districts must track expenditures from this subfund separately to account for the expenditure of each of these streams of revenue by source, and must provide any supplemental expenditure schedules required by the superintendent of public instruction or state auditor for purposes of section 503 of this act.

(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 forestland 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.

**Sec. 602.** RCW 28A.505.140 and 2006 c 263 s 202 are each amended to read as follows:

SCHOOL DISTRICT REVENUE TO EXPENDITURE ACCOUNTING. (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. <u>By the 2019-20 school year, the rules must require school districts to provide separate accounting of state and local revenues to expenditures.</u>

(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. 603.** RCW 28A.505.100 and 1990 c 33 s 420 are each amended to read as follows:

SCHOOL DISTRICT BUDGET TRANSPARENCY. (1) The budget ((~~shall~~)) must set forth the estimated revenues from all sources for the ensuing fiscal year, the estimated revenues for the fiscal year current at the time of budget preparation, the actual revenues for the last completed fiscal year, and the reserved and unreserved fund balances for each year. The estimated revenues from all sources for the ensuing fiscal year shall not include any revenue not anticipated to be available during that fiscal year((~~: PROVIDED, That~~)). However, school districts, pursuant to RCW 28A.505.110, can be granted permission by the superintendent of public instruction to include as revenues in their budgets, receivables collectible in future fiscal years.

(2)(a) The budget ((~~shall~~)) must set forth by detailed items or classes the estimated expenditures for the ensuing fiscal year, the estimated expenditures for the fiscal year current at the time of budget preparation, and the actual expenditures for the last completed fiscal year.

(b) The budget must set forth:

(i) The state-funded basic education salary amounts, locally funded salary amounts, total salary amounts, and full-time ((~~equivalents,~~)) equivalency for each individual certificated instructional staff, certificated administrative staff, and classified staff; and

(ii) The high, low, and average annual salaries, which shall be displayed by job classification within each budget classification. ((~~If individual salaries within each job classification are not displayed, districts shall provide the individual salaries together with the title or position of the recipient and the total amounts of~~

~~salary under each budget class upon request. Salary schedules shall be displayed.~~))

(3) In districts where negotiations have not been completed, the district may budget the salaries at the current year's rate and restrict fund balance for the amount of anticipated increase in salaries, so long as an explanation ((~~shall be~~)) is attached to the budget on such restriction of fund balance.

**Sec. 604.** RCW 28A.505.040 and 1995 c 121 s 1 are each amended to read as follows:

SCHOOL DISTRICT FOUR-YEAR BUDGET PLANNING. (1) On or before the tenth day of July in each year, all school districts shall prepare their budget for the ensuing fiscal year. The annual budget development process shall include the development or update of a four-year budget plan that includes a four-year enrollment projection. The four-year budget plan must include an estimate of funding necessary to maintain the continuing costs of program and service levels and any existing supplemental contract obligations.

(2) The completed budget must include a summary of the four-year budget plan and set forth the complete financial plan of the district for the ensuing fiscal year.

(3)(a) Upon completion of their budgets, every school district shall electronically publish a notice stating that the district has completed the budget, posted it electronically, placed it on file in the school district administration office, and that a copy ((~~thereof~~)) of the budget and a summary of the four-year budget plan will be furnished to any person who calls upon the district for it. ((~~The district shall provide a sufficient number of copies of the budget to meet the reasonable demands of the public.~~))

(b) School districts shall submit one copy of their budget and the four-year budget plan summary to their educational service districts and the office of the superintendent of public instruction for review and comment by July 10th. The superintendent of public instruction may delay the date in this section if the state's operating budget is not finally approved by the legislature until after June 1st.

(c) The office of the superintendent of public instruction shall consider the information provided under (b) of this subsection when ranking each school district by the financial health of the school

district in order to provide information for districts to avoid potential financial difficulty, insolvency, or binding conditions.

**Sec. 605.** RCW 28A.505.050 and 1995 c 121 s 2 are each amended to read as follows:

SCHOOL DISTRICT FOUR-YEAR BUDGET PLANS. (1) Upon completion of their budgets as provided in RCW 28A.505.040, every school district shall publish a notice stating that the board of directors will meet for the purpose of fixing and adopting the budget of the district for the ensuing fiscal year.

(2) Such notice shall designate the date, time, and place of said meeting which shall occur no later than the thirty-first day of August for first-class school districts, and the first day of August for second-class school districts.

