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**SECOND SUBSTITUTE SENATE BILL 6195**

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**State of Washington 64th Legislature 2016 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Rivers, Rolfes, Litzow, and Billig)

AN ACT Relating to basic education obligations; amending RCW 28A.505.140 and 28A.400.200; creating new sections; and declaring an emergency.

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

NEW SECTION. **Sec.**  INTENT. During the past two biennia, the legislature has demonstrated its commitment to funding education through strong bipartisan support for funding its statutory formulas for: Pupil transportation; materials, supplies, and operating costs; full-day kindergarten; and class size reductions. In the 2015-2017 biennial budget, the legislature specifically increased funding to reduce class sizes in grades K-3. The legislature further included the previously scheduled 2017-2019 biennium completion of K-3 class size reduction funding in its adopted four-year budget outlook. The legislature has planned for and is fully committed to completing the scheduled phase in of K-3 class size reduction in the 2017-2019 biennium.

The state is fully committed to funding its program of basic education as defined in statute and to eliminating school district dependency on local levies for implementation of the state's program of basic education. It is the intent of the legislature to provide state funding for competitive salaries and benefits that are sufficient to hire and retain competent certificated instructional staff, administrators, and classified staff. Additionally, the legislature intends to minimize any disruptive impact to school districts and taxpayers.

The legislature finds that the lack of transparency in school district data regarding how districts use local levy funds limits its ability to make informed decisions concerning teacher compensation. Previous studies have analyzed market data for educator compensation and have provided recommendations on revisions to state allocation formulas, but these studies did not provide data and analysis of compensation paid by districts above basic education salary allocations above the statutory prototypical school model, the source of funding for this compensation, and the duties, uses, or categories for which that compensation is paid. This foundational data is necessary to inform the legislature's decisions.

NEW SECTION. **Sec.**  EDUCATION FUNDING TASK FORCE ESTABLISHED. (1) The education funding task force is established to continue the work of the governor's informal work group to review the data and analysis provided by the consultant retained under section 3 of this act and must make recommendations to the legislature on implementing the program of basic education as defined in statute.

(2) Using the data and analysis provided by the consultant and the previous body of work provided to the legislature, the task force must, at a minimum, make recommendations for compensation that is sufficient to hire and retain the staff funded under the statutory prototypical school funding model and an associated salary allocation model. The recommendations must also include provisions indicating whether:

(a) A system for future salary adjustments should be incorporated into the salary allocation model and if so, the method for providing the adjustment; and

(b) A local labor market adjustment formula should be incorporated into the salary allocation model and if so, the method for providing the adjustment. This must include considerations for rural and remote districts and districts with economic and distressing factors that affect recruitment and retention.

(3) The task force must review the report on addressing the problem of teacher shortages prepared by the professional educator standards board. The task force must make recommendations for improving or expanding existing educator recruitment and retention programs.

(4) The task force must also make recommendations regarding:

(a) Local maintenance and operation levies and local effort assistance;

(b) Local school district collective bargaining;

(c) Clarifying the distinction between services provided as part of the state's statutory program of basic education and services that may be provided as local enrichment;

(d) Required district reporting, accounting, and transparency of data and expenditures;

(e) The provision and funding method for school employee health benefits; and

(f) Sources of state revenue to support the state's statutory program of basic education.

(5) The task force consists of the following members:

(a) Eight legislators, with two members from each of the two largest caucuses of the senate appointed by the leaders of each of the two largest caucuses of the senate, and two members from each of the two largest caucuses of the house of representatives appointed by the speaker of the house of representatives; and

(b) The governor or the governor's designee as a nonvoting member to serve as facilitator.

(6) Recommendations of the task force require the affirmative vote of six of its members.

(7) Staff support for the task force must be provided by the house of representatives office of program research and senate committee services, with additional staff support provided by the office of financial management.

(8) Meetings of the task force shall be open to the public. The task force shall solicit input from the public through a period of open public comment at task force meetings. The comment period may be limited to ensure that the task force has sufficient time to conduct all of its business.

(9) The expenses of the task force must be paid jointly by the senate and the house of representatives. Task force expenditures are subject to approval by the senate facilities and operations committee and the house of representatives executive rules committee, or their successor committees.

(10) The task force recommendations and any supporting legislation must be submitted to the legislature by January 9, 2017.

NEW SECTION. **Sec.**  ANALYSIS OF K-12 PUBLIC SCHOOL STAFF COMPENSATION. (1) In consultation with the education funding task force established in section 2 of this act, the Washington state institute for public policy shall contract for independent professional consulting services to:

(a) Collect K-12 public school staff total compensation data, and within that data, provide an analysis of compensation paid in addition to basic education salary allocations under the statutory prototypical school model, source of funding, and the duties, uses, or categories for which that compensation is paid;

(b) Identify market rate salaries that are comparable to each of the staff types in the prototypical school funding model; and

(c) Provide analysis regarding whether a local labor market adjustment formula should be implemented and if so which market adjustment factors and methods should be used.