(3) The notice shall also state that any person may appear ((~~thereat~~)) at the meeting and be heard for or against any part of such budget, the four-year budget plan, or any proposed changes to uses of enrichment funding under section 204 of this act. ((~~Said~~)) The notice shall be electronically published and published at least once each week for two consecutive weeks in a newspaper of general circulation in the district, or, if there be none, in a newspaper of general circulation in the county or counties in which such district is a part. The last notice shall be published no later than seven days immediately prior to the hearing.

**Sec. 606.** RCW 28A.505.060 and 1990 c 33 s 418 are each amended to read as follows:

HEARINGS ON AND ADOPTION OF SCHOOL DISTRICT BUDGET. (1) On the date given in ((~~said~~)) the notice as provided in RCW 28A.505.050 the school district board of directors shall meet at the time and place designated. Any person may appear ((~~thereat~~)) at the meeting and be heard for or against any part of such budget, the four-year budget plan, or any proposed changes to uses of enrichment funding under section 204 of this act.

(2) Such hearing may be continued not to exceed a total of two days: PROVIDED, That the budget must be adopted no later than August 31st in first-class school districts, and not later than August 1st in second-class school districts.

(3) Upon conclusion of the hearing, the board of directors shall fix and determine the appropriation from each fund contained in the

budget separately, and shall by resolution adopt the budget, the four-year budget plan summary, and the four-year enrollment projection and the appropriations as so finally determined, and enter the same in the official minutes of the board: PROVIDED, That first-class school districts shall file copies of their adopted budget with their educational service district no later than September 3rd, and second-class school districts shall forward copies of their adopted budget to their educational service district no later than August 3rd for review, alteration and approval as provided for in RCW 28A.505.070 by the budget review committee.

***NEW SECTION.** Sec. 607. CASELOAD FORECAST COUNCIL TECHNICAL WORKING GROUP TO ASSIST WITH SCHOOL DISTRICT FOUR-YEAR BUDGET PLANS. (1) To assist school districts to accurately determine the district's four-year budget plan required under RCW 28A.505.040, the caseload forecast council shall convene a technical working group with at least one representative from the council's staff, school district business officers, the office of the superintendent of public instruction, and educational service districts.*

*(2) The caseload forecast council, with input from the technical working group, shall explore the feasibility of developing a generic model for school districts to use in the required school district four-year budget plan. A potential model must consider the ability to look at trends over time and to permit local school districts to include local impacts of business growth and loss and other local factors that could impact student enrollment.*

*(3) No later than September 1, 2018, the caseload forecast council, with input from the technical working group, shall report the results of this effort to the governor and the appropriate committees of the legislature. The report shall, at a minimum, include:*

*(a) An assessment of the feasibility of development of a generic model to be used for these purposes;*

*(b) An assessment of the processes needed to develop and maintain a generic model including, but not limited to:*

*(i) The availability and quality of data needed for a generic model;*

*(ii) The potential statistical methodologies that could inform a generic model; and*

***(iii) The potential risks involved in the use of a generic model; and***

***(c) Recommendations for the legislature to consider if the legislature pursues the development of a generic model in the future.***

***(4) This section expires December 31, 2018.***

****Sec. 607 was vetoed. See message at end of chapter.***

NEW SECTION. **Sec. 608.** Sections 604, 605, and 606 of this act take effect January 1, 2018.

NEW SECTION. **Sec. 609.** Section 603 of this act takes effect January 1, 2019.

## PART VII
## SCHOOL DISTRICT COLLECTIVE BARGAINING AND SALARIES

NEW SECTION. **Sec. 701.** A new section is added to chapter 41.56 RCW to read as follows:

RESTRICTIONS ON CLS SALARY INCREASES DURING THE TRANSITION PERIOD. (1) A school district collective bargaining agreement that is executed or modified after the effective date of this section and that is in effect for the 2018-19 school year may not provide school district classified staff with a percentage increase to total salary for the 2018-19 school year, including supplemental contracts, that exceeds the previous calendar year's annual average consumer price index, using the official current base compiled by the bureau of labor statistics, United States department of labor, for the city of Seattle. However, if a district's average classified staff salary is less than the average classified salary allocated by the state for that year, the district may increase salaries not to exceed the point where the district's average classified staff salary equals the average classified staff salary allocated by the state.

(2) This section expires August 31, 2019.

NEW SECTION. **Sec. 702.** A new section is added to chapter 41.59 RCW to read as follows:

RESTRICTIONS ON CIS SALARY INCREASES DURING THE TRANSITION PERIOD. (1) A school district collective bargaining agreement that is executed or modified after the effective date of this section and that is in effect for the 2018-19 school year may not provide school

district certificated instructional staff with a percentage increase to total salary for the 2018-19 school year, including supplemental contracts, that exceeds the previous calendar year's annual average consumer price index, using the official current base compiled by the bureau of labor statistics, United States department of labor, for the city of Seattle. However, if a district's average certificated instructional staff salary is less than the average certificated instructional staff salary allocated by the state for that year, the district may increase salaries not to exceed the point where the district's average certificated instructional staff salary equals the average certificated instructional staff salary allocated by the state.

(2) This section expires August 31, 2019.

NEW SECTION. **Sec. 703.** A new section is added to chapter 28A.400 RCW to read as follows:

RESTRICTIONS ON CAS SALARY INCREASES DURING TRANSITIONAL PERIOD. (1) A school district may not provide any school district certificated administrative staff with a percentage increase to total salary for the 2018-19 school year, including supplemental contracts, that exceeds the previous calendar year's annual average consumer price index, using the official current base compiled by the bureau of labor statistics, United States department of labor, for the city of Seattle. However, if a district's average certificated administrative staff salary is less than the average certificated administrative salary allocated by the state for that year, the district may increase salaries not to exceed the point where the district's average certificated administrative staff salary equals the average certificated administrative staff salary allocated by the state.

(2) This section expires August 31, 2019.

NEW SECTION. **Sec. 704.** A new section is added to chapter 41.56 RCW to read as follows:

EFFECT ON COLLECTIVE BARGAINING AGREEMENTS. Nothing in chapter . . ., Laws of 2017 3rd sp. sess. (this act) is intended to alter or impair school district collective bargaining agreements that are in effect on the effective date of this section. Any school district collective bargaining agreement executed or modified after

the effective date of this section must comply with chapter . . ., Laws of 2017 3rd sp. sess. (this act).

NEW SECTION. **Sec. 705.** A new section is added to chapter 41.59 RCW to read as follows:

EFFECT ON COLLECTIVE BARGAINING AGREEMENTS. Nothing in chapter . . ., Laws of 2017 3rd sp. sess. (this act) is intended to alter or impair school district collective bargaining agreements that are in effect on the effective date of this section. Any school district collective bargaining agreement executed or modified after the effective date of this section must comply with chapter . . ., Laws of 2017 3rd sp. sess. (this act).

**Sec. 706.** RCW 41.59.935 and 1990 c 33 s 571 are each amended to read as follows:

COLLECTIVE BARGAINING AGREEMENTS. Nothing in this chapter ((~~shall be construed to~~)) grants employers or employees the right to reach agreements regarding salary or compensation increases for the state's statutory program of basic education in excess of those authorized in accordance with RCW 28A.150.410 and 28A.400.200. School districts are authorized to reach agreements regarding salaries or compensation for enrichment activities subject to RCW 28A.400.200 and section 501 of this act.

NEW SECTION. **Sec. 707.** Sections 701 through 703 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

## PART VIII
## SCHOOL EMPLOYEES' BENEFITS BOARD

NEW SECTION. **Sec. 801.** A new section is added to chapter 41.05 RCW to read as follows:

SEBB CREATED. (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, 2017, 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 care coverage, life insurance, liability insurance, accidental death and dismemberment, and disability insurance, or any of, or combination of, the enumerated types of insurance for eligible employees and their dependents on the best basis possible with relation both to the welfare of the employees and the state. However, liability insurance should not be made available to dependents;

(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. For participating employees, the required employee share of the cost for family coverage under a plan may not exceed the required employee share of the cost for employee-only coverage;

(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 six hundred thirty hours per year 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 chapter . . ., Laws of 2017 3rd sp. sess. (this act), including establishment of criteria for employing districts and individual employees;

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

(g) Participate with the authority in the preparation of specifications and selection of carriers contracted for employee 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) By November 30, 2021, 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 chapter . . ., Laws of 2017 3rd sp. sess. (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. 802.** RCW 41.05.011 and 2016 c 241 s 136 and 2016 c 67 s 2 are each reenacted and amended to read as follows:

SEBB—DEFINITIONS. 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 submits application materials to 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, 2019, 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) through December 31, 2019, employees of a charter school established under chapter 28A.710 RCW. "Employee" does not include: Adult family home providers; 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, 2020, "employee" for the school employees' benefits board program includes all employees of school districts, educational service districts, and charter schools established under chapter 28A.710 RCW.