(2) The superintendent of public instruction must collect, and school districts and other applicable local education agencies must provide, compensation data necessary to implement this section with sufficient time for the consultant to accomplish the work required by this section. Data must be in the format necessary to meet the needs of the consultant. The superintendent of public instruction must provide this information to the Washington state institute for public policy, the office of financial management, and the education funding task force, for use by the consultant and the task force.

(3) The consultant must provide an interim report to the education funding task force and the governor by September 1, 2016.

(4) The consultant's final data and analysis must be provided to the education funding task force and the governor by November 15, 2016.

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

(1) By June 1, 2016, the superintendent of public instruction shall create a working group with representatives of the state auditor, legislative evaluation and accountability program committee, the school district accounting advisory committee, school district and educational service district financial managers, the Washington association of school business officers, the Washington association of school administrators, the Washington state school directors' association, and others with expertise in education finance that the superintendent may choose. By September 1, 2016, the working group shall submit to the education funding task force established in section 2 of this act recommendations on how to implement improved accounting procedures and practices, including requiring school districts to provide separate accounting of state, federal, and local revenue expenditures and also separate accounting of basic education and nonbasic education expenditures.

(2) 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.

((~~(2)~~)) (3) 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)~~)) (4) 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)~~)) (3) 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.

NEW SECTION. **Sec.**  (1) The legislature recognizes that local levy funds should not be used to pay for the program of basic education as defined by the legislature. The legislature further recognizes that when the auditor conducts audits of school districts that the audit should include ensuring that the school district is keeping federal, state, and local funds separate and that local levy funds are not being used for the program of basic education. The legislature intends to direct the auditor to make recommendations on how to ensure that school districts are not spending local levy funds to pay for basic education expenses.

(2) By June 1, 2016, the state auditor shall review its internal audit practices, review recent school district audits of a representative sample of school districts, including large, small, urban, and rural districts, and make recommendations to the education task force established in section 2 of this act on how adjustments can be made to the internal practices of both the auditor and the school districts to ensure that school districts are not using local levy funds for basic education. The review of recent school audits and any recommendations by the auditor required under this section shall not constitute a finding by the auditor against any of the school districts that are reviewed.

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

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

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

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

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

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

(c) 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) For local bargaining agreements prior to June 30, 2016, salaries and benefits for certificated instructional staff may exceed the limitations in subsection (3) of this section only by separate contract for additional time, for additional responsibilities, for incentives, or for implementing specific measurable innovative activities, including professional development, specified by the school district to: (a) Close one or more achievement gaps, (b) focus on development of science, technology, engineering, and mathematics (STEM) learning opportunities, or (c) provide arts education. Beginning September 1, 2011, school districts shall annually provide a brief description of the innovative activities included in any supplemental contract to the office of the superintendent of public instruction. The office of the superintendent of public instruction shall summarize the district information and submit an annual report to the education committees of the house of representatives and the senate.

(b)(i) Beginning July 1, 2016, salaries and benefits for certificated instructional staff may exceed the limitations provided in subsection (3) of this section through a separate local compensation contract, which shall only be for the following:

(A) Additional recorded time for the implementation of new programs for students outside of the state-funded contract school day; or

(B) Time-based activities previously funded by the school district but not included in the collective bargaining agreement; or

(C) Additional time for staff development outside of the state-funded contract school day or school year.

(ii) The limitations in (b)(i) of this subsection shall not result in a salary reduction from school year 2015-16.

(c) Supplemental contracts shall not cause the state to incur any present or future funding obligation. Supplemental contracts shall be subject to the collective bargaining provisions of chapter 41.59 RCW and the provisions of RCW 28A.405.240, shall not exceed one year, and if not renewed shall not constitute adverse change in accordance with RCW 28A.405.300 through 28A.405.380. No district may enter into a supplemental contract under this subsection for the provision of services which are a part of the basic education program required by Article IX, section 3 of the state Constitution.

(5) 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.**  LOCAL LEVIES—LEGISLATIVE ACTION. Legislative action must be taken by December 31, 2017, to reform school district levies, including addressing the scheduled reductions in school district levy authority percentages, the levy base due to the scheduled elimination of certain nonbasic education revenues that the school districts did not actually receive, and local effort assistance due to the reductions in levy authority and the levy base.

NEW SECTION. **Sec.**  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.

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