(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.

((~~(8)~~)) (b) "Employer" for the school employees' benefits board program means school districts and educational service districts and charter schools established under chapter 28A.710 RCW.

(9) "Employer group" means those counties, municipalities, political subdivisions, the Washington health benefit exchange, tribal governments, school districts, and educational service

districts, and employee organizations representing state civil service employees, obtaining employee benefits through a contractual agreement with the authority.

((~~(9)~~)) (10)(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.

((~~(10)~~)) (b) "Employing agency" for the school employees' benefits board program means school districts and educational service districts.

(11) "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.

((~~(11)~~)) (12) "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.

((~~(12)~~)) (13) "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.

((~~(13)~~)) (14) "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.

((~~(14)~~)) (15) "Participant" means an individual who fulfills the eligibility and enrollment requirements under the salary reduction plan.

((~~(15)~~)) (16) "Plan year" means the time period established by the authority.

((~~(16)~~)) (17) "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.

((~~(17)~~)) (18) "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.

((~~(18)~~)) (19) "Salary" means a state employee's monthly salary or wages.

((~~(19)~~)) (20) "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.

((~~(20)~~)) (21) "School employees' benefits board" means the board established in section 801 of this act.

(22) "School employees' benefits board participating organization" means a public school district or educational service district or charter school established under chapter 28A.710 RCW that participates in benefit plans provided by the school employees' benefits board.

(23) "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.

((~~(21)~~)) (24) "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.

((~~(22)~~)) (25) "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.

((~~(23)~~)) (26) "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. 803.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to read as follows:

SEBB IMPLEMENTATION. (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 801 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 <u>and the school employees' benefits board</u>;

(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, 2019, 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 801 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 <u>or the school employees' benefits board</u>;

(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, 2017, 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. 804.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each amended to read as follows:

SEBB ESTABLISHED SEPARATELY FROM PEBB. (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, 2019; 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, 2020, 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, 2018, 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. 805.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to read as follows:

SEBB CONFORMING AMENDMENTS. (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. 806.** RCW 41.05.050 and 2016 c 67 s 3 are each amended to read as follows:

SEBB PARTICIPATION. (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) To account for increased cost of benefits for the state and for state employees, the authority may develop a rate surcharge applicable to participating counties, municipalities, other political subdivisions, and tribal governments.

(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<u>; and (d) school districts and educational service districts</u>, 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) <u>Until January 1, 2020, t</u>he 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, <u>and until January 1, 2020,</u> 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.~~)) Beginning January 1, 2020, all school districts and educational service districts shall commence participation in the school employees' benefits board program established under section 801 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, 2020, 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, 2020, 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 contributions to the governor and the director of financial management for inclusion in the proposed budgets submitted to the legislature.

**Sec. 807.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to read as follows:

SEBB—PEBB—CONFORMING AMENDMENTS. (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, 2019, 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, 2019, 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. 808.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to read as follows:

SEBB—HEALTH CARE AUTHORITY. (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, 2017, shall provide the school employees' benefits board and authority specified data by January 1, 2019, to support an initial benefits plans procurement. At a minimum, the data must cover the period January 1, 2014, through August 1, 2018, 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 years 2014 through 2017 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 2018 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. 809.** 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:

SEBB INSURANCE ACCOUNT. (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. 810.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to read as follows:

SEBB INSURANCE ADMINISTRATIVE ACCOUNT. (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. During the 2017-2019 and 2019-2021 fiscal biennia, moneys in the account may be used for the initial operating expenses

of the authority associated with chapter . . ., Laws of 2017 3rd sp. sess. (this act). All funds so used shall be reimbursed from the school employees' insurance administrative account following the start of benefit provision by the school employees' benefits board on January 1, 2020.

(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, including reimbursement of the state health care authority administrative account for initial operating expenses of the authority associated with chapter . . ., Laws of 2017 3rd sp. sess. (this act).

**Sec. 811.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to read as follows:

SEBB MEDICAL BENEFITS ACCOUNT. (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.

**Sec. 812.** RCW 41.05.670 and 2011 c 316 s 6 are each amended to read as follows:

SEBB IMPLEMENTATION. (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 801 of this act, shall implement the provisions of this section, effective January 1, 2020.

**Sec. 813.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each amended to read as follows:

SEBB CONFORMING AMENDMENTS. 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. 814.** RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each amended to read as follows:

SEBB COMPLIANCE AND REPORTING. (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, 2019, 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, 2018, 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, 2018, 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, 2018, 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, 2018, 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. 815.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each amended to read as follows:

SEBB CONFORMING AMENDMENTS. (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, and until December 31, 2019, 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, and beginning January 1, 2020, no basic or optional benefits may be provided by employer contributions if they are not provided by the school employees' benefits board administered by the health care authority, and consistent with RCW 41.56.500(2).

**Sec. 816.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each amended to read as follows:

SEBB CONFORMING AMENDMENTS. (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, 2019, 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 801 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 and optional benefits to school employees under this section expires December 31, 2019. Beginning January 1, 2020, school districts and educational service districts shall make available basic and optional benefits through plans offered by the health care authority and the school employees' benefits board.

**Sec. 817.** RCW 41.56.500 and 2010 c 235 s 802 are each amended to read as follows:

SEBB AND COLLECTIVE BARGAINING AGREEMENTS. (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 July 1, 2018, over the dollar amount to be contributed for school employee health benefits beginning January 1, 2020, on behalf of each employee for health care benefits. Bargaining must subsequently 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 801 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.

(4) The governor shall submit a request for funds necessary to implement the 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. The legislature shall not consider a request for funds 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. 818.** RCW 41.59.105 and 2010 c 235 s 803 are each amended to read as follows:

SEBB AND COLLECTIVE BARGAINING AGREEMENTS. (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 July 1, 2018, over the dollar amount to be contributed beginning January 1, 2020, on behalf of each employee for health care benefits. Bargaining must subsequently 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 801 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.

(4) The governor shall submit a request for funds necessary to implement the 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. The legislature shall not consider a request for funds 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. 819. RCW 48.02.210 and 2012 2nd sp.s. c 3 s 5 are each amended to read as follows:***

***SEBB CONFORMING AMENDMENTS. (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 <u>through December 1, 2018</u>, 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 <u>through December 1, 2018, as needed</u> 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.***

****Sec. 819 was vetoed. See message at end of chapter.***

## PART IX
## OTHER EDUCATION PROVISIONS

NEW SECTION. **Sec. 901.** ABSENTEEISM. The legislature finds that research shows that students who are chronically absent from school have lower levels of reading proficiency, reduced high school graduation rates, and less success in college. The legislature acknowledges that recent legislative actions have shifted the state's focus from truancy compliance to prevention of chronic student absences. The legislature recognizes that the superintendent of public instruction has incorporated in the state plan to implement the every student succeeds act chronic student absenteeism as one of three accountability measures. The legislature finds that addressing chronic student absenteeism and developing good school attendance habits are solvable problems. The legislature intends to support addressing chronic student absenteeism by providing state funding in the omnibus appropriations act for the 2017-2019 biennium. The legislature further intends for some of the state funding provided to facilitate a statewide accountability system to improve student graduation rates by, among other things, providing assistance to school districts about successful strategies to address chronic student absenteeism.

NEW SECTION. **Sec. 902.** TEACHER AND PRINCIPAL EVALUATION PROGRAM UPDATE. By November 1, 2017, the superintendent of public instruction shall provide an update to the education policy and the operating budget committees of the legislature on the implementation of the teacher and principal evaluation program. The update must include the following:

(1) An overview of the evaluation process including the eight evaluator criteria for teacher and principals, the three approved

teacher instructional frameworks, the approved principal leadership frameworks, and how student growth and professional learning plans are used in the evaluation process;

(2) An update of the school district school employee evaluation survey information that displays the total percentage of teachers and principals in each of the four levels of summative performance ratings: Distinguished, proficient, basic, and unsatisfactory; and a comparison of this data to the survey data from the 2014-15 school year;

(3) Information regarding scoring and the consequences or outcomes of evaluations;

(4) A review of the state and district programs that are in place to help struggling teachers; and

(5) Any recommendations for improving the evaluation program.

NEW SECTION. **Sec. 903.** INTENT REGARDING ENRICHED STAFFING VALUES. The legislature recognizes that legislation enacted in 2014 and 2015 established a phase-in of increased school district staffing ratios. Under current law, these increased staffing ratios begin in the 2019-2021 biennium and exceed the school district staffing ratios established in chapter 236, Laws of 2010 (Substitute House Bill No. 2776) and in chapter . . ., Laws of 2017 3rd sp. sess. (this act). In light of the education investments funded pursuant to the 2010 and 2017 legislation, the legislature intends to review and prioritize future staffing ratio increases to focus on reducing the opportunity gap, assisting struggling students, enhancing the educational outcomes for all students, and strengthening support for all schools and school district staff.

NEW SECTION. **Sec. 904.** A new section is added to chapter 28A.400 RCW to read as follows:

STAFFING ENRICHMENTS TO THE PROGRAM OF BASIC EDUCATION. (1) In addition to the staffing units in RCW 28A.150.260, the superintendent of public instruction must provide school districts with allocations for the following staff units if and to the extent that funding is specifically appropriated and designated for that category of staffing unit in the omnibus operating appropriations act.

(a) Additional staffing units for each level of prototypical school in RCW 28A.150.260:

| | Elementary School | Middle School | High School |
|---|---|---|---|
| Principals, assistant principals, and other certificated building-level administrators | 0.0470 | 0.0470 | 0.0200 |
| Teacher librarians, a function that includes information literacy, technology, and media to support school library media programs | 0.3370 | 0.4810 | 0.4770 |
| Health and social services: | | | |
| School nurses | 0.5090 | 0.8280 | 0.7280 |
| Social workers | 0.2690 | 0.0820 | 0.1120 |
| Psychologists | 0.0870 | 0.0220 | 0.0420 |
| Guidance counselors, a function that includes parent outreach and graduation advising | 0.0070 | 0.7840 | 0.9610 |
| Teaching assistance, including any aspect of educational instructional services provided by classified employees | 1.0640 | 0.3000 | 0.3480 |
| Office support and other noninstructional aides | 0.9880 | 1.1750 | 0.2310 |
| Custodians | 0.0430 | 0.0580 | 0.0350 |
| Classified staff providing student and staff safety | 0.0000 | 0.6080 | 1.1590 |
| Parent involvement coordinators | 0.9175 | 1.0000 | 1.0000 |

(b) Additional certificated instructional staff units sufficient to achieve the following reductions in class size in each level of prototypical school under RCW 28A.150.260:

| | General education certificated instructional staff units sufficient to achieve class size reduction of: |
|---|---|
| Grades K-3 class size | 0.00 |
| Grade 4 | 2.00 |
| Grades 5-6 | 2.00 |
| Grades 7-8 | 3.53 |
| Grades 9-12 | 3.74 |
| CTE | 4.0 |
| Skills | 4.00 |

| | High poverty certificated instructional staff units sufficient to achieve class size reduction of: |
|---|---|

Grades K-3 class size. . . . . 2.00
Grade 4. . . . . 5.00
Grades 5-6. . . . . 4.00
Grades 7-8. . . . . 5.53
Grades 9-12. . . . . 5.74

(2) The staffing units in subsection (1) of this section are an enrichment to and are beyond the state's statutory program of basic education in RCW 28A.150.220 and 28A.150.260. However, if and to the extent that any of these additional staffing units are funded by specific reference to this section in the omnibus operating appropriations act, those units become part of prototypical school funding formulas and a component of the state funding that the legislature deems necessary to support school districts in offering the statutory program of basic education under Article IX, section 1 of the state Constitution.

NEW SECTION. **Sec. 905.** REVIEW AND PRIORITIZATION OF ADDITIONAL STAFFING ENRICHMENTS. (1) The superintendent of public instruction shall convene a technical work group, which must include representatives of diverse school districts and education stakeholders, to review the staffing enrichments to the program of basic education detailed in section 904 of this act. The superintendent, together with the technical work group, shall make recommendations to the legislature on a possible phase-in plan of staffing enrichments that prioritizes the enrichments that are research or evidence-based strategies for reducing the opportunity gap, assisting struggling students, enhancing the educational outcomes for all students, or strengthening support for all school and school district staff. The superintendent shall report the recommendations to the education policy and operating budget committees of the legislature by December 1, 2019.

(2) This section expires June 30, 2020.

NEW SECTION. **Sec. 906.** REPEALERS. The following acts or parts of acts are each repealed:

(1) RCW 28A.150.261 (State funding to support instructional program of basic education——Schedule of increased allocations) and 2015 3rd sp.s. c 38 s 2 & 2015 c 2 s 3;

(2) 2015 c 2 s 1 (uncodified);

(3) 2015 c 2 s 2;

(4) 2015 c 2 s 4 (uncodified);

(5) 2015 3rd sp.s. c 38 s 3 and 2015 c 2 s 5 (uncodified);

(6) 2015 3rd sp.s. c 38 s 1 (uncodified); and

(7) 2015 3rd sp.s. c 38 s 4 (uncodified).

## PART X
## MISCELLANEOUS PROVISIONS

**Sec. 1001.** RCW 28A.545.030 and 1990 c 33 s 488 are each amended to read as follows:

CONFORMING AMENDMENT. The purposes of RCW 28A.545.030 through 28A.545.110 and 84.52.0531 are to:

(1) Simplify the annual process of determining and paying the amounts due by nonhigh school districts to high school districts for educating students residing in a nonhigh school district;

(2) Provide for a payment schedule that coincides to the extent practicable with the ability of nonhigh school districts to pay and the need of high school districts for payment; and

(3) Establish that the maximum amount due per annual average full-time equivalent student by a nonhigh school district for each school year is no greater than the ((~~maintenance and operation excess tax~~)) enrichment levy rate per annual average full-time equivalent student levied upon the taxpayers of the high school district.

**Sec. 1002.** RCW 28A.545.070 and 1990 c 33 s 491 are each amended to read as follows:

CONFORMING AMENDMENT. (1) The superintendent of public instruction shall annually determine the estimated amount due by a nonhigh school district to a high school district for the school year as follows:

(a) The total of the high school district's ((~~maintenance and operation excess tax~~)) enrichment levy that has been authorized and determined by the superintendent of public instruction to be allowable pursuant to RCW 84.52.0531, as now or hereafter amended, for collection during the next calendar year, shall first be divided by the total estimated number of annual average full-time equivalent students which the high school district superintendent or the superintendent of public instruction has certified pursuant to RCW

28A.545.060 will be enrolled in the high school district during the school year;

(b) The result of the calculation provided for in subsection (1)(a) of this section shall then be multiplied by the estimated number of annual average full-time equivalent students residing in the nonhigh school district that will be enrolled in the high school district during the school year which has been established pursuant to RCW 28A.545.060; and

(c) The result of the calculation provided for in subsection (1)(b) of this section shall be adjusted upward to the extent the estimated amount due by a nonhigh school district for the prior school year was less than the actual amount due based upon actual annual average full-time equivalent student enrollments during the previous school year and the actual per annual average full-time equivalent student ((~~maintenance and operation excess tax~~)) enrichment levy rate for the current tax collection year, of the high school district, or adjusted downward to the extent the estimated amount due was greater than such actual amount due or greater than such lesser amount as a high school district may have elected to assess pursuant to RCW 28A.545.090.

(2) The amount arrived at pursuant to subsection (1)(c) of this subsection shall constitute the estimated amount due by a nonhigh school district to a high school district for the school year.

***NEW SECTION.** Sec. 1003. REPEALERS. The following acts or parts of acts are each repealed:*

***(1) RCW 28A.400.201 (Enhanced salary allocation model for educator development and certification—Technical working group—Report and recommendation) and 2016 c 162 s 4, 2011 1st sp.s. c 43 s 468, 2010 c 236 s 7, & 2009 c 548 s 601;***

***(2) RCW 28A.415.020 (Credit on salary schedule for approved in-service training, continuing education, and internship) and 2011 1st sp.s. c 18 s 5, 2007 c 319 s 3, 2006 c 263 s 808, 1995 c 284 s 2, 1990 c 33 s 415, & 1987 c 519 s 1;***

***(3) RCW 28A.415.023 (Credit on salary schedule for approved in-service training, continuing education, or internship—Course content—Rules) and 2012 c 35 s 6 & 2011 1st sp.s. c 18 s 6;***

***(4) RCW 28A.415.024 (Credit on salary schedule—Accredited institutions—Verification—Penalty for submitting credits from unaccredited institutions) and 2006 c 263 s 809 & 2005 c 461 s 1; and***

***(5) RCW 28A.415.025 (Internship clock hours—Rules) and 2006 c 263 s 810 & 1995 c 284 s 3.***

****Sec. 1003 was vetoed. See message at end of chapter.***

**Sec. 1004.** RCW 28A.510.250 and 2011 1st sp.s. c 4 s 1 are each amended to read as follows:

ALLOCATION SCHEDULE. (1) On or before the last business day of September 1969 and each month thereafter, the superintendent of public instruction shall apportion from the state general fund to the several educational service districts of the state the proportional share of the total annual amount due and apportionable to such educational service districts for the school districts thereof as follows:

| | | |
|---|---|---|
| September | ..... | 9% |
| October | ..... | ((~~9%~~)) |
| | | 8% |
| November | ..... | ((~~5.5%~~)) |
| | | 5% |
| December | ..... | 9% |
| January | ..... | ((~~9%~~)) |
| | | 8.5% |
| February | ..... | 9% |
| March | ..... | 9% |
| April | ..... | 9% |
| May | ..... | ((~~5.5%~~)) |
| | | 5% |
| June | ..... | 6.0% |
| July | ..... | ((~~10.0%~~)) |
| | | 12.5% |
| August | ..... | 10.0% |

The annual amount due and apportionable shall be the amount apportionable for all apportionment credits estimated to accrue to the schools during the apportionment year beginning September ((~~first [1st]~~)) 1st and continuing through August ((~~thirty-first [31st]~~))

31st. Appropriations made for school districts for each year of a biennium shall be apportioned according to the schedule set forth in this section for the fiscal year starting September 1st of the then calendar year and ending August 31st of the next calendar year, except as provided in subsection (2) of this section. The apportionment from the state general fund for each month shall be an amount which will equal the amount due and apportionable to the several educational service districts during such month: PROVIDED, That any school district may petition the superintendent of public instruction for an emergency advance of funds which may become apportionable to it but not to exceed ten percent of the total amount to become due and apportionable during the school districts apportionment year. The superintendent of public instruction shall determine if the emergency warrants such advance and if the funds are available therefor. If the superintendent determines in the affirmative, he or she may approve such advance and, at the same time, add such an amount to the apportionment for the educational service district in which the school district is located: PROVIDED, That the emergency advance of funds and the interest earned by school districts on the investment of temporary cash surpluses resulting from obtaining such advance of state funds shall be deducted by the superintendent of public instruction from the remaining amount apportionable to said districts during that apportionment year in which the funds are advanced.

(2) In the 2010-11 school year, the June apportionment payment to school districts shall be reduced by one hundred twenty-eight million dollars, and an additional apportionment payment shall be made on July 1, 2011, in the amount of one hundred twenty-eight million dollars. This July 1st payment shall be in addition to the regularly calculated July apportionment payment.

NEW SECTION. **Sec. 1005.** EFFECTIVE DATE. Section 1004 of this act takes effect September 1, 2019.

NEW SECTION. **Sec. 1006.** EFFECTIVE DATE. Sections 102, 505, and 801 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

NEW SECTION. **Sec. 1007.** EFFECTIVE DATE. Sections 1001 and 1002 of this act take effect January 1, 2019.

Passed by the House June 30, 2017.
Passed by the Senate June 30, 2017.
Approved by the Governor July 6, 2017, with the exception of certain items that were vetoed.
Filed in Office of Secretary of State July 7, 2017.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to Sections 106, 607, 819, and 1003, Engrossed House Bill No. 2242 entitled:

"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."

Section 106 limits school districts' use of late start and early release days to seven occurrences each school year. Educators use this time to develop new competencies, collaborate with other educators, receive mentoring from senior teachers, and analyze student data to inform instructional practices. Research shows that this time for job-embedded professional learning and collaboration is linked to student success. Limiting practices that improve student achievement goes against the intent of this bill and our goals.

Section 607 requires the Caseload Forecast Council (Council) to convene a technical working group to determine the feasibility of developing a model to aid in school district four-year budget plans. Timely data does not exist to predict school district-level enrollments that factor in business growth and other local factors. The work required in this section is outside the scope of expertise for the Council. No funding is provided in the 2017-19 omnibus appropriations act; therefore, the Council is unable to contract for this work.

Section 819 ends reporting requirements for school employee health insurance benefits, effective December 1, 2018. House Bill 1042, which I am signing today, removes these reporting requirements. Moreover, funding to support these requirements was not included in the budget, so the Office of the Insurance Commissioner will be unable to produce the report.

Section 1003 repeals, among other things, the statutes that govern approved training and continuing education clock hours for the purpose of credit on the salary schedule, effective for the 2017-18 school year. These statutes are essential to compensation in the upcoming school year.

For these reasons I have vetoed Sections 106, 607, 819, and 1003 of Engrossed House Bill No. 2242.

With the exception of Sections 106, 607, 819, and 1003, Engrossed House Bill No. 2242 is approved."

**--- END ---**